GRENKE®

FINANCIAL REPORT

FOR THE 2ND QUARTER AND THE FIRST HALF-YEAR 2018
GRENKE CONSLIDATED GROUP

Q2 | H1 2018

KEY FIGURES GRENKE GROUP

	Jan. 1, 2018 to Jun. 30, 2018	Change (%)	Jan. 1, 2017 to Jun. 30, 2017	Unit
New business GRENKE Group Leasing	**1,158,365**	**23.3**	**939,462**	**EURk**
of which international	871,404	25.8	692,770	EURk
of which franchise international	26,479	143.0	10,895	EURk
of which DACH*	260,482	10.5	235,797	EURk
Western Europe (without DACH)*	305,210	27.0	240,373	EURk
Southern Europe*	371,100	26.4	293,518	EURk
Northern / Eastern Europe*	183,359	22.6	149,559	EURk
Other regions*	38,214	89.0	20,215	EURk
New business GRENKE Group Factoring (incl. collection services)	**235,621**	**18.0**	**199,735**	**EURk**
of which Germany	85,487	4.7	81,626	EURk
of which international	67,856	-9.2	74,733	EURk
of which franchise international	82,278	89.7	43,376	EURk
GRENKE Bank				
Deposits	595,645	25.3	475,299	EURk
New business SME lending business incl. business start-up financing	18,677	42.9	13,072	EURk
Contribution margin 2 (CM2) on new business				
GRENKE Group Leasing	**205,105**	**20.8**	**169,829**	**EURk**
of which international	162,605	22.0	133,284	EURk
of which franchise international	5,578	145.1	2,276	EURk
of which DACH*	36,922	7.7	34,269	EURk
Western Europe (without DACH)*	54,847	25.9	43,550	EURk
Southern Europe*	71,219	22.1	58,348	EURk
Northern / Eastern Europe*	34,240	18.0	29,018	EURk
Other regions*	7,878	69.7	4,643	EURk
Further information leasing business				
Number of new contracts	135,087	22.6	110,206	units
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	8.6	1.2	8.5	EURk
Mean term of contract	49	2.1	48	months
Volume of leased assets	6,356	20.1	5,292	EURm
Number of current contracts	729,302	18.8	613,844	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, Norway, Sweden, UK / Czech Republic, 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

KEY FIGURES
GRENKE CONSOLIDATED GROUP

	Jan. 1, 2018 to Jun. 30, 2018	Change (%)	Jan. 1, 2017 to Jun. 30, 2017	Unit
Key figures income statement				
Net interest income	137,197	14.4	119,921	EURk
Settlement of claims and risk provision	42,786	16.8	36,644	EURk
Profit from service business	39,102	20.6	32,420	EURk
Profit from new business	40,785	22.2	33,385	EURk
Gains (+) / losses (–) from disposals	-2,391	-52.4	-5,027	EURk
Other operating income	2,781	-56.4	6,380	EURk
Cost of new contracts	29,972	22.8	24,410	EURk
Cost of current contracts	8,168	18.8	6,875	EURk
Project costs and basic distribution costs	28,919	14.1	25,337	EURk
Management costs	26,049	20.5	21,618	EURk
Other costs	5,205	47.1	3,539	EURk
Operating result	76,375	11.2	68,656	EURk
Other financial result (income (–) / expense (+))	754	-47.5	1,436	EURk
Income / expenses from fair value measurement	60	n.a.	0	EURk
EBT (earnings before taxes)	75,681	12.6	67,220	EURk
Net profit	**63,401**	**23.1**	**51,513**	**EURk**
Earnings per share (according to IFRS)	**1.35**	**19.5**	**1.13**	**EUR**
Further Information				
Dividends	0.70	20.7	0.58	EUR
Embedded value, leasing contract portfolio (excl. equity before taxes)	493	1.2	487	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,417	36.3	1,040	EURm
Cost / income ratio	56.5	3.1	54.8	percent
Equity ratio	18.8	22.1	15.4	percent
Average number of employees	1,397	18.2	1,182	employees
Staff costs	49,316	19.8	41,149	EURk
of which total remuneration	40,345	19.2	33,839	EURk
of which fixed remuneration	29,776	18.4	25,151	EURk
of which variable remuneration	10,569	21.7	8,688	EURk

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

GRENKE AT A GLANCE

GRENKE remains in expansion mode – confirms 218 net profit target and raises new business forecast 2018

GRENKE GROUP LOCATIONS

139

:: CELL DIVISIONS: Croatia, the Netherlands, Germany, Finland, France, 2 in Italy

:: ACQUISITION OF FRANCHISE COMPANIES: Croatia, United Arab Emirates

NEW BUSINESS GRENKE GROUP 6M 2018

+23 %

Volume incl. Franchise partners reaches EURm 1,412.7 (previous year: EURm 1,152.3)

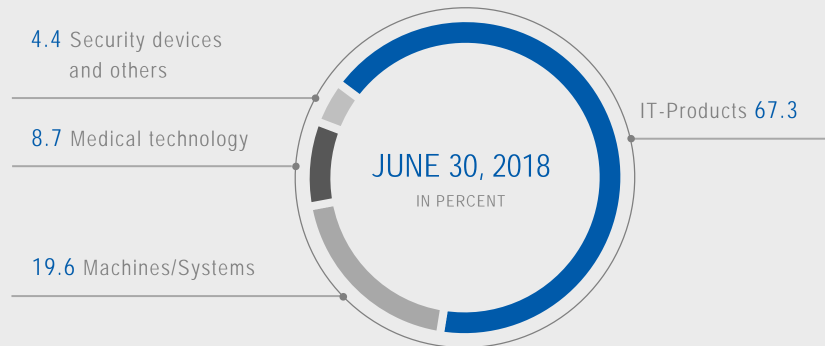
NUMBER OF EMPLOYEES

1,397

+18.2 % year-on-year (GRENKE Consolidated Group, previous year: 1,182)

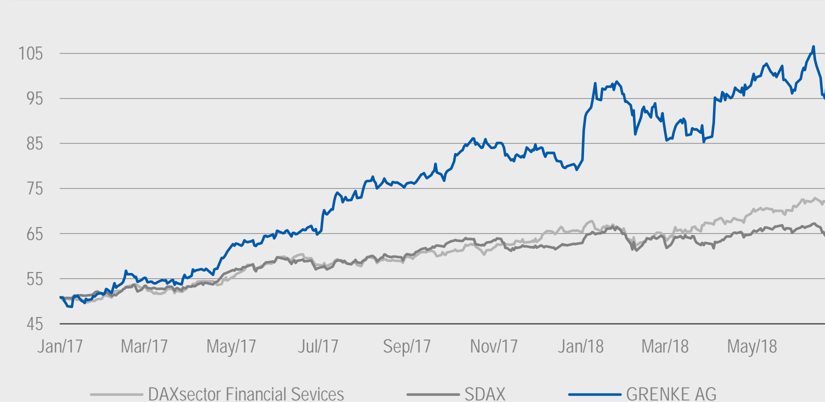
CONTINUED HIGH GROWTH

LEASING NEW BUSINESS PORTFOLIO



BROADLY DIVERSIFIED

GRENKE SHARE PRICE PERFORMANCE



ATTRACTIVE SHARE PRICE PERFORMANCE

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LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders,
Ladies and Gentlemen,

The high growth rates for new business and earnings recorded in the first quarter of 2018 seamlessly continued into the second quarter, enabling us to report a very satisfactory first half-year. New business in the Leasing segment increased 23 percent to EUR 1,158.4 million, while profitability remained high. Once again, our core markets France and Italy showed above-average growth, and we achieved double-digit growth in Germany. We also saw very positive performance in other markets, such as Spain, the Netherlands and Portugal. New business in our Factoring segment increased a total of 18 percent.

In view of the high growth rates in leasing during the first half of 2018, we are confident that we will be able to generate an even stronger increase the GRENKE Group's new business in the current fiscal year than previously forecast. We now expect an increase in the range of 18 to 22 percent after our previous forecast of 16 to 20 percent in the leasing segment. With our net profit up 23 percent from EUR 51.5 million to EUR 63.4 million in the first six months of 2018, we have a solid basis for achieving our 2018 full-year guidance that we confirm in its entirety.

We expanded and enhanced our international presence in the first half of 2018 with the opening of seven new locations in six European countries. As a result, GRENKE is now present worldwide with 139 locations on 5 continents. Before the end of the year, further locations will be added to new and existing markets.

We are squarely focused on maintaining our standing as a premium partner in the capital market. With gross volume totalling almost EUR 700 million, we are a very active and attractive issuer of a wide range of investment alternatives. In addition, we arranged a long-term, low-interest loan of up to EUR 100 million for the first time with the European Investment Bank for the promotion of start-ups and SMEs throughout Europe. We also concluded our second global loan agreement for lease financing with KfW and our eighth global loan agreement with NRW.BANK. The fact that the Standard & Poor's rating agency has recently reconfirmed our investment grade rating with a stable outlook underscores our standards for quality.

We were also very successful in placing a capital increase against cash contribution with an issue volume of EUR 197 million. Investors subscribed to the shares at a price of EUR 98. The proceeds will be used to strengthen GRENKE AG's equity base. This is crucial for our further expansion and the continuation of our successful internationalisation strategy. A stronger equity base will also enable us to selectively expand our market share and systematically develop our product and service portfolio further.

Dear Shareholders, your GRENKE AG is clearly on course for growth. We thank you for your trust.

