SIXT LEASING SE

ANNUAL REPORT
2017

DRIVE>2021

Sixt leasing

THE SIXT LEASING GROUP IN FIGURES

in EUR million	**2017**	2016	Change 2017 on 2016 in %	2015
Revenue	744	714	4.2	665
Thereof operating revenue	454	430	5.7	430
Thereof Leasing business unit	407	392	3.6	397
Thereof Fleet Management business unit	48	37	27.4	33
Thereof sales revenue	290	284	2.0	236
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	234	229	2.5	223
Earnings before interest and taxes (EBIT)	46	51	-10.1	52
Earnings before taxes (EBT)	30	32	-5.9	30
Operating return on revenue (in %)[1]	6.5	7.3	-0.8 Points	7.0
Operating return on revenue Leasing business unit (in %)[1]	6.3	7.1	-0.8 points	6.9
Operating return on revenue Fleet Management business unit (in %)[1]	8.6	9.4	-0.8 points	8.7
Consolidated profit	21	25	-15.2	23
Earnings per share - basic and diluted (in EUR)	1.01	1.19		1.20
Total assets	1,443	1,172	23.1	1,113
Lease assets	1,219	1,021	19.4	958
Equity	205	195	5.4	178
Equity ratio (in %)	14.2	16.6	-2.4 Points	16.0
Non-current liabilities to related parties	-	490	-100.0	699
Current liabilities to related parties	194	4	>100	4
Financial liabilities[2]	866	354	>100	97
Dividend per share (in EUR)	0.48[3]	0.48	-	0.40
Total dividend, net	9.9[3]	9.9	-	8.2
Contract portfolio (in thou.)	133	114	17.0	103
Thereof Fleet Leasing	48	48	1.2	48
Thereof Online Retail	45	27	65.6	21
Thereof Fleet Management	39	39	1.9	34
Investments in lease assets[4]	619	472	31.3	424
Number of employees[5]	547	370	47.8	280

1 *Ratio of EBT to operating revenue*
2 *Current and non-current financial liabilities, including finance lease liabilities*
3 *Proposal by the management*
4 *Value of vehicles added to the leasing fleet*
5 *Annual average*

THE FUTURE OF MOBILITY IS DIGITAL.

SIXT leasing

Sixt Leasing SE is market leader in online sales of new vehicles as well as specialist in management and full-service leasing of large fleets. With tailor-made solutions, the company enables the longer-term mobility of its private and corporate customers.

Private and commercial customers use the online platforms sixt-neuwagen.de and autohaus24.de to lease new vehicles affordably. Corporate customers benefit from the cost-saving leasing of their vehicle fleet and from efficient fleet management.

TO OUR SHAREHOLDERS

A \\ TO OUR SHAREHOLDERS

A.1 \\ LETTER TO SHAREHOLDERS

Dear shareholders,

The year 2017 has shown that we are on the right track with our strategy of continuing the dynamic growth of our online platform *sixt-neuwagen.de*. Our unique online offering puts us in a position to actively help shape the digitalisation of new vehicle sales in the private and commercial customer segment and to benefit substantially from this trend. Therefore, the objective also applies to the coming years: The online business is the key growth driver for the Sixt Leasing Group. Already in the current financial year, we expect Online Retail to become the Group's largest business field. With our new strategy programme 'DRIVE> 2021', we want to support this development and grow strongly and profitably by 2021. Before we introduce you to 'DRIVE> 2021', we would like to take a look at the past financial year.

The success of our ‘flat rate for the road’ made a major contribution to the dynamic growth of our Online Retail business field in financial year 2017. The number of contracts here went up year on year by 65.6% to 45,400 contracts. The Fleet Leasing business field reported slight growth of 1.2% to 48,100 contracts. In the Fleet Management segment, the contract portfolio also rose slightly by 1.9% to 39,400 contracts. Overall, the Group’s contract portfolio increased significantly by 17.0% to 132,900 contracts.

The development of contract portfolio shows that the digitalisation of new vehicle sales in Online Retail was the right path to take. At the same time, we are aware that the market for fleet leasing is already very mature and highly competitive, and that we will have to make better use of the growth potential in fleet management in future.

Thanks to the significant growth in the Group contract portfolio, we were able to continue our overall growth path successfully in financial year 2017. Group revenue was up by 4.2% to a new record of EUR 744.0 million. Group earnings, however, were not able to maintain the same pace, particularly due to investment in future growth. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 2.5% to EUR 234.3 million, but earnings before taxes (EBT) fell by 5.9% to EUR 29.7 million as expected.

We are particularly pleased that the financial result improved significantly again. The previous year's result of EUR -19.5 million shrank by 16.8% to EUR -16.2 million, despite much higher lease assets. This was mainly due to the repayment of a EUR 300 million tranche of the Core Loan to Sixt SE. The repayment of the remaining EUR 190 million in the current year will enable us to refinance our business completely independently of our main shareholder and should further reduce interest costs.

Consolidated net profit fell year on year by 15.2% to EUR 20.9 million. Despite this, we intend to propose a stable dividend of EUR 0.48 per share for the financial year 2017 at the Annual General Meeting on 19 June 2018. This represents a pay-out ratio of around 47% of consolidated net income and a dividend yield of 2.5% based on the closing price at year-end 2017.

Strategy programme DRIVE>2021

Dear shareholders, a few weeks ago, we launched the strategy programme 'DRIVE>2021'. The acronym stands for digitalisation, risk management, internationalisation, volume and earnings growth by 2021. The programme aims to increase the pace of digitalisation, improve the risk-return profile, drive internationalisation forward and boost the contract portfolio and earnings significantly.

With 'DRIVE>2021', we want to accelerate the **digitalisation** of our business model, especially in Online Retail. To do so, we intend to introduce successively new functions and services on the online platform *sixt-neuwagen.de* from 2018. In addition, we want to optimise interfaces to the "analogue world" and thus improve the customer experience by setting up separate locations for the delivery and return of leased vehicles in key metropolitan areas. In Fleet Management, the IT infrastructure will also be optimised in order to improve customer processes and services and address new customer groups.

Furthermore, we intend to improve the **risk-return profile** significantly in the years ahead. This will include reducing the potential risks from diesel vehicles in the portfolio significantly. In particular, this will be achieved by reducing the proportion of new contracts for diesel vehicles without a buyback agreement. In Online Retail, we have been implementing this strategy successfully since December 2017 without material losses of volume or margins. Only very few new contracts for diesel vehicles are now signed here without a buyback agreement. This success underlines the strength and unique flexibility of the Online Retail business model. In Fleet Leasing, we also took initial steps on the basis of a detailed plan of action for individual customers. Given the nature of the fleet business, it will take longer for the ratio to decline substantially, however. Another core initiative to improve the risk-return profile is to diversify our customer base. In future, we want to focus more sharply on smaller corporate customers and so reduce our dependence on larger customers. At the same time, we will be intensifying the marketing of vehicles abroad in order to reduce dependence on the German used car market. To this end, we are increasingly connecting international dealers to our B2B auction platform.

As far as **internationalisation** is concerned, we intend to expand both in Germany and abroad. In Online Retail, the first step will be to optimise the business model and further strengthen its position on the domestic market. We will be improving digital and analogue processes and boosting sales, for example with sales partnerships and targeted special promotions for existing customers. In 2018, we will be preparing to roll-out our online platform *sixt-neuwagen.de* to other European countries. Successive expansion to selected markets such as France, Italy or Spain is planned from 2019. At the same time, we want to expand the international presence of our Fleet Management to a total of eight or nine European countries, so as to cover the majority of the European market.

Dear shareholders, with 'DRIVE>2021', we are laying the foundations for even faster profitable growth in future. But in the short term, this requires additional investment especially in IT and personnel. Also, the peculiarities of risk management in the fleet business have to be taken into account. 2018 will therefore be a transitional year. However, over the next four years we are expecting significant increase in the Group's **contract portfolio, revenue and earnings**.

For 2018, we are projecting a slight increase in Group contract portfolio. New business in Online Retail should go up again significantly. In Fleet Management, we are expecting slight growth in contract portfolio, whereas in Fleet Leasing, we anticipate that the contract base will decline slightly particularly due to the active risk management of residual values for diesel vehicles. Operating revenue should see a slight increase. EBITDA is also forecast to go up slightly in 2018. For EBT, we are expecting the figure to be at around the previous year's level. The main reason are the activities planned for 2018 as part of the 'DRIVE>2021' programme, which are intended to create the conditions for medium-term growth, especially in Online Retail and Fleet Management.

Thanks to the positive effects of the 'DRIVE>2021' strategy programme, we are expecting the Group contract portfolio to grow by at least 60% to more than 220,000 contracts by the end of the financial year 2021, whereby the Online Retail business field is planned to contribute over 110,000, Fleet Management over 60,000 and Fleet Leasing around 45,000 contracts. For Group revenue, we are forecasting growth by 2021 of at least one third to more than EUR 1 billion, whereby operating revenue should increase even faster, by 50% to around EUR 700 million. EBITDA is planned to increase to around EUR 400 million and EBT to around EUR 50 million by 2021. In each case, this represents an increase of around two third compared to 2017. This is expected to deliver a return on operating revenue of around 7% in 2021.

Dear shareholders, the future of mobility is digital. We intend to profit from it together. The first steps initiated as part of the 'DRIVE>2021' strategy programme have already had a positive impact. That makes us confident of reaching our ambitious growth targets.

Thank you for your trust – we would be pleased if you would continue to accompany us on Sixt Leasing's successful course for the future.

Pullach, April 2018

The Managing Board

THOMAS SPIEGELHALTER CEO	BJÖRN WALDOW CFO

INTERNATIONALISATION

Sixt Leasing wants to expand both in Germany and abroad. In the Online Retail business field, the first step will be to further strengthen the position on the domestic market and to prepare the internationalisation. From 2019 onwards, the gradual expansion into selected markets such as France, Italy or Spain is planned. The Fleet Management business unit will also be internationalised from 2019 onwards. Our aim is to have a presence in a total of eight to nine European countries.

DIGITALISATION

We want to push ahead with the digitalisation of our business model even more quickly, especially in the Online Retail business field. To this end, new functions and services are to be introduced gradually on the sixt-neuwagen.de online platform from the 2018 financial year onwards. In addition, we plan to optimise interfaces to the 'analogue world' and thus improve the customer experience. In the Fleet Management business unit, the IT infrastructure is also to be developed continually in order to keep up with the increasing customer needs.

RISK MANAGEMENT

Over the past months, we have already taken various measures to improve our risk-return profile. So, the potential risk of diesel residual values in the portfolio is to go down continuously by reducing the share of diesel vehicles without a buyback agreement in new contracts significantly. Moreover, we intensify the marketing of used vehicles to foreign markets via our B2B auction platform and diversify the customer structure through a stronger focus on smaller corporate customers.

Volume and Earnings growth

Through the positive effects from the initiated measures of the ‘DRIVE>2021’ programme, we expect a growth of the Group’s contract portfolio by the end of the 2021 financial year by at least 60 per cent to more than 220,000 contracts. EBITDA is to be increased to around EUR 400 million by the year 2021 and EBT to around EUR 50 million. This corresponds to a gain by around two thirds in each case compared to 2017.

E>2021

STRATEGY PROGRAMME DRIVE>2021

Over the past year, we have continued on our growth course and, in particular, successfully promoted the digitalisation of new vehicle sales. In the 2018 financial year, we intend to lay the foundation for even stronger and more profitable growth in the future. To this end, we have initiated the strategy programme ‘DRIVE>2021’. The name stands for Digitalisation, Risk management, Internationalisation as well as Volume and Earnings growth up to the year 2021. The aim of ‘DRIVE>2021’ is to increase the pace of digitalisation, to improve the risk-return profile, to further push ahead with internationalisation and to significantly increase the contract portfolio as well as earnings.

DRIVE>2021
MID-TERM GROWTH TARGETS

Through the positive effects from the initiated measures of the 'DRIVE>2021' strategy programme, we expect a significant growth of the contract portfolio, revenue, EBITDA and EBT by 2021.

2021
> 220,000
CONTRACTS

+>60 %

2017
132,900
CONTRACTS

2017

2021
~ EUR 400 million
EBITDA

+~66 %

2017
EUR 234 million
EBITDA

2021

> EUR 1 billion

REVENUE

+>33 %

2017

EUR 744 million

REVENUE

2021

2021

~ EUR 50 million

EBT

+~66 %

2017

EUR 30 million

EBT

CAR IN THE SHOPPING BASKET? THE NEW NORMAL.

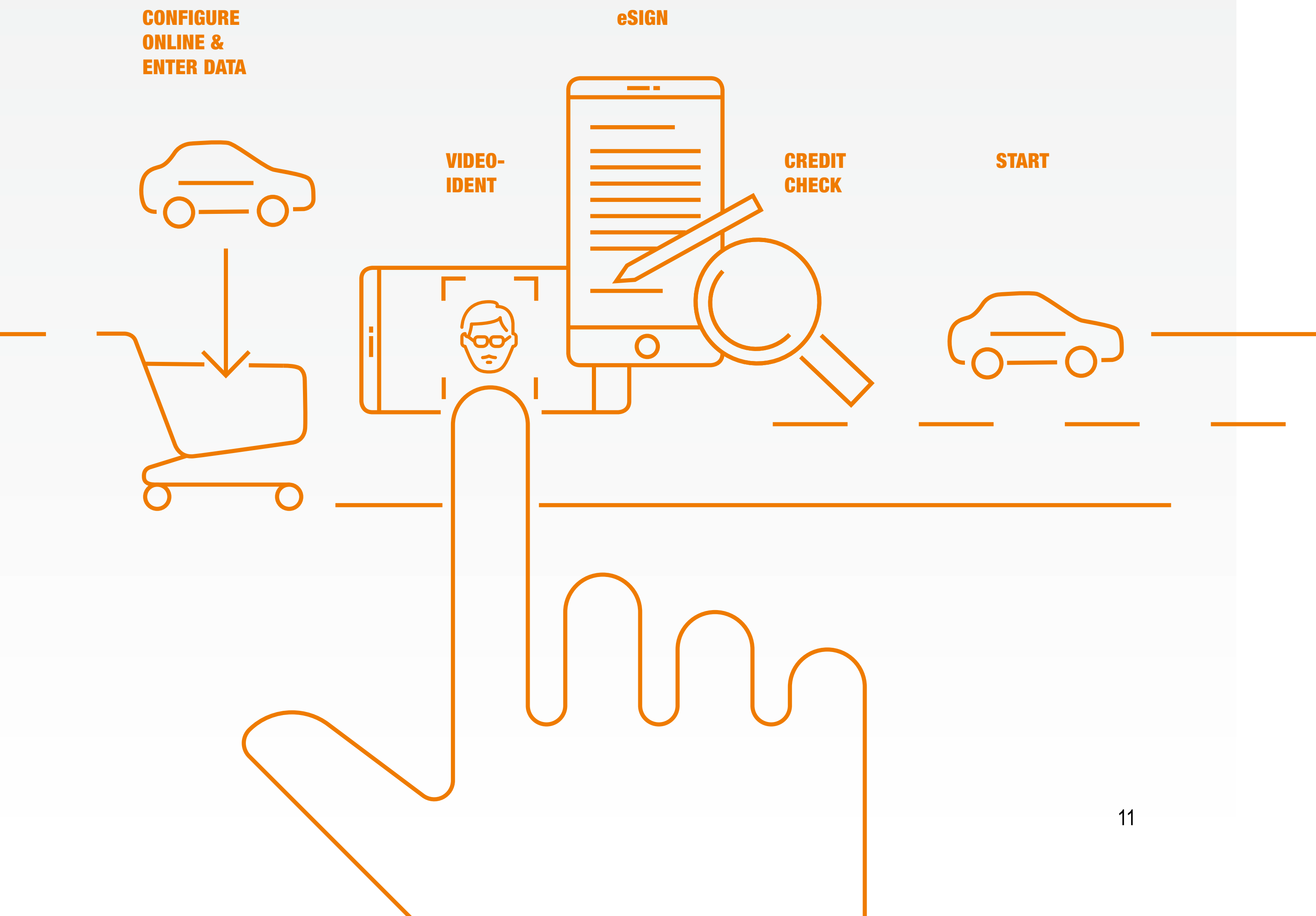
COMPLETELY DIGITAL ORDERING PROCESS

BUSINESS FIELD

ONLINE RETAIL

Car sales are increasingly moving online. In its Online Retail business field, Sixt Leasing has positioned itself as early as 2012 in the emerging growth market for the online sales of new vehicles. On the innovative platforms sixt-neuwagen.de and autohaus24.de, private and commercial customers not only have the opportunity to compare offers for new cars, but also to order them directly online. They benefit from a broad selection, attractive terms and a simple ordering process.

Just some six years after the launch of the online platform sixt-neuwagen.de, the Online Retail business is forecast to become our largest operating business field by 2018 already. For subsequent years, we also have ambitious growth targets. From 2019, the international expansion of Sixt Neuwagen to selected foreign markets is due to start.



THE NEW NORMAL

The future of mobility is digital
With our fast growing platforms sixt-neuwagen.de and autohaus24.de, we are now the market leader in the still young market for the online sales of new vehicles. Our online platforms have already been voted the winners of several tests by well-known experts. That puts us in a strong position to profit from the growth potential, which remains strong.

On sixt-neuwagen.de and autohaus24.de, private and small business customers have the opportunity to order a new car on attractive terms online and have it delivered directly to their door. They can use an online configurator to compare prices, to configure their dream car and to choose between classic leasing and vario-financing (a kilometre-based lease with purchase option). The monthly leasing rate is calculated in real time. On sixt-neuwagen.de, customers can also choose their favourite from a large number of preconfigured new cars that are available for immediate delivery.

One-stop online shop for new cars and services
The online configurator is at the heart of sixt-neuwagen.de and autohaus24.de. It makes it easy to search for the right car and enables a transparent comparison between more than 400 models from around 35 brands. The leasing calculator ensures full cost transparency. After selecting their vehicle, customers can also book the appropriate service products, like fully comprehensive insurance, a maintenance package or winter tyres. Large sections of the ordering process already take place online and it is soon to be fully digitalised for all products. Customers new to leasing also have the chance to use an extensive online guidebook or get advice from experts by phone.

Sixt Leasing has 50 years of experience in corporate leasing. Now, private and commercial customers can also profit from this know-how. Because we buy cars in large quantities and cooperate with many service centres nationwide, we can offer our private and commercial customers discounts that they would not get themselves.

E-commerce is set to grow
The new car market offers enormous growth potential for online sales. In Germany alone, around 3.5 million new cars are sold every year, for a total sales volume of over EUR 100 billion. Around half of the sales are to the private and commercial customer segment. However, only a very small proportion is marketed directly via the internet. We are convinced that the online share of new vehicle sales will go up significantly in the years ahead, as it has in other sectors. Even today, studies show that more than one in three new car buyers would prefer to order their vehicle online. Our platforms sixt-neuwagen.de and autohaus24.de offer customers every possibility to make this wish come true.

In addition to the increasing digitalisation of mobility, there is another undeniable trend: more and more customers are looking for flexible, predictable and straightforward mobility solutions. It is therefore not surprising that the proportion of consumers leasing

NEW CAR PURCHASE BEHAVIOUR

Source: TNS Neuwagenkäuferstudie 2016

90%
of car buyers do online research.

86%
of car buyers at the age of 18+ use smartphones.

84%
of car buyers use search engines.

BY 2020, EVERY THIRD CAR WILL BE PURCHASED ONLINE.

Source: A.T. Kearney – Autokäufer Studie Deutschland 2016

42 %

of consumers want to purchase their car online in future.

Source: Capgemini Consulting – Cars Online Study 2017

or financing their new car continues to increase. More than three quarters of new car buyers in Germany now pay a monthly rate for their vehicle. "Using instead of owning" – these are the customer needs which we cater unreservedly with our online leasing offers.

Unlimited possibilities

In view of its successful performance in recent years and its almost unlimited growth potential, we want to expand our online business even faster in future. To this end, we are planning investments in the further digitalisation of the business model, in additional measures to improve the customer experience and in the extension of focused sales promotions.

When we have completed the optimisation of the business model in the domestic German market, we intend to conquer other markets. From 2019, we are planning to roll Sixt Neuwagen out in stages to selected European markets such as France, Italy or Spain. We are confident that these initiatives will help us to increase the contract portfolio in Online Retail to over 110,000 contracts by 2021.

Sources: DAT, VDA, Dataforce, A.T. Kearney, Statista

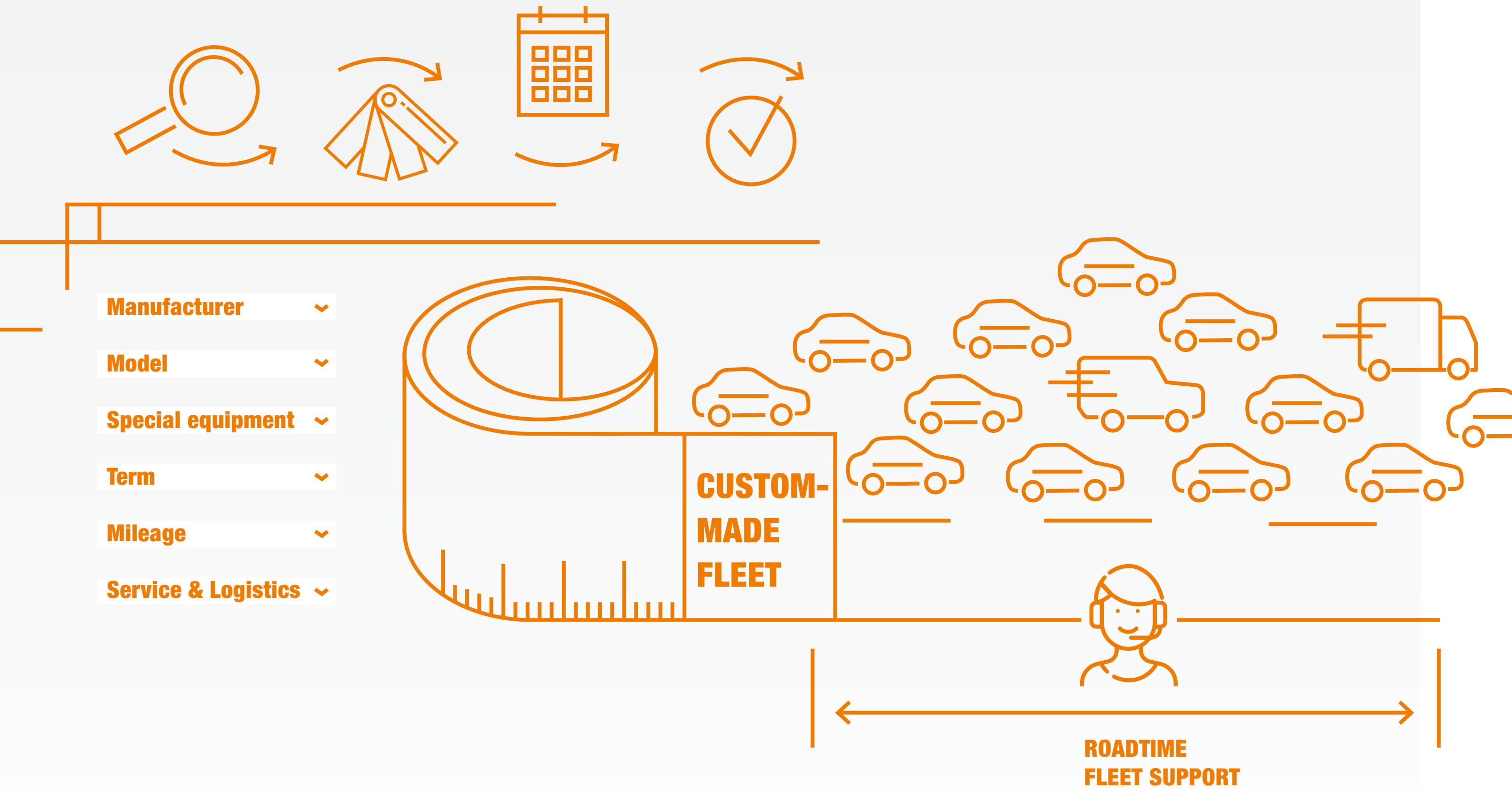
CONFIGURE THE FLEET ONLINE? THE NEW INDIVIDUAL.

BUSINESS FIELD

FLEET LEASING

Companies make high demands of mobility providers. In its Fleet Leasing business field, Sixt Leasing develops tailor-made solutions for corporate customers. As a leasing provider independent of car manufacturers, we can offer our customers individual and brand-neutral advice. From sourcing and driver support with all servicing during the lease through to vehicle return – for 50 years, Sixt Leasing has been handling all corporate fleet processes efficiently and cost-effectively, supported by a wide network of partners.

In the years ahead, Sixt Leasing aims to keep improving the risk-return profile of its Fleet Leasing business field. Its vehicle portfolio is to be diversified further, with more petrol, hybrid and electric engines, as is the customer base by winning more smaller corporate customers. We also want to intensify the marketing of leasing returns abroad.



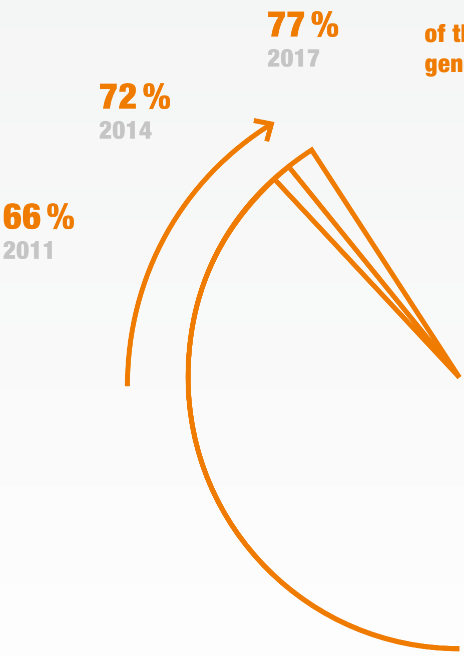
THE NEW INDIVIDUAL

Competitive factor mobility
Mobility is a vital factor for companies. In order to compete, they have to ensure their employees' mobility. At the same time, the demands made of mobility are growing, as are the need for advice and the offers available on the market. The company car remains a key component of the corporate mobility mix – whether in service fleets, management fleets or as a motivational tool and salary component for staff.

Sixt Leasing is one of the leading manufacturer- and bank-independent leasing providers in Germany and offers individual solutions for fleets of all sizes as a specialist in full-service leasing. We have been doing leasing business with corporate customers for 50 years now and have established ourselves with many companies as an expert and independent advisor for the composition, sourcing, management and ongoing optimisation of their vehicle fleet. We can therefore look back on a long and successful working relationship with many of our customers.

Wide full-service range
Fleet customers of Sixt Leasing not only profit from a choice of vehicles from different manufacturers and a leasing solution for vehicle financing that is easy on their balance sheet, but above all from a wide range of services. It is based on a broad network of specialist partners, including repair garages, tyre dealers as well as oil and insurance companies. At the same time, Sixt Leasing remains the single point of contact for the customer. All processes are handled in the background, including maintenance, claims, accident, damage, break-down, insurance, tyres, fuel card, tax and fee management.

Our customers pay a fixed rate for exactly the scope of service that they need. The individual full-service modules can be combined just as they wish. So, every customer finds the optimal solution for their company. Outsourcing operational fleet activities to Sixt Leasing enables clients to significantly reduce the overall operating costs of their fleet. In addition, our customer



of the leasing business in Germany are generated by vehicle leasing.

VEHICLE LEASING IS BECOMING INCREASINGLY POPULAR.

Source: Bundesverband Deutscher Leasing-Unternehmen 2018 care team is also available with advice on all aspects of car policy, optimising the fleet and incorporating alternative drive technologies.

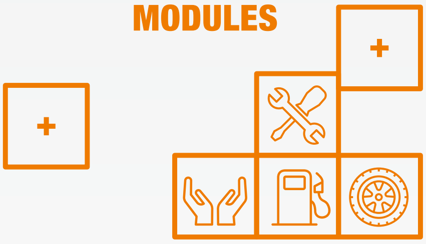
Vehicle leasing dominates leasing market

Vehicle leasing's share of the total German leasing market has grown continuously in recent years, as shown by figures from the trade association Bundesverband Deutscher Leasing-Unternehmen e.V. The vehicle sector now accounts for 77 per cent of total leasing volume. This shows that leasing is well established as a form of financing for company fleets. And leasing will stay easy on the balance sheet, even when the new accounting standard, IFRS 16, takes effect from 2019. In any case, the additional services and automated fleet processes play, in comparison, a greater role when companies decide to opt for full-service leasing.

Shaping the change in fleet leasing

In addition to the continuous development of innovative customer solutions, Sixt Leasing aims to diversify its vehicle portfolio in terms of drive technology together with its customers. We actively advise companies on how they can sensibly increase the proportion of cars in their fleet driven by petrol engines and alternative technologies. Because total costs are not the only thing that counts for corporate customers. Ecological aspects like the vehicle's carbon dioxide and other emissions will play a greater role in future, along with related aspects such as reputational factors and potential driving bans in inner cities.

FULL-SERVICE MODULES



- **+ Registration**
- **+ Damage management**
- **+ Tyre management**
- **+ Maintenance & Wear**
- **+ Fuel card management**
- **+ Insurance management**
- **+ Much more**

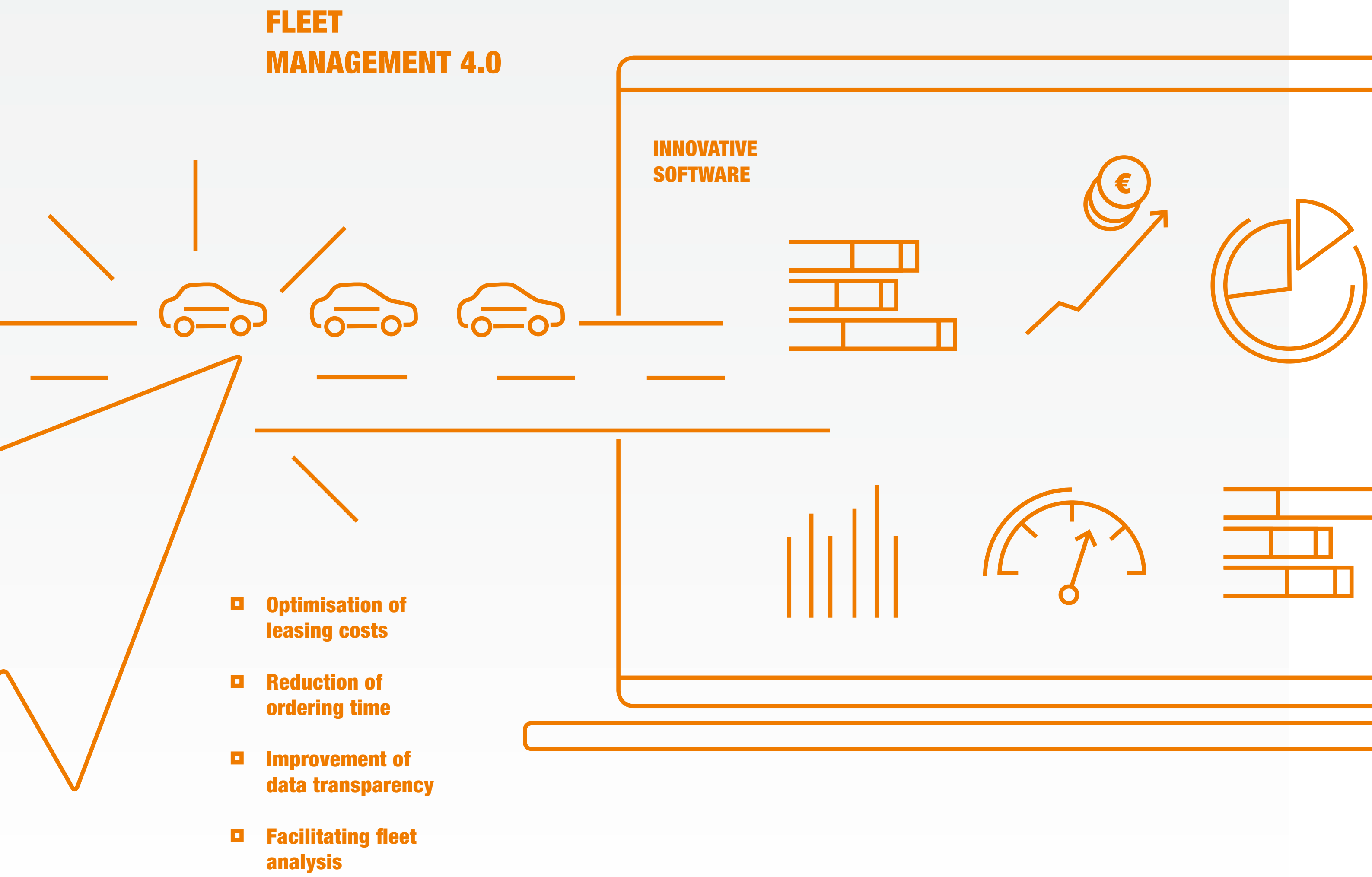
COMPLETE FLEET OVERVIEW AT ONE CLICK? THE NEW EFFICIENT.

BUSINESS UNIT

FLEET MANAGEMENT

The increasing complexity of fleet management is posing ever greater challenges for corporate fleet managers. Sixt Leasing and its subsidiary Sixt Mobility Consulting have specialised in the management of large fleets. Since 2011, companies with larger fleets have been able to use modular advisory and service components without leasing a vehicle from Sixt. They profit from Sixt Leasing's wide-ranging experience in fleet management and its innovative and proven IT solutions for the efficient coordination of company vehicle fleets.

Fleet Management's IT platform will see further optimisation in the 2018 financial year, so that we can offer our customers even better services. From 2019, we want to focus more on expanding the unit abroad, so that Sixt Mobility Consulting can serve our mostly international customers in a total of eight to nine European countries.



THE NEW EFFICIENT

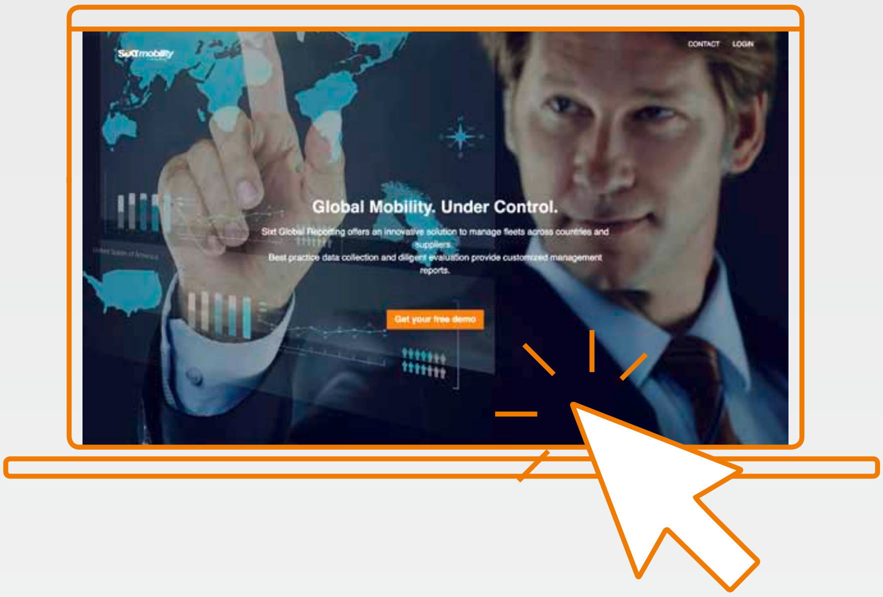
Identifying savings potential together
The management of large company fleets is becoming ever more complex. It is not uncommon for owned and leased fleets, especially at large companies, to consist of several different brands, spread across multiple sites and countries and serviced by a large number of different suppliers. Fleet management departments are faced with the challenge of coping with greater complexity, without increasing costs. Since fleet management is not generally the company's core competence, fleet managers often find themselves stretched to the limit.

This is where Sixt Mobility Consulting comes in: we support fleet managers to cope with increasing complexity and to achieve sustainable reductions in the overall operating costs of the fleet. We do this in particular by implementing digital, automated processes and by the data-based analysis of fleet costs. Once the expenses have been professionally consolidated and broken down into individual cost types, it is usually possible to see the potential for significant savings.

Our years of experience in fleet management and our long-standing relationships with manufacturers, dealers, garages and tyre partners enable us to realise the identified savings potential swiftly, in close collaboration with the customer, and so to reduce fleet costs substantially.

Excellent fleet management
Fleet management from Sixt Mobility Consulting has an excellent reputation. This was confirmed again last year. First, the company was voted 'TopPerformer 2017' in the category 'Fleet Management' by the renowned trade journal 'Autoflotte', and then two DAX companies, key accounts of Sixt Mobility Consulting, won awards from the leading European trade magazine 'Fleet Europe'. This shows that our know-how in the management of large fleets delivers real added value.

Sixt Mobility Consulting receives 'Autoflotte TopPerformer 2017' award in the 'Fleet Management' category.



SIXT GLOBAL REPORTING TOOL

sixtglobalreporting.com

Outsourcing trend

Due to the significant savings potential, more and more companies are outsourcing their fleet to an external specialist. The market for pure fleet management has therefore been growing continuously for many years. Since there are still companies which have not yet outsourced their fleet management to an expert, we assume that the market still has room to grow. Both we and our customers will profit from the increasing trend towards outsourcing fleet management services.

For companies with international operations, it is also worthwhile centralising the management of individual country fleets and entrusting it to a specialist. Indeed, this is the only way that potential savings can be realised efficiently across national borders. We therefore intend to keep expanding Sixt Mobility Consulting so as to be present in all major European markets in the near future, and so to serve our mostly international customers there, too.

Comprehensive service

Sixt Mobility Consulting offers holistic and individual solutions for fleet management and the optimisation of company fleets. Customers can choose the package of services that suits them from a range of modular advisory and service components. We support customers with a fleet of 300 vehicles and upwards in a wide range of industries.

From general fleet consultancy and operational support with tenders, the implementation of web-based service tools and everyday driver support, including servicing appointments, through to handling vehicle return and even remarketing – with our competent staff, cutting-edge IT solutions and professional fleet processes, we advise our customers on all aspects of their fleet management.

A.2 \\ REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

in 2017 the Supervisory Board of Sixt Leasing SE attended to those duties incumbent on it according to law, the Articles of Association and the company's bye-laws. Above all, we regularly advised the Managing Board in the running of the Company and also monitored its activities. We addressed in detail the economic situation of the Company and the Group and the strategic development and were involved in all decisions of principal importance.

In 2017 the Supervisory Board executed its work mainly in plenary meetings. It convened seven times in plenary meetings, held two telephone sessions and took three further resolutions by written vote. The legally stipulated frequency of at least two meetings per calendar half-year was complied with. All Supervisory Board members participated in all the aforementioned meetings and resolutions.

The Managing Board informed the Supervisory Board both in writing and verbally, promptly and comprehensively, on the situation of the Company and of the Group, profitability and the planning for the Company and its subsidiaries on all matters that are relevant to the Company and the Group regarding strategic planning, business development. To this end, the Managing Board prepared, among other things, a quarterly report with detailed information on the economic and financial position of Sixt Leasing SE and its subsidiaries. We checked the plausibility of all documents submitted and handed over to us. In the meetings the Managing Board explained to the Supervisory Board members the documents and reports submitted. In this context we also questioned the Managing Board on important matters, critically assessed the reports and the Managing Board's proposals for resolutions and made our own proposals.

Outside the meetings, the members of the Supervisory Board also regularly exchanged information with the Managing Board members, especially the chairmen of the two corporate organs.

As the Supervisory Board of Sixt Leasing SE has merely three members, decision-making committees are not formed. However, the Supervisory Board has established a credit and market risk committee, which advises the Managing Board in the conclusion of contracts with a large volume. In the preceding fiscal year the Supervisory Board's credit and market risk committee did not convene, although its members were in regular telephone contact with one another and the Managing Board.

Issues addressed during the plenary sessions of the Supervisory Board

The Supervisory Board regularly addressed and looked into the current business performance, the strategic focus, the risk situation and risk management, internal company control systems, the performance of contract portfolios in the individual Business Units as well as net assets, the financial position and results of operations of Sixt Leasing SE and the Sixt Leasing Group. In the absence of Managing Board members it also addressed issues pertaining to the Supervisory Board as well as personnel issues of the Managing Board.

The Supervisory Board's consultations focused above all on the following issues:

- **Sales and marketing cooperation agreements:** The Supervisory Board looked in detail at the growth opportunities afforded to the Online Retail business field through cooperation agreements and partnerships. These included, among others, the ‘flat rate for the road’ that was introduced as part of a sales cooperation with the internet and mobile telecommunications provider 1&1 as well as ‘electric flat rate for the road’ with the electricity provider Yello and BMW's sub-brand 'i'.

- **Group financing:** Another important topic for the Supervisory Board was the Group's financing structure. The Board looked into the placement of a bond and the further repayment of an important instalment in the amount of EUR 300 million from the Core Loan provided by Sixt SE that was redeemed at the earliest possible date in June 2017. The remaining portion of EUR 190 million is due to be repaid as planned during fiscal year 2018. The Supervisory Board expects that the ongoing switch to external financing instruments will reduce interest payments still further.

- **Annual General Meeting:** Ahead of the Annual General Meeting on 29 June 2017 the Supervisory Board addressed the agenda items in due detail. These included the appropriation of retained earnings, the selection of the auditors, remuneration of the Supervisory Board and the introduction of a Matching Stock Programme together with the corresponding Conditional Capital. The Supervisory Board approved the agenda items and followed the motion submitted by the Managing Board to propose to the Annual General Meeting payment of a dividend of EUR 0.48 per share.

\\ **Internationalisation:** The Supervisory Board kept itself informed about current developments in foreign business transactions and discussed the opportunities of a further international expansion of the Leasing and Fleet Management segments.

Corporate Governance

In December 2017, the Managing and Supervisory Board issued a declaration of conformity pursuant to Sect. 161 of the German Aktiengesetz (AktG – German Stock Corporation Act). It is permanently available to all shareholders on the Company's website ***ir.sixt-leasing.de***. With few exceptions, Sixt Leasing SE complies with the recommendations of the Government Commission on the German Corporate Governance Code.

The Supervisory Board had no indications of conflicts of interest of members of the Managing and Supervisory Board.

Further details on the Company's corporate governance can be found in the Corporate Governance Report.

Changes to the Managing and Supervisory Board

On 16 October 2017 the Supervisory Board of Sixt Leasing SE appointed Mr. Thomas Spiegelhalter as CEO of Sixt Leasing SE, effective as of 1 January 2018. At the same time, the Supervisory Board extended the term of the company's CFO, Björn Waldow, by another three years until 2021. Mr. Dott. Rudolf Rizzolli left the Managing Board on 31 December 2017. We wish to express our gratitude to Mr. Dott. Rudolf Rizzolli for his many years of highly committed work.

