

INTERIM REPORT //

FOR THE 3RD QUARTER AND THE
FIRST NINE MONTHS OF 2019
GRENKE CONSOLIDATED GROUP

GRENKE

KEY FIGURES //

GRENKE GROUP

	JAN. 1, 2019 TO SEP. 30, 2019	CHANGE (%)	JAN. 1, 2018 TO SEP. 30, 2018	UNIT
NEW BUSINESS GRENKE GROUP LEASING	**2,091,692**	**21.7**	**1,718,061**	**EURk**
of which international	1,569,171	22.7	1,278,509	EURk
of which franchise international	60,395	33.9	45,115	EURk
of which DACH*	462,126	17.2	394,437	EURk
Western Europe (without DACH)*	543,614	23.9	438,709	EURk
Southern Europe*	640,814	18.2	542,257	EURk
Northern/Eastern Europe*	352,581	26.9	277,882	EURk
Other regions*	92,557	42.9	64,777	EURk
NEW BUSINESS GRENKE GROUP FACTORING (INCL. COLLECTION SERVICES)	**475,654**	**29.9**	**366,197**	**EURk**
of which Germany	129,406	0.6	128,622	EURk
of which international	124,558	18.2	105,393	EURk
of which franchise international	221,690	67.7	132,181	EURk
GRENKE BANK Deposits	**799,252**	**27.9**	**624,800**	**EURk**
New business SME lending business incl. business start-up financing	37,595	28.5	29,251	EURk
CONTRIBUTION MARGIN 2 (CM2) ON NEW BUSINESS GRENKE GROUP LEASING	**350,347**	**15.6**	**303,040**	**EURk**
of which international	273,876	15.4	237,388	EURk
of which franchise international	12,900	33.8	9,642	EURk
of which DACH*	63,570	13.5	56,010	EURk
Western Europe (without DACH)*	95,283	20.2	79,266	EURk
Southern Europe*	107,888	5.8	102,019	EURk
Northern/Eastern Europe*	63,437	21.4	52,263	EURk
Other regions*	20,169	49.6	13,481	EURk
FURTHER INFORMATION LEASING BUSINESS				
Number of new contracts	231,852	18.5	195,708	units
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	9.0	2.8	8.8	EURk
Mean term of contract	49	0.0	49	months
Volume of leased assets	8,068	21.6	6,636	EURm
Number of current contracts	901,869	19.2	756,665	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

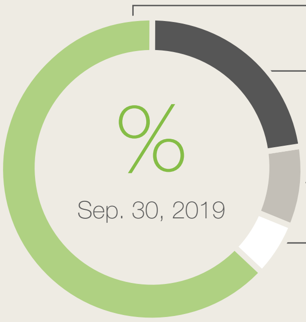
	JAN. 1, 2019 TO SEP. 30, 2019	CHANGE (%)	JAN. 1, 2018 TO SEP. 30, 2018	UNIT
KEY FIGURES INCOME STATEMENT				
Net interest income	239,916	14.8	209,007	EURk
Settlement of claims and risk provision	92,243	38.5	66,594	EURk
Profit from service business	72,813	18.8	61,279	EURk
Profit from new business	73,401	20.3	60,995	EURk
Gains (+)/losses (–) from disposals	–4,385	85.6	–2,362	EURk
Other operating income	6,831	48.5	4,601	EURk
Cost of new contracts	52,167	20.7	43,231	EURk
Cost of current contracts	15,287	21.3	12,598	EURk
Project costs and basic distribution costs	49,691	6.4	46,714	EURk
Management costs	42,802	6.7	40,110	EURk
Other costs	10,628	51.9	6,998	EURk
Operating result	125,758	7.2	117,275	EURk
Other financial result (income (–)/expense (+))	2,260	98.6	1,138	EURk
Income/expenses from fair value measurement	–633	–2,334.6	–26	EURk
EBT (earnings before taxes)	122,865	5.8	116,111	EURk
NET PROFIT	**103,037**	**5.2**	**97,969**	**EURk**
EARNINGS PER SHARE (ACCORDING TO IFRS)	**2.08**	**0.5**	**2.07**	**EUR**
FURTHER INFORMATION				
Dividends	0.80	14.3	0.70	EUR
Embedded value, leasing contract portfolio (excl. equity before taxes)	596	15.3	517	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,639	12.0	1,464	EURm
Cost/income ratio	58.0	3.0	56.3	percent
Equity ratio	16.9	–11.5	19.1	percent
Average number of employees in full-time equivalent	1,649	15.4	1,429	employees
Staff costs	84,917	12.8	75,285	EURk
of which total remuneration	69,699	12.9	61,724	EURk
of which fixed remuneration	50,671	12.4	45,080	EURk
of which variable remuneration	19,028	14.3	16,644	EURk

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

AT A GLANCE //

GRENKE CONTINUES TO BE ON TRACK: STABLE TREND IN NEW BUSINESS AND PLANNED EXPANSION OF INTERNATIONAL PRESENCE

LEASING NEW BUSINESS PORTFOLIO //



63.3 // IT products

22.5 // Machines / systems

8.6 // Medical technology

5.6 // Security devices and others

BROADLY DIVERSIFIED

GRENKE GROUP LOCATIONS //

148

CELL DIVISIONS //

UNITED ARAB EMIRATES

GRENKE GROUP NEW BUSINESS //

+23%

Volume including franchise partners reaches EUR 2,604.9 million (previous year: EUR 2,113.5 million)

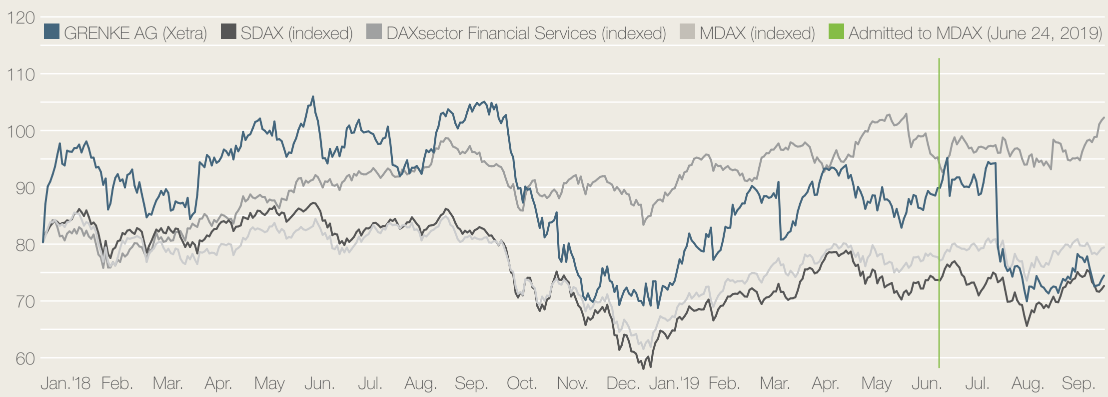
NUMBER OF EMPLOYEES //

1,649

Year-on-year increase of 15.4% (GRENKE Consolidated Group; previous year: 1,429)

SOLID GROWTH

GRENKE SHARE PRICE PERFORMANCE // January 02, 2018 to September 30, 2019



SHARE PRICE PERFORMANCE

CONTENTS //

LETTER FROM THE BOARD OF DIRECTORS //

TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

GRENKE Group's business continued to grow profitably in the third quarter of 2019, seamlessly carrying on the successful trend of the first half-year. Overall, new business in our Leasing segment grew by 21.7 percent in the first nine months of the year. Next to our three core markets – Germany, France and Italy – Spain stood out, above all, with strong new business growth. The strong, double-digit growth rates outside of our core markets, underscore our diversification strategy. The contribution margin improved, in particular, in the third quarter, amounting to 17.1 percent for this period, and exceeding the margin achieved in the second quarter (16.6 percent).

GRENKE Group Factoring was also extremely successful, with new business rising a notable 29.9 percent in the reporting period. We continue to live up to our high standards and remain on course for further growth.

We will also continue our successful cooperation with KfW. The recently concluded EUR 200 million global loan agreement will benefit small and medium-sized enterprises, self-employed professionals and business start-ups by providing attractive leasing conditions for their purchases of new equipment. For more than 40 years, we have been a reliable financing partner for companies of this size. We recognised early on their growing demand to include leasing as a component of their financing mix – which makes us all the more pleased that we can support them even more with sponsored offers.

During the course of the year, macroeconomic growth slowed in several markets. Especially in such phases of economic change, the balanced use of our risk-focused and yet growth-oriented management tools is of particular importance. In the second quarter of 2019, based on these indicators we implemented a more stringent acceptance policy and pricing amid the continued high growth in new business. Over the long term, this will result in a sustainable rise in both our profitability and enterprise value. The result from the settlement of claims and risk provision developed according to our expectations, which was also a consequence of the measures we initiated.

Given our continued solid business performance in the third quarter of 2019, we are confident that we will close the year in line with our forecast range for net profit. For new business growth at GRENKE Group Leasing, we were even able to raise our target range to 18 to 21 percent (previous forecast: 16 to 19 percent). We also recorded a significant year-on-year increase in new business growth at GRENKE Group Factoring and, therefore, expect to end the fiscal year within the scope of our 2019 forecast.

Fellow shareholders, our stable and sustainable business model is keeping us on track for further growth. With a series of strategic decisions and our plans for the upcoming year, including the opening of a new franchise in Arizona, USA, we have also set the course for our successful performance beyond the year 2019. We thank you for your trust.

Baden-Baden, October 2019

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

CONDENSED INTERIM GROUP MANAGEMENT REPORT //

1. CONSOLIDATED GROUP PRINCIPLES

1.1 GRENKE OVERVIEW

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 currently operates worldwide with more than 1,600 employees in 32 countries.

The Consolidated Group 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 this interim 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 franchise partners).

1.2 BUSINESS MODEL

With the traditional offer of lease financing for lower-value IT and office communication products and software starting at a net purchase price of EUR 500, GRENKE has 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 the leases is less than EUR 25k. In recent years, the Group has also extended its business model to include other product areas such as small machinery and systems, as well as medical and security devices.

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 Group has geared its business model towards optimising efficiency across all core operating processes through broad standardisation, comprehensive IT-based automation, speed and maintaining a lean organisation.

1.3 TARGETS AND STRATEGY

The GRENKE Group is one of the leading European providers of financial services for SMEs focused on small-ticket leasing. The Company is a leader in this area in Germany, Switzerland, Italy and France. The Group's strategic mid-term target is to position GRENKE as a comprehensive small-ticket financial service provider for medium-sized companies not just in Europe but also internationally. Over the last several years, the Group has entered several countries outside of Europe in Asia and Australia, as well as in North and South America.

Financing the growth strategy is based on several pillars. In addition to GRENKE Bank's deposits, the Company uses "asset-based" instruments, including ABCP programmes, as well as "senior unsecured" instruments such as bonds, debentures and commercial paper. GRENKE also places great importance on maintaining a solid equity base and has therefore used a benchmark for the equity ratio of 16 percent for many years. GRENKE considers this level as an essential prerequisite for securing the investment grade rating.

