

FINANCIAL REPORT //

FOR THE 2ND QUARTER AND THE FIRST HALF-YEAR 2019
GRENKE CONSOLIDATED GROUP

GRENKE

KEY FIGURES //

GRENKE GROUP

	JAN. 1, 2019 TO JUN. 30, 2019	CHANGE (%)	JAN. 1, 2018 TO JUN. 30, 2018	UNIT
NEW BUSINESS GRENKE GROUP LEASING	**1,404,871**	**21.3**	**1,158,365**	**EURk**
of which international	1,068,781	22.7	871,404	EURk
of which franchise international	39,552	49.4	26,479	EURk
of which DACH*	296,538	13.8	260,482	EURk
Western Europe (without DACH)*	372,918	22.2	305,210	EURk
Southern Europe*	442,600	19.3	371,100	EURk
Northern/Eastern Europe*	233,414	27.3	183,359	EURk
Other regions*	59,401	55.4	38,214	EURk
NEW BUSINESS GRENKE GROUP FACTORING (INCL. COLLECTION SERVICES)	**305,454**	**29.6**	**235,621**	**EURk**
of which Germany	84,872	–0.7	85,487	EURk
of which international	81,308	19.8	67,856	EURk
of which franchise international	139,273	69.3	82,278	EURk
GRENKE BANK Deposits	**769,935**	**29.3**	**595,645**	**EURk**
New business SME lending business incl. business start-up financing	23,675	26.8	18,677	EURk
CONTRIBUTION MARGIN 2 (CM2) ON NEW BUSINESS GRENKE GROUP LEASING	**233,000**	**13.6**	**205,105**	**EURk**
of which international	183,983	13.2	162,605	EURk
of which franchise international	8,290	48.6	5,578	EURk
of which DACH*	40,726	10.3	36,922	EURk
Western Europe (without DACH)*	64,941	18.4	54,847	EURk
Southern Europe*	72,658	2.0	71,219	EURk
Northern/Eastern Europe*	42,051	22.8	34,240	EURk
Other regions*	12,624	60.3	7,878	EURk
FURTHER INFORMATION LEASING BUSINESS				
Number of new contracts	157,813	16.8	135,087	units
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	8.9	3.8	8.6	EURk
Mean term of contract	49	0.0	49	months
Volume of leased assets	7,735	21.7	6,356	EURm
Number of current contracts	869,610	19.2	729,302	units

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

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

GRENKE CONSOLIDATED GROUP

	JAN. 1, 2019 TO JUN. 30, 2019	CHANGE (%)	JAN. 1, 2018 TO JUN. 30, 2018	UNIT
KEY FIGURES INCOME STATEMENT				
Net interest income	156,726	14.2	137,197	EURk
Settlement of claims and risk provision	60,284	43.2	42,105	EURk
Profit from service business	45,947	17.5	39,102	EURk
Profit from new business	48,920	19.9	40,785	EURk
Gains (+)/losses (–) from disposals	–370	84.5	–2,391	EURk
Other operating income	4,961	78.4	2,781	EURk
Cost of new contracts	35,572	18.7	29,972	EURk
Cost of current contracts	10,001	22.4	8,168	EURk
Project costs and basic distribution costs	31,692	9.6	28,919	EURk
Management costs	28,300	8.6	26,049	EURk
Other costs	6,656	27.9	5,205	EURk
Operating result	83,679	8.6	77,056	EURk
Other financial result (income (–)/expense (+))	1,619	114.7	754	EURk
Income/expenses from fair value measurement	–801	–1,435.0	60	EURk
EBT (earnings before taxes)	81,259	6.4	76,362	EURk
NET PROFIT	**68,326**	**7.2**	**63,752**	**EURk**
EARNINGS PER SHARE (ACCORDING TO IFRS)	**1.33**	**0.0**	**1.33**	**EUR**
FURTHER INFORMATION				
Dividends	0.80	14.3	0.70	EUR
Embedded value, leasing contract portfolio (excl. equity before taxes)	578.1	15.2	501.9	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	1,589	12.1	1,417	EURm
Cost/income ratio	57.7	2.5	56.3	percent
Equity ratio	17.0	–9.1	18.7	percent
Average number of employees	1,617	15.7	1,397	employees
Staff costs	56,390	14.3	49,316	EURk
of which total remuneration	46,409	15.0	40,345	EURk
of which fixed remuneration	33,438	12.3	29,776	EURk
of which variable remuneration	12,971	22.7	10,569	EURk

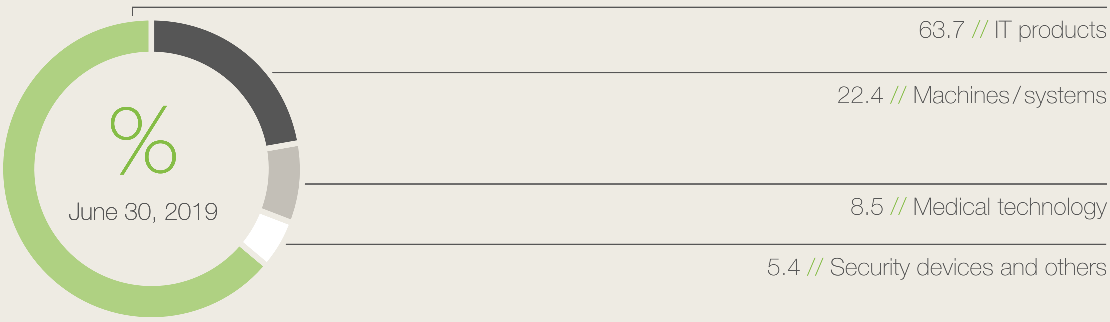
GRENKE Group = GRENKE Consolidated Group including franchise partners
GRENKE Consolidated Group = GRENKE AG and all consolidated subsidiaries and structured entities according to IFRS

AT A GLANCE //

GRENKE CONTINUES ITS GROWTH COURSE:
WITH SOLID NEW BUSINESS AND FURTHER CELL DIVISIONS IN THE FIRST HALF-YEAR

BROADLY DIVERSIFIED

LEASING NEW BUSINESS PORTFOLIO //



HIGH GROWTH

GRENKE GROUP LOCATIONS //

147

CELL DIVISIONS //

BELGIUM
CANADA
SPAIN

GRENKE GROUP NEW BUSINESS //

+23%

Volume including franchise partners reaches EUR 1,734.0 million (previous year: EUR 1,412.7 million)

NUMBER OF EMPLOYEES //

1,617

Year-on-year increase of 15.7%
(GRENKE Consolidated Group; previous year: 1,397)

FAVOURABLE SHARE PRICE PERFORMANCE

GRENKE SHARE PRICE PERFORMANCE // January 02, 2018 to June 28, 2019

CONTENTS //

LETTER FROM THE BOARD OF DIRECTORS //

TO THE SHAREHOLDERS

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

You have come to expect profitable growth from GRENKE. We are pleased to tell you that we have once again met your expectations and recorded another period of strong growth in the first half of 2019. Despite the global economic slowdown, new business at GRENKE Group Leasing increased by 21 percent. We recorded double-digit growth in each of our three core leasing markets – Germany, France and Italy – and also grew strongly in all other regions. GRENKE Group Factoring increased its new business volume by a notable 30 percent, with the international business proving again to be the key growth driver. The favourable development of our new business shows that we are able to live up to our brand promise of "Fast. Forward. Finance" to ourselves and our customers.

Our cell division strategy is proceeding according to plan. In the first half-year, we opened three new locations in Belgium, Canada and Spain, and were represented by 147 locations worldwide at the end of June 2019.

We continue to see a lasting benefit from the special depreciation programme in Italy. Although the form in which we could utilise the programme expired at the start of the fiscal year, we continue to reap the benefits from the new business acquired over the past three years. The solid growth realised in the past several years now provides us an advantage that is leading to lower overall tax burdens, and we expect to continue to benefit from this in the quarters ahead.

At the same time, we see evidence of a change in the payment behaviour in many markets from the recent slowdown in economic growth. As a result, losses in the first six months of the year increased more sharply than had been expected for the full fiscal year. It is important to note, however, that the losses recorded in recent years were at a comparably very low level. Therefore, we see the development in the first half-year as more of a normalisation.

Given the changing macroeconomic environment, we have adjusted our forecast for Consolidated Group net profit and now expect to achieve a net profit in the range of EUR 138 to 148 million in the current fiscal year. This amount corresponds to a year-on-year increase in net profit of 5 to 13 percent. With respect to the new business growth at

GRENKE Group Leasing, we are even able to narrow our forecast to the upper end of the range of 16 to 19 percent. For GRENKE Group Factoring, we confirm our new business growth expectations of 25 percent for the year 2019.

Fellow shareholders, our business model has proven itself during the past few years. In both economically favourable and difficult times, we were always in a position to realise risk-adequate margins and operate in a sustainably profitable manner. We responded to the change in the risk situation by adjusting our approval policy and pricing at the end of the second quarter. We have set the course for a successful second half-year and are optimistic about the future. We thank you sincerely for your trust.