There were no changes in the Supervisory Board during the reporting year.

Audit of the 2017 annual financial statements and consolidated financial statements

The Managing Board prepared the annual financial statements of Sixt Leasing SE as per 31 December 2017 in accordance with the requirements of the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements and the management report on the Group's and the Company's situation as per 31 December 2017 in accordance with section 315e of the HGB and on the basis of the International Financial Reporting Standards (IFRS), as adopted by the EU.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Sixt Leasing SE and the consolidated financial statements as well as the management report on the situation of the Group and the Company, and gave their unqualified audit opinion. The auditor had been commissioned by the Supervisory Board on the basis of the resolution taken by the Annual General Meeting on 29 June 2017.

The Supervisory Board received the documents together with the Managing Board's dependent company report and the auditor's audit reports as well as the Managing Board's proposal on the appropriation of the unappropriated profit in sufficient time for examination. Discussion and examination of these documents was conducted during the Supervisory Board's meeting on 16 April 2018, which was convened to adopt the annual financial statements.

The auditor of the annual financial statements and of the consolidated financial statements attending this meeting provided in-depth information on the material findings of their activities. Following an analysis of the risk situation and risk management, the auditor concluded that there were no material risks in Sixt Leasing SE and the Group companies which were not mentioned in the reports. The audit of the effectiveness of the internal control and risk management system relating to accounting procedures by the auditor did not lead to any objections. Furthermore, the auditor informed the Supervisory Board of services rendered over and above the work on the audit. In the opinion of the auditor there were no circumstances that could justify doubt as to the impartiality or independence of the auditors.

The Supervisory Board approvingly noted the auditor's findings and had no objections after concluding its own review. The Supervisory Board approved the annual and consolidated financial statements as well as the management report on the Group's and the Company's situation as prepared by the Managing Board and audited by the auditors. The annual financial statements of Sixt Leasing SE for 2017 were thus formally adopted in accordance with the provisions of the (German) AktG. The Supervisory Board concurred with the proposal made by the Managing Board for the appropriation of the unappropriated profit of 2017.

In the audit, the auditor included the Managing Board’s Dependent Company Report in accordance with section 312 of the AktG covering the relationship between Sixt Leasing SE and affiliated companies, and submitted the audit report to the Supervisory Board. The audit by the auditor did not give rise to any objections. The following unqualified audit opinion was issued:

‘On the basis of our review and assessment in accordance with professional standards, we confirm that the actual disclosures made in the report are accurate and the consideration paid by the Company for legal transactions listed in the Report was not inappropriately high.’

The Supervisory Board’s examination of the dependent company report in accordance with section 312 of the AktG covering the relationship between Sixt Leasing SE and its affiliated companies did not give rise to any objections. The Supervisory Board therefore concurred with the auditor's findings. Following the completion of its own examination, the Supervisory Board had no objections to the Managing Board’s concluding declaration in the dependent company report.

Thanks to the Managing Board and all employees

In the reporting year the Company managed to improve key performance indicators such as number of contracts under management and the consolidated operating revenue and this continue on the positive trend of the previous years. Introducing new offers especially in the Online Retail business, Sixt Leasing SE also laid the groundwork for future growth. The reorganisation of the Group's financing structure to external financing instruments is also in line with the plan announced during the IPO.

In view of this positive annual result we wish to extend our heartfelt thanks to the Managing Board, the managing directors of the subsidiaries of Sixt Leasing SE as well as all employees of the Group for their dedicated and committed work. It is our conviction that the Sixt Leasing Group is well and truly fit and able to continue its successful development also in 2018.

Pullach, April 2018

The Supervisory Board

ERICH SIXT	PROF. DR. MARCUS ENGLERT	DR. BERND METZNER
Chairman	Deputy Chairman	Member

A.3 \\ SIXT LEASING SHARES

Strong year for shares in 2017

In 2017 the international stock markets registered a significantly less volatile year than in the previous year and developed very positively. In Germany the DAX index reached its all-time high on 7 November 2017 with 13,525.56 points, which saw it accumulate an interim gain of 17.8% on the end of 2016. As per 31 December 2017 the leading German index stood at 12,917.60 points, an increase of 12.5%.

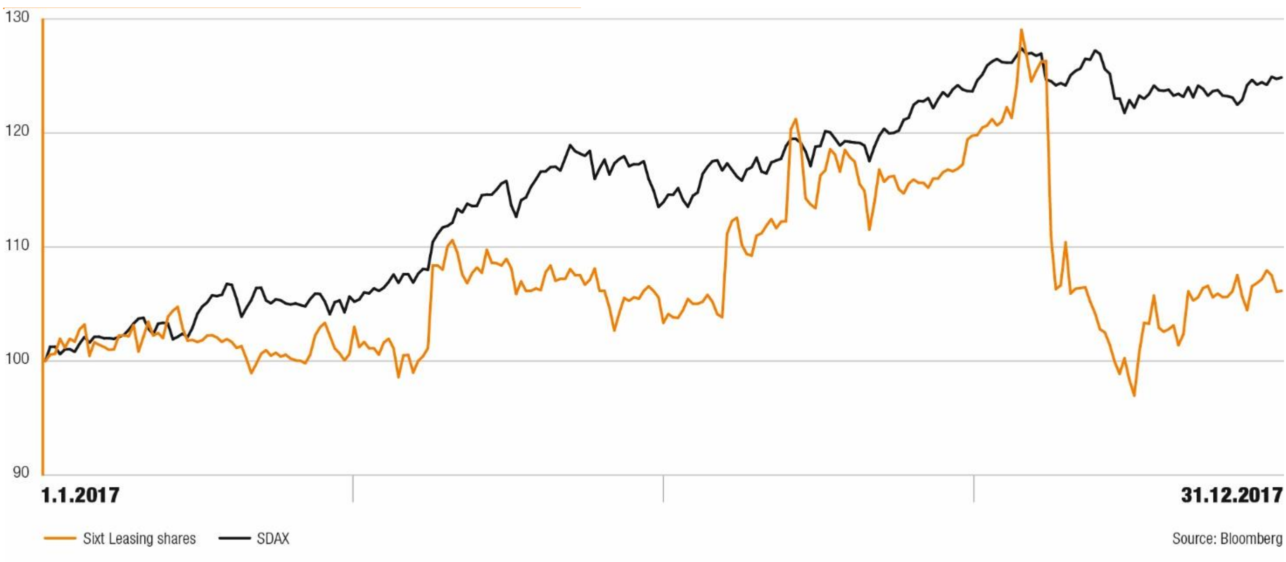
The reasons for the euphoric stock exchanges were above all the upturn in the world economy, good business data as well as solid growth, the good outlook and moderate valuations of many corporations. Other contributing factors were increasing commodity prices and the plans of the central banks to keep interest rates low as part of their generous monetary policy given that the economic upturn is still slow. In Germany the mood was positive due to the weakness of the Euro, the prevailing business climate and the situation on the labour market. Accordingly, the business climate index of the 'ifo' institute scaled new record heights, while the unemployment rate dropped to its lowest level since reunification. The German parliamentary election, the general election in the United Kingdom as well as parliamentary and presidential elections in France, on the other hand, had no material effect on stock exchanges. Terror attacks and the simmering atomic conflict between the USA and North Korea also left share prices almost untouched.

Sixt Leasing shares record robust performance

Despite the ongoing discussion regarding potential driving bans for older diesel vehicles Sixt Leasing shares performed positively in 2017. They opened the year at a price of EUR 18.00 and for the first three-and-a-half months remained stable with a low trading volume. Following publication of the record figures for the year 2016 on 24 April 2017 and after an upgrade of the Online Retail annual guidance, trading in the shares picked up. As a consequence the share price crossed the EUR 20.00 barrier during day trading for the first time in the year on 2 May 2017. In the subsequent weeks the shares lost some of their gains before they began climbing significantly again as of the middle of July, supported by positive analyst commentaries and after publication of the half-yearly figures. On the back of the dynamic growth in the Online Retail business field the share price reached its high for the year on 12 October 2017 at EUR 23.42, an increase of 30.8% since the end of 2016.

As of mid-October Sixt Leasing shares saw substantial losses. This was due to the minor adjustment made to the earnings outlook for 2017 following the additional risk provisions for the residual values of leasing vehicles held in the portfolio as well as the additional IT investments. Against such a backdrop, the shares dropped to their annual low at EUR 16.98 (day trading) on 10 November 2017. The shares recovered again over the remainder of the year and closed the last trading day of 2017 at EUR 19.00 Euro (+6.1% against the closing price of 2016: EUR 17.90). The SDAX gained 24.9% over the same period.

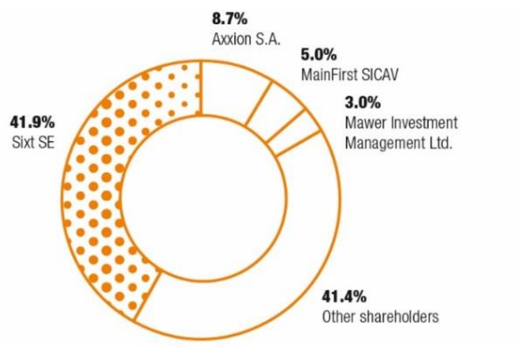
Relative performance of Sixt Leasing shares against the SDAX (indexed to 100)



Stable shareholder structure

Sixt SE, Pullach, is still the largest single shareholder of Sixt Leasing SE, holding an unchanged 41.9% of voting rights in the Company. Based on the voting right notifications submitted to the Company, other large investors are Axxion S.A. with 8.7%, MainFirst SICAV with 5.0% and Mawer Investment Management Ltd. with 3.0% (all figures as at 31 March 2018). The voting right notifications received by the Company during the year under review are available from the Company's website *ir.sixt-leasing.com*.

Shareholder structure of Sixt Leasing SE as of 31 March 2018



Sixt Leasing share information	
Share class	No-par value ordinary bearer shares (WKN: A0DPRE, ISIN: DE000A0DPRE6)
Stock exchanges	All price-setting German stock exchanges
Trading segment	Prime Standard
Designated sponsors	Commerzbank AG, Joh. Berenberg, Gossler & Co. KG

Continuous dividend policy

Sixt Leasing SE adheres to the principle of permitting its shareholders to participate in the Company's success by distributing an appropriate dividend. The amount paid out is determined by the development of consolidated earnings as well as future demands placed on equity, above all with a view to the scheduled growth at home and abroad.

In accordance with the proposal by the Managing and Supervisory Board, the Annual General Meeting on 29 June 2017 resolved to pay for fiscal year 2016 a dividend of EUR 0.48 per share. Based on this resolution the total amount distributed was around EUR 9.9 million. The pay-out ratio came to around 40% of consolidated profit. In order to possibly permit shareholders to participate even stronger and more flexibly from the dynamic growth in the future, the Managing Board decided to extend the target range from 30 to 40% to now 30 to 60% of consolidated profit beginning from fiscal year 2017.

For fiscal year 2017 the Managing and Supervisory Board plan to propose a constant dividend of EUR 0.48 to the Annual General Meeting on 19 June 2018. The pay-out ratio would therefore increase to 47% of consolidated profit and further lie in the communicated target range of 30 to 60%. The proposal takes due account of the equity ratio that is further above the target level. Based on this proposal the total dividend payment comes to EUR 9.9 million. Based on the Sixt Leasing share price at the end of 2017, the dividend yield comes to 2.5%. Managing and Supervisory Board therewith affirm their claim to pursue a continuous and reliable dividend policy.

	2017	2016
Earnings per share (EUR) - basic and diluted	1.01	1.19
Dividend per share (EUR)	0.48[1]	0.48
Number of shares (as at 31 December)	20,611,593	20,611,593
Total dividend (EUR million)	9.9	9.9
Pay-out ratio	47%	40%

[1] *Proposal by management*

	2017	2016
High (EUR)[2]	23.10	20.65
Low (EUR)[2]	17.36	14.11
Year-end price (EUR)[2]	19.00	17.90
Dividend yield (%)[3]	2.5	2.7
Market capitalisation (EUR million)[3] as at 31 December	391.6	368.9

[2] *All prices refer to Xetra closing prices*

[3] *Based on Xetra year-end price*

Intensive communication with the capital market

As a stock listed company in Deutsche Börse’s Prime Standard Sixt Leasing SE has to meet extensive requirements on transparency and publicity. By being in continuous and intensive dialogue with the capital market, the Company ensures open, timely and comprehensive financial communication.

In 2017 the Company conveyed to analysts, investors and the media a timely and comprehensive overview of business conditions and developments through regular meetings. Interest focused above all on the Online Retail business fields, which managed to increase its contract portfolio by almost two-thirds to 45,400 contracts. This was due especially to the successful introduction of the product entitled ‘flat rate for the road’. Next to digitalisation the sale of new vehicles and the associated growth potential, intensive discussion revolved around the various margin and cost components of a standard online retail contract and their asymmetric distribution over the leasing term. Thus, the profitability of a leasing contract generally gains over the term, as some costs are incurred only at the start of the contract, while some margins can only be realised towards the end of the contract.

In Fleet Management the focus of discussion centred on the perspectives for the business' further development. In future, Sixt Mobility Consulting will also consider new mobility service providers as customers. In its Fleet Leasing business field Sixt Leasing intends to cater increasingly to smaller fleets by using a regional sales approach. In addition, the ongoing progress made in switching the Group's financing to external instruments that are independent of Sixt SE was also discussed.

The strategy and business performance of Sixt Leasing SE were positively received during roadshows and investor conferences. In the year under review, the Managing Board staged events at key financial centres in Germany and abroad, including Frankfurt am Main, London, New York, Boston and Zurich. In addition to these the Managing Board held numerous meetings with journalists from relevant financial and business media and regularly communicated its assessments on relevant issues to leasing and fleet management publishers.

Renowned finance and research institutes carefully tracked the development of the company's and Sixt Leasing's shares. To this end the Managing Board and analysts had regular exchanges of information. In the year under review Sixt Leasing was the subject of studies commissioned by Baader Bank, Berenberg Bank, Commerzbank, DZ Bank, Hauck&Aufhäuser and Warburg Research.

Over the course of 2017 Sixt Leasing SE shares were recommended by a vast majority as a Buy position. As of the end of December 2017 the current studies of the aforementioned financial institutes showed Sixt Leasing's shares with an average target price of EUR 22.90 (2016: EUR 22.55).

Sixt Leasing has set itself the target of maintaining detailed and fully transparent communication of its long-term growth strategy and it's progress in restructuring its Group financing. Special attention will be given to outlining in due detail the Company's key differentiating features and competitive strengths over its relevant peers as well as the particular opportunities afforded to it as a ‘first mover’ and market leader in the online sale of new vehicles.

A.4 \\ CORPORATE GOVERNANCE REPORT

For Sixt Leasing SE, good and responsible corporate governance is an important way of securing and enhancing the trust of the capital market in the company. Responsible management geared to long-term value creation has a high job value for the company. The fundamental characteristics of good corporate governance are efficient and trustful cooperation between the Managing Board and Supervisory Board, respect for the interests of shareholders and openness in corporate communications both externally and internally.

Supervisory and Managing Board report on important aspects of corporate governance in accordance with the provisions of section 289f and 315d of the Handelsgesetzbuch (HGB – German Commercial Code) and in accordance with section 3.10 of the German Corporate Governance Code (hereinafter referred to as 'Code'). The report is also available on the website of Sixt Lea-sing SE under*ir.sixt-leasing.com* under 'Corporate Governance'.

1. CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTIONS 289F AND 315D OF THE HGB

Pursuant to section 317 (2) sentence 6 of the HGB the disclosures made in accordance with sections 289f and 315d of the HGB are not included in the audit.

1.1 COMPLIANCE WITH GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF CONFORMITY

The recommendations of the Government Commission on the German Corporate Governance Code are an established benchmark for corporate management at German listed companies. The Managing Board and Supervisory Board of Sixt Leasing SE have therefore dealt in detail with the requirements of the German Corporate Governance Code and issued the following declaration of conformity in December 2017.

Declaration of conformity in accordance with section 161 of the AktG

The recommendations of the 'Government Commission on the German Corporate Governance Code' in the version of 7 February 2017 (hereinafter referred to as 'Code') announced by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette) have been complied with in the period since the last Declaration of Conformity was issued on 6 December 2016 and will be continued to be complied with subject to the following exceptions:

- In the D&O insurance policy of Sixt Leasing SE, no deductible has been agreed for members of the Supervisory Board (section 3.8 (3) of the Code). Sixt Leasing SE believes that a deductible would not improve the motivation or sense of responsibility of the members of the Supervisory Board, especially given that the Supervisory Board members could insure any deductibles themselves.

- In accordance with the resolution adopted by the Annual General Meeting on 8 April 2015, the total remuneration is currently not disclosed and broken down by individual Managing Board member. In view of this resolution, an individual disclosure of benefits, compensations and other benefits for each member of the Managing Board using the model tables provided in the Code is not to be published (section 4.2.5 (3) of the Code).

- The Supervisory Board decides on a case-by-case basis whether to specify an age limit when appointing Managing Board members (section 5.1.2 (2) sentence 3 of the Code), because the Supervisory Board believes that to specify a general age limit would impose a restriction on selection and would thus not be in the interests of Sixt Leasing SE.

- An age limit for members of the Supervisory Board as well as a regular limit of length of membership in the Supervisory Board are not provided for (section 5.4.1 (2) sentence 1 of the Code). Given that the Supervisory Board consists of three members, of whom merely two members are elected in accordance with the Articles of Association, any limitation on age and/or length of membership would run counter to the interests of the Company. The Company shall generally also have access to the expertise of Supervisory Board members experienced with the company. Furthermore, an extended membership does not necessarily lead to a conflict of interest or an impairment of independence.

- Proposed candidates for the chair of Supervisory Board are not announced to shareholders (section 5.4.3 sentence 3 of the Code), because legal provisions stipulate that the election of the Supervisory Board chairperson is exclusively the responsibility of the Supervisory Board.

\\ Sixt Leasing SE will disclose all price-sensitive information to analysts and all shareholders (section 6.1 sentence 2 of the Code). Sixt Leasing SE believes that disclosure to all shareholders of all non-price-sensitive information given to financial analysts and similar parties would not further their interest in information.

\\ The Consolidated Financial Statements are published within the statutory periods. Interim reports are published within the periods stipulated by stock exchange law. Sixt Leasing SE believes that compliance with the publication deadlines specified in section 7.1.2 sentence 3 of the Code does not benefit to any greater extent the information interests of investors, creditors, employees and the public.

Pullach, 22 December 2017

For the Supervisory Board of Sixt Leasing SE	**For the Managing Board of Sixt Leasing SE**
ERICH SIXT Chairman	DOTT. RUDOLF RIZZOLLI Chairman

1.2 RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The practices used for managing Sixt Leasing SE and the Sixt Leasing Group fully comply with the statutory provisions.

Strategic and operational management of the Group is performed on the basis of planning policies and regular comprehensive reports to the Managing Board. Reporting covers the risk management system, the internal control system as well as the internal audit system.

The risk management system, the functioning and extent of which is documented in the risk manual, specifies several types of reports to support management with the identification, assessment and control of risks. Among other things, the Managing Board and the Supervisory Board receive a comprehensive risk report each year. In addition, the Managing Board is regularly informed about relevant issues by the Company's functional units. The internal control system consists of measures and controls to ensure compliance with statutory provisions and corporate guidelines. It specifies regular reports by the Company's Business Units, audit reports and regular working meetings relating to different topics. The internal audit system relates to measures such as planned audits and other audits, the results of which are documented in the respective audit and activity reports to the Managing Board.

1.3 COMPLIANCE WITHIN THE SIXT LEASING GROUP

As a financial services company, in accordance with section 1 (1a) no. 10 KWG Sixt Leasing SE is subject to the provisions of MaRisk and section 25a (1) sentence 3 no. 3 KWG. This results in requirements for the implementation and design of a compliance function.

The Managing Board of Sixt Leasing SE has appointed a central compliance officer who, in cooperation with the internal audit department and the legal department of Sixt Leasing SE, is responsible for coordinating and monitoring all compliance measures and compliance processes within the Sixt Leasing Group.

The success of the Sixt Leasing Group is not only driven by its excellent business policy, but also by the harmonisation of business principles with the highest moral and ethical standards, and the trust that customers, suppliers, shareholders and business partners place in. In order to win and keep this trust it is a precondition that the Managing Board and the employees of the Company in any situation and continuously comply with the high standards of legislation, ethics and social skills. The Code of Conduct of Sixt Leasing SE and its affiliated companies, which is mandatory for all employees, contains these behavioural principles for the acting individuals' dealings in relation to third parties and within the Company. The Code of

Conduct defines compliance-relevant procedures on the part of management and provides specific instructions for action in the following areas of compliance: Corruption and bribery, money laundering, antitrust law, data protection, insider information and conflicts of interest.

In addition, all departments are required to coordinate key legal or regulatory processes and procedures with the legal department, the Compliance Officer and Internal Audit. The audit department carries out rule audits based on risk-oriented audit planning. Within the scope of these rule audits, business processes are examined not only with regard to economic risk aspects but also with regard to possible compliance risks and compliance with the applicable internal (work instructions, processes) and external regulations. At the same time, the audit department supports the compliance function in monitoring the compliance measures implemented by carrying out ad hoc checks as required.

The compliance function constantly monitors the main defined compliance areas of Sixt Leasing SE, initiates the necessary measures and accompanies their implementation.To become aware of potential compliance defaults, Sixt offers its employees different reporting channels via the superior, the compliance officer or the ombudsman. The compliance officer maintains regular contact with the Managing Board and assists as well as advises the Board with respect to preventive measures.

1.4 WORKING PRACTICES OF MANAGING BOARD AND SUPERVISORY BOARD

As European Stock Corporation (Societas Europaea) Sixt Leasing SE is governed by the German Aktiengesetz (AktG – German Public Companies Act), the specific European SE regulations and the German SE Implementation Act. One key principle of the Public Companies Act is the dualistic management system (Managing Board and Supervisory Board). The Management Board is therefore strictly separated from the Supervisory Board, which monitors the activities of the Management Board and decides on its composition. Simultaneous membership in both bodies is not permitted.

1.4.1 MANAGING BOARD

The Managing Board of Sixt Leasing SE manages the company on its own responsibility and represents Sixt Leasing SE in transactions with third parties. It conducts business in accordance with the legal provisions, the Articles of Association and the rules of procedure for the Managing Board.

As the central task of the Managing Board, the Managing Board defines long-term goals and strategic orientation for the Company and the Group, agrees these with the Supervisory Board and coordinates their implementation. The Managing Board determines the internal corporate organization, decides on key management positions and manages and monitors the Group's business by planning and determining budgets, allocating resources and monitoring and deciding on key individual measures.

The members of the Managing Board are jointly responsible for the entire management. Without affecting the overall responsibility of all members of the Managing Board, the individual members manage the areas assigned to them within the framework of the Managing Board resolutions on their own responsibility. The distribution of tasks among the members of the Managing Board is set out in a written business allocation plan attached to the rules of procedure of the Managing Board.The Managing Board as a whole makes decisions on all matters of fundamental and material importance as well as in legally or otherwise binding cases. The rules of procedure of the Managing Board provide for a catalogue of measures that require discussion and decision by the Managing Board as a whole.

In 2017, the Managing Board had two members. Mr. Dott. Rudolf Rizzolli, Chairman of the Executive Board of Sixt Leasing SE, was responsible for group development, strategy, sales and marketing, operations, procurement, remarketing, IT and human resources. Mr. Björn Waldow, CFO of Sixt Leasing SE, was responsible for finance, accounting, controlling, treasury, investor relations, risk management, internal audit, contract management, legal and compliance. Mr. Dott. Rudolf Rizzolli resigned from the Managing Board as of 31 December 2017.

1.4.2 SUPERVISORY BOARD

In accordance with article 10 (1) of the Articles of Association, the Supervisory Board of Sixt Leasing SE has three members. Two members are elected by the Annual General Meeting in accordance with legal provisions and the provisions of the Articles of Association. Another Supervisory Board member is appointed by Sixt SE for as long as it remains shareholder of the Company. The Supervisory Board elects a Chairman and a Deputy Chairman from among its members (article 12 (1) of the Articles of Association). As according to the Articles of Association, the Supervisory Board of Sixt Leasing SE consists only of three people, no committees are formed. However, the Supervisory Board has set up a credit and market risk committee, which advises the Managing Board on the conclusion of large-volume contracts. The members of the committee are Mr. Erich Sixt and Mr. Prof. Dr. Marcus Englert.

The Supervisory Board's main tasks include the appointment of Managing Board members and supervision of the Managing Board. As a general rule, the Supervisory Board adopts its resolutions at meetings. On instruction of the Supervisory Board Chairman, resolutions by the Supervisory Board may also be adopted outside of meetings (or by way of a combined resolution) by casting votes verbally or by telephone, in writing (section 126b BGB - German Civil Code) and/or by using other means of telecommunication or electronic media (article 14 (2) of the Articles of Association). Moreover, a resolution may also be validly adopted by aforementioned means without the instruction of the Chairman of the Supervisory Board if no member objects (article 14 (3) of the Articles of Association). Resolutions of the Supervisory Board require a simple majority of votes cast, unless otherwise mandatorily required by law (article 14 (7) of the Articles of Association). The Supervisory Board's report contains further details on the meetings and activities of the Supervisory Board during fiscal year 2017.

The Managing and Supervisory Board cooperate closely for the benefit of the Sixt Leasing Group. The Managing Board informs the Supervisory Board regularly, promptly and comprehensively on matters that are relevant to the Company and the Group regarding strategic planning, business development, the risk situation and risk management as well as the results of internal revisions. The Managing Board agrees the Company's strategic orientation with the Supervisory Board and discusses the implementation of strategy at regular intervals. Documents required to make decisions, in particular the annual financial statements of Sixt Leasing SE, the consolidated financial statements, the management report on the Group's and the Company's situation, including the auditors' reports, are forwarded to the members of the Supervisory Board in good time before the respective meeting. The rules of procedure of the Managing Board provide for a catalogue of measures requiring approval, which must be submitted to the Supervisory Board for approval.

1.5 OBJECTIVES OF SUPERVISORY BOARD AND IMPLEMENTATION STATUS

In accordance with section 5.4.1 of the German Corporate Governance Code the Supervisory Board resolved the following concrete objectives regarding its composition and developed a competence profile for the entire Supervisory Board.

Accordingly, the Supervisory Board is to be composed in such a way as to ensure qualified supervision and advice of the Managing Board by the Supervisory Board. Its members should have the knowledge, skills and professional experience required to properly perform the tasks of a supervisory board in a capital market-oriented, internationally active company in the business areas of leasing for private and business customers and fleet management.

1.5.1 PROFILE OF COMPETENCE

Overall, the Supervisory Board shall have the competencies that are considered essential in view of the activities of the Sixt Leasing Group. This includes, in particular, in-depth experience and knowledge of

- in the management of a large or mid-sized international company
- in the leasing and fleet management business
- in the fields of marketing, distribution and digitalisation
- in the main markets in which the Sixt Leasing Group is active
- in bookkeeping and accounting
- in controlling/risk management and
- in the area of governance/compliance

In addition, in compliance with the requirements of section 100 (5) of the AktG, at least one member of the Supervisory Board must have expertise in the areas of accounting or auditing and the members of the Supervisory Board as a whole should have in-depth knowledge and experience in areas of work of importance to the company and meet the other professional and personal requirements arising from applicable regulatory requirements.

1.5.2 REQUIREMENTS FOR THE COMPOSITION OF THE ENTIRE BOARD AND THE INDIVIDUAL MEMBERS

Competence and diversity

First and foremost, the prerequisites for filling the seats on the Supervisory Board are professional qualifications and personal competence. The Supervisory Board will always give priority to these prerequisites, which are indispensable for the fulfilment of its legal obligations, when proposing the election or posting of Supervisory Board members.

Overall, the Supervisory Board pursues the goal of optimally fulfilling its supervisory and advisory functions through the diversity of its members. The diversity includes in particular internationality as well as different horizons of experience and ways of life. In preparing the election proposals or the proposals for dismissals, it should be assessed in each individual case to what extent different, complementary professional profiles, professional and life experience and an appropriate representation of both sexes benefit the work of the Supervisory Board. In addition, the Supervisory Board will support the Managing Board in strengthening diversity within the company.

In-depth knowledge of work areas relevant for Company
All members of the Supervisory Board shall have in-depth knowledge and experiences in work areas that are important for the Company and they shall meet the other professional and personal requirements from the applicable regulatory stipulations.

Management experience
The Supervisory Board shall have at least two members. These shall be experienced in the management or supervision of a mid-sized to large corporation.

Internationality
At least two members of the Supervisory Board shall have business experience in the main sales markets of Sixt Leasing SE and be able to provide competent assistance in Sixt Leasing SE's continued internationalisation.

Number of independent members/no material conflicts of interests
The Supervisory Board shall have a suitable number of independent members. In the view of the Supervisory Board this is the case against the background of the ownership structure of the company if at least one of the three Supervisory Board members is independent within the meaning of the section 5.4.2 of the German Corporate Governance Code.

Moreover, no one shall be proposed for election to the Supervisory Board, whose other activities could mean a potentially material and not just sporadic or intermittent conflict of interests.

The Supervisory Board continues to uphold that there shall be no age limit or rule limiting the length of membership in the Supervisory Board. The Supervisory Board also maintains the target figure of 0% for the proportion of women on the Management Board and Supervisory Board.

The current composition of the Supervisory Board is in accordance with aforelisted targets. In view of their different backgrounds and experiences, the members of the Supervisory Board in their entirety with regard to their different lives and horizons of experience represent the necessary diversity to do optimal justice to their supervisory duty. In particular, the Supervisory Board as a whole has the knowledge, skills and professional experience required to properly perform the tasks of a Supervisory Board in a capital market-oriented, internationally active company in the business areas of fleet management and leasing for private and business customers. In Mr. Erich Sixt and Mr. Georg Bauer the Supervisory Board has two members in 2017, whose previous professional activities demonstrate specialised industry expertise and experiences in the Company's main sales markets. Moreover, all members of the Supervisory Board have experience in the management or supervision of a mid-sized to large corporation. Prof. Dr. Marcus Englert is an independent shareholder representative on the company's Supervisory Board.

1.6 DIVERSITY CONCEPT

1.6.1 MANAGING BOARD

Diversity aspects in the composition of the Managing Board
Overall, the Managing Board should have the competencies that are considered essential in view of the activities of the Sixt Leasing Group. In the opinion of the Supervisory Board, these include:

- complementary professional profiles and different professional and educational backgrounds
- highest personal integrity
- in-depth practical experience in dialogue with the various stakeholders, including in-depth knowledge of capital market requirements
- profound experience in IT management and understanding of the increasing digitalisation of the business model
- many years of experience in value-based strategy development and change management;

- many years of experience in the management of large companies
- knowledge of accounting and financial management
- solid knowledge of risk management
- international experience and
- adequate representation of both sexes and different ages

As a rule, the service contracts of the members of the Managing Board should end when the standard age limit for statutory pension insurance (currently 67 years of age) is reached.

Aims of the diversity concept

In the opinion of the Supervisory Board, complementary professional profiles and different professional and educational backgrounds already result from the duty of proper management. In addition, the different lives and experiences of the individual members of the Managing Board are decisive for analysing current challenges, problems and strategies from different perspectives and thus making a decision for the benefit of the company.

In view of the increasing digitalisation of the business model and the enormous relevance of modern IT structures for all areas of the company, profound experience in IT management and a profound understanding of digitalisation are indispensable in order to successfully lead the company into the future.

Many years of experience in the management of larger companies, strategy development and change management are decisive and indispensable elements of modern top management in the opinion of the Supervisory Board. The Managing Board also requires sound practical experience in dialogue with the various stakeholders, including in-depth knowledge of the requirements of the capital market. In particular, the Supervisory Board is of the opinion that successful corporate management requires consistent communication with the lower management levels by the Managing Board.

The Supervisory Board also strives for an appropriate representation of both genders and different ages on the Managing Board, as it believes that mixed-gender teams achieve the same or better results than teams in which only one gender is represented. However, as the Managing Board currently consists of only two members, the Supervisory Board believes that a strict quota at this point would lead to a significant reduction in the number of suitable candidates on the one hand and on the other would call into question the future cooperation with deserving members of the Managing Board who are familiar with the company.

Manner of implementation

The Supervisory Board takes into account the diversity aspects described above when appointing members to the Managing Board. In addition, the v Board and Supervisory Board regularly exchange information on suitable successor candidates and high potentials from the Group in order to ensure the continuous further development of promising talents.

Results achieved in fiscal 2017

The Supervisory Board has decided to appoint Mr. Thomas Spiegelhalter as Chairman of the Managing Board with effect from 1 January 2018. Mr. Dott. Rudolf Rizzolli resigned from the Managing Board at the end of the year under review.

In the opinion of the Supervisory Board, the Company has two members of the Managing Board Mr Spiegelhalter and Mr Waldow, who, due to their different professional backgrounds and their respective educational and professional backgrounds, possess the competencies which are to be considered essential for the success of the company in terms of the activities of the Sixt Leasing Group. More detailed information on the members of the Managing Board can be found in the profiles on the Company's website and in communication on the occasion of the Supervisory Board's decisions.

1.6.2 SUPERVISORY BOARD

Diversity aspects in the composition of the Supervisory Board

The Supervisory Board has drawn up a comprehensive competence profile for its composition and formulated detailed requirements for the composition of the entire Supervisory Board and its individual members.

Accordingly, the Supervisory Board should have the overall competencies that are considered essential in view of the activities of the Sixt Leasing Group. This includes, in particular, in-depth experience and knowledge in the following areas

- in the management of a large or mid-sized international company
- in the leasing and fleet management business
- in the fields of marketing, distribution and digitalisation
- in the main markets in which the Sixt Leasing Group is active
- in bookkeeping and accounting
- in controlling/risk management and
- in the area of governance/compliance

The most important prerequisites for filling the seats on the Supervisory Board are professional qualifications and personal competence. The Supervisory Board will consider these conditions, which are indispensable for the fulfilment of its statutory obligations, when making nominations for election of members of the Supervisory Board.

The Supervisory Board also pays particular attention to different, complementary professional profiles, professional and life experience and an appropriate representation of both sexes.

The Supervisory Board maintains that it does not define an age limit or a rule limit for membership of the Supervisory Board. The Supervisory Board also maintains the target figure of 0% for the proportion of women on the Managing Board and Supervisory Board. However, as the Supervisory Board currently consists of only three members, the Supervisory Board is in the opinion that a strict quota at this point would lead to a significant restriction on suitable candidates on the one hand and on the other would call into question the future cooperation with deserving members of the Supervisory Board who are familiar with the company.

Aims of the diversity concept

Overall, the Supervisory Board pursues the goal of optimally fulfilling its supervisory and advisory functions through the diversity of its members. The diversity includes in particular internationality as well as different horizons of experience and paths of life. In preparing nominations for election or nominations for secondments, the extent to which different, complementary professional profiles, professional and life experience and an appropriate representation of both sexes benefit the work of the Supervisory Board shall be assessed on a case-by-case basis.

In addition, the different lives and experiences of the individual members of the Supervisory Board are decisive in analysing current challenges, problems and strategies from different perspectives and making a decision for the best of the company. The Supervisory Board pursues the goal of always being in a position to competently advise and monitor the Managing Board and to adequately acknowledge and accompany new developments in the industry.

Manner of implementation

The Supervisory Board takes into account the diversity aspects described above when proposing the election or secondment of Supervisory Board members. The Supervisory Board also undergoes an annual efficiency review. The audit focuses on the effective performance of the tasks assigned to the Supervisory Board, including the practicability of the procedural rules in the rules of procedure of the Supervisory Board, as well as on the efficiency of the work of the committees. In the future, diversity aspects should also be taken into account to a greater extent.

Results achieved in fiscal 2017

There were no changes in the composition of the Supervisory Board in fiscal 2017. In accordance with the recommendation in section 5.4.1 sentence 2 German Corporate Governance Code (version of 7 February 2017), the Supervisory Board adopted a competence profile for the composition of the full Supervisory Board by resolution of 6 December 2017. In the view of the Supervisory Board, there is currently no further need for action with regard to diversity. The diversity of the professional and educational backgrounds of the individual members of the Supervisory Board can be seen in the CVs published on the company's website.

2. FURTHER DISCLOSURES ON CORPORATE GOVERNANCE

Employee participation programme (Matching Stock Programme)

As of 31 December 2017 Sixt Leasing SE does not have an employee participation programme. Prior to the Company's IPO the Managing Board of Sixt Leasing SE and selected employees of the Sixt Leasing Group were entitled to participate in the Matching Stock Programme (MSP) of Sixt SE.

Participants in the MSP must have a contract of employment with Sixt SE or one of its subsidiaries which has not been terminated at the time of subscribing for the MSP. To participate in the MSP, each participant must make a personal investment by acquiring interest-bearing bonds of Sixt SE.

The bonds acquired as personal investment carry a coupon of 4.5% p.a. and a maturity until 2020. The total volume invested by all participants is limited to EUR 5.0 million.

Every EUR 1,000 of paid-up subscription amount entitles to subscribe to 500 stock options per annual tranche in accordance with the MSP terms and conditions. On each 1st of December every year from 2012 (first time) to 2016 (last time) one tranche of stock options has been allocated (a total of five tranches), so that each participant is entitled to subscribe up to a total of 2,500 stock options for every EUR 1,000 of paid-up subscription amount (5 tranches with 500 stock options each).

The allocated stock options can only be exercised after a lock-up period of four years, starting from the allocation of the respective tranche. The stock options can only be exercised if the exercise price since the allocation of the respective tranche is 20% higher than the initial price of said tranche (exercise threshold). The initial price of the stock options corresponds to the average unweighted closing price of Sixt preference shares in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days before the stock options for the tranche concerned are allocated. The exercise price is the average unweighted closing price of Sixt preference shares in Xetra trading on the Frankfurt Stock Exchange during the last 60 trading days before the stock options of the respective tranche are exercised. Stock options allocated as part of a tranche are deemed to have been exercised on the first trading day following the end of the lock-up period, if the exercise threshold has been reached. If the exercise threshold is not reached, the stock options of this tranche expire without replacement.

The exercise gain for a tranche, calculated if the stock options are exercised, must not exceed 5% of the regular earnings before taxes (EBT) reported in the most recent approved consolidated financial statements of Sixt SE. In addition, the exercise gain (before taxes) of each tranche is limited for every participant to twice his paid-up investment volume. In the case of a higher calculated exercise gain, the amount will be reduced proportionately for all participants. An amount net of the taxes and contributions on the exercise gain payable by the participants is used to acquire preference shares of Sixt SE. These shares are subsequently transferred to a blocked custody account in the participant's favour. The participant is free to draw on the shares after another year. The total term of the MSP, including this lock-up period, is nine years, up until 2021.

If, during the term of the MSP, adjustments are made to the share capital of Sixt SE or restructuring measures are implemented that have a direct impact on the share capital of Sixt SE and this causes the value of the stock options to change by 10% or more, the initial price shall be adjusted to the extent necessary to compensate for the change in value of the stock options caused by the capital action. If Sixt SE distributes dividends or other assets to shareholders in the period between allocation and exercise of a tranche of stock options, the initial price of this tranche must be adjusted by deducting the amount of dividend or distribution attributable to one share from the initial price, if required, adjusted by the effects from capitalisation measures.

If the bond acquired by the participant as a personal investment is redeemed early or if the participant's contract of employment is terminated, any stock options already allocated but not yet exercised and the entitlements to unallocated stock options are generally lost.

Stock option programme 2017

The Supervisory Board has drawn up a comprehensive competence profile for its composition and formulated detailed requirements for the composition of the entire Supervisory Board and its individual members.

In addition, the 2017 Annual General Meeting authorised the Managing Board to establish a stock option programme (stock option programme 2017) to issue up to a maximum of 1,000,000 subscription rights to shares of the Company to selected executives of the Company and members of the management of affiliated companies by 28 June 2020. To the extent that members of the Managing Board are affected, only the Supervisory Board was authorised to do so. Each subscription right entitles the holder to subscribe to one no-par value bearer share of the Company against payment of an exercise price defined in more detail in the resolution of the Annual General Meeting and has a term of seven years. The exercise of the subscription rights is also linked to the achievement of certain performance targets. The subscription conditions may provide that the Company may grant the beneficiaries own shares or a cash payment instead of new shares from conditional capital for servicing the subscription rights. To date, no use has been made of the authorisation to issue subscription rights.

Notification concerning directors' dealings

Directors' dealings and managers' transactions involving the purchase and sale of shares in Sixt Leasing SE or related financial instruments were disclosed to Sixt Leasing SE by Mr. Dott. Rudolf Rizzolli in the 2017 financial year. Details can be found on the company's website. The notifications are published on the company's website ***ir.sixt-leasing.de*** under "Directors' Dealings.

Provisions pursuant to sections 76 (4) and 111 (5) AktG

The Supervisory Board has set the target figure for the proportion of women on the Supervisory Board and the Managing Board at 0% in accordance with section 111 (5) of the German

Stock Corporation Act (AktG) and has decided on an implementation deadline of June 30, 2020. The targets set at that time for the proportion of women on the Supervisory and Managing Boards were achieved by June 30, 2017.

In 2015, the Executive Board set the target for the proportion of women in the first management level below the Executive Board at 30% and in the second management level below the Managing Board at 35% in accordance with section 76 (4) of the AktG. The German Group companies of Sixt Leasing SE were taken into account. Both targets should be achieved by 30 June 2017. With regard to the second level below the Managing Board, a quota of around 37% was achieved as of June 30, 2017 through the consistent promotion of female talent and the targeted addressing of women when filling positions. With regard to the first level, the target figure was not reached despite appropriate measures, as no better or equally qualified female candidates were available for the replacement of individual divisional manager positions. The actual rate was 20%.

In 2017, in accordance with section 76 (4) of the AktG, the Managing Board set the targets for the proportion of women in the first management level below the Managing Board to 20% and in the second management level below the Managing Board at 35% and resolved that both targets should be achieved by June 30, 2021.

Disclosures relating to the auditor

The Annual General Meeting on 29 June 2017 adopted the proposal of the Supervisory Board to appoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor for fiscal year 2017 for Sixt Leasing SE and the Sixt Leasing Group. Audit companies from the Deloitte network are auditing the majority of companies included in the consolidated financial statements. Deloitte GmbH Wirtschaftsprüfungsgesellschaft has been auditor of Sixt Leasing SE since the annual financial statements for 2005. Since the annual financial statements for 2016 the auditor Andreas Lepple has been the auditor responsible for conducting the audit.

A.5 \\ SUSTAINABILITY

1. SUSTAINABILITY AT SIXT LEASING

Sustainable mindsets and actions, based on firm values and principles, are key factors for Sixt Leasing's success. The Company assumes its responsibility towards society and thereby adheres to the principle of sustainable development. Sixt Leasing wants to make its contribution towards providing the following generations with stable economic, social and ecological conditions. When pursuing its economic interests during everyday business practice the internationally active leasing provider and fleet manager also considers ecological, social and ethical aspects.

