2020

FINANCIAL REPORT

FOR THE 2ND QUARTER AND THE FIRST HALF-YEAR 2020
GRENKE CONSOLIDATED GROUP

GRENKE
FAST // FORWARD // FINANCE

KEY FIGURES

GRENKE GROUP

	UNIT	Q2 2020	Q2 2019	Δ (%)	Q1–Q2 2020	Q1–Q2 2019	Δ (%)
NEW BUSINESS GRENKE GROUP LEASING	EURk	402,308	734,616	–45.2	1,083,585	1,404,871	–22.9
of which international	EURk	257,105	553,327	–53.5	760,174	1,068,781	–28.9
of which franchise international	EURk	13,587	20,756	–34.5	33,554	39,552	–15.2
of which DACH*	EURk	131,616	160,533	–18.0	289,857	296,538	–2.3
Western Europe (without DACH)*	EURk	85,770	186,194	–53.9	263,180	372,918	–29.4
Southern Europe*	EURk	104,017	229,945	–54.8	300,871	442,600	–32.0
Northern/Eastern Europe*	EURk	62,086	125,127	–50.4	182,587	233,414	–21.8
Other regions*	EURk	18,820	32,817	–42.7	47,089	59,401	–20.7
NEW BUSINESS GRENKE GROUP FACTORING (INCL. COLLECTION SERVICES)	EURk	141,666	163,100	–13.1	313,392	305,454	2.6
of which Germany	EURk	42,336	43,718	–3.2	91,531	84,872	7.8
of which international	EURk	33,866	44,437	–23.8	71,910	81,308	–11.6
of which franchise international	EURk	65,464	74,945	–12.7	149,951	139,273	7.7
GRENKE BANK							
Deposits**	EURk	1,312,333	769,935	70.5	1,312,333	769,935	70.5
New business SME lending business incl. business start-up financing	EURk	54,173	11,908	354.9	72,180	23,675	204.9
CONTRIBUTION MARGIN 2 (DB2) ON NEW BUSINESS							
GRENKE GROUP LEASING	EURk	70,425	121,761	–42.2	194,313	233,000	–16.6
of which international	EURk	49,197	95,872	–48.7	144,560	183,983	–21.4
of which franchise international	EURk	3,037	4,383	–30.7	7,297	8,290	–12.0
of which DACH*	EURk	18,190	21,505	–15.4	42,456	40,726	4.3
Western Europe (without DACH)*	EURk	16,594	32,222	–48.5	50,019	64,941	–23.0
Southern Europe*	EURk	19,516	38,950	–49.9	56,805	72,658	–21.8
Northern/Eastern Europe*	EURk	11,705	22,083	–47.0	34,542	42,051	–17.9
Other regions*	EURk	4,419	7,001	–36.9	10,491	12,624	–16.9
FURTHER INFORMATION LEASING BUSINESS							
Number of new contracts	units	50,381	83,053	–39.3%	126,035	157,813	–20.1%
Mean acquisition value	EURk	8.0	8.8	–9.7%	8.6	8.9	–3.4%
Mean term of contract	months	47	49	–2.7%	48	49	–1.2%
Volume of leased assets*	EURm	8,794	7,737	13.7%	8,794	7,737	13.7%
Number of current contracts**	units	971,944	869,610	11.8%	971,944	869,610	11.8%

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

** At the end of period

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

GRENKE CONSOLIDATED GROUP

	UNIT	Q2 2020	Q2 2019	Δ (%)	Q1–Q2 2020	Q1–Q2 2019	Δ (%)
KEY FIGURES INCOME STATEMENT							
Net interest income	EURk	98,002	90,056	8.8	199,113	177,312	12.3
Settlement of claims and risk provision	EURk	62,246	32,367	92.3	113,037	60,684	86.3
Total operating expenses	EURk	50,763	54,125	–6.2	107,510	107,029	0.4
Operating result	EURk	20,177	41,743	–51.7	51,539	83,479	–38.3
Earnings before taxes (EBT)	EURk	17,435	40,416	–56.9	46,571	81,059	–42.5
Net profit	EURk	14,230	34,355	–58.6	37,970	68,152	–44.3
Net profit attributable to ordinary shareholders of GRENKE AG	EURk	14,230	34,355	–58.6	30,542	61,621	–50.4
Net profit attributable to hybrid capital holders (interest on hybrid capital)	EURk	0	0	n.a.	7,428	6,531	13.7
Earnings per share (ordinary shareholders of GRENKE AG)	EUR	0.31	0.74	–58.1	0.66	1.33	–50.4
Adjusted earnings per share (ordinary shareholders of GRENKE AG)*	EUR	0.26	0.71	–63.4	0.72	1.40	–48.6
Cost/income ratio	percent	40.23	43.92	–8.4	41.92	44.03	–4.8
Staff costs	EURk	27,937	28,759	–2.9	58,241	56,390	3.3
of which total remuneration	EURk	23,047	23,598	–2.3	47,760	46,409	2.9
of which fixed remuneration	EURk	17,658	16,877	4.6	35,822	33,438	7.1
of which variable remuneration	EURk	5,389	6,721	–19.8	11,938	12,971	–8.0
Average number of employees in full-time equivalent	employees	1,758	1,646	6.8	1,751	1,617	8.3

	UNIT	JUN. 30, 2020	DEC. 31, 2019	Δ (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	7,689	7,147	7.6
Lease receivables	EURm	5,657	5,646	0.2
Equity persuant to statement of financial position	EURm	1,272	1,249	1.8
Equity persuant to CRR	EURm	1,051	941	11.7
Equity ratio	percent	16.6	17.5	–5.4
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	587	662	–11.5
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1.742	1,791	–2.8

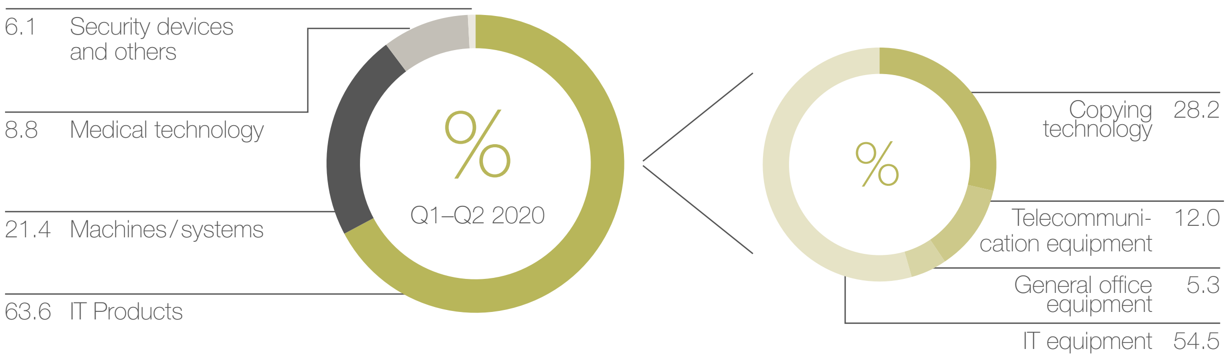
* For the calculation of adjusted earnings per share, the hypothetical interest expenses on hybrid capital are deferred over the fiscal year.

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

AT A GLANCE

LEASING NEW BUSINESS PORTFOLIO

IT PRODUCTS (IN DETAIL)

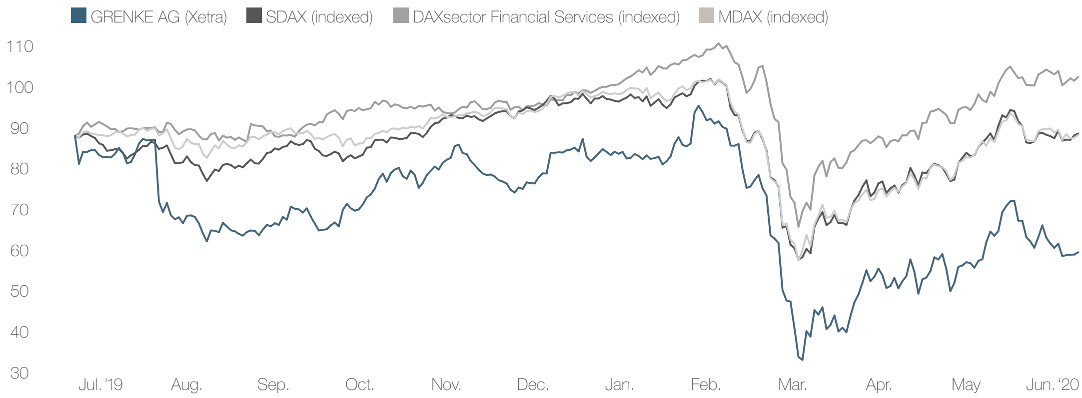


BROADLY DIVERSIFIED

„We saw a recovery in our new business towards the end of the second quarter,“ explains **Antje Leminsky**, Chairman of the Board the GRENKE AG

„We benefit from the fact that our business model is already established in numerous markets and industries, which results in a high degree of risk diversification,“ explains **Sebastian Hirsch**, Member of the Board of Management the GRENKE AG

GRENKE SHARE PRICE PERFORMANCE (JULY 1, 2019 TO JUNE 30, 2020)



COURSE STABILISATION

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INTERIM GROUP MANAGEMENT REPORT

1. CONSOLIDATED GROUP PRINCIPLES

1.1 GRENKE OVERVIEW

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). Customers have access to solutions from a single source: from flexible small-ticket leasing and demand-driven banking products to convenient factoring. Fast and easy processing, along with personal contact with customers and partners, are a key focus. Founded in Baden-Baden, Germany, in 1978, the Company currently operates worldwide with more than 1,700 employees in 33 countries.

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

1.2 BUSINESS MODEL

By offering a range of lease financing for lower-value IT and office communication products and software starting at a net purchase price of EUR 500, GRENKE has defined and developed a market that is addressed only selectively by many of the lease providers. The net acquisition value for more than 90 percent of the Group's leases is less than EUR 25k. In recent years, the Group has also extended its business model to include other product groups such as small machinery and systems, as well as medical and security devices.

As a provider of financing solutions for small contract volumes, a fundamental prerequisite for our economic success is maintaining the highest level of processing efficiency possible and a low level of related direct costs. To accomplish this, GRENKE Group has geared its business model towards optimising efficiency across all core operating processes through broad standardisation, comprehensive IT-based automation, speed and maintaining a lean organisation. The Group believes it has established a key unique selling point in recent years.

1.3 TARGETS AND STRATEGY

The GRENKE Group provides financial services for SMEs focused on small-ticket leasing. With its lease offerings, the Group is a leader in Germany, Switzerland, Italy and France. The Group's medium-term target is to position GRENKE as a comprehensive small-ticket financial service provider for medium-sized companies not just in Europe but also internationally. Over the last several years, the Group has entered several countries outside of Europe in Asia, North and South America and Australia.

The Consolidated Group has a vast array of refinancing instruments at its disposal, which are used as part of the overall strategy in a variety of ways based on prevailing market conditions. Financing is essentially based on three pillars: the deposits of GRENKE Bank, asset-based financing (including ABCP programmes), and senior unsecured instruments such as bonds, notes and commercial paper. GRENKE also places high importance on maintaining a solid equity base and has maintained a benchmark of 16.0 percent for its equity ratio for many years. GRENKE considers this level as an essential prerequisite for securing an investment grade rating.

2. BUSINESS PERFORMANCE

2.1 IMPACT OF THE COVID-19 PANDEMIC

The measures implemented to contain the COVID-19 pandemic have led to considerable restrictions on public life and economic activity worldwide since March 2020. The "lock-down" succeeded in slowing down the pace of the pandemic's spread considerably, so that numerous states were able to begin gradually lifting the restrictions again starting in the middle of the second quarter of 2020. Asia and Europe, in particular, saw a marked decline in the number of new infections by the end of the second quarter. New infection numbers in North and South America, however, have not yet signalled any lasting containment of the pandemic.