2. BUSINESS PERFORMANCE

2.1 GRENKE GROUP'S NEW BUSINESS

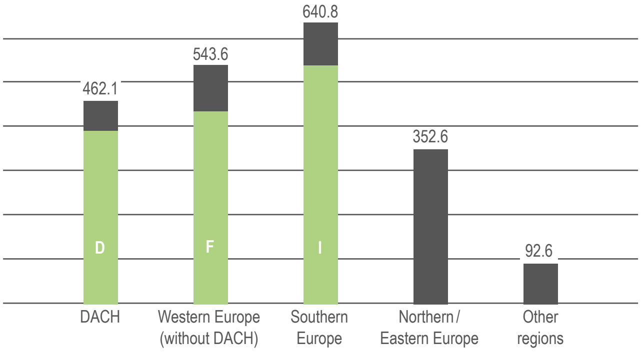
New business volume is generally based on the GRENKE Group, which is defined as the Consolidated Group including its franchise partners. In the third quarter of 2019, GRENKE Group achieved new business growth of 24 percent. The Group's growth accelerated slightly in the period from July to September 2019 and exceeded the high levels already recorded in the first (22 percent) and second (23 percent) quarters. In the first nine months of 2019, GRENKE Group's new business volume amounted to EUR 2,604.9 million compared to EUR 2,113.5 million in the same prior-year period, corresponding to an increase of 23 percent.

New business volume at GRENKE Group Leasing – defined as the total acquisition costs of newly acquired leased assets – increased in the nine-month period 2019 by 22 percent to EUR 2,091.7 million (9M 2018: EUR 1,718.1 million). The Leasing business as a percentage of the Group's total volume of new business remained almost unchanged at 80 percent (previous year: 81 percent). New business growth in the first nine months was driven by the three leasing core markets of Germany (+18 percent), France (+22 percent) and Italy (+11 percent). Outside the core markets, growth in the nine-month period remained above-average, resulting in further regional diversification of the leasing portfolio. Among the major international markets, very strong performance was seen particularly in Spain (+48 percent), as well as in Great Britain (+30 percent). The general macroeconomic uncertainties and the upcoming Brexit, in particular, had no negative impact on the GRENKE Group's business growth. The measures initiated in June for a more restrictive approval policy and more risk-oriented pricing could be successfully implemented along with the ongoing growth.

In the DACH region, which comprises Germany, Austria and Switzerland, the volume in the first nine months of 2019 increased by 17 percent to EUR 462.1 million (previous year: EUR 394.4 million). In the region Western Europe (excluding DACH), new business grew by 24 percent to EUR 543.6 million (previous year: EUR 438.7 million). New business in Southern Europe – which is the largest region in terms of its share of the total new leasing business – increased by 18 percent in the nine-month period to a total of EUR 640.8 million (previous year: EUR 542.3 million). The main drivers of this performance were the aforementioned strong growth in Spain and solid development in Italy. In the period from January to September 2019, the Northern / Eastern European region grew by 27 percent to EUR 352.6 million (previous year: EUR 277.9 million). Other regions recorded a rise in new business volume of 43 percent to EUR 92.6 million (previous year: EUR 64.8 million) based on still relatively low comparisons. SEE DIAGRAM "GRENKE GROUP LEASING'S NEW BUSINESS BY REGION"

NEW BUSINESS GRENKE GROUP LEASING * //

As per September 30, 2019, in EUR millions



* See following page for regional description.

The diversification of the leasing portfolio beyond the traditional IT area progressed during the reporting period. Medical technology products, small machinery, systems and security devices in the reporting period accounted for a share of new business of 36.7 percent (9M 2018: 32.8 percent). The mean acquisition value per lease contract in the first nine months increased slightly to EUR 9,022 (9M 2018: EUR 8,779), but remained at a customary level for the business, reflecting the leasing business's strong focus on the small-ticket segment.

In the period from January to September 2019, the GRENKE Group registered a total of 454,937 lease applications (9M 2018: 395,264), which resulted in the conclusion of 231,852 (9M 2018: 195,708) new leases. This number corresponded to a stable conversion rate (applications into contracts) of 51 percent (9M 2018: 50 percent). In the international markets, GRENKE received 376,642 applications (9M 2018: 330,012), resulting in 185,964 (9M 2018: 160,026) new contracts for a conversion rate of 49 percent (9M 2018: 48 percent). The conversion rate in the DACH region was 59 percent (9M 2018: 55 percent).

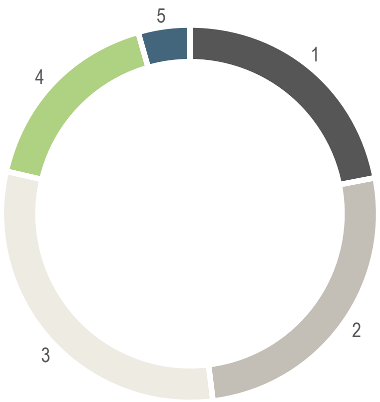
The contribution margin 2 (CM2) for leasing new business increased by 16 percent in the first nine months of 2019 to EUR 350.3 million (9M 2018: EUR 303.0 million), corresponding to a CM2 margin of 16.7 percent (9M 2018: 17.6 percent). The lower year-on-year CM2 margin resulted, for one, from an adjustment in expected losses in the contribution margin calculation for new business as per the second quarter of 2019, reflecting GRENKE's recognition of the generally increasing macroeconomic uncertainties. The lower level was also a result of the negative impact of the expiry of tax incentives for lease finance in Italy ("super ammortamento") at the end of 2018. A corresponding adjustment to pricing in Italy was successfully implemented in the first half of 2019 and the CM2 margin subsequently returned to its level at the end of 2018. Due to the weaker margin in the first quarter of 2019, however, the CM2 margin was lower year-on-year in the nine-month period.

By contrast, the aforementioned adjustment in the approval policy and pricing implemented at the end of June 2019 led, as anticipated, to a sequential improvement in the CM2 margin to 17.1 percent in the third quarter of 2019 compared to 16.6 percent in the prior quarter. An increase in the CM2 margin compared to the prior quarter occurred in all regions. The CM1 margin of the leasing business (contribution margin 1 at acquisition values) amounted to 12.3 percent in the first nine months of 2019, reaching a level of EUR 258.1 million (9M 2018: 12.7 percent or EUR 218.6 million).

The Factoring business (GRENKE Group Factoring) increased its volume of new business in the first nine months of 2019 by 30 percent to EUR 475.7 million (9M 2018: EUR 366.2 million). The key driver continued to be the international business, which grew 46 percent to EUR 346.2 million (9M 2018: EUR 237.6 million). Internationally, the share of the debt collection services, which do not assume default risks, was 22 percent (9M 2018: 24 percent). The gross margin in the international markets improved to 1.54 percent (9M 2018: 1.31 percent). In Germany, where the share of the debt collection services amounted to 17 percent (9M 2018: 11 percent), new business increased slightly to EUR 129.4 million (9M 2018: EUR 128.6 million). The gross margin in Germany remained at a high level of 1.57 percent (9M 2018: 1.66 percent). The gross margin is based on the average period of a factoring transaction of approx. 28 days in Germany (9M 2018: approx. 27 days) and approx. 42 days on an international level (9M 2018: approx. 40 days).

GRENKE Bank in the first nine months of the current fiscal year, increased its new business in lending for SMEs by 29 percent to EUR 37.6 million (9M 2018: EUR 29.3 million). GRENKE Bank's deposit volume reached EUR 799.3 million as per the September 30, 2019 reporting date, which was 15 percent higher than the level of EUR 692.4 million reported at the end of the 2018 fiscal year and 28 percent higher than the level reported as per September 30, 2018 (EUR 624.8 million).

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION //



GRENKE Group Leasing (Share of overall new business in percent)	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018
1 DACH	22.1	23.0
2 Western Europe (without DACH)	26.0	25.5
3 Southern Europe	30.6	31.5
4 Northern / Eastern Europe	16.9	16.2
5 Other regions	4.4	3.8
GRENKE Group (in EUR millions)	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018
New business GRENKE Group Leasing	2,091.7	1,718.1
New business GRENKE Group Factoring	475.7	366.2
Business start-up financing GRENKE Bank (incl. microcredit business	37.6	29.3

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, Great Britain, Ireland, Latvia *, Norway, Sweden / Czechia, Hungary, Poland, Romania, Slovakia
Other regions: Australia*, Brazil, Canada*, Chile*, Singapore*, Turkey, UAE

* Franchise

2.2 GRENKE CONSOLIDATED GROUP'S BUSINESS PERFORMANCE

On the basis of a successful feasibility study, GRENKE decided in July 2019 to expand its leasing business in the coming year to include the US market. Using its proven franchise model, GRENKE plans to open its first US location in the state of Arizona in the first half of 2020. The underlying conditions in that state appear particularly promising to enter the US market from both a legal and a sales perspective.

In September 2019, GRENKE entered into a global loan agreement with KfW for lease financing for an amount of EUR 200 million. Within the framework of this cooperation, SMEs, self-employed professionals and start-ups across Germany are benefiting from attractive leasing conditions when making new business purchases. Those eligible for funding include commercial enterprises and members of self-employed professions based in Germany who generate annual revenue of up to EUR 500 million. With the conclusion of this third global loan, KfW and GRENKE further expanded their existing cooperation. Since the completion of the first global loan in December 2016, a total of just under 27,000 leases have been funded.

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT //

EURk	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018*
Net interest income	**239,916**	**209,007**
Settlement of claims and risk provision	92,243	66,594
Net interest income after settlement of claims and risk provision	**147,673**	**142,413**
Profit from service business	72,813	61,279
Profit from new business	73,401	60,995
Gains (+) / losses (−) from disposals	−4,385	−2,362
Income from operating business	**289,502**	**262,325**
Staff costs	84,917	75,285
of which total remuneration	69,999	61,724
of which fixed remuneration	50,671	45,080
of which variable remuneration	19,028	16,644
Selling and administrative expenses (excluding staff costs)	56,083	57,264
of which IT project costs	3,872	5,196
Earnings before taxes	**122,865**	**116,111**
Net profit	**103,037**	**97,969**
Earnings per share (in EUR; basic/diluted)	2.08	2.07

* Selected prior-year figures adjusted (see section "Adjustments" in the notes to the condensed interim consolidated financial statements)

3. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

3.1 NEW IFRS 16 ACCOUNTING STANDARD

The GRENKE Consolidated Group applied IFRS 16 “Leases” for the first time in the 2019 fiscal year. The changes in the accounting and valuation methods resulting from this standard affect the GRENKE Consolidated Group in its role as lessee. The changes were applied according to the modified retrospective approach, and therefore the previous year’s figures have not been adjusted.

As part of the transition to IFRS 16, assets were capitalised for rights-of-use for leased assets. These concerned leased properties, leased vehicles and rights-of-use for other leases. The corresponding lease liabilities were recognised on the liabilities side of the balance sheet. The cumulative conversion effect resulting from the first-time adoption was recognised directly in equity as per January 1, 2019.

In the consolidated income statement for the first nine months of 2019, the application of IFRS 16 as lessor resulted in higher depreciation and amortisation due to the capitalisation of rights-of-use assets, as well as additional interest expense from lease liabilities. The rental / lease expenses previously included in selling and administrative expenses were brought down as a result of IFRS 16.

In the consolidated statement of cash flows for the first nine months of 2019, the repayments recorded under rental/lease instalments are recognised as cash outflows within the cash flow from financing activities. The interest portions included in the instalments are presented as a reduction in net cash flow from operating activities. Payments for short-term leases and low-value leases are included in cash flow from operating activities.

