GRENKE®

GRENKE AG GROUP

FINANCIAL REPORT
FOR THE 2ND QUARTER AND THE FIRST HALF-YEAR 2016

2016

KEY FIGURES GRENKE GROUP

	Jan. 1, 2016 to Jun. 30, 2016	Change (%)	Jan. 1, 2015 to Jun. 30, 2015	Unit
New business GRENKE Group Leasing	**762,669**	**19.6**	**637,720**	**EURk**
:: of which international	579,159	22.7	472,110	EURk
:: of which franchise international	16,003	58.2	10,114	EURk
:: of which Germany	167,507	7.7	155,496	EURk
Western Europe (without Germany)*	252,664	16.6	216,698	EURk
Southern Europe*	215,824	35.8	158,970	EURk
Northern / Eastern Europe*	115,734	21.0	95,687	EURk
Other regions*	10,940	0.7	10,869	EURk
New business GRENKE Group Factoring (incl. collection services)	**160,012**	**10.3**	**145,096**	**EURk**
:: of which Germany	68,853	25.2	54,974	EURk
:: of which international	66,683	–5.1	70,245	EURk
:: of which franchise international	24,476	23.1	19,877	EURk
GRENKE Bank				
Deposits	385,682	23.4	312,621	EURk
New business start-up financing (incl. microcredit business)	10,382	38.6	7,489	EURk
Contribution margin 2 (CM2) on new business				
GRENKE Group Leasing	**130,097**	**8.4**	**120,003**	**EURk**
:: of which international	105,392	9.5	96,231	EURk
:: of which franchise international	3,011	57.2	1,916	EURk
:: of which Germany	21,694	–0.7	21,856	EURk
Western Europe (without Germany)*	44,161	1.3	43,596	EURk
Southern Europe*	40,535	18.2	34,290	EURk
Northern / Eastern Europe*	21,707	18.6	18,300	EURk
Other regions*	2,000	2.0	1,961	EURk
Further information leasing business				
Number of new contracts	90,566	17.4	77,121	units
Share of IT products in lease portfolio	79	–3.7	82	percent
Share of corporate customers in lease portfolio	100	0.0	100	percent
Mean acquisition value	8.4	1.2	8.3	EURk
Mean term of contract	48	0.0	48	months
Volume of leased assets	4,492	17.9	3,810	EURm
Number of current contracts	529,108	15.4	458,420	units

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

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

KEY FIGURES
GRENKE CONSOLIDATED GROUP

	Jan. 1, 2016 to Jun. 30, 2016	Change (%)	Jan. 1, 2015 to Jun. 30, 2015	Unit
Key figures income statement				
Net interest income	106,013	16.0	91,423	EURk
Settlement of claims and risk provision	28,298	–1.9	28,860	EURk
Profit from service business *	27,605	17.0	23,587	EURk
Profit from new business	29,791	20.0	24,816	EURk
Gains (+) / losses (–) from disposals	–780	2,337.5	–32	EURk
Other operating income	2,112	–23.3	2,753	EURk
Cost of new contracts	20,060	16.9	17,160	EURk
Cost of current contracts	5,873	14.4	5,134	EURk
Project costs and basic distribution costs	21,181	5.3	20,124	EURk
Management costs	18,192	30.4	13,955	EURk
Other costs	4,587	–3.9	4,775	EURk
Operating result	66,550	26.7	52,539	EURk
Other financial result (income (–) / expense (+))	477	–9,640.0	–5	EURk
Income / expenses from fair value measurement	0	–100.0	18	EURk
EBT (earnings before taxes)	66,073	25.7	52,562	EURk
Net profit	**49,555**	**28.8**	**38,480**	**EURk**
Earnings per share (according to IFRS)	**3.30**	**26.4**	**2.61**	**EUR**
Further Information				
Dividends	1.50	36.4	1.10	EUR
Embedded value, leasing contract portfolio (incl. equity before taxes)	935	15.4	810	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	855	16.0	737	EURm
Economic result (after taxes) **	54	–6.9	58	EURm
Cost / income ratio	51.4	–4.5	53.8	percent
Return on equity (ROE) after taxes	16.1	8.8	14.8	percent
Average number of employees	991	9.0	909	employees
Staff costs	34,417	13.1	30,431	EURk
– of which total remuneration	28,420	13.8	24,967	EURk
– of which fixed remuneration	21,220	14.0	18,607	EURk
– of which variable remuneration	7,200	13.2	6,360	EURk

* Previous designation: "profit from insurance business"

** Indicator that combines the total comprehensive income of one period with the change in the embedded value (excluding equity) after tax (the present value of all outstanding lease instalments after costs and risk provisions).

GRENKE Group = GRENKE Consolidated Group including franchise partners

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

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LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders,
Ladies and Gentlemen,

The end of the second quarter marked the close to an excellent first half of 2016 for the GRENKE Group. New business increased 18 percent compared to the previous year and reached EUR 933.1 million. With this performance, we are well within our plan to reach our growth target for the full year.

GRENKE Group Leasing developed extremely well in the first half-year, particularly in terms of new business, which increased 20 percent. The key drivers of this expansion were our core market of France as well as Italy, where we grew new business by 20 and 38 percent, respectively. GRENKE Group Factoring's new business grew moderately rising ten percent. Although we expect momentum in the factoring business to accelerate in the remainder of the fiscal year, the targeted growth of 30 to 35 percent now seems rather ambitious, which has caused us to reduce our forecast accordingly. The contribution margin 2 (CM2) of the Leasing segment's new business in the first half-year was 17.1 percent, or slightly lower than the previous year's level of 18.8 percent. This decline resulted mainly from a change in the calculation method in the previous year for forecasting subsequent income and expenses related to new business as well as from a boost in our sales activities targeted at high growth in individual markets. A comparison with the prior three quarters shows steady margin development.

After opening a new location in Finland and acquiring the business of a former franchisee in Turkey in the first quarter, we continued to move ahead with our cell division strategy in the second quarter by opening a new location in both Germany and Italy. At the end of the first half-year, we had a total of 116 locations.

Earnings continued to develop very satisfactorily supported by, among others, an absolute year-on-year decline in expenses for the settlement of claims and risk provision and the continued favourable refinancing environment. On the whole, we achieved a 29 percent rise in GRENKE Consolidated Group's net profit to EUR 49.6 million in the first six months of 2016. Based on this performance, we are raising our previous net profit forecast of EUR 93 – 98 million and now expect net profit for the current fiscal year to be in the range of EUR 98 – 102 million.

A majority of our growth stems from our consistent, demand-oriented and ever-evolving range of offers that go far beyond our traditional leasing business. These offers have also given the GRENKE brand a solid foothold internationally. In this respect, the decision by the shareholders to change the Company's name to GRENKE AG gives an indication of what to expect in the future. We have recently taken an important step forward in diversifying our product range through GRENKE BANK AG's strategic investment in Finanzchef24 GmbH. Finanzchef24, founded in 2012, is the first electronic insurance broker for commercial customers in Germany and operates an online finance portal for companies and self-employed professions. Because Finanzchef24 and GRENKE Bank share very similar target groups, the companies plan to coordinate their sales efforts going forward.

Wolfgang Grenke
Chairman of the Board of Directors

GRENKE AT A GLANCE

New business GRENKE Group (incl. franchise partners)

+18%

1. HY 2016: EUR 933.1 million (1. HY 2015: EUR 790.3 million)

International presence

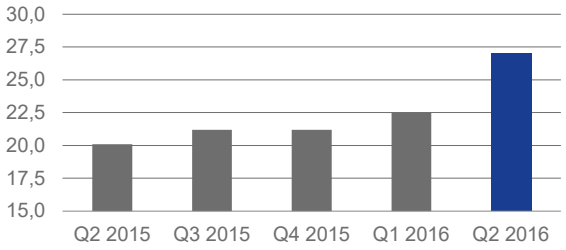
3

NEW LOCATIONS

- Acquisition of the franchise company in Turkey
- 3 new locations under cell division strategy: Germany (Augsburg), Finland (Oulu) and Italy (Parma)

GRENKE share price performance (XETRA; EUR)

GRENKE Consolidated Group's net profit (EUR million)



Number of employees of the GRENKE Consolidated Group

991

June 30, 2015: 909 employees

Solid equity base

16.7%

EQUITY RATIO

December 31, 2015: 17.0 percent

INTERIM GROUP MANAGEMENT REPORT

Targets and Strategy

We are one of the leading European providers of leasing, banking and factoring services for small and medium enterprises (SMEs). Our business model is as straightforward as it is value-oriented. Strategically, we rely on diversification to limit risk. The broad diversification of our portfolios across customers, industries and countries, and the comparably low average volumes of our contracts characterise our business. Our introduction of the innovative eSignature service was another step increasing the uniformity of our offers, which helps ensure the fast and secure processing of customer contracts. We grow by expanding into new countries in Europe, North and South America and Asia on a continual basis. Additionally, we increase our footprint in existing markets through cell divisions.