The International Monetary Fund (IMF) is expecting the global economy to contract by more than 5 percent in the second quarter of 2020. In the industrialised countries, the IMF is estimating a decline of more than even 10 percent. Meanwhile, extensive government assistance programmes to businesses and workers are available to address the economic impact of the COVID-19 pandemic in almost all major economies.

In the first two months of the 2020 financial year, new business at GRENKE Group Leasing was initially within the range forecast at the start of the year. However, as a result of the restrictions on macroeconomic activity triggered by the COVID-19 pandemic, new business development in the months of March through May 2020 compared to the same period in the prior year was at a significantly lower level. New leasing business then began to pick up again in June. With a decline of 45.2 percent year-on-year, new business in the second quarter of 2020 was in line with the volume of new business indicated by the Board of Directors at the beginning of May, i.e. around 50 percent of the new business volume planned at the beginning of the year prior to the pandemic's outbreak.

GRENKE adapted to the altered economic environment in the first half of 2020. The large majority of employees are working from home offices to ensure communication with business partners and customers in a secure environment. Business management is focusing on the quality of contracted new business and balanced risk-taking. In doing so, GRENKE is willfully accepting lower growth. At the same time, the CM2 margin in the first half of 2020 rose by 130 basis points to 17.9 percent compared to the same period in the previous year (Q1-Q2 2019: 16.6 percent). The higher CM2 margin can be used to cushion potentially higher risks. At a level of EUR 1,078.0 million, the Consolidated Group is also currently maintaining a significantly higher level of liquidity than in the past. Cash and cash equivalents serve to reduce any potential liquidity risk and increase GRENKE's financial independence and place it in a position to immediately meet a renewed increase in customer demand for lease financing.

2.2 GRENKE GROUP'S NEW BUSINESS

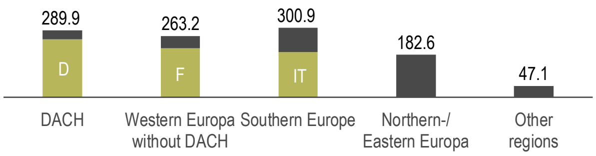
New business volume at GRENKE comprises the newly financed business volume of the Group, which is defined as the Consolidated Group and its franchise partners. As a result of the previously described economic environment, the Group's new business volume in the second quarter of 2020 dropped by 34.2 percent. For the first half of 2020, the overall decline is 15.3 percent. In absolute terms, GRENKE Group's new business reached a volume of EUR 1,469.2 million in the first half-year compared to EUR 1,734.0 million in the first half of the prior year.

In the leasing business (GRENKE Group Leasing), the volume of new business – defined as the total acquisition costs of newly acquired leased assets – in the first half of 2020 fell by 22.9 percent to EUR 1,083.6 million (Q1-Q2 2019: EUR 1,404.9 million). The leasing business as a percentage share of the Group's total new business volume fell accordingly to 73.8 percent (Q1-Q2 2019: 81.0 percent).

In the first half of 2020, GRENKE Group Leasing recorded a decline in new business volume across all regions. However, the DACH region, which comprises Germany, Austria and Switzerland, was able to distinguish itself positively from the other European regions by declining a mere 2.3 percent to EUR 289.9 million (Q1-Q2 2019: EUR 296.5 million). The trend in Germany, where new business remained virtually stable in the first half of the year (-1.5 percent), was a major contributor to this performance. In its home market, GRENKE benefited from its extensive and long-standing relationships with customers and dealers. In addition, Germany was less affected by the COVID-19 pandemic than other European countries. In Western Europe without DACH, new business declined by 29.4 percent to EUR 263.2 million in the half-year period (Q1-Q2 2019: EUR 372.9 million). In France, the most important single market in this region, new business volume fell by 32.6 percent. In Southern Europe, new business in the reporting period fell by 32.0 percent to EUR 300.9 million (Q1-Q2 2019: EUR 442.6 million). In Italy and Spain, the two countries most severely affected by the pandemic, new business fell by 37.2 percent and 13.2 percent, respectively. In the Northern/Eastern Europe region, new business declined by 21.8 percent, reaching a volume of EUR 182.6 million (Q1-Q2 2019: EUR 233.4 million). In Great Britain, where government measures in reaction to the pandemic occurred later than in other European countries, new business declined by 32.6 percent. In the other regions, the volume of new business declined by 20.7 percent to EUR 47.1 million (Q1-Q2 2019: EUR 59.4 million). SEE DIAGRAM "GRENKE GROUP LEASING NEW BUSINESS BY REGION"

NEW BUSINESS GRENKE GROUP LEASING*

As of June 30, 2020, in EUR millions



* See following page for regional description.

The diversification of the leasing portfolio beyond the traditional IT sector remained stable from January through June 2020. Medical technology products, small machinery and systems, security devices and other objects accounted for a combined 36.4 percent share of new business in the first half-year (Q1-Q2 2019: 36.3 percent).

In the first half of 2020, the GRENKE Group registered 266,109 lease applications (Q1-Q2 2019: 316,645), resulting in 126,035 (Q1-Q2 2019: 157,813) newly concluded lease contracts. This corresponded to a conversion rate (applications into contracts) of 47.4 percent (Q1-Q2 2019: 49.8 percent). International markets accounted for 216,025 applications (Q1-Q2 2019: 264,875), which led to 95,299 new contracts (Q1-Q2 2019: 128,643). As a result, the conversion rate in this area fell to 44.1 percent (Q1-Q2 2019: 48.6 percent). The DACH region, by contrast, increased its conversion rate to 61.4 percent (Q1-Q2 2019: 56.3 percent). The Group's mean acquisition value per lease contract in the reporting period fell to EUR 8,597 (Q1-Q2 2019: EUR 8,902). The slightly lower conversion rate at Group level, as well as the lower mean acquisition value per lease contract, reflect a stricter approval of lease applications. GRENKE mainly focused on concluding contracts with lower volumes from industries and companies with good to very good credit ratings.

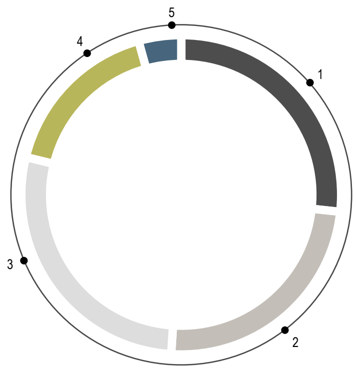
The share of contracts concluded via eSignature rose to 28.6 percent in the first half of 2020 (Q1-Q2 2019: 24.0 percent). The eSignature offer is currently available in 20 markets and enables lease contracts to be processed entirely digitally.

The contribution margin 2 (CM2) of new leasing business fell in the first half of 2020 to EUR 194.3 million, compared to EUR 233.0 million in the same period of the previous year. Due to the lower decline in the contribution margin compared to the development of new business, the CM2 margin in percentage terms even improved to 17.9 percent (Q1-Q2 2019: 16.6 percent). The higher margin was primarily a result of the higher proportion of very profitable small-ticket business and was recorded across all regions. The strongest margin improvement was recorded in the Southern Europe region. In the prior-year period, the CM2 margin in that region was negatively impacted by the expiration of tax incentives for lease financing in Italy ("super ammortamento"). The tax incentives for lessors enabled GRENKE to offer customers lease contracts at more favourable conditions. GRENKE adjusted its conditions at the beginning of 2019 after the programme had ended, which consequently resulted in an overall lower CM2 margin for the first quarter of 2019. In the quarters that followed, the CM2 margin gradually rose again. The CM1 margin of the leasing business (contribution margin 1 at acquisition values) reached a value of EUR 136.6 million in the first half of 2020, or 12.6 percent (Q1-Q2 2019: EUR 171.7 million and 12.2 percent).

The factoring business (GRENKE Group Factoring) increased new business volume (the total of purchased receivables) by 2.6 percent to EUR 313.4 million in the first half of 2020 (Q1-Q2 2019: EUR 305.5 million). The main driver was new business in Germany, which grew by 7.8 percent to EUR 91.5 million (Q1-Q2 2019: EUR 84.9 million). With a significantly higher share of receivables management (without financing function) of 23.4 percent (Q1-Q2 2019: 15.1 percent), the gross margin in Germany fell to 1.41 percent (Q1-Q2 2019: 1.60 percent). The international business of GRENKE Group Factoring achieved new business growth of 0.6 percent to EUR 221.9 million (Q1-Q2 2019: EUR 220.6 million). The share of the receivables management (without financing function) at the international level, which assumes no default risk, was 26.7 percent (Q1-Q2 2019: 21.3 percent). The gross margin in the international markets improved slightly to 1.47 percent (Q1-Q2 2019: 1.41 percent). The gross margin is based on an average period for a factoring transaction of approx. 26 days in Germany (Q1-Q2 2019: approx. 29 days) and approx. 48 days at an international level (Q1-Q2 2019: approx. 42 days).

In the first half of 2020, GRENKE Bank was able to more than triple its new business in the area of lending to SMEs to a level of EUR 72.2 million (Q1-Q2 2019: EUR 23.7 million). GRENKE Bank benefited from increased demand from SMEs for loans. The deposit volume of GRENKE Bank increased to EUR 1,312.3 million as of June 30, 2020, which was 48.4 percent higher than the level of EUR 884.2 million at the end of the 2019 financial year and 70.5 percent higher than at the end of the first half of 2019 (EUR 769.9 million).

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION



GRENKE Group Leasing *(Share of new business in percent)*	**2020 Q1-Q2**	**2019 Q1-Q2**
1 DACH	26.7	21.1
2 Western Europe without DACH	24.3	26.6
3 Southern Europe	27.8	31.5
4 Northern / Eastern Europe	16.9	16.6
5 Other regions	4.3	4.2
GRENKE Group *(in EUR millions)*	**2020 Q1-Q2**	**2019 Q1-Q2**
New business GRENKE Group Leasing	1,083.6	1,404.9
New business GRENKE Group Factoring	313.4	305.5
Business start-up financing GRENKE Bank (incl. microcredit business)	72.2	23.7

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

* Franchise

2.3 GRENKE CONSOLIDATED GROUP'S BUSINESS PERFORMANCE

In the first quarter of 2020, two new locations in Brazil and one new branch each in Sweden and Portugal commenced operations as part of cell divisions. In the second quarter of 2020, GRENKE opened its first franchise location in the United States (Phoenix, Arizona). As of June 30, 2020, GRENKE was present for customers in 33 countries with a total of 153 locations.

At the beginning of April, GRENKE announced that due to the spread of the COVID-19 pandemic, the ordinary Annual General Meeting could not take place on May 19, 2020 as planned. The new date for this year's ordinary Annual General Meeting, which will be held as a purely virtual meeting, was changed to August 6, 2020. At the beginning of May, GRENKE announced a revised dividend proposal of EUR 0.80 per share instead of the originally proposed EUR 0.88 per share. GRENKE thereby plans to distribute a dividend at the previous year's level, which shareholders can choose to receive in cash or, alternatively, in cash and shares to strengthen the capital base.

3. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

EURk	2020 Q1-Q2	2019 Q1- Q2[1]
Net interest income	**199,113**	**177,312**
Settlement of claims and risk provision	113,037	60,684
Net interest income after settlement of claims and risk provision	**86,076**	**116,628**
Profit from service business	56,464	45,947
Profit from new business	23,290	28,493
Gains (+)/losses (-) from disposals	–1,462	–329
Income from operating business	**164,368**	**190,739**
Staff costs	58,241	56,390
of which total remuneration	*47,760*	*46,409*
of which fixed remuneration	*35,822*	*33,438*
of which variable remuneration	*11,938*	*12,971*
Selling and administrative expenses (excluding staff costs)	34,494	36,748
of which IT project costs	*1,757*	*2,359*
Earnings before taxes	**46,571**	**81,059**
Net profit	**37,970**	**68,152**
Earnings per share (in EUR; basic / diluted)	0.66	1.33

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

3.1 RESULTS OF OPERATIONS

3.1.1 HALF-YEAR COMPARISON 2020 VERSUS 2019

Interest and similar income from the financing business rose 12.7 percent to EUR 229.3 million (Q1-Q2 2019: EUR 203.5 million) in the first half of 2020, as a result of the lower volume of new business. Interest expenses on refinancing rose disproportionately by 15.4 percent and amounted to EUR 30.2 million, compared to EUR 26.2 million in the first half of the previous year. Net interest income, which represents the balance of these items, increased 12.3 percent to EUR 199.1 million (Q1-Q2 2019: EUR 177.3 million).

The settlement of claims and risk provision in the consolidated income statement consists of two items: the impairment and settlement for lease contracts that have already been terminated and the expected credit losses from unterminated lease contracts to-date. In accordance with IFRS 9, the calculation of expected credit losses is based on a three-step approach. If there is a significant deterioration in the credit risk (Level 2) or impairment in creditworthiness (Level 3), a risk provision must be recognised in the amount of the expected losses over the entire remaining term of the contract. Due to the effects of the COVID-19 pandemic, significantly more leases were identified that needed to be classified as Level 3 as of the reporting date, which led to a corresponding increase in risk provisions. However, the majority of the leases affected was not terminated at the end of the half-year reporting period. If these lease contracts see an improvement going forward, the leases will be transferred back to their previous level, and the excess risk provision that was recognised will be reversed. Total risk provisions in accordance with IFRS 9 for all three levels and unterminated lease contracts totalled EUR 49.6 million in the reporting period. As a result, expenses for settlement of claims and risk provision rose by 86.3 percent to EUR 113.0 million, compared to EUR 60.7 million in the first half of the prior year. For more information on the settlement of claims and risk provision, please refer to section 5 on page 26 of the condensed notes to the consolidated financial statements.

The loss rate, which represents the ratio of settlement of claims and risk provision (numerator) to the volume of leased assets (denominator), was 2.5 percent for the first half of the year (Q1-Q2 2019: 1.6 percent). This increase resulted from both higher risk provisions and merely slight growth in the volume of leased assets. Due to the lower new business volume in the first half-year, the volume of leased assets (June 30, 2020: EUR 8,794.3 million), consisting of the net purchase values of all current leases, increased only slightly compared the end of 2019 (December 31, 2019: EUR 8,474 million). The rise in the loss rate as a result of the COVID-19 pandemic is thus attributable to the increase in risk provisioning and the disproportionately low growth in the volume of leased assets.

Net interest income after settlement of claims and risk provision in the first half-year, fell 26.2 percent to EUR 86.1 million (Q1-Q2 2019: EUR 116.6 million).

Profit from service business increased by 22.9 percent during the half-year period and continued to benefit from the high volume of new business in previous years. The decline in profit from new business of 18.3 percent to EUR 23.3 million (Q1-Q2 2019: EUR 28.5 million) reflected the decline in new business in the first half-year due to the COVID-19 pandemic. At EUR -1.5 million, net gains/losses from disposals were negative as in the same prior-year period (Q1-Q2 2019: EUR -0.3 million), resulting in a year-on-year decline in income from operating business of 13.8 percent to EUR 164.4 million (Q1-Q2 2019: EUR 190.7 million).

Staff costs rose by 3.3 percent to EUR 58.2 million compared to EUR 56.4 million in the prior-year period. The increase of 8.3 percent in the average number of employees to 1,751 (based on full-time equivalents; Q1-Q2 2019: 1,617) was offset by a decrease in variable compensation of 8.0 percent. Depreciation and amortisation increased by 6.4 percent in the first half-year to EUR 14.8 million (Q1-Q2 2019: EUR 13.9 million). Selling and administrative expenses, in contrast, declined by 6.1 percent to EUR 34.5 million (Q1-Q2 2019: EUR 36.7 million). Within this item, there was a significant decrease in selling expenses, mainly due to lower marketing and travel expenses in the second quarter as a result of the COVID-19 pandemic. The significant increase in other operating expenses to EUR 8.8 million (Q1-Q2 2019: EUR 5.2 million) resulted primarily from foreign currency translation differences of EUR -6.0 million (Q1-Q2 2019: EUR -3.1 million), mainly due to temporary differences during the term of foreign currency hedging relationships that do not qualify for hedge accounting. The differences resulted from the translation of balance sheet items at the closing rate and the market valuation of forward exchange rates. This difference should decline over the term of the hedge relationship, so that at the end of the term, the contracted forward exchange rate at which the hedge was made is decisive and will be realised. Other operating income amounted to EUR 3.5 million compared to EUR 5.0 million in the first half of the previous year. Given the lower overall costs, the cost-income ratio declined to 41.9 percent in the first half of 2020, compared to a level of 44.0 percent in the first half of the prior year. As explained in the Annual Report 2019, it is important to highlight that, starting with the 2020 financial year, GRENKE has been calculating the cost-income ratio in accordance with the calculation method customary in the financial sector, without taking into account expenses for settlement of claims and risk provision.

Due to the higher expenses from settlement of claims and risk provision, the operating result for the first six months of the 2020 financial year was EUR 51.5 million (Q1-Q2 2019: EUR 83.5 million), representing a decline of 38.3 percent. Earnings before taxes fell by 42.5 percent to EUR 46.6 million (Q1-Q2 2019: EUR 81.1 million). The comparatively sharper decline in earnings before taxes was also due to other interest expenses, which had increased to EUR 4.5 million (Q1-Q2 2020: EUR 2.2 million). These expenses resulted primarily from negative interest on credit balances at the Deutsche Bundesbank. The tax rate for the reporting period was 18.5 percent, compared to 15.9 percent in the first half of the previous year. Net profit in the first half of 2020 amounted to EUR 38.0 million. This compared to EUR 68.2 million reported in the first half of 2019 for a decline of 44.3 percent. Earnings per share in the first half-year totalled EUR 0.66 (Q1-Q2 2019: EUR 1.33).

3.1.2 SECOND QUARTER COMPARISON 2020 VERSUS 2019

Interest and similar income from the financing business rose by 9.7 percent in the second quarter of 2020 compared to the same prior-year period. In the same period, interest expenses on refinancing rose by 15.1 percent, resulting in a rise in net interest income in the second quarter of 8.8 percent to EUR 98.0 million (Q2 2019: EUR 90.1 million). Expenses for settlement of claims and risk provision rose 92.3 percent to EUR 62.2 million in the second quarter of 2020 (Q2 2019: EUR 32.4 million) as a result of the COVID-19 pandemic. Consequently, the loss rate for the Consolidated Group increased to 2.8 percent (Q2 2019: 1.6 percent). These higher losses led to a drop in net interest income after settlement of claims and risk provision in the second quarter of 2020 of 38.0 percent to EUR 35.8 million (Q2 2019: EUR 57.7 million).

Profit from service business increased by 14.9 percent to EUR 27.6 million in the reporting quarter (Q2 2019: EUR 24.0 million) and continued to benefit from the high volume of new business in previous years. In contrast, the 35.9 percent decline in the profit from new business to EUR 9.6 million (Q2 2019: EUR 14.9 million) reflects the decline in new business in the second quarter of 2020. As in the prior-year period, the gains/losses from disposals were slightly negative at EUR 0.5 million (Q2 2019: EUR -0.1 million). In total, the income from operating business in the second quarter of 2020 fell by 24.9 percent to EUR 72.5 million (Q2 2019: EUR 96.5 million).

Staff costs in the second quarter fell 2.9 percent to EUR 27.9 million (Q2 2019: EUR 28.8 million), primarily as a result of lower variable compensation components. The high level of capital expenditure in previous years led to an increase in depreciation and amortisation of 7.8 percent to EUR 7.3 million (Q2 2019: EUR 6.8 million). Selling and administrative expenses decreased by 16.5 percent to EUR 15.5 million (Q2 2019: EUR 18.6 million). As explained in the description of the half-year figures, this decline was mainly a result of lower marketing and travel expenses. The balance of other operating income and expenses was EUR -1.5 million in the reporting quarter (Q2 2019: EUR -0.7 million). Consequently, the cost-income ratio declined to 40.2 percent in the second quarter of 2020 (Q2 2019: 43.9 percent).

The increase in risk provision caused a decline in the operating result in the second quarter of 2020 of 51.7 percent to EUR 20.2 million (Q2 2019: EUR 41.7 million). Earnings before taxes declined by 56.9 percent to EUR 17.4 million (Q2 2019: EUR 40.4 million). Based on a higher tax rate of 18.4 percent (Q2 2019: 15.0 percent), the net profit in the reporting quarter declined by 58.6 percent to EUR 14.2 million (Q2 2019: EUR 34.4 million), resulting in earnings per share of EUR 0.31 (Q2 2019: EUR 0.74). From an economic standpoint, a corresponding periodic deferral of interest payments for hybrid capital results in earnings per share of EUR 0.26 (Q2 2019: EUR 0.71).

3.1.3 INTERIM DEVELOPMENT OF RESULTS OF OPERATIONS

In contrast to the previous reporting format, an additional comparison of the second quarter 2020 earnings development with the first quarter 2020 development is presented below. The effects of the COVID-19 pandemic on the Consolidated Group's business development can be presented in a more meaningful and transparent manner than in a year-on-year comparison.

Net interest income in the second quarter decreased by 3.1 percent compared to the first quarter of the year and amounted to EUR 98.0 million (Q1 2020: EUR 101.1 million). This decline was a result of the COVID-19 pandemic, the effects of which on the Consolidated Group's business became apparent only in the final weeks of the first quarter. In contrast, the pandemic had a negative impact on contracting new business, as well as on the generation of the related interest income throughout the second quarter. The aforementioned increase in the risk provisions in accordance with IFRS 9 – particularly in the markets in France and Italy – led to expenses for settlement of claims and risk provision of EUR 62.2 million in the second quarter (Q1 2020: EUR 50.8 million). Consequently, net interest income after settlement of claims and risk provision fell sequentially by 28.9 percent to EUR 35.8 million in the reporting quarter (Q1 2020: EUR 50.3 million).

The profit from service business was slightly lower than in the first quarter of 2020, declining 4.2 percent to EUR 27.6 million. Profit from new business declined 30.3 percent to EUR 9.6 million (Q1 2020: EUR 13.7 million) and reflected the drop in new business in the second quarter of 2020. At EUR -0.5 million, gains/losses on disposal were negative again as in the first quarter (Q1 2020: EUR -1.0 million). The income from operating business in the second quarter of 2020 fell by a total of 21.2 percent to EUR 72.5 million (Q1 2020: EUR 91.9 million).

Staff costs in the second quarter fell by 7.8 percent to EUR 27.9 million (Q1 2020: EUR 30.3 million). Depreciation and amortisation totalled EUR 7.3 million, which was the same level as the previous quarter (Q1 2020: EUR 7.5 million). Selling and administrative expenses, in contrast, declined 18.2 percent to EUR 15.5 million (Q1 2020: EUR 19.0 million). The balance of other operating income and expenses in the reporting quarter amounted to EUR -1.5 million (Q1 2020: EUR -3.8 million). The first quarter's figure included the majority of the foreign currency translation differences mentioned above. The overall reduction in costs in the second quarter led to a cost-income ratio of 40.2 percent compared to 43.5 percent in the first quarter of 2020. Higher risk provisioning led to a fall in the operating result for the second quarter of 35.7 percent to EUR 20.2 million (Q1 2020: EUR 31.4 million). Earnings before taxes in the second quarter declined 40.2 percent to EUR 17.4 million (Q1 2020: EUR 29.1 million).

