Q2 AND Q1–Q2

2022

FINANCIAL REPORT

GRENKE GROUP

GRENKE

Group key figures

	UNIT	Q2 2022	Q2 2021	Change (%)	Q1-Q2 2022	Q1-Q2 2021	Change (%)
NEW BUSINESS LEASING	EURK	587'434	398'629	47.4	1'086'672	764'464	42.1
DACH*	EURk	139'924	111'058	26.0	257'922	215'389	19.7
Western Europe (without DACH)*	EURk	149'613	109'599	36.5	281'404	208'044	35.3
Southern Europe*	EURk	157'927	91'294	73.0	289'871	174'707	65.9
Northern/Eastern Europe*	EURk	107'234	65'795	63.0	197'983	122'996	61.0
Other regions*	EURk	32'736	20'883	56.8	59'492	43'328	37.3
NEW BUSINESS FACTORING	EURK	191'509	175'215	9.3	366'565	330'628	10.9
of which Germany	EURk	42'303	56'441	–25.0	85'264	107'275	–20.5
of which International	EURk	149'206	118'774	25.6	281'301	223'353	25.9
NEW BUSINESS BANK							
SME lending business incl. microcredit business	EURk	13'636	6'115	123.0	29'440	20'851	41.2
CONTRIBUTIONS MARGIN 2 (CM2) ON NEW BUSINESS							
LEASING	EURK	93'189	72'137	29.2	176'429	143'643	22.8
DACH*	EURk	16'981	14'257	19.1	32'466	29'121	11.5
Western Europe (without DACH)*	EURk	25'400	21'038	20.7	49'101	42'385	15.8
Southern Europe*	EURk	25'493	18'832	35.4	47'530	36'799	29.2
Northern/Eastern Europe*	EURk	19'339	13'048	48.2	35'950	24'855	44.6
Other regions*	EURk	5'976	4'962	20.4	11'382	10'483	8.6
FURTHER INFORMATION LEASING							
Number of new contracts	units	72'192	56'078	28.7	134'098	105'291	27.4
Mean acquisition value	EURk	8.1	7.1	14.5	8.1	7.3	11.6
Mean term of contract per end of period	months	47.9	47.9	–0.0	47.9	47.9	–0.0
Volume of leased assets per end of period	EURm	8'874	8'766	1.2	8'874	8'766	1.2
Number of current contracts per end of period	units	1'005'887	987'083	1.9	1'005'887	987'083	1.9

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

Consolidated franchise companies:
Leasing: Australia (2x), Canada (3x), Chile, Latvia, Norway
Factoring: Hungary, Ireland, Italy, Poland, Portugal, UK

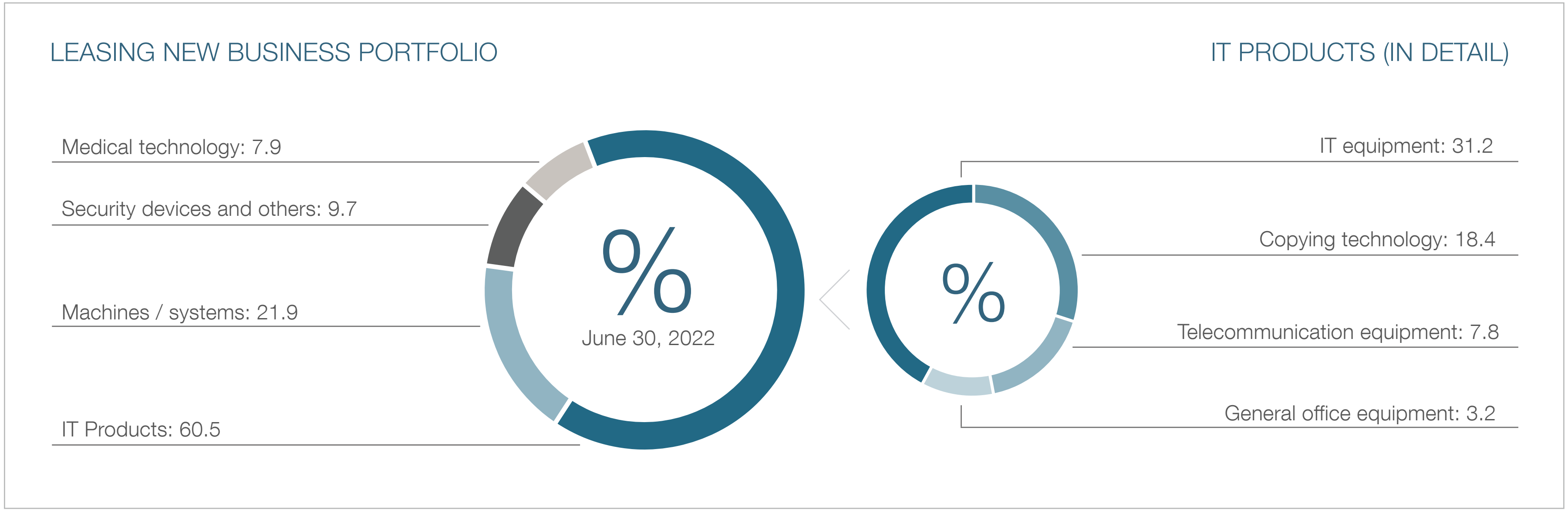
	UNIT	Q2 2022	Q2 2021	Change (%)	Q1-Q2 2022	Q1-Q2 2021	Change (%)
INCOME STATEMENT							
Net interest income	EURk	87'458	94'490	−7.4	175'265	189'607	−7.6
Settlement of claims and risk provision	EURk	28'071	39'532	−29.0	59'652	84'123	−29.1
Total operating expenses	EURk	68'115	62'568	8.9	132'555	126'434	4.8
Operating result	EURk	28'019	28'190	−0.6	53'655	47'875	12.1
Earnings before taxes (EBT)	EURk	28'554	24'134	18.3	55'566	42'410	31.0
NET PROFIT	EURK	20'922	18'264	14.6	41'459	32'251	28.6
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	EURK	21'726	18'493	17.5	33'614	23'974	40.2
NET PROFIT ATTRIBUTABLE TO HYBRID CAPITAL HOLDERS	EURK	0	0	N.A.	9'082	9'404	−3.4
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	EURK	−804	−229	−251.1	−1'237	−1'127	−9.8
Earnings per share (basic and diluted)	EUR	0.46	0.40	15.0	0.72	0.52	38.5
Cost/income ratio	percent	54.0	47.0	14.9	53.3	48.3	10.4
Staff cost	EURk	35'040	33'337	5.1	68'015	65'011	4.6
of which total remuneration	EURk	28'786	27'891	3.2	55'911	53'919	3.7
of which fixed remuneration	EURk	24'141	22'795	5.9	46'214	42'946	7.6
of which variable remuneration	EURk	4'645	5'096	−8.9	9'697	10'973	−11.6
Average number of employees in full-time equivalent (FTE)	employees	1'846	1'788	3.2	1'831	1'795	2.0

	UNIT	Jun. 30, 2022	Dec. 31, 2021	Change (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	6'372	6'661	–4.3
Lease receivables	EURm	5'128	5'119	0.2
Financial debt: of which deposits GRENKE BANK AG	EURm	1'108	1'412	–21.5
Equity pursuant to statement of financial position[1]	EURm	1'289	1'269	1.6
Equity pursuant to CRR	EURm	1'197	1'122	6.7
Equity ratio	percent	20.2	19.1	5.8
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	466	485	–3.9
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1'602	1'597	0.3

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

At a glance

DIVERSIFICATION:



KEY FIGURES Q1 – Q2 2022:

CONSOLIDATED GROUP NET PROFIT	EARNINGS PER SHARE	RATIO
41.5 EUR million	0.72 EUR	20.2 percent

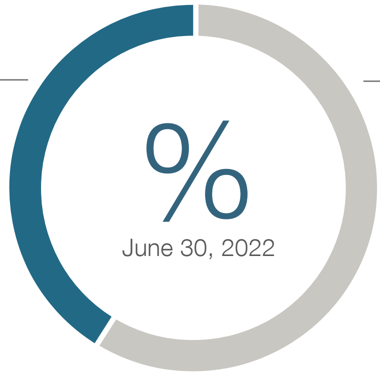
REFINANCING BASE:

THREE PILLARS: GRENKE CONSOLIDATED GROUP'S REFINANCING MIX

SHAREHOLDER STRUCTURE:

Grenke Beteiligung GmbH & Co. KG*

40.84



Free float

59.16

The free float, as per Chapter 2.3 of the current "Deutsche Börse's Stock Indices Guide", is 59.16%.

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

The above information is not guaranteed and based on the voting right notifications received by the Company in accordance with the German Securities Trading Act (WPHG).

Contents

// Key figures

9 // Condensed interim group management report
- 9 // Consolidated group principles
- 11 // Business performance
- 17 // Net assets, financial position and results of operations
- 23 // Related party disclosures
- 23 // Report on risks, opportunities and forecasts

25 // Condensed interim consolidated financial statements
- 25 // Consolidated income statement
- 26 // Consolidated statement of comprehensive income
- 27 // Consolidated statement of financial position
- 29 // Consolidated statement of cash flows
- 31 // Consolidated statement of changes in equity

32 // Notes to the condensed interim consolidated financial statements

56 // Other information
- 56 // Responsibility statement
- 57 // Review Report

58 // Calendar of events

59 // Imprint

Condensed interim group management report

1. Consolidated group principles

1.1 GRENKE overview

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). In addition to its core business – the leasing business – the Consolidated Group offers its customers factoring solutions and banking services. Operations are focused on fast and simple processing as well as personal contact with customers and partners. Founded in 1978 in Baden-Baden, Germany, the Company operates in 33 countries worldwide with over 1,800 employees (full-time equivalents) as of June 30, 2022.

1.2 Business model

In the leasing business, the GRENKE Group focuses primarily on small-ticket leases, i.e., leases with an acquisition value of less than EUR 25k, which accounted for over 90 percent of all leases in the first half of 2022, similar to the level seen in prior years. The focus of the leasing portfolio is IT and office communications products, and in recent years, the Consolidated Group has expanded its business model to include other product groups, such as small machinery and systems and medical and security devices.

As of June 30, 2022, the GRENKE Group operated a total of 163 locations worldwide. The Consolidated Group's presence is concentrated in Europe, where it operates in almost all countries, with Germany, France and Italy representing its core markets. Since 2011, the Consolidated Group has been successively expanding its presence outside of Europe and has entered markets in various countries in Asia, Australia, and North and South America. In the first half of 2022, GRENKE generated 94.5 percent (Q1 – Q2 2021: 94.3 percent) of its business (leasing new business) in Europe and 5.5 percent (Q1 – Q2 2021: 5.7 percent) outside of Europe.

In phases of economic volatility, the Consolidated Group manages its business primarily by modifying its acceptance practices for lease applications. By focusing strictly on low-risk new business – which means excluding higher-risk industries and customers – new business can be managed in a targeted manner. In addition, GRENKE has the ability to modify its terms and conditions to correspond to the current market and macroeconomic conditions. As a result, the GRENKE Group's business model has proven in the past to be relatively resilient in the face of economic fluctuations. Thus, even in extremely difficult economic times, such as the 2009 financial market crisis and the corona pandemic in 2020 and 2021, the Consolidated Group has succeeded in enforcing risk-adequate margins and operating profitably on a sustained basis.

1.3 Segments

The GRENKE Group is divided into three segments – Leasing, Banking and Factoring. For a description of the business activities and development of the segments during the reporting period, please refer to the comments in section 3.1.3 "Segment development" and the explanations in section 12 "Group segment reporting" contained in the notes to the condensed interim consolidated financial statements.

1.4 Franchise model

The Consolidated Group primarily used a franchise model from 2003 to 2020 to develop new regional markets. GRENKE AG does not hold an interest in the legally independent companies of the franchisees; instead, the shares are held by financial investors and the managing directors of the franchise companies. Independent of the ownership structure, the franchise companies were fully consolidated by GRENKE AG for the first time for the 2020 financial year and retroactively for the 2019 financial year due to the de facto control in accordance with IFRS 10. In the past, GRENKE had the option of acquiring the franchise companies typically after a period of four to six years. The determination of the purchase price was generally based on a formula already established at the conclusion of the franchise agreement, which took into account market parameters as well as the franchise company's individual business development. Under its franchise model, GRENKE AG provides its partners with expertise, operating infrastructure, a range of services, and permission to use the rights to the name. GRENKE AG generally ensures the refinancing of the operating business through the rental, lease or factoring agreements concluded by the franchisee with its customers.

As of the end of 2021, a total of 16 companies were operating under the GRENKE franchise model. In May 2022, GRENKE AG announced the acquisition of the franchise companies in the USA and Singapore. For further details, please refer to the statements in chapter 2.1 "Significant events and transactions". At the time of preparing this half-year report, the Board of Directors of GRENKE AG was in negotiations regarding the acquisition of the remaining franchise companies.

1.5 Shareholder structure

As a medium-sized family business, GRENKE AG has a major shareholder Grenke Beteiligung GmbH & Co. KG, consisting of the family members of the Company's founder Wolfgang Grenke. As of December 31, 2021, Grenke Beteiligung GmbH & Co. KG held 40.84 percent of the Company's shares. The free float amounted to 59.16 percent. Other shareholders who held an interest of more than 3 percent as of the publication date stated in the respective voting rights notification and who are classified as free float according to the definition of Deutsche Börse consist of Acatis Gane Value Event Fonds (9.35 percent), Investmentaktiengesellschaft für langfristige Investoren TGV (3.37 percent) and Axxion S.A. (3.25 percent).