The Sixt Leasing management is focused on responsible and long-term value creation. Across the Group-wide value chain from purchasing and leasing right through to the remarketing of vehicles, sustainability aspects are also taken into consideration next to economic factors.

1.1 MATERIALITY

Sixt Leasing SE's sustainability reporting is based on the principle of materiality. To determine material issues and key fields of action, a materiality analysis was jointly conducted with Sixt SE. A cross-departmental team coordinated the entire process, provided assistance and summarised the results. The materiality analysis was based on the established management systems for quality and environment as well as their inherent fields of action. The further process included industry-relevant aspects and insights gained from the analysis of competitors and other comparative companies. Workshops and surveys conducted with the professional departments then identified and discussed the material issues that are of relevance for Sixt Group. The analysis findings established were then worked through in collaboration with an external partner and transferred into key fields of action. Finally, the identified material issues of Sixt Group were reconfirmed by Sixt Leasing's perspective, validated again and then approved by the Managing Board.

1.2 MANAGEMENT APPROACH

It is Sixt Leasing's declared objective to integrate the principle of sustainable development into its entrepreneurial decision-making procedures in the long run. The Company's uses its organisational structures and governance processes to promote and control responsible entrepreneurial actions, from strategy development through to implementation. This way, Sixt Leasing systematically and consistently adheres to sustainability issues in all its business activities and across all hierarchical levels.

The Managing Board holds overall responsibility for sustainability management, as it sets the course so that corporate policy meets the requirements of socially responsible business dealings, and because it approves the corresponding strategies and programmes. The various business units and professional departments implement the sustainability measures and retrieve the sustainability data against the background of their respective core business activities and/or task fields.

All three business fields of the Sixt Leasing Group have established a firm and comprehensive process for collecting, analysing and implementing improvement measures on the basis of customer feedback. In the corporate business, Sixt Leasing customers are regularly interviewed on their satisfaction, to which end the Company deploys a special CSI tool (Customer Satisfaction Index). With the help of this tool the fleet managers can provide detailed feedback on service quality. Sixt Leasing uses these data to continually optimise the service range to match customer wishes and requirements. In 2017 the CSI tool once more indicated a persistently higy degree of customer satisfaction. Further information on the current survey results can be found in the section 'Business report'.

Over and above statutory requirements, Sixt Leasing's sustainability management received additional support from the Company's own guidelines. The Code of Conduct applies worldwide, enjoys overriding significance and defines the ethical framework for daily business activities.

2. MATERIAL FIELDS OF ACTION

The objective of Sixt Leasing's sustainability management is to harmonise the Company's business activities with ecological, social and ethical aspects. It is operationalised through the fields of actions, objectives and measures and integrated into corporate procedures. In addition, the sustainability management is based on the requirements and interests of the stakeholders. Particular importance is attached to customers, employees, suppliers and investors.

Alongside the higher-level area of 'Sustainability at Sixt Leasing' the Company's sustainability management is divided up into six further material fields of action, which are outlined in the following.

2.1 CORPORATE GOVERNANCE

The success of Sixt Leasing rests not only on the business policy, but also on its compliance with moral and ethical standards, integrity and the trust which customers and suppliers, shareholders and business partners place in the Company. Such trust can only be won and maintained if all employees adhere to the law and legislation and maintain Sixt Leasing's strict behavioural standards. Franchise and cooperation partners likewise are obliged by the same duties, as outsiders recognise them as the Company's representatives. It is Sixt Leasing's declared aim to make all employees as well as franchise and cooperation partners regularly aware of the issue of compliance. A key role is afforded here to the Group-wide applicable Code of Conduct, which is regularly updated. All employees, franchise and cooperation partners have committed themselves to observe this Code of Conduct. It governs behaviour towards business partners and third parties, the fundamentals applicable for the working environment, as well as how to deal with conflicts of interests, assets and equipment of Sixt Leasing, intellectual property of third parties and information.

The Code of Conduct specifies, among other things, the institution of an external ombudsman. In case employees want to disclose compliance violations, the ombudsman acts as additional contact point, alongside their corporate superior and the compliance officer. The compliance officer maintains regular contact with the Managing Board and assists as well as advises the Board with respect to preventive measures. All subsidiaries of the Sixt Leasing Group are regularly inspected regarding their compliance with all laws and adherence to the Code of Conduct.

Conceptual chart: Corporate governance

Objective	Measures	Performance indicator
Sensitising employees, franchise and cooperation partners to compliance	Integration of further compliance requirements into the Code of Conduct Obliging employees, franchise and cooperation partners to adhere to the Code of Conduct	./.

Moreover, Sixt Leasing has formulated clear expectations concerning its employees' correct behaviour and makes it clear that business relations can only be maintained with customers, service providers and business partners whose business activities comply with statutory stipulations and whose financial means have a lawful origin. Within the framework of legislative and regulatory requirements an anti-money-laundering officer has been instituted with a clear, brief mandate and organisational guidelines to prevent money laundering, terrorist financing and other criminal activities were drawn up. Every employee has signed and accepted the relevant guidelines. In addition, all employees receive regular training relating to this thematic complex. Their due participation in these training sessions is recorded and filed. In accordance with sections 9 (1) and (2) no. 4 of the Money Laundering Act, Sixt Leasing has initiated ongoing risk-based measures to assess reliability. For example, appropriate assessments take place in the case of employment or employment relationships as well as risk-oriented during the existence of a relationship by the supervisor.

As an internationally active Company Sixt Leasing is unreservedly committed to respect human rights and corresponding legal rules at home and abroad. The Group has undertaken to respect and promote human rights and to report in a transparent fashion about the results of its actions. In addition, Sixt Leasing follows the ILO core labour standards and adheres to the four fundamental principles: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

In addition, Sixt Leasing contractually obliges its internationally active franchise and cooperation partners to comply with strict social standards, to respect human rights and to act with integrity in accordance with ethical principles.

2.2 CLIMATE PROTECTION

As a provider of mobility solutions Sixt Leasing is aware of its responsibility for climate protection and has set itself the target of continually lowering the average CO_2 emissions of its customer fleet. It realises this through a series of measures, such as the continuous utilisation of the latest vehicle models that have state-of-the-art powertrains in its fleet as well as by providing attractive leasing offers for electric and hybrid vehicles.

Conceptual chart: Climate protection

Objective	Measures	Performance indicator
Reduction of the average CO_2 emissions of the fleet	Continuous renewal of vehicle fleet with cars equipped with state-of-the-art technology	Average CO_2 emissions of the fleet

For years now Sixt Leasing has been assisting and following the developments in electric mobility and alternative vehicle powertrains as it promotes these by events for employees, fleet managers and media representatives, by cooperating with manufacturers, dealers and electric utility suppliers as well as by promotional offers for private customers. The company has extensive expertise in the selection and deployment of hybrid and electric vehicles and is therefore capable of giving interested customers competent advice and can optimise corporate fleets with regard to its sustainability aspects. This includes for example the use of e-car pools, improving pollutant emissions and introducing a CO_2 bonus-malus system.

In September 2016, Sixt Leasing organised its first ‘E-Day‘. Numerous fleet managers and employees of Sixt Leasing used the opportunity to get in direct contact with the manufacturers of electric vehicles and charging infrastructure and to exchange views on technology, costs and possible areas of use in the fleet and to test electric vehicles. To this end, Sixt Leasing provided electric models from ten different brands. Sixt Leasing took account of the increasing interest of its customers with ‘E-Day’ and provided its extensive expertise on the subject.

Following the ‘E-Day‘, Sixt Leasing launched the ‚Fleet Day‘ in 2017 - a high-caliber industry event to enable fleet managers and mobility service providers to exchange ideas on the mobility of the future in workshops and to present solutions using practical examples. The first two ‚Fleet Days‘ were organised in cooperation with the oil companies Shell and Total and also had the topic of e-mobility on the agenda.

In addition to the ‚E-Day’ and the ‘Fleet Day‘ the Company also promotes electric mobility within its business. In summer 2017 Sixt Leasing integrated the ‘environmental bonus’ granted by numerous car manufacturers on *sixt-neuwagen.de*. Under this scheme, private and commercial customers had the opportunity to benefit from substantial rebates of up to EUR 10,000 per car when ordering new vehicles from selected brands. Requirement for receiving the bonus is a certificate testifying that the old diesel car had been scrapped by a certified scrap dealer. This offer also served as an incentive to contribute to the reduction of pollutant emissions in cities and urban areas.

In November 2017 Sixt Leasing initially introduced an ‘electric flat rate for the road’ on its online platform *sixt-neuwagen.de* for its private customers. It comprises a flexible 12 to 24 month flat rate for a comprehensively equipped BMW i3 ‘E-Mobility Edition’ including many additional services. To launch this service in the market, Sixt Leasing has entered into an exclusive sales partnership with Yello Strom GmbH. Similar to the ‘environmental bonus’ this offer paves the way for emission-free mobility in Germany.

Sixt Leasing offers leasing agreements to private, commercial and corporate customers for new vehicles with terms anywhere between twelve and 54 months. As per 31 December 2017 the contracts had an average term of around 37 months. Consequently the leasing fleet is continually being renewed with the more modern vehicles carrying more efficient technologies. This results in a sustainable reduction of average CO_2 emissions per vehicle within the Leasing business unit.

Average CO_2 emissions of fleet in the Leasing Business Unit

in g/km	**2017**	2016
	126	128

2.3 UTILISATION OF RESOURCES

The protection of the environment and responsible utilisation of resources are taken for granted by Sixt Leasing. In its own sphere of influence the Company keeps its energy and water consumption as low as possible. With the assistance of its environmental management systems Sixt Leasing regularly monitors its consumption of resources and strives to achieve continuous improvements in efficiency.

Conceptual chart: Energy

Objective	Measures	Performance indicator
Continual improvement of energy efficiency	Implementing and monitoring energy efficiency measures Conducting energy audits Sensitising employees to energy-saving measures	./.

Sixt Leasing pursues the objective of continually improving its energy efficiency and cutting its energy consumption. Next to the implementation and monitoring of the concrete energy efficiency measures, it also conducts energy audits and heightens the awareness of employees for measures to utilise energy in a way that saves resources. According to the energy audit jointly conducted with Sixt SE Group in fiscal year 2017 for the calendar year 2016, the consumption ratings for the corporate headquarters are within the normal parameter range, while the heating requirements are below average.

2.4 EMPLOYER ATTRACTIVENESS

Sixt attaches greatest importance to its workforce's customer focus and quality of service to ensure entrepreneurial success. The Group therefore considers its responsibility to develop its workforce, promote its health, integrate it into decisions and to provide equal opportunities for all. In addition, the Group-wide working climate and the interaction between all employees is characterised by mutual respect, fairness and the prohibition of any form of discrimination.

Sixt is a well-known employer with a good reputation, as the current surveys from 'Universum' and 'trendence' reveal. According to these, Sixt ranks among the top 100 employers in Germany. This also benefits Sixt Leasing. The Company wants to remain an attractive employer for its current workforce. Consequently, Sixt Leasing has set its sights on improving the work-life balance of its members of staff. To this end, flexible working time programmes will be extended. Since 2015 employees in the central and administrative functions, as well as executives, enjoy working time arrangements based on trust. As of 31 December 2017 57% of all Sixt employees in Germany have working time arrangements based on trust, all other employees record their working hours. Furthermore, Sixt Leasing aims to keep employee satisfaction at a high level. To this end, the Company conducts regular employee surveys, from which it then deducts further measures. In addition, Sixt Leasing relies on an active feedback culture with 360-degree feedback and customised development and promotion programmes.

Further information on strategic personnel development and the relevant KPIs can be found in the section 'Human resources report'.

Conceptual chart: Employer Attractiveness

Objective	Measures	Performance indicator
Improving employees' work-life balance	Expanding the programmes to strengthen work-life balance	Number of employees in time arrangements based on trust
Maintaining high satisfaction levels among employees	Regular execution and evaluation of surveys on employee satisfaction Deducing potential action requirements from the survey findings	./.

2.5 STAFF DEVELOPMENT AND PROMOTION

Sixt Leasing's entrepreneurial success is vitally dependent on the knowledge, skills and commitment of its employees. Excellent employees are the most important building block for the Group in order to be able to act as a premium supplier on the market and generate 'customer excitement'. The Company is therefore committed to a culture that has the people at its centre who work for Sixt Leasing. It is the claim to consistently encourage and promote the talents of its workforce, adequately remunerate their commitment and apply uniform principles in salaries and wages which exclude any form of discrimination.

Conceptual chart: Staff development and promotion

Objective	Measures	Performance indicator
Further development of employees' professional expertise	Demand-oriented intensification of on-site training and e-learning units	./.
Further development of performance-based remuneration models	Regular evaluation of variable remuneration models and their KPIs	Share of employees with perfomance-based remuneration

Finding and promoting talents goes hand in hand with further developing professional expertise. To this end Sixt Leasing is intensifying the number of on-site trainings and e-learning sessions in training facilities wherever there is demand for them as well as interlocking these forms of training. The training units are offered to employees of all ranks and cover a wide range of topics.

In order to foster the individual commitment of its employees to the Company's success and to honour it accordingly, Sixt

Leasing has introduced a performance-based remuneration system. 67% of all employees of the Sixt Leasing Group in Germany receive variable remuneration in addition to their fixed salary. In order to honor the individual performance of each employee even more than before, Sixt Leasing has set itself the goal of further developing the existing performance-related compensation models. To this end, the existing variable remuneration models are regularly evaluated and the quota of employees is determined using performance-based remuneration components.

Further information on the employee promotion programme and the key features of the remuneration can be found in the section 'Human resources report'.

2.6 SOCIAL COMMITMENT

Sixt Leasing considers it to be its duty to contribute towards society's well-being. Assuming social responsibility is a firm component in its entrepreneurial policy and corresponds with Sixt Leasing's identity, principles and values. The Company has set itself the goal of expanding on its social commitments, especially in issues referring to energy and the environment, as well as non-profitable work and its commitment in the charitable sector.

As a cooperation partner Sixt Leasing supports the independent 'Regine Sixt Kinderhilfe Stiftung', which is under the supervision of the government of Upper Bavaria. The foundation supports measures to improve the health conditions and living conditions of children and young people worldwide. In addition, facilities for care, education and vocational training as well as social welfare institutions are supported. Throughout the year, the 'Regine Sixt Kinderhilfe Stiftung' receives numerous proposals and applications from Sixt employees to support projects and initiatives that benefit children worldwide. The selection and implementation of the projects are carried out in close coordination between the Company and the foundation.

The Sixt Group bundles its employees' non-profit charitable commitment in the initiative entitled 'Sixt hilft' (Sixt helps) as part of the strategic partnership with the 'Regine Sixt Kinderhilfe Stiftung'. For many years now Sixt employees at their various work sites have been taking up the opportunity to engage in voluntary actions. This can take the form of visits to hospitals over Christmas or Easter as well as renovation work as part of children's aid projects that are supported by the 'Regine Sixt Kinderhilfe Stiftung'.

Conceptual chart: Social commitment

Objective	Measures	Performance indicator
Expanding social commitment	Drying Little Tears Days	./.
Continuing the partnership with the 'Regine Sixt Kinderhilfe Stiftung'	Supporting foundation projects to improve the health conditions and living conditions of children and young people worldwide and promoting institutions for care, education and vocational training as well as social welfare institutions	./.

The financial contributions and non-profit charity work provided over the last years has seen support going to institutions in Germany, Romania, Belarus, Israel, Palestine, South Africa and Kenya. Since 2010 over 100 projects and initiatives in over 40 countries have been supported and assisted.

MANAGEMENT REPORT ON THE SITUATION OF THE GROUP AND THE COMPANY

B \\ MANAGEMENT REPORT ON THE SITUATION OF THE GROUP AND THE COMPANY

B.1 \\ GROUP FUNDAMENTALS

1. BUSINESS MODEL OF THE GROUP

1.1 GROUP STRUCTURE AND MANAGEMENT

Sixt Leasing SE, Pullach, is a European Stock Corporation (Societas Europea) and the parent company of the Sixt Leasing Group, which mainly conducts its business under the business names of "Sixt Leasing", "Sixt Mobility Consulting", "Sixt Neuwagen" and "autohaus24". The Company has its registered offices in Zugspitzstrasse 1, 82049 Pullach/Germany, and is registered in the Commercial Register of Munich Local Court under docket number HRB 227195. The Company has been established for an indefinite period.

As a financial services company, Sixt Leasing SE is supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority) and has to comply with the minimum requirements for risk management of banks and financial services institutions (MaRisk).

The Company was founded 1975 in Munich as "Central Garagen CG GmbH" and has been trading since 2003 under the name "Sixt Autoland GmbH" with its registered offices in Garching close to Munich. Sixt Group's operative leasing business has been overseen by "Sixt Leasing GmbH" since 1988 and after its change of legal form into a stock corporation under the name "Sixt Leasing AG". In 2004 "Sixt Leasing AG" merged with the previous "Sixt Autoland GmbH". In the following "Sixt Autoland GmbH" changed its legal form to a stock corporation and continued under the name "Sixt Leasing AG". The Company's shares have been listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since its IPO on 7 May 2015. By approval of the Annual General Meeting on 1 June 2016 the Company was transformed by way of changing the legal form according to Art. 2 (4) in conjunction with Art. 37 SE-Reg to Sixt Leasing SE. The registration in the commercial register took place on 25 July 2016.

The Managing Board of Sixt Leasing SE manages the Company under its own responsibility. The Supervisory Board of Sixt Leasing SE, which consists of three members, appoints, monitors and advises the Managing Board and is directly involved in decisions of fundamental importance for the Company and the Group.

Sixt Leasing SE acts as an operative leasing company and is the parent company of the Sixt Leasing Group. It has directly or indirectly 100% shareholdings in the following subsidiaries, which also operate in the leasing or fleet management businesses of their respective countries:

- Sixt Location Longue Durée S.a.r.l., Paris/France
- Sixt Leasing (Schweiz) AG, Urdorf/Switzerland
- Sixt Leasing G.m.b.H., Vösendorf/Austria
- autohaus24 GmbH, Pullach/ Germany
- Sixt Mobility Consulting GmbH, Pullach/Germany
- Sixt Mobility Consulting S.a.r.l., Paris/ France
- Sixt Mobility Consulting AG, Urdorf/Switzerland
- Sixt Mobility Consulting Österreich GmbH, Vösendorf/Austria
- Sixt Mobility Consulting B.V., Hoofddorp/Netherlands
- SXT Leasing Verwaltungs GmbH, Rostock/Germany
- SXT Leasing Dienstleistungen GmbH & Co. KG, Rostock/Germany

In addition, the company Isar Valley S.A., Luxembourg (share of 0%, however, control according to IFRS 10) is fully consolidated.

Between Sixt Leasing SE and Sixt Mobility Consulting GmbH a profit and loss transfer agreement is in place.

As of reporting date 31 December 2017, the Company's share capital amounted to EUR 20,611,593.00 divided up into 20,611,593 ordinary bearer shares. The shares are no-par value shares with a notional interest in the share capital of EUR 1.00 per share. The shares are fully paid up.

The largest shareholder with 41.9% of the shares and voting rights is Sixt SE, Pullach.

Sixt Leasing SE is fully consolidated in the consolidated financial statements of Sixt SE in accordance with the provisions of IFRS 10. The necessary control is based in particular on the majority in the Supervisory Board of Sixt Leasing SE in favour of Sixt SE. Mr. Erich Sixt, Chairman of the Executive Board of

Sixt SE, is an elected member of the Supervisory Board and Mr. Georg Bauer is appointed as a member of the Supervisory Board by Sixt SE until February 15, 2018 and Mr. Dr. Bernd Metzner starting from February 16, 2018 in accordance with the Articles of Association of the Company.

In the course of the IPO Sixt Leasing SE and Sixt SE concluded a non-exclusive License Agreement in addition. It grants the use of Trademarks licenses for the use of "Sixt" as part of the commercial names (Firmenbestandteil) of the Company and its subsidiaries and as trademark for products provided by the Sixt Leasing Group. The License Agreement covers the use of certain word marks (Wortmarken) and word and design marks (Wortbildmarken) (the "Trademarks") as well as domain licenses.

Further agreements concluded between Sixt Leasing SE and Sixt SE and its subsidiaries are described in the notes to the consolidated statements under "related party disclosures".

1.2 GROUP ACTIVITIES AND SERVICES PORTFOLIO

The Sixt Leasing Group is organised into the two business units (segments) Leasing and Fleet Management.

1.2.1 LEASING BUSINESS UNIT

Through its Leasing business unit the Sixt Leasing Group acts as one of the largest non-bank, vendor-neutral leasing companies in Germany. In addition, the business unit is also represented by its operative subsidiaries in Switzerland, France, Austria and the Netherlands.

The Leasing business unit comprises the two business fields Fleet Leasing (corporate customer leasing) and Online Retail (private and commercial customer leasing).

In its Fleet Leasing business field, the Group offers lease financing and associated services (so-called full-service leasing) to corporate customers. Target customers for this business field are companies with an adequately sized fleet and vehicles from different manufacturers. Their fleets must have a certain complexity for Sixt Leasing to deploy its competitive strengths in a targeted fashion during independency, consulting and service. Next to the classic finance leasing, the offering includes a variety of services such as multi-brand online configuration, consulting on the vehicle selection, online approval procedure according to individual company guidelines, vehicle procurement, maintenance of the vehicles over the total contract period, tire changing, damage assistance and management incl. insurance handling as well as the management of fuel cards, vehicle taxes and broadcast contribution.

Based on Sixt Leasing Group's longstanding and extensive expertise in fleet procurement and fleet management, customers can expect the sustainable optimisation of the total cost of ownership of their fleets. The ratio of contracts which combine finance leasing with service components of various scope accounted for more than 80% of the total contract portfolio of the Fleet Leasing business field in the end of 2017.

Sixt Leasing SE operates its Online Retail business field via the two websites *sixt-neuwagen.de* and *autohaus24.de*. The platforms give private and commercial customers (with up to 20 vehicles) the opportunity to configure the latest vehicle models from about 35 different car manufacturers, to request their individual leasing offer and to order online. In addition, a large number of immediately available storage cars can be selected. Customers thereby benefit from Sixt Leasing's expertise and economies of scale when buying vehicles in the form of attractive conditions. With the online-based vehicle leasing for private and commercial customers the Company addresses an almost undeveloped market in Germany.

The Online Retail business field also offers additional services such as accident and breakdown management, an inspection package and an insurance package. At the end of 2017, more than 50% of private and commercial customer contracts contained at least one service component.

1.2.2 FLEET MANAGEMENT BUSINESS UNIT

The Sixt Leasing Group operates its Fleet Management business unit via Sixt Mobility Consulting GmbH and further subsidiaries of Sixt Leasing SE, which was founded in 2011. So the expertise in managing large-sized customer fleets can also be offered to customers, who purchased their vehicles or leased them from other providers. The target group for this service ranges from mid-sized businesses to international corporations.

Sixt Mobility Consulting combines the holistic fleet management with individual brand-independent consulting. It manages large customer fleets with the aim of achieving measurable quality and operating cost optimisation, and thus raising the efficiency of the fleets. To this end, just as in the Fleet Leasing business field, proprietary developed online-based IT tools like the Multibid Configurator, the FleetOptimizer and the Sixt Global Reporting Tool are used. The Multibid Configurator facilitates companies in freely configurating their fleet vehicles, comparing them with alternative vehicles and conducting tenders for certain vehicles among various leasing companies. Through the application of the FleetOptimizer, saving potentials at the existing customer fleets can be identified and measures can be derived to consistently reduce fleet costs.

With the Sixt Global Reporting Tool, customers have comprehensive transparency over all of the vehicles in operation internationally. It transnationally gives a consistent and continuous overview on relevant aspects like vehicle procurement and replacement, contractual agreements, adherence to security provisions as well as development of fleet costs, fuel consumption and CO_2 emissions. Moreover, the Sixt Global Reporting Tool also allows to show concrete potential for optimisation for vehicles that are not yet managed by Sixt Mobility Consulting. So possibly new mandates can be acquired.

1.3 SIGNIFICANT EXTERNAL INFLUENCING FACTORS

As an internationally active leasing group with a stock-listed parent company, the business activities of the Sixt Leasing Group are exposed to the influence of a number of different legal systems and stipulations/requirements. These include road traffic and public order stipulations, as well as tax and insurance laws, and capital and financial market regulations.

Economically, the Group is dependent on general economic conditions, which particularly affect the consumption behaviour of private customers and companies' willingness to invest as well as the development of the used car market. Next to these, changes in interest rates or in tax frameworks are key external factors that can have impact the Sixt Leasing Group's business operations, and thus influence the Group's business development. Likewise, social trends can also affect the demand for mobility services, as for example the increasing willingness of people to pay for the provision of mobility in form of a time-dependent using fee rather than for owning a vehicle.

2. BUSINESS MANAGEMENT

The long-term business success of the Sixt Leasing Group is measured by using pre-defined financial and operative control parameters. Non-financial performance measures play an insignificant role for the Sixt Leasing Group

The following financial and operative control parameters are particularly relevant:

- development of the contract portfolio by business field
- consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)
- consolidated earnings before taxes (EBT)
- consolidated operating return on revenue (EBT/operating revenue)
- equity ratio of the Group (equity/total assets).

The Sixt Leasing Group aims to achieve the following returns and ratios over the long term and therefore on a sustained basis:

- a consolidated operating return on revenue of 6%
- a Group equity ratio of at least 14%.

B.2 \\ BUSINESS REPORT

Due to rounding it is possible that selected figures in this report cannot be added up to the amount recorded and that the year figures listed do not follow from adding up the individual quarterly figures. For the same reason, the percentage figures listed may not always exactly reflect the absolute numbers to which they refer.

1. ECONOMIC ENVIRONMENT

Sixt Leasing Group with its subsidiaries operates in its domestic market in Germany as well as in France, Switzerland, Austria and the Netherlands. The Group's business activities in these markets are affected by a number of different factors, above all investment activities of businesses, the spending propensity of commercial and corporate customers, the consumer behaviour of private customers and the development of the used car market.

In 2017 the economy of the Euro area registered strong growth. According to the International Monetary Fund (IMF) the economic output increased year-on-year by 2.4%. Positive factors included increased global trade activities and a higher willingness of companies to invest. A stable monetary policy environment supported this development. The IMF even calculated growth of 3.7% for the global economy as a whole. The European economy benefited from the global upturn and therefore developed better than expected at the beginning of the year.

The German economy also continued to grow in 2017. Germany's Federal Statistical Office recorded an increase in price-adjusted gross domestic product of 2.2% over the previous year. Positive factors were above all private consumer spending, construction investments and investments by companies in equipment such as machinery, equipment and vehicles. According to the German Federal Statistical Office, almost all economic sectors made a positive contribution to economic development in 2017.

Sources
International Monetary Fund (IMF), World Economic Outlook, Update January 2018;
Federal Statistical Office (Destatis), Press Release, 11. January 2018.

2. GROUP BUSINESS PERFORMANCE OVERVIEW AND COMPARISON WITH FORECAST OF THE YEAR

The Sixt Leasing Group's operating performance in 2017 was largely in line with its own expectations at the beginning of the financial year. Group sales grew by 4.2% over the previous year to EUR 744.0 million. Group operating revenue (excluding sales revenues) reached EUR 454.4 million, an increase of 5.7%. The development was in line with expectations of a slight increase. Sales revenue increased by 2.0% to EUR 289.6 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by 2.5% to EUR 234.3 million in the year under review. Consolidated earnings before taxes (EBT) in 2017 fell by 5.9% compared to the previous year to EUR 29.7 million. At the beginning of the year, the Managing Board had expected growth in the high single-digit percentage range. As increased IT investments were made in the year under review and additional risk provisions for the residual values of leased vehicles were set aside in the third quarter, the Managing Board adjusted the forecast for Group EBT to around EUR 30 million on 19 October 2017. The operating return on revenue (ratio of EBT to operating revenue) was 6.5% in 2017 and thus still above the sustainable target of 6.0%.

The Group-wide contract portfolio as at 31 December 2017 rose by 17.0% year-on-year to 132,900 contracts. The significant increase exceeded the company's own expectations at the beginning of the year. In the course of the year under review, the Managing Board adjusted the forecast for the contract portfolio in the Online Retail business field (private and commercial customer leasing) at the end of 2017 in two steps upwards. Driven in particular by the successful sales cooperation with Peugeot and the mobile telecommunications and internet provider 1&1 Telecom GmbH in spring 2017 with the product 'flat rate for the road', the number of online retail contracts increased by 65.6% to 45,400 contracts. At the beginning of the 2017 financial year, 32,000 contracts were expected.

The Sixt Leasing Group was also able to further expand its contract portfolio in the corporate customer business. As expected, the number of contracts in the Fleet Leasing business field increased slightly to 48,100 contracts (+1.2%). In the Fleet

Management segment, the number of contracts also increased slightly by 1.9% to 39,400 contracts.

In addition to the Group's own contract portfolio, franchise and cooperation partners of Sixt Leasing SE in around 35 countries had a further 59,700 contracts under management as of 31 December 2017 (31 December 2016: 59,000 contracts; +1.1%).

Contract portfolio[1] in thousands	2017	2016	Change in %
Sixt Leasing Group	132.9	113.6	17.0
thereof Fleet Leasing	48.1	47.5	1.2
thereof Online Retail	45.4	27.4	65.6
thereof Fleet Management	39.4	38.7	1.9
Franchise and cooperation partners	59.7	59.0	1.1

[1] *Incl. leasing contracts, fleet management contracts, service contracts and order book (contracts, for which the vehicle has not yet been delivered).*

3. CONTRACT AND REVENUE PERFORMANCE

3.1 SIXT LEASING GROUP

The number of contracts of the Sixt Leasing Group inside and outside Germany (excluding franchise and cooperation partners) significantly gained 17.0% and amounted to 132,900 contracts as at 31 December 2017 (31 December 2016: 113,600 contracts). This further accelerated the growth in the number of contracts from previous years.

Consolidated revenue improved by 4.2% to EUR 744.0 million (2016: EUR 713.9 million). Consolidated operating revenue, which comprises leasing revenue (finance rate), other revenue from leasing business and fleet management revenue, increased by 5.7% year-on-year to EUR 454.4 million (2016: EUR 430.0 million). Sales revenue for lease returns and marketed customer vehicles in Fleet Management increased by 2.0% to EUR 289.6 million (2016: EUR 283.9 million).

3.2 LEASING SEGMENT

At 93,500 contracts, the number of contracts in the Leasing business unit at the end of the year under review was 24.7% higher than at 31 December 2016 (74,900 contracts). This increase was due in particular to the Online Retail business field, which was able to further strengthen its dynamic growth from previous years. Growth was supported by the 'flat rate for the road' campaign with Peugeot and 1&1, bringing the number of contracts to 45,400 at the end of the year under review. This represents an increase of 65.6% compared to the end of the previous year (27,400 contracts). The fleet leasing business segment increased its contract portfolio by 1.2% to 48,100 contracts (December 31, 2016: 47,500 contracts).

Total revenue of the Leasing business unit increased by 1.8% to EUR 637.8 million (2016: EUR 626.8 million). Operating revenue of the Leasing business unit (segment revenue excluding proceeds from the sale of leasing vehicles) increased by 3.6% to EUR 406.6 million (2016: EUR 392.5 million). Revenue from the sale of used leased vehicles amounted to EUR 231.2 million and was thus slightly below the figure for the previous year (EUR 234.3 million; -1.3%).

3.3 FLEET MANAGEMENT SEGMENT

The number of contracts in the Fleet Management business unit increased by 1.9% to 39,400 contracts at the end of 2017 (31 December 2016: 38,700 contracts).

The business unit significantly increased its total revenue in 2017, reaching EUR 106.1 million (2016: EUR 87.1 million; +21.9%). The business unit's operating revenue rose by 27.4% to EUR 47.8 million (2016: EUR 37.5 million). The significant growth resulted mainly from the complete takeover of Sixt Mobility Consulting AG in Switzerland in August 2016.

Revenue from the sale of customer vehicles grew by 17.7% to EUR 58.4 million (2016: EUR 49.6 million). In 2013, the business unit began to offer its customers the marketing of vehicles as an additional service. This offer has met with an increasing response in recent years.

4. EARNINGS DEVELOPMENT

Consolidated income statement (condensed) in EUR million	2017	2016	Absolute change	Change in %
Consolidated revenue	744.0	713.9	30.1	4.2
Thereof consolidated operating revenue[1]	454.4	430.0	24.4	5.7
Fleet expenses and cost of lease assets	460.7	439.3	21.4	4.9
Personnel expenses	33.0	25.0	8.0	32.1
Net other operating income/expense	-16.0	-21.0	5.0	-23.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	234.3	228.6	5.7	2.5
Depreciation and amortisation expense[2]	188.3	177.5	10.8	6.1
Earnings before interest and taxes (EBIT)	45.9	51.1	-5.1	-10.1
Net finance costs	-16.2	-19.5	3.3	-16.8
Earnings before taxes (EBT)	29.7	31.6	-1.9	-5.9
Operating return on revenue	6.5	7.3	-0.8 points	-
Income tax expense	8.8	6.9	1.9	27.0
Consolidated profit	20.9	24.6	-3.7	-15.2
Earnings per share[2] (in EUR) – basic and diluted	1.01	1.19	-0.18	-

1 *Leasing revenue (finance rate), other revenue from leasing business and fleet management revenue (without revenue from the sale of returned vehicles)*

2 *Based on 20.6 million shares*

Fleet expenses and cost of lease assets increased in line with consolidated revenue by 4.9% to EUR 460.7 million (2016: EUR 439.3 million).

Personnel expenses grew by 32.1% to EUR 33.0 million (2016: EUR 25.0 million). The increase is mainly due to the fact that around 160 employees at the Rostock location moved from an indirect subsidiary of Sixt SE to a newly founded direct subsidiary of Sixt Leasing SE at the beginning of the year. As the corresponding employees in Rostock have already provided services for the Sixt Leasing Group, which were charged to Sixt Leasing SE, the corresponding personnel costs were recorded under other operating expenses (other personnel expenses) until the end of 2016. In addition, the Sixt Leasing Group's headcount has also increased due to growth.

The balance of other operating income and expenses amounted to EUR -16.0 million, after EUR -21.0 million in the previous year (-23.8%). In addition to lower other sales and marketing expenses, this is due in particular to the reduction in other personnel expenses for the Rostock employees. This reduction results from lower cost transfer from the Sixt SE Group due to the organizational changes explained above. Higher costs for IT investments had an opposite effect.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by 2.5% to EUR 234.3 million (2016: EUR 228.6 million).

Depreciation and amortisation climbed 6.1% to EUR 188.3 million (2016: EUR 177.5 million). This increase is essentially due to the higher stock of leasing vehicles.

Consolidated earnings before interest and taxes (EBIT) of EUR 45.9 million were 10.1% less than the year before (2016: EUR 51.1 million).

Net finance costs in the year under review improved by 16.8% to EUR -16.2 million (2016: EUR -19.5 million). This was mainly due to lower interest expenses following the repayment of EUR 300 million for the Core Loan provided by Sixt SE in the middle of the year and the ongoing reorganisation of the Group financing.

For fiscal year 2017 the Sixt Leasing Group reports consolidated earnings before taxes (EBT) of EUR 29.7 million, 5.9% less than the year before (2016: EUR 31.6 million). Accordingly, the operating return on revenue (EBT to operating revenue) fell by 0.8 points to 6.5% (2016: 7.3%) and was thus still above the sustainable target of 6.0%

Income taxes increased by EUR 1.9 million to EUR 8.8 million (2016: EUR 6.9 million; 27.0%), mainly due to impairment losses for deferred taxes.

The Group's consolidated profit for the reporting year decreased to EUR 20.9 million after EUR 24.6 million in 2016 (-15.2%).

5. APPROPRIATION OF PROFIT

Sixt Leasing SE prepares its annual financial statements according to the provisions of the German Commercial Code (HGB) and the German accounting regulations for financial institutions and financial service institutions (RechKredV). For fiscal 2017 it reports unappropriated profits of EUR 29.9 million.

Subject to the approval of the Supervisory Board, the Managing Board and Supervisory Board of Sixt Leasing SE are proposing to the Annual General Meeting on 19 June 2018 to distribute these unappropriated profits as follows:

- payment of a dividend of EUR 0.48 per share
- carry-forward to new account EUR 20.0 million

This dividend proposal, which would result in a total dividend payment of EUR 9.9 million, reflects the Group's earnings performance in the year under review and also takes due account of the financing of the targeted further expansion. The dividend proposal would result in a pay-out ratio of around 47% of the consolidated profit for fiscal year 2017 and, therefore, lie in the communicated target range of 30 to 60%.

6. NET ASSETS

As at the end of 2017 the total assets of the Sixt Leasing Group amounted to EUR 1,442.8 million, EUR 270.6 million, or 23.1% more than at 31 December 2016 (EUR 1,172.2 million).

Non-current assets, which increased by EUR 198.9 million to EUR 1,232.4 million (2016: EUR 1,033.5 million; +19.2%), are still dominated by lease assets. Due to the expanded fleet, lease assets increased year-on-year by EUR 198.4 million, or 19.4% to EUR 1,219.2 million (2016: EUR 1,020.8 million). As a proportion of total assets it decreased slightly to 84.5% (2016: 87.1%). Among the other items of the non-current assets, intangible assets increased to the amount of EUR 5.9 million (2016: EUR 4.3 million; +36.7%).

Current assets increased year-on-year by EUR 71.8 million to EUR 210.5 million (2016: EUR 138.7 million; +51.8%). The main reason for this development are the other receivables and assets that increased by EUR 50.6 million to EUR 88.9 million as of reporting date (2016: EUR 38.3 million; +>100%), mainly due to higher delivery claims for vehicles in the leasing fleet.

Inventories, which mainly comprise vehicles of the leasing fleet and customer vehicles held for sale, were marginally up on the previous year at EUR 30.0 million (2016: EUR 29.9 million; +0.2%).

Trade receivables as of reporting date came to EUR 70.0 million, some EUR 14.8 million or 23.8% higher than the last year's figure of EUR 62.2 million.

The income tax receivables increased by EUR 3.8 million year-on-year to EUR 5.7 million (2016: EUR 1.9 million; +>100%).

Consolidated balance sheet (condensed) **Assets** in EUR million	**2017**	2016
Non-current assets		
Intangible assets	5.9	4.3
Lease assets	1,219.2	1,020.8
Other	7.2	8.3
Current assets		
Inventories	30.0	29.9
Bank balances	6.0	3.8
Other	174.5	105.0
Total assets	**1,442.8**	**1,172.2**

6.1 EQUITY

As at 31 December 2017 Sixt Leasing Group's equity amounted to EUR 205.1 million. The year-on-year increase of EUR 10.4 million, or 5.4%, as of reporting date is essentially the result of the Group profit generated minus the cash outflow for the dividend of EUR 9.9 million paid out in the reporting year for fiscal year 2016. The equity ratio decreased from 16.6% to 14.2% in terms of the balance sheet total and remains therefore above the minimum target of 14.0%.

As of reporting date the share capital of Sixt Leasing SE was unchanged at EUR 20.6 million.

Consolidated balance sheet (condensed) Equity and liabilities in EUR million	2017	2016
Equity	**205.1**	**194.7**
Non-current liabilities and provisions		
Financial liabilities	587.4	150.8
Liabilities to related parties	-	490.0
Other	20.2	14.8
Current liabilities and provisions		
Financial liabilities	278.5	203.0
Liabilities to related parties	193.9	3.8
Other	157.7	115.2
Total equity and liabilities	**1,442.8**	**1,172.2**

6.2 LIABILITIES

The Group reported non-current liabilities and provisions of EUR 607.6 million as of 31 December 2017 (31 December 2016: EUR 655.5 million; -7.3%). Non-current liabilities to related companies decreased from EUR 490.0 million to EUR zero. This is partly due to the scheduled early repayment at the end of June of a partial loan amount of EUR 300.0 million from the Core Loan provided by Sixt SE. On the other hand, the remaining EUR 190.0 million from the Core Loan was reclassified to short-term liabilities to related parties, as this partial amount is to be repaid to Sixt SE by the end of 2018 at the latest as agreed.

Non-current financial liabilities increased significantly from EUR 150.8 million to EUR 587.4 million (+>100%). In order to refinance the repayment of the partial amount of EUR 300.0 million from the Core Loan to Sixt SE, Sixt Leasing SE placed a four-year bond for EUR 250.0 million in January 2017 and used additional volume from the Asset Backed Securities (ABS) programme.

Current liabilities and provisions as of 31 December 2017 significantly increased to EUR 630.1 million (2016: EUR 322.0 million; +95.7%). This increase was largely due to the increase in current liabilities to related parties from EUR 3.8 million to EUR 193.9 million as a result of the reclassification of the final portion of the Core Loan of EUR 190.0 million due in 2018. In addition, current financial liabilities increased by EUR 75.6 million to EUR 278.5 million (31 December 31 2016: EUR 203.0 million; +37.2%), mainly due to the increased use of the ABS volume.

Trade payables also increased by EUR 38.4 million or 63.9% from EUR 60.2 million to EUR 98.6 million, mainly due to the increase in vehicle purchases.

7. FINANCIAL POSITION

7.1 FINANCIAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The financial management of the Sixt Leasing Group is centralised within the finance department on the basis of internal guidelines and risk policies as well as a monthly Group finance planning. The key tasks overseen include safeguarding liquidity, cost-oriented long-term coverage of financing requirements of the consolidated companies, managing interest rate and credit risks as well as maturity-matching refinancing. Operative liquidity control and cash management are effected centrally by the Group's Finance department for all consolidated companies and in some cases are overseen by taking recourse to the central treasury functions of Sixt SE.

Prior to the Company's IPO in May 2015, Sixt Leasing SE concluded a Financing Agreement with Sixt SE. Under this agreement Sixt Leasing SE is provided with a amortisable loan of EUR 750 million (Core Loan) from Sixt SE until the end of 2018.

The structure of the Financing Agreement includes repayment options and aims to reduce the existing liabilities towards Sixt SE over the term of the loan. The Core Loan is divided up into three partial amounts of up to EUR 260 million (the First Partial Loan Amount), up to EUR 300 million (the Second Partial Loan Amount) and up to EUR 190 million (the Third Partial Loan Amount). Each of the partial loan amounts must be repaid by predefined dates, however, can also be prepaid at defined dates to avoid a step-up in interest rates.

After the repayment of a first instalment in the amount of EUR 51 million in July 2015 another amounts of EUR 209 million in June 2016 as well as EUR 290 million in June 2017 were redeemed. As at 31 December 2017 the total outstanding amount under the Financing Agreement with Sixt SE is EUR 190 million.