The sharply higher Bundesbank balances in the second quarter resulted in notable negative interest rates and led to an increase in other interest expenses to EUR 3.2 million (Q1 2020: EUR 1.4 million) and weighed on the earnings before taxes.

At 18.4%, the tax rate for the second quarter was almost unchanged compared to the first quarter (Q1 2020: 18.5%). Net profit amounted to EUR 14.2 million in the second quarter, compared to EUR 23.7 million in the first quarter and resulted in earnings per share of EUR 0.31 for the reporting quarter (Q1 2020: EUR 0.35).

In accordance with the contractual structure of the hybrid bonds, the net profit attributed to the hybrid bondholders (EUR 7.4 million after EUR 6.5 million in the same period of the previous year) was recognised in full in the calculation of earnings per share as of March 30, 2020. Based on a periodic deferral of interest payments, earnings per share for the second quarter of 2020 amounted to EUR 0.26 (Q1 2020: EUR 0.46).

SEGMENT DEVELOPMENT

3.1.3.1 Business Segments

Segment reporting is based on the organisational structure of the Consolidated Group. The Consolidated Group's operating segments are defined accordingly based on the management of the business areas in the Leasing, Banking and Factoring segments. Further information on the business segments is provided in the Consolidated Group's segment reporting on page 33, which is part of the notes to the condensed interim consolidated financial statements.

3.1.3.2 Business Development

Operating income in the Leasing segment declined in the first half of 2020 compared to the same prior-year period by 19.1 percent from EUR 174.8 million to EUR 141.4 million. The segment result fell by 43.7 percent to EUR 41.9 million (Q1-Q2 2019: EUR 74.3 million). Due to the strong growth in lending to SMEs, the Banking segment increased its operating income in the first half of 2020 by 51.7 percent to EUR 21.5 million (Q1-Q2 2019: EUR 14.2 million). The segment result grew 21.0 percent to

EUR 11.7 million compared to EUR 9.7 million in the first half of the prior year. Operating income in the Factoring segment declined by 20.0 percent to EUR 1.4 million (Q1-Q2 2019: EUR 1.8 million). The segment's loss amounted to EUR -2.1 million, compared to EUR -0.5 million in the same period of the previous year as a result of the continued investment in the sales infrastructure and start-up costs for the stronger international positioning of the business.

3.2 NET ASSETS AND FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Current assets	**3,616,511**	**2,972,450**
of which cash and cash equivalents	*1,077,981*	*434,379*
of which lease receivables	*2,021,168*	*1,901,181*
Non-current assets	**4,072,785**	**4,175,032**
of which lease receivables	*3,636,025*	*3,744,735*
Total assets	**7,689,296**	**7,147,482**
Current liabilities	**2,212,277**	**1,861,352**
of which financial liabilities	*2,010,946*	*1,716,313*
Non-current liabilities	**4,204,520**	**4,037,380**
of which financial liabilities	*4,096,375*	*3,924,353*
Equity	**1,272,499**	**1,248,750**
Equity ratio (in percent)	16.6	17.5
Total liabilities and equity	**7,689,296**	**7,147,482**
Embedded value incl. equity after taxes	1,741,957	1,791,388

3.2.1 NET ASSETS

Total assets of the GRENKE Consolidated Group as of June 30, 2020 increased by 7.6 percent to EUR 7.7 billion compared to the end of the 2019 financial year (December 31, 2019: EUR 7.1 billion). The rise in total assets was mainly a result of higher cash and cash equivalents, which more than doubled to EUR 1.1 billion as of the reporting date (December 31, 2019: EUR 0.4 billion). The increase in cash and cash equivalents was primarily a result of higher deposit volumes at GRENKE Bank. In light of the current overall economic situation, the GRENKE Consolidated Group is placing a special focus on maintaining sufficient liquidity reserves to give it the flexibility to respond to market conditions. The Consolidated Group also has a regulatory obligation to maintain a liquidity buffer. As of the reporting date, EUR 849.4 million (December 31, 2019: EUR 212.2 million) were held in accounts at the Deutsche Bundesbank, which, due to the negative interest rate on deposits in the amount of -0.5 percent, caused corresponding interest expenses.

The Consolidated Group's largest balance sheet item – current and non-current lease receivables – remained virtually unchanged at EUR 5.7 billion (December 31, 2019: EUR 5.6 billion). This development reflects the low volume of new business in the first half of 2020.

The decline in other current assets to EUR 200.2 million (December 31, 2019: EUR 322.7 million) resulted largely from a reporting date-related decline in VAT refund claims.

On the liabilities side of the balance sheet, current and non-current financial liabilities increased in total by 8.3 percent to EUR 6.1 billion (December 31, 2019: EUR 5.6 billion). The largest position in this item was current and non-current liabilities from refinancing, which increased by 0.8 percent to EUR 4.8 billion compared to the end of 2019 (December 31, 2019: EUR 4.7 billion). Current and non-current liabilities from the deposit business rose by 48.0 percent to EUR 1.3 billion (December 31, 2019: EUR 0.9 billion).

Deferred lease payments recorded a reporting date-related rise to EUR 83.2 million as of June 30, 2020 (December 31, 2019: EUR 23.6 million). As this balance sheet item is often subject to major fluctuations during the course of the year, an increase of 31.8 percent was recorded compared to June 30, 2019.

Consolidated Group equity amounted to EUR 1,272.5 million as of June 30, 2020 (December 31, 2019: EUR 1,248.8 million), amounting to an increase of 1.9 percent. The Consolidated Group's net profit of EUR 38.0 million generated in the reporting period was offset by interest payments on hybrid capital (EUR 7.4 million) and negative effects from currency translation (EUR 8.9 million). A positive effect of EUR 2.4 million, however, resulted from the fair value measurement of hedging instruments. Due to the increase in total assets resulting from the higher level of cash and cash equivalents, the equity ratio fell to 16.6 percent as of June 30, 2020 (December 31, 2019: 17.5 percent). Nevertheless, the Consolidated Group's equity base continued to exceed the long-term benchmark of a minimum 16.0 percent.

3.2.2 LIQUIDITY

As a result of the high level of cash and cash equivalents and broadly diversified refinancing structure, the GRENKE Consolidated Group was in a position to meet its payment obligations at all times during the half-year under review.

In the first half of 2020, the subsidiary Grenke Finance PLC issued three new fixed-interest bonds with a total gross volume of EUR 210 million and HKD 300 million. Further information on these bond issues is presented in the notes to the condensed interim consolidated financial statements and is also available on the Company's website at www.grenke.com/investor-relations/debt-capital/issued-bonds. A promissory note in the amount of EUR 19 million was also issued. In the short-term segment during the first half-year, GRENKE carried out eight commercial paper issues in the amount of EUR 70 million. Bonds in the amount of EUR 153 million and promissory notes totalling EUR 21.5 million, DKK 33 million and SEK 33 million were redeemed in the reporting period.

The utilisation of ABCP programmes as of June 30, 2020 amounted to EUR 746.0 million and GBP 113.8 million (December 31, 2019: EUR 713,1 million and GBP 125 million). The total volume of these programmes was EUR 947.8 million and GBP 150.0 million (December 31, 2019: EUR 947.8 million and GBP 150.0 million).

The Consolidated Group's available credit lines (i.e. bank lines plus available volumes from bonds and commercial paper) amounted to EUR 3,145.7 million, PLN 39.0 million, HRK 40.0 million and CHF 11.6 million as of the reporting date (December 31, 2019: EUR 1,565.6 million, PLN 27.0 million, HRK 70.0 million and CHF 14.5 million).

The Consolidated Group has also enhanced its cooperation with development banks and expanded the existing programmes to provide further support for SMEs. In April 2020, a EUR 90 million loan from the European Investment Bank (EIB) was disbursed.

Refinancing via bank deposits of GRENKE Bank amounted to EUR 1,312.2 million as of June 30, 2020 compared to EUR 769.9 million at the same prior-year date, corresponding to an increase of 70.5 percent.

3.2.3 FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	**2020 Q1-Q2**	**2019 Q1-Q2**
Cash flow from operating activities	674,350	49,945
Net cash flow from operating activities	667,571	36,359
Cash flow from investing activities	–9,266	–10,846
Cash flow from financing activities	–15,638	–50,462
Total cash flow	**642,667**	**–24,949**

Cash flow from operating activities improved significantly in the first half of 2020 to EUR 674.4 million (Q1-Q2 2019: EUR 49.9 million). The increase resulted from the aforementioned sharp rise in liabilities from the deposit business (EUR 427.3 million compared to EUR 78.3 million in same prior-year period) and the lower year-on-year rise in lease receivables (EUR 11.3 million compared to EUR 481.0 million) due to the lower volume of new business in the first half of the year. These developments were offset by a lower increase in liabilities from refinancing (EUR 38.4 million compared to EUR 452.5 million). In addition, the change in other assets resulted in a cash inflow of EUR 101.2 million in the first half of the reporting year, which compares to a cash outflow of EUR 114.7 million in the same prior-year period. The change in other assets was mainly a result of lower input tax credits.

After interest and taxes paid and received, net cash flow from operating activities for the first half-year equalled EUR 667.6 million (Q1-Q2 2019: EUR 36.4 million).

Cash flow from investing activities amounted to EUR -9.3 million in the first half of 2020 (Q1-Q2 2019: EUR -10.8 million) and mainly included payments for the acquisition of property, plant and equipment and intangible assets of EUR 9.5 million (Q1-Q2 2019: EUR 11.0 million).

Cash flow from financing activities amounted to EUR -15.6 million in the first half of 2020 (Q1-Q2 2019: EUR -50.5 million). The improvement resulted from the fact that the dividend for the 2019 financial year has not yet been paid due to the postponement of the 2020 ordinary Annual General Meeting. The cash flow from the previous year included a dividend payment for the 2018 financial year of EUR 37.1 million. Consequently, the largest position in the first half of 2020 is the interest payment on hybrid capital of EUR 10.7 million (Q1-Q2 2019: EUR 9.4 million). The repayment of lease liabilities also led to a cash outflow of EUR 5.8 million (Q1-Q2 2019: EUR 4.8 million).

Total cash flow for the first half of the 2020 financial year therefore amounted to EUR 642.7 million (Q1-Q2 2019: EUR -24.9 million). Cash and cash equivalents increased accordingly to EUR 1,077.9 million as of June 30, 2020, compared to EUR 434.3 million at the end of 2019.

4. RELATED PARTY DISCLOSURES

For information on related party disclosures, see the notes to the condensed interim consolidated financial statements on page 24.

5. REPORT ON RISKS, OPPORTUNITIES AND FORECAST

5.1 OPPORTUNITIES AND RISKS

Due to the restrictions on macroeconomic activity resulting from the COVID-19 pandemic in the first half of 2020, uncertainty has increased significantly in comparison to the environment described in the 2019 Annual Report, particularly with respect to credit and liquidity risks.