1.6 Targets and strategy

In the medium term, the Consolidated Group intends to position GRENKE as a comprehensive small-ticket financial services provider not only for European but also for international SMEs. To achieve this, the GRENKE Group's goal is to double the volume of leasing new business by the 2024 financial year, based on the volume achieved in the 2021 financial year. At the same time, the Consolidated Group is striving for continuously high profitability, especially in economically difficult times. In the view of the Board of Directors, the decisive factor in achieving this will be risk management, and particularly the ability to assess risks as accurately as possible and enforce risk-adequate contribution margins. In comparison to the net profit realised in the 2021 financial year adjusted for extraordinary income, net profit is also expected to double by the 2024 financial year due to the scalability of the business. Here the reference year is the 2021 financial year, with the net profit generated excluding the proceeds from the sale of viafintech.

The Consolidated Group has a wide range of refinancing instruments at its disposal, which it uses as part of the overall strategy depending on market conditions. Financing is essentially based on three pillars: GRENKE Bank's deposits, asset-based financing (including ABCP programmes), and senior unsecured instruments such as bonds, debentures and commercial paper. In using these instruments, the Consolidated Group avoids maturity transformation, thereby eliminating potential interest rate and follow-on financing risks at the portfolio level. Depending on the requirements and market conditions, GRENKE aims to finance between 15 and 30 percent of the Consolidated Group's financial liabilities via GRENKE Bank. GRENKE also attaches great importance to maintaining a solid equity base that enables the Company to also retain its investment grade rating and has had an internal benchmark for the equity ratio of 16.0 percent for several years.

2. Business performance

- // Growth in leasing new business further accelerated in the second quarter of 2022 in comparison to the prior quarter
- // Contribution margin 2 came in below the high prior-year figure due to the exceptionally sharp rise in interest rates
- // As in the first quarter of 2022, net profit in the second quarter of 2022 exceeded the level in the prior-year quarter
- // The equity ratio of 20.2 percent is well above self-set target of 16 percent
- // The increase in lease receivables and current lease contracts confirms the end of the bottoming out phase
- // Guidance for the 2022 financial year as well as the 2024 outlook have been reaffirmed

2.1 Significant events and transactions

On February 16, 2022, GRENKE announced that the German Federal Financial Supervisory Authority (BaFin) had completed its institution-related measures resulting from the special audit of GRENKE AG and GRENKE BANK AG conducted between autumn 2020 and spring 2021. As part of the regular Supervisory Review and Evaluation Process (SREP), there was an adjustment in the amount of additional own resources that GRENKE must hold. As a result, GRENKE AG's capital requirement is now 10.5 percent compared to the previous 9 percent, due to an additional SREP capital surcharge of 1.5 percentage points. For the subsidiary GRENKE BANK AG, the capital requirement at the single-entity level is now 11.5 percent compared to a previous 8.5 percent (additional SREP capital surcharge of 3 percentage points). BaFin has also ordered the assurance of proper rules of procedure. GRENKE has launched an extensive organisational development project and has already addressed a large number of the findings. The additional SREP capital surcharge will be lifted again as soon as BaFin is satisfied with GRENKE's further progress when it conducts its regular follow-up audits.

On April 7, 2022, GRENKE FINANCE PLC successfully issued a EUR 150 million bond with a coupon of 4.125 percent p.a. and a term of 2.5 years on the Luxembourg Stock Exchange. The proceeds of the bond will be used to finance the Consolidated Group's future new business.

On May 13, 2022, GRENKE AG held its first Capital Markets Update, at which the Board of Directors explained to investors and lenders the strategy for doubling leasing new business and net profit by 2024 compared to the level in the 2021 financial year (excluding the gain from the sale of viafintech). The growth target is to be achieved by strengthening international sales. A special focus is being placed on those countries in which GRENKE has secured a strong market position in recent years. Above all, these countries include the core markets of Germany, France, Italy and the United Kingdom. The Company also sees potential in markets only recently entered by GRENKE, which include Canada, Australia and the USA. GRENKE also plans to expand its portfolio of leased objects. In order to ensure the high profitability of the business, the Company is focusing on even greater digitalisation of its processes and on cost efficiency.

On May 23, 2022, GRENKE announced the conclusion of the purchase agreements for the franchise companies in the USA and Singapore. The sellers were the investment companies WGW Investment Inc. and Garuna Inc. and CTP Handels- und Beteiligungs GmbH and Garuna AG, who together held 58 percent in each franchise company. The remaining 42 percent in each franchise company is held by the local management. The total purchase price agreed for the acquired shares of both companies was approximately EUR 0.3 million. With these purchases, GRENKE has acquired the first two of the total of 16 franchise companies outstanding for purchase. The acquisition has no effect on the scope of consolidation under IFRS, as all franchise companies were already included in the consolidated financial statements under IFRS. The purchase price payment directly reduces GRENKE AG's equity. For further details on the financial effects of the acquisitions, please refer to the explanations in section 13 of the notes to the condensed interim consolidated financial statements. The closing of the transactions took place on May 23, 2022.

At GRENKE AG's virtual Annual General Meeting on May 25, 2022, the majority of shareholders approved all items on the agenda. In addition to the distribution of a higher dividend of EUR 0.51 per share compared to the previous year (2021: EUR 0.26), agenda items included the re-election of Norbert Freisleben and Jens Rönnberg to the Company's Supervisory Board.

On June 14, 2022, GRENKE announced the conclusion of a global loan agreement with NRW.BANK in the amount of EUR 20 million. The new loan is the tenth loan since the start of the cooperation with NRW.BANK in 2010 and the first since the beginning of the corona pandemic. The cooperation with NRW.BANK provides self-employed professionals and SMEs access to GRENKE's leasing offers for new business purchases. Commercial companies and self-employed professionals based in North Rhine-Westphalia with annual sales of up to EUR 500 million are eligible.

The macroeconomic environment remained challenging in the first half of 2022. Next to the pandemic, particularly the Russian war against Ukraine represented a significant negative factor for the global economy. In Germany, the ifo Business Climate Index stood at 92.3 points in June 2022, or 2.5 points below the level at the end of 2021 (94.8 points)*. While companies are somewhat more optimistic about the present situation (99.3 points in June 2022 vs. 97.2 points in December 2021), business expectations have had a noticeable decline recently (85.8 points versus 92.5 points). This was primarily in response to the sharp rise in energy prices as well as from the threat of cuts in the gas supply from Russia. As a result of the steep rise in energy prices, the inflation rate in the eurozone was 8.6 percent** in June 2022, according to preliminary calculations. In response to the high inflation, the European Central Bank (ECB) in June announced an initial 0.25 percentage point increase in key interest rates for July 2022 and, on July 21, 2022, even raised key interest rates by 0.5 percentage points due to the eurozone's persistently high inflation rate. In the United States, the US Federal Reserve raised key interest rates in July for the fourth time this year. At 0.75 percentage points, this was the second consecutive time the rate hike was unusually high.

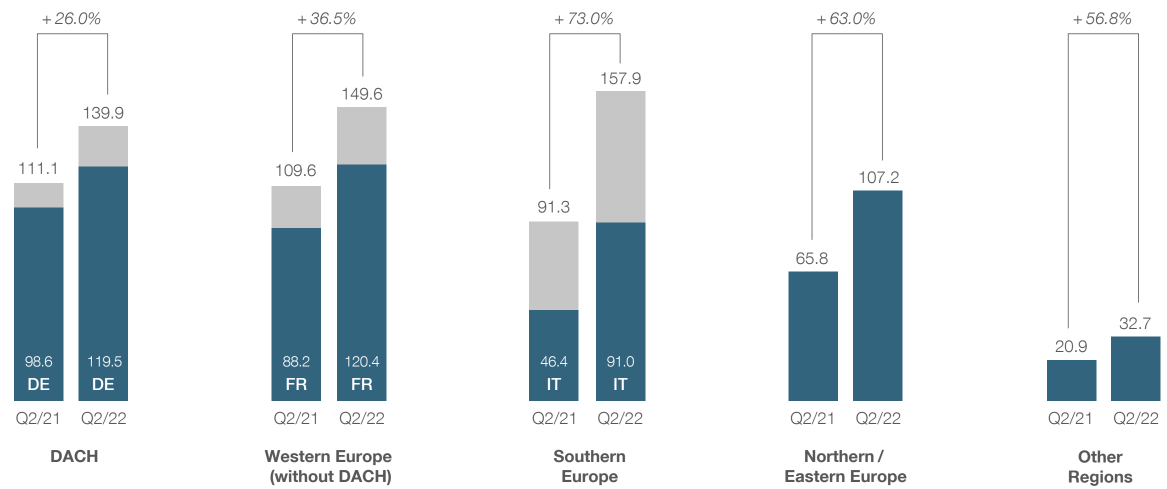
* Source: https://www.ifo.de/fakten/2022-06-24/ifo-geschaeftsklimaindex-gesunken-juni-2022
** Source: https://ec.europa.eu/eurostat/documents/2995521/14644614/2-01072022-AP-EN.pdf/72dcf5e4-56cb-5b8c-1a1f-d342666b8657?t=1656592347325

2.2 New business

The GRENKE Group increased its new business by 36.7 percent to EUR 792.6 million in the second quarter of 2022 (Q2 2021: EUR 580.0 million). All three segments – Leasing, Factoring, and Banking – recorded a year-on-year increase in new business volume as a result of increased sales activities and less restrictive sales management. The year-on-year change in average exchange rates of foreign currencies against the euro resulted in slightly positive currency effects of EUR 2.8 million. These effects stemmed predominantly from the appreciation in the Brazilian real and the Swiss franc, which was offset by a depreciation in the Turkish lira, Swedish krona, and Hungarian forint against the euro. The Consolidated Group's new business in the first half-year rose by a total of 32.9 percent to EUR 1,482.7 million (Q1 – Q2 2021: EUR 1,115.9 million).

New business leasing by region*

In EUR millions



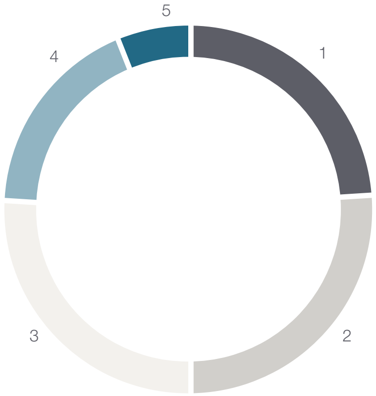
* Description of regions in the text.

In the second quarter of 2022, leasing new business – defined as the total acquisition costs of newly acquired leased assets – exceeded the prior-year figure by 47.4 percent, reaching a volume of EUR 587.4 million (Q2 2021: EUR 398.6 million). Leasing new business thus recorded an acceleration in growth compared to the first quarter of 2022 (+36.5 percent), despite a challenging economic environment, and continued the positive performance since the introduction of the first sales initiatives in Q4 2021. In the first half of 2022, leasing new business increased by a total of 42.2 percent to EUR 1,086.7 million (Q1 – Q2 2021: EUR 764.5 million).

In the reporting quarter, GRENKE expanded leasing new business in all regions by a double-digit percentage. Strong growth was achieved above all in the markets that had experienced setbacks during the pandemic, such as the Southern Europe region. This was clearly a result of the sales initiatives. The DACH region, comprising Germany, Austria and Switzerland, which was also clearly more stable during the pandemic, achieved solid growth, albeit driven by a different growth dynamic. Leasing new business in the DACH region grew by 26.0 percent to EUR 139.9 million (Q2 2021: EUR 111.1 million). In Germany, the largest single market in the region, new business increased by 21.3 percent in the second quarter. In

Western Europe without DACH, new business in the reporting quarter increased by 36.5 percent year-on-year to EUR 149.6 million (Q2 2021: EUR 109.6 million). France, the most important single market in this region, played a significant role in this development, with an increase in new business volume in Q2 2022 of 36.5 percent. With growth of 73.0 percent, GRENKE achieved the strongest percentage growth in the Southern Europe region, where new business in the reporting quarter reached a volume of EUR 157.9 million (Q2 2021: EUR 91.3 million). This made Southern Europe the Consolidated Group's largest region in the second quarter, accounting for 26.9 percent of total new business. This strong growth was driven primarily by Italy, the region's most important market, where the volume of new business almost doubled (+95.9 percent). It is important to note however that leasing new business in Italy was at a very low level in the same prior-year quarter due to the pandemic. Therefore, the low comparative basis must also be taken into account when viewing this growth. In Spain, the second most important market in Southern Europe, new business improved by 47.3 percent in the second quarter. In the Northern/Eastern Europe region, new business increased by 63.0 percent to EUR 107.2 million (Q2 2021: EUR 65.8 million). The most important single market in this region, the United Kingdom, recorded growth of 49.6 percent. While still coming from a comparatively low base, new business volume in the other regions increased by 56.8 percent to EUR 32.7 million (Q2 2021: EUR 20.9 million).