In accordance with the Financing Agreement and in addition to the Core Loan, Sixt SE grants Sixt Leasing SE a maturity loan of up to EUR 400 million (Growth Loan), whereby a maximum of EUR 100 million can be utilised per year 2015 to 2018. Any loan amounts that are not utilised by the end of these calendar years are not available later or after the respective calendar year. All amounts drawn under the Growth Facility must be repaid by 31 December 2018. The Growth Loan may only be used for refinancing operative business, in particular for the settlement of liabilities due and for the redemption of the outstanding amounts of the Core Loan. For the total period 2015 to 2018 Sixt Leasing SE did not make use of the Growth Loan.

Besides the loans provided by Sixt SE, Sixt Leasing SE has negotiated bilateral credit lines with several banks in the amount of around EUR 400 million, set up an asset backed securities (ABS) programme with a total volume of EUR 500 million and placed a bond in amount of EUR 250 million and a borrower's note loan in the amount of EUR 30 million. Moreover, the Company uses sale-and-lease-back transactions (purchase loans) for refinancing.

As at the end of 2017, the Sixt Leasing Group was primarily financed by the following instruments:

- Bond with a nominal value of EUR 250 million maturing in 2021, coupon of 1.125% p.a.
- Core Loan with a nominal value of EUR 190 million, maturing up to 2018 and bearing a coupon of 3.00% p.a. and 4.60% p.a. respectively
- Current and non-current drawings from the ABS programme with variable market interest rates, maturing up to 2022
- Current drawings from bank loans with variable market interest rates
- Borrower's note loan of EUR 30 million, maturing in 2020
- Purchase loans of around EUR 14 million with variable market interest rates, maturing up to 2020

7.2 LIQUIDITY POSITION

Consolidated Cash flow statement (condensed)	2017	2016
in EUR million		
Gross Cash flow	216.7	194.8
Net cash flow used in operating activities	-197.4	-53.0
Net cash flow used in investing activities	-2.7	-1.0
Net cash flow from financing activities	202.3	39.1
Net change in cash and cash equivalents	**2.2**	**-15.0**

For 2017, the Sixt Leasing Group reports a gross cash flow of EUR 216.7 million, which is EUR 21.9 million above the figure for the preceding year (EUR 194.8 million). Adjusted for changes in net working capital this results in a net cash outflow from operating activities of EUR 194.7 million (2016: net cash outflow of EUR 53.0 million). The change is essentially due to significant higher expenses for investments made in lease assets as a result of the strong growth in contracts.

Net cash used in investing activities amounted to EUR 2.7 million (2016: cash outflow of EUR 1.0 million), essentially due to the investments made in intangible assets and property, plant and equipment.

Financing activities resulted in a cash inflow of EUR 202.3 million (2016: cash inflow of EUR 39.1 million). The payments received from the bond placement and the higher utilisation of the ABS programme are netted against the repayment of a portion of the Core Loan to Sixt SE and the dividend payment.

After changes relating to exchange rates, total cash flow resulted in a year-on-year slight increase in cash and cash equivalents as at 31 December 2017 by EUR 2.2 million (2016: decrease of EUR 15.0 million). Cash and cash equivalents correspond to the item 'bank balances' in the balance sheet.

7.3 INVESTMENTS

In 2017 the Sixt Leasing Group added vehicles with a total value of EUR 619.2 million (2016: EUR 471.7 million; +31.3% to the leasing fleet.

8. SEGMENT REPORTS

8.1 LEASING SEGMENT

8.1.1 INDUSTRY DEVELOPMENT

During the first half of 2017 the European leasing industry recorded a generally positive development. According to the industry association Leaseurope, the volume of new business grew 4.7% year-on-year to EUR 164.3 billion compared to the same period last year (first half of 2016: EUR 157.0 billion). The new business volume in the leasing of equipment and vehicles climbed from EUR 150.5 billion to EUR 157.7 billion, a gain of 4.8%. At the time of preparation of this annual report, Leaseurope did not yet have any key figures on the development of the European leasing industry in 2017 as a whole.

The German leasing market, being the second biggest in Europe after the UK, also developed positively. For 2017 the Bundesverband Deutscher Leasing-Unternehmen e.V. (BDL – German Association of Leasing Companies), registered an 5.7% increase in leasing solutions, up from EUR 55.3 billion to EUR 58.5 billion. Of these some EUR 57.3 billion was attributable to the leasing of moveable assets, which is 6.5% more than the year before (2016: EUR 53.8 billion). At 77.0% the new business in vehicle leasing with passenger and utility vehicles makes up by far the largest portion in the leasing market (2016: 75.0%).

Sources
Leaseurope, Biannual Survey 2017, 20.10.2017;
Leaseurope, Biannual Survey 2016, 24.*10.2016;*
Bundesverband Deutscher Leasing-Unternehmen e.V. (BDL – German Association of Leasing Companies), Leasing-Markt 2017, 22.11.2017.

8.1.2 BUSINESS DEVELOPMENT

Key figures Leasing business unit in EUR million	**2017**	2016	Change in %
Leasing revenue (finance rate)	227.6	219.9	3.5
Other revenue from leasing business	179.0	172.6	3.7
Sales revenue	231.2	234.3	-1.3
Total revenue	637.8	626.8	1.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	230.0	224.8	2.3
Earnings before interest and taxes (EBIT)	41.7	47.3	-11.8
Earnings before taxes (EBT)	25.6	28.0	-8.7
Operating return on revenue (%)	6.3	7.1	-0.8 points

The Leasing business unit comprises the business fields of Fleet Leasing (corporate customer leasing) as well as Online Retail (private and commercial leasing customers). In 2017 it recorded a positive operative business performance and an increase in the number of contracts and revenue.

All in all, the business unit generated total revenue of EUR 637.8 million, after EUR 626.8 million the year before (+1.8%). The segment's operating revenue amounted to EUR 406.6 million and was above the previous year's figure (EUR 392.5 million; +3.6%). Leasing revenue (finance rate) increased by 3.5% to EUR 227.6 million (2016: EUR 219.9 million), a development that was driven essentially by the ongoing dynamic contract portfolio growth in the Online Retail business field. Other revenue from leasing business (mainly revenue from service) increased by 3.7% to EUR 179.0 million (2016: EUR 172.6 million) as well. Revenue from the sale of returned vehicles decreased in the year under review by 1.3% to EUR 231.2 million (2016: EUR 234.3 million).

The segment's number of contracts as at 31 December 2017 totalled 93,500, an increase of 24.7% compared to the figure recorded at the same date the year before (31 December 2016: 74,900 contracts). In the Fleet Leasing business field the number of contracts slightly increased to 48,100 (31 December 2016: 47,500; +1.2%). With a growth rate of 65.6%, the Online Retail business field once again exceeded the strong growth of previous years. This represents a portfolio of 45,400 contracts at the end of 2017 (31 December 2016: 27,400 contracts).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the business unit improved by 2.3% to EUR 230.0 million (2016: EUR 224.8 million). Earnings before taxes (EBT) fell by 8.7% to EUR 25.6 million (2016: EUR 28.0 million). The main reasons for this were higher growth investments in IT and personnel, slightly lower margins in new business in the fleet leasing business segment due to intense competition in this market and a slight decline in the earnings contribution from the marketing of used leasing vehicles. On the other hand, the reduction in average interest costs due to the restructuring of Group financing had a positive effect. Against this background, the unit's operating return on revenue (EBT/operating segment revenue) fell by 0.8 points from 7.1% to 6.3% in 2017.

Positioning as an industry expert: In April 2017, Sixt Leasing launched 'Sixt Leasing Fleet Day', a series of events to bring together industry leaders to discuss the latest trends in fleet management and develop new approaches to future challenges. The first two Fleet Days in Hamburg in cooperation with Shell and in Berlin in cooperation with TOTAL focused on topics such as alternative drives and digitalisation. With the events Sixt Leasing experienced a very positive response, both from the participants and from leading trade media.

Regional sales approach: Promotion of customer satisfaction: In the year under review, Sixt Leasing launched a regional sales concept in Germany in order to increasingly address customers with a fleet size of 20 to 80 vehicles. The aim is to be represented in five regions by local sales and purchasing specialists. Sixt Leasing expects attractive margin potential and a broader diversification of the customer portfolio from the acquisition of smaller company fleets.

Expansion of international presence: Sixt Leasing has been cooperating with a strong franchise partner in Iceland since January 2017 to offer full-service solutions to fleet customers in the island state.

Promotion of customer satisfaction: Sixt Leasing customers are regularly interviewed on their satisfaction, to which end the Company deploys a special CSI tool (Customer Satisfaction Index). With the help of this tool the users of leasing vehicles as well as the fleet managers can provide detailed feedback on service quality. Sixt Leasing uses these data to continually optimise the service range to match customer wishes and requirements.

In 2017 the CSI tool once more indicated a persistently high degree of customer satisfaction. 88% of those surveyed stated that they intended to recommend Sixt Leasing (2016: 88%) and 95% indicated that they plan to continue using Sixt Leasing's solutions in future (2016: 94%).

Online Retail business field

Digitalisation of new vehicle sales: In 2017, the focus in the Online Retail business unit was on the further digitalisation of new car sales, in particular through new offers on the bank and manufacturer-independent online platform *sixt-neuwagen.de*. Here, private and commercial customers have the opportunity to individually configure the vehicles of their choice and lease them at particularly favourable terms. They benefit not only from the attractive conditions that Sixt Leasing can offer as a buyer of large quantities of vehicles, but also from a large selection of freely configurable vehicles from around 35 brands. In addition, customers can also choose from a large number of vehicles immediately available from the dealer, which can be included in a leasing contract at short notice. At the end of 2017 Sixt Leasing listed more than 10,000 such vehicles on *sixt-neuwagen.de*.

Product innovations: In the period under review, Sixt Leasing launched a number of new products in the Online Retail business unit. The highlight in 2017 was the introduction of the 'flat rate for the road'. In order to place the offer on the market, the company entered into a cooperation with the mobile telecommunications and internet provider 1&1 Telecom GmbH. Private customers who ordered an all network flat rate from 1&1 had the opportunity to use a new car flat rate from *sixt-neuwagen.de* in a fully digital ordering process for the first time. The flat rate included a flexible 12 to 30 month use of an extensively equipped Peugeot 208 including registration, transfer, taxes and insurance from EUR 99.99 (incl. VAT) per month. The supply met with very high demand. A broad-based advertising campaign also led to a significant increase in brand awareness of Sixt Neuwagen and the online platform *sixt-neuwagen.de*.

Following the first flat rate, Sixt Leasing introduced an 'electric flat rate for the road' in November 2017 in cooperation with Yello Strom GmbH. The offer included the use of an extensively equipped BMW i3 'E-Mobility Edition' from EUR 249.00 per month (incl. VAT) and was also very positively received by customers.

In connection with the measures taken by the automotive industry to improve air quality, Sixt Leasing added the environmental bonuses of several car manufacturers to its *sixt-neuwagen.de* offering in August and September 2017. Private and commercial customers were able to benefit from significant discounts of up to EUR 10,000 per vehicle when purchasing a new car from Audi, BMW, Fiat, Ford, Mazda, Mini, Nissan, Porsche, Seat, Skoda and VW. The prerequisite was that they could prove to the manufacturer of the new car that an old diesel car had been scrapped by a certified recycler.

Sixt Leasing also launched an offer for campervans. Private and commercial customers can now also lease campervans such as the VW California or the Mercedes-Benz Marco Polo affordably at *sixt-neuwagen.de*. Thus Sixt Leasing enters the growth market for motorhomes and offers customers an attractive alternative to pruchasing. According to the Kraftfahrt-Bundesamt (German Federal Motor Transport Authority), the number of new registrations in this vehicle segment rose by almost 24% in 2016 compared to the previous year to around 35,000 vehicles and thus reached a record level for the sixth year in succession. According to projections by the Caravaning Industry Association, a total of around 460,000 motorhomes are used in Germany.

Integration of autohaus24.de: The integration of the subsidiary autohaus24 GmbH, acquired in 2016, into the Sixt Leasing Group was successfully completed in the year under review. In April 2017 *autohaus24.de* was also awarded by the ADAC as the best online portal for the purchase of new cars. The platform received the overall grade 'good' and was thus able to assert itself against nine other competitors. It was the only portal in the test categories 'discount', 'transparency' and 'user-friendliness' to receive the rating 'good'. Overall, the ADAC awarded the overall marks 'good' twice, 'sufficient' seven times and 'inadequate' once.

Source
Caravaning Industrie Verband e.V. (CIVD), Annual report 2016/2017.

8.2 FLEET MANAGEMENT SEGMENT

8.2.1 INDUSTRY DEVELOPMENT

According to Sixt Leasing, the general demand for fleet management services has increased in 2017. The willingness of companies to outsource the management of their vehicle fleets to external specialists and to benefit from numerous advantages is increasing. These include cost and planning security, the use of individually tailored solutions, specialised know-how of the fleet service provider, the protection of personnel resources and the opportunity to make greater use of own capacities for the core business.

Overall, the potential market for fleet management in Germany continues to grow. According to Dataforce, at the beginning of 2017 the company fleets from a size of 300 vehicles comprised a total of around 470,000 vehicles, 5.8% more than in the previous year (2016: 444,000 vehicles).

While interest in fleet management is growing, customers' expectations are also increasing. According to Sixt Leasing, fleet management is becoming increasingly complex. This means that fleet managers have to develop tailor-made mobility solutions and combine integrated fleet management with individual advice. In the course of digitalisation, they must also develop interfaces for the increasing exchange of data in order to fulfil their role as mediators between the various players in the mobility market. Sixt Leasing regularly informs its customers about changes and carries out fleet analyses in order to adapt strategies if necessary.

Source
Dataforce, Analysis of new vehicle registrations and existing data 2017.

8.2.2 BUSINESS DEVELOPMENT

Key figures Fleet Management business unit in EUR million	**2017**	2016	Change in %
Fleet management revenue	47.8	37.5	27.4
Sales revenue	58.4	49.6	17.7
Total revenue	106.1	87.1	21.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	4.3	3.8	11.7
Earnings before interest and taxes (EBIT)	4,3	3.8	11.8
Earnings before taxes (EBT)	4.1	3.5	16.3
Operating return on revenue (%)	8.6	9.4	-0.8 points

The Fleet Management business unit of the Sixt Leasing Group that is operated by Sixt Mobility Consulting GmbH and other subsidiaries of Sixt Leasing SE continued to develop positively in 2017.

Total revenue of the business unit reached EUR 106.1 million in the reporting year and were thus 21.9% above the previous year's level of EUR 87.1 million. Operating segment revenue increased by 27.4% to EUR 47.8 million (2016: EUR 37.5 million).

Revenue from the sale of customer vehicles rose by 17.7% to EUR 58.4 million in 2017 (2016: EUR 49.6 million). In 2013, the business unit began to offer the remarketing of customer vehicles as a further service. These activities were successively expanded with increasing success.

At 39,400 contracts, the business unit's contract portfolio as of 31 December 2017 was 1.9% higher than on the same date last year (31 December 2016: 38,700 contracts).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the business unit increased by 11.7% to EUR 4.3 million (2016: EUR 3.8 million). Earnings before taxes (EBT) developed even more positively and grew by 16.3% to EUR 4.1 million (2016: EUR 3.5 million). The operating return on revenue (EBT/operating segment revenue) declined by 0.8 percentage points from 9.4% to 8.6%, in particular due to increased IT investments in 2017.

Digitalisation of fleet management: As in the Online Retail business field, in Fleet Management the focus was on digitalisation in fiscal 2017. The activities focused in particular on the successful marketing of innovative IT solutions that help fleet managers to reduce costs. Sixt Mobility Consulting has a broad portfolio with Sixt Global Reporting, Sixt Multi-Bidding and Sixt Fleet Intelligence. The Sixt Leasing app also continued to be used extensively.

Award winning fleet management: In November 2017, Sixt Mobility Consulting was named 'Top Performer' in the category 'Fleet Management' by the independent trade journal 'Autoflotte', as in the previous year. The new award confirms the excellent reputation of Sixt Mobility Consulting's fleet management and shows that fleet managers in companies continue to appreciate the individual solutions.

In addition, two major customers of Sixt Mobility Consulting received awards from the leading European specialist magazin for international fleet and mobility provider 'Fleet Europe': Siemens AG received the Global Fleet Manager of the Year Award, another Dax representative won the International Fleet Innovation Award. Together with Sixt Mobility Consulting, Siemens developed comprehensive digitalisation processes that led to significant productivity gains in Germany.

Increasing customer satisfaction: Fleet managers of Sixt Mobility Consulting customers are also regularly asked about their satisfaction, from which a Customer Satisfaction Index (CSI) is calculated. The CSI tool again showed a significant increase in customer satisfaction in 2017. 97% of the respondents said they recommended Sixt Mobility Consulting (2016: 74%), 97% said they wanted to continue using Sixt Mobility Consulting solutions in the future (2016: 87%).

B.3 \\ HUMAN RESOURCES REPORT

1. STRATEGIC HUMAN RESOURCES WORK

Sixt Leasing Group attaches great importance to all its employees focusing strongly on providing services with a clear service mentality. This applies to the development of customised and demand-oriented product solutions as well as competent, comprehensive, committed and customer-friendly service. This becomes reality when employees make the wishes and requirements of customers their own and manage to excite them of Sixt over the long term. The employees are therefore a key success factor for the Company.

For this reason Sixt Leasing attaches strategic importance to its human resources work. The holistic approach covers the extensive recruitment process, apprenticeships and further training as well as the employees' professional and personal development. When searching and selecting employees Sixt Leasing puts great stress on making sure the candidates are a match for the company and its culture. By the same token, the company must also suit the future member of staff. This is of special significance when searching for and above all during the interview with the candidate. The same approach applies to those new to the profession as well as trainees. Whenever a new member of staff begins to work for Sixt Leasing a very individually prepared onboarding process gets started. It includes both the professional as well as the personal introduction to the respective work department and the entire company.

During the employment term the company engages in a proactive feedback culture and makes sure superiors and employees meet for regular appraisal interviews that go in both directions. Feedback tools such as the regularly employee satisfaction surveys (the so-called Employee Excitement Score) as well as supporting 360-degree feedback (manager assessments, which compare employee self-assessments with those of superiors, colleagues and employees) serve both the employees and Sixt Leasing, as indicators and bases for future development and promotion programmes tailored to the respective employee. Further to these, all employees have access to the Sixt-Colleges where they can choose from a variety of seminars for further training, which can then be selected in agreement with the executive superior and attended.

Sixt Leasing thus ensures continuous personnel development geared to the individual requirements and needs of the employees. Human resources work aims to enable employees to act autonomously and responsibly, seeking to continually improve Sixt Leasing's products and services and not only meet the changing mobility requirements of their customers but also support them actively.

Talent promotion, employee development and leadership training of Sixt Leasing are integrated into the central human resources management of the Sixt SE Group.

Apprenticeships and traineeships

Sixt offers young people qualified and sustainable professional training. The scope of apprenticeships ranges from commercial officers for office management, through to commercial officers in the automotive industry to IT specialists for application development. Personnel development starts as early as the training courses. Together with universities Sixt offers so-called (German) dual degree courses, for example majoring in service sector marketing, international business, accounting & controlling, media management & communication as well as (business) computer science Sixt Leasing SE did not employ apprentices in 2017. However, the apprentices pass business divisions of Sixt Leasing SE und build up relevant know-how.

In addition, Sixt offers graduates trainee programmes in different divisions and prepares them for prospective professional and leadership functions. The graduate trainee programme of Sixt Leasing SE runs for 18 months. During this time, trainees also have the opportunity to gather working experience in foreign subsidiaries. Apprentices, students engaging in a dual degree course and trainees who perform well get offered a take-over contract into employment with Sixt at the end of their training.

Promotional programmes

Sixt offers its employees many different national and international career paths. Thus, employees can use a variety of on-the-job options for their professional and personal development. Key elements in the executive development are the promotion programmes entitled 'Future Leader', 'Leadership Excellence' and 'Supervisor'. They serve, among other things, to identify colleagues with particular development potential, offer them structured promotion and thus train future top performers and executives. Over 164 employees of the Sixt Group participated in this programme during the year 2017 (2016: over 90 employees).

Sixt Colleges

Sixt runs a number of training centres in Germany and abroad, where employees of all ranks and functional levels receive further training in a wide range of different fields. These face-to-face training courses are supplemented by e-learning content. The Sixt Colleges additionally coordinate training and education seminars in the Sixt Corporate countries, as well as the apprenticeships of vocational trainees.

The seminar programme covered by the Sixt College teaches key competencies such as improving advice and consultation, management skills or professional expertise. In addition, the courses include extensive further training for all employees in, among others, foreign languages, IT as well as soft skills.

2. NUMBER OF EMPLOYEES

Number of employees per segment (average)	2017	2016
Leasing	502	329
Fleet Management	45	41
Total	**547**	**370**

The Sixt Leasing Group employed 547 people on average in 2017, an increase of around 48% over the previous year (2016: 370). The significant increase in the number of employees resulted in particular from the organisational change of around 160 employees from an indirect subsidiary of Sixt SE to a newly founded, direct subsidiary of Sixt Leasing SE at the beginning of the year. The relevant employees in Rostock have already provided services for the Sixt Leasing Group. In addition, there was a further growth-related increase in personnel in the Online Retail business field.

3. KEY FEATURES OF THE REMUNERATION SYSTEM

3.1 EMPLOYEES OF SIXT LEASING SE

Sixt Leasing SE conducted a self-assessment of its institution as defined by the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung - InstitutsVergV) and by its own account does not belong to the so-called major institutions, especially as its balance sheet total for the last three fiscal years was significantly less than EUR 15 billion. Moreover, in the view of Sixt Leasing SE, the remuneration structure as well as the nature, scale, complexity, risk content and international scope of its business activities do not merit any other assessment.

The components of the remuneration systems outlined in the following are not different for the various business divisions and are therefore described as a whole. In case of individual discrepancies, these will be explicitly referenced and the specifics of that business division explained. No external consultants were enlisted for the set-up of the remuneration systems.

The Managing Board of Sixt Leasing SE is responsible for the appropriate structure of the employees' remuneration systems. The Managing Board informs the Supervisory Board of Sixt Leasing SE once every year on the actual structure of the remuneration systems, taking due account of the requirements of the InstitutsVergV. Arranging the remuneration system for the Managing Board of Sixt Leasing SE in turn comes under the responsibility of the Supervisory Board of Sixt Leasing SE. The control units (especially internal audit, compliance, human resources and risk management) are integrated into the arrangement and monitoring of the remuneration systems in accordance with the stipulations of the InstitutsVergV.

The remuneration system and strategy of Sixt Leasing SE are based on two components: a basic remuneration befitting market and functional role, and on the other hand a performance-based variable remuneration component (target agreement system). Remuneration, above all the variable remuneration component, is aligned to the business and risk strategies of Sixt Leasing SE.

All employees receive a fixed annual salary to be paid out in 12 equal instalments monthly after each month (basic remuneration). Key parameters determining the remuneration unrelated to performance are the function as well as the scope of assignments and responsibilities held and the associated decision-making powers. Besides their basic remuneration, most employees receive a variable remuneration pro-rated for the year and contingent on the Company's success and/or their personal target attainments. The variable remuneration component depends on the functional role, the hierarchical as well as the personal target attainment level. The ratio between the basic and the variable remuneration component can vary anywhere between around 60:40 through to around 95:5 (in each case assuming a 100% target attainment). The personal targets are deduced over the various functional levels from the overall corporate objectives. Consequently any personal target attainment takes due consideration of the target attainment of the individual employee's organisational unit. Usually in September, employees receive a down-payment on the expected variable salary payment, as far as variable salary payment for the current fiscal year is expected. The final payment will be made with the salary payment after the close of the fiscal year but no later than three months after the end of the fiscal year. The Managing Board receives its variable remuneration after adoption of the annual financial statements.

In addition, the Company grants its employees voluntary benefits in the form of employee vehicle leasing or, depending on the internal classification, the usage of a company car.

The Managing Board of Sixt SE, which until the IPO in May 2015 was the 100% parent company and presently is the largest single shareholder with an interest of 41.9%, has resolved that until the IPO previously selected employees should be given the opportunity to participate in an employee equity participation programme (Matching Stock Programme).

In addition, the 2017 Annual General Meeting authorised the Managing Board to establish a stock option programme (stock option programme 2017) to issue up to 500,000 subscription rights to shares of the Company to selected executives of the Company and members of the management of affiliated companies by 28 June 2020. Each subscription right entitles the holder to subscribe to one no-par value bearer share of the Company against payment of an exercise price defined in more detail in the resolution of the Annual General Meeting and has a term of seven years. The exercise of the subscription rights is also linked to the achievement of certain performance targets. The subscription conditions may provide that the Company may grant the beneficiaries treasury shares or a cash payment instead of new shares from conditional capital in order to service the subscription rights. So far, no use has been made of the authorisation to issue subscription rights.

The structure of remuneration and of the remuneration systems is appropriate as defined by section 5 of the InstitutsVergV. Above all, the combination of the existing strategies, the business model, the organisational set-up and competence rules with the existing remuneration structure do not provide incentives to take on disproportionately high risks and do not conflict with the monitoring function of the control units. In addition, Sixt Leasing SE is not aware of any member of the Managing Board or other member of staff being significantly dependent on a variable remuneration. Entitlements established in individual contracts to benefits in the event of termination of activities are not created in an amount which remains unchanged despite any negative individual performance contributions. The structure of the remuneration runs not counter to the control function of the control units. Special attention was given to ensure that the structure of the variable remuneration systems for the employees in the control units are not concurrent with the departments controlled and the organisational units monitored by them so that there is no threat of a conflict of interest.

The requirements of section 10 of the InstitutsVergV were also satisfied. Moreover, the emphasis of the remuneration structure regarding the control units' staff is on their fixed remuneration (section 9 (2) of the InstitutsVergV).

3.2 MANAGING AND SUPERVISORY BOARDS OF SIXT LEASING SE

The remuneration paid to members of the Managing Board and Supervisory Board meets the statutory requirements that were valid at the time at which the remuneration was determined and complies largely with the recommendations and suggestions contained in the German Corporate Governance Code.

It is the Supervisory Board's responsibility to determine the remuneration paid to members of the Managing Board of Sixt Leasing SE. The structure of the remuneration system is regularly reviewed to test its appropriateness. The Managing Board's remuneration comprises fixed and variable components, which are reported as a total amount for all Managing Board members.

The fixed component is commensurate with the responsibilities and the individual performance of the Board member concerned. In addition to the fixed basic salary, the members of the Managing Board – like other senior executives of the Sixt Leasing Group – also receive non-cash benefits such as company cars, mobile phones and accident insurance contributions. Furthermore, a D&O insurance policy has been taken out for the members of the Managing Board.

The variable portion of the remuneration is based on consolidated earnings before taxes (EBT) of the Sixt Leasing Group. Variable remuneration only becomes payable to Managing Board members once a defined minimum EBT has been reached. Furthermore, the variable remuneration becomes payable to individual Managing Board members subject to certain conditions. In one case, payment of the variable remuneration is dependent on the portfolio of leasing contracts (i.e. without fleet management contracts) and its comparison with the previous year. In another case, the default rate on receivables from customers must not exceed a specific threshold value. Contracts of service with Managing Board members impose a cap on the variable portion of the remuneration. The variable remuneration is paid out at defined dates within not more than three years. Until the IPO of the Company in May 2015, a share-based payment component existed for members of the Managing Board by participating in the employee equity participation programme (Matching Stock Programme) of Sixt SE. Details of the programme are outlined in the Corporate governance report.

Furthermore, the 2017 Annual General Meeting authorised the Supervisory Board to establish a stock option programme (stock option programme 2017) to issue up to 500,000 subscription rights to shares of the company to members of the Managing Board by 28 June 2020. Each subscription right entitles the holder to subscribe to one no-par value bearer share of the Company against payment of an exercise price defined in more detail in the resolution of the Annual General Meeting and has a term of seven years. The exercise of the subscription rights is also linked to the achievement of certain performance targets. The subscription conditions may provide that the Company may grant the beneficiaries treasury shares or a cash payment instead of new shares from conditional capital in order to service the subscription rights. To date, no use has been made of the authorisation to issue subscription rights

The remuneration paid to members of the Supervisory Board is governed by the Articles of Association of Sixt Leasing SE. These provide solely for a fixed component and therefore do not specify any variable performance-based components. Each member of the Supervisory Board receive a fixed remuneration of EUR 40,000 in each financial year and the chairman receives EUR 50,000. If a member and/or the Chairman of the Supervisory Board holds office for less than a full financial year, the above remuneration is paid pro rata for the actual time the individual is a member of the Supervisory Board or holds the office of Chairman. The remuneration is payable after the end of each financial year. In addition, the members of the Supervisory Board are reimbursed for their expenses and the value added tax payable on their remuneration and expenses. D&O insurance policies have also been taken out for members of the Supervisory Board.

The Group has no pension obligations towards members of the Managing Board or members of the Supervisory Board. For further details of the remuneration paid to members of executive bodies, please refer to the section entitled ‘Total remuneration of the Supervisory Board and Managing Board of Sixt Leasing SE’ in the notes to the consolidated financial statements.

B.4 \\ DISCLOSURES IN ACCORDANCE WITH SECTIONS 289A AND 315A OF THE HGB

Composition of subscribed capital, share categories
As at 31 December 2017, the share capital of Sixt Leasing SE amounted to EUR 20,611,593.00 in total and was composed of 20,611,593 ordinary bearer shares. The Company's shares are no-par value shares with a notional interest in the share capital of EUR 1.00 per share. All the shares have been fully paid up. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act (Aktiengesetz – AktG), in particular by sections 12, 53a et seq., 118 et seq. and 186 of the AktG.

Restrictions on voting rights or the transfer of shares
Each ordinary share entitles its holder to one vote at the Annual General Meeting and determines the shareholder's portion on the Company's profit. Exempted are any treasury shares held by the Company, which do not confer any rights onto the Company. In cases of section 136 of the AktG the voting right for the concerned shares is excluded by law.

The Company's Articles of Association do not impose any restrictions on voting rights. Equally, they do not impose any restrictions on the transfer of shares. The Managing Board is not aware of any restrictions on voting rights or the transfer of shares arising from agreements between shareholders.

Shareholdings in Sixt Leasing SE
As at 31 December 2017, Sixt SE holds 8,644,638 ordinary voting shares in the share capital of the Company, accounting for 41.9% of the voting rights. The Company has not received any information about, and the Managing Board is not aware of, any further direct or indirect interests in the share capital exceeding 10% of the voting rights as at 31 December 2017.

Shares with special rights
In accordance with article 10 (1) of Sixt Leasing SE's Articles of Association, the Company's Supervisory Board consists of three members. According to legal provisions, two of these members are elected by the Annual General Meeting without being bound by election proposals. The third Supervisory Board member is appointed by Sixt SE for as long as it remains shareholder of the Company. In all other respects, there are no shares conveying special control rights.

Employee participation and their control rights
The Company is not aware of any employees holding shares in the Company's capital where the employees' control rights are not exercised directly.

Appointment and dismissal of Managing Board members, amendments to the Articles of Association
Sixt Leasing SE has a two-tier management and monitoring system, made up of a management body (Managing Board) and a supervisory body (Supervisory Board). The legal stipulations and conditions of the Articles of Association governing the appointment and dismissal of Managing Board members are defined in articles 39 (2) sentence 1, 46 of the SE Regulation, section 16 SEAG, article 9 (1) lit. c) (ii) of the SE Regulation, sections 84, 85 of the AktG (German Public Companies Act) and article 7 of the Articles of Association.

Accordingly, the Managing Board comprises one or more members. The Supervisory Board determines the number of Managing Board members. The Supervisory Board can also appoint a chairman or speaker as well as a deputy chairman or deputy speaker for the Managing Board. The statutory provisions of section 84 and section 85 of the AktG apply for the appointment and dismissal of Managing Board members.

Amendments to Articles of Association are decided by the Annual General Meeting. In accordance with article 16 of the Articles of Association, amendments to the Articles of Association that only concern the formal wording may also be resolved by the Supervisory Board. Mandatory statutory provisions require resolutions to amend the Articles of Association to be adopted by a majority of three-quarters of the share capital represented at the adoption of the resolution (section 59 (1) of the SE Regulation, section 179 (2) sentence 1 of the AktG).

However, the law also provides for the possibility that the Articles of Association allow for a smaller majority providing that at least half of the subscribed capital is presented. This possibility does not apply though to a change of the Company’s purpose, relocation of the Company’s seat into another member state of the European Union, or for cases where a higher majority of capital is mandatory under statutory provisions (article 59 (2) of the SE Regulation, section 51 SEAG).

Sixt Leasing SE has made use of the option of specifying different majority requirements by means of a provision in the Articles of Association that is common among listed companies. According to article 20 (2) of the Articles of Association, decisions of the Annual General Meeting can be adopted by a simple majority of votes cast, insofar as this does not conflict with any mandatory statutory provisions or the Articles of Association. According to article 20 (3) of the Articles of Association, amendments to the Articles of Association can be adopted by a simple majority of the submitted valid votes if at least half of the voting share capital is represented and insofar as this does not conflict with any mandatory statutory provisions.

Powers of the Managing Board with regard to the issue and buyback of shares

Authorised capital
In accordance with article 4 (3) of the Articles of Association, the Managing Board is authorised to increase the share capital on one or more occasions by issuing new ordinary bearer shares against cash and/or non-cash contributions in the period up to 31 May 2021, with the consent of the Supervisory Board, by up to a maximum of EUR 6,183,477.00 (Authorised Capital 2016). Further details, including details of the Managing Board's authorisation to exclude shareholders' subscription rights in specific cases, follow from the aforementioned article of the Articles of Association.

Conditional capital
In accordance with article 4 (4) of the Articles of Association, by resolution of the Annual General Meeting of 1 June 2016, the Company's share capital is conditionally increased by up to a total of EUR 4,122,318.00 (Conditional Capital 2016). The Conditional Capital 2016 serves the purpose of granting shares to the holders and/or creditors of convertible bonds as well as the holders of option rights from option bonds. Further details follow from the aforementioned article of the Articles of Association.

In addition, the Company's share capital has been conditionally increased by a total of up to EUR 1,000,000.00 (Conditional Capital 2017) in accordance with article 4 (5) of the Articles of Association by resolution of the General Meeting on 29 June 2017. Conditional Capital 2017 is used to service the stock option programme 2017 and will only be effected to the extent that subscription rights are issued under the stock option programme 2017 and the holders of the subscription rights make use of their exercise rights. Further details follow from the aforementioned article of the Articles of Association.

Authorisation to issue convertible and /or option bonds
By resolution of the Annual General Meeting of 1 June 2016 the Managing Board is authorised, on one or more occasions in the period up to and including 31 May 2021 and with the consent of the Supervisory Board, to issue convertible and/or option bonds registered in the name of the holder and/or bearer of up to a maximum of EUR 200,000,000.00 with a fixed or open-ended term and, in accordance with the more detailed provisions of the convertible and/or option bond terms, grant conversion or option rights to the holders and/or creditors of bonds to acquire a total of up to 4,122,318 new no-par value shares in Sixt Leasing SE with a pro-rata portion in the share capital of up to EUR 4,122,318.00. The bonds are to be issued against cash contributions.

The issue can be effected by a German or foreign company in which Sixt Leasing SE is directly or indirectly invested with a majority of votes and capital. In this case, the Managing Board is authorised on behalf of the issuing company, in which it has a majority interest, to take on the guarantee for repayment of the bond and the other payment obligations associated with the bond and to grant the bearers and/or creditors of such bonds conversion or option rights for shares in Sixt Leasing SE.

In general, shareholders of Sixt Leasing SE are granted statutory subscription rights. However, the Managing Board is authorised, with the consent of the Supervisory Board, to exclude, fully or in part, the subscription rights of the shareholders to the bonds, (i) in order to exclude fractional amounts from subscription rights, (ii) if necessary, in order to grant holders and/or creditors of conversion or option rights and/or holders and/or creditors of bonds with conversion exercise obligations which have been issued beforehand or will be issued by Sixt Leasing SE or a Company in which it has a majority interest, subscription rights to the extent they are entitled to after exercising the conversion or option rights and/or after meeting their conversion exercise obligations, or (iii) against payment of cash contributions, if the issuing price is not significantly below the theoretical market price of the bonds with conversion or option rights and/or conversion exercise obligations, calculated with recognised mathematical valuation methods, and whose pro-rata portion in the share capital does not exceed a total of 10% of the share capital, neither at the time when the authorisation takes effect nor at the time when this authorisation is exercised.

Further details follow from the article 4 (3) of the Articles of Association.

Authorisation to grant subscription rights to shares of the Company

By resolution of the Annual General Meeting of 29 June 2017 the Managing Board was authorised, as specified in the proposed resolution, to issue until the 28 June 2020 up to 1,000,000 subscription rights for up to a maximum of 1,000,000 no-par value bearer shares, in one or multiple tranches, to members of the Managing Board and executives underneath the Managing Board level as well as members of the governing boards of dependent companies. In as far as this affects Managing Board members, only the Supervisory Board shall be authorised accordingly.

The total volume of subscription rights is apportioned to a maximum of 500,000 subscription rights to members of the Company's Managing Board and a maximum of 500,000 subscription rights to select Company executives below the Managing Board and members of the management of dependent companies. Each subscription right entitles the owner to subscribe to one no-par value bearer share of the Company against payment of the exercise price and carries a term of seven years. The Company can service the subscription rights by granting the entitled beneficiaries either treasury shares or a cash payment instead of new shares out of the conditional capital. If the entitled beneficiaries are members of the Company's Managing Board this decision is taken at the sole discretion of the Supervisory Board.

The details of this authorisation follow from the authorisation resolution of 29 June 2017 and according to article 4 (5) of the Articles of Association.

Authorisation to acquire treasury shares

By resolution of the Annual General Meeting of 8 April 2015, the Managing Board is authorised, in accordance with section 71 (1) sentence 8 of the AktG, to acquire in the period up to 7 April 2020 treasury shares of the Company in the amount of up to 10% of the Company’s share capital at the time of the authorisation or – in case this is the lower value – at the time of exercising this authorisation. At no point shall the shares acquired under the above authorisation, together with other treasury shares owned and assigned to the Company under sections 71a et seq. of the AktG, represent more than 10% of the share capital.

With the approval of the Supervisory Board, authorisation may be exercised in full or in part, on one or more occasions, by the Company or its dependent or majority-owned companies, as well as third parties acting for the account of the Company or for the account of its dependent or majority-owned companies. The Company can elect to make the acquisition either via the stock exchange, in the form of a public offer made to all shareholders, in the form of a public request to issue sales offers and/or through the use of derivatives. Acquisition for the purpose of trading in treasury shares is hereby ruled out.

The Managing Board is authorised with the consent of the Supervisory Board to (i) sell treasury shares against cash contributions in other forms than via the stock exchange or by a public offer made to all shareholders, insofar as the sales price for each treasury share is not materially lower than the quoted market price of existing listed shares at the time of the sale, whereby the attributable amount in the share capital of the shares sold under this authorisation does not exceed a total of 10% of the share capital, either at the time this authorisation takes affect or at the time it is utilised, (ii) sell treasury shares in other forms than via the stock exchange or by a public offer made to all shareholders, in particular to acquire companies, parts of companies, or investments in companies, as part of business combinations and/or to acquire other assets including rights and claims, (iii) use treasury shares to service conversion and/or option rights and/or obligations from convertible and/or option bonds and/or convertible profit participation rights and/or (iv) offer treasury shares for acquisition, among other things, to members of the Company's Managing Board or members of the executive boards of dependent companies or to employees of the Sixt Leasing Group as part of their remuneration or as part of management or employees participation programmes.

The details of the authorisation follow from the authorising resolution from 8 April 2015.

In 2017 the Company held no treasury shares.

Significant agreements by the Company that are subject to a change of control as a result of a takeover bid

Licence Agreement
The License Agreement between Sixt Leasing SE (licensee) and Sixt SE (licensor) grants Sixt SE the right to terminate for material reason, among other things if the business direction of the Sixt Leasing Group significantly worsens or in case of a change of control. According to that agreement, a change of control occurs if a third party directly or indirectly acquires 25% of the shares in Sixt Leasing SE or if a competitor of the Sixt Group or a person related with a competitor of Sixt SE, as defined by section 15 of the AktG, acquires more than 10% of the shares in Sixt Leasing SE.

Financing Agreement with Sixt SE
The Financing Agreement between Sixt Leasing SE (borrower) and Sixt SE (lender) grants Sixt SE a right to termination, among other things, if a third party directly or indirectly acquires more than 25% of the shares in Sixt Leasing SE.

2017/2021 Bonds
In the event of a change of control event, including in the case of a takeover bid, the creditors of the 2017/2021 bond issued by Sixt Leasing SE (ISIN: DE000A2DADR6) in the amount of EUR 250.0 million, are entitled to demand the issuer repay them in full or in parts the bonds held by them. According to the bond's terms and conditions a "change of control event" only occurs, if there is a change of control and if the rating is lowered during the period the change of control occurs.

For these purposes a "downgrade of the rating" is deemed as occurred, (i) if within the period of the change of control the bond's rating previously awarded by a rating agency (if there is only one rating) or the ratings of at least two rating agencies (if there are two or more ratings) (x) is withdrawn or (y) is downgraded from an investment grade rating (BBB- by S&P or Fitch or Baa3 from Moody's or equivalent in each case, or better, an “Investment Grade Rating” is downgraded to a “Non-Investment Grade Rating” (BB+ from S&P or Fitch or Ba1 from Moody's or equivalent, or worse, a “Non-Investment Grade Rating”) and is not upgraded back to an “Investment Grade Rating” during the change of control period; or (z) is or will be downgraded from a “Non-Investment Grade Rating” for the Notes by one or more levels (for clarification: Ba1 to Ba2 or BB+ to BB represents a level) and is not upgraded to an “Investment Grade Rating” during the change of control period; or (ii) if at the time of the change of control no rating is assigned to the bonds and no rating agency issues an “Investment Grade Rating” for the bonds within the change of control period. "Rating Agency" means S&P Global Ratings, Moody's Investors Services Limited or Fitch Ratings Ltd. or one of their respective successors.

According to the terms and conditions of the bond, a "change in control" occurs if one person or several persons acting together within the meaning of Sect. 22 para. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz WpHG) gain control of the issuer after the issue date. "Control" in this context means direct or indirect legal or economic ownership (as defined by Sect. 22 of the WpHG) of ordinary shares which together convey more than 50% of voting rights of the issuer.

In the meaning of the bond's terms and conditions the term "person" refers to any natural person, association, fellowship. company, partnership, joint venture, corporation, merger/combination, organization, fund, state or stately entity, irrespective of the fact that this person may be an independent legal person or not, but excluding (i) Sixt SE, (ii) Mr. Erich Sixt, (iii) his direct descendants, (iv) his spouse or the spouses of his direct descendants, (v) a Sixt family foundation and/or (vi) an enterprise, association, firm, partnership, joint venture, company, organization, fund or other combination, irrespective of the fact whether these may be a natural or legal person, and which is under the control of one of the persons listed under (i) to (v) within the meaning of sections 15 to 18 of the AktG. For further details reference is made of the bond's terms and conditions.