The economists at the IMF now expect a recession of unprecedented scale in 2020. Although many countries have launched extensive aid programmes in the form of loan commitments and guarantees to ensure the solvency of companies, a rise in corporate insolvencies is still expected in the current financial year. Euler Hermes, for example, expects a 20 percent increase in the number of insolvencies worldwide in 2020. In the first half of 2020, the payment behaviour of the Consolidated Group's clients also changed due to the overall economic environment, although an improvement could already be seen in June and July of 2020 compared to the months before. As a result of late or missed payment receipts, an increase in losses in the current financial year is therefore to be expected and is reflected in the higher IFRS 9 risk provision as of June 30, 2020. The GRENKE Consolidated Group has not yet adjusted the risk forecast model in accordance with IFRS 9 and has retained its previous method of determining the expected losses as of June 30, 2020. Since the assessment in the first quarter of 2020 of the initial impact of the pandemic, the GRENKE Consolidated Group continues to assume that the loss rate for the 2020 financial year as a whole could reach up to 2.3 percent.

As already communicated upon the publication of the first quarter 2020 interim report, the rating agency Standard & Poor's confirmed the Consolidated Group's counterparty credit rating of BBB+/ A-2 in its last analysis on April 23, 2020 and revised the outlook for GRENKE AG from stable to negative due to the expected impact of the COVID-19 pandemic. In its statement, the rating agency cited tougher economic conditions in GRENKE's main European markets over the next 18-24 months.

The economic environment does offer opportunities in that insights and observations can be integrated into risk measurement at an early stage, thus making it possible to adjust the risk when concluding contracts. GRENKE strives for the best possible balance between risk and contribution margin. In addition, the Company's relationship with its customers and partners are strengthened by the fact that GRENKE continues to support companies in the implementation of investment projects.

5.2 MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

In June 2020, the IMF lowered its outlook for the global economy, and based on an even sharper negative impact from the corona pandemic than originally expected, anticipates a decline in the current year of 4.9 percent. In April 2020, the IMF had forecast a decline of only 3.0 percent. The lower outlook mainly concerns the advanced economies and especially the eurozone for which the IMF now expects a decline of 10.2 percent (April estimate: -7.5 percent). The IMF is assuming that economic development probably bottomed in the second quarter of 2020. A gradual recovery is expected in the coming quarters, but at a slower pace than expected in April. The development of the ifo business climate index, which recorded unprecedented slumps in March and April 2020, supports the assumption that the German economy will recover in the second half of the year. The index rose again significantly in both May and June. For 2021, the IMF is forecasting global economic growth of 5.4 percent and growth in the eurozone of 6.0 percent.

5.3 COMPANY FORECAST

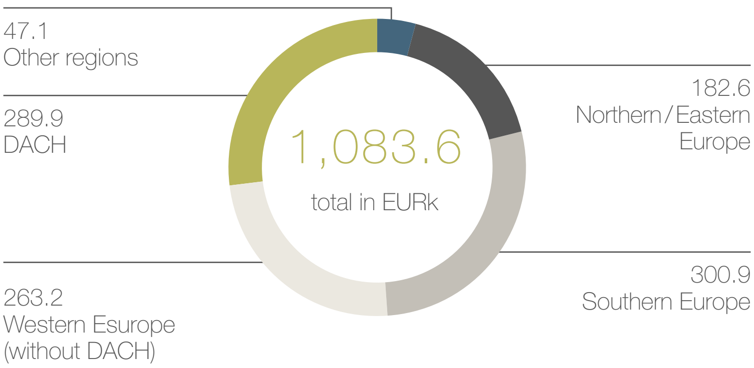
As previously announced on July 2, 2020, upon the publication of the new business figures for the second quarter of 2020, the impact of the COVID-19 pandemic on the further development of the business and earnings of the GRENKE Consolidated Group cannot yet be assessed with any certainty and was not taken into consideration in the forecast for the 2020 financial year published on February 11, 2020. In light of the general economic restrictions resulting from the COVID-19 pandemic, the Board of Directors is currently assuming that the level of new business in the third quarter of 2020 will amount to roughly 70 percent of the prior-year level. Consequently, new business development for the current financial year as a whole remains dependent on the further course of the COVID-19 pandemic. At the beginning of the year, the initial target for new business growth was between 14 and 18 percent.

The Consolidated Group can operate profitably during this crisis with a lower volume of new business and appropriate cost savings, although the net profit will be below the target range of EUR 153 to 165 million announced at the beginning of the year. Based on the solid liquidity situation and the stable number of employees – especially in sales – the GRENKE Consolidated Group is in a position to respond immediately to any respective easing or normalisation developments.

The Board of Directors will update and provide a more concrete forecast for the 2020 financial year as soon as the impact of the COVID-19 pandemic can be quantified with sufficient certainty.

ON SITE WORLDWIDE

NEW BUSINESS GRENKE GROUP LEASING
by regions, Q1–Q2 2020



PROXIMITY TO THE CUSTOMER
Regions / Markets

33

On 5 continents for our customers visible, market entry USA

+1

NEW FRANCHISE LOCATION IN PHOENIX, ARIZONA

LOCATIONS GRENKE GROUP

153

SOLID KEY FIGURES

CONSOLIDATED GROUP NET PROFIT

14.2

EUR million

EARNINGS PER SHARE

0.31

EUR

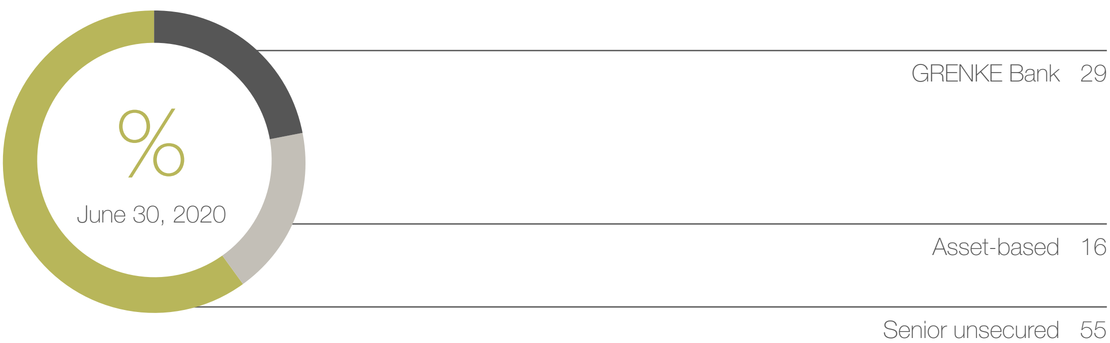
EQUITY RATIO

16.6

Percent

BROAD REFINANCING BASE

THREE PILLARS: GRENKE CONSOLIDATED GROUP'S REFINANCING MIX



DIGITAL ALIGNMENT

eSIGNATURE QUOTE

28.6

percent of all new leasing contracts were fully digitally completed.

eSIGNATURE
Number of countries

20

eSignature is used in 20 countries.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q2		Q1–Q2	
EURk	**Apr. 1, 2020 to Jun. 30, 2020**	**Apr. 1, 2019 to Jun. 30, 2019[1]**	**Jan. 1, 2020 to Jun. 30, 2020**	**Jan. 1, 2019 to Jun. 30, 2019[1]**
Interest and similar income from financing business[2]	113,734	103,723	229,305	203,474
Expenses from interest on refinancing and deposit business	15,732	13,667	30,192	26,162
Net interest income	**98,002**	**90,056**	**199,113**	**177,312**
Settlement of claims and risk provision	62,246	32,367	113,037	60,684
Of which, impairment losses	*59,804*	*30,644*	*109,492*	*57,508*
Net interest income after settlement of claims and risk provision	**35,756**	**57,689**	**86,076**	**116,628**
Profit from service business	27,620	24,040	56,464	45,947
Profit from new business	9,562	14,923	23,290	28,493
Gains(+) / losses (–) from disposals	–488	–130	–1,462	–329
Income from operating business	**72,450**	**96,522**	**164,368**	**190,739**
Staff costs	27,937	28,759	58,241	56,390
Depreciation and impairment	7,304	6,776	14,775	13,891
Selling and administrative expenses (not including staff costs)	15,522	18,590	34,494	36,748
Other operating expenses	3,109	3,317	8,777	5,192
Other operating income	1,599	2,663	3,458	4,961
Operating result	**20,177**	**41,743**	**51,539**	**83,479**
Result from investments accounted for using the equity method	–103	–48	–218	–89
Expenses / income from fair value measurement	–259	–513	–1,313	–801
Other interest income	790	382	1,108	672
Other interest expenses	3,170	1,148	4,545	2,202
Earnings before taxes	**17,435**	**40,416**	**46,571**	**81,059**
Income taxes	3,205	6,061	8,601	12,907
Net profit	**14,230**	**34,355**	**37,970**	**68,152**
Ordinary shareholders and hybrid capital holders of GRENKE AG	14,230	34,355	37,970	68,152
Earnings per share (basic/diluted in EUR)	0.31	0.74	0.66	1.33
Average number of shares outstanding	46,353,918	46,353,918	46,353,918	46,353,918

[1] Selected prior–year figures adjusted (see section "Adjustments" in the notes to the condensed interim consolidated financial statements).
[2] Interest and similar income based on effective interest method: EUR 5,503k (previous year: EUR 4,088k).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q2		Q1–Q2	
EURk	Apr. 1, 2020 to Jun. 30, 2020	Apr. 1, 2019 to Jun. 30, 2019[1]	Jan. 1, 2020 to Jun. 30, 2020	Jan. 1, 2019 to Jun. 30, 2019[1]
Net profit	**14,230**	**34,355**	**37,970**	**68,152**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve	–4,164	5	2,107	11
Thereof: income tax effects	595	–1	–301	–2
Change in currency translation differences	–2,427	–1,361	–8,900	521
Thereof: income tax effects				
Items that will not be reclassified to profit and loss in future periods				
Change in value of equity instruments recognised in other comprehensive income (option under IFRS 9)	-	-	-	-
Thereof: income tax effects				
Appropriation to / reduction of reserve for actuarial gains and losses	-	-	-	-
Thereof: income tax effects				
Other comprehensive income	**–6,591**	**–1,356**	**–6,793**	**532**
Total comprehensive income	**7,639**	**32,999**	**31,177**	**68,684**
Ordinary shareholders and hybrid capital holders of GRENKE AG	7,639	32,999	31,177	68,684