Decision to change the Company's name

At the Ordinary Annual General Meeting on May 3, 2016, shareholders voted with a large majority to change the Company's name to GRENKE AG (previously GRENKELEASING AG). This name change, which took effect on May 11, 2016, with its entry in the commercial register, is, above all, a reflection of our diversified product range and the successful establishment of the GRENKE brand internationally. It also emphasises the Group's strategic direction, which has seen the purchase of low-volume receivables (factoring), in particular, become a permanent and continually growing component of the Group's extensive product range in addition to its core business of small-ticket IT leasing. The activities of GRENKE Bank also play a key role. GRENKE Bank, which acts as a financing partner mainly for small- and medium-sized enterprises (SMEs), offers a tailored range of investment products and together with a growing number of federal government and state development banks provides business start-up financing and development loans. These development loans are targeted at SMEs and self-employed professionals who want to finance new business purchases through leasing.

Business Development

GRENKE Group's new business

GRENKE Group is geared towards profitable growth, reflected by its advancing geographic expansion, product diversification and continued rise in new business.

In the first half of 2016, the GRENKE Group's new business rose 18 percent to EUR 933.1 million (previous year: EUR 790.3 million). This meant that our growth not only remained at a high level but was also above the Group's long-term average. New business at GRENKE Group Leasing – defined as the total acquisition cost of newly purchased leased assets – climbed 20 percent during the six-month period rising from EUR 637.7 million in the previous year to EUR 762.7 million. A key driver of this growth was the positive development of the Group's international markets. New business in the core market France and the important Italian market increased by 20 percent and 38 percent and brought the level of the growing international new business higher to 74 percent from its level of 72 percent in the comparable previous year period. New business in Germany grew eight percent.

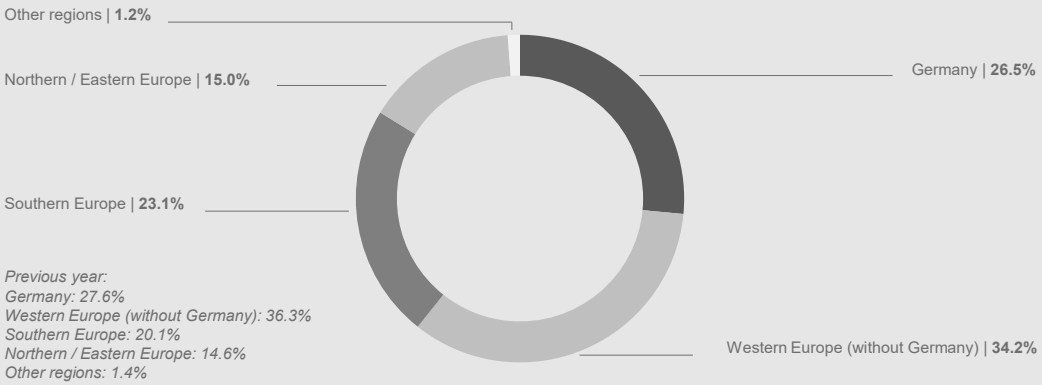
Lease applications in the reporting period grew to a total of 202,916 and resulted in 90,565 new lease contracts, which is equivalent to a conversion rate (conversion of lease applications into contracts) of 45 percent. Of these applications, 167,404 originated from our international markets and resulted in 72,989 new contracts. This amounted to a conversion rate of 44 percent, which is below the rate when including our German home market where 49 percent of applications were converted into contracts.

Our new business remains highly profitable. The contribution margin 2 (CM2) on new business in the Leasing segment – defined as the present value of a lease contract's operating income less the cost of risk and individual contract costs – increased eight percent year-on-year from EUR 120.0 million to EUR 130.1 million and generated a CM2 margin of 17.1 percent following 18.8 percent in the previous year. The CM1 margin (contribution margin 1 at acquisition values) in the first half-year totalled 13.2 percent compared to 13.9 percent in the previous year. In absolute terms, the CM1 increased to EUR 100.9 million after its level of EUR 88.9 million in the previous year. The perceived decline in the margin resulted mainly from a change in the calculation method in the previous year for forecasting subsequent income and expenses related to new business as well as the sales activities targeted for high growth in individual markets. A comparison with the prior three quarters shows steady margin development.

The sum of purchased receivables in the Factoring segment increased by ten percent to EUR 160.0 million following EUR 145.1 million in the previous year. Whereas the new business in Germany developed positively rising 25 percent, international market reported moderate growth of just one percent. The income margin in Germany continued at a high level of 1.99 percent after 2.12 percent in the previous year. The income margin in the international markets was slightly lower at 1.32 percent following 1.43 percent in the previous year's comparable period. The income margin on new business is based on an average period for a factoring transaction of roughly 27 days in Germany (previous year: 26 days) and approximately 37 days internationally (previous year: 34 days).

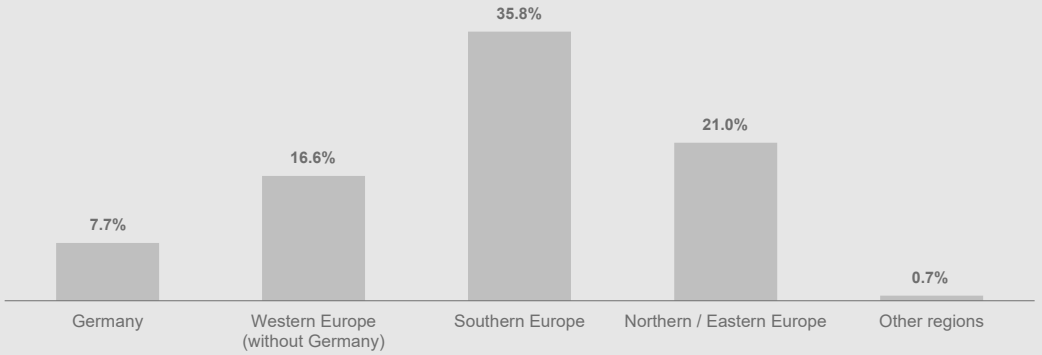
We are very pleased with the development at GRENKE Bank where the volume of business start-up financing, including the microcredit business, increased by 39 percent in the first six months to EUR 10.4 million after its total of EUR 7.5 million in the previous year. Deposit volumes on the June 30, 2016, reporting date amounted to EUR 385.7 million, which was ten percent higher than their level of EUR 349.3 million at the end of the previous fiscal year.

SHARES IN NEW BUSINESS OF GRENKE GROUP LEASING + FACTORING + BUSINESS START-UP FINANCING (INCLUDING MICROCREDIT BUSINESS) INCLUDING FRANCHISE PARTNERS AS PER JUNE 30, 2016



New business H1 2016
GRENKE Group Leasing: EUR 762.7 million (previous year: EUR 637.7 million)
GRENKE Group Factoring: EUR 160.0 million (previous year: EUR 145.1 million)

GROWTH RATES IN NEW BUSINESS OF GRENKE GROUP LEASING AS PER JUNE 30, 2016 (COMPARED TO THE SAME PERIOD IN 2015)



Previous year: *Germany 11.8%; Western Europe (without Germany) 13.5%; Southern Europe 20.4%; Northern / Eastern Europe: 8.2%; Other regions: 107.4%*

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

GRENKE Consolidated Group's Business Performance

In the first six months of the current 2016 fiscal year, we have continued the success achieved in the previous year without interruption. Our income has profited from our high-margin new business in recent quarters and ongoing favourable refinancing conditions, helping us increase the Consolidated Group's net profit 29 percent over the prior year. We have also made solid progress in expanding geographically: On March 31, we acquired the business of our former franchisee in Turkey. We also opened new locations in Germany (Augsburg), Finland (Oulu) and Italy (Parma) as part of our cell division strategy.