Baden-Baden, June 2018

THE BOARD OF DIRECTORS

SECTION 1

CONDENSED INTERIM GROUP MANAGEMENT REPORT

TARGETS AND STRATEGY

We are one of the leading international providers of financial services for small and medium-sized enterprises (SMEs) focused on lease financing. IT products have historically made up the majority of our portfolio. We also, however, offer leasing in the areas of medical equipment, small machinery and systems. Our business model is simple, robust and value-enhancing. Strategically, we rely on diversification to limit risk. The broad diversification of our portfolio across customers, industries and countries, and the comparably low average volumes of our contracts characterise our business. We are continuously increasing the uniformity of our offers, which helps ensure the fast and secure processing of customer contracts. Examples of this are our recent introduction of our innovative eSignature service and apps for signing contracts via tablets and for banking services. Since the introduction of the innovative eSignature service, we have already used concluded a total of 88,113 contracts.

As a growth company, we are pursuing the clear strategic and long-term goal of market leadership in small-ticket leasing, but not necessarily in every single local market. The focus of our growth is on markets with an attractive risk / reward profile. In this way, we consistently use market opportunities when competitors reduce their involvement in this area or even withdraw completely.

In Germany, Switzerland and Italy, we are already the market leader in small-ticket leasing for IT and maintain a key position at a pan-European level. Outside of Europe, we have entered various countries in the Middle East, North and South America, and most recently Australia. We are also continuously consolidating our network of branches in existing markets. In the reporting period, we opened a total of seven new locations. In the first half of 2018, we also acquired the companies of our former franchisees in Croatia and the United Arab Emirates. For further information on the acquisitions concluded in the current fiscal year, please refer to the notes to the condensed interim consolidated financial statements.

In addition to our geographical expansion, we are continuing to diversify our service range. In this way, we are gradually expanding our unique expertise acquired in the IT area to include further categories of properties so we can transform into an overall provider of small-ticket leasing for small and medium-sized companies. We see growth potential particularly in the increasing networking of the economy. In addition, GRENKE Bank is regularly expanding its range of financing, investment and payment products. Further details can be found in the section describing the Consolidated Group's business development.

BUSINESS DEVELOPMENT

GRENKE GROUP'S NEW BUSINESS

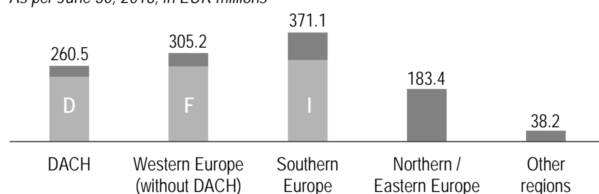
GRENKE Group is geared toward profitable growth reflected, among others, by the Group's ongoing geographic expansion, product diversification and, not least, uninterrupted, dynamic new business growth.

All of this has led to new business growth at the GRENKE Group of 23 percent to a volume of EUR 1,412.7 million in the first half of 2018 (6M 2017: EUR 1,152.3 million). New business at GRENKE Group Leasing, defined as the sum of the acquisition costs of newly acquired leased assets, achieved a year-on-year increase of 23 percent in the six-month period from EUR 939.5 million to EUR 1,158.4 million. As a result, the volume of new business exceeded the billion-euro threshold for the first time in a first half-year period. The major contribution to this pleasing development was made once again by our international markets. Particularly high growth rates were recorded in our international leasing core markets of France (+25 percent) and Italy (+25 percent), but also in smaller markets such as Spain (+42 percent), the Netherlands (+30 percent) and Portugal (+24 percent). New business in the core market of Germany increased by 13 percent and 11 percent in the DACH region overall. We also view these growth rates as very satisfactory given the comparatively high degree of penetration existing in the German and DACH markets.

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

NEW BUSINESS GRENKE GROUP LEASING*

As per June 30, 2018, in EUR millions



* See next page for regional description.

Lease applications in the reporting period grew to a total of 277,936 (6M 2017: 236,179), which in turn generated 135,087 (6M 2017: 110,206) new lease contracts. This corresponds to a two-percentage-point higher conversion rate (applications into contracts) of 49 percent compared to the previous year. In our international markets, 233,545 (6M 2017: 192,706) applications resulted in 111,227 (6M 2017: 87,552) new contracts. Accordingly, the conversion rate there was 48 percent, or three percentage points above the same period of the previous year. In the DACH region, 54 percent (6M 2017: 52 percent) of applications were converted into contracts.

Our new business remained highly profitable with the contribution margin 2 (CM2) on new business in the Leasing segment, defined as the present value of the operating income of a lease contract less the cost of risk, increasing year-on-year by 21 percent from EUR 169.8 million to EUR 205.1 million. This corresponds to a CM2 margin of 17.7 percent after 18.1 percent in the same period of the previous year. The CM1 margin (contribution margin 1 at acquisition values) was 12.8 percent in the first half of the year after 12.5 percent in the same period of the previous year. In absolute terms, CM1 amounted to EUR 148.3 million after EUR 117.8 million in the same period of the previous year.

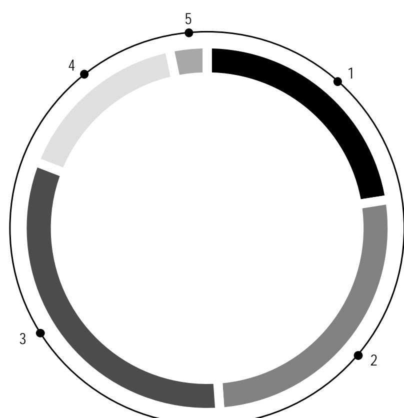
In the Factoring segment, we were able to increase new business volume in the first six months of the current fiscal year by 18 percent to EUR 235.6 million (6M 2017: EUR 199.7 million). The gross margin of the new business volume of EUR 85.5 million generated in Germany remained at a high level of 1.62 percent (6M 2017: 1.71 percent). In our international markets, the gross margin of new business volume of EUR 150.1 million was at 1.20 percent (same period of the previous year: 1.26 percent). This margin is based on the average period for a factoring transaction in Germany of approx. 27 days (6M 2017: approx. 27 days) and approx. 40 days on an international level (6M 2017: approx. 37 days).

In order to strengthen future growth, a loan agreement for EUR 100 million was concluded for the first time with the European Investment Bank to support SMEs across Europe.

In the second quarter, GRENKE Bank recorded an even higher increase in lending to SMEs (including start-up financing) than in the first quarter of the year for an overall increase of 42.9 percent in the first six months. In absolute terms, volume increased to EUR 18.7 million as per June 30, 2018 after EUR 13.1 million in the same period of the previous year. The course has been set for further growth. In the second quarter, for example, we were able to expand our cooperation with KfW with a follow-up agreement for a new global loan. We also launched our eighth global loan with NRW.BANK.

The deposit volume of GRENKE Bank increased year-on-year by 25.3 percent compared to the end of the first half of 2017 and amounted to EUR 595.6 million as per June 30, 2018 versus EUR 475.3 million. The increase compared to the end of the prior fiscal year (EUR 519.2 million) amounted to 14.7 percent.

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION



GRENKE Group Leasing (share of overall new business in percent)	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
1 DACH	22.5	25.1
2 Western Europe (without DACH)	26.4	25.6
3 Southern Europe	32.0	31.2
4 Northern / Eastern Europe	15.8	15.9
5 Other Regions	3.3	2.2

GRENKE Group (in EUR millions)	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
New business GRENKE Group Leasing	1,158.4	939.5
New business GRENKE Group Factoring	235.6	199.7
Business start-up financing GRENKE Bank (incl. microcredit business)	19.0	13.1

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, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia*, Brazil, Canada*, Chile*, Singapore*, Turkey, UAE

* Franchise

GRENKE CONSOLIDATED GROUP'S BUSINESS PERFORMANCE

The prior year's solid business performance carried on in the first half of 2018. Net interest income and, consequently, the Consolidated Group's net profit continued to be driven by the recent profitable new business and our attractive refinancing conditions. As a result, the Consolidated Group's net profit increased year-on-year by 23 percent. We continued to expand geographically and further penetrate our existing markets in line with our strategic goals. In addition to acquiring the companies of our former franchisees in Croatia and the United Arab Emirates, under our cell division strategy, we opened two new locations in Croatia and the Netherlands in the first quarter, and a total of five locations in the second quarter in Germany, Finland, and France and two in Italy. We are already successfully meeting the needs of our customers through our longstanding experience in 31 countries. As per June 30, 2018, there were a total of 139 GRENKE locations worldwide.

In terms of our product range, we deepened our cooperation with NRW.BANK via the GRENKE Bank in the second quarter by issuing our eighth global loan. Based on a volume of EUR 45 million, we offer SMEs further attractive financing through promotional vouchers from NRW.BANK. Through this approach, GRENKE Bank is financing business start-ups with a growing number of federal and state development banks and supporting SMEs and self-employed professions by providing development funds for leasing-financed new business acquisitions. As part of these collaborations, a total of more than 37,000 leases have been signed to date. Thanks to a EUR 100 million loan agreement with the European Investment Bank, we are now transferring this funding concept on a European level.

We also concluded another global loan agreement with KfW for lease financing of EUR 120 million. As a result, SMEs, self-employed professions and business start-ups all over Germany can benefit from the attractive leasing conditions offered by GRENKE and KfW when funding business purchases. The global loan now concluded with KfW is a continuation of our cooperation that goes back as far as December 2016, with a global loan of over EUR 100 million for SME leasing financing.

New business is refinanced via our broad range of refinancing instruments that are subdivided into three areas: 1) senior unsecured instruments, 2) asset-based instruments and committed development loans and 3) the option to obtain bank deposits through GRENKE Bank. At the same time, we are continuously expanding our range of refinancing with appropriate and, particularly, digital instruments.