As part of the implementation of IFRS 16 for lessors, the definition of initial direct costs was made more specific. Due to the planned retrospective change in the consolidated financial statements as per the end of the year, the Consolidated Group does not anticipate a material change in earnings overall. The one-time conversion effect resulting from the first-time application of the standard will be reflected as a reduction in equity in the single-digit-million range. Total profitability will not be affected, as the change merely relates to the timing of the recognition of the items interest income, profit from new business and gains/losses from disposals, which are mainly affected by the accounting for lease receivables. This is not expected to have a material effect on the forecast for net profit in 2019. For further information, please refer to the notes. SEE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS, PAGE 18

3.2 MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Economic conditions in most economies have continued to dampen over the course of 2019 from a macroeconomic perspective. In October, the International Monetary Fund (IMF) again reduced its forecast for global economic growth in 2019 by 0.2 percentage points to 3.0 percent, marking the third reduction this year and representing the weakest level of growth since the end of the financial market crisis. For the euro area, the IMF now expects economic growth of a mere 1.2 percent, after projecting 1.6 percent at the beginning of the year. For Germany, the largest economy in Europe, economists are anticipating a “technical recession” in the second half of 2019, which is defined as two consecutive quarters of declining gross domestic product. In its October update, the IMF foresees an acceleration in global growth to 3.4 percent in 2020, up from 3.0 percent in 2019. This optimism, however, is based solely on the projections for the developing and emerging economies. The IMF expects the advanced economies, in contrast, to experience continued weakness in growth, mainly as a result of persisting global trade conflicts and a number of geopolitical crises.

Based on the weaker economic outlook and more difficult financing conditions, Euler Hermes expects insolvencies in the year 2019 to increase by around seven percent worldwide and four percent in Western Europe.

3.3 RESULTS OF OPERATIONS

3.3.1 COMPARISON OF THIRD QUARTER 2019 VERSUS 2018

Interest and similar income from financing business increased 16 percent in the third quarter of 2019. The 20 percent increase in interest expenses on refinancing resulted in a rise in net interest income of 16 percent to EUR 83.2 million (Q3 2018: EUR 71.8 million). Expenses for the settlement of claims and risk provision increased by 31 percent in the reporting quarter to EUR 32.0 million (previous year: EUR 24.5 million). Although the increase in losses was disproportionately higher than the rise in net interest income, it was still sharply lower than in the prior quarter (Q2 2019: +59 percent). As anticipated, the loss rate for the Consolidated Group equalled 1.6 percent, remaining at the level of the previous quarter (Q2 2019: 1.6 percent), representing a year-on-year increase of 30 basis points (Q3 2018: 1.3 percent). As already described in the financial report for the first half-year, when viewing the development of the loss rate it is important to highlight that the increase in losses in recent years has been disproportionately lower than the growth in new business – despite the increasing effect caused by the introduction of IFRS 9. Consequently, the Consolidated Group views the increase in the loss rate year-to-date as a normalisation. The reason for the higher loss rate is primarily a slightly higher level of contract terminations due to non-payment amid a more difficult economic environment in most of the Consolidated Group’s relevant markets. Net interest income after settlement of claims and risk provision increased by 8 percent to EUR 51.2 million in the third quarter of 2019 (Q3 2018: EUR 47.3 million).

Profits from service and new business increased by 21 percent each in the quarter under review. After a breakeven result in gains / losses from disposals in the same quarter of the previous year, a loss from disposals of EUR –4.0 million was recorded in the third quarter of 2019. This item is often volatile from a quarterly standpoint. In the reporting quarter, this item was also adversely affected by a divergence between gains and losses from disposals in the recognition of expected residual values under IFRS and their actual realisation at the end of the basic lease term. There are no indications that the expected values determined by the Consolidated Group cannot be achieved, meaning that it can be expected that the gains and losses from disposals over the total period of a portfolio will be roughly breakeven. The income from operating business in the third quarter amounted to EUR 98.6 million compared to EUR 89.7 million in the same prior-year period, corresponding to an increase of 10 percent.

Operating expenses increased disproportionately to income in the third quarter of 2019. Staff costs, the Consolidated Group’s largest expense item, increased by 10 percent to EUR 28.5 million (Q3 2018: EUR 26.0 million). This increase primarily resulted from the further increase in the average number of employees of 15 percent to 1,649 (based on full-time employees; previous year: 1,429) as a result of the continued growth of the Consolidated Group and higher variable remuneration components.

The 66 percent increase in depreciation and impairment in the reporting quarter was largely due to the change in the accounting for rental and lease agreements in accordance with IFRS 16. As a result of the capitalisation of the rental and lease contracts, the corresponding expenses were classified as additional amortisation of rights-of-use (Q3 2019: EUR 2.9 million) and additional interest expenses for rental and lease liabilities (Q3 2019: EUR 0.1 million). By contrast, selling and administrative expenses, which had included rental and lease expenses in the previous year, fell year-on-year by 4 percent to EUR 19.3 million (Q3 2018: EUR 20.1 million) due to reclassification. Within this item, there was a significant decline, particularly in operating and IT project costs. The balance of other operating income and expenses in the reporting quarter was distinctly negative at EUR −1.2 million (Q3 2018: EUR +1.0 million), mainly as a consequence of higher losses from foreign currency translation differences.

The disproportionate increase in operating expenses caused a rise in the cost-income ratio to 58.4 percent in the third quarter of 2019 (Q3 2018: 56.3 percent). Negative effects must be taken into account as a result of the higher risk provisions and lower interest income from the expiration of the depreciation programme in Italy, which led to a reduction in operating income ("income"). The tax savings associated with the depreciation programme did not have a positive effect on operating expenses ("cost"), but instead lowered the tax position and was therefore not reflected in the cost-income ratio. The underlying operating trend in expenses in the third quarter of 2019 underlines the high degree of cost awareness within the Consolidated Group. The GRENKE Consolidated Group is therefore maintaining its medium-term cost-income ratio target of below 60 percent.

The operating result in the third quarter increased by 5 percent to EUR 42.1 million (previous year: EUR 40.2 million). Earnings before taxes also rose 5 percent and amounted to EUR 41.6 million (Q3 2018: EUR 39.7 million). The tax rate amounted to 16.6 percent (Q3 2018: 13.9 percent) and reflected the continued benefit to the Consolidated Group from the special depreciation programme in Italy ("super ammortamento"). Although this programme for new investments in its applicable form for GRENKE expired at the beginning of the 2019 fiscal year, the tax benefits from the new business acquired over the past three years continue to provide an overall lower tax burden in the quarters ahead. Net profit in the third quarter of 2019 reached EUR 34.7 million (Q3 2018: EUR 34.2 million), corresponding to an increase of 1 percent. As a result, earnings per share amounted to EUR 0.75 (Q3 2018: EUR 0.74). In viewing the earnings per share, it is important to consider the change in the accrual of the interests in net profit of hybrid capital holders, which was amended as per December 31, 2018, in accordance with the legal terms of the bonds. The interests in net profit of the hybrid capital holders are now recognised in full as per March 30 of the respective fiscal year, whereas previously this interest was accrued on a pro rata temporis basis. SEE SECTION "ADJUSTMENTS" IN THE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3.3.2 NINE-MONTH COMPARISON 2019 VERSUS 2018

In the first nine months of 2019, the Consolidated Group's net interest income grew by 15 percent to EUR 239.9 million (9M 2018: EUR 209.0 million). Expenses for the settlement of claims and risk provision rose by 39 percent to reach EUR 92.2 million (9M 2018: EUR 66.6 million). Net interest income after settlement of claims and risk provision increased accordingly by 4 percent to EUR 147.7 million in the reporting period (9M 2018: EUR 142.4 million).

In the nine-month period, profits from service and new business improved by 19 percent and 20 percent, respectively. In contrast, the loss from disposals declined to EUR −4.4 million (9M 2018: EUR −2.4 million); this was primarily due to the effect in the third quarter already de-scribed. Overall, the income from operating business rose by 10 percent year-on-year to EUR 289.5 million (9M 2018: EUR 263.3 million).

Depreciation and impairment in the first nine months of 2019 was 68 percent higher due to the change in accounting under IFRS 16 already described and the associated amortisation of rights-of-use. Selling and administrative expenses, on the other hand, were slightly lower than in the same period in the prior year. Staff costs, as the most significant expense item, increased by 13 percent. Consequently, the operating result for the period from January to September 2019 increased by 7 percent to EUR 125.8 million (9M 2018: EUR 117.3 million).

Earnings before taxes improved in the first nine months of 2019 by 6 percent to EUR 122.9 million, compared to EUR 116.1 million in the same period of the previous year. Net profit reached EUR 103.0 million (9M 2018: EUR 98.0 million), resulting in earnings per share of EUR 2.08 (9M 2018: EUR 2.07). The disproportionate lower increase in earnings per share compared to the rise in net profit resulted from the higher share of profit attributable to hybrid capital holders (EUR 6.5 million compared to EUR 4.7 million in the same prior-year period).

3.3.3 SEGMENT DEVELOPMENT

3.3.3.1 Business Segments

Segment reporting is based on the organisational structure of the Consolidated Group. The Consolidated Group's operating segments are defined accordingly based on the management of the business areas in the Leasing, Banking and Factoring segments. Further information on the business segments is provided in the Consolidated Group's segment reporting on page 36, which is part of the notes to the condensed interim consolidated financial statements.

3.3.3.2 Business Development

The Leasing segment continued to be the main pillar of income for the Consolidated Group in the first nine months of 2019, generating a 91 percent share (previous year: 93 percent) of total operating segment income. Operating income in the Leasing segment increased by 8 percent in the first nine months to EUR 264.7 million (9M 2018: EUR 244.0 million). The segment result improved by 5 percent to EUR 113.0 million compared to EUR 107.1 million in the same prior-year period. The Banking segment generated above-average operating income growth of 40 percent to EUR 22.2 million (9M 2018: EUR 15.8 million). The segment result increased by 18 percent to EUR 13.6 million (previous year: EUR 11.5 million). Operating income in the Factoring segment increased by 6 percent to EUR 2.6 million (9M 2018: EUR 2.4 million). The segment's loss was reduced to EUR −0.9 million compared to EUR −1.4 million in the same prior-year period but was still impacted by continued investment in the sales infrastructure and by start-up costs arising from the business's stronger international positioning.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURK	Sep. 30, 2019	Sep. 30, 2018
Current assets	**2,840,426**	**2,433,300**
of which cash and cash equivalents	411,124	333,626
of which lease receivables	1,841,379	1,605,173
Non-current assets	**3,957,556**	**3,443,191**
of which lease receivables	3,539,908	3,098,837
Total assets	**6,797,982**	**5,876,491**
Current liabilities	**1,883,467**	**1,642,962**
of which financial liabilities	1,721,292	1,520,095
Non-current liabilities	**3,767,395**	**3,146,432**
of which financial liabilities	3,668,966	3,092,431
Equity	**1,147,120**	**1,087,097**
Equity ratio (in percent)	16.9	18.5
Total liabilities and equity	**6,797,982**	**5,876,491**
Embedded value incl. equity after taxes	1,638,810	1,538,085

3.4 NET ASSETS AND FINANCIAL POSITION

3.4.1 NET ASSETS

In comparison to the end of the 2018 fiscal year, total assets of the GRENKE Consolidated Group increased by 16 percent to EUR 6.8 billion as per September 30, 2019 (December 31, 2018: EUR 5.9 billion). Non-current and current lease receivables, which are by far the largest items on the balance sheet – increased by 14 percent to EUR 5.4 billion (December 31, 2018: EUR 4.7 billion). The growth in lease receivables reflects the strong growth in new business during the reporting period.