The afore-mentioned authorisation of the bond's creditors is a creditor right commonly encountered on the capital markets and in lending transactions.

Compensation agreements
Compensation agreements between the Company and members of the Managing Board or employees in the case of a takeover bid

The Company has no agreements with members of the Managing Board or employees that would entitle them to compensation in the case of a takeover bid.

B.5 \\ REPORT ON OUTLOOK

1. ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) expects that the world economy will grow strongly in the current year. The IMF expects to see a growth of 3.9%, an increase of 0.2 percentage points against 2017. A key driver according to the IMF is the surprisingly positive development in Europe and Asia. In addition, the tax reform in the US is likely to boost the American economy, as the easing of taxes for local companies improves the outlook on higher investments in the view of the IMF.

For the short term, the IMF cannot foresee any threats to its growth outlook for the world economy, though it warns against setbacks in the medium term, eventually triggered by a correction of financial markets. Further risk factors could be protectionism, geo-political tensions and the political uncertainties in a number of countries.

For the Eurozone the IMF forecasts the economic growth in 2018 marginally down by 0.2 percentage points to 2.2% (2017: 2.4%). The reasons cited, are, among others, the potential consequences of Great Britain leaving the European Union as well as political instability in a few other countries. The German Institut für Weltwirtschaft (IfW – Institute for World Economy at the University of Kiel) expects that the economy of the Euro area will grow by 2.3% in 2018 (2017: 2.4%). This estimate is based on the strong recent uptake in investment, with private consumption also clearly expanding against the background of stronger employment figures and slightly higher wages. Thus, the economy in all countries of the Eurozone clearly showed an upward tendency. This development was offset by inflation-driven low growth in purchasing power as well as weaker construction activities.

The IMF expects economic growth in Germany to slow down slightly by 0.2 percentage points. Accordingly, the German economy is set to gain 2.3% (2017: 2.5%) The IfW, on the other hand, expects an increase of 2.5%, equalling a slight acceleration in economic growth of 0.2 percentage points (2017: 2.3%). The German economy was “going full steam ahead” and had ramped up its business dynamics still further in 2017, according to the IfW. Leading indicators suggest that this development will continue in 2018. The German economy was "heading for an economic boom in leaps and bounds" according to the IfW. Key drivers were private consumption, which is set to increase further due to strong income gains, residential construction, which continues to benefit from the ongoing favourable financing conditions, and exports, which are likely to receive even further stimulus from the upswing of the world economy. The IfW also reckons that corporate investments could also increase further.

Sources

International Monetary Fund (IMF), World Economic Outlook, January 2018;
Institut für Weltwirtschaft (IfW), "Kieler Konjunkturberichte: Deutsche Konjunktur im Winter 2017" (Kiel economic reports: the German economy in the winter of 2017), World economy in the winter of 2017, both from 13 December 2017.

2. PROJECTED INDUSTRY DEVELOPMENT

The German leasing industry is moderately positive in its outlook on business developments in 2018. The reason is that the forecast of the German government-appointed council of economic experts estimates investments in equipment to grow by 5.1% (2017: 3.5%). According to the Bundesverband Deutscher Leasingunternehmen e.V. (BDL – German Association of Leasing Companies) the leasing industry as an investment partner of the business community is set to benefit from this gain and is likely to expand to the same extent. However, given the positive outlook for the German economy, there is also the risk that politicians will slacken their efforts to create favourable conditions for corporate investments and the digital transformation.

For 2018 the VDA (Verband der Automobilindustrie - German Association of the Automotive Industry) expects the worldwide passenger car market to grow by 1% to 86 million units sold. The western European and the German markets are projected to retain roughly the level of the previous year with around 14.2 million and 3.4 million new registrations respectively.

Sixt Leasing expects fleet management service providers to continue registering solid demand. More and more companies are looking for cost and planning safety in the management of their vehicle fleets and are therefore counting on the specialised expertise of service providers such as Sixt Mobility Consulting. This way they benefit from efficient service and repair networks, sound procurement expertise and the professional marketing of used vehicles, allowing them to save their own human resources and focus on their own core business.

Sources
Bundesverband Deutscher Leasingunternehmen e.V. (BDL – German Association of Leasing Companies), “Aktuelles” (Current affairs), 11 January 2018;
Bundesverband Deutscher Leasingunternehmen e.V. (BDL – German Association of Leasing Companies), press release of 22 November 2017;
Verband der Automobilindustrie e.V. (VDA), press releases of 4 January and 17 January 2018.

3. EXPECTED GENERAL DEVELOPMENT IN FISCAL YEAR 2018

The Sixt Leasing Group intends to expand its position as market leader in online sales of new vehicles and specialist for managing and offering full-service leasing for large fleets and to profitably grow in the coming years. To this end, the Company initiated the strategy programme ‘DRIVE>2021’ in the beginning of 2018. 'DRIVE' stands for digitalisation, risk management, internationalisation and volume and earnings growth. The aim of the programme is to increase the pace of digitalisation, actively improve the risk-return profile, further promote internationalisation and significantly increase the contract portfolio and earnings until the year 2021.

In 2018 the Company plans to lay the groundwork for future strong and profitable growth, above all in the Online Retail and Fleet Management business fields. The focal point will be especially on digitalising the business model and to focus the organization on future national and international growth. This requires additional investments in IT and personnel, which will burden EBT in fiscal 2018. The Managing Board is convinced that these measures will come to pay off in subsequent years in the form of substantial growth in the contract portfolio, revenue and EBT.

Alongside its operative business, the marketing of vehicles is gaining more and more importance for the Sixt Leasing Group. Given the strong expansion of the contract portfolio over the previous years, the number of returned leasing vehicles that come in with a certain time lag is growing. These need to be marketed through the used vehicle markets if there is no buyback agreement with the manufacturer or dealer. Moreover, in its Fleet Management business unit the Company offers its customers the option of remarketing their used vehicles. This service is being used more and more. Thanks to a multi-stage remarketing process, Sixt Leasing can optimise and stabilise its marketing results through the various established marketing and sales channels and in some cases also generate additional earnings.

In view of the current discussions surrounding potential driving bans for older diesel-powered vehicles in certain German cities and the implications this has on the residual values of the vehicles affected, in 2018 more volatile remarketing results per vehicle could appear. To detect and mitigate this effect early on, Sixt Leasing is using external market data to analyse the vehicles in its stock every quarter, for which no buyback agreements with manufacturers or dealers exist. If the expected residual value for the time at the end of the leasing contract should fall for a specific vehicle, and if this is below the residual value originally fixed when the contract was concluded, Sixt Leasing considers to make a respective risk provision.

In the light of potential driving bans for older diesel vehicles and the potentially adverse effects this could have on residual values, Sixt Leasing has started to engage in the pro-active risk management of diesel vehicles. The aim is to substantially cut down the number of new contracts for diesel vehicles without a buyback agreement. This strategy was already successfully implemented in December 2017 in the Online Retail business field, largely without an adverse effect on the number of orders and margins. In the current year this predictive risk management will also be implemented in the Fleet Leasing business field. By this, the share of diesel vehicles without a buyback agreement out of total orders shall significantly decrease in the year 2018. Sixt Leasing expects that over the next few years these measures will successively bring down the number of diesel vehicles without a buyback agreement.

In order to reduce its dependence on the German used car market, Sixt Leasing also plans to expand the remarketing of vehicles abroad via its own B2B auction platform. For this purpose, more and more international dealers are to be connected.

3.1 ONLINE RETAIL BUSINESS FIELD

The online retail market in Germany offers the company attractive growth potential. Sixt Leasing expects that in future customers of new cars will switch more and more to online channels. According to a study by A.T. Kearney, half of all new vehicle buyers are already considering purchasing through the internet. The consultancy expects that by 2020 every third vehicle will be bought via the internet.

As a ‘first mover’ and market leader in the direct online sales of new vehicles, Sixt Leasing is superbly positioned to conquer the as yet largely unchartered German online leasing market for private and commercial customers. Further market shares are expected to be won above all by launching suitable marketing measures and through the associated further extension of the brand recognition of Sixt Neuwagen. To access further sales channels, the Company is permanently reviewing the possibilities of acquisitions.

In view of these excellent growth perspectives and the ongoing digitalisation, the Online Retail business field continues to be seen as the Group's biggest growth driver. In terms of contract portfolios, Online Retail is set to turn into the Group's biggest business field during the course of the current year. For 2018 the Managing Board expects an increase of new orders by 20% compared to the previous year’s figure of around 12,000 new contracts, excluding the contracts from the ‘flat rate for the road’ campaign with Peugeot and 1&1.

Thanks to the high unit numbers generated by the ‘flat rate for the road’ during the preceding year, Sixt Leasing gained valuable insights into digital and analogue processes, starting from the order through to the delivery of the car. The aim is to exploit these findings and achieve clear improvements in processes and the IT infrastructure in 2018 and to optimise the business model. This will form the basis for generating further national and international growth in subsequent years.

The Company is continually working at further developing the product and service range provided by the business field to enhance customer convenience. To this end, the platform *sixt-neuwagen.de* will have a further optimised digital order process installed, which was already successfully tested as part of the ‘flat rate for the road’ and allows customers to go digitally through all the ordering steps, from configuring the vehicle, reviewing their credit worthiness, identification using the video-identification process right through to contract conclusion via the electronic signature eSign. Further planned innovations include a set of separately bookable service products, a demand configurator and a customer portal. This way the Company aims to meet the requirements for highly convenient and flexible procedures, build up long term customer loyalty and convince clients of the usage of additional service components.

Source:
A.T. Kearney, Car-buyer study Germany, March 2016.

3.2 FLEET LEASING BUSINESS FIELD

In the Fleet Leasing business field, Sixt Leasing is operating in a competitive market, dominated in Germany by the large vendor-neutral leasing companies. In the last few years more and more companies have made tenders with increasing frequency. Sixt Leasing therefore expects that margins for new business transactions in this business will continue to be under pressure in 2018.

Given the stiff price competition in the segment with large and medium-large corporate customers, Sixt Leasing intends to expand the business with smaller corporate customers that have fleets of anywhere between 20 to 80 vehicles. Since 2017 this segment has been addressed by a local sales organization, which was able to open up interesting margin potentials and diversify the corporate customer portfolio still further.

The plan for a more pro-active risk management for new orders of diesel vehicles could have a negative effect on the ordering patterns of corporate clients, who are currently demanding mainly diesel-powered cars given their advantageous total cost of ownership. Consequently, the Managing Board does not expect that all customers who currently hold a leasing contract for a diesel car with Sixt Leasing will switch to a petrol-powered car after the end of their term or to a diesel-powered vehicle for which Sixt Leasing has concluded a buyback agreement with a manufacturer or dealer.

Based on this, the Managing Board expects that the Fleet Leasing business field will see a decrease in new orders in fiscal year 2018 and thus a slightly lower contract portfolio as well as a lower contribution to earnings of the Leasing business unit compared to the year before.

3.3 FLEET MANAGEMENT BUSINESS UNIT

In the Fleet Management business unit the Sixt Leasing Group will continue to exploit the trend among larger corporations to outsource their fleet management so as to win over new customers. To this end the coming years will see the expansion of business in Europe, especially by using existing customer relationships. A key role will be accorded to the Sixt Global Reporting Tool, which enables the efficient worldwide management of fleets by transparently merging all data relevant for the vehicles under operation and thereby showing customers potentials for cost savings.

During the current fiscal year, however, the focus will be on optimising the IT tools and platforms, such as in the Online Retail business field, in order to grow in future with more efficiently scalable systems. As a consequence, for 2018 the Managing Board expects to see only a slight increase in the contract portfolio of the Fleet Management business unit. With a range of digital services optimally adapted to customers' needs, stronger domestic and international growth is to be achieved again in the following years. In Germany, in particular, other major customers should be convinced of the advantages of an external fleet management. Abroad, growth is to be accelerated above all through existing customer relationships.

In the long run, the Company thinks that fleet management will gain in significance as the interface between new mobility service providers such as carsharing or ride-hailing and automotive-related goods and services such as vehicle procurement, tyres and insurances. To fill this role as ‘orchestrator’ better than competitors, Sixt Mobility Consulting will rely above all on intelligent IT solutions and will continually invest in the further development of the digital infrastructure and digitalisation of its business model.

4. FINANCIAL OUTLOOK 2018

Given the forecasts for the contract portfolios of the individual business fields, the Managing Board expects a slight increase in the Group's contract inventory for 2018. In line with the development of contract numbers the Managing Board also expects consolidated operating revenue to grow slightly in the current year.

The earnings development of the Sixt Leasing Group in 2018 is expected to be impacted in particular by the planned measures under the 'DRIVE> 2021' strategy programme. These are mainly investments in IT and human resources to optimise the business model and prepare for internationalisation, as well as the active risk management of residual values for diesel-powered vehicles. The investments form the foundation for medium-term growth, especially in the Online Retail and Fleet Management business units.

Countering this will be another expected improvement in the financial result following the scheduled repayment to Sixt SE of the remaining instalment from the Core Loan in the amount of EUR 190 million. This positive effect as well as the additional margins in connection with the first vehicle returns from the ‘flat rate for the road’ campaign will contribute only in the second half of 2018.

EBITDA is expected to increase slightly in 2018. For the EBT the Managing Board expects a figure approximately on the previous year’s level. The target for the operating return on revenue of 6.0% also applies to 2018.

The equity ratio will again reach a value above the minimum target of 14%.

5. MID-TERM OUTLOOK

Due to the positive effects of the measures introduced in the 'DRIVE> 2021' programme, the Managing Board expects to see a boost in growth in the medium term until the end of the financial year 2021. Specifically, it forecasts an increase in the Group's contract portfolio by the end of 2021 to more than 220,000 contracts. The Online Retail business field is expected to grow to over 110,000 contracts and the Fleet Management business unit to more than 60,000 contracts. The development of the contract portfolio in the Fleet Leasing business field is expected to be approximately stable at around 45,000 contracts at the end of 2021.

The Managing Board expects consolidated revenue to grow by at least one-third to more than EUR 1 billion by 2021, with operating revenue increasing disproportionately by about 50% to around EUR 700 million. As planned, EBITDA is set to increase to around EUR 400 million by 2021 and EBT to around EUR 50 million. This would correspond to an increase of around two thirds compared to 2017. As a result, the Managing Board expects an operating return on revenue of around 7% in 2021.

B.6 \\ REPORT ON RISKS AND OPPORTUNITIES

1. RISK SITUATION

As a company operating across Europe, Sixt Leasing Group is exposed to a variety of risks which could have a significant impact on the Group's business performance, assets, financial situation and operating results.

1.1 GENERAL MARKET RISKS (ECONOMIC, SOCIAL AND REGULATORY RISKS)

Sixt Leasing Group is primarily engaged in the two business units Leasing and Fleet Management, both of which are focused mainly on Germany. However, as part of the international expansion of Sixt Leasing the Group's business activities in other European countries could become increasingly important.

Both segments are dependent to a large degree on general economic conditions in Europe and especially in Germany, because these influence particularly customer readiness to invest and spend, and correspondingly the demand for leasing and fleet management services.

In periods of economic weakness the demand for leasing and fleet management services on the part of companies and private households can decline as a result of austerity measures. In addition, higher default risks (e.g. sector-specific risks and counterparty risks) can be expected during these phases. A weakening of the overall economy can therefore have a negative impact on demand for leasing and fleet management products and on their profitability.

Demand for classic leasing and fleet management services could also be adversely affected by the emergence of alternative mobility solutions that are offered by established car manufacturers, by the trend away from the combustion engine as well as completely new mobility service providers.

The Sixt Leasing Group regularly develops new product ideas and business models in order to respond appropriately to these rapidly changing market conditions and customer requirements, and to maintain the Group's claim for innovation leadership while acquiring additional market share. Launching these new products on the market and ensuring market penetration can generate high initial costs. In spite of the corresponding market analysis and planning, it cannot be guaranteed that the products will, in the form offered, meet with the market acceptance and level of demand which are expected. This may have a negative impact on the profitability of the Group.

The business of the Sixt Leasing Group is subject to numerous laws and regulations, where the Group is active. There is a risk that Sixt Leasing fails to meet all regulatory requirements or to react timely to changes in the regulatory environment.

1.2 SPECIFIC RISKS IN THE LEASING AND FLEET MANAGEMENT BUSINESS UNITS

In both business units the focus is on activities on business customers. The development of the business units is accordingly dependent on corporate investment behaviour. This investment behaviour can - apart from general cyclical influences - be affected by economic, accounting, regulatory, and fiscal conditions, in particular when it comes to commercial vehicle leasing. Companies need maximum planning security for their investment decisions. Higher taxes on leasing transactions and company cars or the possibility of adverse changes in international accounting regulations relating to contracts of lease can also reduce the attractiveness of solutions based on leased fleets.

In January 2016 the International Accounting Standards Board (IASB) published the new leasing standard IFRS 16. Effective for reporting periods beginning on or after 1 January 2019, lessees must recognise most operating leases with a right-of-use and a leasing liability in their balance sheet. For the lessee this essentially abolishes the distinction between finance leases and operate leases. The consequence of these changes will be that companies can no longer relieve their balance sheets with operate leases to the extent so far possible. Corporations that report their balance sheets according to international standards and which hitherto have had leased vehicles could potentially buy and/or self-finance these vehicles. In principle, however, the economic benefits of leasing should remain unaffected. In particular, the associated service functions can continue to justify the demand for leasing products. Customers in the Fleet Leasing and especially in the strong growing Online Retail business field appreciate the planning security associated with the residual value guaranty by the lessor.

The leasing market in Germany continues to be dominated by companies tied to specific manufacturers or banks. They either enjoy good purchasing conditions and remarketing opportunities due to their close connections with the manufacturers or good refinancing conditions because of their affiliation with a bank. For this reason there is fierce competition on the market for vehicle leasing in terms of price and conditions, which could have a negative impact on margins and thus the revenue and earnings situation of the Sixt Leasing Group.

In the Fleet Leasing business field the Sixt Leasing Group focuses on full-service leasing products which, in addition to pure financial leasing, also provide a variety of additional services in particular for corporate customers. Due to the consistent orientation as a full-service leasing provider the Sixt Leasing Group aspires to reduce its dependency on pure finance leasing, which is under constant price pressure. In addition, the continuous development of new, mostly internet-based products provides an opportunity for the Group to differentiate itself from the competition. Sixt Leasing Groups' Online Retail business field offers attractive leasing solutions to private and commercial customers on its websites *sixt-neuwagen.de* and *autohaus24.de* In the Fleet Management business unit the Company benefits from its many years of experience in the management of vehicle fleets and from its position as a major fleet operator.

Besides the fleet customer business, the Online Retail business with private and commercial customers is becoming increasingly important, and should be expanded in future. The related diversification of the Group's customer portfolio shall contribute to counteract risk concentrations which could arise from the economic, accounting, regulatory and fiscal conditions for commercial vehicle leasing in the fleet customer business.

Sixt Leasing procures the vehicles it leases to corporate, commercial and private customers from car manufacturers and dealers. Consequently the Company is dependent on the adequate supply of popular car models, their purchase at competitive conditions as well as an attractive and high-quality product range. The same dependence exists in relation to third-party providers, from whom the Company procures for example tyres, insurance and services such as repairs. To limit these risks, Sixt Leasing negotiates long-term framework contracts and rebate agreements with these respective suppliers.

2. INTERNAL CONTROL AND RISK MANAGEMENT ORGANISATION

2.1 RISK MANAGEMENT SYSTEM

The risk management system supports the management of the Sixt Leasing Group in implementing the business and risk strategy and monitors all relevant risks at home and abroad.

The risk assessment and control systems established by Sixt Leasing SE as well as the organisation of credit risk management comply with the minimum requirements for risk management of banks and financial services institutions (MaRisk) imposed by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht).

During the reporting period Sixt Leasing SE took the measures required by MaRisk relating to the adequacy of risk management as well as the measures required to ensure the correctness of the business organisation, taking into account the complexity and scale of the risks assumed by the Company.

Sixt Leasing SE only takes risks if they are calculable and consistent with the principles enshrined in the policy objectives and strategy of the Company or Group.

Based on the risk strategy determined by the management, essential components of the risk management system are the identification, systematic documenting and analysis, assessment and prioritisation of risks, as well as an analysis of the effects and impact of risks on the Company. On this basis measures to avoid, reduce or transfer risks can be initiated.

Risk management is based on the risk-taking capability calculation, which is established quarterly as part of the risk report and which lists all material risks.

Taking into account outsourced processes to Sixt GmbH & Co. Autovermietung KG and other Sixt Group companies, Sixt Leasing SE has installed a risk management system for the monitoring of all relevant risks incurred, which is continuously developed further on the basis of the Company's own business needs and in line with the requirements of a stock listed company. Sixt Leasing SE has established internal policies and controls to comply with MaRisk and is constantly reviewing and developing these. The existing risk management systems within the departments of controlling, accounting, risk controlling, operative credit management, receivables management, and internal audit comply with the stipulations of the MaRisk. The following functions are completely or party outsourced as part of outsourcing arrangements to Sixt GmbH & Co. Autovermietung KG as of the end of the reporting period:

- internal audit
- treasury
- IT administration
- tax

Sixt Leasing SE has made adequate provisions for contingent and exposure risks and other risks arising from its business activities. Depreciations and value adjustments in the financial statements have been made at an appropriate level.

2.2 INTERNAL CONTROL- AND RISK MANAGEMENT SYSTEM FOR (GROUP) ACCOUNTING (DISCLOSURES IN ACCORDANCE WITH SECTIONS 289 (5) AND 315 (2) NO. 5 OF THE HGB – GERMAN COMMERCIAL CODE)

The internal control and risk management system for the Group's and the Company's accounting contains organisational provisions and technical requirements to manage the risk associated with accounting. Key elements here are the clear and appropriate separation of functions with regard to the Managing Board and leadership responsibilities including management control processes, the central accounting and reporting organisation for all consolidated companies, the technical stipulations contained in guidelines, manuals, process descriptions and Group-wide principles, the recording of business transactions with the so-called 'four eyes principle' (two man rule), the implementation of quality assurance processes and effectiveness checks by the internal audit function and external audit procedures and consulting, systems-based security measures, manual control measures and regular comparisons with planning and controlling processes taking the form of target to actual comparisons and analyses of deviations. To guarantee the safety of data the accounting-related systems have access restrictions and access rules. Employees receive appropriate instruction and training on data protection rules and regulations. In addition, general behavioural provisions for employees relating to financial matters are part of the regulations of Sixt's 'Code of Conduct'.

The Supervisory Board examines the annual financial statements and the consolidated financial statements together with the management report on the Group's and the Company's situation as well as the Dependent company report and discusses these with the Managing Board and the auditors.

3. RISK IDENTIFICATION

In addition to the monitoring of risks in the planning, reporting, controlling and early warning systems which are established, as part of risk control processes, persons in charge within the organisational units document - as part of a risk inventory - all business-relevant and significant risks throughout the Group on a regular basis. To this end the estimates made by the responsible managers and other relevant information are analysed and aggregated. Relevant changes in the risk assessment and new risks are communicated to the management immediately.

Individual risks are categorised into different loss levels and defined into risk types by their probability of occurrence ('low - 30%' up to 'very probable - as of 90%') and the potential loss level in the case of occurrence. The central risk controlling unit of the Sixt Leasing Group then agglomerates these decentrally registered individual risks and clusters them into risk groups. This forms the basis for the risk report, which is integral part of the reporting system to the Managing and Supervisory Board of Sixt Leasing SE.

The internal audit, which is outsourced to Sixt GmbH & Co. Autovermietung KG, regularly monitors risk management as part of its audit mandate and reports directly to the Managing Board of Sixt Leasing SE.

The following provides an aggregate overview of the relevant risk factors. The structure of the outlined risk categories essentially follows their presentation in the risk-taking capability calculation.

3.1 COUNTERPARTY DEFAULT RISK

The counterparty default risk arises if lessees and fleet management clients do not meet their payment obligations during the term of the contract or only partly or if vehicle suppliers cannot fulfil their buyback agreements towards Sixt Leasing SE, resulting in payment defaults. This counterparty default risk in customer business generally increases with a deterioration in the economic situation, resulting in increased payment defaults by leasing and fleet management customers.

The established credit management identifies the risks of counterparty default on receipt of the leasing or fleet management agreement.

When setting up an overall framework for leasing contracts with customers and vehicle buyback agreements with manufacturers and dealers, when certain thresholds are exceeded – these are usually the amount of the present value of the leasing contracts or, in the case of vehicle repurchase agreements, the sum of those agreed with the respective credit union buyback prices – the approval of certain bodies is required. Likewise, prior to the conclusion of fleet management and leasing contracts, the resulting risks and margins are identified and prepared for the relevant bodies prior to their approval of the conclusion of the contract. The Managing Board also informs the credit and market risk committee of the Supervisory Board for larger exposures if certain threshold values for leasing and vehicle buyback agreements are exceeded.

The counterparty default risks are monitored on a regular basis and actively managed. In addition there is a regular review of the creditworthiness in the fleet customer business during the term of the lease or fleet management contract.

Also when selecting car suppliers, which provide buyback commitments to Sixt Leasing Group, the Sixt Leasing Group therefore places great emphasis on their economic stability. As with leasing and fleet management customers, vehicle suppliers are subject to regular strict credit checks.

As a result any negative changes in the relationship to leasing and fleet management customers as well as vehicle suppliers can be identified immediately, and the appropriate countermeasures can be taken promptly if necessary. Commitments with higher levels of risk or potential default risks are monitored very closely by the risk controlling department.

3.2 MARKET PRICE RISK

The market price risk describes the danger of a loss caused by changes to market prices. For Sixt Leasing SE it is especially the residual values of leasing vehicles as well as the refinancing interest rates that are subject to the market price risk.

3.3 RESIDUAL VALUE RISK

Residual value risks result from the marketing of vehicles at the end of the leasing contract, if at this point in time the selling price which can be achieved is below the calculated residual value. To counteract the risks involved in the disposal of vehicles within the Leasing business unit the residual values of the vehicles included in the calculation of the leasing contract are covered partly by buyback agreements with dealers or manufacturers depending on market conditions. This applies in particular to a major part of vehicles in the Fleet Leasing business, the residual values of which are covered by buyback agreements. As of 31 December 2017 on the basis of the lease assets and inventories as well as orders, approx. 46% of vehicles of Sixt Leasing SE were covered by buyback agreements.

Especially when it comes to the marketing of used leasing vehicles the Sixt Leasing Group is also dependent on developments on the used-car market, particularly in Germany. The vehicles to be disposed of by the Sixt Leasing Group on the used-vehicle market undergo regular valuation tests, which are based on the Group's own experience and monitoring of the market. The remarketing of these vehicles is executed via a multistage process. Vehicles that are not sold under a buyback agreement to a manufacturer or dealer at the end of their leasing contract, are offered via an online auction platform to registered dealers. If after the end of an auction period Sixt Leasing reckons from its own sales experiences that a specific vehicle could achieve a price above the highest offer from the auction if it was offered on the used vehicle stations operated jointly with the Sixt SE Group, this vehicle will be transferred to these stations. Operating under the brand name 'Sixt Car Sales' at six sites across Germany, sales experts take care the vehicles are sold to end customers.

The Managing Board is closely monitoring the developments surrounding the emissions issue at the Volkswagen Group and other potentially affected manufacturers. For a certain part of the affected vehicles in the portfolio of the Sixt Leasing Group there are no buyback agreements with dealers or manufacturers in place. The Managing Board is also keeping a close eye on the political discussion regarding new emission stipulations for diesel-powered vehicles as well as possible driving bans for diesel-powered vehicles with Euro-5-standard and lower in certain cities. In this context, the residual value risk could increase for the Sixt Leasing Group, whilst the sales proceeds could fall below expectations. As of 31 December 2017, Sixt Leasing SE in Germany held approximately 5,600 diesel-powered vehicles with Euro-5 standard and below which are not covered by buyback agreements. As new diesel-powered cars that do not comply with the Euro-6 standard are no longer registered since the end of 2015, the number of cars with a Euro-5 standard and below continues to fall.

3.4 LIQUIDITY RISK

Prior to the initial public offering, debt financing was provided to Sixt Leasing Group by Sixt SE, and therefore it existed a dependency on funding costs, funding conditions and funding opportunities of Sixt SE. Although the Sixt Leasing Group intends to continue making use of the financing available from the Sixt SE for a certain period following the IPO, these arrangements are expected to expire over time latest with the last portion of the loan to be repaid at 31 December 2018 to Sixt SE.

In future, Sixt Leasing Group may no longer benefit from refinancing funds provided by Sixt SE or otherwise secured by Sixt SE. Accordingly refinancing of the Sixt Leasing Group will be dependent increasingly on self-financing through operative cash flows or the ability to borrow external funds on the debt capital markets. With regard to debt financing opportunities, it needs to be considered that the financing behaviour of the financial institutions may change significantly due to the ongoing structural changes which can be observed in the credit industry, for example as a result of higher capital requirements in the credit business or changes in the weighting of risks.

Depending on the development of Sixt Leasing Group's own credit standing, external financing might therefore not or only under unfavourable conditions be obtained. In this context, it should be noted that the Sixt Leasing Group currently has no credit rating by an external rating agency. However as common in the leasing industry asset-based financing opportunities (e. g. forfeiting or securitisation of leasing receivables) will be available to Sixt Leasing Group. The Sixt Leasing Group made use of this for the first time in the year 2016 and set-up an asset backed securities (ABS) programme in mid-2016. The leasing and residual value receivables supplied into the ABS programme are refinanced with matching terms through additional swap transactions. Nevertheless, the risk generally remains that an increase in refinancing costs could have a significant impact on the cost basis and that the Group is potentially not able to pass on higher refinancing costs to its customers.

3.5 OPERATIONAL RISKS

Operational risks are losses particularly caused by human behaviour, technological failure, inadequate or faulty processes, or by external events. Regulatory, legal and tax related risks are included in this definition.

The success of the Sixt Leasing Group's business depends to a high degree on the recognition and reputation of the Sixt brands, trademarks and domain names owned by Sixt SE. These are important preconditions for the growth and success of the Groups' business and for maintaining the Groups' competitiveness. For Sixt Leasing Group's continued use of these brands, trademarks and domains, the Group concluded a non-exclusive License Agreement with Sixt SE in 2015 with an initial term of 25 years.

If Sixt SE were to terminate the agreement for cause or to increase the license fee, or if Sixt Leasing Group were not able to renew such license when the agreement expires after the initial term, this could have a material adverse effect on the Group's ability to market itself to customers and could result in losing market share and customers. In addition, Sixt Leasing Group might incur significant costs to change the Group's signage or brand name.

A complex and high-performance IT system is essential for the implementation of the leasing and fleet management business. Hardware and software-related system faults or system failures can have a significant impact on operational processes and, as a worst-case scenario, even lead to their total breakdown. If new, replacement or supplementary software is introduced, the high level of complexity of the IT system can create increased demands in terms of compatibility with existing systems when it comes to ensuring the smooth progress of operations.

Alongside these internal operational risks there is also the risk of targeted external attacks from criminals aiming at Sixt's IT infrastructure and corporate data inventory (Hacking, DDoS attacks, etc.). To address these risks, the Sixt Leasing Group maintains its own IT department and employs additional IT resources and IT infrastructural means of the Sixt Group, whose task is permanent monitoring, maintenance, continuous development and protection of the Group's IT systems.

The personal skills and knowledge of its employees are an important success factor for the Sixt Leasing Group. If there is an increased rate of fluctuation and a corresponding loss of know-how, this could impact on service quality in leasing operations. The Sixt Leasing Group prevents these risks by increased commitment to basic and advanced training, anchoring personnel development in corporate culture and the use of incentive systems.

The business of the Sixt Leasing Group is associated with a variety of different contracts. This is for the most part only possible using standardised agreements, which have to be reflected within the operational management systems. Even minor wording inaccuracies or changes in the legal framework can therefore have a significant impact on the Company's business. The Sixt Leasing Group counteracts the resulting risks by means of contract management with the involvement of legal experts and wide-ranging system controls.

Further regulatory, legal and tax related risks associated with the operation of a financial service institution are mitigated by a compliance structure in accordance with MaRisk and the corresponding control and prevention mechanisms.

4. ASSESSMENT OF THE OVERALL RISK PROFILE BY THE MANAGING BOARD

Sixt Leasing SE has installed a Group-wide internal control and risk management system for the purpose of proactive identification and active management of any developments at an early stage which could lead to significant losses or jeopardise the continued existence of the Company or the Group. As part of the Group's established risk management system all identified risks are regularly documented, reviewed, analysed and evaluated for their probability of occurrence and potential impact. The Managing Board and the Supervisory Board are informed about the results, so that the necessary countermeasures can be taken if the need arises.

In addition, leasing companies are obligated to meet the qualitative requirements for a proper business organisation pursuant to section 25a of the German Banking Act (KWG), which are substantiated by the minimum requirements for risk management of banks and financial services institutions (MaRisk). In this context, leasing companies have to ensure that they are invested at all times with adequate funds to shoulder the risk they have entered into (principle of risk bearing capacity). The corresponding risk bearing capacity statement is therefore key component of the quarterly risk report of Sixt Leasing SE. According to this statement the unexpected loss from those risks deemed to be material is compared with the risk cover amount available. Risk capacity is given, if the material risk can be continually covered by a corresponding risk cover amount. As of 31 December 2017, Sixt Leasing SE has a risk potential for counterparty default, market price (residual value and interest rate risk), liquidity and operational risk as well as equity investment risk in the amount of EUR 90 million. According to the net asset value approach, the risk potential is offset by a risk coverage potential of EUR 351 million. This results in a coverage of the risks of around 388%.

The overall risk and the risk profile of the Sixt Leasing Group and Sixt Leasing SE did not change significantly in 2017 compared to last year. At present no risks have been identified which individually or in their entirety could jeopardise the continued existence of the Group or the Company.

5. OPPORTUNITIES REPORT

Opportunities are understood to be possibilities arising from events, developments or actions that allow a company to secure and/or outperform the scheduled targets. It is the operative business field's responsibility to identify and utilise opportunities as part of the corporate strategy.

5.1 MARKET OPPORTUNITIES

Opportunities from general economic developments
The Sixt Leasing Group is highly dependent on general economic conditions in Europe and in particular in Germany. Improving economic conditions can result in a higher corporate investment willingness for fleet vehicles and fleet management services and stronger investment propensity from private and commercial customers for new and used vehicles. This in turn could have a positive effect on the demand for offers and services provided by Sixt Leasing.

The Group operates its business primarily in Germany. Over the last few years German gross domestic production grew continually and affected demand for new vehicles. In 2017 new registrations once again increased over the previous year. According to the German Association of the Automotive Industry (VDA - Verband der Automobilindustrie) they climbed 3% to 3.4 million new vehicle registrations.

In its plans for fiscal year 2018, the Sixt Leasing Group takes due account of economic analysts' assessments for the business cycle, as the report on outlook outlines. In the event that the economy should develop better than these projections, it could also result in stronger demand for the products and services offered by the Sixt Leasing Group.

Source
Verband der Automobilindustrie e.V. (VDA), press release, 4 January 2018.

Opportunities from a positive leasing business cycle
After the UK, the German leasing market is the second biggest in Europe and has for years been characterised by a stable upward trend that recently became more pronounced. Accordingly, the German Association of Leasing Companies (Bundesverband Deutscher Leasing-Unternehmen e.V. – BDL) registered for 2017 a 5,7% increase in new business transactions. The share of movables leasing in total investments has grown continuously from less than 5% in 1970 to 24.1% in 2017. Lately the vehicle leasing market had seen strong growth. In the event that the German leasing market develops better than expected, it could also result in stronger demand for the products and services offered by the Sixt Leasing Group.

Sources
Bundesverband Deutscher Leasing-Unternehmen e.V. (BDL – German Association of Leasing Companies), press release, 22 November 2017;
Bundesverband Deutscher Leasing-Unternehmen e.V. (BDL), Figures & Facts, Leasing in Germany 2016, http://bdl.leasingverband.de/zahlen-fakten/leasing-in-deutschland, accessed on 18 December 2017.

5.2 COMPETITIVE OPPORTUNITIES

Growth from ‘first mover’ approach
For Sixt Leasing growth opportunities are found above all in online retail leasing. In Germany this market is still very much uncharted territory. According to the strategy consultancy Roland Berger the providers are so far offering more of a market space and are brokering the sale of used and new vehicles. Only recently have car manufacturers attempted to establish themselves on this market through their own online offers. Cross-brand and manufacturer-independent offers for leasing and alternative financing forms such as Vario-financing are on the other hand still the exception.

Early on Sixt Leasing positioned itself as provider for new vehicles to private and commercial customers on the online market. The Company is in a position to provide its customers with particularly attractive leasing and Vario-financing offers. As first mover the *sixt-neuwagen.de* platform stands the chance to expand its market position still further and thus benefit extraordinarily from the development of the online vehicle market and further establish itself ahead of potential competitors as the leading address for online retail leasing, both in Germany as well as possibly in other European countries.

Source
Roland Berger, Online Sales of New Cars, 22 January 2016.

Accelerated growth through acquisitions
The Sixt Leasing Group pursues the objective of driving forward its foreign expansion primarily through organic growth. In addition, there is also a possibility of accelerating the Group's growth through acquisitions at favourable conditions of other providers or leasing portfolios. To this end, Sixt Leasing is permanently reviewing relevant market opportunities. When examining potential take-over candidates, the Managing and Supervisory Board apply strict criteria regarding earnings situation, risk profile and enterprise culture as well as compatibility with Sixt Leasing's business model.

Growth through internationalisation
The Sixt Leasing Group permanently monitors the expansion of its international presence to unearth new growth potential.

In the Fleet Leasing business field, the Sixt Leasing Group is active in Germany as well as through its own national subsidiaries in France, Switzerland, Austria and the Netherlands. Moreover, Sixt Leasing counts on its collaboration with strong franchise and cooperation partners, with whom it currently maintains a network of around 35 countries. Other options are so-called white label solutions with further partners, who under the ‘Sixt Leasing’ brand will attend to Sixt Leasing customers in Europe outside Germany or who in return will broker their own customers to Sixt Leasing. In January 2017 Sixt Leasing entered the Icelandic market through a cooperation with a franchise partner to offer fleet customers comprehensive full-service leasing solutions.

In its Online Retail business field Sixt Leasing is present in Germany and since 2016 also with a pilot project on the Swiss market. The perspective here is to capitalise on the 'first mover' advantages so as to expand online-based business with private and commercial customers in other countries as well.

In the Fleet Management business unit, the Sixt Leasing Group is active on the German market as well as through its own national subsidiaries in Switzerland, France, Austria and the Netherlands. This business pursues above all the objective of overseeing fleets of its international customers across national boundaries. A key instrument for this is the Sixt Global Reporting Tool, which enables companies to reliably manage and optimise their fleets worldwide. The tool can transparently synchronise information from different countries and sources, allowing for an efficient analysis. This way, Sixt Mobility Consulting can reveal to its customers potential cost savings in individual countries and provide them with optimisation proposals. The increasing spread in the usage of Sixt Global Reporting raises the opportunities of acquiring further international fleet volume from existing customers.

Growth through complementary services

According to Sixt Leasing's own estimates, the trend of taking out complementary services alongside the lease financing of a vehicle gained further traction with customers over the past few years. It is an assessment supported by the forecasts of the Bundesverband Deutscher Leasing-Unternehmen e.V. (BDL – German Association of Leasing Companies). According to the Association's figures, companies are paying great attention to advantages such as cost and planning safety, the development of individual solutions, specialised expertise offered by the service provider, saving their own human resources and the possibility of focusing more on the company's own core business.

According to the BDL Association, leasing customers expect to be offered additional services that offer them a true added value, especially from vehicle leasing. The Sixt Leasing Group offers its fleet customers a comprehensive all-in package and assumes all administrative work associated with the fleet. This includes finance leasing, fleet consultation, procurement, registration, maintenance, return of vehicles, drivers' licence checks and online solutions as well as the management of insurance cover, tyres, taxes and fees, tank cards, speeding and parking tickets, damage and third-party vehicles. On top of this, Sixt Leasing is developing incentive models that will allow corporations to improve their appeal on the labour market and to reward committed employees.

Against this background, the Sixt Leasing Group seeks to increase its share of complementary services in individual fleet business contracts step by step and so raise the profitability of the contract portfolio. This is done because the quantity and quality of services constitute a key differentiating feature on this market. With its decades of know-how and close network of cooperation partners, Sixt Leasing considers itself to be in a good position to benefit from a general upturn in the demand for services.

In the Online Retail business field offering customers such additional service features as tyre and inspection packages or accident and damage management is also gaining traction. In particular, increasing the service ratio here offers the opportunity of raising the profitability of the contract portfolio.

Source

Bundesverband Deutscher Leasingunternehmen e.V. (BDL – German Association of Leasing Companies), Leasing der neuen Generation: Investition plus Service, (A new generation of leasing: investment plus service)
https://bdl.leasingverband.de/leasing/leasing-service, accessed on 31 January 2018.

Marketing campaigns and cooperations as growth driver

In its Online Retail business field, Sixt Leasing uses marketing campaigns to raise the name and awareness of the Sixt Neuwagen platform and to increase the number of contracts concluded. Sixt Leasing succeeded in doing so especially in March and April 2017 when it collaborated with the mobile telecommunications provider 1&1 by airing the joint advertisement for the ‘flat rate for the road’, which is offered as a co-product for an all network flat rate of 1&1. The strong presence enjoyed by Sixt Neuwagen in TV, Internet and the print media triggered great demand and thereby contributed strongly to the dynamic growth of the contract portfolio of the Online Retail business field.

Alongside the ‘flat rate for the road’ the Online Retail business field advertised further offers, including the ‘electric flat rate for the road’ in collaboration with the electric utilities provider Yello and BMW i.

Implementing wide-reaching advertisement campaigns will therefore remain a key marketing instrument in future in order to further accelerate the growth of Sixt Neuwagen and strengthen Sixt Leasing's market position as first mover in the German online market for new vehicle sales.

5.3 OPPORTUNITIES FROM DIGITALISATION

Digitalising services

The digitalisation is of vital importance for the growth of Sixt Leasing, above all in the Online Retail and Fleet Management business fields. In fiscal year 2017 Sixt Leasing laid out the groundwork with setting up the online platform *sixt-neuwagen.de* and by introducing such attractive digital offers as the ‘flat rate for the road’, which will serve to further digitalise the sale of new vehicles. Moreover, with its digital tools the Company has built up an extensive portfolio of innovative IT solutions for fleet managers. This makes Sixt Leasing ideally prepared for the future developments in these areas.

Increasing significance of the internet as information and sales channel

The vehicle market for private and commercial customers is mainly served by station-tied car dealers with a limited geographic reach. This means, that often they have vehicles from one or a few OEM, which for customers translates into a market with little transparency, as cars, options and prices are hard to compare on site.