Thanks to our top-tier reputation on the capital markets, all of our new issues were placed successfully once again within a short period of time. As usual, there were a number of smaller transactions in the reporting period between EUR 5 and 45 million and 2 to 10 years with a total volume of EUR 210 million. In addition, we placed a large bond with a volume of EUR 200 million and a five-year maturity. For further information on the refinancing measures in the current fiscal year, please see the notes to the condensed interim consolidated financial statements.

A key contributor to the success of our refinancing activities was our good credit rating, which confirms our continued high creditworthiness and investment grade status. Standard & Poor's reaffirmed our counterparty credit rating of BBB+/A-2 with a stable outlook in its latest analysis from June 2018. Standard & Poor's specifically emphasises our very strong capitalisation and outstanding profitability and the low default risk of our portfolio. The latter has proven to be very stable, especially during recessionary periods in many European countries.

In addition, in June 2018, GRENKE AG increased its share capital by an amount of EUR 2,040,816.00 bringing the total from EUR 44,313,102.00 to EUR 46,353,918.00 against cash contribution and under the exclusion of shareholder subscription rights making partial use of the authorised capital resolved at the Annual General Meeting on May 3, 2018. The 2,040,816 new, no-par value registered shares were placed with investors at a price of EUR 98.00 per share as part of an accelerated book building process. This resulted in additional equity for the Company of EUR 197 million after issuing costs.

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

EURk	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017*
Net interest income	**137,197**	**119,921**
Settlement of claims and risk provision	42,786	36,644
Net interest income after settlement of claims and risk provision	**94,411**	**83,277**
Profit from service business	39,102	32,420
Profit from new business	40,785	33,385
Gains (+)/losses (–) from disposals	-2,391	-5,027
Income from operating business	**171,907**	**144,055**
Staff costs	49,316	41,149
of which total remuneration	40,345	33,839
of which fixed remuneration	29,776	25,151
of which variable remuneration	10,569	8,688
Selling and administrative expenses (not including staff costs)	37,137	30,966
of which IT project costs	*3,291*	*2,818*
Earnings before taxes	**75,681**	**67,220**
Net profit	**63,401**	**51,513**
Earnings per share (basic/diluted in EUR)	1.35	1.13

* Previous year's amounts adjusted; see "Adjustments" in the notes to the condensed interim consolidated financial statements.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

NEW IFRS 9 ACCOUNTING STANDARD

The accounting standard IFRS 9 "Financial Instruments", whose application was mandatory for the first time as per January 1, 2018, resulted in changes to the previous year's amounts in the income statement (settlement of claims and risk provision, tax expenses) and in the balance sheet (lease receivables, other current and non-current financial assets, trade receivables, deferred tax assets and other current provisions). This promotes, above all, comparability and transparency. While the previous IAS 39 standard permitted the recognition of impairment losses only for losses already incurred, IFRS 9 provides for a new impairment model based on expected credit losses. The transition to and first-time application of IFRS 9 has no impact on contribution margins or embedded value, leaving the Consolidated Group's overall profitability unaffected. The pre-emption of expected losses only shifts them to a different period within the entire term. The transition effects from the application of IFRS 9 are presented separately.

:: ► SEE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS IN THE SECTION ENTITLED "FIRST-TIME APPLICATION OF IFRS 9"

RESULTS OF OPERATIONS

Based on the new application of the IFRS 9 standard, we achieved a 17 percent increase in the income from operating business in the second quarter of the current fiscal year. Similar to the development in the previous quarters, net interest income increased by 14 percent to EUR 69.5 million following EUR 60.8 million in the same period of the prior year, as a result of a sharply higher increase in interest and similar income from the financing business compared to the corresponding expenses. Expenses for settlement of claims and risk provision amounted to EUR 22.0 million in the quarter under review compared to EUR 17.8 million in the same quarter of the prior year. Net interest income after settlement of claims and risk provision increased by 10 percent to EUR 47.5 million (Q2 2017: EUR 43.0 million). The loss rate was 1.4 percent compared to 1.4 percent in the first quarter 2018. Strong growth of 20 percent in the profit from service business, a sharp increase in new business of 21 percent, the noticeable improvement in gains/losses from disposals and overall expenses in line with expectations coupled with a lower level of income taxes led to a 24 percent rise in the net profit for the period.

Overall expenses developed as expected as a result of the Consolidated Group's growth. There were also upfront investments to promote future growth that are largely reflected in IT project and selling costs and consulting and auditing costs. The increasing efficiency of our operational processes is reflected in the good development in operating and staff costs.

As in previous periods, the net balances of other operating income and expenses, other interest income and expenses and the results from investments accounted for using the equity method and from fair value measurement were insignificant. Earnings before taxes increased 8 percent to EUR 39.1 million in the reporting period after EUR 36.2 million in the same period of the prior year. Net profit rose by 24 percent to EUR 33.2 million in the reporting quarter compared to EUR 26.8 million. As a result, earnings per share in the reporting quarter amounted to EUR 0.71 after EUR 0.59 in the same period of the prior year.

HALF-YEAR COMPARISON 2018 VERSUS 2017

The information above pertaining to the reporting quarter also essentially applies to the six-month period. Net interest income grew 14 percent year-on-year and reached EUR 137.2 million compared to EUR 119.9 million in the first six months of 2017. Expenses for the settlement of claims and risk provision totalled EUR 42.8 million after EUR 36.6 million. Net interest income after settlement of claims and risk provision rose accordingly by 13 percent from EUR 83.3 million in the prior-year period to EUR 94.4 million in the half-year reporting period.

Income from operating business in the first half-year, which included a 21 percent increase in profit from service business, a 22 percent increase in profit from new business and an improvement in gains/losses from disposals, increased year-on-year by 19 percent rising from EUR 144.1 million to EUR 171.9 million. Expenses were higher as expected with the operating result increasing of 11 percent to EUR 76.4 million in the first half of 2018 compared to EUR 68.7 million in the comparable period of the prior year.

Earnings before taxes in the reporting period increased 13 percent and amounted to EUR 75.7 million compared to EUR 67.2 million in the first six months of the previous year. Net profit increased 23 percent to EUR 63.4 million (6M 2017: EUR 51.5 million). Earnings per share amounted to EUR 1.35 compared to EUR 1.13 in the first half of the previous fiscal year.

SEGMENT DEVELOPMENT

BUSINESS SEGMENTS

Segment reporting is based on the prevailing organisational structure of the GRENKE 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. Transactions between operating segments are eliminated (for more information, please see "The Consolidated Group's Segment Reporting"). A regional split of business activities is provided on a yearly basis as part of the GRENKE Consolidated Group's financial statements for each fiscal year. Separate financial information is available for the three operating segments.

BUSINESS DEVELOPMENT

The Leasing segment continues to be the earnings pillar of the Consolidated Group. Therefore, the explanations on the results of operations also essentially apply to this section. The operating segment income in the Leasing segment increased by 19 percent from EUR 134.1 million in the same period of the previous year to EUR 160.1 million in the first half of 2018. The segment result increased by 9 percent to EUR 69.5 million after EUR 63.7 million in the first six months of the previous year. In the Factoring segment, operating segment income fell slightly to EUR 1.6 million (6M 2017: EUR 2.0 million), and the segment result amounted to EUR –0.7 million after EUR –0.2 million in the same period of the previous year. In the Banking segment, we were able to significantly increase operating segment income by 28 percent. Segment income reached a level of EUR 10.2 million after EUR 7.9 million in the same period of the previous year. The segment result contributed EUR 7.6 million (6M 2017: EUR 5.1 million) to the Consolidated Group's net profit.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	June 30, 2018	Dec. 31, 2017*
Current assets	**2,313,370**	**1,942,182**
of which cash and cash equivalents	*316,009*	*203,357*
of which lease receivables	*1,479,882*	*1,341,151*
Non-current assets	**3,118,828**	**2,829,791**
of which lease receivables	*2,818,443*	*2,552,975*
Total assets	**5,432,198**	**4,771,973**
Current liabilities	**1,548,091**	**1,390,294**
of which financial liabilities	*1,382,731*	*1,261,525*
Non-current liabilities	**2,861,283**	**2,583,084**
of which financial liabilities	*2,808,776*	*2,533,181*
Equity	**1,022,824**	**798,594**
Equity ratio (in percent)	18.8	16.7
Total liabilities and equity*	**5,432,1978**	**4,771,973**
Embedded value incl. equity and after taxes	1,417,467	1,169,452

* Previous year's amounts adjusted; see "Adjustments" in the notes to the condensed interim consolidated financial statements

REPORT ON NET ASSETS AND FINANCIAL POSITION

NET ASSETS

The balance sheet of the GRENKE Consolidated Group and its growth are shaped by consistently good business and earnings performance over many years. This is reflected both in the sustained dynamic growth of lease receivables and their refinancing as the largest positions on both sides of the balance sheet and, in particular, in the equally long-term stable equity ratio.

Total assets as per the June 30, 2018 reporting date increased by 14 percent to EUR 5.4 billion compared to EUR 4.8 billion at the end of the 2017 fiscal year. Non-current and current lease receivables increased by 10 percent in the reporting period and accounted for 79 percent of total assets (December 31, 2017: 82 percent). The Consolidated Group's increase in cash and cash equivalents from December

31, 2017 to EUR 316.0 million as per June 30, 2018, resulted primarily from the cash capital increase carried out in June.

All in all, we are continuing our strategy of using our liquid assets, which can only be invested otherwise at low interest rates, for our operations – meaning, to finance our growth – and will do this successively using the proceeds from the capital increase. The carrying amounts of property, plant and equipment, as well as goodwill, were higher following the first-time consolidation of the former franchise companies in Croatia and the United Arab Emirates, which had been acquired in the first quarter. Current and non-current other financial assets fell slightly overall, whereas the sum of current and non-current other assets had a reporting date-related increase and essentially represent input tax credits that are short-term in nature.