Cash and cash equivalents in the first nine months of 2019 increased by 23 percent to EUR 411.1 million (December 31, 2018: EUR 333.6 million). This rise resulted mainly from GRENKE Bank having a higher level of deposits at the Bundesbank and from reporting date effects. GRENKE continues to pursue a strategy of exclusively using liquid funds to finance the Consolidated Group's growth while, at the same time, ensuring it meets legal and regulatory requirements.

The increase in other current financial assets to EUR 224.6 million (December 31, 2018: EUR 160.4 million) mainly resulted from higher receivables from franchise companies.

The first-time application of accounting standard IFRS 16 in the 2019 fiscal year resulted in the recognition of rights-of-use assets in the amount of EUR 40.5 million as per September 30, 2019 for assets used under rental and lease contracts. At the GRENKE Consolidated Group, these rights pertain mainly to leased office buildings and company cars. This amount compares to the first-time recognition of corresponding lease liabilities totalling EUR 41.0 million.

On the liabilities side of the balance sheet, current and non-current liabilities from refinancing increased as per the reporting date by 17 percent to EUR 4.6 billion (December 31, 2018: EUR 3.9 billion). Non-current and current liabilities from the deposit business recorded a 15 percent increase, leading to a rise in the Consolidated Group's total financial liabilities of 17 percent to EUR 5.4 billion (December 31, 2018: EUR 4.6 billion).

The Consolidated Group's equity as per September 30, 2019 amounted to EUR 1,147.1 million and thereby exceeded the level reported at the end of the 2018 financial year (December 31, 2018: EUR 1,087.1 million) by 6 percent. The Consolidated Group net profit of EUR 103.0 million generated in the reporting period was partially offset by the distribution of a dividend of EUR 37.1 million (previous year: EUR 31.0 million). The equity ratio was 16.9 percent as per September 30, 2019 (December 31, 2018: 18.5 percent), meaning that the Consolidated Group's equity base continued to exceed the long-term benchmark of a minimum of 16 percent. The first-time application of IFRS 16 resulted in a one-time conversion effect on the Consolidated Group's equity of EUR −0.7 million, which was recognised as per January 1, 2019. SEE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS, PAGE 18

3.4.2 LIQUIDITY

As a result of the high level of cash and cash equivalents and broadly diversified refinancing structure, the GRENKE Consolidated Group was able to meet its payment obligations at all times in the reporting period.

During the first nine months of the 2019 fiscal year, the GRENKE Consolidated Group continued to rely on a wide range of refinancing instruments. Based on the issue of smaller instruments with volumes ranging from approximately EUR 8.5 million to around EUR 57.5 million with maturities between 2 and 10 years, the total proceeds amounted to EUR 618.5 million. The Consolidated Group also utilised the possibility of issuing instruments in Japanese yen and Hong Kong dollars. In addition, a large bond was issued with a volume of EUR 300 million and a 5-year maturity. All new issues were successfully placed within a short period of time. Further information on the bonds issued can be found in the condensed interim consolidated financial statements and on our website at www.grenke.com/investor-relations/debt-capital/issued-bonds.

The utilisation of the ABCP programmes as per September 30, 2019 amounted to EUR 844.3 million (December 31, 2018: EUR 750.5 million). The total volume of these programmes equalled EUR 942.5 million and GBP 150.0 million.

Refinancing via bank deposits held at GRENKE Bank reached a volume of EUR 799.3 million as per the September 30, 2019 reporting date, following EUR 624.8 million at the end of the first nine months of 2018. This level represents a year-on-year increase of 28 percent.

3.4.3 FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS //

EURK	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018
Cash flow from operating activities	174,199	−50,556
Net cash flow from operating activities	152,081	−71,595
Cash flow from investing activities	−18,123	−46,038
Cash flow from financing activities	−53,925	158,787
Total cash flow	**80,033**	**41,154**

Cash flow from operating activities in the first nine months of 2019 reached EUR 174.2 million (9M 2018: EUR −50.6 million). The sharp increase in cash flow resulted primarily from the rise in liabilities from refinancing to EUR 674.6 million compared to EUR 354.5 million in the same prior-year period. This compares to the rise in lease receivables to EUR 677.3 million after EUR 531.1 million. Cash flow was also positively affected by an increase in earnings before tax to EUR 122.9 million (9M 2018: EUR 116.1 million) and higher depreciation and impairment of EUR 21.3 million (9M 2018: EUR 12.6 million).

After interest and taxes paid and received, the net cash flow from operating activities in the first nine months of 2019 amounted to EUR 152.1 million (9M 2018: EUR –71.6 million). The improvement in net cash flow from operating activities in the nine month period mainly stemmed from the issuance of refinancing instruments, particularly bonds, described above. In the prior-year, in contrast, a lower level of refinancing was required due to the cash capital increase of EUR 196.9 million carried out in 2018, which had a negative impact on cash flow from operating activities.

Cash flow from investing activities improved in the nine-month period to EUR −18.1 million (9M 2018: EUR −46.0 million). Whereas the previous year's period included a cash outflow of EUR 35.6 million for the acquisition of former franchisees, the payments for acquisitions in the first nine months of 2019 amounted to a mere EUR 0.4 million. As a result, cash flow from investing activities during the reporting period consisted primarily of sharply higher payments for the acquisition of property, plant and equipment and intangible assets of EUR 18.6 million (9M 2018: EUR 10.6 million).

Cash flow from financing activities in the reporting period totalled EUR −53.9 million (9M 2018: EUR 158.8 million). As in the prior year, the main items were the dividend distribution of EUR 37.1 million (9M 2018: EUR 31.0 million) for the previous financial year and interest payments on hybrid capital of EUR 9.4 million (9M 2018: EUR 6.8 million). In addition, the repayment of lease liabilities resulted in a cash outflow of EUR 7.8 million (9M 2018: EUR 0.0 million). In the same period of the previous year, the cash flow from financing activities had additionally included a cash inflow of EUR 196.9 million from a capital increase.

As a result of the above, the total cash flow in the first nine months of 2019 amounted to EUR 80.0 million (9M 2018: EUR 41.2 million). As per September 30, 2019, cash and cash equivalents increased to EUR 410.5 million compared to a level of EUR 330.5 million at the end of the 2018 fiscal year.

4. RELATED PARTY DISCLOSURES

For information on related party disclosures, see the notes to the condensed interim consolidated financial statements on page 39.

5. REPORT ON RISKS, OPPORTUNITIES AND FORECAST

5.1 OPPORTUNITIES AND RISKS

There were no fundamental changes to the opportunities and risks in the reporting period compared to those presented in the 2018 Annual Report. With regard to the future development of the Consolidated Group and the Company, as well as their subsidiaries, no unusual risks have been ascertained beyond those associated with the normal scope of business.

The steadily deteriorating economic environment over the course of 2019, however, has led to an increase in counterparty risks. At the end of the second quarter, the GRENKE Consolidated Group responded to the change in the risk situation by adjusting its approval policy and pricing. Based on the development of losses in the first nine months and the expectation for the remaining months of the current fiscal year, the Consolidated Group expects in full-year 2019 a disproportional rise in expenses from the settlement of claims and risk provision, as well as a higher loss rate of approximately 1.6 percent (previous year: 1.3 percent) but still at a manageable level and within the long-term average.

5.2 FORECAST

The deterioration in the economic environment that started at the beginning of 2019 continued in the third quarter – particularly in GRENKE's core European market. As a result, rising corporate insolvencies and higher credit losses were experienced in recent quarters. The GRENKE Consolidated Group also recorded a change in the payment behaviour of its customers in the first nine months and higher losses, albeit from a very low level.

GRENKE Consolidated Group's business model has proven itself many times over during the past few years. In both economically favourable and in economically difficult times, the Consolidated Group was always in a position to attain risk-adequate margins and operate sustainably profitably. In the third quarter of 2019, GRENKE Consolidated Group succeeded in significantly limiting the percentage increase in losses in the third quarter of 2019 and the loss rate was at an expected level. The Consolidated Group had responded to the overall rise in macroeconomic uncertainties by adjusting loan loss provisions in its contribution margin calculation for new business at the end of the second quarter. This was accompanied by a more restrictive and even more risk-adjusted approval policy and pricing. This will have a positive effect on the Consolidated Group's net profit over the medium term.

Against this background, the GRENKE Consolidated Group confirms its forecast for Consolidated Group net profit in the 2019 fiscal year (adjusted in July 2019) in the range of EUR 138 million to EUR 148 million (2018: EUR 131.1 million), which corresponds to an expected increase of 5 to 13 percent.

New business growth in the Leasing business in the first nine months of 2019 was above plan. Despite the continued deterioration in the economic environment in Europe, customer demand for lease finance has remained strong. In the third quarter, new business growth remained at a very high level. As a result, GRENKE increased its forecast for new business growth at GRENKE Group Leasing in early October from a range of 16 to 19 percent to 18 to 21 percent. New business at GRENKE Group Factoring is still expected to grow by 25 percent.

HIGH REPUTATION

STANDARD & POOR'S //
Counterparty Credit Rating

BBB+

First-class reputation on the equity and debt markets

STRONG GROWTH

CONSOLIDATED GROUP NET PROFIT //
9M 2019 (in EUR million)

103.0

EARNINGS PER SHARE //
9M 2019 (EUR)

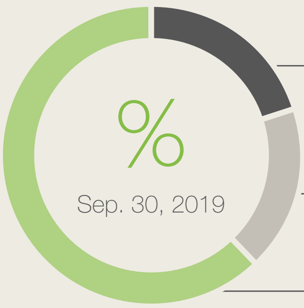
2.08

EQUITY RATIO //
in percent

16.9

BROAD REFINANCING BASE

THREE PILLARS: GRENKE CONSOLIDATED GROUP'S REFINANCING MIX //



20 // GRENKE Bank

18 // Asset-based

62 // Senior unsecured

INTERNATIONAL STRATEGY

CELL DIVISIONS //
in Q3

+1

United Arab Emirates

eSIGNATURE //
Number of countries

20

eSignature is used in 20 countries

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS //

CONSOLIDATED INCOME STATEMENT //

	3-MONTH REPORT		9-MONTH REPORT	
EURk	Jul. 1, 2019 to Sep. 30, 2019	Jul. 1, 2018 to Sep. 30, 2018 [1]	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018 [1]
Interest and similar income from financing business [2]	97,294	83,541	280,182	243,178
Expenses from interest on refinancing and deposit business	14,104	11,731	40,266	34,171
Net interest income	**83,190**	**71,810**	**239,916**	**209,007**
Settlement of claims and risk provision	31,959	24,489 [1]	92,243	66,594 [1]
Of which, impairment losses	30,379	24,257 [1]	87,486	61,559 [1]
Net interest income after settlement of claims and risk provision	**51,231**	**47,321**	**147,673**	**142,413**
Profit from service business	26,866	22,177	72,813	61,279
Profit from new business	24,481	20,210	73,401	60,995
Gains(+)/losses (−) from disposals	−4,015	29	−4,385	−2,362
Income from operating business	**98,563**	**89,737**	**289,502**	**262,325**
Staff costs	28,527	25,969	84,917	75,285
Depreciation and impairment	7,384	4,441	21,275	12,633
Selling and administrative expenses (not including staff costs)	19,335	20,127	56,083	57,264
Other operating expenses	3,108	801	8,300	4,469
Other operating income	1,870	1,820	6,831	4,601
Operating result	**42,079**	**40,219**	**125,758**	**117,275**
Result from investments accounted for using the equity method	−66	−12	−155	−99
Expenses/income from fair value measurement	168	−86	−633	−26
Other interest income	619	237	1,291	734
Other interest expenses	1,194	609	3,396	1,773
Earnings before taxes	**41,606**	**39,749**	**122,865**	**116,111**
Income taxes	6,895	5,532 [1]	19,828	18,142 [1]
Net profit	**34,711**	**34,217**	**103,037**	**97,969**
Ordinary shareholders and hybrid capital holders of GRENKE AG	34,711	34,217	103,037	97,969
Earnings per share (basic/diluted in EUR)	0.75	0.74	2.08	2.07
Average number of shares outstanding	46,353,918	46,353,918	46,353,918	45,127,933