Leasing new business by region



	2022 Q2	2021 Q2
LEASING (IN PERCENT)		
1 DACH	23.8	27.9
2 Western Europe (without DACH)	25.5	27.5
3 Southern Europe	26.9	22.9
4 Northern / Eastern Europe	18.3	16.5
5 Other Regions	5.6	5.2

GRENKE GROUP (IN EUR MILLIONS)	2022 Q2	2021 Q2
New business Leasing	587.4	398.6
New business Factoring	191.5	175.2
New business SME lending business (microcredit business) GRENKE Bank	13.6	6.1

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

The number of lease applications in the second quarter of 2022 rose by 17.8 percent to 138,261 (Q2 2021: 117,387). This increase resulted from the Consolidated Group's less restrictive acceptance policy versus the previous year and clearly highlights the stronger demand for our financing solutions. Of the customers who received financing offers from GRENKE, 52.2 percent opted for GRENKE in the second quarter, which is a higher share than in the same quarter of the previous year (Q2 2021: 47.8 percent). In the first quarter of 2022, the conversion rate was still 46.0 percent, resulting in an overall rate of 49.1 percent for the first half of 2022 (Q1 – Q2 2021: 45.0 percent).

The international markets (without DACH) accounted for 110,184 applications in the period from April to June 2022 (Q2 2021: 92,714), resulting in 53,611 (Q2 2021: 39,957) new contracts and an increase in the conversion rate to 48.7 percent (Q2 2021: 43.1 percent). The conversion rate in the DACH region remained high at 66.2 percent (Q2 2021: 65.3 percent). The number of new leases concluded grew by a total of 28.7 percent to 72,192 (Q2 2021: 56,078).

The mean acquisition value per lease contract signed in the second quarter increased by 14.5 percent year-on-year to EUR 8,137 (Q2 2021: EUR 7,108) and was thereby within the anticipated range of EUR 8,000 –10,000 for the full year. The relatively low average in the same prior-year quarter reflects the strong new business focus during the Covid-19 pandemic on small-ticket financing solutions for companies with good to very good credit and industry ratings. Compared to the first quarter of 2022 (EUR 8,064), the mean acquisition value per lease concluded rose just slightly by 0.9 percent.

The share of IT products in the leasing portfolio continued to decline in the reporting quarter, resulting in other product categories significantly increasing their share to 41.5 percent (Q2 2021: 36.1 percent). Disproportionately strong growth was recorded above all in small machinery and equipment and security devices. The share of these categories in the leasing portfolio increased by 4.5 and 0.8 percentage points, respectively, primarily due to the general increase in ticket size. In contrast, the share of IT products in the leasing portfolio fell to 58.5 percent (Q2 2021: 63.9 percent), despite absolute growth of 34.9 percent in the volume of new business in IT products. IT equipment and copier technology saw the sharpest decline in their share, each falling by 2.3 percentage points.

Acceptance of the eSignature process, which allows leasing contracts to be processed entirely digitally, continued to increase in the reporting quarter. The proportion of contracts concluded via eSignature increased to 39.7 percent (Q2 2021: 36.7 percent).

Contribution margin 2 (CM2) of leasing new business increased in absolute terms by 29.2 percent to EUR 93.2 million in the second quarter of 2022 (Q2 2021: EUR 72.1 million). The CM2 margin equalled 15.9 percent (Q2 2021: 18.1 percent). The year-on-year decrease in the margin was largely the result of higher refinancing costs from the rise in market interest rates and the higher mean value per lease contract. GRENKE is generally only able to pass on higher interest rates by incorporating them into the terms and conditions with a time lag. Typically, this process takes around one quarter, depending on the conditions in the individual markets. In the second quarter of 2022, GRENKE was already able to pass on around two-thirds of the interest rate increase to the terms and conditions. GRENKE plans to continue adjusting its terms and conditions for new business in the months ahead and therefore expects the decline in the CM2 margin to be only temporary. In the medium term, the Consolidated Group is targeting a CM2 margin of around 17.0 percent. Important to note is that the CM2 margin in the same prior-year quarter was exceptionally high due to restrictive lease application acceptance policy in the wake of the pandemic and a focus on high-margin customer segments. In the first half of 2022, the CM2 increased by 22.8 percent in absolute terms to EUR 176.4 million (Q1 – Q2 2021: EUR 143.6 million), while the CM2 margin reached 16.2 percent (Q1 – Q2 2021: 18.8 percent).

All of the Consolidated Group's reporting regions recorded a lower CM2 margin year-on-year in the second quarter of 2022. The sharpest declines occurred in Southern Europe (16.1 percent compared with 20.6 percent in Q2 2021) and Other regions (18.3 percent compared with 23.8 percent in Q2 2021). This was in contrast to a comparatively moderate decline in the DACH region (12.1 percent after 12.8 percent in Q2 2021). In Western Europe (without DACH), the CM2 margin in the reporting quarter was 17.2 percent (Q2 2021: 19.2 percent), and in Northern/Eastern Europe it was 18.0 percent (Q2 2021: 19.8 percent).

The CM1 margin of the leasing business (contribution margin 1 at acquisition values) was 10.4 percent in the second quarter of 2022, reaching a level of EUR 61.4 million (Q2 2021: 11.8 percent, or EUR 47.2 million). Higher refinancing costs, which are usually incorporated into the new contract conditions with a time lag, and the higher mean acquisition value per lease contract were also responsible for the decline in the CM1 margin.

In factoring, new business corresponds to the sum of purchased receivables. The nature of the factoring business results in only comparatively low income from the new business, which is derived from the gross margin in relation to the net acquisition values. The factoring business accounted for 1.5 percent of the total assets as of the June 30, 2022 reporting date.

New factoring business reached a volume of EUR 191.5 million in the second quarter (Q2 2021: EUR 175.2 million), corresponding to growth of 9.3 percent. In the international markets, new business increased by 25.6 percent to EUR 149.2 million (Q2 2021: EUR 118.8 million). The share of receivables management (without the financing function), which assumes no default risks, declined to 19.8 percent (Q2 2021: 23.5 percent). At the same time, new factoring business in Germany declined year-on-year by 25.1 percent in the second quarter to EUR 42.3 million (Q2 2021: EUR 56.4 million). This decline resulted from pandemic-related extraordinary effects and a reorganisation of sales activities. As a result, the share of new business in Germany accounted for by receivables management (without the financing function) fell to 18.2 percent (Q2 2021: 30.5 percent). The gross margin in international markets increased to 1.5 percent (Q2 2021: 1.3 percent), while in Germany, it improved to 1.3 percent (Q2 2021: 1.1 percent). The gross margin refers to the average period of a factoring transaction of approximately 25 days in Germany (Q2 2021: approximately 24 days) and approximately 49 days internationally (Q2 2021: approximately 42 days). In the first six months of 2022, new factoring business increased by a total of 10.9 percent to EUR 366.6 million (Q1 – Q2 2021: EUR 330.6 million).

GRENKE Bank’s new business in the reporting quarter consisted solely of the microcredit business under the "Mikrokreditfonds Deutschland” (Microcredit Fund Germany) programme. In the second quarter of 2022, new lending business reached EUR 13.6 million (Q2 2021: EUR 6.1 million).

3. Net assets, financial position and results of operations

3.1 Results of operations

3.1.1 Comparison of the second quarter 2022 versus 2021

Interest and similar income from financing business decreased by 3.9 percent to EUR 103.4 million in the second quarter of 2022 (Q2 2021: EUR 107.6 million) due to the lower new business volume in the 2020 and 2021 financial years. Interest expenses from the refinancing and deposit business increased by 21.3 percent to EUR 15.9 million (Q2 2021: EUR 13.1 million). This increase was the result of higher refinancing needs for the growing new business, in addition to a generally higher level of interest rates. Net interest income, the balance of both items, fell accordingly by 7.4 per cent to EUR 87.5 million (Q2 2021: EUR 94.5 million). As a result of the favourable payment behaviour of customers, expenses for settlement of claims and risk provision decreased by 29.0 percent to EUR 28.1 million in the reporting quarter (Q2 2021: EUR 39.5 million). At the beginning of the pandemic, higher risk provisions were recognised due to macroeconomic uncertainties. These provisions could be gradually reduced starting in Q2 2021.

The positive development led to an improvement in the loss rate (expenses for the settlement of claims and risk provision in relation to the volume of leased assets) to 1.3 percent in the second quarter of 2022 (Q2 2021: 1.8 percent).

Due to the year-on-year decline in risk provisioning, net interest income after settlement of claims and risk provision rose by 8.1 percent in the reporting quarter to EUR 59.4 million (Q2 2021: EUR 55.0 million).

The profit from service business increased by 1.3 percent to EUR 30.0 million in the second quarter (Q2 2021: EUR 29.6 million). Profit from new business declined by 21.6 percent to EUR 8.2 million (Q2 2021: EUR 10.4 million), mainly due to a change in the remuneration model. The change in the model to reflect a more attractive level of remuneration in line with the market featuring a lower variable remuneration component leads to less capitalisation of initial direct costs under IFRS 16. Gains and losses from disposals in the second quarter amounted to EUR 0.4 million (Q2 2021: EUR –1.5 million).

Income from operating business recorded an overall increase of 4.8 percent to EUR 98.0 million in the second quarter of 2022 (Q2 2021: EUR 93.5 million), mainly as a result of lower expenses for settlement of claims and risk provision.

The Consolidated Group's largest expense item, staff costs, increased by 5.1 percent to EUR 35.0 million in the second quarter (Q2 2021: EUR 33.3 million). This increase resulted from a small rise in the number of employees and an adjustment in salaries to reflect a more attractive level of remuneration in line with the market. The average number of employees based on full-time equivalents was 1,846 in the reporting quarter, or 3.2 percent above the prior-year figure (Q2 2021: 1,788).

Depreciation, amortisation and impairment amounted to EUR 6.9 million in the reporting quarter (Q2 2021: EUR 7.2 million). Selling and administrative expenses increased by 18.7 percent to EUR 26.2 million (Q2 2021: EUR 22.1 million). The main drivers of the increase were ancillary staff costs, selling costs and an increase in energy and raw material costs. This was partly offset by a slight reduction in legal, consulting and auditing costs. The balance of other operating income and expenses in the second quarter of 2022 was EUR –1.9 million (Q2 2021: EUR –2.7 million).

The cost-income ratio (CIR) rose to 54.0 percent in the second quarter of 2022 (Q2 2021: 47.0 percent) and was thereby slightly above the target of below 52.0 percent for the full year, as expected. This increase can mainly be attributed to the temporary reduction in net interest income resulting from more restrictive portfolio management during the crisis as well as higher staff costs. The calculation of the CIR was changed with the Capital Markets Update on May 13, 2022 and has since been calculated without the items other operating income and expenses.

The operating result for the second quarter of 2022 was virtually unchanged at EUR 28.0 million (Q2 2021: EUR 28.2 million), while earnings before taxes increased by 18.3 percent to EUR 28.6 million (Q2 2021: EUR 24.1 million). As expected, the tax rate increased from 24.3 percent in the same prior-year quarter to 26.7 percent in the reporting quarter. Net profit exceeded the level in the same prior-year quarter by 14.6 percent, amounting to EUR 20.9 million (Q2 2021: EUR 18.3 million). The share of profits attributable to non-controlling interests to be reported due to the consolidation of the franchise companies amounted to EUR –0.8 million (Q2 2021: EUR –0.2 million). Comparability is limited due to the acquisition of 58 percent of the shares in two franchise companies in the second quarter of 2022 (please refer to the explanations in section 13 of the notes to the condensed interim consolidated financial statements for more information). Earnings per share in the second quarter of 2022 improved to EUR 0.46 (Q2 2021: EUR 0.40).

3.1.2 Comparison of first half-year 2022 versus 2021

Selected information from the consolidated income statement

EURk	Q1-Q2 2022	Q1-Q2 2021
NET INTEREST INCOME	175'265	189'607
Settlement of claims and risk provision	59'652	84'123
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	115'613	105'484
Profit from service business	57'989	57'471
Profit from new business	15'257	18'327
Gains (+) / losses (–) from disposals	410	–3'609
INCOME FROM OPERATING BUSINESS	189'269	177'673
Staff costs	68'015	65'011
of which total remuneration	55'911	53'919
of which fixed remuneration	46'214	42'946
of which variable remuneration	9'697	10'973
Selling and administrative expenses (excluding staff costs)	51'037	47'258
of which IT project costs	4'173	2'796
EARNINGS BEFORE TAXES	**55'566**	**42'410**
NET PROFIT	**41'459**	**32'251**
EARNINGS PER SHARE (IN EUR; BASIC / DILUTED)	**0.72**	**0.52**

As the first half of 2021 was strongly impacted by the effects of the Covid-19 pandemic, the net profit in the first half of 2022 was higher, despite the challenging macroeconomic situation.

In the first six months of 2022, net interest income decreased by 7.6 percent to EUR 175.3 million (Q1 – Q2 2021: EUR 189.6 million). Expenses for settlement of claims and risk provision decreased by 29.1 percent to EUR 59.7 million, compared to EUR 84.1 million in the same period of the prior year. The loss rate fell accordingly to 1.3 percent in the half-year reporting period (Q1 – Q2 2021: 1.9 percent). Consequently, net interest income after settlement of claims and risk provision increased by 9.6 percent to EUR 115.6 million in the first half of 2022 (Q1 – Q2 2021: EUR 105.5 million).

The profit from service business in the first six months was almost at the prior-year level (+0.9 percent), while the profit from new business fell by 16.7 percent due to the change to a more attractive level of remuneration in line with the market and a lower variable remuneration component. The gains/losses from disposal amounted to EUR 0.4 million (Q1 – Q2 2021: EUR –3.6 million). Accordingly, the income from operating business in the first half of 2022 increased overall by 6.5 percent, reaching EUR 189.3 million (Q1 – Q2 2021: EUR 177.7 million).