On the liability side of the balance sheet, the Consolidated Group's non-current and current liabilities increased 11 percent to EUR 4.4 billion due to growth. Financial liabilities, which are predominantly liabilities from refinancing, also increased by 11 percent, with deferred lease payments higher as per the balance sheet date.

After distributing a dividend of EUR 31.0 million (previous year: EUR 25.8 million), equity increased by 28 percent to EUR 1,022.8 million after EUR 798.6 million as per the end of 2017 as a result of the proceeds received from the recent capital increase and the net profit generated in the reporting period. Based on total assets, the equity ratio in mid-2018 was 18.8 percent, a good two percentage points above the 2017 year-end level of 16.7 percent, giving us a solid equity base that meets our long-term target of 16 percent. At the same time, the current capital increase provided the basis for realising our future growth with the usual solid capital structure.

We continued to rely on our wide range of refinancing products in the half-year under review, based on the principle of the economic and balanced use of capital resources. Our excellent reputation in the capital market and among the customers of GRENKE Bank provides us with the flexibility to be able to act. Detailed information on the source of funds can be found in the notes to the condensed interim consolidated financial statements and is also available on our website at www.grenke.de.

FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
Cash flow from operating activities	5,182	58,549
Net cash flow from operating activities	–1,324	45,585
Cash flow from investing activities	–46,401	–15,066
Cash flow from financing activities	158,860	–31,161
Total cash flow	**111,135**	**–642**

Cash flow from operating activities amounted to EUR 5.2 million in the first six months after EUR 58.5 million in the same period of the previous year. Based on earnings before taxes of EUR 75.7 million (6M 2017: EUR 67.2 million), the increase in other assets reduced cash flow. The increase in other liabilities was offset by an almost equivalent increase in deferred lease payments. The refinancing of the EUR 380.0 million increase in lease receivables was ensured by new financial instruments and bank deposits. After interest and taxes paid and received, the net cash flow from operating activities amounted to EUR –1.3 million compared to EUR 45.6 million in the first six months of the previous year.

Cash flow from investing activities amounted to EUR –46.4 million in the six-month period (6M 2017: EUR –15.1 million) and included EUR 11.3 million in payments for the purchase of operating and office equipment (6M 2017: EUR 7.2 million) and mainly the purchase price payments of EUR 35.6 million for the acquisition of the former franchisees.

Total cash flows, including cash flow from financing activities, which includes the repayment of bank liabilities of EUR 0.3 million (6M 2017: repayment of EUR 1.2 million), interest payments on hybrid capital of EUR 6.8 million (6M 2017: EUR 4.1 million), cash proceeds from the capital increase of EUR 196.9 million and the distribution of the dividend for the previous fiscal year of EUR 31.0 million (6M 2017: EUR 25.8 million), totalled EUR 111.1 million in the reporting period after EUR –0.6 million in the same period of the previous year.

RELATED PARTY DISCLOSURES

Related party disclosures are provided in the notes to the condensed interim consolidated financial statements under the respective section.

REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

OPPORTUNITIES AND RISKS

There have been no material changes to the opportunities and risks in the reporting period compared to those described in our 2017 Annual Financial Report. We continue to believe that the opportunities for our further development far outweigh the risks that are typically inherent in our business model.

FORECAST

We are very pleased overall with our performance in the first six months of the fiscal year. With 23 percent new business growth in our Leasing segment, we exceeded the upper end of our forecast range for the 2018 fiscal year of 16 to 20 percent announced at the start of the year. In light of this positive performance and the equally positive outlook for the current fiscal year, we are raising our forecast range for this segment to a growth of 18 to 22 percent. New business growth at GRENKE Group Factoring was in line with our forecast range of 15 to 20 percent. The same is true for our earnings development. We are well on track to reach our forecast range of a net profit between EUR 123 and 131 million.

GRENKE AT A GLANCE

CONSOLIDATED GROUP NET PROFIT 6M 2018 (IN EUR MILLIONS)

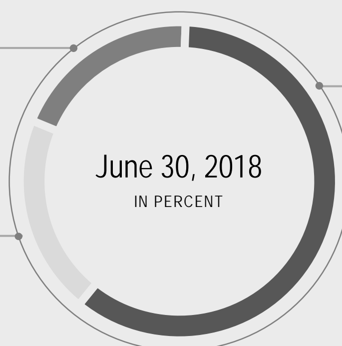
63.4

EARNINGS PER SHARE 6M 2018 (EUR)

1.35

HIGH GROWTH

THREE PILLARS: THE GRENKE CONSOLIDATED GROUP REFINANCING MIX



BALANCED REFINANANCING

EQUITY RATIO (PERCENT)

18.8

:: SOLID EQUITY BASE EVEN AT HIGH GROWTH RATES

STANDARD & POORS: COUNTERPARTY CREDIT RATING

BBB+

:: STABLE OUTLOOK
:: CONFIRMED IN JUNE 2018

STRONG BALANCE SHEET

SECTION 2

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EURk	3-MONTH REPORT Apr. 1, 2018 to Jun. 30, 2018	Apr. 1, 2017 to Jun. 30, 2017	6-MONTH REPORT Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
		adjusted [1]		adjusted [1]
Interest and similar income from financing business	81,116	71,068	159,637	140,083
Expenses from interest on refinancing and deposit business	11,630	10,268	22,440	20,162
Net interest income	**69,486**	**60,800**	**137,197**	**119,921**
Settlement of claims and risk provision	22,032	17,762	42,786	36,644
Of which, result from the disposal of financial assets measured at amortised cost	*7,501*	*6,893*	*16,933*	*15,945*
Of which, impairment losses	*13,435*	*10,165*	*24,240*	*19,222*
Net interest income after settlement of claims and risk provision	**47,454**	**43,038**	**94,411**	**83,277**
Profit from service business	20,538	17,062	39,102	32,420
Profit from new business	21,583	17,811	40,785	33,385
Gains(+) / losses (–) from disposals	-964	-2,446	-2,391	-5,027
Income from operating business	88,611	75,465	171,907	144,055
Staff costs	24,888	21,375	49,316	41,149
Depreciation and impairment	**4,332**	**4,019**	**8,192**	**7,107**
Selling and administrative expenses (not including staff costs)	19,481	15,608	37,137	30,966
Other operating expenses	1,180	669	3,668	2,557
Other operating income	805	3,083	2,781	6,380
Operating result	39,535	36,877	76,375	68,656
Result from investments accounted for using the equity method	-45	-61	-87	-170
Expenses / income from fair value measurement	**17**	**0**	**60**	**0**
Other interest income	325	128	497	240
Other interest expenses	683	703	1,164	1,506
Earnings before taxes	39,149	36,241	75,681	67,220
Income taxes	5,975	9,396	12,280	15,707
Net profit	**33,174**	**26,845**	**63,401**	**51,513**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	**1,604**	**692**	**3,190**	**1,376**
Shareholders of GRENKE AG	31,570	26,153	60,211	50,137
Earnings per share (EUR)[2]	0.71	0.59	1.35	1.13
Average number of shares outstanding[2]	44,694,353	44,313,102	44,504,781	44,313,102

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" in the notes to the condensed interim consolidated financial statements
2 Earnings per share calculated according to IAS 33 is based on the net profit attributable to GRENKE shareholders.
No convertible or option rights were outstanding during the current or comparable prior-year period.
Therefore, basic and diluted earnings per share were identical.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-MONTH REPORT		6-MONTH REPORT	
EURk	Apr. 1, 2018 to Jun. 30, 2018	Apr. 1, 2017 to Jun. 30, 2017	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
		adjusted [1]		adjusted [1]
Net profit	**33,174**	**26,845**	**63,401**	**51,513**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve	-2	-12	-15	-48
thereof: income tax effects	0	-1	2	7
Change in currency translation differences	-781	-1,449	-1,458	-988
thereof: income tax effects	0	0	0	0
Items that will not be reclassified to profit and loss in future periods				
Appropriation to / reduction of reserve for actuarial gains and losses	291	-98	291	-98
thereof: income tax effects	-82	33	-82	33
Other comprehensive income	**-492**	**-1,559**	**-1,182**	**-1,134**
Total comprehensive income	**32,682**	**25,286**	**62,219**	**50,379**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	1,604	692	3,190	1,376
Shareholders of GRENKE AG	31,078	24,594	59,029	49,003

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" in the notes to the condensed interim consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Jun. 30, 2018	Dec. 31, 2017
		adjusted [1]
Assets		
Current assets		
Cash and cash equivalents	316,009	203,357
Financial instruments that are assets	3,716	2,161
Lease receivables	1,479,882	1,341,151
Other current financial assets	147,922	116,127
Trade receivables	6,594	5,786
Lease assets for sale	15,521	7,104
Tax assets	20,211	22,671
Other current assets	323,515	243,825
Total current assets	**2,313,370**	**1,942,182**
Non-current assets		
Lease receivables	2,818,443	2,552,975
Financial instruments that are assets	2,773	1,344
Other non-current financial assets	45,699	80,306
Investments accounted for using the equity method	4,645	4,732
Property, plant and equipment	82,220	55,415
Goodwill	103,174	83,580
Other intangible assets	43,751	35,402
Deferred tax assets	16,947	14,811
Other non-current assets	1,176	1,226
Total non-current assets	**3,118,828**	**2,829,791**
Total assets	**5,432,198**	**4,771,973**

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" in the notes to the condensed interim consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Jun. 30, 2018**	**Dec. 31, 2017**
		adjusted [1]
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	1,382,731	1,261,525
Liability financial instruments	2,015	1,199
Trade payables	23,967	20,550
Tax liabilities	22,868	20,092
Deferred liabilities	20,945	25,070
Current provisions	1,627	1,627
Other current liabilities	28,704	23,810
Deferred lease payments	65,234	36,421
Total current liabilities	**1,548,091**	**1,390,294**
Non-current liabilities		
Financial liabilities	2,808,776	2,533,181
Liability financial instruments	552	760
Deferred tax liabilities	46,482	43,621
Pensions	4,265	4,419
Non-current provisions	107	53
Other non-current liabilities	1,101	1,050
Total non-current liabilities	**2,861,283**	**2,583,084**
Equity		
Share capital	46,354	44,313
Capital reserves	289,326	93,611
Retained earnings	563,617	534,473
Other components of equity	-3,119	–1,937
Total equity attributable to shareholders of GRENKE AG	**896,178**	**670,460**
Additional equity components [2]	126,646	128,135
Total equity	**1,022,824**	**798,595**
Total liabilities and equity	**5,432,198**	**4,771,973**

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" in the notes to the condensed interim consolidated financial statements
2 Including AT1 bonds (hybrid capital), which are reported as equity under IFRS.