Digitalisation has seen customers' demands for transparency rise, however, which in turn gives the internet ever more significance as a source of information. The internet is also increasingly relevant as a distribution channel. According to an international study by the consultancy Capgemini, 42% of consumers would likely or very likely buy a car online in future. The majority of consumers are hoping to generate price benefits, time savings or better comparisons from this approach. The consultancy A.T. Kearney reckons that by 2020 every third vehicle will be bought via the internet. At present the sales structures are witnessing a “massive shift” – “from information gathering through to model selection and purchase completion”.

This change in user behaviour plays into the hand of the business model of Sixt Leasing, as both *sixt-neuwagen.de* as well as *autohaus24.de* can satisfy these needs all-round. Customers with *sixt-neuwagen.de* for example can browse a particularly wide selection of vehicles, make transparent comparisons of offers, configure the car of their choice and lease it at especially attractive conditions and do all that easily and conveniently via the internet. For the course of fiscal year 2018 Sixt Leasing is planning to implement the through-and-through digital ordering process that was already successfully tested as part of the ‘flat rate for the road’ and have it on offer in full from *sixt-neuwagen.de.*

Sources
DAT Group (Deutsche Autotreuhand), DAT-Report 2018;
Capgemini Consulting, Cars Online Study 2017;
A.T. Kearney, Car-buyer study Germany, March 2016.

5.4 OPPORTUNITIES FROM INNOVATIONS

Individualised online and mobile solutions

In the opinion of Sixt Leasing digitalisation will lead to extended customer services in Fleet Leasing and Fleet Management. On top of the personal assistance, companies are putting increasing importance on aspects such as automation, efficiency and process safety. In this context a trend towards outsourcing fleet management services can be observed, as companies are focusing on their core business and at the same time want to make sure that their fleet is optimally managed.

The Sixt Leasing Group sees itself as one of the industry's innovation leaders and puts great emphasis on the development of modern online and mobile services to optimise leasing processes especially in the form of reporting and apps. These applications, such as the Sixt Global Reporting Tool, allow the Company to meet customer demands for ever more individualised solutions and to leverage optimisation potentials in customer fleets. Thus, Sixt Leasing is invested with key advantages over its competitors. The Group is permanently driving forward its solutions and is working on new digital products to provide optimal customer benefit.

Growth market electric mobility

For years already Sixt Leasing has been assisting and following the developments in electric mobility as it promotes these through cooperating with manufacturers and electric utility suppliers. In November 2017 Sixt Leasing joined the electricity provider Yello to launch an ‘electric flat rate for the road’ via *sixt-neuwagen.de.* Included in the offer is the usage of a BMW i3 ‘E-Mobility Edition’ starting at EUR 249 per month, which has been positively received.

Sixt Leasing therefore has extensive expertise in the selection and deployment of electric vehicles and is capable of giving interested customers competent and in-depth advice. This way existing fleets can be optimised to improve the overall pollutant emissions for example.

Consequently, the Sixt Leasing Group stands to benefit from such additional opportunities as the technological advances with electric vehicles, manufacturer's initiatives to promote this drive type, for example in setting up a nation-wide charging infrastructure, government subsidies as well as increasing corporate interest in optimising their fleets for ecological considerations. These opportunities will be based on the ability of meeting growing demand with all the available electric vehicles and giving customers competent advice in regards of the latest developments and state-of-the-art.

5.5 OPPORTUNITIES FROM SIXT LEASING GROUP'S INDEPENDENT FINANCING

Significant reduction of interest rate costs

In 2017 Sixt Leasing SE made great strides forward in reorganising the Group's financing. Following the successful placement of a bond the Group redeemed in line with the earliest time in the schedule a significant instalment of EUR 300 million from the Core Loan provided by Sixt SE, which it repaid to Sixt SE. The remaining portion of EUR 190 million is due to be repaid in line with plan during fiscal year 2018. The transfer of Sixt Leasing Group's financing, which had started in 2015, remains therefore fully in line with the timetable. The aim is to set up a stand-alone and diversified structure independent of Sixt SE that seeks to minimise the risk of fluctuating interest rate through matching maturities wherever possible and so to create financing security. The continual integration of new external instruments into the financing mix holds the opportunity to further reduce interest expenses for the Group over the coming years. This effect, evident already since the middle of 2016, shall continue accordingly in the following quarters and will underpin the scheduled gradual repayment of the Core Loan facility until 2018.

B.7 \\ NON-FINANCIAL DECLARATION IN ACCORDANCE WITH SECTIONS 289B TO E AND 315B AND C OF THE HGB

Pursuant to section 289b (2) and 315b (2) of the HGB, Sixt Leasing SE is exempt from the obligation to add a non-financial declaration to the management report, as it is included in the non-financial consolidated declaration of Sixt SE, which is contained in the management report of the Annual Report 2017 of Sixt SE. Information on the sustainability of Sixt Leasing SE can also be found in the chapter 'Sustainability' of this Annual Report.

B.8 \\ DEPENDENT COMPANY REPORT

In accordance with section 17 of the AktG, Sixt Leasing SE is a dependent company of Sixt SE, Pullach. According to article 9 (1) lit. c) (ii) of the SE Regulation, section 49 (1) SEAG in conjunction with section 312 of the AktG, a report is therefore prepared containing the following concluding declaration by the Managing Board:

'According to the facts and circumstances known to the Managing Board at the time legal transactions subject to disclosure requirements were conducted, Sixt Leasing SE received appropriate consideration in each case. Actions subject to disclosure requirements taken or actions omitted did not exist in the period under review.'

B.9 \\ CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTIONS 289F AND 315D OF THE HGB

The corporate governance declaration in accordance with sections 289f and 315d of the HGB is contained in the Annual Report 2017 of Sixt Leasing SE as part of the corporate governance report and is available to the general public online at *ir.sixt-leasing.com* under 'Corporate Governance'.

B.10 \\ ADDITIONAL INFORMATION FOR SIXT LEASING SE (PURSUANT TO THE HGB)

Fundamentals and business performance

Sixt Leasing SE has its registered offices in Pullach and is the parent company of the Sixt Leasing Group. It assumes central management tasks and is responsible for the strategic and financial management of the Group. In addition, Sixt Leasing SE is also the operative company for the leasing business within Germany. In this function Sixt Leasing SE is essentially responsible for results of operations, net assets and financial position as well as the opportunities and risks of the Sixt Leasing Group.

The annual financial statements of Sixt Leasing SE are prepared pursuant to (German) commercial law and the legal provisions on stock corporations and serve as the basis for the fiscal year's allocation of the net unappropriated profit to be approved by the Annual General Meeting.

Results of operations, net assets and financial position

In its operative leasing business Sixt Leasing SE generated in 2017 revenue (less leasing expenses) in the amount of EUR 245.9 million (2016: EUR 232.5 million). In addition, the balance between interest income and expense led to a charge of EUR 14.1 million (2016: charge of EUR 17.0 million). This was offset by personnel and administrative expenses in the amount of EUR 43.4 million (2016: EUR 40.7 million) as well as expenditures for depreciation and valuation allowances, above all for lease assets in the amount of EUR 165.3 million (2016: EUR 151.0 million).

2017 earnings from ordinary activities totalled EUR 26.4 million (2016: EUR 28.3 million). The Company recognises an annual surplus of EUR 19.7 million (2016: EUR 22.5 million) plus a profit carried forward from the previous years and after a transfer to other retained earnings in the amount of EUR 29.9 million (2016: EUR 21.5 million).

As at reporting date 31 December 2017 Sixt Leasing SE's significant assets consisted of lease assets in the amount of EUR 1,127.1 million (2016: EUR 917.7 million). Receivables from customers amounted to EUR 33.9 million (2016: EUR 28.1 million) and receivables from banks to EUR 4.2 million (2016: EUR 2.2 million). In addition to these, the Company recognises other assets that are essentially receivables from affiliated companies in the amount of EUR 280.3 million (2016: EUR 196.1 million).

The share capital of Sixt Leasing SE was unchanged and amounted to EUR 20.6 million.

All in all, equity is reported at EUR 193.9 million (2016: EUR 184.1 million).

Significant liabilities are other liabilities in the amount of EUR 750.7 million (2016: EUR 709.5 million). These include in particular the Financing Agreement concluded with Sixt SE. Further to these, the Company has liabilities to banks of EUR 172.8 million (2016: EUR 179.3 million) and securitised liabilities of EUR 250.0 million (2016: EUR 0.0 million).

Opportunities, risks and outlook
As parent company and the operative leasing company, Sixt Leasing SE essentially determines the opportunities and risks of the Sixt Leasing Group. To this extent, the overall assessment in the risk and opportunities report of the Sixt Leasing Group serves a reference. The economic development of the Sixt Leasing Group is likewise significantly determined by Sixt Leasing SE. In line with expectations regarding the development of the Group, Sixt Leasing expects fiscal year 2018 to see in earnings before taxes for Sixt Leasing SE roughly at prior year's level.

Investments
As the operative leasing company, Sixt Leasing SE oversees as part of its normal business activities the investments in lease assets, intangible assets and property and equipment. As part of its financing function within the Sixt Leasing Group, Sixt Leasing SE will provide consolidated companies with loans and funds in the form of equity if so required. Potential company start-ups or acquisitions could require investments to be made by Sixt Leasing SE.

Pullach, 29 March 2018

Sixt Leasing SE

The Managing Board

THOMAS SPIEGELHALTER

BJÖRN WALDOW

CONSOLIDATED FINANCIAL STATEMENTS

C \\ CONSOLIDATED FINANCIAL STATEMENTS

C.1 \\ CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

of Sixt Leasing SE, Pullach, for the year ended 31 December 2017

Consolidated Income Statement					
in EUR thou.	Notes		**2017**		2016
Revenue	/4.1/		743,951		713,881
Other operating income	/4.2/		8,541		8,993
Fleet expenses and cost of lease assets	/4.3/		460,676		439,311
Personnel expenses	/4.4/		33,049		25,013
a) Wages and salaries		28,424		21,308	
b) Social security contributions		4,624		3,705	
Other operating expenses	/4.5/		24,506		29,946
Earnings before interest, taxes, depreciation and amortisation (EBITDA)			**234,261**		**228,604**
Depreciation and amortisation expense	/4.6/		188,312		177,516
a) Depreciation of lease assets		187,568		176,942	
b) Depreciation of equipment		207		225	
c) Amortisation of intangible assets		537		349	
Earnings before interest and taxes (EBIT)			**45,949**		**51,088**
Net finance costs	/4.7/		-16,238		-19,513
a) Interest income		242		383	
b) Interest expense		-16,507		-20,359	
c) Other net financial income		27		429	
d) Result from at-equity measured investments		-		34	
Earnings before taxes (EBT)			**29,711**		**31,575**
Income tax expense	/4.8/		8,817		6,945
Consolidated profit	/4.9/		**20,893**		**24,630**
Of which attributable to shareholders of Sixt Leasing SE			20,893		24,630
Earnings per share – basic and diluted (in Euro)	/4.10/		1.01		1.19

Consolidated statement of comprehensive income			
in EUR thou.	Notes	**2017**	2016
Consolidated profit	/4.9/	20,893	24,630
Other comprehensive income (not recognised in the income statement)		-567	-65
Thereof components that could be reclassified to income statement in the future			
Currency translation gains/losses	/4.20/	-774	84
Thereof components that will not be reclassified to income statement in the future			
Remeasurement of defined benefit plans	/4.22/	261	-190
Related deferred taxes		-54	40
Total comprehensive income		**20,326**	**24,564**
Of which attributable to shareholders of Sixt Leasing SE		20,326	24,564

C.2 \\ CONSOLIDATED BALANCE SHEET

of Sixt Leasing SE, Pullach, as at 31 December 2017

Assets in EUR thou.	Notes	**31 Dec. 2017**	31 Dec. 2016
Non-current assets			
Goodwill	/4.11/	1,746	1,760
Intangible assets	/4.12/	5,943	4,348
Equipment	/4.13/	797	419
Lease assets	/4.14/	1,219,209	1,020,800
Financial assets		67	67
Other receivables and assets	/4.17/	3,240	3,322
Deferred tax assets	/4.8/	1,355	2,787
Total non-current assets		**1,232,356**	**1,033,503**
Current assets			
Inventories	/4.15/	29,972	29,898
Trade receivables	/4.16/	77,043	62,238
Receivables from related parties		2,863	2,565
Other receivables and assets	/4.17/	88,882	38,270
Income tax receivables		5,738	1,942
Bank balances	/4.18/	5,970	3,778
Total current assets		**210,468**	**138,690**
Total assets		**1,442,824**	**1,172,193**

Equity and liabilities in EUR thou.	Notes	**31 Dec. 2017**	31 Dec. 2016
Equity			
Subscribed capital	/4.19/	20,612	20,612
Capital reserves		135,045	135,045
Other reserves	/4.20/	49,444	39,012
Minority interests	/4.21/	31	31
Total equity		**205,132**	**194,699**
Non-current liabilities and provisions			
Provisions for pensions	/4.22/	263	515
Financial liabilities	/4.24/	587,363	150,764
Liabilities to related parties		-	490,000
Other liabilities	/4.27/	103	122
Deferred tax liabilities	/4.8/	19,865	14,130
Total non-current liabilities and provisions		**607,595**	**655,530**
Current liabilities and provisions			
Other provisions	/4.23/	3,429	4,401
Income tax liabilities		146	274
Financial liabilities	/4.24/	278,520	202,963
Trade payables	/4.26/	98,623	60,177
Liabilities to related parties	/4.25/	193,901	3,783
Other liabilities	/4.27/	55,478	50,366
Total current liabilities and provisions		**630,098**	**321,963**
Total equity and liabilities		**1,442,824**	**1,172,193**

C.3 \\ CONSOLIDATED CASH FLOW STATEMENT

of Sixt Leasing SE, Pullach, for the year ended 31 December 2017

Consolidated cash flow statement in EUR thou.	Notes	2017	2016
Operating activities			
Consolidated profit	/4.9/	20,893	24,630
Income taxes recognised in income statement	/4.8/	1,711	6,173
Income taxes paid		-5,634	-5,770
Financial result recognised in income statement[1]	/4.7/	16,246	19,626
Interest received		110	111
Interest paid[2]		-13,515	-19,763
Dividends received		-	120
Depreciation and amortisation	/4.6/	188,312	177,516
Income from disposal of fixed assets		-10,639	-10,227
Other (non-)cash expenses and income		19,252	2,418
Gross Cash flow		**216,734**	**194,833**
Proceeds from disposal of lease assets		231,243	234,335
Payments for investments in lease assets		-619,181	-471,711
Change in inventories	/4.15/	-74	3,243
Change in trade receivables	/4.16/	-14,805	-5,631
Change in trade payables	/4.26/	38,446	-8,831
Change in other net assets		-49,742	760
Net cash flows used in operating activities		**-197,379**	**-53,002**
Investing activities			
Proceeds from disposal of intangible assets and equipment		-	1
Payments for investments in intangible assets and equipment	/4.12/ to /4.13/	-2,723	-2,559
Payments for investments in financial assets		-	-26
Change in the scope of consolidation		-	1,551
Payments for investments in short-term financial assets		-84,998	-
Proceeds from disposal of short-term financial assets		85,000	-
Net cash flows used in investing activities		**-2,721**	**-1,033**
Financing activities			
Dividends paid		-9,894	-8,245
Proceeds from bonds, borrower's note loans and bank loans	/4.24/	547,764	261,540
Payments made for redemption of borrower's note loans and bank loans	/4.24/	-116,660	-55,110
Proceeds from short-term financial liabilities/ Payments made for short-term financial liabilities[3]	/4.24/	81,112	49,888
Payments made for redemption of financing from related parties		-300,000	-209,000
Net cash flows from financing activities		**202,323**	**39,073**
Net change in cash and cash equivalents		**2,223**	**-14,962**
Effect of exchange rate changes on cash and cash equivalents		-32	-3
Change in the scope of consolidation		-	31
Cash and cash equivalents at 1 Jan.		**3,778**	**18,712**
Cash and cash equivalents at 31 Dec.	/4.18/	**5,970**	**3,778**

1 *Excluding income from investments*
2 *Including interest paid for loans from related parties*
3 *Short-term borrowings with a maturity period of up to three months and quick turnover*

C.4 \\ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Sixt Leasing SE, Pullach, as at 31 December 2017

Consolidated statement of changes in equity in EUR thou.	Subscribed capital	Capital reserves	Other reserves			Equity attributable to shareholders of Sixt Leasing SE	Minority interests	Total equity
			Retained earnings	Currency translation reserve	Other equity			
1 Jan. 2017	**20,612**	**135,045**	**1,126**	**1,962**	**35,924**	**194,668**	**31**	**194,699**
Consolidated profit	-	-	-	-	20,893	20,893	-	20,893
Other comprehensive income	-	-	-	-774	207	-567	-	-567
Dividends paid	-	-	-	-	-9,894	-9,894	-	-9,894
Transfer to retained earnings	-	-	3,318	-	-3,318	-	-	-
Other changes	-	-	12	-	-12	-	-	-
31 Dec. 2017	**20,612**	**135,045**	**4,456**	**1,188**	**43,800**	**205,101**	**31**	**205,132**
1 Jan. 2016	**20,612**	**135,045**	**750**	**1,878**	**20,064**	**178,348**	**-**	**178,348**
Consolidated profit	-	-	-	-	24,630	24,630	-	24,630
Other comprehensive income	-	-	-	84	-149	-65	-	-65
Dividends paid	-	-	-	-	-8,245	-8,245	-	-8,245
Change in the scope of consolidation	-	-	-	-	-	-	31	31
Transfer to retained earnings	-	-	376	-	-376	-	-	-
31 Dec. 2016	**20,612**	**135,045**	**1,126**	**1,962**	**35,924**	**194,668**	**31**	**194,699**

See also Notes \4.19\ to \4.21

C.5 \\ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Sixt Leasing SE, Pullach, for the year ended 31 December 2017

1. GENERAL DISCLOSURES

1.1 INFORMATION ABOUT THE COMPANY

Sixt Leasing SE, domiciled in Zugspitzstrasse 1, 82049 Pullach, Germany, is registered in section B of the commercial register at the Munich Local Court (Amtsgericht), under the docket number 227195. The company was founded 1975 in Munich as 'Central Garagen CG GmbH' and has been trading since 2003 under the name 'Sixt Autoland GmbH' with its registered office in Garching close to Munich. Sixt Group's operative leasing business has been overseen by the 'Sixt Leasing GmbH' since 1988 and after its change of legal form into a stock corporation by the name 'Sixt Leasing AG'. In 2004 'Sixt Leasing AG' merged with the previous 'Sixt Autoland GmbH'. Subsequently 'Sixt Autoland GmbH' changed its legal form to a stock corporation and continued to operate under the name 'Sixt Leasing AG'. The Company floated on the stock market in May 2015. By approval of the Annual General Meeting on 1 June 2016 'Sixt Leasing AG' was transformed by way of changing the legal form according to article 2 (4) in conjunction with article 37 SE-Regulation to 'Sixt Leasing SE'. On 25 July 2016 the Company was registered in the commercial register at the Munich Local Court. The Company has been established for an indefinite period.

In accordance with its Articles of Association, the purpose of the company is: (a) the conduct of leasing operations with regard to motor vehicles and motor vehicle accessories as lessor with a regular contractual term of at least eleven months; (b) the management of motor vehicle fleets and motor vehicle accessories (fleet management); (c) the brokerage of sales and leasing contracts with regard to motor vehicles; and (d) in connection with operations pursuant to (a), (b) or (c), any of the following: (i) the brokerage of insurances, (ii) the trading of goods and the provision and brokerage of goods and services related to motor vehicles except for renting of motor vehicles as well as the brokerage of rent agreements in respect of motor vehicles unless included in (v) below, (iii) the trading of fuel and lubricants for motor vehicles, (iv) the utilisation and trading of motor vehicles, motor vehicle repair parts and motor vehicle accessories and (v) the brokerage of short-term renting agreements in respect of motor vehicles as replacement vehicles for vehicles in repair shops or damaged vehicles or for leased vehicles which have not been delivered after the lease term commenced (Leasingvorabfahrzeuge).

The Company can also establish branches and business premises in Germany and in other countries; establish, acquire or participate in other companies in Germany and in other countries; and manage such companies. The restrictions regarding the Company's business activities also apply to the business activities of subsidiaries and associated companies.

The Company may furthermore pursue its operations fully or partially through subsidiaries or associated companies. The Company is especially entitled to transfer or assign partially or fully its operations to subsidiaries or associated companies. The Company can limit its business activities to one or specific purpose of the aforementioned objects, and also to the activity of a holding company and/or the administration of other own assets.

At the reporting date, the Company's subscribed capital amounted to EUR 20,611,593.00. It is divided into 20,611,593 ordinary bearer shares. All shares are no-par value bearer shares. All shares have been fully paid up.

The largest shareholder is Sixt SE, Pullach, which holds 41.9% of the ordinary shares and voting rights of the subscribed capital as at reporting date. Sixt SE, Pullach, is the parent company of Sixt Leasing SE, Pullach. Parent company of Sixt SE, Pullach, is Erich Sixt Vermögensverwaltung GmbH, Pullach.

1.2 GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Sixt Leasing SE as at 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and the applicable commercial law regulations according to section 315e (1) of the HGB (German Commercial Code).

The consolidated financial statements have been prepared on the historical acquisition and production costs basis. Excluded are certain financial instruments that have been measured at fair value as of reporting date. The appropriate explanations are given in the sections entitled 'Reporting and valuation methods' and 'Additional disclosures on financial instruments'.

The consolidated income statement has been prepared using the total cost (nature of expense) method.

The Group currency of Sixt Leasing SE is the Euro (EUR). Unless specified otherwise the amounts presented in the consolidated financial statements are in ‘EUR thousand’. Due to rounding it is possible that individual figures in these consolidated financial statements do not add up exactly to the totals shown. For the same reason, the percentage figures presented may not always exactly reflect the absolute figures to which they relate.

The annual financial statements of Sixt Leasing SE, the consolidated financial statements and the management report on the Group’s and the Company’s situation are published in the Federal Gazette (Bundesanzeiger).

The Company applied the following new and/or amended standards for the first time in the current fiscal year:

Amendments to IAS 7 - Disclosure initiative
The amendments to IAS 7 as part of the disclosure initiative require additional disclosures on changes in liabilities arising from financing activities. The adoption of this amendment had no material impact on the consolidated financial statements.

Further new and/or amended standards/interpretations are not relevant for the consolidated financial statements of Sixt Leasing SE.

The following new and/or amended standards/interpretations have been ratified by the IASB but are not yet mandatory. The Company has not applied these regulations prematurely:

Standard/ Interpretation		Adoption by European Union	Applicable as at
IFRS 9	Financial instruments	22 Nov. 2016	1 Jan. 2018
IFRS 14	Regulatory deferral accounts	No	1 Jan. 2016
IFRS 15	Revenue from contracts with customers	22 Sep. 2016	1 Jan. 2018
IFRS 16	Leases	31 Oct. 2017	1 Jan. 2019
IFRS 17	Insurance Contracts	No	1 Jan. 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	No	Deferred indefinitely
Clarification to IFRS 15	Revenue from contracts with customers	31 Oct. 2017	1 Jan. 2018
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	26 Feb. 2018	1 Jan. 2018
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	3 Nov. 2017	1 Jan. 2018
Amendments to IFRS 9	Prepayment features with negative compensation	No	1 Jan. 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	No	1 Jan. 2019
Amendments to IAS 40	Transfers of investment property	14 Mar. 2018	1 Jan. 2018
Amendments to IAS 28	Long-term interests in associates and joint ventures	No	1 Jan. 2019
IFRIC Interpretation 22	Foreign currency transactions and advance consideration	No	1 Jan. 2018
IFRIC Interpretation 23	Uncertainty over income tax treatments	No	1 Jan. 2019
	Annual improvement to IFRS standards 2014-2016 cycle	7 Feb. 2018	1 Jan. 2017/1 Jan. 2018
	Annual improvement to IFRS standards 2015-2017 cycle	No	1 Jan. 2019

IFRS 9 Financial Instruments
IFRS 9 is mandatory for application for fiscal years beginning on or after 1 January 2018 and replaces the IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes stipulations for classification and measurement of financial instruments, as well as new hedge accounting rules and for the first time introduces an impairment model for financial assets.

According to IFRS 9 the financial assets are classified in three categories: fair value through profit or loss, fair value through other comprehensive income and at amortised cost using the effective interest rate method. The Group expects that trade receivables, as well as other current and non-current receivables and assets will continue to be measured at amortised cost following the adoption of IFRS 9. For investments, that are currently classified as available for sale financial assets, an election can be made to measure them at fair value through other comprehensive income. Based on the current analysis, the Group does not expect any material impact from the measurement of financial assets.

IFRS 9 largely retained the existing requirements in IAS 39 for financial liabilities. The only significant change relates to liabilities designated under the fair value option. Currently the Group does not have such financial liabilities for which the fair value option has been exercised. Based on the current assessment by the Group, no significant changes are expected from the classification and measurement of financial liabilities.

The impairment model under IFRS 9 requires the recognition of impairments based on expected credit losses and replaces the incurred loss concept under IAS 39. The impairment model applies to financial assets classified at amortised cost and finance lease receivables. The Group will apply the simplified impairment model to trade receivables and finance lease receivables. The simplified approach requires the recognition of a loss allowance for all instruments, irrespective of their credit quality, in the amount of lifetime expected credit losses. Based on the assessments undertaken to date, no significant changes in the amount of impairments are expected to occur.

IFRS 9 also introduces new rules for hedge accounting. The revised rules for the accounting of hedging relationships continue to include the three types of hedge accounting that are also available under IAS 39. The Group does not currently designate any of its derivatives as qualifying hedging instruments.

IFRS 15 Revenue from contracts with customers
IFRS 15 defines a five-step model to determine the realisation of revenue from contracts with customers. This model includes (1) the identification of the contract, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) the allocation of the transaction price to the performance obligations in the contract and (5) the recognition of revenue when the company satisfies a performance obligation. These rules of IFRS 15 are applicable for fiscal years beginning on or after 1 January 2018. The standard specifies the amount, timing or period over which such revenue from contracts with customers has to be recognised.

The Group generates leasing revenue from contractually agreed lease instalments. These are excluded from the scope of IFRS 15 but continue to be recognised according to IAS 17. In addition, the Group generates revenue from contractually agreed service components, as well as revenue from the sale of used lease vehicles. Service components include services such as vehicle maintenance, breakdown and damage assistance or the management of fuel cards. If the amount of revenue can be measured reliably, the corresponding revenue is realised when the service is provided. Sales revenue is recognised at the time of delivery to the customer, so that no change from previous practice is expected. Warranty services associated with the sale of used lease vehicles cannot be bought separately. Warranty services continue to be recognised according to IAS 37 Provisions, contingent liabilities and contingent receivables and in line with the previous accounting methodology.

According to current knowledge, it is not expected any material effects to occur, with the exception of more extensive disclosure in the Group's notes on revenues from contracts with customers.

IFRS 16 Leases
IFRS 16 Leases contains rules for recognising leases and is mandatory for application for fiscal years beginning on or after 1 January 2019. In principle lessees must recognise for all leases a right-of-use in the underlying asset in their balance sheet as well as a corresponding leasing liability. Lessees with short-term leases of up to one year or with lease assets of low value are granted exemption from this balance sheet recognition. For lessors the rules have remained mainly unchanged compared with the previous IAS 17 leasing standard.

The Sixt Leasing Group acts generally both as lessee and as lessor.

The Sixt Leasing Group leases assets as operate leases. If under the lease agreement all opportunities and risks associated with ownership are essentially transferred to the lessee, the contracts are classified as finance leases. In cases the Sixt Leasing Group acts as lessor, no material effects are expected from the first-time application of IFRS 16.

In addition, the Sixt Leasing Group also acts as contractual lessee in lease agreements relating in particular to rental agreements for buildings. In as far as there are no exemptions for short-term leases or low-value assets, the Group will recognise the corresponding rights of use assets and leasing liabilities for these leases in accordance with IFRS 16. At present Sixt Leasing is examining how the application will affect the consolidated financial statements. A reliable assessment of the effects can only be made after completion of this examination.

The current IAS 17 required disclosures are presented in section 5.2 Contingent liabilities and other financial obligations.

No material changes are expected from the application of the other published new and/or amended standards and interpretations. Sixt Leasing Group currently does not expect to apply any of the new and/or amended standards prematurely.

2. CONSOLIDATION

2.1 CONSOLIDATED COMPANIES

The scope of consolidated companies derives from the application of IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements.

Sixt Leasing SE acts as an operative leasing company and as parent company of the Sixt Leasing Group. Sixt Leasing SE holds 100% shareholdings in the following subsidiaries that are consolidated in the consolidated financial statements:

- autohaus24 GmbH, Pullach/Germany
- Sixt Mobility Consulting GmbH, Pullach/Germany
- SXT Leasing Dienstleistungen GmbH & Co. KG, Rostock/Germany
- Sixt Leasing (Schweiz) AG, Urdorf/Switzerland
- Sixt Mobility Consulting AG, Urdorf/Switzerland
- Sixt Location Longue Durée SARL, Paris/France
- Sixt Leasing G.m.b.H., Vösendorf/Austria
- Sixt Mobility Consulting B.V., Hoofddorp/Netherlands

Additionally, Isar Valley S.A., Luxembourg, in which the Sixt Leasing Group holds an equity interest of 0%, is fully consolidated because of control according to IFRS 10.

The Sixt Leasing Group furthermore holds interests in the following companies, which due to their low operating activities have not been consolidated because of their insignificance in the aggregate for the presentation of a true and fair view of the net assets, financial position and results of operations as well as the cash flows of Sixt Leasing Group. The combined revenue of these companies amounts to less than 1% of consolidated revenue.

List of shareholdings pursuant to section 313 (2) no. 4 of the HGB (German Commercial Code):

Name	Domicile	Equity	Equity interest	Annual result
Sixt Mobility Consulting Österreich GmbH	Vösendorf/Austria	61,613 EUR	100.0%	32,630 EUR
Sixt Mobility Consulting SARL	Paris/France	-181,684 EUR	100.0%	-83,310 EUR
SXT Leasing Verwaltungs GmbH	Rostock/Germany	24,936 EUR	100.0%	-9 EUR

In the fiscal year 2017, the domestic subsidiary Sixt Mobility Consulting GmbH, Pullach, makes use of the simplification provisions with regard to publication provided for in section 264 (3) of the HGB. In accordance with section 264b of the HGB, SXT Leasing Dienstleistungen GmbH & Co. KG, Rostock, is exempt from the duty to prepare and publish annual financial statements under the provisions applicable to corporations.

2.2 CHANGES IN THE SCOPE OF CONSOLIDATION

Since the fiscal year 2016, there have been no changes in the scope of consolidation of Sixt Leasing SE.

2.3 CONSOLIDATION METHODS

The single-entity financial statements included in the consolidated financial statements are uniformly prepared in accordance with the IFRS accounting policies applicable to the Sixt Leasing Group as at the balance sheet date 31 December 2017. Where necessary, the single-entity financial statements of the consolidated companies are adjusted to bring them into line with the accounting policies used within the Group.

Subsidiaries are those companies in which the Group has existing rights that give it the ability to direct their main activities. The main activities are the activities that have a material impact on the profitability of the company. Control thus exists if the Group is exposed to variable returns from the relationship with a company and its power over the relevant activities gives it the opportunity to influence these returns. Generally, the possibility of control is based on a direct or indirect majority of the voting rights by Sixt Leasing SE. Subsidiaries are consolidated from the date on which the possibility of control exists. They are no longer consolidated when this possibility ceases to exist.

Business combinations are performed in accordance with IFRS 3, which requires business combinations to be accounted for using the acquisition method. Assets and liabilities acquired must generally be recognised at fair value. Any excess of the cost of the business combination over the Group's share of the net fair values of the acquiree's assets, liabilities and contingent liabilities is recognised as goodwill and tested for impairment on a regular basis, and at least once a year.

The assets and liabilities from a business combination which are recognised at their fair values are depreciated or amortised over their applicable useful lives. If they have an indefinite useful life, any need to recognise impairment losses is determined using the same method as for goodwill.

Joint ventures are recognised in accordance with the at-equity method pursuant to the regulations in IFRS 11 as well as IAS 28.

Intra-Group transactions are eliminated in the course of consolidation. Significant receivables, liabilities and provisions between consolidated companies are offset against each other, and inter-company profits and losses are eliminated. Intra-Group income is offset against the corresponding expenses.

The results of subsidiaries consolidated for the first time during the year are included in the consolidated income statement from the date of their initial consolidation.

2.4 FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated foreign subsidiaries are translated using the functional currency concept.

The subsidiaries' functional currency is in each case the local currency, as the subsidiaries operate independently in their respective markets. Assets and liabilities are translated at the closing rate, equity at historic rates. Income statement items are translated at the average rates for the year. The resulting difference as against the closing rate is recognised in the other comprehensive income and accumulated in equity as currency translation differences.

Goodwill arising out of the acquisition of a foreign business operation and any fair value adjustments to the identifiable assets and liabilities will be treated as assets and liabilities of the foreign operation and translated at the closing rate. The resulting differences from translation are recognised in the currency translation reserve.

The exchange rates (= EUR 1) applied for currency translation purposes are shown in the table below:

Exchange rates		Closing rate		Average rate
	31 Dec. 2017	31 Dec. 2016	**2017**	2016
Swiss Francs	1.16945	1.07230	1.11618	1.09036

3. REPORTING AND VALUATION METHODS

3.1 INCOME STATEMENT

Revenue

Towards its customers the Sixt Leasing Group acts essentially as lessor for leasing transactions classified as operating leases. At the start of the leasing relationship Sixt Leasing Group checks all necessary criteria under IAS 17 to classify the leasing relationship accordingly. Leasing revenues are recognised ratably over the term of the respective leasing relation. Revenue is measured at the fair value of the consideration received or receivable. It is the amount of receivables for goods and services provided in the course of ordinary operating activities. Revenue amounts generated at the start of the lease as special lease payment, are deferred and recognised in profit and loss on a straight-line basis over the period of the leasing contract term.

Revenue from services, when Sixt Leasing Group is the recipient of the external service, is in general recognised as soon as the service is rendered and the amount of the revenue can be determined reliably.

If during the term of the lease lump sum payments for services are agreed with the lessee the income is recognised only to the amount of expenses incurred plus a calculatory margin. Proceeds from services and their corresponding expenses are recorded on a gross basis within revenue and fleet expenses and cost of lease assets.

Discounts, bonuses and VAT or other taxes relating to the goods or services provided are deducted from the revenue.

Although most leases are classified as operating leases, the Group also concludes leasing agreements that are classified as finance leases as substantially all risks and rewards incidental to the ownership are transferred to the lessee. Amounts due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases and are subsequently measured applying the effective interest method. Finance lease income is split up into an interest portion and redemption payments on the receivable. Only the interest portion is recognised through profit and loss. The finance income is allocated over the term of the lease on a systematic and rational basis. Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Vehicle sales are recognised when the vehicle is delivered and economic ownership is transferred, the amount of the revenue and the costs still to be incurred can be determined reliably and an incoming benefit to the buyer is probable.

Net finance costs
Interest income and expense presented in net finance costs are recognised on an accrual basis taking into account the outstanding loan amount and the applicable rate of interest. The effective interest method is applied for this.

Income tax expense
Income tax expense is the aggregate of current tax expense and deferred taxes.

Current tax expense is calculated on the basis of the taxable income for the year. Taxable profit differs from the profit before taxes (EBT) reported in the Group's income statement because it excludes items of income or expense that are taxable or deductible only in later years or that are never taxable or deductible.

Deferred taxes are the tax charges and tax reliefs expected to result from differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base.

In accordance with the balance sheet liability method as defined by IAS 12 Income taxes, deferred taxes are recognised for all temporary taxable differences arising from the deviations in the valuation of assets and liabilities as against the corresponding tax base. Deferred tax assets can only be recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are measured at the tax rates and taxation laws that are expected to apply to the period when the temporary differences reverse or the tax loss carryforwards are used. Until changes to tax laws are ratified, deferred taxes are measured at current tax rates.

Deferred taxes are recognised in the Group's income statement, except where they relate to items not recognised in the income statement. In this case the deferred taxes are recognised in other comprehensive income or directly in equity. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

3.2 ASSETS

Goodwill
Goodwill resulting from a business combination is carried at cost less any necessary impairment and is presented separately in the consolidated balance sheet. For the purpose of impairment testing, goodwill is allocated to those cash-generating units (or groups) of the Group that are expected to benefit from the synergies of the business combination.

Those cash-generating units, to which a portion of goodwill has been allocated, must be tested for impairment at least annually. If the recoverable amount of a cash-generating unit is smaller than the carrying amount of the unit, the impairment costs is allocated first to the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher value from the value in use and the fair value less costs for selling the asset.

Any impairment of goodwill is recognised directly in the income statement. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

The annual impairment test is based on management’s planning of the cash generated unit. The planning assumptions used to determine the value in use are adapted annually to reflect current market conditions and the Company's results of operations. The model used for the impairment test is based on the discounted cash flow method, with a multi-year plan and a growth factor of 1% taken as the basis in deriving a sustainable figure. The discount rates (before taxes and growth discount) used are currently between 4.2% and 4.3% (2016: between 5.9% and 6.2%). The assumptions used for the model are based on external observations. In the opinion of Sixt Leasing, there are no reasonably conceivable change in the underlying assumptions, on which the determination of the recoverable amount is based, that would result in the accumulated carrying amount of the cash-generating unit exceeding its recoverable amount.

Intangible assets
Intangible assets include purchased and internally developed software, as well as any advance payments in respect of intangible assets.

Purchased intangible assets are reported at acquisition cost less accumulated depreciation and impairment losses. Internally generated intangible assets are only capitalised at production cost if the criteria set out in IAS 38 have been met. If the capitalisation criteria have not been met, the expenses are recognised in the income statement in the year in which they are incurred. Intangible assets are amortised on a straight-line basis over a useful life of three to seven years. In accordance with IAS 36, intangible assets whose useful lives cannot be determined or are generally indefinite are tested for impairment on an annual basis and, where necessary, written down to their fair value.

Property and equipment
Property and equipment are carried at cost less straight-line depreciation and recognised impairment. Depreciation is taken so that the acquisition costs of assets are depreciated on a straight-line basis over their expected useful lives. The expected useful lives, residual values and depreciation methods are re-evaluated at the end of each reporting period and all necessary changes in estimates are applied prospectively.

Depreciation is based on the following useful lives, which apply uniformly throughout the Group:

Useful lives	
Operating and office equipment	3 to 11 years

Property and equipment are derecognised either when they are disposed of or when no further economic benefit is to be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of property or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Lease assets
The Sixt Leasing Group acts both as lessor and as lessee. In accordance with IAS 17, lease assets are assigned to the lessor (operating leases) or the lessee (finance leases).

Leasing transactions are classified as finance leases, if under the lease agreement all opportunities and risks associated with ownership are essentially transferred to the lessee. All other leasing relations are classified as operating leases.

Assets leased out by the Sixt Leasing Group as lessor under operating leases are carried in the balance sheet at cost less straight-line depreciation considering their calculated residual values. The residual values are based on the buyback value per vehicle type contractually agreed with the suppliers. If no buyback values have been agreed, the residual value is based on the estimated fair value. Estimating the residual values necessitates assumptions regarding the age and mileage of the vehicle at the time of its disposal as well as the expected conditions on the used vehicle market. This results in a market price risk exposure, which is evaluated by the Group periodically by estimating residual values and adjusting depreciation rates. Impairment losses are recognised in individual cases, if the carrying amount, which is based on the originally calculated residual value, exceeds the carrying amount expected prospectively at disposal. In accordance with IAS 17, leased assets are reported within the non-current assets section.

Lease assets that the Sixt Leasing Group has leased out as finance leases are recognised at the present value of the contractually agreed payments as assets under finance lease receivables. Lease payments are apportioned between interest payments and repayments of the leasing receivable, to achieve a constant periodic rate of interest on the receivable. Only the interest portion is recognised through profit or loss.

In accordance with IAS 17, assets leased by the Sixt Leasing Group as lessee under finance leases are recorded in the balance sheet at inception of the lease at the lower of the present value of the minimum lease payments and their fair value. The assets are depreciated to their contractual residual values on a straight-line basis over the respective lease terms. Impairment losses are recognised in the event that an indication of impairment is given. The corresponding liabilities to the lessor are recognised as liabilities arising from future lease payments under financial liabilities. Leasing payments to the lessor are divided up into an interest rate portion and a redemption portion. Only the interest rate portion is recognised in the income statement.

Assets leased as operating leases by the Sixt Leasing Group as lessee are not recognised as Group assets.

The Group reviews the carrying amounts of property and equipment and intangible assets as well as the lease assets at each balance sheet date to determine if there are any indications for an impairment of these assets. If any such indications can be detected, the recoverable amount of the asset is estimated to determine the extent of a possible impairment expense.

Inventories

The item inventories consists to the major part of lease assets intended for sale. These are measured at amortised cost, including incidental costs, and are regularly compared with the estimated net realisable value. If this is lower, an impairment loss is recognised.

Financial assets, other receivables and assets

Equity interests are generally measured at fair value in accordance with IAS 39. Insofar as they cannot be reliably determined, they are measured at amortised cost.

Financial assets are composed of receivables, purchased equity and debt instruments, cash and cash equivalents, and derivatives with their fair values, which are recognised and measured in accordance with IAS 39. Financial assets are recognised when the Group has a contractual right to receive cash or another financial asset from another entity. Purchases and sales of financial assets are generally recognised at the settlement date. Financial assets are initially recognised at fair value plus transaction costs if applicable. Transaction costs incurred for the purchase of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Subsequent measurement is based on the allocation of the financial assets according to the IAS 39 categories reported.

Financial assets at fair value through profit or loss comprise financial assets held for trading (FAHfT). Receivables from derivatives that are recognised under the other financial assets are also assigned to this measurement category. Changes in the fair value of financial assets in this category are recognised in profit or loss. The gain or loss resulting from the measurement of derivative financial instruments is immediately recognised in profit or loss, unless the derivative is designated and effective as hedging instrument as part of a hedging relationship (hedge accounting). In this case, the timing of the recognition in the income statement of the measurement results depends on the type of hedging relationship.

Loans and receivables (LaR) are non-derivative financial assets that are not quoted in an active market. They are measured at amortised cost using the effective interest method. Trade receivables and cash and cash equivalents are assigned to this measurement category. Interest income from items in this category is calculated using the effective interest method unless the receivables are short-term and effect of interest accumulation is immaterial.

Held-to-maturity investments (FAHtM) are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the entity has the positive intention and ability to hold to maturity. These instruments are measured at amortised cost. Held-to-maturity financial investments are reported as other financial assets. At present the Group does not have any held-to-maturity financial assets.