In the first half-year, staff costs increased by 4.6 percent, primarily from the adjustment in salaries to reflect a more attractive level of remuneration, as well as from the recruitment of specialists in the control units, among others. Depreciation, amortisation and impairment fell by 4.7 percent. The overall increase in selling and administrative expenses of 8.0 percent resulted from higher ancillary staff costs, selling costs as well as operating costs. Accordingly, the cost-income ratio increased to 53.3 percent in the first half of 2022 (Q1 – Q2 2021: 48.3 percent). The calculation of the CIR was changed with the Capital Markets Update on May 13, 2022 and has since been calculated without the items other operating income and expenses.

The operating result in the first six months improved by 12.1 percent to EUR 53.7 million (Q1 – Q2 2021: EUR 47.9 million), while earnings before taxes increased by 31 percent to EUR 55.6 million (Q1 – Q2 2021: EUR 42.4 million). Based on a tax rate of 25.4 percent (Q1 – Q2 2021: 24.0 percent), net profit amounted to EUR 41.5 million (Q1 – Q2 2021: EUR 32.3 million), for an increase of 28.6 percent. Earnings per share in the first half of 2022 equalled EUR 0.72 (Q1 – Q2 2021: EUR 0.52).

3.1.3 Segment development

The overall economic environment remained challenging in the first half of 2022 in view of the ongoing pandemic, the Russian war against Ukraine and rising prices.

The operating segment income in the Leasing segment largely escaped this as the payment behaviour of customers remained stable facilitating a decline in expenses for settlement of claims and risk provision. Consequently, the operating segment income increased by 11.2 percent to EUR 166.7 million (Q1 – Q2 2021: EUR 150.0 million), and there was a significant rise in the segment result of 24.5 percent to EUR 52.5 million (Q1 – Q2 2021: EUR 42.2 million).

Operating segment income in the Banking segment decreased by 22.3 percent to EUR 19.3 million in the reporting period (Q1 – Q2 2021: EUR 24.8 million), mainly as a result of higher risk provisioning. With staff costs and selling and administrative expenses rising at the same time, the segment result reached EUR 1.9 million (Q1 – Q2 2021: EUR 7.4 million).

In the Factoring segment, operating segment income increased by 11.2 percent to EUR 3.3 million in the first half of 2022 (Q1 – Q2 2021: EUR 2.9 million). Due to the lower business volume caused by the pandemic, alongside simultaneous investments in the sales infrastructure and start-up costs for the stronger international positioning of the business, the segment result amounted to EUR –0.6 million, which was a significant improvement over the same prior-year period (Q1 – Q2 2021: EUR –1.6 million).

3.2 Net assets and financial position

Selected information from the consolidated statement of financial position

EURk	Jun. 30, 2022	Dec. 31, 2021
CURRENT ASSETS	**2'856'567**	**3'195'670**
of which cash and cash equivalents	515'059	853'071
of which lease receivables	1'953'836	1'963'532
NON-CURRENT ASSETS	**3'515'437**	**3'465'270**
of which lease receivables	3'173'880	3'155'440
TOTAL ASSETS	6'372'004	6'660'940
CURRENT LIABILITIES	**2'190'789**	**2'287'620**
of which financial liabilities	1'960'921	2'073'493
NON-CURRENT LIABILITIES	**2'892'546**	**3'104'324**
of which financial liabilities	2'798'449	3'003'670
Equity	1'288'669	1'268'996
Equity ratio (in percent)	20.2%	19.1%
TOTAL LIABILITIES AND EQUITY	6'372'004	6'660'940

3.2.1 Net assets

Total assets compared to the end of the 2021 financial year decreased by 4.3 percent to EUR 6.4 billion as of the June 30, 2022 reporting date (December 31, 2021: EUR 6.7 billion). This resulted primarily from the planned reduction in cash and cash equivalents, which fell by 39.6 percent to EUR 515.1 million (December 31, 2021: EUR 853.1 million). Thus, as of June 30, 2022, EUR 399.7 million (December 31, 2021: EUR 639.3 million) of the cash and cash equivalents were held in Deutsche Bundesbank accounts, which led to corresponding interest expenses due to the negative deposit interest rate.

In the continuing difficult macroeconomic situation, the GRENKE Group continues to focus on maintaining sufficient liquidity in order to have the flexibility to respond to market conditions. The Consolidated Group is additionally obliged to maintain a liquidity buffer due to regulatory requirements.

The largest balance sheet item, non-current and current lease receivables, remained almost unchanged at EUR 5.1 billion compared to the end of the 2021 financial year (December 31, 2021: EUR 5.1 billion).

On the liabilities side, the decline in total assets is particularly evident in the decrease in current and non-current financial liabilities totalling 6.3 percent to EUR 4.8 billion (December 31, 2021: EUR 5.1 billion). The largest share of financial liabilities continued to be accounted for by current and non-current liabilities from refinancing, which fell by 0.4 percent to EUR 3.6 billion compared to the end of 2021 (December 31, 2021: EUR 3.7 billion). GRENKE Bank's current and non-current liabilities from the deposit business decreased by a total of 21.5 percent to EUR 1.1 billion (December 31, 2021: EUR 1.4 billion).

Equity increased by 1.6 percent to EUR 1,288.7 million as of June 30, 2022 (December 31, 2021: EUR 1,269.0 million). The Consolidated Group’s net profit of EUR 41.5 million generated in the reporting period was primarily offset by the distribution of a dividend of EUR 23.7 million and an interest payment on hybrid capital (EUR 9.1 million). This was in contrast to the positive effects from the market valuation of hedging instruments (EUR 5.7 million) and currency translation (EUR 4.9 million). Due to the lower level of total assets, the equity ratio rose to 20.2 percent as of the end of June 2022 (December 31, 2021: 19.1 percent), and thereby continued to exceed the Consolidated Group's self-set target of a minimum of 16 percent.

3.2.2 Liquidity

The GRENKE Group was able to meet its payment obligations at all times in the half-year reporting period. Contributing to this were the high level of cash and cash equivalents and the diversified refinancing structure.

A new fixed-interest bond with a total gross volume of EUR 150.0 million was issued via the Grenke Finance PLC subsidiary in the first half of 2022. In the short-term category, commercial paper was issued in the amount of EUR 10.0 million.* Bonds in the amount of EUR 310.0 million and promissory notes totalling EUR 20.0 million, DKK 20.0 million, CHF 10.0 million and BRL 1.3 million were redeemed in the reporting period as scheduled.

The utilisation of the ABCP programmes equalled EUR 743.2 million and GBP 120.3 million as of June 30, 2022 (December 31, 2021: EUR 554.4 million and GBP 115.8 million). The total volume of these programmes was EUR 1,097.8 million and GBP 150.0 million (December 31, 2021: EUR 947.8 million and GBP 150.0 million).

The Consolidated Group's unutilised credit lines (i.e. bank credit lines plus the available volume of bonds and commercial paper) amounted to EUR 3,553.4 million, PLN 15.0 million and HRK 60.0 million as of the reporting date (December 31, 2021: EUR 2,702.4 million, PLN 2.5 million, HRK 75.0 million). In the first half of 2022, the GRENKE Group signed a revolving credit facility with Deutsche Bank AG, Hungary Branch, for a total volume of HUF 350 million. This facility has no set expiration.

GRENKE Bank's refinancing via customer deposits amounted to EUR 1,108.5 million as of the June 30, 2022 reporting date, compared to EUR 1,505.2 million as of the same date in the previous year.

* Further information on the bonds issued can be found on the GRENKE website at www.grenke.com/investor-relations/debt-capital/issued-bonds.

3.2.3 Financial position

Selected information from the consolidated statement of cash flows

EURk	Q1-Q2 2022	Q1-Q2 2021
- Investments in new lease receivables	–1'113'207	–787'117
+ Addition of new refinancing (excl. deposit business)	923'414	204'193
+ Net inflows / outflows from deposit business	–303'474	–33'960
(I) CASH FLOW FROM INVESTMENTS IN NEW BUSINESS	**–493'267**	**–616'884**
+ Payments by lessees	1'149'770	1'186'289
- Payments / Repayments of refinancing (excl. deposit business)	–970'005	–788'898
(II) CASH FLOW FROM EXISTING BUSINESS	**179'765**	**397'391**
(III) OTHER CASH FLOW FROM OPERATING ACTIVITIES	**21'293**	**142'137**
CASH FLOW FROM OPERATING ACTIVITIES (I) + (II) + (III)	**–292'209**	**–77'356**
Cash flow from investing activities	–3'353	–3'350
Cash flow from financing activities	–43'468	–20'269
TOTAL CASH FLOW	**–339'030**	**–100'975**

At EUR –292.2 million, cash flow from operating activities was significantly below the prior-year figure in the first half of 2022 (Q1 – Q2 2021: EUR –77.4 million). This is due to the deliberate precautionary reduction of cash holdings built up during the corona crisis, which led to a reduced inflow of refinancing funds. This liquidity was invested in new business as planned. In the presentation above, cash flow from investments in new business includes investments for new lease receivables. This item comprises the net acquisition values of the leased objects and the costs incurred directly upon conclusion of the contract. Due to the higher volume of new business, investments for new lease receivables increased to EUR 1,113.2 million in the first half of 2022 (Q1 – Q2 2021: EUR 787.1 million). These were offset by cash inflows and outflows from the increase in refinancing (EUR 923.4 million compared to EUR 204.2 million in the same prior-year period) and GRENKE Bank's deposit business (EUR –303.5 million compared to EUR –34.0 million in the same prior-year period). In total, cash flow from investments increased to EUR –493.3 million (Q1 – Q2 2021: EUR –616.9 million). In the first half of 2022, EUR 970.0 million (previous year: EUR 788.9 million) was repaid to refinancers. Cash flow from existing business decreased to EUR 179.8 million (Q1 – Q2 2021: EUR 397.4 million).

Cash flow from investing activities was EUR –3.4 million in the first half of 2022 (Q1 – Q2 2021: EUR –3.4 million). This item primarily consisted of payments for the acquisition of property, plant and equipment and intangible assets of EUR 3.1 million (Q1 – Q2 2021: EUR 3.6 million).

Cash flow from financing activities in the first half of 2022 amounted to EUR –43.5 million (Q1 – Q2 2021: EUR – 20.3 million). This figure resulted from the fact that the dividend payment for 2021 in the amount of EUR 23.7 million had already been already paid out in the second quarter of 2022, while the dividend payment for 2020 was not made until the third quarter of 2021. The interest payment on hybrid capital amounted to EUR 12.9 million (Q1 – Q2 2021: EUR 13.4 million). The repayment of lease liabilities also resulted in a cash outflow of EUR 6.8 million (Q1 – Q2 2021: EUR 6.9 million).

As a result of the above, total cash flow in the first half of 2022 amounted to EUR –339.0 million (Q1 – Q2 2021: EUR –101.0 million). Cash and cash equivalents fell accordingly to EUR 513.8 million as of the June 30, 2022 reporting date, compared to EUR 853.0 million at the end of the 2021 financial year.

4. Related party disclosures

For information on related party disclosures, please refer to section 15 in the notes to the condensed interim consolidated financial statements.

5. Report on risks, opportunities and forecasts

5.1 Opportunities and risks

The emergence of the Russian war against Ukraine has changed the opportunity and risk situation presented in the Annual Report 2021 (published on March 17, 2022). Specifically, there has been an increase in the risk of an economic downturn (for details, please refer to the explanations in Sections 2.1 and 5.2). A lasting military conflict or sanctions or supply freezes for certain raw materials and intermediate products could also further exacerbate existing supply bottlenecks. An impairment in the supply of natural gas and crude oil would put a particular strain on production in the manufacturing industry and additionally affect the disposable income of private households. Furthermore, inflation would continue to rise, which could also have a corresponding negative impact on private consumption. Volatility in the capital markets could also increase and result in limited availability of liquid funds in the short term. Despite this, GRENKE AG's Board of Directors believes that the Company's good level of liquidity means that it will not need to rely on raising funds in the capital markets in the short term. Moreover, GRENKE does not have its own branches in Russia or in Ukraine and is not financially involved in those regions.

Beyond the risks described above, no other significant changes occurred in the reporting period with respect to opportunities and risks. With regard to the future development of the Consolidated Group, the Company, and its subsidiaries, there are no particular risks associated with the business above and beyond the customary level.

5.2 Macroeconomic and sector environments

In July 2022, the International Monetary Fund (IMF) once again lowered its 2022 growth forecast for the global economy to just 3.2 percent (April forecast: 3.6 percent) and to 2.6 percent for the eurozone (April forecast: 2.8 percent). In April, the IMF had already reduced its growth expectations for the global economy by 0.8 percentage points and 1.1 percentage points for the eurozone. The IMF justified the renewed reduction in expectations primarily on the grounds of inflation. Specifically, the war in Ukraine and its consequences for energy and commodity prices have, in the IMF's view, further exacerbated the problems caused by bottlenecks in global supply chains. Due to its dependence on Russian energy imports, the IMF believes that Europe is particularly affected. Added to this is a weakening of the Chinese economy as a result of the country's strict zero-covid strategy and new lockdowns. For Germany, the IMF expects growth of only 1.2 percent in 2022 (April forecast: 2.1 percent). Reflecting its increased pessimism also for the eurozone's second most important economy, France, the IMF reduced its expectations to 2.3 percent (April forecast: 2.9 percent). For Italy, the IMF raised its forecast to 3.0 percent in light of the recovery in tourism (April forecast: 2.3 percent).