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	Jun. 30, 2020	Dec. 31, 2019
Assets		
Current assets		
Cash and cash equivalents	1,077,981	434,379
Derivative financial instruments that are assets	5,108	946
Lease receivables	2,021,168	1,901,181
Other current financial assets	250,480	252,504
Trade receivables	10,403	9,272
Lease assets for sale	27,497	24,038
Tax assets	23,659	27,450
Other current assets	200,215	322,680
Total current assets	**3,616,511**	**2,972,450**
Non–current assets		
Lease receivables	3,636,025	3,744,735
Derivative financial instruments that are assets	6,600	1,492
Other non–current financial assets	100,848	96,650
Investments accounted for using the equity method	4,705	4,923
Property, plant and equipment	115,469	109,092
Right–of–use assets	50,015	50,315
Goodwill	102,395	106,555
Other intangible assets	36,101	37,899
Deferred tax assets	19,236	21,967
Other non–current assets	1,391	1,404
Total non–current assets	**4,072,785**	**4,175,032**
Total assets	**7,689,296**	**7,147,482**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	2,010,946	1,716,313
Lease liabilities	11,852	12,148
Derivative liability financial instruments	3,918	8,506
Trade payables	24,827	35,890
Tax liabilities	5,346	3,059
Deferred liabilities	22,668	30,219
Other current liabilities	49,516	31,583
Deferred lease payments	83,204	23,634
Total current liabilities	**2,212,277**	**1,861,352**
Non–current liabilities		
Financial liabilities	4,096,375	3,924,353
Lease liabilities	39,354	38,679
Derivative liability financial instruments	8,606	7,445
Deferred tax liabilities	54,558	61,676
Pensions	5,544	5,128
Non–current provisions	83	99
Total non–current liabilities	**4,204,520**	**4,037,380**
Equity		
Share capital	46,354	46,354
Capital reserves	289,314	289,314
Retained earnings	743,214	712,672
Other components of equity	–6,383	410
Total equity attributable to shareholders of GRENKE AG	**1,072,499**	**1,048,750**
Additional equity components [1]	200,000	200,000
Total equity	**1,272,499**	**1,248,750**
Total liabilities and equity	**7,689,296**	**7,147,482**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk		2020 Q1–Q2	2019 Q1–Q2[1]
	Earnings before taxes	**46,571**	**81,059**
	Non–cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	14,775	13,891
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	–37	–24
– / +	Net income from non–current financial assets	3,165	1,281
– / +	Other non–cash effective income / expenses	162	1,255
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	–7,151	–3,076
–	Additions to lease receivables	–1,135,429	–1,396,859
+	Payments by lessees	1,098,066	942,487
+	Disposals / reclassifications of lease receivables at residual carrying amounts	191,910	176,868
–	Interest and similar income from leasing business	–221,551	–197,150
+ / –	Decrease / increase in other receivables from lessees	19,636	–5,365
+ / –	Currency translation differences	36,091	–932
=	**Change in lease receivables**	**–11,277**	**–480,951**
+	Addition to liabilities from refinancing	880,191	1,331,237
–	Payment of annuities to refinancers	–717,932	–879,836
–	Disposal of liabilities from refinancing	–123,193	–24,249
+	Expenses from interest on refinancing	26,458	24,054
+ / –	Currency translation differences	–27,078	1,257
=	**Change in refinancing liabilities**	**38,446**	**452,463**
+ / –	Increase / decrease in liabilities from deposit business	427,349	78,321
– / +	Increase / decrease in loans to franchisees	175	–25,200
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	101,211	–114,656
– / +	Increase / decrease in lease assets from operating leases	–2,052	–10,133
+ / –	Increase / decrease in deferred lease payments	59,570	38,390
+ / –	Increase / decrease in other liabilities	3,443	17,325
=	**Cash flow from operating activities**	**674,350**	**49,945**

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

continued on next page

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

EURk		2020 Q1–Q2	2019 Q1–Q2[1]
– / +	Income taxes paid / received	–3,342	–12,056
–	Interest paid	–4,545	–2,202
+	Interest received	1,108	672
=	**Net cash flow from operating activities**	**667,571**	**36,359**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–9,523	–10,985
– / +	Payments for / proceeds from the acquisition of subsidiaries	0	–390
–	Payments for the acquisition of associated entities	0	–250
+	Proceeds from the sale of property, plant and equipment and intangible assets	257	779
=	**Cash flow from investing activities**	**–9,266**	**–10,846**
+ / –	Borrowing / repayment of bank liabilities	875	759
–	Repayment of lease liabilities	–5,849	–4,763
–	Interest coupon payments on hybrid capital	–10,664	–9,375
–	Dividend payments	0	–37,083
=	**Cash flow from financing activities**	**–15,638**	**–50,462**
	Cash funds at beginning of period		
	Cash in hand and bank balances	434,379	333,626
–	Bank liabilities from overdrafts	–73	–3,112
=	**Cash and cash equivalents at beginning of period**	**434,306**	**330,514**
+ / –	Change due to currency translation	950	–19
=	**Cash funds after currency translation**	**435,256**	**330,495**
	Cash funds at end of period		
	Cash in hand and bank balances	1,077,981	309,252
–	Bank liabilities from overdrafts	–58	–3,706
=	**Cash and cash equivalents at end of period**	**1,077,923**	**305,546**
	Change in cash and cash equivalents during the period (= total cash flow)	**642,667**	**–24,949**
	Net cash flow from operating activities	667,571	36,359
+	Cash flow from investing activities	–9,266	–10,846
+	Cash flow from financing activities	–15,638	–50,462
=	**Total cash flow**	**642,667**	**–24,949**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Share capital	Capital reserves	Retained earnings / Consolidated net profit	Hedging reserve	Reserve for actuarial gains / losses	Currency translation	Revaluation reserve for equity instruments (IFRS 9)	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
Equity as of Jan. 1, 2020	**46,354**	**289,314**	**712,672**	**–2,193**	**–1,393**	**1,641**	**2,355**	**1,048,750**	**200,000**	**1,248,750**
Net profit			37,970					37,970		37,970
Other comprehensive income				2,107		–8,900		–6,793		–6,793
Dividend payment in 2020 for 2019								0		0
Interest coupon payment on hybrid capital (net)								0	–7,428	–7,428
Interest coupon for hybrid capital (net)			–7,428					–7,428	7,428	0
Equity as of Jun. 30, 2020	**46,354**	**289,314**	**743,214**	**–86**	**–1,393**	**–7,259**	**2,355**	**1,072,499**	**200,000**	**1,272,499**
Equity as of Jan. 1, 2019 (as reported)	**46,354**	**289,314**	**616,257**	**–7**	**–828**	**–731**	**2,295**	**952,654**	**125,000**	**1,077,654**
Adjustment to IFRS 16 accounting standard (lessee)			**–745**			**12**		**–733**		**–733**
Equity as of Jan. 1, 2019 (adjusted)	**46,354**	**289,314**	**615,512**	**–7**	**–828**	**–719**	**2,295**	**951,921**	**125,000**	**1,076,921**
Net profit[1]			68,152					68,152		68,152
Other comprehensive income				11		521		532		532
Dividend payment in 2019 for 2018			–37,083					–37,083		–37,083
Interest coupon payment on hybrid capital (net)								0	–6,531	–6,531
Interest coupon for hybrid capital (net)			–6,531					–6,531	6,531	0
Equity as of Jun. 30, 2019[1]	**46,354**	**289,314**	**640,050**	**4**	**–828**	**–198**	**2,295**	**976,991**	**125,000**	**1,101,991**

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

1. GENERAL INFORMATION

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201936. The subject matter of GRENKE AG's condensed interim consolidated financial statements ("interim consolidated financial statements") as of June 30, 2020, 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 of December 31, 2019. The condensed interim consolidated financial statements and the interim group management report as of June 30, 2020 have neither been audited nor subject to an audit review as defined by Section 115 (5) of the German Securities Trading Act (WphG).

1.1 COVID-19 PANDEMIC

The global economy was severely affected by the COVID-19 pandemic in the first half of 2020. This development also affected the interim financial statements of the GRENKE Consolidated Group. GRENKE responded by establishing working groups to deal with the potential effects of the pandemic on the business areas and decide on the corresponding actions to take. One of these actions was the conclusion of deferral agreements with customers. For more details on the actions taken as a result of the current effects of the pandemic, please refer to the information provided in the interim group management report.

2. ACCOUNTING POLICIES

The accounting policies applied in the interim consolidated financial statements are generally the same as those applied in the previous year. Exceptions relate to changes resulting from the mandatory application of new accounting standards discussed in the paragraph below. Early application was waived for the amended standards and interpretations that will be mandatory in the 2021 financial year or later. GRENKE AG will apply these standards to the consolidated financial statements at the time of their mandatory application.

The same accounting and valuation methods apply to these interim financial statements as to the consolidated financial statements as of December 31, 2019, that we refer to here. Furthermore, we have added supplemental information in the sections that follow.

2.1 DEFERRAL AGREEMENTS

GRENKE has entered into deferral agreements with its leasing customers, under which the customers receive support due to the current COVID-19 pandemic and its consequences. Under the deferral agreements, individual payments for lease instalments are deferred without interest for a fixed period of time and due at a later date. Parts of these deferral agreements are based on statutory moratoria. In the opinion of GRENKE, the agreed deferrals have not led to any change in the scope of a lease or the consideration for a lease. Therefore, the changes in payment are treated as non-substantial contractual changes (modifications). The interest rates underlying the leases are carried forward unchanged when calculating the net investment in a lease.

In addition, deferral agreements have also been concluded with customers in the lending business. Here, debtors were granted a deferral for loan instalments for a certain period of time, but in this case, with interest. This change is also considered a non-substantial contractual amendment, as neither the qualitative nor the quantitative indicators were met that would justify a modification. For further information, please refer to the accounting policies described in the notes to the consolidated financial statements as of December 31, 2019.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY PUBLISHED BUT NOT YET IMPLEMENTED

IFRS 17 "Insurance Contracts" published by the International Accounting Standards Board (IASB) in May 2017 sets out the basic principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard. The new standard is not only relevant to insurance companies but affects all companies that issue insurance contracts within the scope of the standard. IFRS 17 replaces the provisions of IFRS 4. The objective of IFRS 17 is to prescribe uniform accounting for insurance contracts. An amendment to IFRS 17 was published on June 25, 2020. The IASB decided to postpone the standard's first-time adoption until January 1, 2023 and to extend the exception in IFRS 4 currently applicable to some insurers regarding the application of IFRS 9 "Financial Instruments" in order to allow them to adopt IFRS 9 and IFRS 17 simultaneously. A material impact on the consolidated financial statements of GRENKE AG is not expected from this new standard.

The IASB also published various amended standards. IAS 1 "Classification of Liabilities as Current or Non-current" was published in January 2020. The purpose of the amendment to IAS 1 is to clarify that the classification of liabilities as current or non-current must be based on the existing rights of the entity on the reporting date. The classification therefore does not depend on expectations as to whether an entity will exercise its right to defer settlement of an obligation. On July 15, 2020, the IASB postponed the first-time adoption of the amendment by one year for financial years beginning on or after January 1, 2023.

The IASB also published several limited IFRS amendments on May 14, 2020 concerning the standards IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions and Contingent Liabilities" and IFRS 3 "Business Combinations". These publications also contained the collective revision of the annual improvements, cycle 2018-2020, which makes adjustments to IFRS 1 "First-time Adoption of IFRS", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and an example of IFRS 16 "Leases". The amendments are effective for annual periods beginning on or after January 1, 2022. The current analyses do not indicate any significant impact on the consolidated financial statements of GRENKE AG.

On May 28, 2020, the IASB amended IFRS 16 "Leases" ("COVID-19-Related Rent Concessions"). The amendment concerns the accounting effects of concessions granted within the scope of the COVID-19 pandemic. The purpose of the amendment is to make it easier for lessees to apply the provisions on contract modifications contained in IFRS 16. The practical simplifications do not explicitly apply to lessors, as the IASB considers the complexity of the changes and the procedural possibilities of implementation to be less critical for lessors. The amendment is effective for annual periods beginning on or after June 1, 2020, but earlier application is permitted. The standard amendment has not yet (as of July 24, 2020) been endorsed by the EU. GRENKE is not making use of the simplification as of the current reporting date, as GRENKE, as lessee, is not affected by these circumstances.

3. FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

In the 2020 financial year, the GRENKE Consolidated Group took into account all new and revised standards and interpretations that were mandatory for the first time as of January 1, 2020 and have already been adopted into European law (endorsement), insofar that these standards and interpretations were relevant for the GRENKE Consolidated Group.

None of the following revised or amended standards had a material impact on the accounting or reporting of the consolidated financial statements of GRENKE AG. These are the amendments to IFRS 3, "Business Combinations"; amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the "Definition of Materiality"; IBOR reform: amendment to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments, Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" as well as amendments to references to the IASB's accounting framework.

4. 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
- Assumptions in the context of impairment tests for the measurement of existing goodwill

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". In accordance with the announcements made by various regulators (ESMA, EBA), an assessment of the modelling of IFRS 9 impairment and the estimation of expected credit losses (ECL) was carried out. As a result of this assessment, which also involved senior management, there were no adjustments made to the previous models as of December 31, 2019. The models will continue to be reviewed on an ongoing basis during the course of the financial year in order to identify any potential changes in the estimates of expected credit losses.