With the products we currently offer, we were able to deepen our existing cooperation with Thüringer Aufbaubank in the first quarter and issue an additional global loan of EUR 7.5 million. Together with a growing number of federal and state development banks, GRENKE Bank finances business start-ups and provides development funds to small- and medium-sized companies and members of self-employed professions for business investments financed through leasing. As a result of these partnerships, a total of 19,203 lease contracts has been concluded to date.

We continue to receive an extremely positive response to our eSignature service. This service for the complete electronic processing of contracts, offered to our specialist reseller partners since September 2015, significantly accelerates contract processing and shortens the time between signing the contract and the receipt of funds. Over 7,200 contracts have already been processed using eSignature since its introduction.

We continue to refinance our new business by relying on a broad range of refinancing instruments from three categories: senior unsecured instruments, asset-based instruments and the ability to obtain bank deposits via GRENKE Bank. Our excellent reputation on the capital markets enabled us to place all of our new issues successfully within a short period of time. The key transactions in the first half-year include a bond issue with a volume of EUR 125 million, a coupon of 1.5 percent and a duration of five years and one month. Our good credit ratings confirming our high creditworthiness and investment-grade status were a key factor in our successful refinancing. The rating agency Standard & Poor's reaffirmed our counterparty credit ratings of BBB+/A-2 with a stable outlook in a recent analysis from May 2016.

Selected Information from the Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

EURk	Apr. 1, 2016 to Jun. 30, 2016	Change (%)	Apr. 1, 2015 to Jun. 30, 2015
Net interest income	**54,260**	**15.6**	**46,943**
Settlement of claims and risk provision	12,626	–9.3	13,921
Net interest income after settlement of claims and risk provision	**41,634**	**26.1**	**33,022**
Profit from service business*	14,398	16.8	12,326
Profit from new business	15,482	19.1	13,004
Gains (+) / losses (–) from disposals	–757	–1.0	–765
Income from operating business	**70,757**	**22.9**	**57,587**
Operating result	**36,045**	**30.7**	**27,585**
Earnings before taxes	**35,784**	**29.8**	**27,568**
Net profit	**27,030**	**34.6**	**20,077**
Earnings per share (basic/diluted, in EUR)	1.80	32.4	1.36

* Previous designation: "profit from insurance business"

Consolidated Statement of Financial Position

EURk	Jun. 30, 2016	Change (%)	Jun. 30, 2015
Current assets	**1,479,792**	**3.7**	**1,427,593**
of which cash and cash equivalents	*116,252*	*–37.7*	*186,453*
of which lease receivables	*1,072,493*	*6.8*	*1,004,360*
Non-current assets	**2,207,533**	**7.8**	**2,046,937**
of which lease receivables	*1,981,924*	*7.1*	*1,849,812*
Equity	**615,718**	**4.2**	**590,654**
Equity ratio (in percent)	16.7	–1.8	17.0
Current liabilities	**1,161,588**	**–3.1**	**1,199,096**
of which financial liabilities	*1,045,387*	*–1.5*	*1,061,744*
Non-current liabilities	**1,910,019**	**13.4**	**1,684,780**
of which financial liabilities	*1,850,872*	*13.5*	*1,630,600*
Total assets	**3,687,325**	**6.1**	**3,474,530**

Report on the Results of Operations

In the second quarter of the current fiscal year, we achieved an operating result of EUR 36.0 million, which is 31 percent higher than in the same period of the previous year. The main contributors to this performance were continued low interest rates, the favourable trend in losses and income from the high level of strong-margin new business acquired in the past, which is accruing to us over the course of the contracts. Net interest income increased 16 percent over the previous year based on higher interest and similar income from the financing business as well as lower interest expenses from refinancing.

Our active and risk-oriented margin management even brought about an absolute decline in expenses for settlement of claims and risk provision in the reporting quarter, which led to a gratifying increase of 26 percent in net interest income after settlement of claims and risk provision.

Both the profit from service business and the profit from new business developed positively rising 17 and even 19 percent, respectively, based on the high new business growth. Taking into account gains/losses from disposals generated in the reporting period, the Consolidated Group was able to increase its income from operating business by 23 percent.

The overall growth in expenses remained below the growth in income. Staff costs, one of the largest expense components, increased 13 percent to EUR 17.3 million (previous year: EUR 15.4 million) due to the rise in the number of employees and higher variable compensation. Another significant expense item in the income statement is selling and administrative expenses, which increased 21 percent to EUR 15.4 million (previous year: EUR 12.6 million) mainly as a result growth-related increases in operations, sales and administration costs as well as IT project costs, which have increased considerably in the course of the system's continued expansion. There was also a slight rise in consulting and auditing fees.

Depreciation and amortisation of non-current assets and other operating income and expenses on the other hand declined. On an absolute basis, all three of these items continue to be insignificant for the general earnings performance of the Consolidated Group.

As a result of the above, earnings before taxes grew a pleasing 30 percent. Based on a slightly lower tax rate, net profit in the reporting quarter climbed 35 percent generating earnings per share of EUR 1.80 compared to EUR 1.36 in the previous year.

Half-Year Comparison 2016 versus 2015

The information above pertaining to the reporting quarter also essentially applies to the six-month period. Net interest income grew 16 percent year-on-year and reached EUR 106.0 million compared to EUR 91.4 million in the first six months of 2015. Expenses for the settlement of claims and risk provision were similar to the previous year and totalled EUR 28.3 million (previous year: EUR 28.9 million). The loss rate was 1.3 percent compared to 1.5 percent in the first six months of the previous year. There was a corresponding rise in net interest income after settlement of claims and risk provision of a pleasing 24 percent from EUR 62.6 million to EUR 77.7 million.

Income from operating business, which included higher profits from service business and new business and minor gains from disposal, increased year-on-year by 21 percent rising from EUR 110.9 million to EUR 134.3 million. The slower growth in expenses compared to income resulted in a rise in the operating result of 27 percent to EUR 66.6 million in the first half of 2016 following EUR 52.5 million in the first six months of the previous year.

We reported a correspondingly sharp rise of 26 percent in earnings before taxes from EUR 52.6 million in the previous year to EUR 66.1 million. After taxes, net profit for the period amounted to EUR 49.6 million (previous year: EUR 38.5 million), which is equivalent to an increase of 29 percent. Earnings per share amounted to EUR 3.30 compared to EUR 2.61 in the first half of the previous year.

Segment Development

Business Segments

Segment reporting is based on the prevailing organisational structure of the GRENKE Consolidated Group. Operating segments are therefore divided according to the management of the business areas in the Leasing, Banking, and Factoring segments. Transactions between operating segments are eliminated (for more information, please see the "The Consolidated Group’s Segment Reporting"). A regional split of business activities is provided annually as part of the GRENKE Consolidated Group’s financial statements for each fiscal year. Separate financial information is available for the three operating segments.

Business Development

The Leasing segment continues to form the most important earnings pillar of the GRENKE Consolidated Group. Therefore, the discussion on income development essentially also applies to this section. There was a correspondingly sharp rise of 23 percent from EUR 102.5 million to EUR 125.8 million in the operating segment income of the Leasing segment during the first six months of the current fiscal year. A disproportionately lower rise in expenses helped the segment result climb 31 percent to EUR 62.1 million compared to EUR 47.5 million in the same period in the previous year. Operating segment income in the Factoring segment increased six percent from EUR 1.8 million in the prior year to EUR 1.9 million while the segment result was slightly negative at EUR –0.1 million compared to EUR 0.2 million in the previous year. Operating segment income in the Banking segment remained virtually unchanged at EUR 6.6 million after EUR 6.7 million in the previous year, and the segment result amounted to EUR 4.6 million compared to EUR 4.8 million in the first six months of the previous year.