Baden-Baden, July 2019

The Board of Directors of GRENKE AG

Antje Leminsky
Chair of the Board

Gilles Christ
Member of the Board

Sebastian Hirsch
Member of the Board

Mark Kindermann
Member of the Board

INTERIM GROUP MANAGEMENT REPORT //

1. CONSOLIDATED GROUP PRINCIPLES

1.1 GRENKE OVERVIEW

The GRENKE Group acts as a global financing partner for small and medium-sized enterprises (SMEs). Customers have access to solutions from a single source: from flexible small-ticket leasing and demand-driven banking products to convenient factoring. Fast and easy processing, along with personal contact with customers and partners, are a key focus. Founded in Baden-Baden, Germany, in 1978, the Company currently operates worldwide with more than 1,600 employees in 32 countries.

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

1.2 BUSINESS MODEL

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

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

1.3 TARGETS AND STRATEGY

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

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

2. BUSINESS PERFORMANCE

2.1 GRENKE GROUP’S NEW BUSINESS

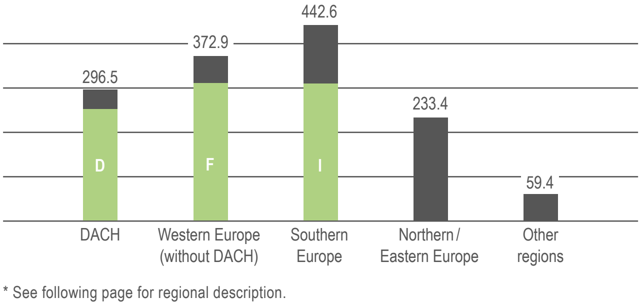
Our new business volume is generally based on the GRENKE Group, which is defined as the Consolidated Group including its franchise partners. In the second quarter of 2019, the Group increased its new business by 23 percent, representing a slight acceleration in growth compared to the first quarter of 2019 (+22 percent). In absolute terms, new business at GRENKE Group reached a volume of EUR 1,734.0 million in the first half-year compared to a total of EUR 1,412.7 million in the same period of the previous year for a year-on-year increase of 23 percent

The Leasing business (GRENKE Group Leasing) increased its volume of new business – defined as the total acquisition costs of newly acquired leased assets – by 21 percent to EUR 1,404.9 million in the first half of 2019 (6M 2018: EUR 1,158.4 million). The Leasing business as a percentage of the Group's total volume of new business remained virtually unchanged at 81 percent (6M 2018: 82 percent).

In the three leasing core markets of Germany (+14 percent), France (+21 percent) and Italy (+11 percent), GRENKE recorded double-digit year-on-year growth rates in new business volume in the first six months of 2019. All regions outside of the core markets also generated strong growth, which further increased the regional diversification of the leasing portfolio. Among the international markets, Spain (+55 percent) stood out the most in the first half of the year.

In the DACH region, which comprises Germany, Austria and Switzerland, new business in the first half-year increased year-on-year by a total of 14 percent to EUR 296.5 million (6M 2018: EUR 260.5 million). This rise was largely due to the aforementioned very positive development in Germany. In Western Europe (excluding the DACH region), GRENKE recorded an increase of 22 percent to EUR 372.9 million (6M 2018: EUR 305.2 million). Southern Europe, which is the largest region in terms of its share of the total new leasing business, saw new business rise by 19 percent to EUR 442.6 million (6M 2018: EUR 371.1 million). As mentioned earlier, the main growth drivers in this region were Spain and Italy. The Northern / Eastern European region grew new business by an above-average 27 percent to EUR 233.4 million in the first six months (6M 2018: EUR 183.4 million). As was the case at the beginning of 2019, new business in the UK was unaffected by the uncertainties surrounding the upcoming Brexit. In the first half of 2019, new business volume in the UK increased by a total of 30 percent. GRENKE reported its highest percentage growth in Other Regions, which grew 55 percent to EUR 59.4 million (6M 2018: EUR 38.2 million). In viewing this growth rate, however, it is important to consider the fact that this region is still coming from a relatively low absolute basis. SEE DIAGRAM "GRENKE GROUP LEASING'S NEW BUSINESS BY REGION"

NEW BUSINESS GRENKE GROUP LEASING * //



* See following page for regional description.

The broadening of the leasing portfolio beyond the traditional IT area that began in 2017 continued uninterrupted during the January to June 2019 period. In the half-year reporting period, medical technology products, small machinery, systems, as well as security devices accounted for a share of new business of altogether 36.3 percent (6M 2018: 32.7 percent).

During the period of January through June 2019, the GRENKE Group recorded a total of 316,645 lease applications (6M 2018: 277,936). During the same period, 157,813 new lease contracts (6M 2018: 135,087) were concluded, which corresponds to a slightly higher conversion rate (applications into contracts) of 50 percent (6M 2018: 49 percent). The international markets accounted for 264,875 applications (6M 2018: 233,545), resulting in 128,643 (6M 2018: 111,227) new contracts. Accordingly, the conversion rate there was 49 percent (6M 2018: 48 percent). At a level of 56 percent (6M 2018: 54 percent), we continued to achieve our highest conversion rate in the DACH region. At EUR 8,902 (6M 2018: EUR 8,575), the mean acquisition value per lease contract in the reporting period was slightly higher compared to the same period in the prior year but remained within a customary level for our business and reflects the strong focus on the small-ticket segment.

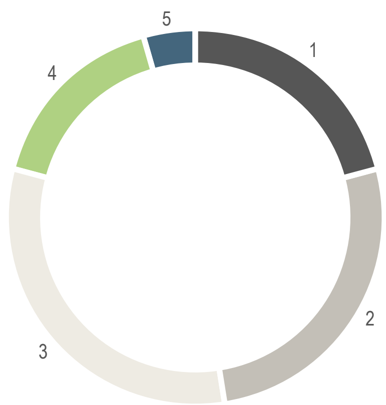
The contribution margin 2 (CM2) for new leasing business in the first six months of 2019 increased by 14 percent to EUR 233.0 million (6M 2018: EUR 205.1 million), while the CM2 margin declined to 16.6 percent (6M 2018: 17.7 percent). The CM2 margin on a sequential basis, however, was stable in the second quarter of 2019 versus the first quarter. The CM2 margin in Italy was stronger in the second quarter than in the first quarter, as expected, following a lower margin at the start of the year from the expiration of tax incentives for lease financing ("super ammortamento"). The related change in the terms and conditions in Italy was implemented successfully.

The positive effect from the change in conditions in Italy was offset on a Group level by an adjustment in expected losses in the calculation of the contribution margin for new business in the other markets and reflects the cautious and even more stringent risk-based approval policy and pricing of the GRENKE Group, particularly in light of the overall rise in macroeconomic uncertainties. The CM1 margin of the leasing business (contribution margin 1 at acquisition values) amounted to 12.2 percent in the first half of 2019, reaching a level of EUR 171.7 million (6M 2018: 12.8 percent and EUR 148.3 million).

The volume of new business generated by GRENKE Group Factoring increased by 30 percent to EUR 305.5 million in the first six months of the current fiscal year (6M 2018: EUR 235.6 million). With debt collection services comprising a share of 15 percent (6M 2018: 12 percent), new business in Germany neared the previous year's level and reached EUR 84.9 million (6M 2018: EUR 85.5 million). The gross margin remained at a high level of 1.60 percent (6M 2018: 1.62 percent). The international markets, in contrast, recorded strong growth driving new business volume 47 percent higher to EUR 220.6 million (6M 2018: EUR 150.1 million). Internationally, the share of the debt collection business, which does not assume default risks, was 21 percent (6M 2018: 27 percent). The gross margin in the international markets improved to 1.41 percent (6M 2018: 1.20 percent). The gross margin is based on the average period of a factoring transaction of approx. 29 days in Germany (6M 2018: approx. 27 days) and approx. 42 days on an international level (6M 2018: approx. 40 days).

In the six-month period, GRENKE Bank increased its new business in lending for SMEs by 27 percent to EUR 23.7 million (6M 2018: EUR 18.7 million). The deposit volume of GRENKE Bank increased to EUR 769.9 million as per June 30, 2019, placing it 11 percent higher than the level of EUR 692.4 million reported at the end of the 2018 fiscal year and 29 percent higher than the level at the end of the first half of 2018 (EUR 595.6 million).

GRENKE GROUP LEASING'S NEW BUSINESS BY REGION //



GRENKE Group Leasing (Share of overall new business in percent)	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018
1 DACH	21.1	22.5
2 Western Europe (without DACH)	26.6	26.4
3 Southern Europe	31.5	32.0
4 Northern / Eastern Europe	16.6	15.8
5 Other regions	4.2	3.3

GRENKE Group (in EUR millions)	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018
New business GRENKE Group Leasing	1,404.9	1,158.4
New business GRENKE Group Factoring	305.5	235.6
Business start-up financing GRENKE Bank (incl. microcredit business	23.7	18.7

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

* Franchise

2.2 GRENKE CONSOLIDATED GROUP'S BUSINESS PERFORMANCE

In the second quarter of 2019, GRENKE continued to expand its presence in existing markets by opening another location in Spain. Following the cell divisions in Belgium and Canada in the first quarter of 2019, GRENKE was represented worldwide with 147 locations as per June 30, 2019. The opening of more new locations is planned for the 2019 fiscal year. GRENKE is also preparing to enter the US market with lease offers.

During the reporting quarter, GRENKE introduced its eSignature method in Australia. This method enables lease contracts to be processed entirely digitally. With eSignature's introduction in Australia, this process has now been established in 20 markets. The number of contracts concluded using eSignature saw an above-average increase again of 29 percent in the first half of the year, meaning that just under a quarter (24 percent) of all contracts in the first half of 2019 were processed in this way.