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).
2 Interest and similar income based on effective interest method: EUR 6,512k (previous year: EUR 4,273k)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME //

	3-MONTH REPORT		9-MONTH REPORT	
EURk	Jul. 1, 2019 to Sep. 30, 2019	Jul. 1, 2018 to Sep. 30, 2018 [1]	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018 [1]
Net profit	**34,711**	**34,217**	**103,037**	**97,969**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve	−7	10	4	−5
Thereof: income tax effects	1	−1	−1	1
Change in currency translation differences	808	−71	1,329	−1,559
Thereof: income tax effects	0	0	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)	0	0	0	0
Thereof: income tax effects	0	0	0	0
Appropriation to / reduction of reserve for actuarial gains and losses	**0**	**2**	**0**	**293**
Thereof: income tax effects	0	−1	0	−83
Other comprehensive income	**801**	**−59**	**1,333**	**−1,271**
Total comprehensive income	**35,512**	**34,158**	**104,370**	**96,698**
Ordinary shareholders and hybrid capital holders of GRENKE AG	35,512	34,158	104,370	96,698

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURk	Sep. 30, 2019	Dec. 31, 2018
Assets		
Current assets		
Cash and cash equivalents	411,124	333,626
Derivative financial instruments that are assets	1,475	1,874
Lease receivables	1,841,379	1,605,173
Other current financial assets	224,635	160,430
Trade receivables	8,269	7,666
Lease assets for sale	26,728	16,586
Tax assets	24,792	27,488
Other current assets	302,024	280,457
Total current assets	**2,840,426**	**2,433,300**
Non-current assets		
Lease receivables	3,539,908	3,098,837
Derivative financial instruments that are assets	2,739	1,842
Other non-current financial assets	88,409	82,692
Investments accounted for using the equity method	5,005	4,910
Property, plant and equipment	110,882	89,980
Right-of-use assets	40,468	0
Intangible assets	146,121	148,497
Deferred tax assets	22,617	15,203
Other non-current assets	1,407	1,230
Total non-current assets	**3,957,556**	**3,443,191**
Total assets	**6,797,982**	**5,876,491**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURk	Sep. 30, 2019	Dec. 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	1,721,292	1,520,095
Lease liabilities	10,402	0
Derivative liability financial instruments	10,085	1,406
Trade payables	37,702	28,156
Tax liabilities	3,747	10,688
Deferred liabilities	28,428	27,545
Other current liabilities	32,766	30,348
Deferred lease payments	39,045	24,724
Total current liabilities	**1,883,467**	**1,642,962**
Non-current liabilities		
Financial liabilities	3,668,966	3,092,431
Lease liabilities	30,590	0
Derivative liability financial instruments	2,628	1,557
Deferred tax liabilities	60,246	47,991
Pensions	4,852	4,348
Non-current provisions	113	105
Total non-current liabilities	**3,767,395**	**3,146,432**
Equity		
Share capital	46,354	46,354
Capital reserves	289,314	289,314
Retained earnings	684,427	625,737
Other components of equity	2,025	692
Total equity attributable to shareholders of GRENKE AG	**1,022,120**	**962,097**
Additional equity components [1]	125,000	125,000
Total equity	**1,147,120**	**1,087,097**
Total liabilities and equity	**6,797,982**	**5,876,491**

1 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS //

	EURk	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018 [1]
	Earnings before taxes	**122,865**	**116,111**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	21,275	12,633
−/+	Profit/loss from the disposal of property, plant, and equipment and intangible assets	−25	98
−/+	Net income from non-current financial assets	1,741	1,039
−/+	Other non-cash effective income/expenses	5,400	3,662
+/−	Increase/decrease in deferred liabilities, provisions, and pensions	1,395	−276
−	Additions to lease receivables	−2,106,154	−1,731,416
+	Payments by lessees	1,448,001	1,216,461
+	Disposals/reclassifications of lease receivables at residual carrying amounts	254,715	228,617
−	Interest and similar income from leasing business	−270,250	−235,795
+/−	Decrease/increase in other receivables from lessees	966	−9,657
+/−	Currency translation differences	−4,555	720
=	Change in lease receivables	−677,277	−531,070
+	Addition to liabilities from refinancing	1,834,344	1,370,798
−	Payment of annuities to refinancers	−1,160,484	−1,016,298
−	Disposal of liabilities from refinancing	−40,009	−32,811
+	Expenses from interest on refinancing	36,894	34,171
+/−	Currency translation differences	3,865	−1,356
=	Change in refinancing liabilities	674,610	354,504
+/−	Increase/decrease in liabilities from deposit business	106,077	105,592
−/+	Increase/decrease in loans to franchisees	−42,097	−28,690
	Changes in other assets/liabilities		
−/+	Increase/decrease in other assets	−63,847	−92,593
−/+	Increase/decrease in lease assets from operating leases	−12,344	−8,995
+/−	Increase/decrease in deferred lease payments	14,321	6,752
+/−	Increase/decrease in other liabilities	22,105	10,677
=	**Cash flow from operating activities**	**174,199**	**−50,556**
−/+	Income taxes paid/received	−20,013	−20,000
−	Interest paid	−3,396	−1,773
+	Interest received	1,291	734
=	**Net cash flow from operating activities**	**152,081**	**−71,595**

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).

CONSOLIDATED STATEMENT OF CASH FLOWS //

	EURk	Jan. 1, 2019 to Sep. 30, 2019	Jan. 1, 2018 to Sep. 30, 2018 [1]
−	Payments for the acquisition of property, plant and equipment and intangible assets	−18,591	−10,573
−/+	Payments for / proceeds from the acquisition of subsidiaries	−390	−35,575
−	Payments for the acquisition of associated entities	−250	−249
−	Payments for the acquisition of financial assets	0	−150
+	Proceeds from the sale of property, plant and equipment and intangible assets	1,108	509
=	**Cash flow from investing activities**	**−18,123**	**−46,038**
+/−	Borrowing / repayment of bank liabilities	345	−329
−	Repayment of lease liabilities	−7,812	0
+	Proceeds from cash capital increase	0	196,921
−	Interest coupon payments on hybrid capital	−9,375	−6,786
−	Dividend payments	−37,083	−31,019
=	**Cash flow from financing activities**	**−53,925**	**158,787**
	Cash funds at beginning of period		
	Cash in hand and bank balances	333,626	203,357
−	Bank liabilities from overdrafts	−3,112	−111
=	**Cash and cash equivalents at beginning of period**	**330,514**	**203,246**
+/−	Change due to currency translation	−88	−38
=	**Cash funds after currency translation**	**330,426**	**203,208**
	Cash funds at end of period		
	Cash in hand and bank balances	411,124	245,225
−	Bank liabilities from overdrafts	−665	−863
=	**Cash and cash equivalents at end of period**	**410,459**	**244,362**
	Change in cash and cash equivalents during the period (= total cash flow)	**80,033**	**41,154**
	Net cash flow from operating activities	152,081	−71,595
+	Cash flow from investing activities	−18,123	−46,038
+	Cash flow from financing activities	−53,925	158,787
=	**Total cash flow**	**80,033**	**41,154**

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY //

EURk	Share capital	Capital reserves	Retained earnings / Consolidated net profit	Hedging reserve
Equity as per Dec. 31, 2018 (as reported)	**46,354**	**289,314**	**625,737**	**−7**
Adjustment to accounting standard (IFRS 16)	–	–	−733	–
Equity as per Jan. 1, 2019 (adjusted)	**46,354**	**289,314**	**625,004**	**−7**
Net profit	–	–	103,037	–
Other comprehensive income	–	–	–	4
Dividend payment in 2019 for 2018	–	–	−37,083	–
Interest coupon payment on hybrid capital (net)	–	–	–	–
Interest coupon for hybrid capital (net)	–	–	−6,531	–
Equity as per Sep. 30, 2019	**46,354**	**289,314**	**684,427**	**−3**
Equity as per Jan. 1, 2018 [1]	**44,313**	**93,611**	**530,373**	**−6**
Net profit [1]	–	–	97,969	–
Other comprehensive income [1]	–	–	–	−5
Dividend payment in 2018 for 2017	–	–	−31,019	–
Capital increase	2,041	195,715	–	–
Interest coupon payment on hybrid capital (net) [1]	–	–	–	–
Interest coupon for hybrid capital (net) [1]	–	–	−4,727	–
Equity as per Sep. 30, 2018 [1]	**46,354**	**289,326**	**592,596**	**−11**

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).

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
−828	**−768**	**2,295**	**962,097**	**125,000**	**1,087,097**
–	–	–	−733	–	−733
−828	**−768**	**2,295**	**961,364**	**125,000**	**1,086,364**
–	–	–	103,037	–	103,037
–	1,329	–	1,333	–	1,333
–	–	–	−37,083	–	−37,083
–	–	–	–	−6,531	−6,531
–	–	–	−6,531	6,531	0
−828	**561**	**2,295**	**1,022,120**	**125,000**	**1,147,120**
−1,258	**−619**	**–**	**666,414**	**125,000**	**791,414**
–	–	–	97,969	–	97,969
293	−1,559	–	−1,271	–	−1,271
–	–	–	−31,019	–	−31,019
–	–	–	197,756	–	197,756
–	–	–	–	−4,727	−4,727
–	–	–	−4,727	4,727	0
−965	**−2,178**	**–**	**925,122**	**125,000**	**1,050,122**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS //

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. The subject matter of GRENKE AG's condensed interim consolidated financial statements ("interim consolidated financial statements") as per September 30, 2019, is GRENKE AG, its subsidiaries and consolidated structured entities ("the GRENKE Consolidated Group"). These interim consolidated financial statements have been prepared in accordance with the IFRSs applicable for interim reporting (IAS 34) as published by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU) into European law. These interim consolidated financial statements should be read in conjunction with the IFRS consolidated financial statements as per December 31, 2018. The condensed interim consolidated financial statements and the interim group management report as per September 30, 2019 have neither been audited nor subject to an audit review as defined by Section 115 (5) of the German Securities Trading Act (WphG).