Report on Financial Position and Net Assets

The gratifying performance in income items is also reflected in the balance sheet of the GRENKE Consolidated Group. As per the June 30, 2016 reporting date, total assets increased over the prior year (December 31, 2015) by six percent to EUR 3.7 billion (previous year: EUR 3.5 billion). As a result of the net profit generated in the first half-year and the positive response from shareholders to our Scrip Dividend offer, the Consolidated Group's equity grew four percent. The equity ratio declined accordingly falling slightly from 17.0 percent in the previous year to 16.7 percent at the end of the first half of 2016. Thus, we continue to have a solid equity base that clearly exceeds our long-term target of 16 percent.

The single largest position on the balance sheet, current and non-current lease receivables, grew seven percent in the reporting period and accounted for 83 percent of the total assets (previous year: 82 percent). The Consolidated Group's cash and cash equivalents as per the reporting date was 38 percent below the level reported as per December 31, 2015. We continue to abide by our strategy of using liquid assets to finance our operational growth when the only other option is to invest these funds in low interest bearing instruments. Current and non-current other financial assets increased 15 percent as per the reporting date compared to their level at the end of the 2015 fiscal year mainly due to higher liquidity reserves from the expansion in one of the asset-backed commercial paper (ABCP) programmes and growth in GRENKE Bank's loan business. Current and non-current other assets also rose sharply by 34 percent to EUR 194.6 million.

On the liability side of the balance sheet, current and non-current liabilities grew seven percent. Whereas financial liabilities, most of which are liabilities from refinancing, increased by a mere eight percent, deferred lease payments as per the reporting date grew by 43 percent.

We continued to rely on a wide range of refinancing instruments in the reporting period. Following the two bonds issued in the first quarter, which together amounted to a total of EUR 151 million, we issued two new bonds in June each with a volume of EUR 20 million. The bonds' maturities are 15 months and 5 years, respectively. Further information on the bond issues can be found in the notes to the condensed interim consolidated financial statements and on our website at www.grenke.de/en. We also issued four promissory notes with a total volume of EUR 41 million and CHF 10 million in the first six months of 2016 as well as diverse short-term commercial paper totalling EUR 259 million. In the first half-year, two bonds in the total amount of EUR 110.0 million, promissory notes in the amount of EUR 13.3 million and CHF 4.0 million were repaid on schedule. The utilisation of our ABCP programmes as per the reporting date of this report was EUR 525.2 million (previous year: EUR 442.4 million). The total volume of this programme amounted to EUR 588.3 million compared to EUR 593.3 million at the end of the previous fiscal year.

We also rely on a third key pillar of our mix of refinancing instruments – our deposits at GRENKE Bank – which increased to EUR 385.7 million as per June 30, 2016, as part of our refinancing management compared to their level of EUR 349.3 million as per December 31, 2015.

Based on earnings before taxes of EUR 66.1 million, we generated cash flow from operating activities of EUR –35.6 million in the half-year reporting period compared to EUR 73.9 million in the same period of the previous year. The decline was primarily a result of the sharper rise in other assets as well as deferred lease payments and other liabilities. Both of these items increased after declining in the previous year's six-month period. Cash inflows resulted from changes in refinancing liabilities amounting to EUR 167.4 million as the single largest item and proceeds from the deposit business and loans to

franchisees, which together amounted to EUR 43.4 million. After interest and taxes paid and received, the net cash flow from operating activities amounted to EUR –44.5 million compared to EUR 60.4 million in the previous year's comparable period.

Cash flow from investing activities in the first half-year was EUR –4.9 million compared to EUR –10.3 million in the previous year. This item mainly consists of payments for the acquisition of property, plant, and equipment and intangible assets (EUR 4.4 million) as well as the acquisition of a former franchise company in Turkey (EUR 0.5 million)

Total cash flows amounted to EUR –69.8 million in the first half compared to EUR 34.0 million in the previous year's comparable period and included cash flow from financing activities consisting of the assumption of net bank liabilities of EUR 0.8 million, an interest payment on hybrid capital of EUR 1.7 million and a dividend payment of EUR 19.6 million.

Related Party Disclosures

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

Report on Risks, Opportunities and Forecasts

Opportunities and Risks

In contrast to the opportunities and risks presented in the 2015 Annual Financial Report, the following changes have occurred in the reporting period:

Exit of the United Kingdom from the European Union ("Brexit")

In a referendum on June 23, 2016, the citizens of the United Kingdom decided to leave the European Union (EU). Although the outcome of this referendum is not binding, the United Kingdom's exit from the EU was generally expected at the time of preparing this report. The depreciation of the British pound (GBP) against the EUR as per the reporting date on June 30, 2016, had only a very minor impact on the net assets, financial position and results of operations of the GRENKE Consolidated Group. Based on the Board of Directors' current assessment, the Brexit decision is also unlikely to have any substantially negative impact on the Consolidated Group in the future. The possible reluctance of financial service providers in the United Kingdom to provide financing could have a positive impact on the new business of our subsidiary located there. The existing business is adequately secured through refinancing with matching maturities. The Brexit decision has also pushed the risk of rising interest rates further into the future providing an excellent outlook for continued favourable refinancing conditions going forward. As per the reporting date for this report, the United Kingdom represents GRENKE's fourth largest market in terms of sales. The share of new business in the Leasing segment for the GRENKE Group as per June 30, 2016, amounted to roughly 5.8 percent.

We continue to believe the opportunities for our business far outweigh the customary risks inherent in our business model.

Forecast

With are very pleased with our performance in the first six months of the fiscal year. The new business growth in our Leasing segment, at 20 percent, was at the upper end of our forecast range of 16 to 20 percent announced at the start of the fiscal year. The new business development of GRENKE Group Factoring continues to lag our expectations. Growth in this area was ten percent and visibly below our guidance range of 30 to 35 percent. We are confident that the growth rate will accelerate during the remainder of the year; however, we doubt we will be able to achieve the targeted range. We now expect Factoring's new business to rise between 18 and 23 percent. The 29 percent year-on-year increase in our net profit in the half-year reporting period positions us to exceed our full-year net profit target of EUR 93 to 98 million. Therefore, we now expect net profit for the current fiscal year of EUR 98 – 102 million compared to our net profit in the previous year of EUR 80.8 million.

Responsibility Statement

We hereby confirm to the best of our knowledge, and in accordance with the accounting standards to be used for interim reporting, that the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Consolidated Group. Furthermore, the interim group management report conveys a fair review of the development of the business, 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.

CONDENSED INTERIM CONSOLI-DATED FINANCIAL STATEMENTS

Consolidated Income Statement

	3-month report		6-month report	
EURk	**Apr. 1, 2016 to Jun. 30, 2016**	**Apr. 1, 2015 to Jun. 30, 2015**	**Jan. 1, 2016 to Jun. 30, 2016**	**Jan. 1, 2015 to Jun. 30, 2015**
Interest and similar income from financing business	65,043	59,186	128,180	116,438
Expenses from interest on refinancing and deposit business	10,783	12,243	22,167	25,015
Net interest income	**54,260**	**46,943**	**106,013**	**91,423**
Settlement of claims and risk provision	12,626	13,921	28,298	28,860
Net interest income after settlement of claims and risk provision	**41,634**	**33,022**	**77,715**	**62,563**
Profit from service business*	14,398	12,326	27,605	23,587
Profit from new business	15,482	13,004	29,791	24,816
Gains(+) / losses (–) from disposals	–757	–765	–780	–32
Income from operating business	**70,757**	**57,587**	**134,331**	**110,934**
Staff costs	17,338	15,398	34,417	30,431
Depreciation and impairment	2,219	2,456	4,377	3,947
Selling and administrative expenses (not including staff costs)	15,361	12,650	28,766	24,173
Other operating expenses	791	1,000	2,333	2,597
Other operating income	997	1,502	2,112	2,753
Operating result	**36,045**	**27,585**	**66,550**	**52,539**
Result from investments accounted for using the equity method	69	0	–67	0
Expenses / income from fair value measurement	0	8	0	18
Other interest income	157	51	225	160
Other interest expenses	487	76	635	155
Earnings before taxes	**35,784**	**27,568**	**66,073**	**52,562**
Income taxes	8,754	7,491	16,518	14,082
Net profit	**27,030**	**20,077**	**49,555**	**38,480**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	431	0	862	0
Shareholders of GRENKE AG	26,599	20,077	48,693	38,480
Earnings per share (basic) in EUR	1.80	1.36	3.30	2.61
Earnings per share (diluted) in EUR	1.80	1.36	3.30	2.61
Average number of shares outstanding (basic)	14,759,749	14,754,199	14,756,974	14,754,199
Average number of shares outstanding (diluted)	14,759,749	14,754,199	14,756,974	14,754,199