In June 2019, Standard & Poor's reconfirmed the GRENKE Consolidated Group's investment grade status with a counterparty credit rating of BBB+ / A-2, each with a stable outlook. In its latest analysis, the rating agency specifically highlighted GRENKE's disciplined and risk-adjusted pricing and strong capitalisation. The solid rating GRENKE has enjoyed for many years is an essential prerequisite for the successful refinancing of the high volume of new business growth.

The Annual General Meeting of GRENKE AG, which took place in Baden-Baden on May 14, 2019, approved the proposal for the appropriation of profits by the Board of Directors and the Supervisory Board for the 2018 fiscal year and thereby an increase in the dividend to EUR 0.80 (previous year: EUR 0.70) per share. This marked the ninth consecutive rise in the dividend. In addition, the Annual General Meeting elected Ms Claudia Krcmar and Mr Heinz Panter to the Supervisory Board as the successors of Ms Tanja Dreilich and Mr Erwin Staudt, whose terms of office ended with the close of the Annual General Meeting. Dr Ljiljana Mitic and Mr Florian Schulte were both re-elected to the Supervisory Board.

Effective June 24, 2019, Deutsche Börse included GRENKE AG's shares in the MDAX index – the selection index of the 60 largest German companies after the 30 DAX companies. The step up to the MDAX reflects the sustained, successful growth of the GRENKE Consolidated Group in recent years and the accompanying increase in attention the Company has gained on the capital market.

SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT //

EURk	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018 [1]
Net interest income	**156,726**	**137,197**
Settlement of claims and risk provision	60,284	42,105 [1]
Net interest income after settlement of claims and risk provision	**96,442**	**95,092**
Profit from service business	45,947	39,102
Profit from new business	48,920	40,785
Gains (+) / losses (−) from disposals	−370	−2,391
Income from operating business	**190,939**	**172,588**
Staff costs	56,390	49,316
of which total remuneration	46,409	40,345
of which fixed remuneration	33,438	29,776
of which variable remuneration	12,971	10,569
Selling and administrative expenses (excluding staff costs)	36,748	37,137
of which IT project costs	2,359	3,291
Earnings before taxes	**81,259**	**76,362**
Net profit	**68,326**	**63,752**
Earnings per share (in EUR; basic / diluted)	1.33	1.33 [1]

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

3. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

3.1 NEW IFRS 16 ACCOUNTING STANDARD

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

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

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

In the consolidated statement of cash flows for the first half of 2019, the repayments recorded under rental / lease instalments are recognised as cash outflows in cash flow from financing activities. The interest portions included in the instalments are presented as a reduction in net cash flow from operating activities. Payments for short-term leases and low-value leases are included in cash flow from operating activities. SEE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS, PAGE 22

3.2 MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

The macroeconomic conditions and indicators in most economies continued to deteriorate in the first half of 2019. The International Monetary Fund (IMF) lowered its global growth forecast in April this year by 0.2 percentage points and again in July by 0.1 percentage points. In view of the impending Brexit and continued underlying trade conflicts, the IMF assesses the outlook for the eurozone now as much more challenging than at the beginning of the year. The IMF reduced its growth forecast for the eurozone to 1.3 percent, after still forecasting an expansion of 1.6 percent in January.

The less favourable economic outlook prompted credit insurer Coface to downgrade its country rating for Germany from “A1” to “A2” at the beginning of July 2019. The more cautious assessment is based first and foremost on a slowdown in the important German automotive, metal, pharmaceutical and information and communication technology industries. Coface has lowered its expectations for these sectors to “high” or “medium” risk. For full-year 2019, Coface expects insolvencies in Germany to increase by 1 percent and in Western Europe as a whole by 2 percent.

Euler Hermes also came to a similar conclusion and forecasts a rise in insolvencies worldwide in 2019. For Western Europe, Euler Hermes predicts an increase in insolvencies of 3 percent, mainly due to the weakening economy and general increase in political uncertainty. Euler Hermes specifically highlights the development anticipated in France, Italy, Spain and the United Kingdom.

3.3 RESULTS OF OPERATIONS

3.3.1 COMPARISON OF SECOND QUARTER 2019 VERSUS 2018

Interest and similar income from financing business increased 15 percent in the second quarter of 2019. This increase was slightly below the 18 percent rise in interest expenses on refinancing, resulting in growth in net interest income of 15 percent in the second quarter to EUR 79.6 million (Q2 2018: EUR 69.5 million). Expenses for the settlement of claims and risk provision rose a sharp 59 percent in the reporting quarter to EUR 32.2 million (Q2 2018: EUR 20.2 million). The Consolidated Group’s loss rate increased to 1.6 percent (Q2 2018: 1.4 percent) year-on-year, which was somewhat above the expectations at the start of the year but still in line with the long-term target level. It is important to highlight in terms of the loss rate that the losses incurred in recent years were disproportionately low when compared to new business growth – despite the increasing effect caused by the introduction of IFRS 9. Therefore, it is important to assess this rate in the context of several quarters. From the Consolidated Group standpoint, the trend in the second quarter of 2019 represents a normalisation of the loss rate. The underlying factors to this development were not only the slightly higher termination of contracts due to non-payment, but also a somewhat lower rate of success in the recovery of receivables at the end of the quarter. GRENKE has been observing this development in several countries and, therefore, is implementing countermeasures across all regions. As already announced at the beginning of July, among other things, GRENKE has adjusted its risk provisions in the contribution margin calculation for new business at the end of the second quarter and adopted a more cautious and even more stringent risk-based approval policy and pricing. As a result, the expectation is that the loss rate will stabilise over the course of the year at a level of 1.6 percent. Due to the higher losses, net interest income after settlement of claims and risk provision in the second quarter was down 4 percent year-on-year and amounted to EUR 47.4 million (Q2 2018: EUR 49.2 million).

Profits from service and new business in the reporting quarter increased 17 percent and 22 percent, respectively. The loss from disposals of EUR −0.8 million was slightly negative, as was the case in the second quarter of the prior year (Q2 2018: EUR −1.0 million). As a result, the income from operating business rose 7 percent to EUR 96.9 million (Q2 2018: EUR 90.4 million).

Operating expenses increased disproportionately to income in the second quarter of 2019. As a result, the cost-income ratio rose to 58.1 percent (Q2 2018: 54.9 percent), but remained below the medium-term target of 60 percent. Various factors should also be taken into account when viewing in the rise in the cost-income ratio. Higher risk provision and lower interest income resulting from the depreciation programme in Italy led to a reduction in operating income ("income"). The tax savings associated with the depreciation programme, however, did not have a positive effect on the operating expenses ("costs"), but instead lowered the tax burden and was thus not reflected in the cost-income ratio. Staff costs, the Consolidated Group's largest expense item, increased by 16 percent to EUR 28.8 million (Q2 2018: EUR 24.9 million). Contributing to this was a 15.7 percent rise in the average number of employees to 1,617 (based on full-time employees; Q2 2018: 1,397) and an increase in variable remuneration components.

The year-on-year increase in depreciation and impairment of 56 percent in the second quarter was mainly due to the changes in accounting under IFRS 16. As a result of the capitalisation of rental and lease agreements, the corresponding expenses were classified as additional amortisation of rights-of-use (Q2 2019: EUR 2.4 million) and additional interest expenses for lease liabilities (Q2 2019: EUR 0.1 million). By contrast, selling and administrative expenses, which had included rental and lease expenses in the previous year, fell by 5 percent to EUR 18.6 million (Q2 2018: EUR 19.5 million). The development of expenses combined with the growth in new business in the first half of the year underline the cost-conscious approach and the scalable growth strategy. The balance of other operating income and expenses amounted to EUR −0.7 million in the reporting quarter (Q2 2018: EUR −0.4 million).

The operating result for the second quarter was EUR 42.1 million compared to EUR 41.3 million in the same period of the previous year. Earnings before taxes were EUR 40.8 million (Q2 2018: EUR 40.9 million). The tax rate fell to 15.0 percent (Q2 2018: 16.6 percent). This decline reflects the continued benefit to the Consolidated Group from the special depreciation programme in Italy ("super ammortamento"). Although this programme for new investments in its applicable form for GRENKE expired at the beginning of the 2019 fiscal year, the tax benefits from the new business acquired over the past three years will continue to provide the Consolidated Group with an overall lower tax burden in the quarters ahead. Consequently, the net profit in the second quarter of 2019 reached EUR 34.7 million (Q2 2018: EUR 34.1 million), corresponding to an increase of 2 percent.

As a result, earnings per share amounted to EUR 0.75 (Q2 2018: EUR 0.76). In viewing the earnings per share, it is important to consider the change in the accrual of the interests in net profit of hybrid capital holders, which was amended as per December 31, 2018, in accordance with the legal terms of the bonds. The interests in net profit of the hybrid capital holders are now recognised in full as per March 30 of the respective fiscal year, whereas previously this interest was accrued on a pro rata temporis basis. ■ SEE SECTION "ADJUSTMENTS" IN THE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3.3.2 HALF-YEAR COMPARISON 2019 VERSUS 2018

In the first half-year of 2019, net interest income grew by 14 percent to EUR 156.7 million (6M 2018: EUR 137.2 million). Expenses for the settlement of claims and risk provision rose by 43 percent to reach EUR 60.3 million compared to EUR 42.1 million in the same period of the prior year. Net interest income after settlement of claims and risk provision increased accordingly by 1 percent to EUR 96.4 million in the reporting period (6M 2018: EUR 95.1 million).