CONSOLIDATED STATEMENT OF CASH FLOWS

	EURk	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
			adjusted [1]
	Earnings before taxes	**75,681**	**67,220**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	8,192	7,107
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	51	13
– / +	Net income from non-current financial assets	667	1,266
– / +	Other non-cash effective income / expenses	1,061	283
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	-4,481	-2,955
–	Additions to lease receivables	-1,169,230	-949,597
+	Payments by lessees	793,707	673,372
+	Disposals / reclassifications of lease receivables at residual carrying amounts	156,559	122,179
–	Interest and similar income from leasing business	-154,907	-136,056
+ / –	Decrease / increase in other receivables from lessees	-10,499	-1,819
+ / –	Currency translation differences	4,385	6,533
=	Change in lease receivables	-379,985	-285,388
+	Addition to liabilities from refinancing	1,051,769	859,022
–	Payment of annuities to refinancers	-735,451	-639,516
–	Disposal of liabilities from refinancing	-21,910	-20,425
+	Expenses from interest on refinancing and on deposit business	22,440	20,162
+ / –	Currency translation differences	-4,152	-2,801
=	Change in refinancing liabilities	312,696	216,442
+ / –	Increase / decrease in liabilities from deposit business	76,469	75,354
– / +	Increase / decrease in loans to franchisees	16,450	-11,564
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	-104,051	-29,309
+ / –	Increase / decrease in deferred lease payments	27,278	18,863
+ / –	Increase / decrease in other liabilities	-24,846	1,217
=	**Cash flow from operating activities**	**5,182**	**58,549**

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" in the notes to the condensed interim consolidated financial statements

continued on next page

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	EURk	Jan. 1, 2018 to Jun. 30, 2018	Jan. 1, 2017 to Jun. 30, 2017
			adjusted [1]
– / +	Income taxes paid / received	-5,839	-11,698
–	Interest paid	-1,164	-1,506
+	Interest received	497	240
=	**Net cash flow from operating activities**	**-1,324**	**45,585**
–	Payments for the acquisition of property, plant and equipment and intangible assets	-11,305	-7,151
–	Payments for the acquisition of subsidiaries	-35,575	-8,035
+	Proceeds from the sale of property, plant and equipment and intangible assets	479	120
=	**Cash flow from investing activities**	**-46,401**	**-15,066**
+ / –	Borrowing / repayment of bank liabilities	-256	-1,187
+	Proceeds from cash capital increase	196,921	0
–	Interest payment on hybrid capital	-6,786	-4,125
–	Dividend payments	-31,019	-25,849
=	**Cash flow from financing activities**	**158,860**	**-31,161**
	Cash funds at beginning of period		
	Cash in hand and bank balances	203,357	156,888
–	Bank liabilities from overdrafts	-111	-131
=	**Cash and cash equivalents at beginning of period**	**203,246**	**156,757**
+ / –	Change due to currency translation	56	114
=	**Cash funds after currency translation**	**203,302**	**156,871**
	Cash funds at end of period		
	Cash in hand and bank balances	316,009	156,780
–	Bank liabilities from overdrafts	-1,572	-551
=	**Cash and cash equivalents at end of period**	**314,437**	**156,229**
	Change in cash and cash equivalents during the period (= total cash flow)	**111,135**	**-642**
	Net cash flow from operating activities	-1,324	45,585
+	Cash flow from investing activities	-46,401	-15,066
+	Cash flow from financing activities	158,860	-31,161
=	**Total cash flow**	**111,135**	**-642**

1 Previous year's amounts adjusted; see section "First-time application of IFRS 9" 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	Reserve for actuarial gains / losses	Currency translation	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
Equity as per Jan. 1, 2018	**44,313**	**93,611**	**534,473**	**–6**	**–1,258**	**–673**	**670,460**	**128,135**	**798,595**
Total comprehensive income	--	--	60,211	-15	291	-1,458	59,029	3,190	62,219
Dividend payment in 2018 for 2017	--	--	-31,019	--	--	--	-31,019	--	-31,019
Capital increase	2,041	195,715	--	--	--	--	197,756	--	197,756
Reversal of premium on hybrid capital	--	--	-48	--	--	--	-48	48	0
Interest payment on hybrid capital (net)	--	--	--	--	--	--	0	-4,727	-4,727
Equity as per Jun. 30, 2018	**46,354**	**289,326**	**563,617**	**-21**	**-967**	**-2,131**	**896,178**	**126,646**	**1,022,824**
Equity as per Jan. 1, 2017 (as reported)	**18,881**	**119,043**	**498,807**	**90**	**–1,556**	**2,614**	**637,879**	**52,541**	**690,420**
Adjustment to new accounting standards	--	--	-42,154	--	--	98	-42,056	--	-42,056
Equity as per Jan. 1, 2017 (adjusted)	**18,881**	**119,043**	**456,653**	**90**	**-1,556**	**2,712**	**595,823**	**52,541**	**648,364**
Total comprehensive income	--	--	50,137	-48	-98	-988	49,003	1,376	50,379
Dividend payment in 2017 for 2016	--	--	-25,849	--	--	--	-25,849	--	-25,849
Capital increase (Conversion of capital reserves in the context of the stock split)	25,432	-25,432	--	--	--	--	0	--	0
Reversal of premium on hybrid capital	--	--	-48	--	--	--	-48	48	0
Interest payment on hybrid capital (net)	--	--	--	--	--	--	0	-3,235	-3,235
Others	--	--	--	--	--	--	0	-6	-6
Equity as per Jun. 30, 2017 (adjusted)	**44,313**	**93,611**	**480,893**	**42**	**-1,654**	**1,724**	**618,929**	**50,724**	**669,653**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 2018, 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, 2017. The condensed interim consolidated financial statements and the condensed group management report as per June 30, 2018 have neither been audited nor subject to an audit review.

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 2019 fiscal year or later. GRENKE AG will apply these standards to the consolidated financial statements at the time of their mandatory application. Certain prior-year figures have been adjusted to reflect the current presentation format.

ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

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

There were only minimal changes to the accounting policies for the lessor, which largely correspond to the previous provisions of IAS 17. As a result, the new standard is not expected to have a material impact on the GRENKE AG consolidated financial statements as a lessor. For leases where the GRENKE Consolidated Group is the lessee, the amended accounting principles will have an effect on the consolidated financial statements. Specifically, usage rights will be capitalised for leased vehicles and properties. In addition, the nature of the expenses associated with these leases will change as IFRS 16 replaces linear operating lease expenses with amortisation of right-of-use assets and interest expense on lease liabilities. The Consolidated Group currently prepares a detailed assessment of the effects from the first-time application. The actual impact depends on the interest rate used as per January 1, 2019, the composition of the lease portfolio and the assessment of the exercise of extension options. Based on current information, the application of IFRS 16 will result in minor changes to the presentation of the consolidated income statement and cause an increase in total assets. Because the GRENKE Consolidated Group acts primarily as a lessor, no material impact on the consolidated financial statements is expected.

FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

In the 2018 fiscal year, the GRENKE Consolidated Group implemented all new and revised standards and interpretations relevant for GRENKE that required mandatory application as per January 1, 2018 and were endorsed into European law. The new standards that are relevant and material for GRENKE are presented below.

The IASB published IFRS 9 "Financial Instruments" in July 2014. This standard contains provisions for recognition, measurement and derecognition of financial instruments as well as for the accounting of hedging relationships. The standard largely replaces the previous accounting regulations for financial instruments under IAS 39 "Financial Instruments: Recognition and Measurement". Application of the new standard in the EU is mandatory for fiscal years beginning on or after January 1, 2018.

The Consolidated Group's equity declined by EUR 58.0 million compared to its level under IAS 39 as a result of changes in the recognition of risk provisions for financial instruments. The impairment model is based on expected credit losses, whereas IAS 39 only allowed for the recognition of impairment for incurred losses. Except for the accounting of hedging transactions, where the GRENKE Consolidated Group has decided to exercise the accounting option contained in IFRS 9 and thereby continue to apply the hedge accounting rules under IAS 39, the Consolidated Group has applied IFRS 9 retrospectively as per the date of the first-time application of January 1, 2018. Therefore, the figures for the comparable prior-year period are presented under IFRS 9. The tables reconciling the Consolidated Group's statement of financial position under IFRS 9 as per January 1, 2018 are presented in the paragraph below. We also provide information on the effects to the consolidated income statement and consolidated statement of comprehensive income of the prior year.

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers". The standard introduces an industry-independent and principle-based five-level model for recognising revenue from contracts with customers. The new standard replaces all existing provisions for revenue recognition under IFRS (IAS 11 "Construction Contracts" and IAS 18 "Revenue"), as well as the related IFRS interpretations. IFRS 15 is to be applied to fiscal years beginning on or after January 1, 2018. The standard has no impact on the recognition of income arising in connection with financial instruments in the regulatory scope of IFRS 9. Also excluded is the recognition of income from leases that fall within the scope of IAS 17/IFRS 16. The first-time application of IFRS 15 did not have a material impact on GRENKE AG's consolidated financial statements.