Available-for-sale financial assets (AfS) comprise those non-derivative financial assets that are not assigned to one of the other categories. These are, in particular, equity instruments and debt instruments not held to maturity that are reported as other financial assets. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Changes in fair value are only recognised in profit or loss when the instrument is disposed of. An impairment loss is recognised in profit or loss in the event of a prolonged or significant decline in fair value below amortised cost. In cases where a quoted market value can be determined for equity and debt instruments, it is recognised at the fair value. If there is no quoted market price and fair value cannot be reliably estimated, such financial instruments are recognised at cost less impairment losses.

Except for the financial assets recognised at fair value through profit or loss, financial assets are reviewed at each reporting date for potential impairment indicators. Financial assets are considered impaired, if as a result of one or more events after the initial recognition of the asset, an objective indication exists that the expected future cash flows of the financial asset have changed negatively. Objective indications are for example default by a debtor, indications that a debtor will enter bankruptcy or his creditworthiness worsens or any other observable data indicating that there is a measurable decrease in the expected future cash flows.

The Sixt Leasing Group considers such indicators of impairment for financial assets carried at amortised cost at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Impairment is measured on a collective basis for financial assets that are not individually significant. Collective assessment is carried out by grouping together assets with similar risk characteristics, such as customer group, customer creditworthiness and transaction type, for calculating an incurred but not separately reported impairment provision reflecting the expected loss of the portfolio.

In addition to management expectations, when assessing collective impairment, the Sixt Leasing Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

In the case of financial assets measured at amortised cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the net present value of expected future cash flows determined on the basis of the original effective interest rate on the asset.

An impairment leads to a direct reduction in the carrying amount of the affected financial assets, with the exception of trade receivables and receivables from insurances recognised in the other assets, whose carrying amount is reduced by an impairment account. Changes in the carrying amount of the impairment account are recognised in the income statement. When the Sixt Leasing Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If in a subsequent fiscal year the impairment loss of a financial asset measured at amortised cost decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through the income statement. The appreciation in value may not, however, exceed the amount of amortised costs without impairment.

The Group derecognises a financial asset if the contractual rights to cash flows from the financial asset expire or the financial asset and practically all the opportunities and risks associated with the financial asset are transferred to a third party.

3.3 EQUITY AND LIABILITIES

Equity
Equity includes other comprehensive income resulting from exchange rate differences of consolidated entities, for which the functional currency differs from the currency of the Group and actuarial gains or losses from the remeasurement of defined benefit pension plans.

Share-based payments
The Sixt Leasing Group grants its employees an equity participation programme for settlement with equity instruments (Matching Stock Programme – MSP). Under the MSP, Sixt Leasing Group is obliged towards its employees to settle the share-based payments with equity instruments of Sixt SE once the underlying vesting and market conditions are met. Consequently, the MSP is classified as cash-settled share-based payment transaction in the consolidated financial statements of Sixt Leasing Group.

For cash-settled share-based payment transactions a liability is recognised and when incurred measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the income statement.

Provisions for pensions
Provisions for pensions are measured using the projected unit credit method. The measurement is based on actuarial valuations relying on financial and demographic assumptions. The assumptions are reviewed for appropriateness at each balance sheet date.

The amount recognised as provisions for pensions in the consolidated balance sheet is the current net liability of the defined benefit plans of the Group. Service costs are recognised in personnel expenses within the consolidated income statement, while net interest income is recognised as part of the finance costs. Remeasurements of the defined benefit obligation, net of tax are recognised in other equity. These amounts recognised in other equity are not recognised in the income statement in future.

Provisions
Adequate provisions are recognised for potential obligations to third parties if these are attributable to a past event, if utilisation is more likely than not and a reliable estimate can be made of the probable amount of the obligation. Such liabilities are only carried as provisions if their amount is uncertain and payment to settle the obligation is probable. The measurements are made with the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties inherent in the obligation. Where a provision is measured on the basis of the estimated cash flows for meeting the obligation, these cash flows are discounted if the impact on interest is significant.

Financial liabilities
Financial liabilities are measured on initial recognition at their fair value and subsequently - with the exception of derivative financial instruments, which are measured at fair value - according to the effective interest method at amortised costs less directly attributable transaction costs, where applicable.

3.4 ESTIMATION UNCERTAINTIES AND DISCRETIONARY DECISIONS

In preparing the consolidated financial statements, it is often necessary to make estimates and assumptions that affect both the items reported in the consolidated balance sheet and the consolidated income statement, as well as in the disclosures contained in the notes to the consolidated financial statements. The amounts actually realised may differ from the reported amounts. Changes are recognised in the income statement on the date at which an improved knowledge is gained.

The estimates and assumptions made are outlined in the disclosures on the individual items. The areas in which amounts are most significantly affected are the following:

Goodwill is measured on the basis of expected developments and estimated parameters, property and equipment is measured on the basis of the estimated useful lives of the assets. Lease assets are measured based on the estimated useful lives of the vehicles and taking into account the expected residual value of the vehicle, lease assets intended for sale are measured on the estimation of the expected net realisable value. Valuation allowances are charged on receivables based on an assessment of the identifiable risks. Assessment is performed on a portfolio basis, based on management expectations. Derivatives are measured on the basis of estimated market yield curves calculated by the relevant transaction partners (banks). The need for provisions is determined using the best estimate of the most probable settlement amount of the present obligation at the balance sheet date. Provisions for pensions are based on actuarial valuations derived from financial and demographic assumptions.

4. EXPLANATIONS AND DISCLOSURES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 INCOME STATEMENT

\4.1\ *Revenue* is broken down as follows:

Revenue	Germany		Abroad		Total		Change
in EUR thou.	**2017**	2016	**2017**	2016	**2017**	2016	in %
Leasing Business Unit							
Leasing revenue (finance rate)	198,918	188,312	28,660	31,540	227,578	219,852	3.5
Other revenue from leasing business	159,739	152,106	19,287	20,536	179,027	172,642	3.7
Sales revenue	206,852	203,224	24,391	31,111	231,243	234,335	-1.3
Total	**565,510**	**543,642**	**72,338**	**83,187**	**637,848**	**626,829**	**1.8**
Fleet Management Business Unit							
Fleet management revenue	35,972	32,907	11,779	4,571	47,751	37,479	27.4
Sales revenue	58,352	49,574	-	-	58,352	49,574	17.7
Total	**94,324**	**82,481**	**11,779**	**4,571**	**106,103**	**87,052**	**21.9**
Group total	**659,833**	**626,122**	**84,117**	**87,759**	**743,951**	**713,881**	**4.2**

The Sixt Leasing Group is divided into the two segments, Leasing and Fleet Management. These business units form the basis of segment reporting. The main activities are broken down as follows:

Business segments	
Leasing	Vehicle leasing including additional services for companies as well as for private individuals and sale of lease assets
Fleet Management	Fleet management services and sale of vehicles bought from customers

Leasing revenue (finance rate), other revenue from leasing business and fleet management revenue are together described as 'operating revenue'. Sales revenue are not included in this item.

In the Leasing business unit, operating revenue comprises income from contractually agreed lease instalments, as well as revenue relating to service components such as repairs, fuel, tires, etc., revenue from the settlement of accident claims and franchise fees.

The leasing segment sells a significant proportion of vehicles directly and therefore reports all proceeds from the sale of used vehicles under sales revenue.

In the Fleet Management business unit fleet management revenue comprises revenue relating to service components, contractual service fees and revenue from settlement of accident claims. Additionally, the Fleet Management segment reports revenue from the sale of used vehicles bought from customers.

Revenues of the Sixt Leasing Group include compensation payments from third parties totalling EUR 8,182 thousand (2016: EUR 6,652 thousand).

\4.2\ *Other operating income* in the amount of EUR 8,541 thousand (2016: EUR 8,993 thousand) includes income of EUR 3,937 thousand (2016: EUR 2,763 thousand) from currency translation. The corresponding expenses from currency translation are included within other operating expenses. The item also includes income of EUR 75 thousand (2016: EUR 119 thousand) from payments of previously derecognised receivables, income of EUR 385 thousand (2016: EUR 1,758 thousand) from forwarding costs to third parties, income of EUR 299 thousand (2016: EUR 428 thousand) from reversal of provisions and income of EUR 1,681 thousand (2016: EUR 1,469 thousand) from capitalised cost.

\4.3\ ***Fleet expenses and cost of lease assets*** are broken down as follows:

Fleet expenses and cost of lease assets			Change
in EUR thou.	**2017**	2016	in %
Selling expenses	277,474	272,422	1.9
Expenses from write-downs on lease assets intended for sale	7,497	6,314	18.7
Fuel	69,195	63,558	8.9
Repair, maintenance and reconditioning	66,933	61,375	9.1
Insurance	9,470	10,297	-8.0
External rent expenses	5,395	5,242	2.9
Vehicle licenses	3,637	3,254	11.8
Transportation	5,367	4,052	32.4
Taxes and dues	3,208	3,010	6.6
Radio license fees	1,618	1,644	-1.6
Vehicle return expenses	3,206	2,215	44.7
Other expenses	7,677	5,928	29.5
Group total	**460,676**	**439,311**	**4.9**

\4.4\ ***Personnel expenses*** increased from EUR 25,013 thousand the year before to EUR 33,049 thousand in the year under review, due to an increase in the number of employees. This increase mainly resulted from the transfer of approximately 160 employees at the Rostock location, from an indirect subsidiary of Sixt SE into a newly founded direct subsidiary of Sixt Leasing SE, at the beginning of the year. As these employees in Rostock had already previously provided their services to the Sixt Leasing Group, whose costs were recharged to Sixt Leasing SE, the corresponding personnel costs were recognised until the end of 2016 in other operating expenses (other personnel services).

In addition the Sixt Leasing Group's headcount has also increased due to the Company's growth. Social security contributions mainly include the employer contributions to statutory insurance schemes and the expenses for the defined contribution as well as defined benefit pension plans. Expenses for defined contribution pension plans in the amount of EUR 2,016 thousand (2016: EUR 1,433 thousand) primarily result from the statutory German pension insurance. Expenses for defined benefit plans are included in the amount of EUR 118 thousand (2016: EUR 399 thousand).

Personnel expenses			Change
in EUR thou.	**2017**	2016	in %
Wages and salaries	28,424	21,308	33.4
Social security contributions	4,624	3,705	24.8
Group total	**33,049**	**25,013**	**32.1**

Average number of employees during the year:

Employees in the Group	2017	2016
Female employees	261	164
Male employees	286	206
Group total	**547**	**370**

The Leasing business unit employed 502 (2016: 329) members of staff and the Fleet Management business unit 45 (2016: 41) members of staff.

\4.5\ The following table contains a breakdown of ***other operating expenses***:

Other operating expenses in EUR thou.	**2017**	2016	Change in %
Rental expenses for business premises	1,690	1,487	13.7
Other selling and marketing expenses	3,534	5,812	-39.2
Expenses from write-downs of receivables	2,338	1,786	30.9
Audit, legal, advisory costs, and investor relations expenses	2,005	2,160	-7.2
Other personnel services	3,709	10,201	-63.6
IT expenses	3,785	2,565	47.6
Expenses for foreign currency translation	3,989	2,434	63.9
Miscellaneous expenses	3,456	3,500	-1.2
Group total	**24,506**	**29,946**	**-18.2**

The consolidated financial statements of Sixt Leasing SE recognise as operating expense in the amount of EUR 237 thousand (2016: EUR 178 thousand) the fees for the auditors of the consolidated financial statements. The fees break down into audit costs (EUR 119 thousand, 2016: EUR 87 thousand), other assurance services (EUR 62 thousand, 2016: EUR 62 thousand) mainly for comfort letters, tax consultancy services (EUR 19 thousand, 2016: EUR 29 thousand), and other services (EUR 37 thousand, 2016: EUR - thousand) that were provided for the parent or subsidiary companies.

\4.6\ ***Expenses for depreciation and amortisation*** in the financial year are explained in more details below:

Depreciation and amortisation in EUR thou.	**2017**	2016	Change in %
Lease assets	187,568	176,942	6.0
Equipment	207	225	-7.9
Intangible assets	537	349	54.0
Group total	**188,312**	**177,516**	**6.1**

The depreciation of lease assets has increased over the prior year's level to EUR 187,568 thousand (2016: EUR 176,942 thousand), mainly due to the rise in the number of leased vehicles.

\4.7\ ***Net finance costs*** have improved year-on-year from EUR -19,513 thousand to EUR -16,238 thousand, mainly due to the ongoing restructuring of the Group financing.

The following table contains a breakdown of the net finance costs:

Net finance costs		
in EUR thou.	**2017**	2016
Other interest and similar income	235	373
Other interest and similar income from related parties	8	10
Interest and similar expenses	-6,211	-2,242
Interest and similar expenses for related parties	-10,296	-18,117
Result from at-equity measured investments	-	34
Other net financial income	27	429
Group total	**-16,238**	**-19,513**

\4.8\ ***Income tax expense*** comprises the following:

Income tax expense			Change
in EUR thou.	**2017**	2016	in %
Current income tax for the reporting period	1,711	6,173	-72.3
Deferred taxes	7,107	772	>100
Group total	**8,817**	**6,945**	**27.0**

The current income tax expense for the financial year 2017 of EUR 1,711 thousand (2016: EUR 6,173 thousand) includes tax income from previous years in the amount of EUR 981 thousand (2016: tax income of EUR 14 thousand).

The following tax reconciliation explains the relationship between the expected and effective tax expense reported. The expected tax expense results from the application of an income tax rate of 25.7% (2016: 25.5%) to consolidated profit for the period (before taxes) in accordance with IFRS. The income tax rate is made up of corporation tax at 15% (2016: 15%), a solidarity surcharge of 5.5% (2016: 5.5%) as well as trade tax at 9.9% (2016: 9.6%).

Reconciliation of taxes		
in EUR thou.	**2017**	2016
Consolidated profit before taxes in accordance with IFRS	29,711	31,575
Expected income tax expense	7,636	8,036
Effect of different tax rates outside Germany	58	156
Changes in permanent differences	10	153
Changes in impairments	1,254	51
Non-deductible operating expenses	131	66
Tax-exempt income	-13	-24
Income taxes from other periods (current and deferred)	-99	-1,764
Change in tax rates	-116	266
Other effects	-44	5
Reported tax expense	**8,817**	**6,945**

As at 31 December 2017, deferred tax without impact on the income statement amounted to EUR -14 thousand (2016: EUR 40 thousand). The change compared to the previous year amounts to EUR -54 thousand (2016: EUR 40 thousand).

Deferred tax recognised the income statement has developed as follows :

Deferred taxes		
in EUR thou.	**2017**	2016
From temporary differences	5,629	3,540
From loss carryforwards	1,478	-2,768
Group total	**7,107**	**772**

The following overview outlines the sources of the deferred tax assets and liabilities:

Deferred taxes	Deferred tax assets		Deferred tax liabilities	
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016
Lease assets	800	555	18,039	13,979
Receivables	110	73	597	419
Other assets	1,869	1,829	2,214	973
Other liabilities	141	355	1,946	1,627
Tax loss carryforwards	1,367	2,845	-	-
	4,286	**5,656**	**22,795**	**16,998**
Offsetting	2,930	2,868	2,930	2,868
Group total	**1,355**	**2,787**	**19,865**	**14,130**

Deferred tax assets and deferred tax liabilities are offset, if the Group has a legally enforceable right to set off the current income tax assets against current income tax liabilities and they relate to income taxes levied by the same tax authority.

On the unused corporate tax losses carried-forward of EUR 13,027 thousand (2016: EUR 13,191 thousand) no deferred tax assets were recognised in respect of EUR 7,559 thousand (2016: EUR 2,335 thousand) and on the unused trade tax losses carried-forward of EUR 10,233 thousand (2016: EUR 10,646 thousand) no deferred tax assets were recognised for EUR 4,847 thousand (2016: EUR – thousand). The loss carryforwards for which deferred tax assets have been recognised are expected to be used during the five-year planning period. The losses may be carried forward indefinitely.

In the fiscal year there were no deductible temporary differences for which no deferred taxes were recognised (2016: EUR 544 thousand).

Temporary differences in relation to shares in subsidiaries of the Group for which no deferred tax liabilities has been recognised in the reporting periods presented, amount to a total of EUR 845 thousand (2016: EUR 773 thousand).

\4.9\ The ***consolidated profit*** amounts to EUR 20,893 thousand (2016: EUR 24,630 thousand). As in the previous year minority interests are not to be considered.

In the previous year a dividend of EUR 0.48 per ordinary share was paid. This corresponds to a total distribution to shareholders in the amount of EUR 9,894 thousand, recognised in the financial year.

The dividend proposal for the financial year 2017 is a dividend of EUR 0.48 per ordinary share. This corresponds to an estimated total distribution of EUR 9,894 thousand for the year under review. The proposed dividend is dependent upon a corresponding resolution being passed by the Annual General Meeting and was not recognised as a liability in the consolidated financial statements.

\4.10\ ***Earnings per share*** are as follows:

Earnings per share		2017	2016
Consolidated profit	in EUR thou.	20,893	24,630
Profit attributable to shareholders of Sixt Leasing SE	in EUR thou.	20,893	24,630
Weighted average number of shares		20,611,593	20,611,593
Earnings per share – basic and diluted	in EUR	1.01	1.19

The basic earnings per share is determined by dividing the share of earnings after taxes of the shareholders of the parent company to the weighted average number of shares during the current financial year. Diluted earnings per share is calculated on the basis of conversion of all dilutive instruments into ordinary shares.

There were no financial instruments outstanding over the financial year that could cause dilutive effects. Therefore the diluted earnings per share correspond in the amount to the basic earnings per share.

4.2 BALANCE SHEET

Assets

\4.11\ to \4.14\ The changes in the Group's *non-current assets* (without financial assets) are shown below:

Consolidated statement of changes in non-current assets	Acquisition and production costs						
in EUR thou.	1 Jan. 2017	Foreign exchange differences	Additions	Changes in the scope of consolidation	Disposals	Transfers	**31 Dec. 2017**
Goodwill	**1,760**	**-13**	**-**	**-**	**-**	**-**	**1,746**
Purchased software	3,471	-	4	-	-	-	3,474
Internally developed software	1,018	-	-	-	-	232	1,251
Payments on account of software	3,229	-	2,128	-	-	-232	5,125
Intangible assets	**7,718**	**-**	**2,132**	**-**	**-**	**-**	**9,850**
Operating and office equipment	1,478	-13	591	-	25	-	2,030
Equipment	**1,478**	**-13**	**591**	**-**	**25**	**-**	**2,030**
Lease assets	**1,206,448**	**-6,862**	**619,181**	**-**	**403,972**	**-**	**1,414,795**
Total	**1,217,403**	**-6,888**	**621,903**	**-**	**403,996**	**-**	**1,428,422**

Consolidated statement of changes in non-current assets	Acquisition and production costs						
in EUR thou.	1 Jan. 2016	Foreign exchange differences	Additions	Changes in the scope of consolidation	Disposals	Transfers	31 Dec. 2016
Goodwill	**-**	**4**	**1,756**	**-**	**-**	**-**	**1,760**
Purchased software	909	-	25	2,536	-	-	3,471
Internally developed software	521	-	-	-	-	497	1,018
Payments on account of software	1,417	-	2,309	-	-	-497	3,229
Intangible assets	**2,847**	**-**	**2,334**	**2,536**	**-**	**-**	**7,718**
Operating and office equipment	1,124	2	225	128	2	-	1,478
Equipment	**1,124**	**2**	**225**	**128**	**2**	**-**	**1,478**
Lease assets	**1,143,990**	**657**	**471,711**	**-**	**409,909**	**-**	**1,206,448**
Total	**1,147,962**	**662**	**476,026**	**2,664**	**409,911**	**-**	**1,217,403**

	Depreciation/Amortisation						Carrying amounts	
	1 Jan. 2017	Foreign exchange differences	Depreciation/ Amortisation in the financial year	Changes in the scope of consolidation	Disposals	**31 Dec. 2017**	**31 Dec. 2017**	31 Dec. 2016
	-	**-**	**-**	**-**	**-**	**-**	**1,746**	**1,760**
	3,114	-	241	-	-	3,355	119	356
	256	-	296	-	-	552	699	763
	-	-	-	-	-	-	5,125	3,229
	3,370	**-**	**537**	**-**	**-**	**3,907**	**5,943**	**4,348**
	1,058	-8	207	-	24	1,234	797	419
	1,058	**-8**	**207**	**-**	**24**	**1,234**	**797**	**419**
	185,648	**-2,212**	**187,568**	**-**	**175,418**	**195,587**	**1,219,209**	**1,020,800**
	190,077	**-2,220**	**188,312**	**-**	**175,441**	**200,728**	**1,227,694**	**1,027,327**

	Depreciation/Amortisation						Carrying amounts	
	1 Jan. 2016	Foreign exchange differences	Depreciation/ Amortisation in the financial year	Changes in the scope of consolidation	Disposals	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
	-	**-**	**-**	**-**	**-**	**-**	**1,760**	**-**
	580	-	228	2,307	-	3,114	356	329
	135	-	121	-	-	256	763	387
	-	-	-	-	-	-	3,229	1,417
	714	**-**	**349**	**2,307**	**-**	**3,370**	**4,348**	**2,133**
	753	1	225	80	1	1,058	419	371
	753	**1**	**225**	**80**	**1**	**1,058**	**419**	**371**
	186,211	**233**	**176,942**	**-**	**177,738**	**185,648**	**1,020,800**	**957,779**
	187,678	**234**	**177,516**	**2,386**	**177,738**	**190,077**	**1,027,327**	**960,284**

\4.11\ ***Goodwill*** amounting to EUR 1,746 thousand (2016: EUR 1,760 thousand) resulted from the acquisition of autohaus24 GmbH, Pullach, and Sixt Mobility Consulting AG, Urdorf, in 2016. As in the previous year, no impairment losses were recognised in the financial year.

\4.12\ ***Intangible assets*** include internally developed software amounting to EUR 699 thousand (2016: EUR 763 thousand) and purchased software amounting to EUR 119 thousand (2016: EUR 356 thousand). It also includes advance payments in respect of internally developed software amounting to EUR 5,125 thousand (2016: EUR 3,229 thousand).

\4.13\ The item ***equipment*** includes operating and office equipment (mainly IT systems, fixtures and fittings and office equipment) in the amount of EUR 797 thousand (2016: EUR 419 thousand).

\4.14\ ***Lease assets*** increased to EUR 1,219.2 million (2016: EUR 1,020.8 million). The Sixt Leasing Group as lessor primarily leases out vehicles of various brands, mainly under full-service lease agreements. Of the future minimum lease payments under operating leases totalling EUR 413 million (2016: EUR 379 million) payments of EUR 198 million (2016: EUR 183 million) are due within one year, payments of EUR 215 million (2016: EUR 195 million) are due in one to five years and payments of EUR 0.1 million (2016: EUR 0.1 million) are due in more than five years. The amounts stated contain only the lease instalments without service components. The fixed-term agreements usually contain agreements on the vehicles' mileage. The resulting contingent lease payments recognised as income in the current financial year amounted to EUR 1.1 million (2016: EUR 0.8 million). In addition to these, the Group estimated calculated residual values covered by buy-back agreements in the amount of EUR 368 million (2016: EUR 274 million) and further calculated residual values not covered by third parties in the amount of EUR 556 million (2016: EUR 476 million).

Lease assets of EUR 150.1 million (2016: EUR 158.9 million) are pledged as collateral to banks.

Certain lease vehicles are refinanced under finance lease agreements having the same maturities as the lease vehicles. These agreements are structured in a way that the refinanced vehicles in the amount of EUR 13.4 million remain attributable to the Group (2016: EUR 8.4 million). The agreements have a residual value of up to three years and provide for full amortisation. The obligations under the leases are presented under financial liabilities.

\4.15\ ***Inventories*** consist mainly of lease assets intended for sale in the amount of EUR 29,972 thousand (2016: EUR 29,898 thousand).

\4.16\ ***Trade receivables*** result almost exclusively from services invoiced in the course of leasing and fleet management business and from vehicle deliveries. Valuation allowances were recognised for identifiable risks.

\4.17\ *Other receivables and assets* can be broken down as follows:

Other receivables and assets		
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016
Financial other receivables and assets		
Finance lease receivables	4,425	4,494
Miscellaneous assets	10,567	10,488
Non-financial other receivables and assets		
Other tax receivables	8,658	4,619
Insurance claims	8,782	5,475
Deferred income	5,140	5,797
Claims for vehicle deliveries	54,550	10,718
Group total	**92,122**	**41,592**
thereof current	88,882	38,270
thereof non-current	3,240	3,322

The finance lease receivables result from lease agreements with customers that are classified as finance leases. The interest rate implicit in the leases is fixed at the inception of the lease for the entire term. The agreements partly contain put options on the part of the Group as lessor. As in the previous year, the valuation allowance on finance lease receivables amounted to EUR 0.1 million in total. Further details are shown below:

Finance lease receivables	Gross investment		Present value of outstanding minimum lease payments	
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016
Due in one to five years	3,051	3,233	2,743	2,940
Due within one year	1,978	1,789	1,682	1,554
Unrealised finance income	604	528	-	-

\4.18\ *Bank balances* of EUR 5,970 thousand (2016: EUR 3,778 thousand) include short-term deposits at banks with terms of up to one month. The item corresponds to the cash and cash equivalents item in the consolidated cash flow statement.

Equity and liabilities

The Sixt Leasing Group's *equity* increased year-on-year to a total of EUR 205,132 thousand (2016: EUR 194,699 thousand). Therein, the subscribed capital of Sixt Leasing SE amounted unchanged to EUR 20,612 thousand.

\4.19\ Subscribed capital of Sixt Leasing SE

Share capital	No-par value shares	Nominal value in EUR	No-par value shares	Nominal value in EUR
		31 Dec. 2017		31 Dec. 2016
Ordinary shares	20,611,593	20,611,593	20,611,593	20,611,593
Total	**20,611,593**	**20,611,593**	**20,611,593**	**20,611,593**

The subscribed capital is composed of ordinary bearer shares. The shares are no-par value shares with a notional interest in the share capital of EUR 1.00 per share. The share capital is fully paid up.

Authorised capital

The Managing Board is authorised to increase the share capital on one or more occasions in the period up to and including 31 May 2021, with the consent of the Supervisory Board, by up to a maximum of EUR 6,183,477 by issuing new no-par value bearer shares against cash and/or non-cash contributions (Authorised Capital 2016). The Managing Board is authorised, with the consent of the Supervisory Board, to stipulate the further details of the pre-emptive rights and the terms and conditions of the share issue. The new share dividend rights can also be arranged otherwise than stipulated in section 60 (2) of the AktG. In particular, the new shares can also carry dividend rights from the beginning of the financial year preceding their issue, if the Annual General Meeting has not adopted a resolution on the appropriation of the profit for the financial year in question at the time the new shares are issued.

In general, shareholders are granted statutory subscription rights to the new shares. The subscription right can also be arranged in full or in part as indirect subscription right in accordance with section 186 (5) sentence 1 of the AktG.

However, the Managing Board is authorised, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders, in full or in part, in accordance with the following provisions:

a) The Managing Board is authorised, with the consent of the Supervisory Board, to exclude fractional amounts from the subscription right of shareholders and also to exclude the subscription right of shareholders if necessary, in order to grant holders and/or creditors of conversion or option rights and/or holders and/or creditors of bonds with conversion exercise obligations or convertible profit participation certificates which have been or will be issued by the company or a domestic or foreign enterprise, in which the company directly or indirectly has a majority of voting rights and capital interest, a subscription right to the extent they would be entitled to after exercising the conversion or option rights and/or after meeting the conversion or option obligations.
b) In the event of a capital increase against cash contributions, the Managing Board is furthermore authorised, with the consent of the Supervisory Board, to exclude the subscription right of shareholders in accordance with section 186 (3) sentence 4 of the AktG, if the issue price of the new shares is not materially lower than the quoted stock exchange price of existing listed shares and the shares issued on the basis of this authorisation to exclude the subscription right do not exceed a total of 10% of the share capital, either at the effective date or at the date of the utilisation of the authorisation. This 10% limitation also applies to own shares issued or sold during the term of this authorisation pursuant to another authorisation or pursuant to section 186 (3) sentence 4 of the AktG under exclusion of the subscription right; furthermore it applies to shares that are issued and/or are to be issued so as to serve conversion or option rights and/or to meet conversion or option obligations from conversion or option bonds or conversion profit participation certificates, to the extent that the bonds or certificates are issued during the term of this authorisation in corresponding application of section 186 (3) sentence 4 of the AktG and under exclusion of the subscription right.
c) The Managing Board is finally authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right in case of capital increases against non-cash contributions in kind, in particular for the purpose of acquiring companies, parts of companies, or investments in companies, as part of business combinations and/or to acquire other assets including rights and claims.

On the basis of the Authorised Capital 2016, the Managing Board is also authorised, with the consent of the Supervisory

Board, to issue new shares against non-cash contributions in kind for the purpose of (directly or indirectly) acquiring loan repayment and/or interest claims against the company arising from shareholder loans that have been or will be granted to the company by Sixt SE (Munich Local Court; HRB 206738) (in each case 'Shareholder Loan Claims'). In this case shareholders are generally granted the statutory subscription right to the new shares. The subscription right is to be granted in such form, that the new shares are offered to the shareholders for subscription against cash payment of the subscription price, while Sixt SE (or a third party who acquired the Shareholder Loan Claims) shall be entitled to pay all or part of the subscription price for the new subscribed shares, either against cash payment or through a contribution in kind of the Shareholder Loan Claims. This shall not affect the authorisation to a partial exclusion of subscription rights in accordance with lit. a). Details hereof are to be determined by the Managing Board with the consent of the Supervisory Board. The non-cash contribution in kind may also be effected in full or in part by transferring to the company all ownership interests in a German or foreign special purpose company, all of the assets of which are substantially the Shareholder Loan Claims. To the extent that the subscription price is paid as a non-cash contribution in kind pursuant to the aforelisted provisions, the value of the contribution in kind must be at least equal to the subscription price. The value of the contribution in kind must be assessed by a valuation report by an audit firm fulfilling the legal requirements of section 205 (5) in combination with section 33 (4) no. 2 and (5) of the AktG.

Taken together, the notional amount in the share capital attributable to the new shares, for which the subscription right of the shareholders is excluded on account of the authorisation of the Authorised Capital 2016, may not exceed 20% of the share capital either at the time when the authorisation takes effect nor at the time of its exercise.

This limitation also applies to new and existing shares, that are issued or sold during the term of this authorisation pursuant to another authorisation under exclusion of the subscription rights; furthermore it applies to new shares that are issued and/or are to be issued so as to serve conversion or option rights and/or to meet conversion or option obligations from conversion or option bonds or conversion profit participation certificates, to the extent that the bonds or certificates are issued during the term of this authorisation pursuant to another authorisation under exclusion of the subscription right.

Conditional capital

By resolution of the Annual General Meeting of 1 June 2016 the Managing Board is authorised, on one or more occasions in the period up to and including 31 May 2021 and with the consent of the Supervisory Board, to issue convertible and/or bonds with warrants registered in the name of the holder and/or bearer of up to a maximum of EUR 200,000,000 with a fixed or open-ended term and grant conversion or option rights to the holders and/or creditors of convertible bonds to acquire a total of up to 4,122,318 new ordinary bearer shares in Sixt Leasing SE. The bonds can be issued against cash and/or non-cash contributions. The issue can be effected by a German or foreign company in which Sixt Leasing SE is directly or indirectly invested with a majority of votes and capital. In this case, the Managing Board is authorised on behalf of the issuing company, in which it has a majority interest, to take on the guarantee for repayment of the convertible and/or bond with warrants and the other payment obligations associated with the convertible and/or bond with warrants and to grant the bearers and/or creditors of such convertible and/or bond with warrants conversion or option rights for shares in Sixt Leasing SE.

By resolution of the Annual General Meeting of 1 June 2016, the company's share capital is conditionally increased by up to EUR 4,122,318 (Conditional Capital 2016). The conditional capital increase serves to grant shares to the holders or creditors of convertible bonds and holders of option rights from bonds with warrants, which were issued up to and including 31 May 2021 on the basis of the resolution passed by the Annual General Meeting of 1 June 2016 (Authorisation 2016), by the company or a German or foreign subsidiary in which the company directly or indirectly holds a majority of voting rights and capital. The conditional capital increase is only to be effected insofar as the conversion or option rights from the aforelisted bonds are actually exercised or the conversion obligations from such bonds are fulfilled and no other form of settlement is being used. The new shares will be issued at the option and/or conversion price to be determined in accordance with the Authorisation 2016. The new shares are entitled to take part in the company's profit as of the beginning of the fiscal year in which the conversion and/or option rights were exercised or in which the conversion obligations were fulfilled. The Managing Board is authorised to determine further details for implementing the conditional capital increase.

By resolution of the Annual General Meeting of 29 June 2017 the Managing Board was authorised, as specified in the proposed resolution, to issue until 28 June 2020 up to 1,000,000 subscription rights for up to a maximum of 1,000,000 no-par value bearer shares, in one or multiple tranches, to members of the Managing Board and executives below the Managing Board level as well as members of the governing boards of subsidiaries. As far as this affects Managing Board members, only the Supervisory Board shall be authorised accordingly.

The total volume of subscription rights is apportioned to a maximum of 500,000 subscription rights to members of the Company's Managing Board and a maximum of 500,000 subscription rights to selected Company executives below the Managing Board and members of the management of subsidiaries. Each subscription right entitles the owner to subscribe to one no-par value bearer share of the Company against payment of the exercise price and carries a term of seven years. The Company can settle the subscription rights by granting the entitled beneficiaries either treasury shares or a cash payment instead of new shares out of the conditional capital. If the entitled beneficiaries are members of the Company's Managing Board this decision is taken at the sole discretion of the Supervisory Board. So far, no use has been made of the authorization to issue the subscription rights.

In this context the Company's share capital is conditionally increased by up to EUR 1,000,000 through issuance of up to 1,000,000 new no-par value bearer shares (Conditional Capital 2017). The conditional capital increase serves to service the stock option programme 2017 and only in so far, as subscription rights are issued under the stock option programme 2017 and the owners of the subscription rights use their exercise right.

Treasury shares

By resolution of the Annual General Meeting of 8 April 2015 the Managing Board, with the consent of the Supervisory Board, was authorised to purchase the Company's own shares through 7 April 2020, up to a total of 10% of the Company's share capital at the time of the adoption or, if the respective amount is lower, of the utilisation of this authorisation. This authorisation has not yet been exercised as of the reporting date.

\4.20\ Retained earnings

Retained earnings in EUR thou.	**2017**	2016
Balance as at 1 Jan.	1,126	750
Transfer to retained earnings	3,318	376
Other changes	12	-
Balance as at 31 Dec.	**4,456**	**1,126**

\4.20\ Currency translation reserve

Currency translation reserve in EUR thou.	**2017**	2016
Balance as at 1 Jan.	1,962	1,878
Differences arising from the translation of the financial statements of foreign subsidiaries	-774	84
Balance as at 31 Dec.	**1,188**	**1,962**

\4.20\ Other equity

Other equity in EUR thou.	2017	2016
Balance as at 1 Jan.	35,924	20,064
Consolidated profit	20,893	24,630
Dividends paid	-9,894	-8,245
Other comprehensive income	207	-149
Transfer to retained earnings	-3,318	-376
Other changes	-12	-
Balance as at 31 Dec.	**43,800**	**35,924**

Other equity mainly includes the consolidated unappropriated profit and the revaluation reserve from the initial transition to IFRS accounting.

\4.21\ ***Minority interests*** relate to the subscribed capital of Isar Valley S.A., Luxembourg, in which Sixt Leasing Group has a capital interest of 0%.

Liabilities and provisions

\4.22\ ***Provisions for pensions*** amount to EUR 263 thousand (2016: EUR 515 thousand).

Pension schemes in the Sixt Leasing Group contain mainly defined contribution pension plans under statutory pension insurance. In Switzerland each employer is required by law to provide post-employment benefits schemes against the economic risks of retirement, death and invalidity to entitled employees. Therefore Sixt Leasing offers its Swiss employees funded defined benefit plans, which are managed by an external pension fund. The pension fund is responsible for the investment policy and asset management, as well as for all changes in the plan conditions and the determination of contributions to finance the benefits. In case of underfunding the pension fund can raise additional contributions from employers and employees.

The valuation of the provisions for pensions relies on actuarial reports. The reports use the following actuarial assumptions:

Actuarial assumptions in %	2017	2016
Discount rate	0.7	0.6
Assumed salary increase	0.5	0.5
Assumed pension increase	-	-
Mortality table	BVG 2015 GT	BVG 2015 GT

The following table shows the development of the defined benefit pension plan:

Development of defined benefit pension plans	Defined benefit obligations (DBO)		Fair value of plan assets		Net balance of defined benefit obligations	
in EUR thou.	**2017**	2016	**2017**	2016	**2017**	2016
Balance as at 1 Jan.	2,054	-	1,540	-	515	-
Additions for previous years	-	1,362	-	1,069	-	293
Current service costs	118	106	-	-	118	106
Net interest costs of defined benefit obligations	10	12	8	10	3	2
Expenses recognised in the consolidated income statement	**128**	**1,480**	**8**	**1,079**	**121**	**401**
Return on plan assets	-	-	38	3	-38	-3
Actuarial gains/losses						
Experience gains/losses	-208	161	-	-	-208	161
Changes in demographic assumptions	-	-12	-	-	-	-12
Changes in financial assumptions	-15	44	-	-	-15	44
Remeasurement for defined benefit obligations recognised in other comprehensive income	**-224**	**193**	**38**	**3**	**-261**	**190**
Employer contributions	-	-	78	84	-78	-84
Plan participants' contributions	78	84	78	84	-	-
Benefits paid	-564	263	-564	263	-	-
Foreign currency translation effects	-144	34	-111	26	-33	9
Other reconciling items	**-630**	**382**	**-519**	**458**	**-111**	**-76**
Balance as at 31 Dec.	**1,329**	**2,054**	**1,066**	**1,540**	**263**	**515**

The weighted average duration of the defined benefit obligation was around 18 years (2016: 20 years). Employer contributions expected to be paid for defined benefit obligations in fiscal year 2018 amount to EUR 81 thousand.

The pension scheme is provided through an external pension fund, which manages the plan assets. As at balance sheet date, the plan assets are attributable to other assets without quoted market prices.

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Sensitivity analysis

The sensitivity analysis assumes in each case a parallel shift of half a percentage point.

This would result in the changes of values of the reported defined benefit obligations presented in the following table:

Sensitivity analysis of defined benefit obligations	Changes in the defined benefit obligations		Changes in the defined benefit obligations	
in EUR thou.		**2017**		2016
	+0.5 percentage points	-0.5 percentage points	+0.5 percentage points	-0.5 percentage points
Discount rate	-60	71	-96	133
Assumed salary increase	7	-8	18	-24
Assumed pension increase	48	-46	89	-80

The decrease/increase of the life expectancy in the assumptions by one year respectively would result in a change of the defined benefit obligations by EUR -21 thousand/EUR 25 thousand (2016: EUR -24 thousand/EUR 27 thousand).

\4.23\ The obligations reported in the financial year under ***other provisions*** are expected to be settled within one year. They consist mainly of personnel and warranty provisions.

Other provisions			
in EUR thou.	Personnel	Miscellaneous	**Total**
Balance as at 1 Jan.	4,401	-	4,401
Additions	2,420	548	2,969
Reversals	-299	-	-299
Utilised	-3,630	-	-3,630
Foreign exchange differences	-11	-	-11
Balance as at 31 Dec.	**2,881**	**548**	**3,429**

\4.24\ ***Financial liabilities*** comprise liabilities from issued borrower's note loans, bonds, bank loans as well as liabilities from an asset backed securities programme and finance lease liabilities for refinancing the lease assets.

Financial liabilities	Residual term of up to 1 year		Residual term of 1 to 5 years	
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016
Borrower's note loans	-	-	29,857	29,801
Bonds	-	-	247,516	-
Liabilities to banks	273,142	193,551	298,672	120,276
Finance lease liabilities	2,415	8,816	11,317	687
Other liabilities	2,964	596	-	-
Group total	**278,520**	**202,963**	**587,363**	**150,764**

In fiscal year 2016 non-current borrower's note loans were issued in two tranches with a total nominal value of EUR 30 million. The interest is variable for one tranche and fixed for the other tranche. The liabilities are unsecured and have a maturity of four years.

The bonds include a EUR 250 million unsecured bond issued on the capital market in January 2017 with a nominal interest rate of 1.125% p.a. and a maturity of four years.

Liabilities to banks, reported as of 31 December 2017, with a residual term of one to five years, result from an asset backed securities programme, which the Sixt Leasing Group has set up to refinance leasing contracts. The programme comprises a financing volume of EUR 500 million. Under the programme variable interest rate liabilities are taken out, which are redeemable based on the amortisation schedule of the lease contract portfolio.

The loans are recognised initially at fair value, less directly attributable transaction costs. Subsequent measurement is carried out at amortised cost using the effective interest method. To mitigate interest rate risks the company concluded interest rate swap agreements over the amortisation period of the related lease contract portfolio.

Liabilities to banks, with a residual term of up to one year, include short-term borrowings at variable interest rates taken out by utilising the credit lines available to the Group, as well as the current portion of liabilities from the asset backed securities programme. The liabilities to banks have been secured by transferring ownership of assets. Other liabilities consist mainly of accrued interest.

The following table shows the finance lease liabilities entered into to refinance the lease assets:

Finance lease liabilities	Gross investment		Present value of outstanding minimum lease payments	
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016
Due in one to five years	11,556	716	11,317	687
Due within one year	2,436	8,896	2,415	8,816
Unrealised finance portions	260	109	-	-

The interest rate underlying the contracts is fixed at inception of the contract for the entire term. The agreements contain fixed final instalments and provide for full amortisation.

The Group's obligations under finance leases are secured by way of the financing partner's right of retention in respect of the leased assets. The minimum lease payments are offset by corresponding payments from customers under subleases.

The reconciliation of current and non-current financial liabilities is outlined below:

Reconciliation of financial liabilities		
in EUR thou.	**2017**	2016
Balance as at 1 Jan.	353,727	97,278
Net change in cash flows	512,216	256,318
Other non-cash movements	-60	131
Balance as at 31 Dec.	**865,883**	**353,727**

\4.25\ The ***liabilities to related parties*** result mainly from the Core Loan provided by Sixt SE under the Financing Agreement. The Core Loan is subject to fixed interest rates and is due in 2018. Assets have been pledged as collateral for the Core Loan.

\4.26\ ***Trade payables*** comprise current liabilities arising from deliveries to the Group, mainly from the purchase of vehicles for the lease fleet, and other purchases in the course of operating activities.

\4.27\ *Other liabilities* are broken down as follows:

Other liabilities in EUR thou.	31 Dec. 2017	31 Dec. 2016
Financial other liabilities		
Payroll liabilities	102	114
Miscellaneous liabilities	12,036	12,031
Non-financial other liabilities		
Deferred income	41,595	37,562
Tax liabilities	1,848	780
Group total	**55,581**	**50,487**
thereof current	55,478	50,366
thereof non-current	103	122

Miscellaneous liabilities include among others customer-security deposits in the amount of EUR 6,705 thousand (2016: EUR 5,859 thousand).