In the six-month period, profits from service and new business increased by 18 percent and 20 percent, respectively. At EUR −0.4 million, the loss from disposals was significantly better than in the same period of the prior year (6M 2018: EUR −2.4 million), resulting in a rise in the income from operating business of 11 percent from a level of EUR 172.6 million in the same period of the previous year to EUR 190.9 million.

Similar to the development in the second quarter, operating expenses in the first half of the year were mainly affected by the 14 percent rise in staff costs. Selling and administrative expenses remained close to the prior year's level as a result of the accounting changes that occurred under IFRS 16. Depreciation and impairment, on the other hand, were 70 percent higher. Accordingly, the operating result in the first six months of the 2019 fiscal year increased 9 percent to EUR 83.7 million (6M 2018: EUR 77.1 million).

Earnings before taxes amounted to EUR 81.3 million in the first half of 2019 compared to EUR 76.4 million in the same period of the previous year. Net profit reached EUR 68.3 million (6M 2018: EUR 63.8 million), representing an increase of 7 percent and resulting in unchanged earnings per share of EUR 1.33 (6M 2018: EUR 1.33).

3.3.3 SEGMENT DEVELOPMENT

3.3.3.1 Business Segments

Segment reporting is based on the organisational structure of the Consolidated Group. The Consolidated Group's operating segments are defined accordingly based on the management of the business areas in the Leasing, Banking and Factoring segments. Further information on the business segments is provided in the Consolidated Group's segment reporting on page 38, which is part of the notes to the condensed interim consolidated financial statements.

3.3.3.2 Business Development

The Leasing segment continued to be the main pillar of income for the Consolidated Group in the first half of 2019, generating a 92 percent share (previous year: 93 percent) of total operating segment income. Operating income in the Leasing segment increased in the first half of the reporting year by 9 percent to EUR 175.0 million (6M 2018: EUR 160.8 million), and the segment result increased by 6 percent to EUR 74.5 million (6M 2018: EUR 70.2 million). The Banking segment achieved above-average income growth of 40 percent for a total of EUR 14.2 million (6M 2018: EUR 10.2 million). The segment result increased by 28 percent to EUR 9.7 million (previous year: EUR 7.6 million). Operating income in the Factoring segment increased by 8 percent to EUR 1.8 million (6M 2018: EUR 1.6 million). Although the segment result improved slightly to EUR −0.5 million compared to EUR −0.7 million in the same period of the previous year, it remained in negative territory due to continued investments in the sales infrastructure and start-up costs in the course of strengthening the international positioning of the business.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURk	Jun. 30, 2019	Dec. 31, 2018
Current assets	**2,715,917**	**2,433,300**
of which cash and cash equivalents	309,252	333,626
of which lease receivables	1,777,405	1,605,173
Non-current assets	**3,809,224**	**3,443,191**
of which lease receivables	3,407,756	3,098,837
Total assets	**6,525,141**	5,876,491
Current liabilities	**1,791,427**	1,642,962
of which financial liabilities	1,611,571	1,520,095
Non-current liabilities	**3,622,106**	**3,146,432**
of which financial liabilities	3,533,092	3,092,431
Equity	**1,111,608**	**1,087,097**
Equity ratio (in percent)	17.0	18.5
Total liabilities and equity	**6,525,141**	**5,876,491**
Embedded value incl. equity after taxes	1,588,561	1,538,085

3.4 NET ASSETS AND FINANCIAL POSITION

3.4.1 NET ASSETS

Total assets of the GRENKE Consolidated Group as per June 30, 2019 increased by 11 percent versus the end of the 2018 fiscal year to a total of EUR 6.5 billion. The strong growth in new business in the first half-year was reflected by a rise of 10 percent in current and non-current lease receivables, which is by far the largest item on the balance sheet. In absolute terms, lease receivables added up to EUR 5.2 billion (December 31, 2018: EUR 4.7 billion).

Cash and cash equivalents in the first half-year declined 7 percent to EUR 309.3 million (December 31, 2018: EUR 333.6 million), mainly as a result of the dividend distribution to shareholders. GRENKE continues to pursue the strategy of exclusively using liquid funds as the source of finance for the Consolidated Group's growth while, at the same time, ensuring it meets legal and regulatory requirements.

The increase in other current assets to EUR 363.1 million (December 31, 2018: EUR 280.5 million) mainly resulted from higher VAT refund claims as per the reporting date.

The first-time application of accounting standard IFRS 16 in the 2019 fiscal year resulted in the recognition of rights-of-use assets in the amount of EUR 37.1 million as per June 30, 2019 for assets used under rental and lease contracts. At the GRENKE Consolidated Group, these rights pertain mainly to leased office buildings and company cars. This amount compares to the first-time recognition of corresponding lease liabilities of EUR 37.4 million.

On the liabilities side of the balance sheet, new business growth in the first half-year is reflected in the increase in current and non-current liabilities from refinancing. This item increased 12 percent since year-end 2018 (December 31, 2018: EUR 3.9 billion) and amounted to EUR 4.4 billion. Non-current and current liabilities from the deposit business recorded a 11 percent increase, with the Consolidated Group's total financial liabilities rising by 12 percent to EUR 5.1 billion (December 31, 2018: EUR 4.6 billion).

As per the reporting date, deferred lease payments recorded a sharp increase to EUR 63.1 million (December 31, 2018: EUR 24.7 million). This balance sheet item, however, is often subject to major fluctuations during the year; in comparison to June 30, 2018, the item saw a decline of 3 percent.

The Consolidated Group's equity of EUR 1,111.6 million as per June 30, 2019 exceeded the level at the end of the 2018 financial year by 2 percent. The Consolidated Group net profit of EUR 68.3 million generated in the reporting period was offset by the distribution of a dividend of EUR 37.1 million (previous year: EUR 31.0 million). The equity ratio fell to 17 percent in mid-2019 (December 31, 2018: 18.5 percent). The Consolidated Group's equity base continued to exceed the long-term benchmark of a minimum of 16 percent. The first-time application of IFRS 16 resulted in a one-time conversion effect on the Consolidated Group's equity of EUR −0.7 million, which was recognised as per January 1, 2019. SEE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS, PAGE 18

3.4.2 LIQUIDITY

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

The refinancing of new business in the first half of the year continued to be carried out via a broad range of refinancing instruments. The customary range of smaller transactions between EUR 10 and 50 million took place during the reporting period with maturities between 2.5 to 10 years and a total volume of EUR 221.5 million. In addition, a large bond was issued with a volume of EUR 300 million and a 5-year maturity. All new issues were successfully placed within a short period of time. Further information on the bonds issued can be found in the condensed interim consolidated financial statements and on our website at www.grenke.com/investor-relations/debt-capital/issued-bonds.

The utilisation of the ABCP programmes as per June 30, 2019 amounted to EUR 776.1 million (December 31, 2018: EUR 750.5 million). The total volume of these programmes equalled EUR 792.5 million and GBP 150.0 million.

Refinancing via bank deposits held at GRENKE Bank reached a volume of EUR 769.9 million as per the June 30, 2019 reporting date, following EUR 595.6 million at the end of the first half of 2018. This level represents a year-on-year increase of 29 percent.

3.4.3 FINANCIAL POSITION

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS //

EURk	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018
Cash flow from operating activities	**49,945**	**5,182**
Net cash flow from operating activities	**36,359**	**−1,324**
Cash flow from investing activities	**−10,846**	**−46,401**
Cash flow from financing activities	−50,462	158,860
Total cash flow	−24,949	111,135

Cash flow from operating activities rose to EUR 49.9 million in the first half of the year (6M 2018: EUR 5.2 million). A positive effect on cash flow resulted above all from the increase in earnings before taxes of EUR 81.3 million (6M 2018: EUR 76.4 million) and higher depreciation and impairment of EUR 13.9 million (6M 2018: EUR 8.2 million). The increase in lease receivables (EUR 481.2 million compared to EUR 380.4 million in the same period of the previous year) was more than offset by an increase in liabilities from refinancing (EUR 452.5 million compared to EUR 312.7 million) and from the deposit business (EUR 78.3 million compared to EUR 76.5 million). The change in loans to franchisees, on the other hand, resulted in a cash outflow of EUR 25.2 million (6M 2018: cash inflow of EUR 16.5 million).

After interest and taxes paid and received the net cash flow from operating activities in the first half-year amounted to EUR 36.4 million (6M 2018: EUR −1.3 million).

Cash flow from investing activities improved significantly in the six-month period to EUR −10.8 million (6M 2018: EUR −46.4 million). The previous year's period included a cash outflow of EUR 35.6 million for the acquisition of former franchisees, whereas payments for acquisitions amounted to just EUR 0.4 million in the first half of 2019. As a result, cash flow from investing activities during the reporting period consisted essentially of payments for the acquisition of property, plant and equipment and intangible assets of EUR 11.0 million (6M 2018: EUR 11.3 million).