FIRST-TIME APPLICATION OF IFRS 9

The following tables summarise the effects of the first-time application of IFRS 9 based on GRENKE's published consolidated statement of financial position as per December 31, 2017 through the opening balance sheet as per January 1, 2018 and the retrospective effects on the consolidated income statement and consolidated statement of comprehensive income from the prior year:

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

EURk	Published consolidated financial statements Dec. 31, 2017	Adjustment	IFRS 9 Opening financial position Jan. 1, 2018
Current assets			
Cash and cash equivalents	203,367	–10	203,357
Lease receivables	1,368,121	–26,970	1,341,151
Other current financial assets	116,509	–382	116,127
Trade receivables	5,935	–149	5,786
Total current assets	**1,969,693**	**-27,511**	**1,942,182**
Non-current assets			
Lease receivables	2,598,614	–45,639	2,552,975
Other non-current financial assets	82,047	–1,741	80,306
Goodwill	82,845	735	83,580
Deferred tax assets	10,887	3,924	14,811
Total non-current assets	**2,872,512**	**–42,721**	**2,829,791**
Total assets	**4,842,205**	**–70,232**	**4,771,973**
Non-current liabilities			
Non-current provisions	0	53	53
Deferred tax liabilities	55,932	–12,311	43,621
Total non-current liabilities	**2,595,342**	**–12,258**	**2,583,084**
Equity			
Retained earnings	592,771	–58,298	534,473
Other components of equity	–2,261	324	–1,937
Total equity attributable to shareholders of GRENKE AG	**728,434**	**–57,974**	**670,460**
Total equity	**856,569**	**–57,974**	**798,595**
Total liabilities and equity	**4,842,205**	**–70,232**	**4,771,973**

With the first-time application of IFRS 9, the classification of financial assets and liabilities has changed as described below. All financial assets have been assigned to the category "at amortised cost" (AC), with the exception of performing lease receivables with a carrying amount before IFRS 9 of EUR 3,845,473k and additional risk provisioning as of December 31, 2017 due to IFRS 9 in the amount of EUR 72,609k. All changes in the carrying amounts are attributable to impairment in accordance with IFRS 9, as described above. As per December 31, 2017, additional risk provisions in the amount of EUR 2,335k were recognised in the category "at amortised cost" due to the introduction of IFRS 9.

EFFECT ON THE CONSOLIDATED INCOME STATEMENT (INCREASE / DECREASE)
FOR THE 6 MONTHS AS PER JUNE 30, 2017:

EURk	Published quarterly consolidated financial statements Jun. 30, 2017	Adjustment	Adjusted quarterly consolidated financial statements Jun. 30, 2017
Settlement of claims and risk provision	26,963	9,681	36,644
Earnings before taxes	**76,901**	**-9,681**	**67,220**
Income taxes	17,941	-2,234	15,707
Net profit	**58,960**	**-7,447**	**51,513**
Earnings per share (EUR)[1]	1.30	-0.17	1.13

1 Basic and diluted earnings per share are identical.

EFFECT ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (INCREASE / DECREASE) FOR THE 6 MONTHS AS PER JUNE, 2017:

EURk	Published quarterly consolidated financial statements Jun. 30, 2017	Adjustment	Adjusted quarterly consolidated financial statements Jun. 30, 2017
Change in currency translation differences	–1,140	152	-988
Other comprehensive income	**–1,286**	**152**	**-1,134**
Total comprehensive income	**57,674**	**-7,295**	**50,379**

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

CHANGE IN ACCOUNTING POLICIES

The GRENKE Consolidated Group has applied IFRS 9 "Financial Instruments" since January 1, 2018. The application of IFRS 9 resulted in changes to the Consolidated Group's accounting policies. The changes arising from IFRS 9 have been applied retrospectively as per January 1, 2017 to show the consolidated income statement of the prior year on a comparable basis.

All changes to the carrying amounts of financial assets, liabilities and financial guarantees were recognised in retained earnings as per the date of first-time application.

The application of IFRS 9 resulted in changes in the classification and measurement of financial assets and liabilities as well as the impairment of financial assets. The application of IFRS also resulted in amendments to other standards for financial instruments, particularly IFRS 7.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

The business model specifies how the future cash flows arising from the financial assets will be recognised. The assessment of the business model does not depend on the management's intended use for an individual asset but rather on the classification determined at a higher level of aggregation, such as a portfolio. Under IFRS 9, the decisive factors for the assessment of the business model are the type of cash flows and the nature of how they are achieved within the respective business model. This takes place as a result of the receipt of contractual cash flows, the sale of assets or a combination thereof.

The following factors must be taken into account when establishing the business model:

- objectives for each portfolio defined by persons in key positions as defined by IAS 24
- the anticipated practical implementation of these objectives
- the investment or asset guidelines for the portfolios
- the measurement of the portfolios' performance
- the compensation of the persons responsible for managing the portfolios

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

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

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

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

With the exception of certain trade receivables under IFRS 9, financial instruments are always measured at fair value upon acquisition. In the case of financial assets or financial liabilities that are not measured at fair value through profit or loss, they are measured plus or minus transaction costs directly attributable to the acquisition or issue of the financial instrument.

Financial liabilities are generally measured at amortised cost or at fair value through profit or loss. They are measured at fair value through profit or loss when they fall within the definition of "held for trading" or when they are assigned to this measurement category upon initial recognition using the fair value option. The measurement effect of financial liabilities designated in the fair value option that results from own credit risk is recognised directly in retained earnings.

FINANCIAL ASSETS AT AMORTISED COST

Debt instruments are accounted for at amortised cost when the contractually agreed payment characteristics consist solely of principal and interest payments on the outstanding principal and are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows of the financial asset ("SPPI criterion").

At GRENKE, all financial assets previously reported under the former IAS 39 valuation category "Loans and Receivables" are reported in this category. The posting rationale is fundamentally identical to the prior rationale.

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

The fair value measurement through comprehensive income with recycling (FVOCImR) is applied to financial assets whose cash flows also comply with the SPPI criterion and have been assigned to the business model "Hold & Sell". The related accounting basically corresponds to the previous IAS 39 measurement category available-for-sale (Afs). GRENKE does not hold any instruments that are assigned to the business model "Hold and Sell" and therefore does not use the classification.

Equity instruments that comply with the equity definition under IAS 32 do not fulfil the cash flow condition due to a lack of contractual payment entitlements and are therefore to be measured at fair value through profit or loss. There is the option (OCI option) of designating equity instruments that are not intended to be traded as "at fair value through other comprehensive income". GRENKE applies this option and recognises the equity instruments previously categorised as "available-for-

sale financial assets" (Afs) under the FVOCI without recycling (FVOCIoR) classification. As a result, all changes in fair value are presented in other comprehensive income, no impairment losses are recognised in profit or loss and no gains or losses are reclassified to profit or loss upon disposal. If this option was not exercised, the valuation would to be made in accordance with the FVPL classification. The same type of measurement would be made for equity instruments held for trading, as the option does not apply in this case.

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

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

The subsequent measurement at amortised cost is not possible for derivatives since they do not have predetermined repayment amounts. Derivatives are always to be measured at fair value through profit or loss provided they are not in a hedging relationship (hedge accounting).

FAIR VALUE OPTION

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

IMPAIRMENT

The application of IFRS 9 has fundamentally changed the accounting for impairment of financial assets by replacing the incurred loss model under IAS 39 with the forward-looking expected credit loss (ECL) model. According to the IAS 39 incurred loss model, impairments were only recognised when a defined loss event occurred. According to the expected credit loss model under IFRS 9, impairments and provisions are recognised upon the initial recognition of the financial asset on the basis of the expected level of potential credit losses at that time.

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

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

Financial assets are generally recognised in Level 1 upon initial recognition. An exception to this is financial instruments that are already considered impaired at the time of the acquisition of the transaction ("Purchased or Originated Credit Impaired Financial Assets - POCI"). These are classified within Level 3 at a carrying amount that already reflects expected credit losses during the term.

In addition to the general approach (three-stage model), IFRS 9 allows for a simplified procedure option for trade receivables and contract assets that result from transactions that fall within the scope of IFRS 15 and contain a material financing component in accordance with IFRS 15 as well as for lease receivables falling within the scope of IAS 17. Under the simplified procedure, it is not necessary to track the change in credit risk. Instead, expected losses are to be recognised as a risk

provision in the amount of the expected losses over the entire term – both upon initial recognition and at each subsequent reporting date.

The exercise of the option was waived in order to determine risk provisions for lease receivables. Therefore, the general approach and classification of lease receivables in three stages applies. Level 1 includes all lease receivables whose credit risk has not significantly deteriorated. Risk provisioning is the expected loss for a twelve-month period. Level 2 includes lease receivables, which are still ongoing, but whose credit risk has deteriorated significantly since the contract began. We define "significantly deteriorated" as receivables that are more than 30 days overdue or whose estimated probability of default has deteriorated to a similar extent, as observed in receivables overdue by 30 days in the past. For receivables in Level 2, a risk provision is recognised in the amount of the expected loss for the entire remaining term of the contract. Level 3 includes lease receivables that were impaired upon acquisition in addition to current leases that are more than 90 days overdue and terminated contracts. The loss event is deemed to have occurred for these receivables, and the expected losses are recognised as risk provisions.

We do not subdivide the *receivables from the factoring business* into Level 1 and Level 2 because factoring receivables are short-term receivables, and the 12M ECL corresponds to the LT ECL.