2. ACCOUNTING POLICIES

The accounting policies applied in the interim consolidated financial statements are generally the same as those applied in the previous year. Exceptions relate to changes resulting from the mandatory application of new accounting standards discussed in the paragraph below. Early application was waived for the amended standards and interpretations that will be mandatory in the 2020 fiscal year or later. GRENKE AG will apply these standards to the consolidated financial statements at the time of their mandatory application.

3. ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

The amendments to IFRS 3 "Business Combinations" issued by the IASB in October 2018 provide clarification as to whether a business or group of assets has been acquired. The amendments apply for fiscal years beginning on or after January 1, 2020. The amendment to the standard will not have any material effect on GRENKE's consolidated financial statements. The further revised standards that are to be implemented for fiscal years from 2020, IAS 1, IAS 8 and IFRS 17, as well as the adjustments to the framework concept, are also not expected to have a material impact on the consolidated financial statements.

4. FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

In the 2019 fiscal year, the GRENKE Consolidated Group implemented all new and revised standards and interpretations relevant for the GRENKE Consolidated Group that required mandatory application as per January 1, 2019 and were endorsed into European law. The new standards that are relevant and material for the GRENKE Consolidated Group are presented below.

In January 2016, the IASB published the new standard IFRS 16 "Leases", which was endorsed into European law as per October 31, 2017. IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27. The application of the new standard is mandatory as per January 1, 2019. The main changes introduced by IFRS 16 related to lessee accounting is the elimination of the differentiation between an operating lease and a finance lease. 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. Simplified application consists of an option to apply the recognition and disclosure requirements of IFRS 16.

In the 2019 fiscal year, the GRENKE Consolidated Group applied IFRS 16 “Leases” for the first time. The transition was carried out based on the modified retrospective approach. The comparative figures of the previous year's periods have not been adjusted by using this approach. The accumulated conversion effect resulting from the first-time application has been recognised directly in equity (retained earnings) in the opening balance sheet as per January 1, 2019. The equity reported in the balance declined by EUR 733k compared to its level under IAS 17. The tables reconciling the Consolidated Group’s statement of financial position as per January 1, 2019 are presented in the paragraph below.

In addition to the changes introduced by IFRS 16 “Leases” mentioned above, IFRIC 23 “Uncertainty over Income Tax Treatments” and various other amendments to standards and interpretations are applicable for the first time in the 2019 fiscal year. However, these changes had no effect on the consolidated financial statements of GRENKE AG.

5. FIRST-TIME APPLICATION OF IFRS 16 “LEASES”

The following tables summarise the effects of the first-time application of IFRS 16 based on GRENKE’s published consolidated statement of financial position as per December 31, 2018 through to the opening balance sheet as per January 1, 2019. As a result of the application of the modified retrospective approach, the previous year’s figures have not been adjusted.

EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (INCREASE / DECREASE) AS PER JANUARY 1, 2019 //

EURk	Published consolidated financial statements Dec. 31, 2018	IFRS 16 adjustment	IFRS 16 opening balance sheet Jan. 1, 2019
Current assets			
Other current assets	280,457	−544	279,913
Total current assets	**2,433,300**	**−544**	**2,432,756**
Non-current assets			
Property, plant and equipment	89,980	−381	89,599
Right-of-use assets	0	40,072	40,072
Deferred tax assets	15,203	221	15,424
Total non-current assets	**3,443,191**	**39,912**	**3,483,103**
Total assets	**5,876,491**	**39,368**	**5,915,859**
Current liabilities			
Lease liabilities	0	9,080	9,080
Other current liabilities	30,348	−370	29,978
Total current liabilities	**1,642,962**	**8,710**	**1,651,672**
Non-current liabilities			
Lease liabilities	0	31,391	31,391
Total non-current liabilities	**3,146,432**	**31,391**	**3,177,823**
Equity			
Retained earnings	625,737	−745	624,992
Other components of equity	692	12	704
Total equity attributable to shareholders of GRENKE AG	**962,097**	**−733**	**961,364**
Total equity	**1,087,097**	**−733**	**1,086,364**
Total liabilities and equity	**5,876,491**	**39,368**	**5,915,859**

As part of the transition to IFRS 16, rights-of-use assets for leased assets in the amount of EUR 40,072k were recognised as per January 1, 2019, of which EUR 35,753k were attributable to leased properties, EUR 3,943k to leased vehicles and EUR 376k to rights-of-use assets for other leases. The rights-of-use assets recognised include assets in the amount of EUR 381k that were accounted for as property, plant and equipment under finance leases until December 31, 2018 according to IAS 17. The previous carrying amounts of assets and liabilities under finance leases according to IAS 17 correspond to the amounts of the rights-of-use assets and related lease liabilities recognised as per January 1, 2019 under IFRS 16.

On the liabilities side of the balance sheet, the transition to IFRS 16 resulted in the recognition of lease liabilities in the amount of EUR 40,471k, of which EUR 9,080k were due within one year. The effect resulting from the first-time application reduced the equity reported in the balance declined by EUR 733k. Overall, the application of IFRS led to an increase in total assets of EUR 39,368k as per January 1, 2019. Due to changes in the exercise of options within the scope of first-time application, total assets increased slightly compared to the original forecast. This was specifically the result of the determination of the incremental borrowing rate and the option of retroactive maturity determination.

The following table shows the reconciliation of lease liabilities in the opening balance sheet as per January 1, 2019 based on the operating leases previously recognised as off-balance sheet liabilities as per December 31, 2018.

RECONCILIATION OF LEASE LIABILITIES //

EURk	
Operating lease obligations as per December 31, 2018	42,021
Simplified application for short-term leases	−466
Simplified application for low-value leases	−22
Discounting by using incremental borrowing rate	−1,432
Additional lease liabilities resulting from first-time application of IFRS 16 as per January 1, 2019	**40,101**
Lease liabilities under finance leases as per December 31, 2018	370
Total lease liabilities as per January 1, 2019	**40,471**

Upon first-time application, lease liabilities were discounted as per January 1, 2019 using their individual incremental borrowing rates. The weighted average incremental borrowing rate amounted to 1.27% as per January 1, 2019.

Upon first-time application of IFRS 16, the GRENKE Consolidated Group has made use of the exemptions, whereby the exemption options have been used in a uniform manner for all leases. The Consolidated Group has made use of the exemption to refrain from reassessing whether the existing agreements constitute or include a lease. The option to disregard the initial direct costs in the measurement of the right-of-use at the time of first-time application was also used. In addition, leases whose terms end within the next 12 months after the date of initial application were classified as current leases. In the case of low-value lease assets, the simplification rule was also applied, so that no right-of-use assets and corresponding liabilities were recognised in the balance sheet as was the case with short-term leases.

Applying the modified retrospective method, right-of-use assets for previous operating lease were accounted for as if IFRS 16 had already been applied at the time the lease asset was available. For discounting, however, the incremental borrowing rate as per January 1, 2019 was used. In this context, the option provided for the first-time application of retroactive maturity determination was used.

6. EFFECT OF IFRS 16 AS PER SEPTEMBER 30, 2019

In the consolidated income statement for the first nine months of 2019, the application of IFRS 16 resulted in EUR 7,716k higher depreciation and amortisation due to the capitalisation of rights-of-use assets as well as additional interest expense from lease liabilities of EUR 354k. The rental / lease expenses were reduced by EUR 8,176k as a result of IFRS 16. The expenses for short-term leases amounted to EUR 336k in the first nine months of 2019.

In the consolidated statement of cash flows for the first nine months of 2019, the repayments recorded under rental/lease instalments (EUR 7,812k) are recognised as cash outflows in cash flow from financing activities. The interest portions included in the instalments are presented as a reduction in net cash flow from operating activities. Payments for short-term leases and low-value leases are included in cash flow from operating activities.

7. CHANGE IN ACCOUNTING POLICIES

The GRENKE Consolidated Group has applied IFRS 16 “Leases” since January 1, 2019. The application of IFRS 16 resulted in changes to the Consolidated Group’s accounting policies. The changes in the accounting and valuation methods affect the GRENKE Consolidated Group primarily in its role as lessee.

As part of the implementation of IFRS 16, the Consolidated Group is currently examining the accounting for lessors. Contrary to the original assessment at the beginning of the year, this will result in an adjustment to the accounting policies. This adjustment relates to the initial direct costs (or IDCs) attributable to the conclusion of the lease contract, the definition of which was made more specific as part of the introduction of IFRS 16 and thereby slightly modified. Under IAS 17, initial direct costs were capitalised as additional costs that can be directly attributed to the negotiation and conclusion of a lease contract. Under IFRS 16, the initial direct costs are capitalised as additional costs incurred in acquiring a lease that would not have been incurred without the lease’s conclusion.

The capitalised IDCs must be considered in the calculation of the initial net investment value and thus have an impact on the profit from new business and the future net interest income, as well as on gains and losses from disposals.

Based on the current status of the ongoing examinations, the IDCs to be capitalised will decrease and lead to a reduction in the Consolidated Group’s profit from new business and, at the same time, increase the future net interest income, as well as to a change in gains and losses from disposals.

Due to the planned retrospective change in the consolidated financial statements as per the end of the year, the Consolidated Group does not anticipate a material change in earnings overall. The one-time conversion effect resulting from the first-time application of the standard will be reflected as a reduction in equity in the single-digit-million range. Total profitability will not be affected, as the change merely relates to the timing of the recognition of the items interest income, profit from new business and gains/losses from disposals, which are mainly affected by the accounting for lease receivables.

The following sections describe the accounting policies from the point of the lessee in their current version since the first-time application of IFRS 16. Differing first-time application provisions for the initial transition from IAS 17 to IFRS 16 are presented under Note 5 “FIRST-TIME APPLICATION OF IFRS 16 LEASES” and may differ from the accounting policies described here. Deviations result from the special transitional provisions for contracts classified as finance leases in accordance with IAS 17, as well as the exercise of first-time application options for contracts classified as operating leases under IAS 17. Such first-time application options include, for example, the exclusion of initial direct costs in the determination of rights-of-use, the discounting at incremental borrowing rates as per January 1, 2019, the retrospective maturity determination and the residual maturity-based identification of short-term leases.

Generally, under IFRS 16, rights-of-use for a lease as defined by IFRS 16 are capitalised and the corresponding lease liabilities recognised on the grant date. A contract represents a lease to the extent that it authorises the use of an underlying asset for a specified period against the payment of a fee.

The sole exceptions to recognition concern “short-term” and “low-value” leases, for which the GRENKE Consolidated Group chose the option not to recognise them as rights-of-use and lease liabilities on the balance sheet despite the existence of a lease. The lease payments for these contracts are instead recognised as an expense over the term of the lease. Short-term leases have a maximum term of 12 months and do not include a purchase option. Low-value leases are those where the underlying asset has a low-value. The GRENKE Consolidated Group uses an original value of up to EUR 4,500 to define leases involving low-value assets.

To the extent that a contract includes both lease and non-lease components, only the lease components are accounted for as rights-of-use and lease liabilities in accordance with IFRS 16. The initial valuation of the lease liabilities recognised under IFRS 16 is based on the net present value of the lease payments that have not yet been made. In determining the lease payments, extension periods are taken into account in addition to the non-terminable basic term, as long as the exercise of the underlying extension options is considered reasonably certain. To discount cash flows, the GRENKE Consolidated Group uses the lessee’s respective incremental borrowing rate. In subsequent measurement, the lease liabilities are reduced by the principal payment portions contained in the lease payments.