Cash flow from financing activities totalled EUR −50.5 million in the first half of 2019 (6M 2018: EUR 158.9 million). The main items were the dividend distribution of EUR 37.1 million (6M 2018: EUR 31.0 million) for the previous financial year and interest payments on hybrid capital of EUR 9.4 million (6M 2018: EUR 6.8 million). In addition, the repayment of lease liabilities resulted in a cash outflow of EUR 4.8 million (6M 2018: EUR 0.0 million). In the same period of the previous year, the cash flow from financing activities had additionally included a cash inflow of EUR 196.9 million from a capital increase.

As a result of the above, the total cash flow in the first half-year of 2019 amounted to EUR −24.9 million (6M 2018: EUR 111.1 million). As per June 30, 2019, cash and cash equivalents decreased to EUR 305.5 million compared to a level of EUR 330.5 million at the end of the 2018 fiscal year.

4. RELATED PARTY DISCLOSURES

For information on related party disclosures, see the notes to the condensed interim consolidated financial statements on page 41.

5. REPORT ON RISKS, OPPORTUNITIES AND FORECAST

5.1 OPPORTUNITIES AND RISKS

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

The weaker economic environment led to an increase in default risk in the first half of 2019. At the end of the second quarter, the GRENKE Consolidated Group responded to the change in the risk situation by adjusting its approval policy and pricing. As a result, the Consolidated Group expects the loss rate in the current 2019 fiscal year to be higher than in the prior year but continue to remain at a manageable level and within the long-term average.

5.2 FORECAST

The deterioration in the economic environment in the first half of 2019 was sharper than expected by the majority of economic research institutes at the beginning of the year – particularly in the core European market. As a result, credit insurers and credit agencies, such as Coface and Creditreform, have seen an increase in corporate bankruptcies during the past few quarters. At the GRENKE Consolidated Group, a change in payment behaviour was also evident, which has led to a rise in losses in the first half of 2019, albeit starting from a very low level.

The business model of the GRENKE Consolidated Group has proven itself over the past few years. In both economically favourable and in economically difficult times, the Consolidated Group was always in a position to attain risk-adequate margins and operate sustainably profitably. The Consolidated Group also possesses a solid equity base, enabling it to enjoy an investment grade rating for many years.

In view of the more difficult macroeconomic environment, the GRENKE Consolidated Group has adjusted its forecast for Consolidated Group net profit and now expects the net profit for the current 2019 fiscal year to be in the range of EUR 138 to 148 million (2018: EUR 131.1 million). This range corresponds to an increase of 5 to 13 percent and compares to the Consolidated Group's initial net profit forecast of EUR 147 to 156 million.

With respect to new business growth at GRENKE Group Leasing and GRENKE Group Factoring, the performance in the first half of 2019 exceeded our forecast. Due to the described adjustment in the approval policy and pricing, GRENKE anticipates a slight slowdown in new business growth during the second half of 2019. The Company reaffirms its forecast for the 2019 fiscal year. For growth in new business at GRENKE Group Leasing in the 2019 fiscal year, the forecast has now been narrowed to a range of 16 to 19 percent (previous range was 14 to 19 percent). For GRENKE Group Factoring, the forecast for new business growth has been confirmed at 25 percent.

HIGH REPUTATION

STANDARD & POOR'S //
Counterparty Credit Rating

BBB+

First-class reputation on the equity and debt markets

STRONG GROWTH

CONSOLIDATED GROUP NET PROFIT //
6M 2019 (in EUR million)

68.3

EARNINGS PER SHARE //
6M 2019 (EUR)

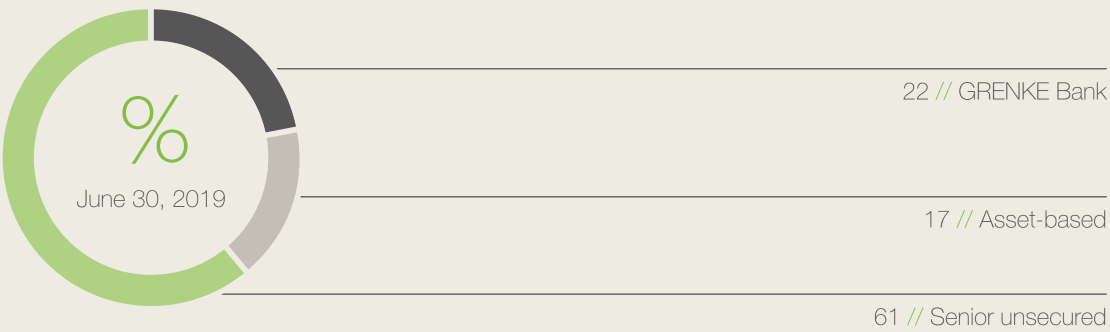
1.33

EQUITY RATIO //
in percent

17.0

BROAD REFINANCING BASE

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



INTERNATIONAL STRATEGY

CELL DIVISIONS //
in Q2

+1

Spain

eSIGNATURE //
Number of countries

20

eSignature is used in 20 countries

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS //

CONSOLIDATED INCOME STATEMENT //

	3-MONTH REPORT		6-MONTH REPORT	
EURk	Apr. 1, 2019 to Jun. 30, 2019	Apr. 1, 2018 to Jun. 30, 2018 [1]	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018 [1]
Interest and similar income from financing business [2]	93,229	81,116	182,888	159,637
Expenses from interest on refinancing and deposit business	13,667	11,630	26,162	22,440
Net interest income	**79,562**	**69,486**	**156,726**	**137,197**
Settlement of claims and risk provision	32,153	20,246 [1]	60,284	42,105 [1]
Of which, impairment losses	30,429	17,250 [1]	57,107	37,302 [1]
Net interest income after settlement of claims and risk provision	**47,409**	**49,240**	**96,442**	**95,092**
Profit from service business	24,040	20,538	45,947	39,102
Profit from new business	26,262	21,583	48,920	40,785
Gains(+)/losses (−) from disposals	−792	−964	−370	−2,391
Income from operating business	**96,919**	**90,397**	**190,939**	**172,588**
Staff costs	28,759	24,888	56,390	49,316
Depreciation and impairment	6,776	4,332	13,891	8,192
Selling and administrative expenses (not including staff costs)	18,590	19,481	36,748	37,137
Other operating expenses	3,317	1,180	5,192	3,668
Other operating income	2,663	805	4,961	2,781
Operating result	**42,140**	**41,321**	**83,679**	**77,056**
Result from investments accounted for using the equity method	−48	−45	−89	−87
Expenses/income from fair value measurement	−513	17	−801	60
Other interest income	382	325	672	497
Other interest expenses	1,148	683	2,202	1,164
Earnings before taxes	**40,813**	**40,935**	**81,259**	**76,362**
Income taxes	6,121	6,801 [1]	12,933	12,610 [1]
Net profit	**34,692**	**34,134**	**68,326**	**63,752**
Ordinary shareholders and hybrid capital holders of GRENKE AG	34,692	34,134	68,326	63,752
Earnings per share (basic/diluted in EUR)	0.75	0.76 [1]	1.33	1.33 [1]
Average number of shares outstanding	46,353,918	44,694,353	46,353,918	44,504,781

1 Selected prior-year figures adjusted (see section “Adjustments” in the notes to the condensed interim consolidated financial statements).
2 Interest and similar income based on effective interest method: EUR 4,088k (previous year: EUR 2,755k)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME //

	3-MONTH REPORT		6-MONTH REPORT	
EURk	Apr. 1, 2019 to Jun. 30, 2019	Apr. 1, 2018 to Jun. 30, 2018 [1]	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018 [1]
Net profit	**34,692**	**34,134**	**68,326**	**63,752**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve	5	−2	11	−15
Thereof: income tax effects	−1	0	−2	2
Change in currency translation differences	−1,361	−7801	521	−1,4881
Thereof: income tax effects	0	0	0	0
Items that will not be reclassified to profit and loss in future periods				
Change in value of equity instruments recognised in other comprehensive income (option under IFRS 9)	0	291	0	291
Thereof: income tax effects	0	−82	0	−82
Appropriation to / reduction of reserve for actuarial gains and losses	**0**	**0**	**0**	**0**
Thereof: income tax effects	0	0	0	0
Other comprehensive income	**−1,356**	**−491**	**532**	**−1,212**
Total comprehensive income	**33,336**	**33,643**	**68,858**	**62,540**
Ordinary shareholders and hybrid capital holders of GRENKE AG	33,336	33,643	68,858	62,540

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURk	Jun. 30, 2019	Dec. 31, 2018
Assets		
Current assets		
Cash and cash equivalents	309,252	333,626
Derivative financial instruments that are assets	2,792	1,874
Lease receivables	1,777,405	1,605,173
Other current financial assets	201,712	160,430
Trade receivables	7,627	7,666
Lease assets for sale	24,165	16,586
Tax assets	29,905	27,488
Other current assets	363,059	280,457
Total current assets	**2,715,917**	**2,433,300**
Non-current assets		
Lease receivables	3,407,756	3,098,837
Derivative financial instruments that are assets	1,885	1,842
Other non-current financial assets	86,746	82,692
Investments accounted for using the equity method	5,071	4,910
Property, plant and equipment	104,904	89,980
Right-of-use assets	37,065	0
Intangible assets	147,163	148,497
Deferred tax assets	17,252	15,203
Other non-current assets	1,382	1,230
Total non-current assets	**3,809,224**	**3,443,191**
Total assets	**6,525,141**	**5,876,491**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION //

EURk	Jun. 30, 2019	Dec. 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	1,611,571	1,520,095
Lease liabilities	9,359	0
Derivative liability financial instruments	2,884	1,406
Trade payables	38,609	28,156
Tax liabilities	7,415	10,688
Deferred liabilities	24,194	27,545
Other current liabilities	34,281	30,348
Deferred lease payments	63,114	24,724
Total current liabilities	**1,791,427**	**1,642,962**
Non-current liabilities		
Financial liabilities	3,533,092	3,092,431
Lease liabilities	28,085	0
Derivative liability financial instruments	2,628	1,557
Deferred tax liabilities	53,573	47,991
Pensions	4,649	4,348
Non-current provisions	79	105
Total non-current liabilities	**3,622,106**	**3,146,432**
Equity		
Share capital	46,354	46,354
Capital reserves	289,314	289,314
Retained earnings	649,716	625,737
Other components of equity	1,224	692
Total equity attributable to shareholders of GRENKE AG	**986,608**	**962,097**
Additional equity components [1]	125,000	125,000
Total equity	**1,111,608**	**1,087,097**
Total liabilities and equity	**6,525,141**	**5,876,491**

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

CONSOLIDATED STATEMENT OF CASH FLOWS //

	EURk	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018 [1]
	Earnings before taxes	**81,259**	**76,362** [1]
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	13,891	8,192
−/+	Profit/loss from the disposal of property, plant, and equipment and intangible assets	−24	51
−/+	Net income from non-current financial assets	1,281	667
−/+	Other non-cash effective income/expenses	1,255	1,032 [1]
+/−	Increase/decrease in deferred liabilities, provisions, and pensions	−3,076	−4,481
−	Additions to lease receivables	−1,411,527	−1,169,230
+	Payments by lessees	942,487	793,707
+	Disposals/reclassifications of lease receivables at residual carrying amounts	170,750	156,559
−	Interest and similar income from leasing business	−176,564	−154,907
+/−	Decrease/increase in other receivables from lessees	−5,365	−10,944 [1]
+/−	Currency translation differences	−932	4,385
=	Change in lease receivables	−481,151	−380,430 [1]
+	Addition to liabilities from refinancing	1,331,237	1,051,769
−	Payment of annuities to refinancers	−879,836	−735,451
−	Disposal of liabilities from refinancing	−24,249	−21,910
+	Expenses from interest on refinancing and on deposit business	24,054	22,440
+/−	Currency translation differences	1,257	−4,152
=	Change in refinancing liabilities	452,463	312,696
+/−	Increase/decrease in liabilities from deposit business	78,321	76,469
−/+	Increase/decrease in loans to franchisees	−25,200	16,450
	Changes in other assets/liabilities		
−/+	Increase/decrease in other assets	−114,656	−104,258 [1]
+/−	Increase/decrease in lease assets from operating leases	−10,133	0
+/−	Increase/decrease in deferred lease payments	38,390	27,278
+/−	Increase/decrease in other liabilities	17,325	−24,846
=	**Cash flow from operating activities**	**49,945**	**5,182**
−/+	Income taxes paid/received	−12,056	−5,839
−	Interest paid	−2,202	−1,164
+	Interest received	672	497
=	**Net cash flow from operating activities**	**36,359**	**−1,324**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)//

	EURk	Jan. 1, 2019 to Jun. 30, 2019	Jan. 1, 2018 to Jun. 30, 2018 [1]
−	Payments for the acquisition of property, plant and equipment and intangible assets	−10,985	−11,305
−/+	Payments for/proceeds from the acquisition of subsidiaries	−390	−35,575
−	Payments for the acquisition of associated entities	−250	0
−	Payments for the acquisition of financial assets	0	0
−	Proceeds from the sale of property, plant and equipment and intangible assets	779	479
=	**Cash flow from investing activities**	**−10,846**	**−46,401**
+/−	Borrowing/repayment of bank liabilities	759	−256
−	Repayment of lease liabilities	−4,763	0
+	Proceeds from cash capital increase	0	196,921
−	Interest coupon payments on hybrid capital	−9,375	−6,786
−	Dividend payments	−37,083	−31,019
=	**Cash flow from financing activities**	**−50,462**	**158,860**
	Cash funds at beginning of period		
	Cash in hand and bank balances	333,626	203,357
−	Bank liabilities from overdrafts	−3,112	−111
=	**Cash and cash equivalents at beginning of period**	**330,514**	**203,246**
+/−	Change due to currency translation	−19	56
=	**Cash funds after currency translation**	**330,495**	**203,302**
	Cash funds at end of period		
	Cash in hand and bank balances	309,252	316,009
−	Bank liabilities from overdrafts	−3,706	−1,572
=	**Cash and cash equivalents at end of period**	**305,546**	**314,437**
	Change in cash and cash equivalents during the period (= total cash flow)	**−24,949**	**111,135**
	Net cash flow from operating activities	36,359	−1,324
+	Cash flow from investing activities	−10,846	−46,401
+	Cash flow from financing activities	−50,462	158,860
=	**Total cash flow**	**−24,949**	**111,135**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY //

EURk	Share capital	Capital reserves	Retained earnings / Consolidated net profit	Hedging reserve
Equity as per Dec. 31, 2018 (as reported)	**46,354**	**289,314**	**625,737**	**−7**
Adjustment to accounting standard (IFRS 16)	–	–	−733	–
Equity as per Jan. 1, 2019 (adjusted)	**46,354**	**289,314**	**625,004**	**−7**
Net profit	–	–	68,326	–
Other comprehensive income	–	–	–	11
Dividend payment in 2019 for 2018	–	–	−37,083	–
Interest coupon payment on hybrid capital (net)	–	–	–	–
Interest coupon for hybrid capital (net)	–	–	−6,531	–
Equity as per Jun. 30, 2019	**46,354**	**289,314**	**649,716**	**4**
Equity as per Jan. 1, 2018 [1]	**44,313**	**93,611**	**530,373**	**−6**
Net profit [1]	–	–	63,752	–
Other comprehensive income [1]	–	–	–	−15
Dividend payment in 2018 for 2017	–	–	−31,019	–
Interest coupon payment on hybrid capital (net) [1]	–	–	–	–
Capital increase	2,041	195,715	–	–
Interest coupon for hybrid capital (net) [1]	–	–	−4,727	–
Equity as per Jun. 30, 2018 [1]	**46,354**	**289,326**	**558,379**	**−21**

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

Reserve for actuarial gains / losses	Currency translation	Revaluation reserve for equity instruments (IFRS 9)	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
−828	**−768**	**2,295**	**962,097**	**125,000**	**1,087,097**
–	–	–	−733	–	−733
−828	**−768**	**2,295**	**961,364**	**125,000**	**1,086,364**
–	–	–	68,326	–	68,326
–	521	–	532	–	532
–	–	–	−37,083	–	−37,083
–	–	–	–	−6,531	−6,531
–	–	–	−6,531	6,531	–
−828	**−247**	**2,295**	**986,608**	**125,000**	**1,111,608**
−1,258	**−619**	**–**	**666,414**	**125,000**	**791,414**
–	–	–	63,752	–	63,752
291	−1,488	–	−1,212	–	−1,212
–	–	–	−31,019	–	−31,019
–	–	–	–	−4,727	−4,727
–	–	–	197,756	–	197,756
–	–	–	−4,727	4,727	–
−967	**−2,107**	**–**	**890,964**	**125,000**	**1,015,964**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS //

1. GENERAL INFORMATION

GRENKE AG is a stock corporation with its registered office located at Neuer Markt 2, Baden-Baden, Germany. The Company is recorded in the commercial register at the local court of Mannheim, Section B, under HRB 201836. The subject matter of GRENKE AG's condensed interim consolidated financial statements ("interim consolidated financial statements") as per June 30, 2019, is GRENKE AG, its subsidiaries and consolidated structured entities ("the GRENKE Consolidated Group"). These interim consolidated financial statements have been prepared in accordance with the IFRSs applicable for interim reporting (IAS 34) as published by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU) into European law. These interim consolidated financial statements should be read in conjunction with the IFRS consolidated financial statements as per December 31, 2018. The condensed interim consolidated financial statements and the interim group management report as per June 30, 2019 have neither been audited nor subject to an audit review as defined by Section 115 (5) of the German Securities Trading Act (WphG).

2. ACCOUNTING POLICIES

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

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

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

4. FIRST-TIME APPLICATION OF NEW ACCOUNTING STANDARDS

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

In January 2016, the IASB published the new standard IFRS 16 "Leases", which was endorsed into European law as per October 31, 2017. IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27. The application of the new standard is mandatory as per January 1, 2019. The main changes introduced by IFRS 16 related to lessee accounting is the elimination of the differentiation between an operating lease and a finance lease. The lessee must recognise an asset for the right to use a lease object and a liability for the committed payment obligations for all leases ("right-of-use approach"). Exemptions are provided for "low-value" leases and short-term leases of 12 months or less. Simplified application consists of an option to apply the recognition and disclosure requirements of IFRS 16.

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

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

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

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

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

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

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

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

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

RECONCILIATION OF LEASE LIABILITIES //

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

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

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

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

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

In the consolidated income statement for the first half of 2019, the application of IFRS 16 resulted in EUR 4,850k higher depreciation and amortisation due to the capitalisation of rights-of-use assets as well as additional interest expense from lease liabilities of EUR 242k. The rental / lease expenses were reduced by EUR 4,953k as a result of IFRS 16. The expenses for short-term leases amounted to EUR 345k in the first half of 2019. For low-value leases, expenses of EUR 3k were incurred.