In the case of *loan receivables*, the expected 12-month loss (12M ECL) is also recognised as an impairment upon acquisition. A significant deterioration in loan receivables occurs when payments are delayed for more than 30 days, or the receivable is transferred to a special watch list. In this case, the impairment amount recognised is equal to the amount of the expected losses over the entire contract period. Receivables that, among others, are delayed for more than 90 days or are in reorganisation or settlement are considered to have defaulted.

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

Measurement according to the simplified method, the life-long default approach, must always be applied to trade receivables and contractual assets without a significant component of financing. The Consolidated Group applies this simplified impairment model to *trade receivables* and *current receivables from franchisees* that are based on trade receivables, which requires that any receivable, regardless of the loan's quality, be impaired in the amount of the expected loss over the remaining term (LT ECL). Estimated bad debt losses for trade receivables were calculated on the basis of experience with actual bad debt losses and common credit risk characteristics and overdue days in recent years.

Cash and cash equivalents deposited at banks and financial institutions are classified according to the institution's credit rating, which are determined by observing published external credit ratings. The estimated impairment of cash and cash equivalents was calculated on the basis of expected 12-month losses. The loss rate used to determine risk provisions in the Consolidated Group is based on historical losses for corporate bonds that have corresponding credit ratings.

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

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

HEDGE ACCOUNTING

GRENKE has decided to exercise its option and continue to apply the hedge accounting provisions of IAS 39 when adopting IFRS 9.

For details on the adjustment as per December 31, 2017 according to IAS 39 to the opening balance sheet as per January 1, 2018 in accordance with IFRS 9, please refer to the chapter "First-time application of IFRS 9".

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 IAS 17. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. They are determined on the basis of past experience and statistical methods. 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 sale and subsequent lease), the lease receivables are impaired. An increase in the recoverable amount, however, remains unrecognised.

LEASE RECEIVABLES

EURk	Jun. 30, 2018	Jun. 30, 2017
Changes in lease receivables from current contracts (performing lease receivables)		
Balance at beginning of period	3,772,864	**3,124,547**
+ Change during the period	390,806	336,296
– Impairments during the period	5,544	10,855
Lease receivables (current + non-current) from current contracts at end of period	4,158,126	**3,449,988**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	270,421	**223,948**
+ Additions to gross receivables during the period	63,855	51,154
– Disposals of gross receivables during the period	26,721	17,893
Gross receivables at end of period	307,555	**257,209**
Impairments at beginning of period	149,159	**129,746**
+ Additions of accumulated impairment during the period*	42,670	32,209
– Disposals of accumulated impairment during the period	24,473	18,408
Impairments at end of period	167,356	**143,547**
Carrying amount of non-performing lease receivables at beginning of period	121,221	**94,202**
Carrying amount of non-performing lease receivables at end of period	140,199	**113,662**
Lease receivables (carrying amount, current and non-current) at beginning of period	3,894,126	**3,218,749**
Lease receivables (carrying amount, current and non-current) at end of period	4,298,325	**3,563,650**

* Item contains exchange rate differences in the amount of EUR 1,099k (previous year: EUR 100k).

FINANCIAL LIABILITIES

EURk	Jun. 30, 2018	Dec. 31, 2017
Financial liabilities		
Current financial liabilities		
Asset-based	264,837	261,292
Senior unsecured	706,792	661,469
Committed development loans	75,044	61,360
Liabilities from deposit business*	332,145	274,721
Other bank liabilities	3,913	2,683
thereof current account liabilities	*1,572*	*111*
Total current financial liabilities	**1,382,731**	**1,261,525**
Non-current financial liabilities		
Asset-based	500,031	481,518
Senior unsecured	1,896,783	1,678,392
Committed development loans	148,430	128,784
Liabilities from deposit business	263,532	244,487
Total non-current financial liabilities	**2,808,776**	**2,533,181**
Total financial liabilities	**4,191,507**	**3,794,706**

* Of which EUR 0k is owed to credit institutions (previous year: EUR 15,000k).

ASSET-BASED FINANCIAL LIABILITIES

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), and FCT "GK" COMPARTMENT "G3" (FCT GK 3). All structured entities have been set up as asset-backed commercial paper (ABCP) programmes.

EURk	Jun. 30, 2018	Dec. 31, 2017
Programme volume	904,860	772,500
Utilisation	698,894	655,211
Carrying amount	612,086	575,023
thereof current	*192,839*	*181,805*
thereof non-current	*419,247*	*393,218*

SALES OF RECEIVABLES AGREEMENTS

	Jun. 30, 2018	Dec. 31, 2017
Programme volume in local currency		
EURk	*25,000*	*25,000*
GBPk	*100,000*	*100,000*
PLNk	*80,000*	*80,000*
CHFk	*50,000*	*50,000*
BRLk	*75,480*	*75,480*
Programme volume in EURk	216,192	218,589
Utilisation in EURk	137,338	148,115
Carrying amount in EURk	137,338	148,115
thereof current	*65,049*	*71,591*
thereof non-current	*72,289*	*76,524*

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	Jun. 30, 2018	Dec. 31, 2017
Carrying amount	15,444	19,672
thereof current	*6,949*	*7,896*
thereof non-current	*8,495*	*11,776*

SENIOR UNSECURED FINANCIAL LIABILITIES

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

EURk	Jun. 30, 2018	Dec. 31, 2017
Bonds	1,736,574	1,510,590
thereof current	*184,535*	*83,676*
thereof non-current	*1,552,039*	*1,426,914*
Promissory notes	443,287	361,845
thereof current	*113,635*	*123,414*
thereof non-current	*329,652*	*238,431*
Commercial paper	324,000	313,000
Revolving credit facility	63,080	106,758
thereof current	*47,988*	*93,711*
thereof non-current	*15,092*	*13,047*
Money market trading	7,672	25,000
Current account	17,321	11,044
Accrued interest	11,641	11,624

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

	Jun. 30, 2018	Dec. 31, 2017
Bonds EURk	2,500,000	2,000,000
Commercial paper EURk	500,000	500,000
Revolving credit facility EURk	165,000	150,000
Revolving credit facility PLNk	100,000	100,000
Revolving credit facility CHFk	20,000	20,000
Money market trading EURk	35,000	35,000

BONDS

In the fiscal year to date, four new bonds were issued with a total volume of EUR 285,000k and an existing bond was increased by a total of EUR 25,000k. Bonds with an aggregate volume of EUR 84,000k were redeemed on schedule.

PROMISSORY NOTES

During the fiscal year to date, eight new promissory notes were issued with a total volume of EUR 110,000k. Promissory notes with a volume of EUR 14,000k and CHF 17,218k were redeemed on schedule.

COMMITTED DEVELOPMENT LOANS

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

EURk	Jun. 30, 2018	Dec. 31, 2017
Description		
NRW.BANK	69,844	73,392
Thüringer Aufbaubank	7,672	9,557
Investitionsbank Berlin	1,226	1,835
LfA Förderbank Bayern	3,655	7,603
Investitionsbank des Landes Brandenburg	3,819	4,761
KfW	135,008	90,741
Landeskreditbank Baden-Württemberg – Förderbank	2,227	2,216
Accrued interest	23	39

As per April 2018, a financing arrangement amounting to EUR 100,000k has been made available to the GRENKE Consolidated Group from the EIB (European Investment Bank). As per June 30, 2018, no refinancing funds have been utilised under this arrangement.

EQUITY

GRENKE AG increased its share capital by an amount of EUR 2,040,816.00 bringing the total to EUR 46,353,918.00 against cash contribution and under the exclusion of shareholder subscription rights making partial use of the authorised capital resolved at the Annual General Meeting on May 3, 2018. A total of 2,040,816 new, no-par value registered shares were placed at a price of EUR 98.00, which is equal to issue proceeds of EUR 200,000k before costs. As a result, GRENKE AG's

share capital is divided into 46.353.918 registered shares. The new shares were issued with the same dividend rights as the existing shares.

DISCLOSURES ON FINANCIAL INSTRUMENTS

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF PRIMARY FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value. This includes the following line items 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 and equity instruments held, which are assigned to Level 3 of the valuation hierarchy. The fair value and the carrying amount of the instruments allocated to Level 3 are EUR 3,000k (previous year as per December 31, 2017: EUR 3,000k). As per the reporting date, the carrying amount of financial instruments assigned to Level 1 of the valuation hierarchy was EUR 736,574k (previous year as per December 31, 2017: EUR 1,510,590k) and their fair value amounted to EUR 766,148k (previous year as per December 31, 2017: EUR 1,535,676k). All financial assets are allocated to the "At amortised cost" (AC) measurement category except for performing lease receivables. All financial liabilities are allocated to the "At amortised cost" (AC) measurement category.

EURk	Fair value Jun. 30, 2018	Carrying amount Jun. 30, 2018	Fair value Dec. 31, 2017	Carrying amount Dec. 31, 2017
Financial assets				
Lease receivables (performing)	4,649,958	4,158,126	4,229,802	3,772,864
Other financial assets	197,963	193,621	198,374	196,433
Financial liabilities				
Refinancing liabilities	3,611,140	3,591,917	3,308,125	3,272,815
Liabilities from deposit business	602,742	595,677	527,611	519,208
Bank liabilities	3,913	3,913	2,683	2,683

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. All derivative financial instruments are assigned to Level 2 of the valuation hierarchy.