5.3 Company forecast

Due to the political situation and economic conditions described above, there is considerable uncertainty associated with the forecasts for the 2022 financial year.

Nevertheless, due to the proven resilience of the business model and the positive development of the operating business, the Board of Directors continues to see the GRENKE Group well on its way to achieving its full-year targets. The Board of Directors therefore confirms the business development forecast for 2022 published in the 2021 Annual Report.

For the 2022 financial year, the Board of Directors still expects leasing new business between EUR 2.0 and 2.2 billion. Compared to the previous financial year, this corresponds to an expected growth rate in the range of 20 percent to 33 percent. Starting from the level of leasing new business in the 2021 financial year, the volume of leasing new business is expected to double by the end of the 2024 financial year.

The CM2 margin of new business in the 2022 financial year is expected to be slightly below the previous year (2021: 17.6 percent). This decline will be particularly a result of the higher interest rates and the usual time lag in passing these increases on in the terms and conditions. In the second quarter of 2022, two-thirds of the increase in interest rates was compensated for by adjusting the terms and conditions, resulting in a CM2 margin at around one percentage point below the medium-term target of 17.0 percent. In the months ahead, GRENKE will continue in the individual markets to pass on the interest rate increases in new business conditions. When assessing the CM2 margin, it is important to note the average ticket size, which is increasing again. The mean acquisition value per lease contract in the 2022 financial year is expected to be above EUR 8,000 but below EUR 10,000, as in previous financial years.

The lower volume of new business in the 2020 and 2021 financial years, which were largely affected by the Covid-19 pandemic, is expected to lead to lower interest income from the leasing portfolio in the current 2022 financial year. At the same time, staff costs are expected to increase in the 2022 financial year. This will be due to institution-related measures that, among others, have strengthened the Compliance and Money Laundering Prevention departments in terms of staff, as well as to the adjustment in salaries and their structure in line with market standards. The Board of Directors anticipates a mitigating effect from the expected decrease in expenses for risk provision, resulting from the expected continued good payment behaviour of customers in 2022. In conclusion, the Board of Directors expects a net profit in the range of EUR 75 million and EUR 85 million for the 2022 financial year. Compared to the previous year, this corresponds to a stable to slightly higher net profit due to the fact that the net profit for the 2021 financial year of EUR 95.2 million included extraordinary income of EUR 23.0 million from the sale of the viafintech shares. Accordingly, after deducting the extraordinary profit, the 2021 financial year basis of comparison for the current 2022 financial year would be EUR 72.2 million. Using this 2021 basis of comparison, net profit is also expected to double by the end of the 2024 financial year as a result of scaling the business.

The expectation for the net profit target range in the 2022 financial year is based on the assumption that the loss rate will range from 1.4 percent to 1.7 percent, which is almost within the normal range. This is due to the solid portfolio of lease contracts, the stable level of incoming payments in recent quarters, and the appropriately conservative risk provisioning already recognised in light of the pandemic. Despite the expectation that income from operating business, and particularly interest income, will be below the previous year due to the lower new business in previous years and that further investments will be necessary, the Board of Directors is aiming for a cost-income ratio of below 52 percent in 2022.

Based on the expected development of the Consolidated Group's net profit, GRENKE expects an equity ratio above 16.0 percent (2021: 19.1 percent).

Condensed interim consolidated financial statements

Consolidated income statement

EURk	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021
Interest and similar income from financing business	103'385	107'615	205'021[1]	219'395
Expenses from interest on refinancing and deposit business	15'927	13'125	29'756	29'788
NET INTEREST INCOME	**87'458**	**94'490**	**175'265**	**189'607**
Settlement of claims and risk provision	28'071	39'532	59'652	84'123
Of which, impairment losses	6'565	17'691	19'321	44'755
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	**59'387**	**54'958**	**115'613**	**105'484**
Profit from service business	29'986	29'590	57'989	57'471
Profit from new business	8'181	10'433	15'257	18'327
Gains(+) / losses (–) from disposals	434	–1'494	410	–3'609
INCOME FROM OPERATING BUSINESS	**97'988**	**93'487**	**189'269**	**177'673**
Staff costs	35'040	33'337	68'015	65'011
Depreciation and impairment	6'869	7'158	13'503	14'165
Selling and administrative expenses (not including staff costs)	26'206	22'073	51'037	47'258
Other operating expenses	3'207	3'687	5'626	5'774
Other operating income	1'353	958	2'567	2'410
OPERATING RESULT	**28'019**	**28'190**	**53'655**	**47'875**
Result from investments accounted for using the equity method	26	–223	–4	–399
Expenses / income from fair value measurement	2'590	28	6'675	331
Other interest income	373	612	835	1'261
Other interest expenses	2'454	4'473	5'595	6'658
EARNINGS BEFORE TAXES	**28'554**	**24'134**	**55'566**	**42'410**
Income taxes	7'632	5'870	14'107	10'159
NET PROFIT	**20'922**	**18'264**	**41'459**	**32'251**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG	21'726	18'493	42'696	33'378
of which total comprehensive income attributable to non-controlling interests	–804	–229	–1'237	–1'127
Earnings per share (basic/diluted in EUR)	0.46	0.40	0.72	0.52
Average number of shares outstanding	46'495'573	46'495'573	46'495'573	46'495'573

[1] Interest and similar income calculated according to the effective interest method EUR 3,678k (previous year: EUR 3,635k).

Consolidated statement of comprehensive income

EURk	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021
NET PROFIT	**20'922**	**18'264**	**41'459**	**32'251**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS				
Appropriation to / reduction of hedging reserve	2'801	3'681	5'741	1'591
thereof: income tax effects	–400	–526	–820	–227
Change in currency translation differences	3'708	1'767	4'905	2'197
thereof: income tax effects	0	0	0	0
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS IN FUTURE PERIODS				
Equity instruments (IFRS 9)	0	–75	0	–75
thereof: income tax effects	0	0	0	0
Appropriation to / reduction of reserve for actuarial gains and losses	0	0	0	0
thereof: income tax effects	0	0	0	0
OTHER COMPREHENSIVE INCOME	**6'509**	**5'373**	**10'646**	**3'713**
TOTAL COMPREHENSIVE INCOME	**27'431**	**23'637**	**52'105**	**35'964**
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG	28'113	23'592	53'921	37'620
of which total comprehensive income attributable to non-controlling interests	–682	45	–1'816	–1'656

Consolidated statement of financial position

EURk	Jun. 30, 2022	Dec. 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	515'059	853'071
Derivative financial instruments that are assets	3'997	5'331
Lease receivables	1'953'836	1'963'532
Other current financial assets	161'076	169'119
Trade receivables	5'833	6'050
Lease assets for sale	12'024	12'431
Tax assets	20'801	16'815
Other current assets	183'941	169'321
TOTAL CURRENT ASSETS	**2'856'567**	**3'195'670**
NON-CURRENT ASSETS		
Lease receivables	3'173'880	3'155'440
Derivative financial instruments that are assets	18'954	4'878
Other non-current financial assets	114'355	97'059
Investments accounted for using the equity method	0	162
Property, plant and equipment	86'870	82'082
Right-of-use assets	38'584	41'979
Goodwill	40'934	41'031
Other intangible assets	17'730	19'278
Deferred tax assets	20'777	20'032
Other non-current assets	3'353	3'329
TOTAL NON-CURRENT ASSETS	**3'515'437**	**3'465'270**
TOTAL ASSETS	**6'372'004**	**6'660'940**

Consolidated statement of financial position

EURk	Jun. 30, 2022	Dec. 31, 2021
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Financial liabilities	1'960'921	2'073'493
Lease liabilities	10'892	11'405
Derivative liability financial instruments	6'350	11'123
Trade payables	36'044	43'725
Tax liabilities	7'015	4'678
Deferred liabilities	29'045	28'734
Other current liabilities	60'014	55'601
Deferred lease payments	80'508	58'861
TOTAL CURRENT LIABILITIES	**2'190'789**	**2'287'620**
NON-CURRENT LIABILITIES		
Financial liabilities	2'798'449	3'003'670
Lease liabilities	28'355	31'542
Derivative liability financial instruments	5'625	9'661
Deferred tax liabilities	55'031	54'582
Pensions	5'086	4'867
Other non-current liabilities	0	2
TOTAL NON-CURRENT LIABILITIES	**2'892'546**	**3'104'324**
EQUITY		
Share capital	46'496	46'496
Capital reserves	298'019	298'019
Retained earnings	755'978	753'245
Other components of equity	12'960	1'735
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG	**1'113'453**	**1'099'495**
Additional equity components[1]	200'000	200'000
Non-controlling interests	−24'784	−30'499
TOTAL EQUITY	**1'288'669**	**1'268'996**
TOTAL EQUITY AND LIABILITIES	**6'372'004**	**6'660'940**

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

Consolidated statement of cash flows

EURk		Q1-Q2 2022	Q1-Q2 2021
	NET PROFIT	**41'459**	**32'251**
	NON-CASH ITEMS INCLUDED IN NET PROFIT AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES		
+	Depreciation, amortisation and impairment	13'503	14'165
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	208	–2
– / +	Other non-cash income / expenses	30'191	22'450
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	530	–7'817
=	**SUB-TOTAL**	**85'891**	**61'047**
	CHANGE IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES AFTER ADJUSTMENT FOR NON-CASH ITEMS		
+ / –	Lease receivables	–8'744	332'627
+ / –	Loan receivables	–381	2'598
+ / –	Factoring receivables	8'255	2'872
+ / –	Other assets	–50'822	46'517
+ / –	Financial liabilities	–318'975	–581'621
+ / –	Other liabilities	10'205	69'266
+	Interest received	835	1'261
–	Interest paid	–5'595	–6'658
–	Income taxes paid	–12'878	–5'265

EURk		Q1-Q2 2022	Q1-Q2 2021
=	**CASH FLOW FROM OPERATING ACTIVITIES**	**–292'209**	**–77'356**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–3'108	–3'633
–	Payments for the acquisition of subsidiaries	–274	0
–	Payments for the acquisition of financial assets	0	–75
+	Proceeds from the sale of property, plant and equipment and intangible assets	29	358
=	**CASH FLOW FROM INVESTING ACTIVITIES**	**–3'353**	**–3'350**
–	Repayment of lease liabilities	–6'809	–6'863
–	Interest coupon payments on hybrid capital	–12'946	–13'406
–	Dividend payments to GRENKE shareholders	–23'713	0
=	**CASH FLOW FROM FINANCING ACTIVITIES**	**–43'468**	**–20'269**
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**852'960**	**944'664**
+	Cash flow from operating activities	–292'209	–77'356
+	Cash flow from investing activities	–3'353	–3'350
+	Cash flow from financing activities	–43'468	–20'269
+ / –	Change due to currency translation	–164	–947
=	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**513'766**	**842'742**

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 for equity instruments (IFRS 9)	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Non-controlling interests	Total equity
EQUITY AS OF JAN. 1, 2022	**46'496**	**298'019**	**753'245**	**–39**	**–577**	**5'576**	**–3'225**	**1'099'495**	**200'000**	**–30'499**	**1'268'996**
Net profit			42'696					42'696		–1'237	41'459
Other comprehensive income				5'741		5'484		11'225		–579	10'646
TOTAL COMPREHENSIVE INCOME			**42'696**	**5'741**		**5'484**		**53'921**		**–1'816**	**52'105**
Dividend payment in 2021 for 2020			–23'713					–23'713			–23'713
Interest coupon payment for hybrid capital (net)									–9'082		–9'082
Interest coupon for hybrid capital (net)			–9'082					–9'082	9'082		
Transactions with nci			–7'168					–7'168		7'531	363
EQUITY AS OF JUN. 30, 2022	**46'496**	**298'019**	**755'978**	**5'702**	**–577**	**11'060**	**–3'225**	**1'113'453**	**200'000**	**–24'784**	**1'288'669**
EQUITY AS OF JAN. 1, 2021	**46'496**	**298'019**	**675'200**	**–1'692**	**–1'588**	**–341**	**2'114**	**1'018'208**	**200'000**	**–25'105**	**1'193'103**
Net profit			33'378					33'378		–1'127	32'251
Other comprehensive income				1'591		2'726	–75	4'242		–529	3'713
TOTAL COMPREHENSIVE INCOME			**33'378**	**1'591**		**2'726**	**–75**	**37'620**		**–1'656**	**35'964**
Interest coupon payment for hybrid capital (net)									–9'404		–9'404
Interest coupon for hybrid capital (net)			–9'404					–9'404	9'404		
EQUITY AS OF JUN. 30, 2021	**46'496**	**298'019**	**699'174**	**–101**	**–1'588**	**2'385**	**2'039**	**1'046'424**	**200'000**	**–26'761**	**1'219'663**

Notes to the condensed interim consolidated financial statements

1. General information

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. The subject matter of GRENKE AG's condensed interim consolidated financial statements ("interim consolidated financial statements") as of June 30, 2022, is GRENKE AG, its subsidiaries and consolidated structured entities ("the GRENKE 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, 2021. An audit review by definition of Section 115 of the German Securities Trading Act (WpHG) was performed of the condensed interim consolidated financial statements and the interim group management report as of June 30, 2022.