In the consolidated statement of cash flows for the first half of 2019, the repayments recorded under rental / lease instalments (EUR 4,763k) are recognised as cash outflows in cash flow from financing activities. The interest portions included in the instalments are presented as a reduction in net cash flow from operating activities. Payments for short-term leases and low-value leases are included in cash flow from operating activities.

7. CHANGE IN ACCOUNTING POLICIES

The GRENKE Consolidated Group has applied IFRS 16 “Leases” since January 1, 2019. The application of IFRS 16 resulted in changes to the Consolidated Group’s accounting policies. The changes in the accounting and valuation methods affect the GRENKE Consolidated Group in its role as lessee and are presented below. There were only minimal changes and selective clarifications to the accounting policies for the lessor based on IFRS 16. These policies generally correspond to the previous provisions of IAS 17.

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

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

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

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

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

8. USE OF ASSUMPTIONS AND ESTIMATES

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

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

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

The determination of impairment for financial assets is based on assumptions and estimates for default risks and expected loss rates. When making these assumptions and selecting the inputs for the calculation of impairment, the Consolidated Group exercises discretion based on past experience, existing market conditions and forward-looking estimates at the end of each reporting period. The key assumptions and inputs used are presented in the section entitled “Accounting Policies”.

Guaranteed and non-guaranteed (calculated) residual values are used to determine the present value of lease receivables in accordance with IFRS 16. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. They are determined on the basis of past experience and statistical methods. The residual values calculated at the end of the contract period are determined according to the expiration group of the respective lease contract and based on past experience amount to between 3.0% and 16.0% of the acquisition cost for additions since January 1, 2018. Estimated proceeds are applied on the basis of statistical analyses of historical values. If the post-transaction recoverable amount is lower than expected (from the sale and subsequent lease), the lease receivables are impaired. An increase in the recoverable amount, however, remains unrecognised.

9. ADJUSTMENTS

The impairment charge resulting from the first-time application of IFRS 9 was adjusted for the comparable quarters of the prior year due to a recalculation in the fourth quarter of 2018. The items in the consolidated income statement affected by this change are “settlement of claims and risk provision” (EUR −681k) and “income taxes” (EUR 330k). There was a corresponding slight change in the other components of the interim consolidated financial statements.

Due to the change in the presentation of the accrual of the interests in net profit of hybrid capital holders as per December 31, 2018 (see 3.19 of the notes to the consolidated financial statements as per December 31, 2018), the comparative presentation shows a change in earnings per share for the first half of the previous year from EUR 1.35 to EUR 1.33 per share.

10. LEASE RECEIVABLES

EURk	Jun. 30, 2019	Jun. 30, 2018
Changes in lease receivables from current contracts (performing lease receivables)		
Receivables at beginning of period	**4,652,442**	**3,845,473**
+ Change during the period	475,785	390,806
Lease receivables (current + non-current) from current contracts at end of period	**5,128,227**	**4,236,279**
Changes in lease receivables from terminated contracts / contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**331,048**	**270,421**
+ Additions to gross receivables during the period	71,032	63,855
– Disposals of gross receivables during the period	25,953	26,721
Gross receivables at end of period	**376,127**	**307,555**
Total gross receivables (terminated and current)	**5,504,354**	**4,543,834**
Impairments at beginning of period	279,480	**230,777**
+ Change in accumulated impairment during the period	39,713	23,296
Impairments at end of period	**319,193**	**254,073**
Lease receivables (carrying amount, current and non-current) at beginning of period	4,704,010	3,885,117
Lease receivables (carrying amount, current and non-current) at end of period	**5,185,161**	**4,289,761**

11. INTANGIBLE ASSETS

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

EURk	Jun. 30, 2019	Dec. 31, 2018
Goodwill	106,840	106,584
Other intangible assets	40,323	41,913
Total intangible assets	**147,163**	**148,497**

12. FINANCIAL LIABILITIES

EURk	Jun. 30, 2019	Dec. 31, 2018
Financial liabilities		
Current financial liabilities		
Asset-based	368,556	277,983
Senior unsecured	708,050	782,102
Committed development loans	97,336	83,527
Liabilities from deposit business	431,925	372,131
thereof bank liabilities	6,300	5,513
Other bank liabilities	5,704	4,352
thereof current account liabilities	3,706	3,112
Total current financial liabilities	**1,611,571**	**1,520,095**
Non-current financial liabilities		
Asset-based	477,902	550,665
Senior unsecured	2,538,112	2,066,659
Committed development loans	172,727	149,286
Liabilities from deposit business	344,351	325,821
Total non-current financial liabilities	**3,533,092**	**3,092,431**
Total financial liabilities	**5,144,663**	**4,612,526**

12.1 ASSET-BASED FINANCIAL LIABILITIES

12.1.1 STRUCTURED ENTITIES

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

TEUR	Jun. 30, 2019	Dec. 31, 2018
Programme volume in local currency		
EURk	792,500	792,500
GBPk	150,000	100,000
Programme volume in EURk	959,808	904,291
Utilisation in EURk	776,147	750,549
Carrying amount in EURk	682,890	661,644
thereof current	298,043	204,476
thereof non-current	384,847	457,168

12.1.2 SALES OF RECEIVABLES AGREEMENTS

TEUR	Jun. 30, 2019	Dec. 31, 2018
Programme volume in local currency		
EURk	25,000	25,000
GBPk	100,000	100,000
PLNk	80,000	80,000
BRLk	110,000	110,000
Programme volume in EURk	180,645	180,142
Utilisation in EURk	160,621	155,489
Carrying amount in EURk	160,621	155,489
thereof current	68,797	67,885
thereof non-current	91,824	87,604

12.1.3 RESIDUAL LOANS

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

EURk	Jun. 30, 2019	Dec. 31, 2018
Carrying amount	2,947	11,515
thereof current	1,716	5,622
thereof non-current	1,231	5,893

12.2 SENIOR UNSECURED FINANCIAL LIABILITIES

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

EURk	Jun. 30, 2019	Dec. 31, 2018
Bonds	2,223,876	1,932,187
thereof current	90,410	270,165
thereof non-current	2,133,466	1,662,022
Promissory notes	462,209	480,223
thereof current	70,029	85,932
thereof non-current	392,180	394,291
Commercial paper	286,500	302,500
Revolving credit facility	222,335	106,381
thereof current	209,869	96,035
thereof non-current	12,466	10,346
Money market trading	32,403	10,026
Overdraft facility	4,641	3,004
Accrued interest	14,198	14,440

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

	Jun. 30, 2019	Dec. 31, 2018
Bonds EURk	3,500,000	2,500,000
Commercial paper EURk	750,000	500,000
Revolving credit facility EURk	280,000	235,000
Revolving credit facility PLNk	100,000	100,000
Revolving credit facility CHFk	20,000	20,000
Money market trading EURk	35,000	35,000

12.2.1 BONDS

In the fiscal year to date, seven new bonds were issued with a total volume of EUR 441,500k, and two existing bonds were increased by a total of EUR 80,000k. Bonds with an aggregate volume of EUR 230,000k were redeemed on schedule.

12.2.2 PROMISSORY NOTES

During the fiscal year to date, two new promissory notes were issued with a total volume of EUR 10,000k and DKK 120,000k. Promissory notes with a volume of EUR 34,000k, DKK 13,000k, SEK 33,000k and CHF 5,618k were redeemed on schedule.

12.3 COMMITTED DEVELOPMENT LOANS

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

EURk	Jun. 30, 2019	Dec. 31, 2018
Description		
NRW.BANK	70,230	70,971
Thüringer Aufbaubank	6,267	5,170
Investitionsbank Berlin	0	611
LfA Förderbank Bayern	0	2,442
Investitionsbank des Landes Brandenburg	3,914	5,151
KfW	187,765	146,461
Landeskreditbank Baden-Württemberg – Förderbank	1,882	1,996
Accrued interest	5	11

13. EQUITY

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

14. DISCLOSURES ON FINANCIAL INSTRUMENTS

14.1 FAIR VALUE HIERARCHY

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

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

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

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

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

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

14.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

14.2.1 FAIR VALUE OF PRIMARY FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. This table does not contain information on the fair value of financial assets and financial liabilities when the carrying amount represents an appropriate approximation to the fair value and includes the following line items of the statement of financial position: cash and cash equivalents, trade receivables, non-performing lease receivables, and trade payables. All primary financial instruments are assigned to Level 2 of the valuation hierarchy except for exchange-listed bonds that are included in refinancing liabilities and which are assigned to Level 1 of the valuation hierarchy. Their carrying amount and fair value as per the reporting date was EUR 2,223,876k (previous year as per December 31, 2018: EUR 1,931,812k) and EUR 2,280,538k (previous year as per December 31, 2018: EUR 1,943,978k), respectively. All primary financial assets are allocated to the "At amortised cost" (AC) measurement category except for performing lease receivables, which are measured according to IFRS 16, and other investments, which are assigned to the FVOCIoR category and measured at fair value. Financial liabilities are also measured at (amortised) cost.