Non-guaranteed (calculated) residual values are taken into account when determining the present value of the lease receivables in accordance with IFRS 16. The calculated residual values at the end of the lease term depend on the maturity group of the respective lease and include the expected follow-up business and the expected sales proceeds at the end of the term based on past experience. For additions since January 1, 2020, the calculated residual values amount to between 5.5% and 15.0% of the acquisition cost. The calculated residual values are determined on the basis of statistical analyses using the best possible estimate. In the event of a decline in the revenue actually achievable in the follow-up business (consisting of disposal and post-leasing), impairment of the lease receivables is taken into account, whereas an increase is not taken into account.

Discounted cash flow measurement is derived from cash flows of existing goodwill based on current business plans and internal planning and assuming a planning horizon of five years. In doing so, assumptions are made about future revenue and cost developments. The business plans and internal planning are being revised as a result of the COVID-19 pandemic. The as-yet unforeseeable consequences for business in the individual cash-generating units has led to even higher uncertainty with respect to estimates. Generally, the future growth rates of the respective cash-generating units are assumed on the basis of past experience and past earnings trends and projected into the future. These estimates and the underlying methodology can have a significant influence on the values determined. If material assumptions differ from the actual figures, this could lead to the recognition of impairment losses through profit or loss in the future.

5. ADJUSTMENTS

The retrospective amendment of IFRS 16 "Leases" for lessors in the previous year, which was applied to the consolidated financial statements only as of December 31, 2019, led to a corresponding change in the consolidated income statement as of June 30, 2019. Net interest income increased by EUR 20,586k and the settlement of claims and risk provision rose by EUR 399k. Consequently, profit from new business decreased by EUR 20,428k and gains(+)/losses(-) from disposals increased by EUR 41k. Overall, there was a reduction in earnings before taxes of EUR 200k and net profit (after taxes) of EUR 173k. For further information, please refer to section "2.1.4 IFRS 16 Leases – The Consolidated Group as Lessor" in the consolidated financial statements as of December 31, 2019 contained in the notes to the consolidated financial statements.

6. LEASE RECEIVABLES

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Changes in lease receivables from current contracts (performing lease receivables)		
Receivables at beginning of period	**5,588,109**	**4,645,971**
+ Change during the period	30,912	942,138
Lease receivables (current + non-current) from current contracts at end of period	**5,619,021**	**5,588,109**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**411,490**	**331,048**
+ Additions to gross receivables during the period	88,986	133,647
– Disposals of gross receivables during the period	24,354	53,205
Gross receivables at end of period	**476,122**	**411,490**
Total gross receivables (terminated and current)	**6,095,143**	**5,999,599**
Impairments at beginning of period	**353,683**	**279,480**
+ Change in accumulated impairment during the period	84,267	74,203
Impairments at end of period	**437,950**	**353,683**
Lease receivables (carrying amount, current and non-current) at beginning of period	5,645,916	4,697,539
Lease receivables (carrying amount, current and non-current) at end of period	**5,657,193**	**5,645,916**

The following overview shows the gross amount of lease receivables and the impairment of lease receivables according to the IFRS 9 impairment level. The GRENKE Consolidated Group does not have any financial instruments classified as POCI as defined by IFRS 9.

	Jun. 30, 2020				Dec. 31, 2019
EURk	Level 1	Level 2	Level 3	Total	Total
Gross lease receivables					
Germany	1,153,568	47,425	47,401	1,248,394	1,210,593
France	1,097,054	115,151	141,345	1,353,550	1,351,940
Italy	1,047,501	149,979	217,711	1,415,191	1,385,640
Other countries	1,687,105	177,275	213,628	2,078,008	2,051,426
Total gross lease receivables	**4,985,228**	**489,830**	**620,085**	**6,095,143**	**5,999,599**
Impairment	42,769	49,531	345,650	437,950	353,683
Carrying amount	**4,942,459**	**440,299**	**274,435**	**5,657,193**	**5,645,916**

The following overview shows changes in the impairment of current and non-current receivables.

	Jun. 30, 2020				Dec. 31, 2019
EURk	**Level 1**	**Level 2**	**Level 3**	**Total**	
Impairment at start of period	**46,098**	**43,017**	**264,568**	**353,683**	**279,480**
Newly extended or acquired financial assets	10,283	8,065	8,292	26,640	68,029
Reclassifications					
to Level 1	4,294	–3,294	–1,000	0	0
to Level 2	–3,719	9,971	–6,252	0	0
to Level 3	–3,082	–15,342	18,424	0	0
Change in risk provision due to change in level	–3,457	12,309	73,989	82,841	55,308
Mutual contract dissolution or payment for financial assets (without derecognition)	–11,330	–8,563	–8,745	–28,638	–41,276
Change in contractual cash flows due to modification (no derecognition)	0	0	0	0	0
Change in category in processing losses	0	0	9,839	9,839	13,988
Change in models/risk parameters used in ECL calculation	0	0	6,721	6,721	5,219
Derecognition of financial assets	–8	–43	–19,484	–19,535	–35,484
Currency translation and other differences	–336	–345	–2,889	–3,570	1,162
Accrued interest	4,026	3,756	2,187	9,969	7,257
Impairment at end of period	**42,769**	**49,531**	**345,650**	**437,950**	**353,683**

7. FINANCIAL LIABILITIES

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Financial liabilities		
Current financial liabilities		
Asset-based	496,047	403,975
Senior unsecured	699,640	758,420
Committed development loans	117,241	83,122
Liabilities from deposit business	696,272	469,910
thereof bank liabilities	*5,600*	*6,300*
Other bank liabilities	1,746	886
thereof current account liabilities	*58*	*73*
Total current financial liabilities	**2,010,946**	**1,716,313**
Non-current financial liabilities		
Asset-based	412,246	512,943
Senior unsecured	2,782,298	2,813,124
Committed development loans	280,319	177,761
Liabilities from deposit business	621,512	420,525
Total non-current financial liabilities	**4,096,375**	**3,924,353**
Total financial liabilities	**6,107,321**	**5,640,666**

7.1 ASSET-BASED FINANCIAL LIABILITIES

7.1.1 STRUCTURED ENTITIES

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

	Jun. 30, 2020	**Dec. 31, 2019**
Programme volume in local currency		
EURk	*947,802*	*947,802*
GBPk	*150,000*	*150,000*
Programme volume in EURk	1,112,198	1,124,107
Utilisation in EURk	871,123	860,064
Carrying amount in EURk	780,083	761,560
thereof current	*434,055*	*334,040*
thereof non-current	*346,028*	*427,520*

7.1.2 SALES OF RECEIVABLES AGREEMENTS

	Jun. 30, 2020	**Dec. 31, 2019**
Programme volume in local currency		
EURk	*20,000*	*20,000*
GBPk	*100,000*	*100,000*
PLNk	*80,000*	*80,000*
BRLk	*185,000*	*185,000*
Programme volume in EURk	177,820	197,298
Utilisation in EURk	127,262	153,634
Carrying amount in EURk	127,262	153,634
thereof current	*61,267*	*68,798*
thereof non-current	*65,995*	*84,836*

7.1.3 RESIDUAL LOANS

The residual loans are partly used to finance the residual values of lease agreements in which the instalments were sold as part of the sale of receivables.

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Carrying amount	948	1,724
thereof current	*725*	*1,137*
thereof non-current	*223*	*587*

7.2 SENIOR UNSECURED FINANCIAL LIABILITIES

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

EURk	Jun. 30, 2020	Dec. 31, 2019
Bonds	2,857,420	2,764,192
thereof current	*419,412*	*336,652*
thereof non-current	*2,438,008*	*2,427,540*
Promissory notes	420,326	431,587
thereof current	*114,753*	*92,449*
thereof non-current	*305,573*	*339,138*
Commercial paper	89,500	226,500
Revolving credit facility	73,269	114,319
thereof current	*36,430*	*67,873*
thereof non-current	*36,839*	*46,446*
Money market trading	21,262	11,770
thereof current	*19,384*	*11,770*
thereof non-current	*1,878*	*0*
Overdraft facility	2,068	3,829
Accrued interest	18,093	19,347

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

	Jun. 30, 2020	Dec. 31, 2019
Bonds EURk	5,000,000	3,500,000
Commercial paper EURk	750,000	750,000
Revolving credit facility EURk	330,000	330,000
Revolving credit facility PLNk	100,000	100,000
Revolving credit facility CHFk	20,000	20,000
Revolving credit facility THRk	125,000	125,000
Money market trading EURk	35,000	35,000

7.2.1 BONDS

Three bonds with a combined volume of EUR 210,000k and HKD 300,000k have been issued this financial year to-date. Scheduled repayments of EUR 153,000k have been made.

7.2.2 PROMISSORY NOTES

One new promissory note was issued this financial year to-date. The total volume of the newly issued loans totals EUR 19,000k. Scheduled repayments were EUR 21,500k, DKK 33,000k and SEK 33,000k.

7.3 COMMITTED DEVELOPMENT LOANS

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

EURk	Jun. 30, 2020	Dec. 31, 2019
Description		
European Investment Bank	99,832	-
NRW BANK	72,778	69,439
Thüringer Aufbaubank	4,767	4,104
Investitionsbank des Landes Brandenburg	2,086	3,006
KfW	216,582	182,555
Landeskreditbank Baden-Württemberg – Förderbank	1,514	1,778
Accrued interest	1	1
Total development loans	397,560	260,883

8. EQUITY

GRENKE AG’s share capital remained unchanged compared to December 31, 2019 and continues to be divided into 46,353,918 registered shares.

The Board of Directors will propose to the Annual General Meeting to be held in August 2020 that a dividend of EUR 0.80 per share be distributed for the 2020 financial year. This distribution is not recognised as a liability as of June 30, 2020.

9. DISCLOSURES ON FINANCIAL INSTRUMENTS

9.1 FAIR VALUE HIERARCHY

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

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

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

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

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

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.

9.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

9.2.1 FAIR VALUE OF PRIMARY FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. This table does not contain information on the fair value of financial assets and financial liabilities when the carrying amount represents an appropriate approximation to the fair value and includes the following line items of the statement of financial position: cash and cash equivalents, trade receivables, and trade payables. All primary financial instruments are assigned to Level 2 of the valuation hierarchy except for exchange-listed bonds that are included in refinancing liabilities and which are assigned to Level 1 of the valuation hierarchy. Their carrying amount and fair value as of the reporting date was EUR 2,857,420k (previous year as of December 31, 2019: EUR 2,764,192k) and EUR 2,843,956k (previous year as of December 31, 2019: EUR 2,827,286k), respectively. All primary financial assets are allocated to the "At amortised cost" (AC) measurement category except for lease receivables, which are measured according to IFRS 16, and other investments, which are assigned to the FVOCIoR category and measured at fair value. Financial liabilities are also measured at (amortised) cost.

EURk	Fair value Jun. 30, 2020	Carrying amount Jun. 30, 2020	Fair value Dec. 31, 2019	Carrying amount Dec. 31, 2019
Financial assets				
Lease receivables	6,363,197	5,657,193	6,381,615	5,645,916
Other financial assets	345,825	345,823	343,650	343,649
of which factoring receivables	28,710	28,710	37,082	37,082
of which loan receivables	139,571	139,569	126,629	126,628
of which receivables from franchisees (refinancing)	133,115	133,115	133,289	133,289
of which other assets	44,429	44,429	46,650	46,650
Financial liabilities				
Financial debt	6,191,549	6,107,321	5,754,703	5,640,666
of which refinancing liabilities	4,842,276	4,787,791	4,853,046	4,749,345
of which liabilities from deposit business	1,347,527	1,317,784	900,771	890,435
of which bank liabilities	1,746	1,746	886	886

9.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps), forward exchange contracts and cross-currency swaps, are carried at fair value in the GRENKE Consolidated Group. Forward exchange contracts are accounted for without hedging relationship. All derivative financial instruments are assigned to Level 2 of the valuation hierarchy.