* The previous designation "profit from insurance business" was changed for reasons of clarity

Consolidated Statement of Comprehensive Income

	3-month report		6-month report	
EURk	Apr. 1, 2016 to Jun. 30, 2016	Apr. 1, 2015 to Jun. 30, 2015	Jan. 1, 2016 to Jun. 30, 2016	Jan. 1, 2015 to Jun. 30, 2015
Net profit	**27,030**	**20,077**	**49,555**	**38,480**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve (before taxes)	28	10	–20	–29
Income taxes	–2	–1	6	3
Appropriation to / reduction of hedging reserve (after taxes)	26	9	–14	–26
Change in currency translation differences (before taxes)	–1,517	188	–3,512	5,851
Income taxes	0	0	0	0
Change in currency translation differences (after taxes)	–1,517	188	–3,512	5,851
Items that will not be reclassified to profit and loss in future periods				
Appropriation to / reduction of reserve for actuarial gains and losses (before taxes)	–271	–900	–271	–900
Income taxes	60	212	60	212
Appropriation to / reduction of reserve for actuarial gains and losses (after taxes)	–211	–688	–211	–688
Other comprehensive income	**–1,702**	**–491**	**–3,737**	**5,137**
Total comprehensive income	**25,328**	**19,586**	**45,818**	**43,617**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	431	0	862	0
Shareholders of GRENKE AG	24,897	19,586	44,956	43,617

Consolidated Statement of Financial Position

EURk	Jun. 30, 2016	Dec. 31, 2015
Assets		
Current assets		
Cash and cash equivalents	116,252	186,453
Financial instruments that are assets	6,036	250
Lease receivables	1,072,493	1,004,360
Other current financial assets	63,793	63,828
Trade receivables	3,917	4,272
Lease assets for sale	7,292	7,073
Tax assets	16,875	17,569
Other current assets	193,134	143,788
Total current assets	**1,479,792**	**1,427,593**
Non-current assets		
Lease receivables	1,981,924	1,849,812
Financial instruments that are assets	45	27
Other non-current financial assets	63,676	47,195
Investments accounted for using the equity method	5,301	5,368
Property, plant, and equipment	48,521	46,351
Goodwill	67,242	62,161
Other intangible assets	19,445	17,171
Deferred tax assets	19,962	17,649
Other non-current assets	1,417	1,203
Total non-current assets	**2,207,533**	**2,046,937**
Total assets	**3,687,325**	**3,474,530**

Consolidated Statement of Financial Position

EURk	Jun. 30, 2016	Dec. 31, 2015
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	1,045,387	1,061,744
Liability financial instruments	1,567	2,124
Trade payables	16,691	10,489
Tax liabilities	15,436	10,107
Deferred liabilities	11,827	12,666
Current provisions	1,689	1,764
Other current liabilities	22,039	17,294
Deferred lease payments	46,952	82,908
Total current liabilities	**1,161,588**	**1,199,096**
Non-current liabilities		
Financial liabilities	1,850,872	1,630,600
Liability financial instruments	1,145	1,316
Deferred tax liabilities	53,488	48,619
Pensions	4,514	4,245
Total non-current liabilities	**1,910,019**	**1,684,780**
Equity		
Share capital	18,881	18,859
Capital reserves	119,043	116,491
Retained earnings	445,630	419,068
Other components of equity	1,728	5,465
Total equity attributable to shareholders of GRENKE AG	**585,282**	**559,883**
Additional equity components *	30,436	30,771
Total equity	**615,718**	**590,654**
Total liabilities and equity	**3,687,325**	**3,474,530**

* Including an AT1 bond (hybrid capital), which represents an unsecured and subordinated bond of GRENKE AG that is reported as equity under IFRS.

Consolidated Statement of Cash Flows

	EURk	Jan. 1, 2016 to Jun. 30, 2016	Jan. 1, 2015 to Jun. 30, 2015
	Earnings before taxes	**66,073**	**52,562**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	4,377	3,947
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	42	10
– / +	Net income from non-current financial assets	410	–5
– / +	Other non-cash effective income / expenses	–2,739	4,984
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	–647	480
–	Additions to lease receivables	–780,920	–654,674
+	Payments by lessees	583,819	507,882
+	Disposals / reclassifications of lease receivables at residual carrying amounts	104,657	94,737
–	Interest and similar income from leasing business	–124,826	–114,044
+ / –	Decrease / increase in other receivables from lessees	478	–1,508
+ / –	Currency translation differences	23,507	–28,070
=	Change in lease receivables	–193,285	–195,677
+	Addition to liabilities from refinancing	752,482	454,682
–	Payment of annuities to refinancers	–579,973	–348,848
–	Disposal of liabilities from refinancing	–15,029	–11,762
+	Expenses from interest on refinancing and on deposit business	22,167	25,015
+ / –	Currency translation differences	–12,240	16,602
=	Change in refinancing liabilities	167,407	135,689
+ / –	Increase / decrease in liabilities from deposit business	36,378	12,274
– / +	Increase / decrease in loans to franchisees	7,065	–7,052
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	–80,683	–412
+ / –	Increase / decrease in deferred lease payments	–36,032	55,438
+ / –	Increase / decrease in other liabilities	–4,011	11,675
=	**Cash flow from operating activities**	**–35,645**	**73,913**

Continued on next page

Consolidated Statement of Cash Flows

	EURk	Jan. 1, 2016 to Jun. 30, 2016	Jan. 1, 2015 to Jun. 30, 2015
– / +	Income taxes paid / received	–8,411	–13,522
–	Interest paid	–635	–155
+	Interest received	225	160
=	**Net cash flow from operating activities**	**–44,466**	**60,396**
–	Payments for the acquisition of property, plant, and equipment and intangible assets	–4,377	–2,648
– / +	Payments / proceeds from acquisition of subsidiaries and associated entities	–485	–7,709
+	Proceeds from the sale of property, plant, and equipment and intangible assets	–6	64
=	**Cash flow from investing activities**	**–4,868**	**–10,293**
+ / –	Borrowing / repayment of bank liabilities	830	87
+	Proceeds from cash capital increase	0	0
+	Net proceeds from hybrid capital	0	0
–	Interest payment on hybrid capital	–1,711	0
–	Dividend payments	–19,557	–16,230
=	**Cash flow from financing activities**	**–20,438**	**–16,143**
	Cash funds at beginning of period		
	Cash in hand and bank balances	186,453	88,395
–	Bank liabilities from overdrafts	–875	–10,900
=	**Cash and cash equivalents at beginning of period**	**185,578**	**77,495**
+ / –	Change due to currency translation	271	–931
=	**Cash funds after currency translation**	**185,849**	**76,564**
	Cash funds at end of period		
	Cash in hand and bank balances	116,252	110,577
–	Bank liabilities from overdrafts	–175	–53
=	**Cash and cash equivalents at end of period**	**116,077**	**110,524**
	Change in cash and cash equivalents during the period (= total cash flow)	**–69,772**	**33,960**
	Net cash flow from operating activities	–44,466	60,396
+	Cash flow from investing activities	–4,868	–10,293
+	Cash flow from financing activities	–20,438	–16,143
=	**Total cash flow**	**–69,772**	**33,960**