The initial recognition of the associated rights-of-use is based on the amount of the lease liabilities. Based on the amount of the lease liability, the amount of the right-of-use results from the additional capitalisation of all lease payments made on or before the provision of the lease, as well as initial direct costs and estimated costs for asset retirement obligations. Lease incentives received are to be subtracted. In subsequent measurement, the rights-of-use are amortised over their useful life as scheduled and, if necessary, impaired in accordance with IAS 36 “Impairment of Assets”.

8. USE OF ASSUMPTIONS AND ESTIMATES

In preparing the interim consolidated financial statements, assumptions and estimates have been made that have had an effect on the recognition and carrying amounts of assets, liabilities, income, expenses, and contingent liabilities.

The estimates and underlying assumptions are subject to regular reviews. Changes to estimates are prospectively recognised and have occurred in the following areas:

- Determination of impairments for financial assets
- Use of estimated residual values at the end of the lease term to determine the present value of lease receivables

The determination of impairment for financial assets is based on assumptions and estimates for default risks and expected loss rates. When making these assumptions and selecting the inputs for the calculation of impairment, the Consolidated Group exercises discretion based on past experience, existing market conditions and forward-looking estimates at the end of each reporting period. The key assumptions and inputs used are presented in the section entitled “Accounting Policies”.Guaranteed and non-guaranteed (calculated) residual values are used to determine the present value of lease receivables in accordance with IFRS 16. 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. The residual values calculated at the end of the contract period are determined according to the expiration group 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. Estimated proceeds are applied on the basis of statistical analyses of historical values. If the post-transaction recoverable amount is lower than expected (from the sale and subsequent lease), the lease receivables are impaired. An increase in the recoverable amount, however, remains unrecognised.

9. ADJUSTMENTS

The impairment charge resulting from the first-time application of IFRS 9 was adjusted for the comparable quarters of the prior year due to a recalculation in the fourth quarter of 2018. The items in the consolidated income statement affected by this change are “settlement of claims and risk provision” (EUR −217k) and related “income taxes”. There was a corresponding slight change in the other components of the interim consolidated financial statements

Due to the change in the presentation of the accrual of the interests in net profit of hybrid capital holders as per December 31, 2018 (see 3.19 of the notes to the consolidated financial statements as per December 31, 2018), the comparative presentation shows a change in earnings per share for the first nine months of the previous year from EUR 2.06 to EUR 2.07 per share.

10. LEASE RECEIVABLES

EURk	Sep. 30, 2019	Sep. 30, 2018
Changes in lease receivables from current contracts (performing lease receivables)		
Receivables at beginning of period	**4,652,442**	**3,845,473**
+ Change during the period	678,242	542,733
Lease receivables (current + non-current) from current contracts at end of period	**5,330,684**	**4,388,206**
Changes in lease receivables from terminated contracts / contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**331,048**	**270,421**
+ Additions to gross receivables during the period	98,748	88,238
– Disposals of gross receivables during the period	41,028	40,051
Gross receivables at end of period	**388,768**	**318,608**
Total gross receivables (terminated and current)	**5,719,452**	**4,706,814**
Impairments at beginning of period	**279,480**	**230,777**
+ Change in accumulated impairment during the period	58,685	35,637
Impairments at end of period	**338,165**	**266,414**
Lease receivables (carrying amount, current and non-current) at beginning of period	4,704,010	3,885,117
Lease receivables (carrying amount, current and non-current) at end of period	**5,381,287**	**4,440,400**

11. INTANGIBLE ASSETS

Intangible assets include the previous balance sheet items goodwill and other intangible assets

EURk	Sep. 30, 2019	Dec. 31, 2018
Goodwill	107,000	106,584
Other intangible assets	39,121	41,913
Total intangible assets	**146,121**	**148,497**

12. FINANCIAL LIABILITIES

EURk	Sep. 30, 2019	Dec. 31, 2018
Financial liabilities		
Current financial liabilities		
Asset-based	382,844	277,983
Senior unsecured	795,543	782,102
Committed development loans	104,623	83,527
Liabilities from deposit business	436,032	372,131
thereof bank liabilities	5,000	5,513
Other bank liabilities	2,250	4,352
thereof current account liabilities	665	3,112
Total current financial liabilities	**1,721,292**	**1,520,095**
Non-current financial liabilities		
Asset-based	525,317	550,665
Senior unsecured	2,595,868	2,066,659
Committed development loans	179,782	149,286
Liabilities from deposit business	367,999	325,821
Total non-current financial liabilities	**3,668,966**	**3,092,431**
Total financial liabilities	**5,390,258**	**4,612,526**

12.1 ASSET-BASED FINANCIAL LIABILITIES

12.1.1 STRUCTURED ENTITIES

The following consolidated structured entities existed as per the reporting date: Opusalpha Purchaser II Limited, Kebnekaise Funding Limited, CORAL PURCHASING Limited, FCT “GK” COMPARTMENT “G2” (FCT GK 2), FCT “GK” COMPARTMENT “G3” (FCT GK 3) and FCT “GK” COMPARTMENT “G4” (FCT GK 4). All structured entities have been set up as asset-backed commercial paper (ABCP) programmes.

	Sep. 30, 2019	Dec. 31, 2018
Programme volume in local currency		
EURk	942,500	792,500
GBPk	150,000	100,000
Programme volume in EURk	1,111,852	904,291
Utilisation in EURk	844,332	750,549
Carrying amount in EURk	743,461	661,644
thereof current	311,889	204,476
thereof non-current	431,572	457,168

12.1.2 SALES OF RECEIVABLES AGREEMENTS

	Sep. 30, 2019	Dec. 31, 2018
Programme volume in local currency		
EURk	20,000	25,000
GBPk	100,000	100,000
PLNk	80,000	80,000
BRLk	149,000	110,000
Programme volume in EURk	184,074	180,142
Utilisation in EURk	162,194	155,489
Carrying amount in EURk	162,194	155,489
thereof current	69,434	67,885
thereof non-current	92,760	87,604

12.1.3 RESIDUAL LOANS

Residual loans serve in particular to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables.

EURk	Sep. 30, 2019	Dec. 31, 2018
Carrying amount	2,506	11,515
thereof current	1,521	5,622
thereof non-current	985	5,893

12.2 SENIOR UNSECURED FINANCIAL LIABILITIES

The following table provides an overview of the carrying amounts of the individual refinancing instruments:

EURk	Sep. 30, 2019	Dec. 31, 2018
Bonds	2,446,596	1,932,187
thereof current	257,872	270,165
thereof non-current	2,188,724	1,662,022
Promissory notes	446,476	480,223
thereof current	73,243	85,932
thereof non-current	373,233	394,291
Commercial paper	321,500	302,500
Revolving credit facility	146,270	106,381
thereof current	112,359	96,035
thereof non-current	33,911	10,346
Money market trading	6,914	10,026
Overdraft facility	2,140	3,004
Accrued interest	21,515	14,440

The following table provides an overview of the refinancing volumes of the individual instruments:

	Sep. 30, 2019	Dec. 31, 2018
Bonds EURk	3,500,000	2,500,000
Commercial paper EURk	750,000	500,000
Revolving credit facility EURk	330,000	235,000
Revolving credit facility PLNk	100,000	100,000
Revolving credit facility CHFk	20,000	20,000
Money market trading EURk	35,000	35,000

12.2.1 BONDS

In the fiscal year to date, eight new bonds were issued with a total volume of EUR 461,500k, and two existing bonds were increased by a total of EUR 90,000k and EUR 67,000k, respectively. Bonds with an aggregate volume of EUR 230,000k were redeemed on schedule. In addition, three new bonds denominated in foreign currency were issued with a total volume of JPY 8,000,000k and HKD 500,000k.

12.2.2 PROMISSORY NOTES

During the fiscal year to date, three new promissory notes were issued and an existing promissory note with a volume of EUR 10,000k was extended. The total volume of the three new promissory notes amounted to EUR 10,000k, CHF 10,000k and DKK 120,000k. Promissory notes with a volume of EUR 54,000k, DKK 26,000k, SEK 48,000k and CHF 7,518k were redeemed on schedule.

12.3 COMMITTED DEVELOPMENT LOANS

The following table shows the carrying amounts of the utilised development loans at different development banks.

EURk	Sep. 30, 2019	Dec. 31, 2018
Description		
NRW.BANK	74,511	70,971
Thüringer Aufbaubank	4,870	5,170
Investitionsbank Berlin	0	611
LfA Förderbank Bayern	0	2,442
Investitionsbank des Landes Brandenburg	3,617	5,151
KfW	199,545	146,461
Landeskreditbank Baden-Württemberg – Förderbank	1,860	1,996
Accrued interest	2	11

13. EQUITY

GRENKE AG's share capital remained unchanged compared to December 31, 2018 and continues to be divided into 46,353,918 registered shares.

14. DISCLOSURES ON FINANCIAL INSTRUMENTS

14.1 FAIR VALUE HIERARCHY

The GRENKE Consolidated Group uses observable market data to the extent possible for determining the fair value of an asset or a liability. The fair values are assigned to different levels of the valuation 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 having a significant effect on the recognition of fair value are directly or indirectly observable in the market

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 may be assigned to different levels of the valuation hierarchy, then the measurement at fair value is completely assigned to that level in the valuation hierarchy which corresponds to the lowest input factor that is material for the overall measurement.

Reclassifications are recognised at the time changes in the input factors occur that are relevant for the classification in the fair value hierarchy. The GRENKE Consolidated Group recognises reclassifications between the different levels of the valuation hierarchy at the end of the reporting period in which the change has occurred. In the reporting period, there were no reclassifications between the three levels of the valuation hierarchy.

14.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

14.2.1 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. This table does not contain information on the fair value of financial assets and financial liabilities when the carrying amount represents an appropriate approximation to the fair value and includes the following line items of 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 valuation hierarchy except for exchange-listed bonds that are included in refinancing liabilities and which are assigned to Level 1 of the valuation hierarchy. Their carrying amount and fair value as per the reporting date was EUR 2,446,596k (previous year as per December 31, 2018: EUR 1,931,812k) and EUR 2,518,519k (previous year as per December 31, 2018: EUR 1,943,978k), respectively. All primary financial assets are allocated to the "At amortised cost" (AC) measurement category except for performing lease receivables, which are measured according to IFRS 16, and other investments, which are assigned to the FVOCIoR category and measured at fair value. Financial liabilities are also measured at (amortised) cost.

EURk	Fair value Sep. 30, 2019	Carrying amount Sep. 30, 2019	Fair value Dec. 31, 2018	Carrying amount Dec. 31, 2018
Financial assets				
Lease receivables (performing)	5,839,229	5,216,938	5,100,095	4,556,603
Other financial assets	307,600	307,599	241,706	237,677
Financial liabilities				
Refinancing liabilities	4,632,602	4,583,977	3,905,114	3,910,222
Liabilities from deposit business	806,376	804,031	699,435	697,952
Bank liabilities	2,250	2,250	4,352	4,352

14.2.2 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 carried at fair value in the GRENKE Consolidated Group. Forward exchange contracts are accounted for without hedging relationship. All derivative financial instruments are assigned to Level 2 of the valuation hierarchy.