2. Accounting policies

The accounting policies applied to 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 paragraphs below. Early application was waived for the amended standards and interpretations that will be mandatory in the 2023 financial year or later. GRENKE AG will apply these standards to the consolidated financial statements at the time of their mandatory application. This application is not expected to have any material impact on the reporting.

The same accounting and valuation methods apply to these interim financial statements as to the consolidated financial statements as of December 31, 2021, that we refer to here. We have furthermore added the following supplemental information.

2.1 First-time applicable, revised and new accounting standards

In the 2022 financial year, the GRENKE Group takes into account all new and revised standards and interpretations whose application was mandatory for the first time as of January 1, 2022 and which had already been adopted into European law (endorsement), provided they were relevant for the GRENKE Group.

All of the following revised or amended standards had no or only an insignificant impact on the accounting and reporting of GRENKE AG's consolidated financial statements.

Amendments to IFRS 3 "Business Combinations," IAS 16 "Property, Plant and Equipment," IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Annual Improvements to IFRS 2018-2020

The amendments to IFRS 3 update the reference to the IFRS framework. Similarly, IFRS 3 is amended to include a requirement for an acquirer to apply those requirements instead of the framework when identifying obligations assumed within the scope of IAS 37 or IFRIC 21. The content of the rules for accounting for business combinations have not been changed.

Under the amendment to IAS 16, entities will no longer be permitted to deduct revenue from the sale of goods produced from the cost of an item of property, plant and equipment while this item of property, plant and equipment is being brought to the location and condition intended. Instead, this revenue is to be recognised in the income statement together with the cost of the property, plant and equipment.

The amendment to IAS 37 specifies which costs an entity should consider when assessing whether a contract is onerous or loss-making and focuses on costs that are directly related to the contract (directly related cost approach).

The annual improvements to the omnibus amendment standard (2018-2020 cycle) relate to minor amendments to IFRS 1 “First-time Adoption of IFRS”, the first-time adoption made by a subsidiary, an accompanying example to IFRS 16 “Leases”, the significance of tax effects in determining fair value in IAS 41 “Agriculture”, and IFRS 9 “Financial Instruments” charges to be included in the 10-percent test for the derecognition of financial liabilities.

2.2 Application of IAS 29 “Financial Reporting in Hyperinflationary Economies”

Turkey has been classified as a hyperinflationary economy as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies” since the second quarter of 2022. The business figures of the Turkish subsidiary, which are based on the historical cost concept, have therefore been adjusted for inflationary effects and stated in the measuring unit applicable as of the reporting date. Prior-year comparisons have not been restated. The consumer price index published by the Turkish Statistical Institute (TURKSTAT) was used to adjust for inflation in the current financial year, the value of which was 938.2 as of June 30, 2022 (June 30, 2021: 539.0).

The effects of the application of IAS 29 and the profit or loss from the net position of monetary items have been of minor significance for the GRENKE Group to date.

2.3 Accounting standards and interpretations already published but not yet implemented

The IASB has published further amended standards and interpretations, the application of which will only become mandatory at a later date. The EU has already endorsed several of these standards. These standards expressly permit voluntary early application. GRENKE AG does not make use of this option. The standards will be applied to the consolidated financial statements at the time of mandatory application. The amendments described below are not expected to have a material impact on the reporting in GRENKE AG's consolidated financial statements.

IFRS 17 “Insurance Contracts”

The new accounting standard IFRS 17 “Insurance Contracts”, published on May 18, 2017, will replace standard IFRS 4. On March 18, 2020, the IASB also decided to postpone the mandatory adoption of the standard to financial years beginning on or after January 1, 2023.

Amendment to IFRS 17 “Insurance Contracts” for the Initial Application of IFRS 17 and IFRS 9: Comparative Information

With the amendment to IFRS 17, a transitional provision was established that optionally allows an alternative classification according to IFRS 9 for the comparative periods in the year of the initial application of both standards. For each financial asset for which the comparative period has not been adjusted to IFRS 9, the entity may apply the classification that would be used based on the information available at the transition date. Adoption by the EU is still pending.

Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements”

The amendments to IAS 1 require entities to present only their “material” accounting policies in the notes (instead of the previous requirement to present "significant" accounting policies). To be material, the accounting policy must be related to significant transactions or other events and be event-driven (for example, a change in method). The amendments are thus intended to help improve disclosures on accounting policies. The guidance in IFRS Practice Statement 2 has also been amended accordingly.

Amendments to IAS 1 "Presentation of Financial Statements" to Clarify Classification of Liabilities
IAS 1 "Classification of Liabilities as Current or Non-Current" was published in January 2020. The amendments to IAS 1 clarify that the classification of liabilities as current or non-current should be based on the entity's existing rights at the reporting date. On July 15, 2020, the IASB postponed the first-time application of the amendment by one year for fiscal years beginning on or after January 1, 2023. Adoption by the EU is still pending.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
The amendments to IAS 8 clarify the distinction between changes in accounting policies and changes in accounting estimates. The mandatory application of the amendment to the standard is effective for financial years beginning on or after January 1, 2023.

Amendment to IAS 12, "Income Taxes" Accounting for Deferred Taxes from a Single Transaction
According to the amendment to IAS 12, the scope of the exemption is adjusted so that no deferred tax assets or liabilities need to be recognised at the date of addition of an asset or liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. Adoption by the EU is still pending.

3. Use of assumptions and estimates

In preparing the interim consolidated financial statements, assumptions and estimates have been made that affect the recognition and the reported 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
- // Recognition of lease assets for sale at estimated residual values
- // Fair value of financial instruments
- // Recognition and measurement of deferred taxes on tax-loss carryforwards
- // Recognition and measurement of actual tax assets and tax liabilities

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) is carried out. The ECL model, including the input parameters and sub models, is validated at least once a year or based on the occasion and updated if necessary.

Non-guaranteed (calculated) residual values are taken into account when determining the present value of the lease receivables in accordance with the definition of 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 at the end of the term based on past experience. For additions since January 1, 2022, the calculated residual values amount to between 1.0 percent and 25.0 percent of the acquisition cost (previous year: between 1.0 percent and 25.5 percent since January 1, 2021). 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 so-called disposal and post-leasing), impairment of the lease receivables is taken into account, whereas an increase is not taken into account.

To determine risk provisions in accordance with IFRS 9, expected credit defaults amid various macroeconomic scenarios are weighted. For this purpose, GRENKE calculates a negative, a positive and a baseline scenario.

The negative scenario assumes significant bottlenecks in the economies that are heavily dependent on Russian gas and that the Russian war of aggression against Ukraine will continue. This scenario also assumes increased pandemic effects globally resulting from a new virus mutation, as well as persistently high inflation. The second- and third-round effects are expected to result in significantly higher credit losses globally. The increase in default rates would be roughly equal to the level at the beginning of the Covid-19 pandemic, corresponding to a GDP level in 2022 in Germany of –4.6 percent (Italy: –9.0 percent, France: –8.0 percent, Spain: –10.8 percent, UK: –9.3 percent). For current lease receivables, this would result in an expected credit loss of EUR 105.3 million.

The positive scenario assumes a steadily sufficient supply of Russian gas amid a continued Russia-Ukraine war. Assuming that the Covid-19 pandemic does not restrict public or economic life in any way, inflation would moderately decrease. Economic uncertainties however would cause default rates to return to pre-Corona levels, corresponding to a GDP level in 2022 in Germany of 2.0 percent (Italy: 2.8 percent, France: 3.4 percent, Spain: 5.3 percent, UK: 4.3 percent). For current lease receivables, this would result in an expected credit loss of EUR 86.3 million.

The baseline scenario assumes recurring but not permanent shortages of Russian gas supplies and a continuation of the Russia-Ukraine war. The pandemic would restrict public life during the winter. Inflation would remain unchanged at a high level (well above 2 percent) but level off over time to a level below that in the first half of the year due to the base effect of previous years. As a result of second- and third-round effects, increased credit losses would be expected to occur globally. The increase in default rates would correspond to about a quarter of the increase experienced at the beginning of the Covid-19 pandemic, corresponding to a GDP level in 2022 in Germany of 1.5 percent (Italy: 2.3 percent, France: 2.9 percent, Spain: 4.8 percent, UK: 3.8 percent). The amount of the increase is derived from historical default rates in the course of the recent financial and sovereign debt crisis. For current lease receivables, this would result in an expected credit loss of EUR 90.6 million.

Various minimum default rates (floors) are taken into account in all scenarios. Significantly declining default rates are currently observable in the GRENKE portfolio, especially compared to the pre-corona level. Regardless of this, the positive scenario is based on the default rate level before corona. In the base scenario, default rates are set even higher in order to take into account the current economic uncertainties.

The negative scenario is weighted at approximately 20 percent as of June 30, 2022 (December 31, 2021: 5 percent), whereas the positive scenario is weighted at just 2 percent (December 31, 2021: 12 percent). The scenario weightings are derived from public data published by the ECB. This establishes a probability distribution for the GDP from 2022 to 2024 through a survey of various analysts. These probability distributions make it possible to calculate probabilities of occurrence for individual scenarios. The GDP forecasts published by the ECB on April 15, 2022 were reduced by 1 percent to take into account negative developments that occurred between the forecast's publication date and the reporting date.

Due to the increased economic uncertainty, various sensitivity analyses were also carried out with regard to GDP and the internal floors. The management adjustment made takes into account the higher economic uncertainties based on these sensitivity analyses.

In accordance with the IDW pronouncement of July 18, 2022, a post-model adjustment of EUR 12,133k was recognised in addition to the risk provision calculated on the basis of the existing IFRS 9 model, which takes into account updated parameters to reflect the macroeconomic environment. This adjustment covers additional uncertainties from Russia's war against Ukraine, as well as the possible consequences for the GRENKE Group of a recession and inflation.

The cash flows used to measure goodwill under the discounted cash flow method are based on current business plans and internal plans. This involved making assumptions as to the future development of income and expenses. Assumptions as to the future growth rates of the respective cash-generating unit were made on the basis of historical figures and past income and expense patterns that were projected into the future. These estimates and the underlying methodology may have a significant impact on the values determined. The overall economic environment and thus the estimates regarding the further new business and return developments of the cash-generating units are associated with additional uncertainties. If significant assumptions differ from actual figures, impairments may have to be made in the future in profit and loss.

As of the reporting date, the GRENKE Group examined whether there were any indications of impairment to recognised goodwill as a result of current interest rate developments on the capital markets. Taking into account the change in measurement parameters and the economic development of the cash-generating units, there was no need to recognise any impairment of goodwill as of the reporting date. Nevertheless, further increases in discount rates could lead to the need to recognise impairment in profit or loss in future reporting periods.

The measurement of lease assets for sale is based on the average sales proceeds per age group realised in the past financial year in relation to the original cost. Lease assets for sale are measured at historical residual values, taking their actual saleability into account. If a sale is considered unlikely due to the condition of the asset, the asset is impaired in profit and loss.

The fair values of financial assets and financial liabilities, not derived from information on active markets, are determined using valuation models. The input parameters of these models are based on observable market data, if possible. If this is not possible, determining fair values requires a certain degree of judgement. This judgement relates to input parameters such as liquidity risk, credit risk, and volatility. Changes regarding the assumptions of these input parameters may have an effect on the recognised fair value of financial instruments. If observable prices and parameters are available, they are used to determine the fair value that in turn avoids the large-scale use of estimates.

Deferred tax assets are recognised for all unused tax-loss carryforwards to the extent to which it is likely that taxable income will be available. This means that the tax-loss carryforwards may, in fact, be used. Determining the amount of the deferred tax assets requires considerable use of judgement on the part of the management with regard to the expected occurrence and level of the future taxable income, as well as to the future tax planning strategies.

Due to the complexity of tax legislation, taxpayers and local tax authorities may have varying constructions and interpretations of the tax laws. This can lead to subsequent tax payments for prior financial years. Tax provisions are recognised in the event that the amounts stated in the tax declarations are not likely to be realised (uncertain tax items). The amount is determined from the best estimate of the anticipated tax payment. Tax receivables from uncertain tax items are recognised when probable and when adequately ensured they can be realised. The assumptions are based on the management's assessment of the amount of uncertain tax items.

We refer to the accounting policies described in the notes to the consolidated financial statements as of December 31, 2021.

4. Lease receivables

The following overview shows the development of lease receivables.

EURk	Jun. 30, 2022	Dec. 31, 2021
CHANGES IN LEASE RECEIVABLES FROM CURRENT CONTRACTS		
RECEIVABLES AT BEGINNING OF PERIOD	**5'093'885**	**5'614'509**
+ Change during the period	27'215	–520'624
LEASE RECEIVABLES (CURRENT + NON-CURRENT) FROM CURRENT CONTRACTS AT END OF PERIOD	**5'121'100**	**5'093'885**
CHANGES IN LEASE RECEIVABLES FROM TERMINATED CONTRACTS/CONTRACTS IN ARREARS		
GROSS RECEIVABLES AT BEGINNING OF PERIOD	**563'763**	**525'869**
+ Additions to gross receivables during the period	27'524	118'108
– Disposals of gross receivables during the period	30'929	80'214
GROSS RECEIVABLES AT END OF PERIOD	**560'358**	**563'763**
TOTAL GROSS RECEIVABLES (CURRENT AND TERMINATED)	**5'681'458**	**5'657'648**
IMPAIRMENT AT BEGINNING OF PERIOD	**538'676**	**504'086**
+ Additions of accumulated impairment during the period	15'066	34'590
IMPAIRMENT AT END OF PERIOD	**553'742**	**538'676**
Lease receivables (carrying amount, current and non-current) at beginning of period	5'118'972	5'636'292
LEASE RECEIVABLES (CARRYING AMOUNT, CURRENT AND NON- CURRENT) AT END OF PERIOD	**5'127'716**	**5'118'972**

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 Group does not have any financial instruments classified as POCI as defined by IFRS 9.