EURk	Fair value Jun. 30, 2019	Carrying amount Jun. 30, 2019	Fair value Dec. 31, 2018	Carrying amount Dec. 31, 2018
Financial assets				
Lease receivables (performing)	5,619,722	5,019,231	5,100,095	4,556,603
Other financial assets	289,200	283,013	241,706	237,677
Financial liabilities				
Refinancing liabilities	4,395,980	4,362,683	3,905,114	3,910,222
Liabilities from deposit business	778,542	776,276	699,435	697,952
Bank liabilities	5,704	5,704	4,352	4,352

14.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

EURk	Fair value Jun. 30, 2019	Carrying amount Jun. 30, 2019	Fair value Dec. 31, 2018	Carrying amount Dec. 31, 2018
Financial assets				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	367	367	285	285
Forward exchange contracts	4,310	4,310	3,431	3,431
Total	**4,677**	**4,677**	**3,716**	**3,716**
Financial liabilities				
Interest rate derivatives with hedging relationship	0	0	15	15
Interest rate derivatives without hedging relationship	1,152	1,152	273	273
Forward exchange contracts	4,360	4,360	2,675	2,675
Total	**5,512**	**5,512**	**2,963**	**2,963**

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

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

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

14.3 MEASUREMENT METHODS AND INPUT FACTORS USED

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

Type and level	Measurement method	Input parameters
Fair value hierarchy Level 1		
Exchange-listed bonds	n/a	Quoted market price (average price) as per the reporting date
Fair value hierarchy Level 2		
Other financial assets	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the counterparty's credit risk
Financial liabilities (liabilities from the refinancing of the leasing business, promissory note loans, bank liabilities)	Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own credit risk (Debt Value Adjustment [DVA])
Forward exchange contracts	Market-to-market Discounted present value of estimated future cash flows	Available interest rates at the end of the term in the traded currencies using the own counterparty risk (Debt Value Adjustment [DVA]) or the counterparty's credit risk (CVA [Credit Value Adjustment]) derived from available credit default swap (CDS) quotes
Interest rate derivatives	Net present value model Discounted present value of estimated future cash flows	Available interest rates at comparable conditions and residual terms using the own counterparty risk DVA (Debt Value Adjustment) or the counterparty's credit risk CVA (Credit Value Adjustment) derived from available credit default swap (CDS) quotes
Fair value hierarchy Level 3		
Non-listed equity instruments	Discounted present value of estimated future cash flows	Risk-adjusted discount rate; earnings growth rate

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

The Consolidated Group's investment in information technology (IT) resulting from IT project costs that cannot be capitalised is reported separately within selling and administrative expenses. These expenses arise in particular through projects for the process optimisation of the central and standardised IT processes as a result of the involvement of external expertise. IT project costs amounted to EUR 2,359k in the first half of 2019 (previous year as per June 30, 2018: EUR 3,291k).

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

EURk	Segment	Jan. 1– Jun. 30, 2019	Jan. 1– Jun. 30, 2018
Revenue from contracts with customers (IFRS 15)			
Gross revenue from the insurance business (service business)	Leasing	49,795	40,990
Revenue from franchise fees	Leasing	753	516
Revenue from reminder fees	Leasing	767	661
Revenue from reminder fees	Factoring	11	11
Other revenue from lessees	Leasing	409	403
Disposal of lease assets	Leasing	85,742	78,763
Commission income from the banking business	Banking	692	502
Sub-total		**138,169**	**121,846**
Other revenue (IFRS 9, IFRS 16)			
Interest and similar income from the financing business	n/a	182,888	159,637
Income from operating leases	n/a	7,380	2,846
Portions of revenue from lease down payments	n/a	7,422	5,460
Sub-total		**197,690**	**167,943**
Total		**335,859**	**289,789**

17. INCOME TAXES

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

EURk	Jan. 1– Jun. 30, 2019	Jan. 1– Jun. 30, 2018
Income taxes		
Current tax expense	6,366	11,075
Deferred taxes	6,567	1,535
Total	**12,933**	**12,610**

18. GROUP SEGMENT REPORTING

18. GROUP SEGMENT REPORTING //

EURk	Leasing segment		Banking segment		Factoring segment	
January to June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Operating segment income	**174,965**	**160,789**	**14,195**	**10,150** [1]	**1,779**	**1,649**
Segment result	**74,537**	**70,175**	**9,657**	**7,552** [1]	**–515**	**–671**
Reconciliation to consolidated financial statements						
Operating result						
Other financial income						
Taxes						
Net profit according to consolidated income statement						
As per Jun. 30 (prev. year: Dec. 31)						
Segment assets	**6,262,304**	**5,740,958**	**1,372,392**	**1,137,383**	**42,961**	**40,212**
Reconciliation to consolidated financial statements						
Tax assets						
Total assets according to consolidated statement of financial position						
Segment liabilities	**5,343,702**	**4,774,365**	**1,174,858**	**1,010,537**	**33,658**	**30,566**
Reconciliation to consolidated financial statements						
Tax liabilities						
Liabilities according to consolidated statement of financial position						

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

18.1 BUSINESS SEGMENTS

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

18.2 REPORTABLE SEGMENTS

18.2.1 LEASING

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

Total segments		Cons. effects		Consolidated Group	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
190,939	**172,588** [1]	**0**	**0**	**190,939**	**172,588** [1]
83,679	**77,056** [1]	**0**	**0**	**83,679**	**77,056** [1]
				83,679	77,056
				−2,420	−694
				12,933	12,610 [1]
				68,326	**63,752** [1]
7,677,657	**6,918,553**	**−1,199,673**	**−1,084,753**	**6,477,984**	**5,833,800**
				47,157	42,691
				6,525,141	**5,876,491**
6,552,218	5,815,468	−1,199,673	−1,084,753	5,352,545	4,730,715
				60,988	58,679
				5,413,533	**4,789,394**

18.2.2 BANKING

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

18.2.3 FACTORING

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

18.3 SEGMENT DATA

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

The Board of Directors of GRENKE AG is responsible for assessing the performance of the GRENKE Consolidated Group. In addition to new business volume (Leasing and Factoring segments) and contribution margin 2 for the Leasing segment, the key performance indicators are defined as operating segment income, segment result before other net financial income, and staff costs. Other net financial income, as well as income tax expenses/income, represents the main components of the consolidated income statement that are not allocated to individual segments.

The segment information was calculated as follows:

- Operating segment income consists of net interest income after settlement of claims and risk provision, profit from service business, profit from new business, and gains/losses from disposals.
- The segment result is calculated as the operating result before taxes.
- Segment assets comprise of the operating assets excluding tax assets.
- Segment liabilities correspond to the liabilities attributable to the respective segment except for tax liabilities.

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

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

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

20. ADDITIONAL INFORMATION ON THE SCOPE OF CONSOLIDATION

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

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

20.2 GC LEASING MIDDLE EAST FZCO, DUBAI / UAE

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

21. DIVIDEND PAYMENT

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

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

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

22. PAYMENT TO HYBRID CAPITAL HOLDERS

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

23. RELATED PARTY DISCLOSURES

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

As per June 30, 2019, the value of all existing phantom stock agreements amounted EUR 673k (June 30, 2018: EUR 214k). This amount is recognised under staff costs in the income statement and is included under variable remuneration components.

23.1 LIABILITIES FROM RELATED ENTITIES AND PERSONS

EURk	Jun. 30, 2019	Dec. 31, 2018
Associated companies	1,034	1,320
Persons in key positions and their family members	0	44

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

As part of its ordinary business activities, GRENKE BANK AG offers related parties services under normal market conditions. At the end of the reporting period, the bank had received deposits totalling EUR 11,984k (previous year as per December 31, 2018: EUR 5,499k) from persons in key positions (Board of Directors and Supervisory Board) and their close family members. The related interest expenses were EUR 35k (previous year as per June 30, 2018: EUR 22k). As per the reporting date, unsettled credit card accounts of these individuals amounted to EUR 16k (previous year as per December 31, 2018: EUR 29k). No further loans were granted to any of these individuals during the reporting period.

24. CONTINGENT LIABILITIES

GRENKE AG, as guarantor for individual franchise companies, provided financial guarantees of EUR 57.4 million (previous year as per December 31, 2018: EUR 75.7 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 40.1 million (previous year as per December 31, 2018: EUR 21.9 million).

25. EMPLOYEES

In the interim reporting period, GRENKE Consolidated Group's headcount (not including the Board of Directors) averaged 1,651 employees (previous year as per June 30, 2018: 1,437. A further 69 employees (previous year as per June 30, 2018: 61) are in training.

26. EVENTS AFTER THE BALANCE SHEET DATE

A new ABCP programme with a volume of EUR 150 million was launched on July 2, 2019. On that same date, a bond denominated in Japanese yen was issued for the first time in an amount of JPY 7 billion.

RESPONSIBILITY STATEMENT //

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

Baden-Baden, July 29, 2019

Antje Leminsky	**Gilles Christ**	**Sebastian Hirsch**	**Mark Kindermann**
Chair of the Board of Directors	Member of the Board	Member of the Board	Member of the Board

CALENDAR OF EVENTS //

October 2, 2019 // New business figures 9M-2019

October 30, 2019 // Quarterly statement for the 3rd quarter and the first nine month of 2019

INFORMATION AND CONTACT //

GRENKE AG
Team Investor Relations

Neuer Markt 2
76532 Baden-Baden

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

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

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

GRENKE AG

Headquarters
Neuer Markt 2
76532 Baden-Baden
Germany

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

www.grenke.com