Consolidated Statement of Changes in Equity

EURk	Share capital	Capital reserves	Retained earnings / Consoli-dated net profit	Hedging reserve	Reserve for actuarial gains / losses	Currency translation	Total equity attributable to shareholders of GRENKE AG	Additional equity components	Total equity
Equity as per Jan. 1, 2016	**18,859**	**116,491**	**419,068**	**–25**	**–1,405**	**6,895**	**559,883**	**30,771**	**590,654**
Total comprehensive income	--	--	48,693	–14	–211	–3,512	44,956	862	45,818
Dividend payment in 2016 for 2015	--	--	–22,131	--	--	--	–22,131	--	–22,131
Capital increase (Shares issued from Scrip Dividend)	22	2,552	--	--	--	--	2,574	--	2,574
Cost of issuance of hybrid capital	--	--	0	--	--	--	0	--	0
Interest payment on hybrid capital (net)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	–1,197	**–1,197**
Equity as per Jun. 30, 2016	**18,881**	**119,043**	**445,630**	**–39**	**–1,616**	**3,383**	**585,282**	**30,436**	**615,718**
Equity as per Jan. 1, 2015	**18,859**	**116,491**	**355,389**	**–7**	**–920**	**3,174**	**492,986**	**0**	**492,986**
Total comprehensive income	--	--	38,480	–26	–688	5,851	43,617	--	43,617
Dividend payment in 2015 for 2014	--	--	–16,230	--	--	--	–16,230	--	–16,230
Equity as per Jun. 30, 2015	**18,859**	**116,491**	**377,639**	**–33**	**–1,608**	**9,025**	**520,373**	**0**	**520,373**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies

The subject of these condensed interim consolidated financial statements (interim consolidated financial statements) as per June 30, 2016, is the GRENKE AG and its subsidiaries (the Consolidated Group). These interim consolidated financial statements have been prepared in accordance with the applicable IFRS provisions for interim reporting as published by the IASB and adopted by the EU. These interim consolidated financial statements should be read in conjunction with the IFRS consolidated financial statements as per December 31, 2015.

The accounting policies used are the same as those used in the previous year with the exception of the new standards that have become mandatory, which are presented briefly in the paragraph below.

The condensed interim consolidated financial statements and the interim group management report as per June 30, 2016 have not been audited or reviewed by the auditor.

Mandatory New Accounting Standards

Amendments to IAS 1" Disclosure Initiative"

The amendments to IAS 1 "Disclosure Initiative" concern various disclosure issues and specify that providing information in the financial statements is only necessary if the content of the information is material. The materiality principle is to be applied to the financial statements and explicitly applies if a standard requires a list of minimum disclosures. Additionally, the IASB provided explanations on the aggregation and disaggregation of line items in the statement of financial position, the income statement and statement of other comprehensive income. Furthermore, the standard clarifies how the interest in other comprehensive income of entities accounted for using the equity method should be presented in the statement of other comprehensive income. The amendments eliminate the sample structure of the notes and stipulate that the structure should take into account the entity-specific relevant topics. The amendments to IAS 1 will not have a material impact on the consolidated financial statements because they only relate to clarifications.

Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"

The amendment to IAS 16 clarifies that depreciation methods for property, plant and equipment based on revenue are not appropriate methods. A refutable presumption was introduced by the amendment to IAS 38 stating that revenues are not an appropriate basis for the amortisation of intangible assets. This amendment does not have an effect on the GRENKE AG consolidated financial statements since the Consolidated Group does not apply revenue-based depreciation and amortisation methods.

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"

The amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" set out the accounting for employee contributions or contributions from third parties to defined benefit plans. Accounting is based on whether the contributions depend on the years of service. The amendments will not have a material effect on the consolidated financial statements.

Annual Improvements to IFRS: 2010 – 2012 Cycle

Various standards were amended ("Improvements to IFRS 2010 – 2012 Cycle") in the context of the Annual Improvements Project to IFRS (AIP). The amendments relate to IFRS 2 "Share-Based Payment", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets". The amendments aim for more precise recognition, measurement and disclosure of business transactions and consistent terminology. The amended standards are not relevant for the accounting and measurement used for GRENKE AG's consolidated financial statements because the issues either do not apply to the GRENKE Consolidated Group or have already been interpreted accordingly.

Annual Improvements to IFRS: 2012 – 2014 Cycle

Various standards were amended ("Improvements to IFRS 2012 – 2014 Cycle") in the context of the Annual Improvements Project to IFRS. The amendments relate to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting". The amended standards are not relevant for the accounting and measurement used for GRENKE AG's consolidated financial statements.

Other Amendments

The amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"; IAS 16 und IAS 41 "Agriculture: Bearer Plants" and IAS 27 "Equity Method in Separate Financial Statements" are not relevant for the GRENKE AG's consolidated financial statements.

Use of Assumptions and Estimates

In preparing the consolidated financial statements, assumptions and estimates have been made which 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 recognised prospectively and occurred in the following areas:

- Determination of impairments for non-performing lease receivables from terminated lease contracts or contracts in arrears on the basis of the recoverability rate
- Use of estimated residual values at the end of the lease term to determine the present value of lease receivables
- Assessing the ongoing value of intangible assets

Lease receivables from terminated lease contracts or contracts in arrears are carried at nominal value less appropriate bad debt allowances. The amount of bad debt allowances is determined using percentages and processing categories. Percentages are calculated using statistical methods. They are reviewed once a year for validity. Processing statuses are grouped together in processing categories that are set up with a view to risk.

The following table lists the processing categories:

Category	Description
0	Current contract not in arrears
1	Current contract in arrears
2	Terminated contract with serviced instalment agreement
3	Terminated contract (recently terminated or court order for payment applied for)
4	Legal action (pending or after objection to court payment order)
5	Order of attachment issued / Debt-collecting agency commissioned
6	Statement in lieu of oath (applied for or issued) and insolvency proceedings instituted but not completed
7	Derecognised
8	Being settled (not terminated)
9	Discharged (completely paid)

Impairment is assumed for categories 2 to 7 as the contracts have been terminated due to defaults in payment. The allowance rates continue to range between 5% and 100%. Estimated residual values are used to determine the present value of lease receivables. Lease receivables include non-guaranteed residual values as defined by IAS 17. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a renewal period. They are determined on the basis of past experience and statistical methods.

Based on experience and depending on the term of the lease, the residual values of additions up until the end of 2006, ranged between 11% and 15% of historical cost. In fiscal year 2007, due to the strengthening of forecasting capabilities for the statistical population, this allocation could be further divided into more detailed maturity groups. For additions from 2007 to 2008, the residual values range between 7.7% and 28.4% of historical cost depending upon the duration of the lease. The residual values for additions from January 1, 2009, to March 31, 2011, changed to values of between

6.5% and 28.4% and for additions from April 1, 2011, to December 31, 2014, to values of between 6.5% and 23.5%. For additions from January 1, 2015, the residual values range between 3.0% and 21.5%.

Proceeds are best estimated on the basis of statistical analyses. If the post-transaction recoverable amount is lower than expected (from sale and subsequent lease), the lease receivables are impaired. However, an increase in the recoverable amount remains unrecognised.

Lease Receivables

EURk	Jun. 30, 2016	Jun. 30, 2015
Changes in lease receivables from current contracts (performing lease receivables)	**2,758,660**	**2,354,439**
Balance at beginning of period		
+ Change during the period	198,522	194,170
Lease receivables (current + non-current) from current contracts at end of period	**2,957,182**	**2,548,609**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**221,847**	**223,257**
+ Additions to gross receivables during the period	30,008	29,674
– Disposals of gross receivables during the period	25,091	27,621
Gross receivables at end of period	**226,764**	**225,310**
Impairment at beginning of period	**126,335**	**121,598**
+ Additions of accumulated impairment during the period	29,856	19,765
– Disposals of accumulated impairment during the period*	26,661	19,461
Impairments at end of period	**129,530**	**121,902**
Carrying amount of non-performing lease receivables at beginning of period	**95,512**	**101,659**
Carrying amount of non-performing lease receivables at end of period	**97,234**	**103,408**
Lease receivables (carrying amount, current and non-current) at beginning of period	**2,854,172**	**2,456,098**
Lease receivables (carrying amount, current and non-current) at end of period	**3,054,416**	**2,652,017**

* Item contains exchange rate differences in the amount of EUR 811k (previous year: EUR 416k).