	Jun. 30, 2022				31.12.2021
EURk	Level 1	Level 2	Level 3	Total	Total
GROSS LEASE RECEIVABLES					
Germany	1'110'383	39'579	43'996	1'193'958	1'202'433
France	1'033'094	80'836	119'229	1'233'159	1'218'574
Italy	757'439	103'569	185'260	1'046'268	1'095'404
Other countries	1'796'825	141'086	270'162	2'208'073	2'141'237
TOTAL GROSS LEASE RECEIVABLES	**4'697'741**	**365'070**	**618'647**	**5'681'458**	**5'657'648**
Impairment	49'054	46'502	458'186	553'742	538'676
CARRYING AMOUNT	**4'648'687**	**318'568**	**160'461**	**5'127'716**	**5'118'972**

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

	Jun. 30, 2022				31.12.2021
EURk	Level 1	Level 2	Level 3	Total	Total
IMPAIRMENT AT START OF PERIOD	**45'416**	**51'070**	**442'190**	**538'676**	**504'086**
Newly extended or acquired financial assets*	13'227	4'673	4'335	22'235	31'779
Reclassifications					
to Level 1	3'306	–2'007	–1'299	0	0
to Level 2	–1'665	8'001	–6'336	0	0
to Level 3	–1'097	–5'665	6'762	0	0
Change in risk provision due to change in level	–2'695	111	28'469	25'885	40'361
Mutual contract dissolution or payment for financial assets (without derecognition)	–12'171	–8'302	–15'308	–35'781	–68'181
Change in contractual cash flows due to modification (no derecognition)	0	0	15'730	15'730	–41'506
Change in category in processing losses	0	0	0	0	43'552
Change in models/risk parameters used in ECL calculation	1'119	–3'899	6'795	4'015	83'489
Derecognition of financial assets	–6	–28	–26'228	–26'262	–68'093
Currency translation and other differences	207	40	1'231	1'478	1'655
Accrued interest	3'413	2'508	1'845	7'766	11'534
IMPAIRMENT AT END OF PERIOD	**49'054**	**46'502**	**458'186**	**553'742**	**538'676**
thereof impairment on non-performing lease receivables	0	0	434'018	434'018	421'704
thereof impairment on performing lease receivables	49'054	46'502	24'168	119'724	116'972

* The values stated in Levels 2 and 3 relate to lease receivables newly extended in the financial year that were allocated at their time of acquisition to Level 1 but reallocated to another level during the financial year.

As a supplement to the cash flow statement, the following shows the cash flows related to lease receivables.

EURk	Q1-Q2 2022	Q1-Q2 2021
Payments by lessees	1'149'770	1'186'289
Interest and similar income from the leasing business	–197'676	–212'592
Additions of lease receivables / net investments	–1'113'207	–787'117
SUB-TOTAL	**–161'113**	**186'580**
Disposals / reclassifications of lease receivables at residual carrying amounts	140'955	212'602
Decrease / increase in other receivables from lessees	18'472	–45'356
Currency translation differences	–7'058	–21'199
CHANGE IN LEASE RECEIVABLES	**–8'744**	**332'627**

5. Financial liabilities

The GRENKE Group's financial liabilities consist of current and non-current financial liabilities.

EURk	Jun. 30, 2022	Dec. 31, 2021
CURRENT FINANCIAL LIABILITIES		
Asset-backed	375'029	355'795
Senior unsecured	756'793	764'470
Committed development loans	72'952	74'753
Liabilities from deposit business	754'854	878'364
thereof current account liabilities	0	0
Other bank liabilities	1'293	111
thereof current account liabilities	1'293	111
TOTAL CURRENT FINANCIAL LIABILITIES	**1'960'921**	**2'073'493**
NON-CURRENT FINANCIAL LIABILITIES		
Asset-backed	499'291	353'664
Senior unsecured	1'910'537	2'044'017
Committed development loans	34'980	72'384
Liabilities from deposit business	353'641	533'605
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**2'798'449**	**3'003'670**
TOTAL FINANCIAL LIABILITIES	**4'759'370**	**5'077'163**

5.1 Asset-backed financial liabilities

5.1.1 Structured entities

The following consolidated structured entities were in place as of the reporting date: Opusalpha Purchaser II Limited (Helaba), Kebnekaise Funding Limited (SEB AB), CORAL Purchasing (Ireland) 2 DAC (DZ Bank), FCT "GK"-COMPARTMENT "G2" (Unicredit), FCT "GK"-COMPARTMENT "G3" (HSBC), FCT "GK"-COMPARTMENT "G4" (Helaba) and FCT "GK"-COMPARTMENT "G5" (DZ Bank). All structured entities have been set up as asset-backed commercial paper (ABCP) programmes.

EURk	Jun. 30, 2022	Dec. 31, 2021
Programme volume in local currency		
EURk	1'097'802	947'802
GBPk	150'000	150'000
Programme volume in EURk	1'272'586	1'126'314
Utilisation in EURk	883'411	692'243
Carrying amount in EURk	767'112	602'451
thereof current	324'829	296'539
thereof non-current	442'283	305'912

5.1.2 Sales of receivables agreements

EURk	Jun. 30, 2022	Dec. 31, 2021
Programme volume in local currency		
EURk	16'500	16'500
GBPk	90'000	90'000
BRLk	210'000	210'000
Programme volume in EURk	160'095	156'887
Utilisation in EURk	107'176	106'955
Carrying amount in EURk	107'176	106'955
thereof current	50'178	59'222
thereof non-current	56'998	47'733

5.1.3 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, 2022	Dec. 31, 2021
Carrying amount	32	53
thereof current	22	34
thereof non-current	10	19

5.2 Senior unsecured financial liabilities

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

EURk	Jun. 30, 2022	Dec. 31, 2021
Bonds	2'301'049	2'459'008
thereof current	483'998	527'645
thereof non-current	1'817'051	1'931'363
Promissory notes	101'361	131'944
thereof current	19'427	32'738
thereof non-current	81'934	99'206
Commercial paper	10'000	0
Revolving credit facility	209'132	175'110
thereof current	197'580	161'662
thereof non-current	11'552	13'448
Overdrafts	20'790	20'205
Accrued interest	24'998	22'220

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

EURk	Jun. 30, 2022	Dec. 31, 2021
Bonds EURk	5'000'000	5'000'000
Commercial paper EURk	750'000	750'000
Syndicated revolving credit facility EURk	250'000	250'000
Revolving credit facility EURk	30'000	30'000
Revolving credit facility PLNk	150'000	150'000
Revolving Credit Facility CLPk	20'250'000	20'250'000
Revolving credit facility HRKk	125'000	125'000
Revolving credit facility HUFk	350'000	0

5.2.1 Bonds

One new bond with a nominal volume of EUR 150,000k has been issued to date in the financial year. A total of EUR 310,000k was repaid as scheduled.

5.2.2 Promissory notes

No new promissory notes have been issued to date in the current financial year. Scheduled repayments included EUR 20,000k, DKK 20,000k, CHF 10,000k and BRL 1,309k.

5.2.3 Commercial paper

One commercial paper with a volume of EUR 10,000k has been issued to date in the current financial year.

5.2.4 Revolving credit facility

One new revolving credit facility with a volume of HUF 350,000k was concluded in the current financial year and offers GF Faktor Zrt. the option to borrow funds at short notice at any time for a term of up to six months. The lender is Deutsche Bank AG Hungary Branch.

5.3 Committed development loans

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

EURk	Jun. 30, 2022	Dec. 31, 2021
Europäische Investitionsbank	9'879	9'846
NRW Bank	20'028	29'029
Thüringer Aufbaubank	1'548	2'112
Investitionsbank des Landes Brandenburg	125	417
KfW	75'663	104'842
Landeskreditbank Baden-Württemberg	689	891
TOTAL DEVELOPMENT LOANS	**107'932**	**147'137**

5.4 Supplementary disclosures on financial liabilities in the statement of cash flows

As a supplement to the cash flow statement, the following shows the cash flows related to the financial liabilities.

EURk	Q1-Q2 2022	Q1-Q2 2021
FINANCIAL LIABILITIES		
Additions of liabilities / assumption of new liabilities from refinancing	923'414	204'193
Interest expenses from refinancing	26'050	24'028
Payment / repayment of liabilities to refinancers	–970'005	–788'898
Currency translation differences	5'040	13'016
CHANGE IN LIABILITIES FROM REFINANCING	**–15'501**	**–547'661**
Additions / repayment of liabilities from the deposit business	–307'180	–39'720
Interest expenses from the deposit business	3'706	5'760
CHANGE IN LIABILITIES FROM THE DEPOSIT BUSINESS	**–303'474**	**–33'960**
CHANGE IN FINANCIAL LIABILITIES	**–318'975**	**–581'621**

6. Equity

GRENKE AG's share capital remained unchanged compared to December 31, 2021 and continues to be divided into 46,495,573 registered shares.

7. Disclosures on financial instruments

7.1 Fair value hierarchy

The GRENKE 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 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.

7.2 Fair value of financial instruments

7.2.1 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, which 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 and the other investment that is assigned to Level 3 of the fair value hierarchy. The carrying amount and fair value of the exchange-listed bonds as of the reporting date was EUR 2,301,049k (December 31, 2021: EUR 2,459,008k) and EUR 2,170,927k (December 31, 2021: EUR 2,427,015k), 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 category FVOCIoR (Fair Value through Other Comprehensive Income without Recycling pursuant to IFRS 9) and measured at fair value. Financial liabilities are also measured at (amortised) cost.

EURk	Fair value 2022	Carrying amount 2022	Fair value 2021	Carrying amount 2021
FINANCIAL ASSETS				
Lease receivables	5'716'657	5'127'716	5'714'078	5'118'972
Other financial assets	287'086	275'431	277'904	266'178
thereof receivables from the lending business	148'737	137'082	149'189	137'463
FINANCIAL LIABILITIES				
Financial liabilities	4'632'202	4'759'370	5'067'695	5'077'163
thereof refinancing liabilities	3'521'398	3'649'582	3'635'882	3'665'083
thereof liabilities from the deposit business	1'109'511	1'108'495	1'431'702	1'411'969

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

EURk	Fair value 2022	Carrying amount 2022	Fair value 2021	Carrying amount 2021
FINANCIAL ASSETS				
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross-currency swaps	6'743	6'743	851	851
Forward exchange derivatives	3'481	3'481	468	468
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	7'355	7'355	1'130	1'130
Forward exchange derivatives	5'372	5'372	7'760	7'760
TOTAL	22'951	22'951	10'209	10'209
FINANCIAL LIABILITIES				
DERIVATIVE FINANCIAL INSTRUMENTS WITH HEDGING RELATIONSHIP				
Cross-currency swaps	5'000	5'000	7'987	7'987
Forward exchange derivatives	3'083	3'083	8'394	8'394
DERIVATIVE FINANCIAL INSTRUMENTS WITHOUT HEDGING RELATIONSHIP				
Interest rate derivatives	0	0	387	387
Forward exchange derivatives	3'892	3'892	4'016	4'016
TOTAL	11'975	11'975	20'784	20'784

The GRENKE 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 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 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".

7.3 Measurement methods and input factors used

The following table shows the valuation methods applied and the input factors and assumptions used to measure the fair values:

Category and level	Measurement method	Input factors
FAIR VALUE HIERARCHY LEVEL 1		
Exchange-listed bonds	n.a.	Quoted market price as of the reporting date
FAIR VALUE HIERARCHY LEVEL 2		
Other financial assets	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities from the refinancing of the leasing business, promissory notes and bank liabilities)	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 / Cross currency swaps	Mark-to-market Present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using their 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	Present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes
FAIR VALUE HIERARCHY LEVEL 3		
Other investments (investment in Finanzchef24 GmbH)	Discounted cash flow model Present value of estimated future cash flows	Business plan of Finanzchef24 GmbH to determine future cash flows; sustainable growth rate of future cash flows; parameters to determine the discount rate (in particular, risk-free interest rate, market risk premium, beta factor, adjustment factors)

8. Revenue from contracts with customers

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

EURk	Segment	Q1-Q2 2022	Q1-Q2 2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)			
Gross revenue from service and protection business (service business)	Leasing	62'298	61'532
Service fee for making lease assets available for use	Leasing	2'736	1'850
Revenue from reminder fees	Leasing	592	750
Revenue from reminder fees	Factoring	7	7
Other revenue from lessees	Leasing	512	551
Disposal of lease assets	Leasing	91'315	88'837
Commission income from banking business	Bank	299	236
TOTAL		157'759	153'763

9. Income and other revenue

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

EURk	Q1-Q2 2022	Q1-Q2 2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)	**157'759**	**153'763**
OTHER REVENUE (IFRS 9, IFRS 16)		
Interest and similar income from financing business	205'020	219'395
Revenue from operating leases	10'888	10'559
Portions of revenue from lease down payments	4'679	3'754
TOTAL	378'346	387'471

10. Income taxes

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

EURk	Q1-Q2 2022	Q1-Q2 2021
Current taxes	11'229	9'514
Corporate and trade taxes (Germany)	70	60
Foreign income taxes	11'159	9'454
Deferred taxes	2'878	645
Germany	–572	3'029
International	3'450	–2'384
TOTAL	14'107	10'159

11. Impairment of shares in finux GmbH

Due to the objective indications of an impairment on the net investment, the GRENKE Group performed an extraordinary impairment test for the carrying amount of the shares in finux GmbH (Kassel/Germany) as of June 30, 2022. The business purpose of the investee is the development and distribution of financial software for liquidity and payment management.