EURk	Fair value Jun. 30, 2020	Carrying amount Jun. 30, 2020	Fair value Dec. 31, 2019	Carrying amount Dec. 31, 2019
Financial assets				
Derivative financial instruments with hedging relationship				
Interest rate derivatives	3,872	3,872	28	28
Derivative financial instruments without hedging relationship				
Interest rate derivatives	498	498	380	380
Forward exchange contracts	7,338	7,338	2,030	2,030
Total	**11,708**	**11,708**	**2,438**	**2,438**
Financial liabilities				
Derivative financial instruments with hedging relationship				
Interest rate derivatives	-	-	-	-
Cross-currency swaps	3,670	3,670	2,642	2,642
Derivative financial instruments without hedging relationship				
Interest rate derivatives	2,037	2,037	696	696
Forward exchange contracts	6,817	6,817	12,613	12,613
Total	**12,524**	**12,524**	**15,951**	**15,951**

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

Fair values of forward exchange contracts and interest rate derivatives are determined based on valuation models that include observable input parameters. Forward exchange contracts are measured on the basis of a mark-to-market valuation model. The fair value of interest rate derivatives is determined based on the net present value method. The input parameters applied in the valuation models are derived from market quotes. Interest rates with matching maturities in the traded currencies are used for forward exchange contracts, and interest rates are used for interest rate derivatives. To obtain the fair value of such OTC derivatives, the determined amounts are multiplied with the counterparty's credit default swaps (CDS) with coupons that are observable on the market, or with 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.

9.3 MEASUREMENT METHODS AND INPUT FACTORS USED

The following table shows the measurement methods, input factors and assumptions used to measure fair value:

Type and level	Measurement method	Input parameters
Fair value hierarchy Level 1		
Exchange-listed bonds	n/a	Quoted market price on 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	Mark-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 (Credit Value Adjustment [CVA]) 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

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table shows the revenue from contracts with customers (IFRS 15):

EURk	Segment	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019
Revenue from contracts with customers (IFRS 15)			
Gross revenue from service and protection business (service business)	Leasing	60,096	49,795
Service fee for making lease assets available for use	Leasing	2,552	3,433
Revenue from franchisees	Leasing	992	753
Revenue from reminder fees	Leasing	816	767
Revenue from reminder fees	Factoring	10	11
Other revenue from lessees	Leasing	532	409
Disposal of lease assets	Leasing	77,522	85,742
Commission income from banking business	Banking	637	692
Total		**143,157**	**141,602**

11. REVENUE AND OTHER REVENUE

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

EURk	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019[1]
Revenue from contracts with customers	143,157	141,602
Other revenue (IFRS 9, IFRS 16)		
Interest and similar income from the financing business	229,305	203,474[1]
Income from operating leases	9,785	7,380
Portions of revenue from lease down payments	5,679	7,422
Total	**387,926**	**359,878**

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

12. INCOME TAXES

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

EURk	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019[1]
Current income tax	9,420	6,366
Corporate income tax and trade tax (Germany)	1,237	–76
Foreign income tax	8,183	6,442
Deferred taxes	–819	6,541
Germany	3,335	4,952
Foreign countries	–4,154	1,589
Total	**8,601**	**12,907**

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

13. GROUP SEGMENT REPORTING

EURk	Leasing segment		Banking segment		Factoring segment		Consolidation & other effects		Consolidated Group	
January to June	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Operating segment income										
External operating income	167,541	191,665	–4,863	–2,918	1,690	1,992	0	0	164,368	190,739[1]
Internal operating income	–26,129	–16,900	26,397	17,113	–268	–213	0	0	0	0
Total operating income	**141,412**	**174,765[1]**	**21,534**	**14,195**	**1,422**	**1,779**	**0**	**0**	**164,368**	**190,739[1]**
Operating result	**41,859**	**74,332**	**11,690**	**9,657**	**–2,132**	**–515**	**122**	**5**	**51,539**	**83,479[1]**
Result from investments accounted for using the equity method	–80	–27	–138	–62	0	0	0	0	–218	–89
Reconciliation to consolidated financial statements										
Operating result, including result from investments accounted for using the equity method									51,321	83,390[1]
Other net financial income									–4,750	–2,331
Earnings before taxes according to consolidated income statement									46,571	81,059[1]
As of June 30 (previous year: December 31)										
Segment assets	**7,185,128**	6,809,218	**2,027,824**	1,529,276	**50,922**	42,151	**–1,617,473**	–1,282,580	**7,646,401**	7,098,065
Segment liabilities	**6,100,412**	5,783,469	**1,770,597**	1,301,124	**40,163**	31,984	**–1,554,279**	–1,282,580	**6,356,893**	5,833,997

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

13.1 BUSINESS SEGMENTS

The reporting of the GRENKE Consolidated Group on the development of its segments follows the prevailing organisational structure within the GRENKE Consolidated Group, which is based on the management approach. Consequently, the operating segments are divided into the segments Leasing, Banking and Factoring, in line with the management approach, which serves the Board of Directors of GRENKE AG as the key decision-maker in assessing the segment performance and making decisions on the allocation of resources to the segments. A regional breakdown of the business activities is provided annually in the GRENKE Consolidated Group financial statements of the respective financial year. Separate financial information is available for the three operating segments.

In the 2020 financial year, the segment reporting of the GRENKE Consolidated Group was expanded to include a breakdown of internal and external operating income. This breakdown takes account the overall higher importance of the transactions taking place between segments, especially in the area of refinancing.

13.2 REPORTABLE SEGMENTS

13.2.1 LEASING

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

13.2.2 BANKING

The Banking segment comprises the activities of GRENKE BANK AG, which regards itself as a financing partner particularly to small- and medium-sized companies (SMEs). Additionally, GRENKE BANK AG cooperates with development banks in providing financing to this clientele in the context of business start-ups and offers fixed-term deposits through its internet presence. GRENKE BANK AG's external business is focused primarily on German customers. In addition to the business with external customers, the bank's activities also includes the internal refinancing of the Leasing segment of the GRENKE Consolidated Group by means of purchasing receivables and issuing loans.

13.2.3 FACTORING

The Factoring segment contains traditional factoring services focused on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring where the debtor is notified of the assignment of receivables, as well as non-notification factoring where the debtor is not notified accordingly. The segment also offers receivables management without refinancing function (recourse factoring) for which the customer continues to bear the credit risk. Internal operating income stems predominantly from internal refinancing.

13.3 SEGMENT DATA

The accounting policies employed to gather segment information are the same as those used for the interim consolidated financial statements. Intragroup transactions are performed at standard market prices.

The Board of Directors of GRENKE AG is the competent corporate body responsible for assessing the success of the GRENKE Consolidated Group. In addition to the growth of new business in the Leasing segment, the key performance indicators for the Board of Directors include the deposit volumes for GRENKE Bank and the gross margin in the Factoring segment. The key performance indicators are determined primarily by the operating segment income, the segment result before other net financial income and staff costs, selling and administrative expenses as well as depreciation and amortisation. Other net financial income and income tax expenses/income represent the main components of the consolidated income statement that are not allocated to individual segments.

The segment data for the period and the operating segment income was calculated and categorised as follows:

:: Leasing: Net interest income after settlement of claims and risk provision, profit from service business, profit from new business and gains/losses from disposals
Banking: Net interest income after settlement of claims and risk provision
Factoring: Net interest income after settlement of claims and risk provision

:: The profit from service business, profit from new business, and profit from disposals concern the Leasing segment

:: Segment result is calculated as the operating result before taxes

Segment assets comprise the operating assets excluding tax assets and deferred tax assets.

Segment liabilities correspond to the liabilities attributable to the respective segment excluding tax liabilities and deferred tax liabilities.

14. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE 2020 FINANCIAL YEAR

14.1 CORAL AND CORAL II

In the second quarter of 2020, the contracts with CORAL Purchasing Limited were prematurely terminated, and the structured entity was deconsolidated. CORAL Purchasing (Ireland) 2 DAC was included in the scope of consolidation for the first time in the second quarter of 2020. This structured entity has since been included within the scope of consolidation of the GRENKE Consolidated Group as part of a silo structure.

15. PAYMENTS TO HYBRID CAPITAL HOLDERS

On March 31, 2020, GRENKE AG made the coupon payment of EUR 10,664k to hybrid capital holders as scheduled.

16. RELATED PARTY DISCLOSURES

The Supervisory Board of GRENKE AG concluded a phantom stock agreement with all members of the Board of Directors in office. Payments under these agreements during the financial year to-date amounted to EUR 653k (previous year as of June 30, 2019: EUR 0k).

As of June 30, 2020, the value of all existing phantom stock agreements amounted EUR 70k (June 30, 2019: EUR 673k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

16.1 LIABILITIES TO RELATED ENTITIES AND PERSONS

EURk	**Jun. 30, 2020**	**Dec. 31, 2019**
Persons in key positions	0	0
Associated companies	409	430

The liabilities to persons in key positions result from a consultancy contract with a member of the Supervisory Board. The consulting expenses for this amounted to EUR 80k in the financial year (previous year until June 30, 2019: EUR 0k). Liabilities to associated companies result from the Bank's deposit business. Interest expenses of EUR 0k were incurred (previous year until June 30, 2019: EUR 1k).

As part of its ordinary business activities, GRENKE BANK AG offers services to related persons in key positions and their close family members at standard market conditions. On the reporting date, the bank received deposits in the amount of EUR 4,597k (December 31, 2019: EUR 9,272k). The interest expense for these amounted to EUR 1k (previous year until June 30, 2019: EUR 35k). Credit card accounts that have not yet been settled showed a balance of EUR 8k (December 31, 2019: EUR 27k) on the reporting date with a credit card limit of EUR 216k (December 31, 2019: EUR 216k) for related parties in key positions and their close family members. No further loans were granted to this group of persons during the reporting period.

17. CONTINGENT LIABILITIES

GRENKE AG, as guarantor for individual franchise companies, provided financial guarantees of EUR 60.1 million (December 31, 2019: EUR 72.0 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 35.8 million (December 31, 2019: EUR 37.5 million).

18. EMPLOYEES

In the interim reporting period, GRENKE Consolidated Group's headcount (excluding the Board of Directors) averaged 1,777 employees (June 30, 2019: 1,651). A further 75 employees (June 30, 2019: 69) are in training.

19. EVENTS AFTER THE REPORTING DATE

There were no significant events to report after the reporting 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 financial year.

Baden-Baden, July 29, 2020

Antje Leminsky

(Chair of the Board of Directors)

Gilles Christ	Sebastian Hirsch	Mark Kindermann
(Member of the Board)	(Member of the Board)	(Member of the Board)

CALENDAR OF EVENTS

July 30, 2020 // Financial report for the 2nd quarter and the first half-year 2020

August 6, 2020 // Annual General Meeting

October 2, 2020 // New business figures 9M-2020

October 29, 2020 // Quarterly statement for the 3rd quarter 2020

INFORMATION AND CONTACT

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Disclaimer

Figures in this financial report are usually presented in EURk and EUR millions. Rounding differences may occur in individual figures compared to the actual EUR amounts. Such differences are not significant in character due to their nature. For reasons of easier readability, gender-specific language is generally avoided, and the respective terms apply equally to all genders to ensure equal treatment.

This report is published in German and English. The German version shall prevail.

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