EURk	Fair value Jun. 30, 2018	Carrying amount Jun. 30, 2018	Fair value Dec. 31, 2017	Carrying amount Dec. 31, 2017
Financial assets				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	6,488	6,488	3,505	3,505
Total	**6,488**	**6,488**	**3,505**	**3,505**
Financial liabilities				
Interest rate derivatives with hedging relationship	31	31	13	13
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	2,536	2,536	1,946	1,946
Total	**2,567**	**2,567**	**1,959**	**1,959**

The GRENKE Consolidated Group uses so-called OTC derivatives ("over the counter"). These are directly concluded with counterparties having at least investment grade status. 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 market-to-market valuation model. The fair value of interest rate derivatives is determined on the basis of the net present value method. The input parameters applied in the valuation models are derived from market quotes. Interest rates with matching maturities in the traded currencies are used for forward exchange contracts, and interest rates are used for interest rate derivatives. To obtain the fair value of such OTC derivatives, the determined amounts are multiplied with the counterparty's credit default swaps (CDS) with matching maturities that are observable on the market or their own credit risk using what is known as the "add-on method".

The predominant portion of cash flows of these hedges is expected to impact the net profit over the next two years.

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

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 3,291k in the first half of 2018 (previous year as per June 30, 2017: EUR 2,818k).

REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with IFRS 15, the Consolidated Group recognised the following amount of revenue from contracts with customers in the first half of 2018:

EURk	Segment	Jan. 1 – Jun. 30, 2018
Gross revenue from the insurance business (service business)	Leasing	40,990
Revenue from franchise fees	Leasing	516
Commission income from the banking business	Banking	502

INCOME TAXES

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

EURk	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Income taxes		
Current tax expense	11,075	15,998
Deferred taxes	1,205	-291
Total	**12,280**	**15,707**

GROUP SEGMENT REPORTING

EURk	Leasing segment		Banking segment		Factoring segment		Total segments		Cons. effects		Consolidated Group	
January to June	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Operating segment income	**160,072**	134,082	**10,186**	7,933	**1,649**	2,040	**171,907**	144,055	**0**	0	171,907	144,055
Segment result	**69,458**	63,723	**7,588**	5,121	**-671**	-188	**76,375**	68,656	**0**	0	76,375	68,656
Reconciliation to consolidated financial statements												
Operating result											76,375	68,656
Other financial income											-694	-1,436
Taxes											12,280	15,707
Net profit according to consolidated income statement											**63,401**	51,513
As per Jun. 30 (prev. year: Dec. 31)												
Segment assets	**5,340,585**	4,685,100	**1,008,946**	902,134	**36,060**	38,631	**6,385,591**	5,625,865	**-990,551**	–891,374	**5,395,040**	4,734,491
Reconciliation to consolidated financial statements												
Tax assets											37,158	37,482
Total assets according to consolidated statement of financial position											**5,432,198**	4,771,973
Segment liabilities	**4,414,331**	3,976,508	**888,134**	794,524	**28,110**	30,007	**5,330,575**	4,801,039	**-990,551**	–891,374	**4,340,024**	3,909,665
Reconciliation to consolidated financial statements												
Tax liabilities											69,350	63,713
Liabilities according to consolidated statement of financial position											**4,409,374**	3,973,378

The previous year's segment reporting figures have been adjusted retrospectively as a result of the first-time application of new accounting standards.

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.

REPORTABLE SEGMENTS

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.

BANKING

The Banking segment comprises the activities of GRENKE BANK AG, which regards itself as a financing partner particularly to small- and medium-sized companies (SMEs). Additionally, GRENKE BANK AG cooperates with development banks in providing financing to this clientele in the context of business start-ups. Furthermore, fixed-term deposits are offered via its internet presence. The bank's business is focused primarily on German customers.

FACTORING

The Factoring segment contains traditional factoring services focused on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. The segment also offers collection services (recourse factoring) where the customer continues to bear the credit risk.

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 with the exception of tax liabilities.

ACQUISITIONS IN FISCAL YEAR 2018

GC RENTING CROATIA D.O.O., ZAGREB/CROATIA

As per March 31, 2018, GRENKE AG gained control of the shares in GC Renting Croatia d.o.o., Zagreb / Croatia and included this company in its scope of consolidation for the first time. Prior to the acquisition, GC Renting Croatia d.o.o., Zagreb / Croatia, was part of the GRENKE AG franchise system and specialised in small-ticket leasing with a strong focus on IT and IT equipment.

The following information relates to the preliminary fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 9,564k, lease assets under operating leases EUR 21,144k, lease receivables EUR 1,493k, deferred tax assets EUR 94k, other assets EUR 2,753k, liabilities from the refinancing of the leasing business EUR 6,406k, deferred tax liabilities EUR 2,986k and other liabilities EUR 12,344k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. The deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation that is still preliminary resulted in goodwill of EUR 9,149k that is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The company's contribution to consolidated net profit, including the effects of purchase price allocation, has been negligible due to the short period of time that the company has been part of the GRENKE Consolidated Group. The total consideration paid for the business combination amounted to EUR 22,461k. The cash acquired with the business combination amounted to EUR 3k. All costs related to the acquisition were recognised in profit and loss.

GC LEASING MIDDLE EAST FZCO, DUBAI/UAE

As per March 31, 2018, GRENKE AG gained control of the shares in GC Leasing Middle East FZCO, Dubai/UAE and included this company in its scope of consolidation for the first time. Prior to the acquisition, GC Leasing Middle East FZCO, Dubai/UAE, was part of the GRENKE AG franchise system and specialised in small-ticket leasing with a strong focus on IT and IT equipment.

The following information relates to the preliminary fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 763k, lease receivables EUR 21,155k, other assets EUR 1,197k and other liabilities EUR 23,145k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. The deferred tax liabilities resulted mainly from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation that is still preliminary resulted in goodwill of EUR 12,157k that is not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The company's contribution to consolidated net profit, including the effects of purchase price allocation, has been negligible due to the short period of time that the company has been part of the GRENKE Consolidated Group. The total consideration paid for the business combination amounted to EUR 12,127k. The cash acquired with the business combination amounted to EUR 576k. All costs related to the acquisition were recognised in profit and loss.

FURTHER INFORMATION ON THE SCOPE OF CONSOLIDATION

GRENKE RENTING LTD., SLIEMA/MALTA

The purchase price allocation for the purchase of GRENKE Renting Ltd., Sliema/Malta, which was acquired in the previous year, was finalised in the first quarter of 2018. 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, 2017.

GC LOCAÇÃO DE EQUIPAMENTOS LTDA, SÃO PAULO/BRAZIL

The purchase price allocation for the purchase of GC Locação de Equipamentos LTDA, São Paulo/Brazil, which was acquired in the previous year, was finalised in the second quarter of 2018. 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, 2017.

DIVIDEND PAYMENT

On May 3, 2018, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2017 in the amount of EUR 43,581,372.25. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

EUR	
Unappropriated surplus for 2017	43,581,372.25
Distribution of a dividend of EUR 0.70 per share for a total of 44,313,102 registered shares	31,019,171.40
Profit carryforward (to new account)	12,562,200.85

The dividend was paid to the shareholders of GRENKE AG on May 8, 2018. In the previous year, a dividend of EUR 0.58 per share was paid.

PAYMENT ON HYBRID CAPITAL

On March 31, 2018, GRENKE AG paid EUR 6,786k to hybrid capital holders on schedule.

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 made under these agreements during the current fiscal year amounted to EUR 393k.

A new agreement was concluded with Ms Leminsky, whose previous agreement had expired in the prior year. A new agreement was also concluded with Mr Hirsch. Both agreements contain the potential for an appreciation in value of EUR 450k based on a virtual number of 15,000 shares and spanning fiscal years 2018 to 2020. The basic share price for the 2018 fiscal year is EUR 82.54.

As per June 30, 2018, the value of all existing phantom stock agreements amounted EUR 214k (June 30, 2017: EUR 275k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

LIABILITIES FROM RELATED ENTITIES AND PERSONS

EURk	**Jun. 30, 2018**	**Dec. 31, 2017**
Associated companies	1,442	1,897
Persons in key positions and their family members	5,202	6,581

The liabilities resulted from deposits at GRENKE Bank.

CONTINGENT LIABILITIES

GRENKE AG, as guarantor for individual franchise companies, provided financial guarantees of EUR 77.6 million (previous year as per December 31, 2017: EUR 38.4 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 25.0 million (previous year as per December 31, 2017: EUR 25.2 million).

EMPLOYEES

In the interim reporting period, GRENKE Consolidated Group's headcount (not including the Board of Directors) averaged 1,397 employees (previous year as per June 30, 2017: 1,182). A further 61 employees (previous year as per June 30, 2017: 40) are in training.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge and in accordance with the applicable accounting standards for half-year financial reporting that the half-year consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Consolidated Group and that the interim group management report conveys a fair review of the business development, including the results and the position of the Consolidated Group, together with a description of the important opportunities and risks for the expected development of the Consolidated Group for the remainder of the fiscal year.

Baden-Baden, July 26, 2018

Antje Leminsky

(Chair of the Board of Directors)

Gilles Christ

(Member of the Board)

Sebastian Hirsch

(Member of the Board)

Mark Kindermann

(Member of the Board)

CALENDAR OF EVENTS

October 2, 2018	New business figures 9M-2018
October 30, 2018	Quarterly Statement for the 3rd Quarter and the First Nine Months of 2018

CONTACT INFORMATION

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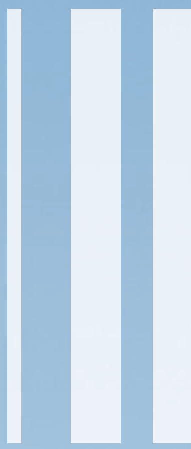
Figures in this financial report are generally presented in thousands and millions of euros. Rounding difference may occur in individual figures compared to the actual euro amounts. Such differences are not material in nature. For better readability, gender-specific language was avoided, and the terms used refer equally to all genders.

The report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail.



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