Financial Liabilities

EURk	Jun. 30, 2016	Dec. 31, 2015
Financial liabilities		
Current financial liabilities		
Asset-Based	196,464	192,971
Senior Unsecured	606,474	637,002
Committed development loans	31,428	28,814
Liabilities from deposit business	208,930	200,997
Other bank liabilities	2,091	1,960
thereof current account liabilities	*175*	*875*
Total current financial liabilities	**1,045,387**	**1,061,744**
Non-current financial liabilities		
Asset Based	403,760	341,503
Senior Unsecured	1,194,150	1,075,495
Committed development loans	76,210	65,295
Liabilities from deposit business	176,752	148,307
Total non-current financial liabilities	**1,850,872**	**1,630,600**
Total financial liabilities	**2,896,259**	**2,692,344**

Asset Based Financial Liabilities

Structured Entities

The following consolidated structured entities were in place 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 initiated as asset-backed commercial paper (ABCP) programmes.

EURk	Jun. 30, 2016	Dec. 31, 2015
Programme volume	588,333	593,333
Utilisation	525,152	442,373
Carrying amount	455,657	377,331
thereof current	*123,951*	*108,861*
thereof non-current	*331,706*	*268,470*

Sales of Receivables Agreements

	Jun. 30, 2016	Dec. 31, 2015
Programme volume in local currency		
EURk	*25,000*	*25,000*
GBPk	*80,000*	*80,000*
PLNk	*60,000*	*60,000*
CHFk	*50,000*	*50,000*
Programme volume in EURk	181,330	194,218
Utilisation in EURk	144,567	157,143
Carrying amount in EURk	144,567	157,143
thereof current	*72,513*	*84,110*
thereof non-current	*72,054*	*73,033*

Senior Unsecured Financial Liabilities

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

EURk	Jun. 30, 2016	Dec. 31, 2015
Bonds	1,124,748	1,044,164
thereof current	*236,412*	*234,135*
thereof non-current	*888,336*	*810,029*
Promissory notes	394,575	361,515
thereof current	*93,946*	*99,684*
thereof non-current	*300,629*	*261,831*
Commercial paper	148,000	196,000
Revolving credit facility	97,608	65,557
thereof current	*92,423*	*61,922*
thereof non-current	*5,185*	*3,635*
Money market trading	23,681	34,892
Accrued interest	12,012	10,369

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

	Jun. 30, 2016	Dec. 31, 2015
Bonds EURk	1,500,000	1,500,000
Commercial paper EURk	250,000	250,000
Revolving credit facility EURk	160,000	125,000
Revolving credit facility PLNk	50,000	25,000
Revolving credit facility CHFk	10,000	0
Money market trading EURk	35,000	35,000

Bonds

In the fiscal year to date, four new bonds were issued with a total volume of EUR 191,000k. Two bonds with an aggregate volume of EUR 110,000k were redeemed on schedule.

Promissory Notes

In the fiscal year to date, three new promissory notes with a total volume of EUR 41,000k and one promissory note with a volume of CHF 10,000k have been issued. Promissory notes with volumes of EUR 13,333k and CHF 4,000k were redeemed on schedule.

Committed Development Loans

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

EURk	Jun. 30, 2016	Dec. 31, 2015
NRW.Bank	40,027	28,518
Thüringer Aufbaubank	11,060	7,520
Investitionsbank Berlin	4,051	5,473
LfA Förderbank Bayern	15,877	20,787
Investitionsbank des Landes Brandenburg	1,828	2,163
KfW	32,402	27,365
Landeskreditbank Baden-Württemberg – Förderbank	2,316	2,170
Accrued interest	77	113

In the reporting period, new loans were issued totalling EUR 30,236k and loans with a total volume of EUR 16,756k were redeemed on schedule.

Equity

On June 1, 2016, GRENKE AG carried out a capital increase in the context of a Scrip Dividend. The share capital was increased by EUR 21,519.00 to EUR 18,880,774.47 through partial use of the authorised capital, which was resolved upon by the Annual General Meeting on May 12, 2015. A total of 16,835 new ordinary registered shares were issued. The new shares carry the same dividend rights as the existing shares. Hence, the Company's share capital is now divided into 14,771,034 bearer shares.

Disclosures on Financial Instruments

Fair Value Hierarchy

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

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

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

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

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

The GRENKE Consolidated Group recognises reclassifications between the different levels of the valuation hierarchy at the end of the reporting period in which the change has occurred. In the reporting period, there were no reclassifications between the three levels of the valuation hierarchy.

Reclassifications are recognised at the time changes in the input factors occur that are relevant for the classification in the fair value hierarchy.

Fair Value of Financial Instruments

Fair value of derivative financial instruments

At the end of the reporting period, all derivative financial instruments, which include interest rate derivatives (interest rate swaps) and forward exchange contracts, are carried at fair value in the GRENKE Consolidated Group. All derivative financial instruments are assigned to level 2 of the valuation hierarchy.

EURk	Fair value Jun. 30, 2016	Carrying amount Jun. 30, 2016	Fair value Dec. 31, 2015	Carrying amount Dec. 31, 2015
Financial assets				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	6,081	6,081	277	277
Total	**6,081**	**6,081**	**277**	**277**
Financial liabilities				
Interest rate derivatives with hedging relationship	61	61	39	39
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	2,651	2,651	3,401	3,401
Total	**2,712**	**2,712**	**3,440**	**3,440**

Fair value of primary financial instruments

The following table presents the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments that are not measured at fair value. The table does not contain information on the fair value of financial assets and financial liabilities if the carrying amount represents an appropriate approximation to the fair value. This includes the following line items of the statement of financial position: cash and cash equivalents, trade receivables, non-performing lease receivables, and trade payables. All primary financial instruments are assigned to level 2 of the valuation hierarchy except for exchange-listed bonds that are included in refinancing liabilities and which are assigned to level 1 of the valuation hierarchy. As per the reporting date, the carrying amount of exchange-listed bonds was EUR 1,124,748k (previous year as per December 31, 2015: EUR 1,044,164k) and their fair value amounted to EUR 1,110,309k (previous year as per December 31, 2015: EUR 1,058,329k). All financial assets are allocated to the loans and receivables measurement category except for performing lease receivables. All financial liabilities are allocated to the other financial liabilities measurement category.

EURk	Fair value Jun. 30, 2016	Carrying amount Jun. 30, 2016	Fair value Dec. 31, 2015	Carrying amount Dec. 31, 2015
Financial assets				
Lease receivables (performing)	3,277,281	2,957,182	3,060,507	2,758,660
Other financial assets	131,539	127,468	113,941	111,023
Financial liabilities				
Refinancing liabilities	2,496,835	2,508,486	2,370,921	2,341,080
Liabilities from deposit business	390,595	385,682	353,861	349,304
Bank liabilities	2,091	2,091	1,960	1,960

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 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

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.

EURk	Jan. 1 – Jun. 30, 2016	Jan. 1 – Jun. 30, 2015
IT project costs	3,025	1,652

Income Taxes

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

EURk	Jan. 1 – Jun. 30, 2016	Jan. 1 – Jun. 30, 2015
Income taxes		
Current tax expense	13,607	13,378
Deferred taxes	2,911	704
Income tax expense	**16,518**	**14,082**

Group Segment Reporting

EURk	Leasing segment		Banking segment		Factoring segment		Total segments		Cons. effects		Cons. Group	
January to June	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Operating segment income	**125,812**	102,507	**6,633**	6,652	**1,886**	1,775	**134,331**	110,934	**0**	0	**134,331**	110,934
Segment result	**62,111**	47,528	**4,557**	4,832	**–118**	179	**66,550**	52,539	**0**	0	**66,550**	52,539
Reconciliation to consolidated financial statements												
Operating result											66,550	52,539
Result from investments accounted for using the equity method											–67	0
Other financial income											–410	23
Taxes											16,518	14,082
Net profit according to consolidated income statement											**49,555**	38,480
As per Jun. 30 (prev. year: Dec. 31)												
Segment assets	**3,581,890**	3,383,835	**647,134**	600,052	**31,143**	31,248	**4,260,167**	4,015,135	**–609,679**	–575,823	**3,650,488**	3,439,312
Reconciliation to consolidated financial statements												
Tax assets											36,837	35,218
Total assets according to consolidated statement of financial position											**3,687,325**	3,474,530
Segment liabilities	**3,024,941**	2,852,323	**564,511**	525,705	**22,910**	22,945	**3,612,362**	3,400,973	**–609,679**	–575,823	**3,002,683**	2,825,150
Reconciliation to consolidated financial statements												
Tax liabilities											68,924	58,726
Liabilities according to consolidated statement of financial position											**3,071,607**	2,883,876

Business Segments

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

Reportable Segments

Leasing

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

Banking

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

Factoring

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

Segment Data

The accounting policies employed to gather segment information are the same as those used for the consolidated financial statements as per December 31, 2015. 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 insurance business, profit from new business, and gains/losses from disposals.
- The segment result is calculated as the operating result before taxes.
- Segment assets comprise of the operating assets excluding tax assets.
- Segment liabilities correspond to the liabilities attributable to the respective segment with the exception of tax liabilities.