Deferred income relates mostly to the deferral of income from advance payments by lessees, which are reversed using the straight-line method over the agreed term of the lease.

4.3 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the individual financial assets and liabilities for each single category of financial instrument. The fair value of financial assets and liabilities that are not regularly measured at fair value, but for which the fair value is to be specified, are assigned in the following table to the measurement levels of the fair value hierarchy according to IAS 39.

Financial instruments in EUR thou.	IAS 39 measurement category	Measurement basis for fair value	Carrying amount **31 Dec. 2017**	 31 Dec. 2016	Fair value **31 Dec. 2017**	 31 Dec. 2016
Non-current assets						
Financial assets	AfS	Amortised cost	67	67	67	67
Finance lease receivables	IAS 17		2,743	2,940	2,833	3,034
Interest rate derivatives	FAHfT	Level 2	399	295	399	295
Other receivables	LaR		98	87		
Total			**3,307**	**3,389**	**3,299**	**3,396**
Current assets						
Finance lease receivables	IAS 17		1,682	1,554	1,748	1,618
Currency derivatives	FAHfT	Level 2	-	34	-	34
Trade receivables	LaR		77,043	62,238		
Receivables from related parties	LaR		2,863	2,565		
Other receivables	LaR		10,070	10,072		
Total			**91,658**	**76,463**	**1,748**	**1,652**
Non-current liabilities						
Borrower's note loans	FLAC	Level 2	29,857	29,801	30,463	29,686
Bonds	FLAC	Level 2	247,516	-	255,592	-
Liabilities to banks	FLAC	Level 2	298,672	120,276	296,435	117,700
Finance lease liabilities	IAS 17		11,317	687	11,429	708
Liabilities to related parties	FLAC	Level 2	-	490,000	-	513,816
Other liabilities	FLAC		103	122		
Total			**587,466**	**640,886**	**593,919**	**661,910**
Current liabilities						
Liabilities to banks	FLAC	Level 2	273,142	193,551	274,952	194,186
Finance lease liabilities	IAS 17		2,415	8,816	2,432	8,870
Liabilities to related parties	FLAC	Level 2	193,901	3,783	196,701	
Currency derivatives	FAHfT	Level 2	103	469	103	469
Other financial liabilities	FLAC		2,964	596		
Trade payables	FLAC		98,623	60,177		
Financial other liabilities	FLAC		11,933	11,554		
Total			**583,080**	**278,946**	**474,188**	**203,526**
Of which aggregated by IAS 39 measurement category						
Available for Sale	AfS		67	67	67	67
Loans and Receivables	LaR		90,074	74,962	90,074	74,962
Financial Liabilities Measured at Amortised Cost	FLAC		1,156,711	909,860	1,167,765	931,621
Financial Assets Held for Trade	FAHfT		296	-141	296	-141

The financial instruments in above table are classified into three levels depending on the measurement basis. Level 1 measurements are based on prices quoted in active markets. Level 2 measurements are based on parameters other than quoted prices that are observable either directly as prices or are indirectly derived from prices. Level 3 measurements are based on models that use parameters that are not based on observable market data, but rather on assumptions.

Due to factors that change in the course of time, the reported fair values can only be regarded as indicative of the values actually realisable on the market. The fair values of the financial instruments were calculated on the basis of market data available at the balance sheet date and the methods and assumptions described below.

For all current financial instruments it was assumed that the carrying amount (amortised cost) is a reasonable approximation of fair value unless not specified otherwise in the table.

The fair values of the finance lease receivables reported as assets and the borrower's note loans, bonds, finance lease liabilities, liabilities to banks and liabilities to related parties reported as liabilities were calculated as the present values of the future expected cash flows. Standard market interest rates of between 0.3% p.a. and 1.6% p.a. (2016: between 0.2% p.a. and 1.9% p.a.) based on the respective maturities were used for discounting.

Finance lease receivables and liabilities are measured in accordance with IAS 17.

As in the previous year, there were no net gains or losses in the financial year from the available-for-sale financial assets (AfS) measurement category. There is currently no intention to dispose these equity investments.

Net gains in the LaR measurement category (measured at amortised cost) amount to EUR 75 thousand in the fiscal year (2016: EUR 119 thousand) and relate to income from payments on previously derecognised receivables.

As in the previous year, there were no net gains or losses in the financial year on financial liabilities measured at amortised cost (FLAC measurement category) that were not measured at fair value through profit or loss.

Total interest income from financial assets not measured at fair value through profit or loss amount to EUR 242 thousand (2016: EUR 383 thousand). This includes interest income from finance lease in the amount of EUR 217 thousand (2016: EUR 243 thousand). Total interest expense on financial liabilities not measured at fair value through profit or loss amounts to EUR 16,507 thousand in the financial year (2016: EUR 20,359 thousand).

The interest rate and currency derivatives are subsequently measured at fair value (level 2 measurement). As at balance sheet date, assets from interest rate derivatives amounted to EUR 399 thousand (2016: EUR 295 thousand). As in the previous year, there were no liabilities from interest rate derivatives. The assets from interest rate derivatives had no hedging relationship. All in all, a volume of EUR 432 million (2016: EUR 165 million) is hedged against interest rate derivatives carrying fixed interest rates between -0.5% and -0.1% (2016: between -0.5% and -0.3%) and remaining terms of up to five years. These interest rate derivatives were in no hedging relation according to IAS 39. The variable interest rate is based on the 1-monthly Euribor.

Financial risk management and hedging

The Sixt Leasing Group is exposed to the following financial risks, which are addressed through the risk management system that has been implemented.

Due to an outsourcing agreement between Sixt Leasing SE and Sixt SE respectively Sixt SE's subsidiaries, besides other functions, treasury and internal audit are outsourced fully or in parts to Sixt SE respectively its subsidiaries.

Sixt Leasing SE has implemented an internal control and risk management system throughout the Group designed to identify at an early stage all developments that can lead to significant losses or endanger the existence of the Company or of the Group. Efficient tools ensure that risks are centrally and decentrally identified, evaluated and managed swiftly. The risk management system covers all activities for the systematic handling of potential risks, starting with risk identification and documentation, analysis and assessment through to the management and monitoring of material risks. It is defined by a formal process that firmly integrates all relevant Group divisions and segments. The risk management system installed thereby registers the relevant individual risks.

The internal audit department, which is outsourced to Sixt GmbH & Co. Autovermietung KG, monitors and evaluates the efficiency of the risk management system.

Moreover, risk management is handled in accordance with the principle of segregation of duties and monitoring. Financial risks are thereby identified, evaluated and secured in collaboration with the operating units. Management has prepared a written risk management manual and has defined guidelines for certain areas such as interest rate risks, counterparty default risks, residual value risks and liquidity risks.

Interest rate risk

Interest rate risk arises from the Group's operating activities. Changes in prevailing interest rates impact the profitability of the Group's leasing business, as the interest rates underlying the lease instalments are set for the term of the lease at the beginning of the lease agreement. In its dealings with corporate customers, the Group generally tries to counter such interest rate risk by including interest escalation clauses in individual framework agreements that apply to all new leasing contracts concluded under such framework agreements. In addition, the interest rate risk is kept to a minimum by borrowing funds with matching maturities.

The Sixt Leasing Group is also exposed to risk arising from variable interest rate liabilities. The Group is exposed to the interest rate risk resulting from lease contracts being based on fixed interest rates and external financing partly being based on floating interest rates. Differences between fixed interest rates under lease contracts and floating interest rates paid for borrowed funds create a risk of wider spreads between financial revenues and financial costs which, if negative, may lead to losses on the Group's lease contracts.

While the Group may from time to time enter into some derivative contracts to hedge some of its interest rate exposure, there can be no guarantee that such hedge will be effective or that losses will be completely avoided.

Increased costs of borrowings may have a material impact on the Group's cost base, which the Group may not be able to pass on to the same degree to the Group's customers.

It needs to be considered that the financing behaviour of financial institutions may change significantly due to ongoing structural changes in the credit industry, for example higher capital requirements or changes in the weighting of risks. Depending on the development of Sixt Leasing Group's own creditworthiness, external financing might become more costly. This is particularly important as the Sixt Leasing Group also enters into variable interest rate liabilities.

Market price risk

The market price risk describes the danger of a loss caused by changes to market prices. For Sixt Leasing SE it is especially the residual values of leasing vehicles that are subject to the market price risk.

To counteract the market price risk involved in the disposal of vehicles within the Sixt Leasing Group the residual values of the vehicles included in the calculation of the leasing contract are covered partly by buyback agreements with dealers or manufacturers depending on market conditions. This applies in particular to a major part of vehicles in the Fleet Leasing business, the residual values of which are covered by buyback agreements.

When it comes to the marketing of used leasing vehicles the Sixt Leasing Group is also dependent on developments of the used-car market, particularly in Germany. The vehicles to be disposed of by the Sixt Leasing Group on the used-vehicle market undergo regular valuation tests, which are based on the Group's own experience and monitoring of the market. The remarketing of these vehicles is executed via multistage process. Vehicles that are not sold under a buyback agreement to a manufacturer or dealer at the end of their leasing contract, are offered via an online auction platform to registered dealers. If after the end of an auction period Sixt Leasing reckons from its own sales experiences that a specific vehicle could achieve a price above the highest offer from the auction if it was offered on the used vehicle stations operated jointly with Sixt SE Group, this vehicle will be transferred to these stations. Operating at six sites across Germany the SL Car Sales GmbH sales experts take care the vehicles are sold to end customers.

The Managing Board is closely monitoring the developments surrounding the emissions issue at the Volkswagen Group and other potentially affected manufacturers. For a certain part of the affected vehicles in the portfolio of the Sixt Leasing Group there are no buyback agreements with dealers or manufacturers in place. The Managing Board is also keeping a close eye on the political discussion regarding new emission stipulations for diesel-powered vehicles and potential driving bans in selected German cities for diesel-powered vehicles with Euro-5 standards and below. In this context, the residual value risk could increase for the Sixt Leasing Group, whilst the sales proceeds could fall below expectations.

Counterparty default risk

The counterparty default risk arises if lessees and fleet management customers fail to meet their payment obligations fully or partly during the contract term or if vehicle suppliers cannot fulfil their buyback agreements towards Sixt Leasing SE, resulting in payment defaults.

To reduce the counterparty default risk, credit assessments are carried out in accordance with internal guidelines prior to the contract conclusion. Furthermore, creditworthiness of customers is regularly monitored during the lease period. This precautionary measure helps to avoid and/or mitigate future risks arising from the customer relationship.

Also when selecting the vehicles dealers, Sixt Leasing Group pays high attention to their economic stability. The vehicles dealers are subject to regular and strict creditworthiness reviews. Should contractual partners not be able to meet their repurchase commitments, Sixt Leasing Group would be forced to sell the vehicles directly in the used car market.

The risk measurement and control systems as well as the organisation of the credit risk management of Sixt Leasing SE comply with the minimum requirements for risk management of banks and financial institutions (MaRisk) as defined by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority).

In the event of a concrete default risk, a valuation allowance is recognised or the receivable in question is derecognised.

Analysis of trade receivables

The trade receivables are classified in the following table:

Trade receivables		
in EUR thou.	**31 Dec. 2017**	31 Dec. 2016
Receivables not impaired	28,365	59,184
Total receivables not impaired	**28,365**	**59,184**
Impaired receivables		
Gross receivables	53,593	5,981
Impairments	4,915	2,927
Net receivables	**48,678**	**3,054**
Group total	**77,043**	**62,238**

Trade receivables predominantly comprise receivables from Leasing and Fleet Management end-customers of the Sixt Leasing Group and receivables from suppliers relating to the sale of used vehicles as part of their buyback commitments, or commercial and private buyers as part of the sale on the open market.

As at the reporting date, there were no indications of potential default in the case of the trade receivables and the other receivables reported as 'other receivables and assets' that are not individually impaired.

The maximum default amount is the reported carrying amount of the net receivable less collected collaterals (e.g. customer-security deposits). No credit derivatives or similar hedging instruments were used to cover credit risk in the period under review.

Impairments are based on parameters such as customer group, customer credit quality and transaction type. To this end the method of a collective valuation allowance is used as follows. For individual combinations of the mentioned parameters different rates in determining allowances are applied according to the management's expectations. Due to the use of the method of a collective valuation allowance the statement of change in the allowance account is solely displayed as net amount. In the event of concrete indications of default, for example the insolvency of the debtor, the relevant receivables are fully derecognised regardless of collective valuation allowances, which may have been made.

In the fiscal year the allowance account for trade receivables developed as follows:

Change in the allowance account for trade receivables in EUR thou.	Balance as at 1 Jan. 2017	Change	**Balance as at 31 Dec. 2017**
Impairments	2,927	1,988	4,915

Change in the allowance account for trade receivables in EUR thou.	Balance as at 1 Jan. 2016	Change	Balance as at 31 Dec. 2016
Impairments	2,445	482	2,927

Analysis of other receivables from insurances in the other assets

The gross receivables amounted to EUR 10,974 thousand (2016: EUR 8,182 thousand), the allowance to EUR 2,193 thousand (2016: EUR 2,707 thousand), so that the resulting net receivables amounted to EUR 8,782 thousand (2016: EUR 5,475 thousand). The maximum default amount is the reported carrying amount of the net receivable.

Change in the allowance account for other assets in EUR thou.	Balance as at 1 Jan. 2017	Change	**Balance as at 31 Dec. 2017**
Impairments	2,707	-514	2,193

Change in the allowance account for other assets in EUR thou.	Balance as at 1 Jan. 2016	Change	Balance as at 31 Dec. 2016
Impairments	2,399	308	2,707

In the fiscal year under review the expenses from write-down of trade receivables and write-down of receivables from insurances amounted to EUR 2,338 thousand (2016: EUR 1,786 thousand).

Liquidity risk

Liquidity risk is the risk that existing liquidity reserves are not sufficient to meet the Group's financial obligations as they fall due. The Group's approach to managing liquidity is to ensure by liquidity planning that the Group always has sufficient liquidity to meet its obligations when due, under both normal and stressed conditions.

Prior to the initial public offering, debt financing was provided to Sixt Leasing Group by Sixt SE, and therefore it existed a dependency on funding costs, funding conditions and funding opportunities of Sixt SE. Although the Sixt Leasing Group intends to continue making use of the financing available from the Sixt SE for a certain period following the IPO, the current financial arrangements with Sixt SE are expected to expire at the latest with the repayment of the last instalment to Sixt SE on 31 December 2018.

In future, Sixt Leasing Group may no longer benefit from refinancing funds provided by Sixt SE or external funds guaranteed or secured by Sixt SE. Accordingly refinancing of the Sixt Leasing Group will be dependent increasingly on self-financing through operative cash flows or the ability to borrow external funds on the debt capital markets. With regard to debt financing opportunities, it needs to be considered that the financing behaviour of the financial institutions may change significantly due to the ongoing structural changes which can be observed in the credit industry, for example as a result of higher capital requirements in the credit business or changes in the weighting of risks.

Depending on the development of Sixt Leasing Group's own credit standing, external financing might therefore not or only under unfavourable conditions be obtained. In this context, it should be noted that the Sixt Leasing Group currently has not assigned any external rating agency with a credit rating. However as common in the leasing industry asset-based financing opportunities (e. g. forfeiting or securitisation of leasing receivables) will be available to Sixt Leasing Group. The Sixt Leasing Group made use of this for the first time in 2016 and set-up an asset backed securities (ABS) programme in mid-2016.

Analysis of the repayment amounts of financial liabilities and liabilities to related parties
The following table includes the repayment amounts (including assumed future interest payable) at their respective maturities.

Repayment amounts by maturity in EUR thou.	Borrower's note loans	Bonds	Liabilities to banks	Finance lease liabilities	Liabilities to related parties	Total
2018	301	2,813	275,107	2,436	201,121	481,778
2019	301	2,813	132,936	5,125	-	141,175
2020	30,272	2,813	110,029	6,431	-	149,545
2021	-	252,813	54,945	-	-	307,758
2022 and later	-	-	3,845	-	-	3,845
31 Dec. 2017	**30,874**	**261,252**	**576,862**	**13,992**	**201,121**	**1,084,101**

Repayment amounts by maturity in EUR thou.	Borrower's note loans	Bonds	Liabilities to banks	Finance lease liabilities	Liabilities to related parties	Total
2017	301	-	194,126	8,896	20,803	224,126
2018	301	-	45,050	716	504,120	550,187
2019	306	-	44,715	-	-	45,021
2020	30,274	-	29,079	-	-	59,353
2021	-	-	2,423	-	-	2,423
2022 and later	-	-	-	-	-	-
31 Dec. 2016	**31,182**	**-**	**315,393**	**9,612**	**524,923**	**881,110**

The financial liabilities and liabilities to related parties maturing in 2018 will largely be repaid from lending of funds on the capital market, by the usage of asset backed security transactions as well as the utilisation of bank credit lines.

Analysis of the repayment amounts of interest rate and currency derivatives

Repayment amounts by maturity in EUR thou.	Interest rate derivatives	Currency derivatives	Total
2018	-361	-103	-464
2019	94	-	94
2020	429	-	429
2021	178	-	178
2022 and later	9	-	9
31 Dec. 2017	**349**	**-103**	**246**

Exchange rate and country risk
Exchange rate risk is of only minor significance in the Sixt Leasing Group, as the vast majority of receivables and liabilities are due in the local currency of the country in which the respective Group company is based. There are almost no country risks at present.

Sensitivity analysis

The sensitivity analysis assumes a parallel shift in the yield curves of +100/-100 basis points for variable-rate financial liabilities. Taking into account the existing interest rate derivatives but not taking into account possible economic compensation from new business this would result in changes in equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant and does not include any tax effects.

Interest rate sensitivity	Effect on profit and loss Change in the yield curves		Effect on equity Change in the yield curves	
in EUR thou.	+100 basis points	-100 basis points	+100 basis points	-100 basis points
31 Dec. 2017	-1,470	1,470	-1,470	1,470
31 Dec. 2016	-956	956	-956	956

The sensitivity analysis for the reported interest rate derivatives assumes a parallel shift in the yield curves of +100/-100 basis points. This would result in a change in the reported fair values (other non-current assets) of EUR 7,065 thousand/EUR -7,331 thousand (2016: EUR 2,715 thousand/EUR -3,148 thousand).

The sensitivity for the reported currency derivatives assumes a change in the EUR exchange rate of +10/-10 percentage points. The reported values as at 31 December 2017 (other current assets/other current liabilities) would then change by EUR 3,336 thousand/EUR -4,081 thousand (2016: EUR 4,306 thousand/EUR -5,428 thousand).

All in all, given aforelisted changes to valuations from interest rate and currency exchange risks, this would result in a change in equity and profit and loss in the amounts shown in the following table:

Sensitivity of interest and exchange rate risks	Effect on profit and loss Change in exchange rates and yield curves		Effect on equity Change in exchange rates and yield curves	
in EUR thou.				
31 Dec. 2017	8,931	-9,942	8,931	-9,942
31 Dec. 2016	6,065	-7,620	6,065	-7,620

Capital management

The Sixt Leasing Group manages the Group's capital with the goal of creating a financial profile that supports the Group's growth targets, while providing the necessary financial flexibility and diversification. The key objective is a Group equity ratio (equity/total assets) of at least 14%. Thereby it is ensured that all Group companies can operate on the basis of the going concern assumption.

The basis of the Group's financial profile is the equity provided by the parent's investors. As at the balance sheet date, the Group's equity ratio was 14.2% (2016: 16.6%). Other key elements of the Group's financial profile are the financing provided by Sixt SE reported in current liabilities as well as the financial instruments reported in non-current and current financial liabilities (borrower's note loans, bonds, bank loans as well as liabilities from the asset backed securities programme and finance lease liabilities). The proportion of total assets accounted for by these non-current and current liabilities amounted to 73.2% at the balance sheet date (2016: 72.0%).

5. OTHER DISCLOSURES

5.1 SEGMENT REPORTING

By Business Unit	Leasing		Fleet Management		Reconciliation		Group	
in EUR million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
External revenue	637.8	626.8	106.1	87.1	-	-	744.0	713.9
Internal revenue	0.0	0.0	0.1	0.8	-0.1	-0.8	-	-
Total revenue	637.9	626.9	106.2	87.9	-0.1	-0.8	744.0	713.9
Fleet expenses and cost of lease assets[1]	363.7	360.2	97.0	80.0	-0.1	-0.8	460.7	439.3
EBITDA[2]	230.0	224.8	4.3	3.8	-	-	234.3	228.6
Depreciation and amortisation expense	188.3	177.5	0.0	0.0	-	-	188.3	177.5
EBIT[3]	41.7	47.3	4.3	3.8	-	-	45.9	51.1
Interest income	0.4	0.8	0.0	0.0	-0.2	-0.4	0.2	0.4
Interest expense	-16.5	-20.3	-0.2	-0.4	0.2	0.4	-16.5	-20.4
Other net financial income	0.0	0.4	0.0	0.1	-	-	0.0	0.4
Result from at-equity measured investments	-	-	-	0.0	-	-	-	0.0
EBT[4]	25.6	28.0	4.1	3.5	-	-	29.7	31.6
Investments	621.9	474.5	0.0	0.0	-	-	621.9	474.5
Assets	1,423.9	1,153.6	23.9	21.6	-12.1	-7.7	1,435.7	1,167.5
Liabilities	1,206.9	950.0	22.6	20.7	-11.9	-7.6	1,217.7	963.1
Employees[5]	502	329	45	41	-	-	547	370

By region	Germany		International		Reconciliation		Group	
in EUR million	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total revenue	659.8	626.1	84.1	87.9	-0.0	-0.1	744.0	713.9
Investments	580.8	434.7	41.1	39.8	-	-	621.9	474.5
Assets	1,458.6	1,159.0	589.2	303.7	-612.0	-295.2	1,435.7	1,167.5

1 *In the leasing segment write-downs on lease assets intended for sale are included in the amount of EUR 7.5 million (2016: EUR 6.3 million)*
2 *Corresponds to earnings before interest, taxes, depreciation and amortisation (EBITDA)*
3 *Corresponds to earnings before interest and taxes (EBIT)*
4 *Corresponds to earnings before taxes (EBT)*
5 *Annual average*

The Sixt Leasing Group is active in the business areas Leasing and Fleet Management. Resources are allocated and the Group's performance is assessed by the Managing Board on the basis of these segments (management approach). The key parameter for the assessment of the performance by the Managing Board are the earnings before taxes (EBT) of the segments.

The geographic information analyses the Group's revenue, the Group's investments and the Group's assets by Group Company's country of domicile.

Segment reporting is based on the accounting and valuation principles in the consolidated financial statements. Receivables, liabilities, income and expenses between the segments are eliminated in the reconciliation to the Group figures. Group assets and liabilities do not recognise any tax positions.

5.2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

At the end of the fiscal year there were contingencies from guarantees or similar obligations in the amount of EUR 10.4 million (2016: EUR 10.0 million).

Other financial obligations

In addition to provisions and liabilities, the Group has other financial obligations that result mainly from obligations under rental agreements on buildings.

Other financial obligations		
in EUR million	**31 Dec. 2017**	31 Dec. 2016
Due within one year	1.1	0.9
Due in one to five years	4.4	1.7
Due in more than five years	4.6	0.4
Group total	**10.1**	**3.0**

Purchase commitments resulting from concluded agreements at the respective balance sheet date concerning vehicle deliveries for the lease fleet in the coming year amount to around EUR 234.1 million (2016: EUR 181.4 million).

5.3 SHARE-BASED PAYMENTS

In the year under review, the Sixt SE Group had implemented an employee equity participation programme (Matching Stock Programme – MSP 2012), which had also been open for the participation of employees of Sixt Leasing Group. From the perspective of Sixt Leasing Group the programme classifies as cash-settled share-based payment programme.

According to the previous conditions, on each 1st of December every year from 2012 (first time) to 2016 (last time) one tranche of stock options have been allocated (a total of five tranches). In November 2017, the Managing Board and Supervisory Board of Sixt SE decided to extend the MSP 2012 by allocating one further tranche to a total of six tranches. The personnel expenses for the programme are measured at each measurement date by means of a Monte Carlo simulation model.

The method used is based on the random walk of the price performance of Sixt preference shares with a log-normal distribution of the relative price changes. Assuming that the price of the option granted can be calculated as the discounted future expected value (with regard to the risk-neutral probability), the price development of the underlying (Sixt preference share) is simulated a large number of times and the expected value is determined by calculating the arithmetic mean of the results of the individual simulations.

In 2017, the Sixt Leasing Group recognised personnel expenses of EUR 60 thousand (2016: EUR 111 thousand)) in connection with share-based payments and presented this amount under personnel provisions (31 Dec. 2017: EUR 129 thousand, 2016: EUR 177 thousand).

5.4 RELATED PARTY DISCLOSURE

Related party transactions include transactions between Sixt Leasing Group and Sixt SE and its direct and indirect subsidiaries, Sixt SE Group's associated companies and joint ventures.

The parent company of Sixt Leasing SE is Sixt SE. DriveNow GmbH & Co. KG is a direct 50% joint venture of Sixt SE. Sixt Mobility Consulting Österreich GmbH and Sixt Mobility Consulting SARL are indirect, non-consolidated subsidiaries of Sixt Leasing SE. All other related parties are subsidiaries of Sixt SE and therefore sister companies to Sixt Leasing SE.

The following provides an overview of significant transactions and account balances arising from such relationships.

Related parties	Services rendered		Services used		Receivables from related parties		Liabilities to related parties	
in EUR million	**2017**	2016	**2017**	2016	**31 Dec. 2017**	31 Dec. 2016	**31 Dec. 2017**	31 Dec. 2016
Sixt GmbH & Co. Autovermietung KG	10.1	9.2	8.5	7.9	2.3	2.2	2.2	1.5
e-Sixt GmbH & Co. KG	[1]	0.1	-	[1]	[1]	[1]	-	-
Sixt European Holding GmbH & Co. KG	-	-	0.3	0.4	-	-	0.1	[1]
Sixt SE	[1]	1.0	11.3	19.0	[1]	[1]	191.1	491.2
Sixt Verwaltungsgesellschaft mit beschränkter Haftung & Co. Delta Immobilien KG	-	-	0.4	-	-	-	0.1	-
SXT Reservierungs- und Vertriebs-GmbH & Co. KG	0.2	0.2	0.1	0.1	-	-	[1]	[1]
Sixt Air GmbH	[1]	[1]	0.1	[1]	-	-	[1]	[1]
SL Car Sales GmbH	[1]	[1]	0.7	0.5	[1]	-	0.1	[1]
Sixt SAS, Avrigny	[1]	[1]	0.4	0.4	[1]	[1]	0.1	[1]
Sixt rent-a-car AG, Basel	-	-	0.1	0.1	[1]	[1]	[1]	[1]
Sixt G.m.b.H., Vösendorf	-	-	0.1	0.1	-	-	[1]	[1]
DriveNow GmbH & Co. KG	[1]	0.8	-	-	[1]	[1]	-	-
Sixt Leasing N.V., Sint-Stevens-Woluwe	-	-	-	-	0.2	0.2	-	-
Sixt Mobility Consulting SARL, Paris	[1]	-	-	-	0.2	0.1	-	-
Sixt Mobility Consulting Österreich GmbH, Vösendorf	[1]	[1]	-	[1]	[1]	0.1	0.1	-
SXT Dienstleistungen GmbH & Co. KG	0.2	0.3	0.3	6.9	[1]	[1]	[1]	0.9

[1] *Amount less than EUR 0.1 million*

The Sixt Leasing Group has entered into various outsourcing agreements with related parties. Sixt GmbH & Co. Autovermietung KG as well as other subsidiaries of the Sixt SE Group provide Sixt Leasing Group with rental vehicles in terms of replacement vehicles. Additionally Sixt Leasing Group has outsourced individual operative and administrative support services to Sixt GmbH & Co. Autovermietung KG and other subsidiaries of the Sixt SE Group. Concerned are mainly operative and administrative support services, such as treasury, internal audit, taxes, marketing, as well as IT support services. Furthermore the Sixt Leasing Group rents business premises from subsidiaries of the Sixt SE Group.

Sixt Leasing SE and Sixt SE concluded the License Agreement, which grants Sixt Leasing SE determined use of trademarks licenses for the use of ‘Sixt’ as part of the commercial names (Firmenbestandteile) of the company and its subsidiaries and as trademark for products provided by Sixt Leasing Group.

An agency and service agreement covering the sale of used lease vehicles on behalf of Sixt Leasing Group, as well as the rendering of additional associated services was concluded with SL Car Sales GmbH.

Sixt Leasing Group provides Sixt GmbH & Co. Autovermietung KG and other Sixt SE Group companies with lease vehicles, petrol cards and other services for its employees and petrol cards for the station network of Sixt GmbH & Co. Autovermietung KG.

In 2015, Sixt SE and Sixt Leasing SE entered into the Financing Agreement providing for an amortisable loan facility (the ‘Core Loan’) in the amount of up to EUR 750 million and a bullet loan facility (the 'Growth Loan') of up to EUR 400 million. Pursuant to the Financing Agreement, Sixt SE provides the Core Loan until 2018. As at 31 December 2017 Sixt Leasing Group reports liabilities of EUR 190 million under the Financing Agreement.

In cases of providing a guarantee for the benefit of Sixt Leasing SE, Sixt SE receives a guarantee commission from Sixt Leasing SE. The commission fee is calculated based on the corresponding amount guaranteed by Sixt SE pro rata temporis.

All outstanding balances with related parties concerning Intra-Group transactions, which are separately disclosed, are priced based on contractual agreements. Besides the loan granted from Sixt SE amounting to EUR 190 million, none of the balances are collateralised. No expense has been recognised in the current or previous year for default risks of amounts owed by related parties.

The Sixt Leasing Group rents a property belonging to the Sixt family for its operations. In the financial year 2017, as in the previous year, the rental expenses amounted to less than EUR 0.1 million.

The presented business relations are conducted at arm's length terms.

The Supervisory Board and Managing Board of Sixt Leasing SE

Supervisory Board	Membership of supervisory boards and other comparable supervisory bodies of business enterprises
Erich Sixt Chairman Chairman of the Managing Board of Sixt SE Grünwald	Chairman of the Supervisory Board of e-Sixt GmbH & Co. KG[1]
Prof. Dr. Marcus Englert Deputy Chairman Associate Partner and Managing Director of Solon Management Consulting GmbH & Co. KG General Partner of Texas Atlantic Capital Europe I GmbH & Co. KG Munich	Chairman of the Supervisory Board of Rocket Internet SE President of the Administrative Board of European Directories Midco S.à.r.l. Member of the Administrative Board of Zattoo Europa AG
Georg Bauer (until 15 February 2018) Consultant Munich	
Dr. Bernd Metzner (from 16 February 2018) Chief Financial Officer of Ströer Management SE Cologne	Member of the Supervisory Board of Döhler GmbH Member of the Supervisory Board of Anavex Life Science Corporation

Managing Board	Membership of supervisory boards and other comparable supervisory bodies of business enterprises
Thomas Spiegelhalter (from 1 January 2018) Chairman Münster	Member of the Administrative Board of Sixt Leasing (Schweiz) AG[1] (from 8 January 2018) Member of the Administrative Board of Sixt Mobility Consulting AG[1] (from 5 January 2018)
Dott. Rudolf Rizzolli (until 31 December 2017) Chairman Munich	President of the Administrative Board of Sixt Leasing (Schweiz) AG[1] (until 31 December 2017) Member of the Administrative Board of Nummum AG Member of the Administrative Board of Sixt Mobility Consulting AG[1] (until 31 December 2017)
Björn Waldow Ulm	Member of the Advisory Board of DriveNow GmbH & Co. KG (until 9 March 2018)

1 *Membership in Group bodies*

Total remuneration of the Supervisory Board and Managing Board of Sixt Leasing SE

Total remuneration in EUR thou.	2017	2016
Remuneration of the Managing Board	3,335	2,089
Of which variable remuneration	1,077	817
Supervisory Board remuneration	130	130

The total remuneration of the Managing Board includes as a long-term incentive the fair value at initial date of issue of the tranche of stock options granted in the fiscal year 2017 to members of the Managing Board under the Matching Stock Programme (MSP 2012) in the amount of EUR 67 thousand (2016: EUR 64 thousand) as well as the exercise gain (before taxes) from the exercise of stock options granted in the amount of EUR 280 thousand (2016: EUR 230 thousand). In addition, the total remuneration of the Managing Board includes a severance payment component.

In the fiscal year under review a commitment in the amount of EUR 347 thousand (2016: EUR 1,040 thousand) was made for performance-related remuneration components that will be paid within the next three years.

In accordance with the resolution adopted by the Annual General Meeting on 8 April 2015, the total remuneration disclosed is not broken down by individual Managing Board member.

At the end of the reporting year members of the Managing Board were granted 80,000 stock options under the employee equity participation programme MSP, and on the basis of their personal investments (2016: 280,000).

The Group has no pension obligations towards members of the Supervisory Board and Managing Board.

5.5 PROPOSAL FOR ALLOCATION OF UNAPPROPRIATED PROFIT

Sixt Leasing SE reported an unappropriated profit for the fiscal year 2017 in accordance with German commercial law of EUR 29,926 thousand (2016: EUR 21,479 thousand). Subject to the approval of the Supervisory Board, the Managing Board will propose to the Annual General Meeting to utilise this unappropriated profit as follows:

Proposal for allocation of the unappropriated profit in EUR thou.	2017	2016
Payment of a dividend of EUR 0.48 (2016: EUR 0.48) per ordinary share entitled to a dividend	9,894	9,894
Carryforward to new account	20,032	11,586

As at 31 December 2017, 20,611,593 ordinary shares entitled to a dividend are issued. This would result in a total distribution of EUR 9,894 thousand and appropriately reflects the earnings trend of Sixt Leasing Group in the year under review.

The proposal by the Managing Board and the Supervisory Board on the appropriation of the unappropriated profit for financial year 2016 was resolved unchanged by the Annual General Meeting on 29 June 2017.

5.6 SUBSTANTIAL EVENTS AFTER THE REPORTING DATE

No events of special significance for the net assets, financial position and result of operations of the Sixt Leasing Group occurred after the end of the financial year 2017.

5.7 DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 OF THE AKTG

The declaration by the Managing Board and the Supervisory Board required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) stating that the recommendations of the Government Commission on the German Corporate Governance Code are complied with and which recommendations have not been applied was issued in the financial year and made permanently accessible to shareholders on Sixt Leasing SE's website *ir.sixt-leasing.com* under the section 'Corporate Governance'.

5.8 AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 10.17

These consolidated financial statements are authorised by the Managing Board for submission to the Supervisory Board on 29 March 2018.

Pullach, 29 March 2018

Sixt Leasing SE

The Managing Board

THOMAS SPIEGELHALTER	BJÖRN WALDOW

FURTHER INFORMATION

D \\ FURTHER INFORMATION

D.1 \\ RESPONSIBILITY STATEMENT

of Sixt Leasing SE, Pullach, for financial year 2017

in accordance with sections 297 (2) sentence 4 and 315 (1) sentence 6 of the HGB (German Commercial Code)
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the management report on the Group's and the Company's situation includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Pullach, 29 March 2018

Sixt Leasing SE

The Managing Board

THOMAS SPIEGELHALTER	BJÖRN WALDOW

The following independent auditors' report („Bestätigungsvermerk') was issued in accordance with section 322 of the HGB (German Commercial Code) on the IFRS Financial Statements 2017, which were prepared in the German language. The translation of the independent auditors' report ('Bestätigungsvermerk') is as follows:

D.2 \\ INDEPENDENT AUDITOR'S REPORT

„To Sixt Leasing SE, Pullach

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Sixt Leasing SE, Pullach, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2017, the consolidated balance sheet as at 31 December 2017, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2017, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Sixt Leasing SE for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report as specified in the Chapter "Other information" of our independent auditor´s report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of those parts of the combined management report as specified in the Chapter "Other information" of our independent auditor´s report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the subsequent measurement of lease assets as the key audit matter we have determined in the course of our audit.

Our presentation of this key audit matter has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response

Subsequent Measurement of Lease Assets
a) In the consolidated financial statements of Sixt Leasing SE, vehicles leased out under operating leases totalling kEUR 1,219,209 are reported in the statement of financial position item "Lease Assets"; this corresponds to around 85% of total assets.

Lease assets are carried at cost less scheduled and non-scheduled depreciation considering their calculated residual values. For contracts where buyback values have been agreed, the vehicles´ residual values are determined by those residual values. If no buyback values have been agreed the vehicles´ residual values are adapted to the expected market value at expiry. As an impairment, non-scheduled depreciation is recognised if the carrying amount which is based on the originally calculated residual value exceeds the amount expected prospectively at disposal.

We classified the measurement of this quantitatively significant balance sheet item as a key audit matter since the valuation of the lease assets is based on discretionary estimates and assumptions by the legal representatives with regard to their depreciation to the expected residual value.

The disclosures of the legal representatives of the parent company on the measurement of lease assets are contained in sections 3.2 and 4.14 of the notes to the consolidated financial statements.

b) Within our examination of the appropriateness of the valuation technique, we examined the appropriateness of the corresponding organizational and operational structure with regard to the effectiveness of the key controls implemented. This relates in particular to the process of considering the contractually agreed buyback values or expected residual values at lease inception. Furthermore and with regard to the recognition of non-scheduled depreciation, we reproduced the procedure for determining an impairment need. In this context, we examined the competence, capacity, objectivity and suitability of the expert used by Sixt Leasing SE for the estimation of future or expected market prices in the used-car market.

Within our substantive audit procedures regarding the determination of an impairment need for vehicles not included in contractual buyback arrangements, we compared on a sample basis the market prices prospected for the planned disposal date at the balance sheet date with the calculated residual values of the respective vehicles at the acquisition date, and verified an impairment need, if applicable. In doing so, we compared and critically assessed the legal representatives´ expectations regarding the market price development with actual market prices. In addition, we performed an analytical examination of the scheduled depreciation.

Other information
The legal representatives are responsible for the other information. The other information comprises:

- the corporate governance statement in accordance with section 289f and section 315d German Commercial Code (HGB), which is referred to in the combined management report,
- the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code,
- the legal representatives' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively, and

- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code HGB).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 29 June 2017. We were engaged by the supervisory board on 10 November 2017. Since the financial year 2015 we have been the group auditor and since the financial year 2005 the auditor of the single financial statements of Sixt Leasing SE, Pullach, without interruption. Sixt Leasing SE has been a public interest entity according to Section 319a (1) Sentence 1 German Commercial Code (HGB) since the financial year 2015.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Lepple. "

Munich, 29 March 2018

Deloitte GmbH Wirtschaftsprüfungsgesellschaft

STADTER Auditor	LEPPLE Auditor

D.3 \\ BALANCE SHEET

of Sixt Leasing SE, Pullach, as at 31 December 2017 (HGB/RechKredV)

Assets			
in EUR thou.		**31 Dec. 2017**	31 Dec. 2016
1. Receivables from banks			
a) Daily due	4,256		2,199
b) Other receivables	-		-
		4,256	**2,199**
2. Receivables from customers		**33,855**	**28,097**
Of which: From financial institutions EUR - thousand (previous year: EUR - thousand)			
3. Shareholdings in affiliated companies		**336**	**336**
4. Lease assets		**1,127,143**	**917,666**
5. Intangible assets			
a) Proprietary intellectual property rights and similar rights and assets	5,823		3,992
b) Purchased concessions, intellectual property rights and similar rights and assets as well as licenses relating to such rights and assets	91		196
		5,914	**4,187**
6. Equipment		**699**	**293**
7. Other assets		**280,268**	**196,112**
8. Prepaid expenses		**6,677**	**4,382**
		1,459,149	**1,153,271**

Equity and liabilities			
in EUR thou.		**31 Dec. 2017**	31 Dec. 2016
1. Liabilities to banks			
with agreed term or notice period		172,801	179,346
2. Liabilities to customers			
other liabilities			
a) Payable on demand	1,195		1,324
b) with agreed term or notice period	3,829		2,942
		5,025	**4,266**
3. Securitised liabilities			
issued Bonds		249,990	-
4. Other liabilities		**750,683**	**709,472**
5. Deferred income		**40,847**	**36,034**
6. Deferred tax liabilities		**19,162**	**14,050**
7. Provisions			
Other provisions		26,695	25,968
8. Equity			
a) Subscribed capital	20,612		20,612
b) Capital reserve	139,068		139,068
c) Retained earnings			
Other retained earnings	4,341		2,976
d) Unappropriated profit	29,926		21,479
		193,946	**184,135**
		1,459,149	**1,153,271**

D.4 \\ INCOME STATEMENT

of Sixt Leasing SE, Pullach, for the year ended 31 December 2017 (HGB/RechKredV)

in EUR thou.			2017	2016
1. Leasing revenue		564,751		542,626
2. Leasing expenses		318,847		310,089
			245,904	**232,536**
3. Interest income from lending and money-market transactions		3,408		3,487
4. Interest expense		17,523		20,533
			-14,115	**-17,047**
5. Income from profit pooling and from partial or full profit transfer agreements			3,774	3,443
6. Commission income			897	562
7. Other operating income			6,701	7,615
8. General operating expenses				
a) Personnel expenses				
aa) Wages and salaries	17,564			15,928
ab) Social security contributions, pension expenses and other employee benefits thereof pension expenses: EUR - thou. (2016: EUR - thou.)	2,685			2,297
		20,249		**18,225**
b) Other administrative expenses		23,160		22,462
			43,409	**40,687**
9. Depreciation and valuation allowances				
a) On lease assets		164,748		150,552
b) On intangible assets and fixed assets		570		438
			165,318	**150,990**
10. Other operating expenses			600	731
11. Write-downs and valuation allowances on receivables and certain securities and allocations to provisions in lending business		7,465		6,550
12. Income from write-ups on receivables and certain securities and from the release of provisions in the lending business		58		116
			7,407	**6,434**
13. Result from ordinary activities			**26,428**	**28,267**
14. Taxes on income thereof expense from the change of deferred taxes EUR 5,112 thou. (2016: EUR 1,380 thou.)			6,722	5,773
15. Net income			**19,705**	**22,495**
16. Retained profit brought forward			11,586	1,314
17. Transfers to other retained earnings			-1,365	-2,329
18. Unappropriated profit			**29,926**	**21,479**

D.5 \\ FINANCIAL CALENDAR

Financial calendar of Sixt Leasing SE	
Publication of the Annual Report 2017	17 April 2018
Analyst conference in Frankfurt am Main	17 April 2018
Publication of the quarterly statement as at 31 March 2018	28 May 2018
Annual General Meeting for financial year 2017 in Munich	19 June 2018
Publication of the half-year financial report as at 30 June 2018	14 August 2018
Publication of the quarterly statement as at 30 September 2018	14 November 2018

Dates and event locations subject to change

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