EURk	Fair value Sep. 30, 2019	Carrying amount Sep. 30, 2019	Fair value Dec. 31, 2018	Carrying amount Dec. 31, 2018
Financial assets				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	940	940	285	285
Forward exchange contracts	3,274	3,274	3,431	3,431
Total	**4,214**	**4,214**	**3,716**	**3,716**
Financial liabilities				
Interest rate derivatives with hedging relationship	841	841	15	15
Interest rate derivatives without hedging relationship	1,579	1,579	273	273
Forward exchange contracts	10,293	10,293	2,675	2,675
Total	**12,713**	**12,713**	**2,963**	**2,963**

The GRENKE Consolidated Group uses so-called OTC derivatives ("over the counter"). These are directly concluded with counterparties having at least investment grade status. There are no quoted market prices available for these instruments.

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 mark-to-market valuation model. The fair value of interest rate derivatives is determined based on 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.

14.3 MEASUREMENT METHODS AND INPUT FACTORS USED

The following table shows the applied measurement methods, the input factors used, and the assumptions made for measuring fair value:

Type and level	Measurement method	Input parameters
Fair value hierarchy Level 1		
Exchange-listed bonds	n/a	Quoted market price (average 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 note loans, 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
Fair value hierarchy Level 3		
Non-listed equity instruments	Discounted present value of estimated future cash flows	Risk-adjusted discount rate; earnings growth rate

15. SELLING AND ADMINISTRATIVE EXPENSES (NOT INCLUDING STAFF COSTS)

The Consolidated Group's investment in information technology (IT) resulting from IT project costs that cannot be capitalised is reported separately within selling and administrative expenses. These expenses arise in particular through projects for the process optimisation of the central and standardised IT processes as a result of the involvement of external expertise. IT project costs amounted to EUR 3,872k in the first nine months of 2019 (previous year as per September 30, 2018: EUR 5,196k).

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table shows the amount of revenue from contracts with customers (IFRS 15) and other revenue (IFRS 9, IFRS 16):

EURk	Segment	Jan. 1– Sep. 30, 2019	Jan. 1– Sep. 30, 2018
Revenue from contracts with customers (IFRS 15)			
Gross revenue from the insurance business (service business)	Leasing	78,276	64,371
Revenue from franchise fees	Leasing	1,185	1,254
Revenue from reminder fees	Leasing	1,149	1,005
Revenue from reminder fees	Factoring	17	18
Other revenue from lessees	Leasing	625	566
Disposal of lease assets	Leasing	122,730	112,774
Commission income from the banking business	Banking	1,043	765
Sub-total		**205,025**	**180,753**
Other revenue (IFRS 9, IFRS 16)			
Interest and similar income from the financing business	n/a	280,182	243,178
Income from operating leases	n/a	11,807	5,435
Portions of revenue from lease down payments	n/a	10,831	8,115
Sub-total		**302,820**	**256,728**
Total		**507,845**	**437,481**

17. INCOME TAXES

The main components of the income tax expense in the consolidated income statement are:

EURk	Jan. 1– Sep. 30, 2019	Jan. 1– Sep. 30, 2018
Income taxes		
Current tax expense	15,768	14,563
Deferred taxes	4,060	3,579
Total	**19,828**	**18,142**

18. GROUP SEGMENT REPORTING

GROUP SEGMENT REPORTING //

EURk	Leasing segment		Banking segment		Factoring segment	
January to September	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Operating segment income	**264,738**	**244,049**[1]	**22,175**	**15,827**[1]	**2,589**	**2,449**
Segment result	**113,011**	**107,132**[1]	**13,633**	**11,546**[1]	**−886**	**−1,403**
Reconciliation to consolidated financial statements						
Operating result						
Other financial income						
Taxes						
Net profit according to consolidated income statement						
As per Sep. 30 (prev. year: Dec. 31)						
Segment assets	**6,493,280**	**5,740,958**	**1,453,655**	**1,137,383**	**41,667**	**40,212**
Reconciliation to consolidated financial statements						
Tax assets						
Total assets according to consolidated statement of financial position						
Segment liabilities	**5,552,372**	**4,774,365**	**1,240,207**	**1,010,537**	**32,319**	**30,566**
Reconciliation to consolidated financial statements						
Tax liabilities						
Liabilities according to consolidated statement of financial position						

1 Selected prior-year figures adjusted (see section "Adjustments" in the notes to the condensed interim consolidated financial statements).

18.1 BUSINESS SEGMENTS

GRENKE Consolidated Group's reporting on the development of its segments is aligned along its organisational structure. Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments. A regional split of business activities is provided on a yearly basis as part of GRENKE's consolidated financial statements for each fiscal year. Separate financial information is available for the three operating segments.

18.2 REPORTABLE SEGMENTS

18.2.1 LEASING

The Leasing segment comprises all of the activities that are related to the Consolidated Group's leasing business. The service offer encompasses the provision of financing to commercial lessees, rental, service business, service and maintenance offerings for leased assets, as well as the disposal of used equipment.

18.2.2 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 and offers fixed-term deposits through its internet presence. The bank's business is focused primarily on German customers.

18.2.3 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

Total segments		Consolidated effects		Consolidated Group	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
289,502	**262,325[1]**	**0**	**0**	**289,502**	**262,325[1]**
125,758	**117,275[1]**	**0**	**0**	**125,758**	**117,275[1]**
				125,758	117,275[1]
				−2,893	−1,164
				19,828	18,142[1]
				103,037	**97,969[1]**
7,988,602	**6,918,553**	**−1,238,029**	**−1,084,753**	**6,750,573**	**5,833,800**
				47,409	42,691
				6,797,982	**5,876,491**
6,824,898	**5,815,468**	**−1,238,029**	**−1,084,753**	**5,586,869**	**4,730,715**
				63,993	58,679
				5,650,862	**4,789,394**

of receivables, as well as non-notification factoring where the debtor is not notified accordingly. The segment also offers collection services (recourse factoring) for which the customer continues to bear the credit risk.

18.3 SEGMENT DATA

The accounting policies employed to gather segment information are the same as those used for the interim consolidated financial statements. Intragroup 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, as well as income tax expenses/income, represents 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 gains / losses from disposals.
- The 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 except for tax liabilities.

19. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE 2019 FISCAL YEAR

19.1 GRENKE BUSINESS SOLUTIONS GMBH & CO. KG, BADEN-BADEN / GERMANY

In the first quarter of 2019, the new subsidiary GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, Baden-Baden / Germany was established. In this context, the predominant portion of GRENKE AG's sales personnel was transferred to GRENKE BUSINESS SOLUTIONS GmbH & Co. KG, which assumed the sales activities for GRENKE AG. Newly founded GRENKE Management Services GmbH, Baden-Baden / Germany is the general partner of GRENKE BUSINESS SOLUTIONS GmbH & Co. KG. Both entities have been included in the scope of consolidation since their establishment.

19.2 19.2 FCT “GK”-COMPARTMENT “G4” (FCT GK 4)

In the third quarter of 2019, FCT “GK” COMPARTMENT “G4” (FCT GK 4), a structured entity, was included in the scope of consolidation for the first time.

19.3 MERGER OF EUROPA LEASING GMBH INTO GRENKE AG

In the third quarter, Europa Leasing GmbH was merged into GRENKE AG with retroactive effect as per January 1, 2019. This had no impact on the consolidated financial statements.

20. ADDITIONAL INFORMATION ON THE SCOPE OF CONSOLIDATION

20.1 GRENKE HRVATSKA D.O.O., ZAGREB / CROATIA

The purchase price allocation for the purchase of GRENKE HRVATSKA D.O.O. (formerly: GC RENTING CROATIA D.O.O.), Zagreb / Croatia, which was acquired in the previous year, was finalised in the first quarter of 2019. As a result of adjustments made to lease assets from operating leases and deferred tax liabilities, an adjustment to goodwill as per the time of acquisition was necessary during the 12-month measurement period under IFRS 3 from EUR 9,149k to EUR 12,418k. For further information on the business combinations concluded in the previous year, please refer to the Company's notes to the consolidated financial statements as per December 31, 2018.

20.2 GC LEASING MIDDLE EAST FZCO, DUBAI / UAE

The purchase price allocation for the purchase of GC LEASING MIDDLE EAST FZCO, Dubai / UAE, which was acquired in the previous year, was finalised in the first quarter of 2019. There have been no changes to the preliminary fair values of the assets and liabilities. For further information on the business combinations concluded in the previous year, please refer to the Company's notes to the consolidated financial statements as per December 31, 2018.

21. DIVIDEND PAYMENT

On May 14, 2019, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for the 2018 fiscal year in the amount of EUR 43,047,901.71. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

EUR	
Unappropriated surplus for 2018	43,047,901.71
Distribution of a dividend of EUR 0.80 per registered share for a total of 46,353,918 registered shares	37,083,134.40
Profit carryforward (to new account)	5,964,767.31

The dividend was paid to the shareholders of GRENKE AG on May 17, 2019. In the previous year, a dividend of EUR 0.70 per share was paid.

22. PAYMENT TO HYBRID CAPITAL HOLDERS

On March 31, 2019, GRENKE AG paid EUR 9,375k to hybrid capital holders on schedule.

23. RELATED PARTY DISCLOSURES

The Supervisory Board of GRENKE AG concluded a phantom stock agreement with all members of the Board of Directors in office. Payments under these agreements during the fiscal year have not been made (previous year as per September 30, 2018: EUR 393k).

As per September 30, 2019, the value of all existing phantom stock agreements amounted EUR 296k (September 30, 2018: EUR 597k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

23.1 LIABILITIES FROM RELATED ENTITIES AND PERSONS

EURk	Sep. 30, 2019	Dec. 31, 2018
Associated companies	1,007	1,320
Persons in key positions and their family members	0	44

The liabilities to persons in key positions resulted from a consultancy contract with a member of the Supervisory Board. The related consulting expenses amounted to EUR 125k (previous year: EUR 53k). Liabilities from the Bank's deposit business stemmed from associated companies, resulting in an interest expense of EUR 1k (previous year as per September 30, 2018: EUR 7k).

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 10,609k (previous year as per December 31, 2018: EUR 5,499k) from persons in key positions (Board of Directors and Supervisory Board) and their close family members. The related interest expenses were EUR 18k (previous year as per September 30, 2018: EUR 31k). As per the reporting date, unsettled credit card accounts of these individuals amounted to EUR 21k (previous year as per December 31, 2018: EUR 29k). No further loans were granted to any of these individuals during the reporting period.

24. CONTINGENT LIABILITIES

GRENKE AG, as guarantor for individual franchise companies, provided financial guarantees of EUR 81.6 million (previous year as per December 31, 2018: EUR 75.7 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 41.2 million (previous year as per December 31, 2018: EUR 21.9 million).

25. EMPLOYEES

In the interim reporting period, GRENKE Consolidated Group's headcount (not including the Board of Directors) averaged 1,682 employees (previous year as per September 30, 2018: 1,468. A further 69 employees (previous year as per September 30, 2018: 61) are in training.

26. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date.

INFORMATION AND CONTACT //

GRENKE AG
Team Investor Relations

Neuer Markt 2
76532 Baden-Baden

Phone: +49 7221 5007-204
Fax: +49 7221 5007-4218
E-mail: investor@grenke.de

Figures in this financial 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.

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GRENKE AG

Headquarters
Neuer Markt 2
76532 Baden-Baden
Germany

Phone: +49 7221 5007-204
Fax: +49 7221 5007-4218
E-mail: investor@grenke.de

www.grenke.com