The investment of 30.04 percent held via GRENKE digital GmbH and accounted for using the equity method was fully impaired. The impairment loss of EUR 158k determined on the basis of fair value less costs to sell is reported in the item “Depreciation, amortisation and impairment” on the income statement. The reason for the impairment, which was allocated to the Leasing segment, was a deterioration in growth expectations and return prospects.

12. Group segment reporting

EURk	Leasing Segment		Bank Segment		Factoring Segment		Consolidation & Other		Consolidated Group	
January to June	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
OPERATING INCOME										
External operating income	191'715	180'104	–6'488	–5'861	4'042	3'430	0	0	189'269	177'673
Internal operating income	–24'977	–30'134	25'765	30'671	–788	–537	0	0	0	0
TOTAL OPERATING INCOME	**166'738**	**149'970**	**19'277**	**24'810**	**3'254**	**2'893**	**0**	**0**	**189'269**	**177'673**
thereof non-cash items	14'513	42'208	5'162	2'936	–354	–389	0	0	19'321	44'755
NON-INTEREST EXPENSES										
Staff costs	61'944	59'957	3'576	2'452	2'608	2'813	–113	–211	68'015	65'011
Depreciation/amortisation and impairment	13'108	13'713	452	444	290	476	–347	–468	13'503	14'165
Selling and administrative expenses	45'396	42'236	6'511	5'136	1'397	985	–2'267	–1'099	51'037	47'258
SEGMENT RESULT	**52'490**	**42'174**	**1'901**	**7'382**	**–629**	**–1'625**	**–107**	**–56**	**53'655**	**47'875**
Result from companies accounted for using the equity method	–4	–140	0	–259	0	0	0	0	–4	–399
Other financial result							1'915	–5'066	1'915	–5'066
EARNINGS BEFORE TAXES ACCORDING TO CONSOLIDATED INCOME STATEMENT	**52'486**	**42'034**	**1'901**	**7'123**	**–629**	**–1'625**	**1'808**	**–5'122**	**55'566**	**42'410**
As of June 30										
SEGMENT ASSETS	**5'908'797**	**6'009'505**	**1'654'535**	**2'031'998**	**92'352**	**84'235**	**–1'325'258**	**–1'501'645**	**6'330'426**	**6'624'093**
thereof investments accounted for using the equity method	0	162	0	0	0	0	0	0	0	162
SEGMENT LIABILITIES	**4'818'057**	**4'924'312**	**1'371'145**	**1'747'474**	**95'695**	**86'990**	**–1'263'608**	**–1'426'092**	**5'021'289**	**5'332'684**

12.1 Business segments

GRENKE Group's reporting on the development of its segments is aligned with the prevailing organisational structure within the GRENKE Group ("management approach"). Thus, operating segments are divided into Leasing, Banking, and Factoring based on the management of the Company's segments, which enables the key decision-maker, the Board of Directors of GRENKE AG, to assess the performance of the segments and make decisions about the allocation of resources to the segments. A regional breakdown of the business activities is provided annually in the GRENKE Group's consolidated financial statements of the respective financial year. Separate financial information is available for the three operating segments.

Intragroup transactions are reported in the column "Consolidation and other" within the segment reporting.

12.2 Reportable segments

12.2.1 Leasing

The Leasing segment contains all of the activities that are related to the Consolidated Group's business as a lessor. The services offered consist of the provision of financing to commercial lessees, rental, service, protection and maintenance offerings, as well as the disposal of used equipment.

The GRENKE Group's leasing business focuses primarily on the small-ticket leasing of IT products, such as PCs, notebooks, servers, monitors, peripheral devices, software, telecommunication and copier equipment, medical devices as well as other IT products. Nearly all leases concluded provide for full cost recovery.

12.2.2 Banking

The Banking segment comprises the activities of GRENKE BANK AG (GRENKE Bank) as a financing partner, particularly to small and medium-sized companies (SMEs). In the context of cooperating with a variety of federal government and state development banks, GRENKE Bank offers business start-up financing. In addition, GRENKE Bank provides development loans to SMEs and self-employed professionals who want to finance new business purchases through lease financing. GRENKE Bank also offers investment products such as fixed deposit products to private and business customers via its website. The bank's business is focused primarily on German customers. In addition to business with external customers, GRENKE BANK AG's activities also include the internal refinancing of the GRENKE Group's Leasing segment through the purchase of receivables and the issuance of loans.

12.2.3 Factoring

In the Factoring segment, GRENKE offers traditional factoring services with a focus on small-ticket factoring. Within non-recourse factoring, the segment offers both notification factoring, where the debtor is notified of the assignment of receivables, and non-notification factoring, where the debtor is not notified accordingly. In addition, the segment also offers receivables management without a financing function (non-recourse factoring); where the customer continues to bear the credit risk. Internal operating income results in particular from internal refinancing.

12.3 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 responsible body for assessing the performance of the GRENKE Group. In addition to the growth of new business in the Leasing segment (total acquisition costs of newly acquired leased assets), the Board of Directors has determined the deposit volume for GRENKE Bank and the gross margin for the Factoring segment as key performance indicators. The other measures include, in particular, operating segment income, non-interest expenses, segment result before other financial result, as well as staff costs, selling and administrative expenses, and depreciation and amortisation. Other financial result and tax expense/income are the main components of the consolidated statement of income that are not included in the individual segment information.

The segment income of the individual segments is composed 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 non-cash items represent impairment losses.

The segment assets include the assets required for operations. Segment liabilities correspond to liabilities attributable to the respective segment.

Segment assets and liabilities do not take into account tax positions.

13. Changes in the scope of consolidation in the 2022 financial year

In the second quarter of 2022, FCT "GK"-COMPARTMENT "G5" (FCT GK 5), based in Saint-Denis, France, was included in the scope of consolidation and consolidated for the first time. FCT GK 5 is a structured entity.

GRENKE AG acquired 58% of the capital and voting shares in GC Leasing AZ LLC (Phoenix/USA) and GC Lease Singapore Pte Ltd (Singapore/Singapore) as of May 23, 2022. The cash outflows of EUR 273k (USA) and EUR 1k (Singapore) agreed in the purchase contract are reported in the cash flow statement under the item "Payments for the acquisition of subsidiaries". Both franchise companies operating in the Leasing segment had already been fully consolidated prior to the acquisition of the shares.

14. Payments to hybrid capital holders

On March 30, 2022, GRENKE AG made a scheduled coupon payment of EUR 12,946k (previous year: EUR 13,406k) to the hybrid capital holders.

15. 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 0k (June 30, 2021: EUR 0k).

As of June 30, 2022, the value of all existing phantom stock agreements amounted EUR 0k (June 30, 2021: EUR 0k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

Transactions with associated companies and subsidiaries

Transactions of GRENKE AG with its subsidiaries are related party transactions. In the event that the transaction is eliminated in consolidation, no disclosure is required. Transactions of the GRENKE Group with associated companies are to be disclosed as related party transactions.

Liabilities to associated companies result from the deposit business and balances on current accounts of GRENKE BANK AG. As of the June 30, 2022 reporting date, GRENKE BANK AG had received deposits and balances on current accounts of EUR 53k (December 31, 2021: EUR 5,178k) from associated companies. There were also loan receivables in the amount of EUR 0k (December 31, 2021: EUR 1,807k), as well as interest expenses of EUR 0k (June 30, 2021: EUR 0k) and interest income of EUR 0k (June 30, 2021: EUR 22k). In addition, the GRENKE Group has another loan to an associated company in the amount of EUR 30k (December 31, 2021: EUR 60k). An impairment loss of EUR 30k was incurred (June 30, 2021: EUR 0k).

Reportable transactions with subsidiaries did not arise in the 2022 or 2021 financial years.

Transactions with persons in key positions

Persons in key positions are individuals who have direct or indirect authority and responsibility for planning, managing, or overseeing the activities of the GRENKE Group. Persons in key positions are exclusively members of the Board of Directors and Supervisory Board of GRENKE AG who were active in the financial year, as well as related parties such as family members. The comparability of the information is limited due to the departure of Wolfgang Grenke from the Supervisory Board in 2021. For more information, please refer to section 9.6 of the notes to the consolidated financial statements as of December 31, 2021.

In the course of its ordinary business activities, GRENKE BANK AG offers services to related parties in key positions and persons related to this group of persons. As of the reporting date, GRENKE BANK AG received deposits and balances on current accounts in the amount of EUR 0k (December 31, 2021: EUR 16,918k) from persons in key positions and persons related to this group of persons. The interest expense for this amounted to EUR 0k (June 30, 2021: EUR 10k). As of the reporting date, credit card accounts that had not yet settled showed a balance of EUR 8k (December 31, 2021: EUR 39k), with a credit card limit of EUR 53k (December 31, 2021: EUR 316k) in relation to related parties in key positions. No further loans were extended to this group of persons during the reporting period. Income of EUR 0k (June 30, 2021: EUR 4k) was generated with persons in key positions. The income from the previous year arose, among others, from the recharging of data line costs, vehicle costs, and other costs. As of the reporting date, there were receivables of EUR 0k (December 31, 2021: EUR 1k) from these transactions.

Transactions with other related parties

Other related parties include subsidiaries and joint ventures of persons in key positions or persons related to this group of persons. The comparability of the information is limited due to the departure of Wolfgang Grenke from the Supervisory Board in 2021. For more information, please refer to section 9.6 of the notes to the consolidated financial statements as of December 31, 2021. Other related parties include persons who have been declared as related parties in accordance with IAS 24.10 due to the economic substance of the relationship.

Liabilities to other related parties result from GRENKE BANK AG's deposit business and from current account balances. As of the June 30, 2022 reporting date, GRENKE BANK AG had received deposits and balances on current accounts from other related parties in the amount of EUR 0k (December 31, 2021: EUR 3,477k). Credit lines on current accounts were utilised in the amount of EUR 795k (December 31, 2021: EUR 793k) with a current account credit limit of EUR 840k (December 31, 2021: EUR 840k). This resulted in interest expenses of EUR 0k (June 30, 2021: EUR 17k) and interest income of EUR 15k (June 30, 2021: EUR 11k). Income from other related parties of EUR 2k (June 30, 2021: EUR 57k) resulted from leases and employee loans in the current year. In the previous year, income from other related parties resulted mainly from rental income and the recharging of data line costs, license costs, and other costs. The GRENKE Group also incurred expenses with related parties in the amount of EUR 0k (June 30, 2021: EUR 557k). The expenses in the previous year were mainly interest expenses from loans and commissions. Related liabilities, which mainly result from loans, amounted to EUR 0k as of the reporting date (December 31, 2021: EUR 6,153k). Receivables from other related parties, which mainly consist of collateral payments to other related parties, amounted to EUR 4,517k as of June 30, 2022 (December 31, 2021: EUR 11,007k).

16. Contingent liabilities

There were no material changes to contingent liabilities in the first half of 2022 compared to the level as of December 31, 2021.

17. Employees

In the interim reporting period, the GRENKE Group's headcount (excluding the Board of Directors) averaged 1,904 employees (June 30, 2021: 1,861). A further 45 employees (June 30, 2021: 68) are in training.

18. Subsequent events

There were no reportable material events 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, August 8, 2022

Michael Bücker
Chief Executive Officer (CEO)

Gilles Christ
Chief Sales Officer (CSO)

Dr. Sebastian Hirsch
Chief Financial Officer (CFO)
Deputy Chair of the Board of Directors

Isabel Rösler
Chief Risk Officer (CRO)

Review Report

To GRENKE AG, Baden-Baden

We have reviewed the condensed interim consolidated financial statements comprising the statement of financial position, income statement, statement of cash flows, statement of changes in equity and selected explanatory notes, as well as the interim group management report of GRENKE AG, Baden-Baden, for the period from January 1, 2022 to June 30, 2022, which are part of the half-year financial report pursuant to Section 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report of the audit review of the condensed interim consolidated financial statements and interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany [IDW]) and additionally in compliance with the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation and with moderate assurance that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable from a financial statement audit. As in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that would cause us to presume that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Frankfurt am Main, August 8, 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

Grunwald	Schölch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Calendar of events

October 5, 2022 // New business figures Q3 2022

November 10, 2022 // Quarterly Statement Q3 and Q1-Q3 2022

Imprint

Information and Contact

GRENKE AG
Team Investor Relations

Neuer Markt 2
76532 Baden-Baden

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

Imprint

Publisher:	The Board of Directors of GRENKE AG
Editorial:	GRENKE AG, Investor Relations
Design, layout & typesetting:	SPARKS CONSULTING GmbH, Munich
Status:	August 11, 2022

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.

WWW.GRENKE.COM

GRENKE AG
Headquarters
Neuer Markt 2
76532 Baden-Baden
Germany

Phone +49 7221 5007-204
Telefax +49 7221 5007-4218
investor@grenke.com