Acquisitions

Acquisitions in Fiscal Year 2015

The purchase price allocation for GRENKELEASING d.o.o., Ljubljana /Slovenia (formerly GC Leasing d.o.o.), which was acquired in the previous year, was finalised in the first quarter of 2016. No changes were made to the preliminary fair values of the assets or liabilities.

For more detailed information regarding business combinations in the previous year, please refer to the notes to the Company's consolidated financial statements as per December 31, 2015.

Acquisitions in Fiscal Year 2016

GC Leasing Ofis Donanimlari Kiralama Limitd Sirketi., Istanbul/Turkey

On March 31, 2016, GRENKE AG assumed control over GC Leasing Ofis Donanimlari Kiralama Limitd Sirketi., Istanbul/Turkey, which has since been renamed GRENKE Kiralama Ltd. Sti. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on April 27, 2016.

Prior to the acquisition, GRENKE Kiralama Ltd. Sti., Istanbul/Turkey, was active within GRENKE AG's franchise system specialising in the sale of small-ticket leases with a strong focus on IT and IT equipment. Since not all of the relevant information needed for determining the final purchase price allocation is yet available, the fair value of the assets and liabilities are preliminary and may be subject to adjustments as a result of additional information gained in the acquisition process.

The following information relates to the preliminary fair value of the significant categories of the identifiable assets and liabilities at the date of acquisition of the company: intangible assets EUR 1,639k, lease receivables EUR 6,960k, other assets EUR 2,380k, intra-group liabilities from the refinancing of the leasing business EUR 11,479k, deferred tax liabilities EUR 480k and other liabilities EUR 4,162k. Intangible assets are largely attributable to non-contractual relationships of resellers with clients and non-competitive clauses. Of the lease receivables with a gross amount of EUR 9,050k, an amount of EUR 2,090k is impaired and is not expected to be recovered. The refinancing liabilities are owed to GRENKE FINANCE Plc. and were eliminated as a result of the consolidation and, therefore, are not reported in the consolidated statement of financial position. The deferred tax liabilities resulted from the revaluation and identification of assets in the course of the purchase price allocation. The purchase price allocation that is still preliminary resulted in goodwill of EUR 5,507k that is expected to be not tax deductible. Goodwill includes intangible assets that could not be separately identified such as employees and expected synergy effects. The company's contribution to consolidated net income, including the effects from purchase price allocation, has been negligible due to the short period of time that the company has been part of the GRENKE Consolidated Group. In relation to the purchase price of EUR 1,700k in cash, loans from a former shareholder to the acquired entity amounting to EUR 1,334k were assumed. The total consideration paid for the business combination amounted to EUR 366k. The cash acquired with the business combination amounted to EUR 1,215k. All costs related to the acquisition were recognised in profit and loss.

Dividend Payment

On May 3, 2016, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2015 in the amount of EUR 22,692,046.85. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board, resolving to appropriate the unappropriated surplus as follows:

Unappropriated surplus for 2015	22,692,046.85
Distribution of a dividend of EUR 1.50 per share for a total of 14,754,199 shares	22,131,298.50
Profit carryforward (to new account)	560,748.35

The dividend was paid to the shareholders of GRENKE AG on June 1, 2016. In the previous year, a dividend of EUR 1.10 per share was paid.

Payment on Hybrid Capital

On March 31, 2016, GRENKE AG paid EUR 1,710,860.66 to hybrid capital holders on schedule.

Related Party Disclosures

In the 2015 fiscal year, the Supervisory Board of GRENKE AG concluded a phantom stock agreement with Board of Directors members Mr. Jörg Eicker and Ms. Antje Leminsky. In the 2016 fiscal year, agreements were concluded with Mr. Gilles Christ and Mr. Mark Kindermann.

While the agreement with Ms. Leminsky applies to fiscal years 2015 through 2017, the phantom stock agreements with Mr. Christ. Mr. Eicker and Mr. Kindermann apply to fiscal years 2016 through 2018. Under these agreements, Messrs. Christ, Eicker and Ms. Leminsky each are entitled to payments (tranches) equal to the increase in the value of 20,000 shares of GRENKE AG compared to a defined basic share price for fiscal years 2016, 2017 and 2018 and 2015, 2016 and 2017, respectively. Mr. Kindermann's entitlement relates to the increase in value of 6,000 shares for fiscal years 2016, 2017 and 2018. The basic share price is the arithmetic mean of the XETRA closing prices on all trading days from December 1 to December 23 of the respective prior year.

For the agreements with Messrs. Christ, Eicker and Kindermann, the basic share price for the 2016 fiscal year is EUR 180.42. The payment entitlement is limited in its amount and subject to the statutory provisions for appropriate remuneration, the statutory maximum level of variable remuneration components and especially the rules of the German Banking Act. The maximum payment under these agreements is limited to EUR 400,000 and EUR 150,000 for Mr. Kindermann for the three tranches. This maximum payment applies to the respective agreement in its entirety, i.e. the total payment for the three tranches may not exceed the maximum payment amount. If an annual tranche exceeds the maximum total entitlement and the agreement is still in force for several more years (tranches), then no further entitlements may be acquired in the future. The participants in the programme are required to invest the respective net amount paid plus a personal contribution of 25 percent of that amount in GRENKE AG shares. The Company is

entitled, but not required, to render the payment in whole or in part in the form of shares instead of cash for one or more tranches. In this case, a personal contribution is not required. The shares are subject to a vesting period of four years.

Because the phantom stock agreement for Ms. Leminsky applies to the 2015 fiscal year, the basic share price for her agreement is EUR 87.87. Given the increase in the share price in 2015, Ms. Leminsky has already reached the maximum payment amount in fiscal year 2015. This amount was limited to EUR 139k because the limit on variable remuneration components is set at 100% of fixed remuneration components. This amount was paid out in the 2016 fiscal year.

The value of the phantom stock agreement with Mr. Eicker was EUR 86k as per December 31, 2015 and was based on the valuation of the phantom stocks from the 2016 tranche as per December 31, 2015. The entitlement will be paid in the 2017 fiscal year at the earliest, provided the criteria are still met at the end of 2016.

As per June 30, 2016, the value of the phantom stock agreements totalled EUR 139k (previous year as per June 30, 2015: EUR 0k). This amount is recognised in profit or loss under staff costs in the income statement and is included under variable remuneration components.

Contingent Liabilities

GRENKE AG, as guarantor for individual franchise companies, provided financial guarantees of EUR 68.1 million (previous year as per December 31, 2015: EUR 42.2 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 43.6 million (previous year as per December 31, 2015: EUR 31.6 million).

Employees

In the interim reporting period, the GRENKE Consolidated Group had an average of 991 employees (previous year as per June 30, 2015: 909), not including the Board of Directors. A further 23 employees (previous year as per June 30, 2015: 26) are in training.

Events after the Balance Sheet Date

In July 2016, GRENKE Bank acquired a 15% interest in Munich-based Finanzchef24. Finanzchef24 is the first electronic insurance broker for commercial customers in Germany and operates an online finance portal for companies and self-employed professions. Finanzchef24 and GRENKE Bank share very similar target groups, which is one reason why the companies have agreed to coordinate their sales activities going forward.

CALENDAR OF EVENTS

October 28, 2016	Quarterly Statement for the 3rd Quarter of 2016

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Figures in this financial report are generally presented in thousands and millions of euro. Due to rounding, differences as against the actual number in euro may emerge in individual figures. Naturally, such differences are not of a significant nature. For better readability, gender-specific differentiation was avoided and the terms used refer equally to both genders.

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

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