GRENKE®

GRENKE AG GROUP

FINANCIAL REPORT
FOR THE 2ND QUARTER AND THE FIRST HALF-YEAR 2017

2017

KEY FIGURES GRENKE GROUP

	Jan. 1, 2017 to Jun. 30, 2017	Change (%)	Jan. 1, 2016 to Jun. 30, 2016	Unit
New business GRENKE Group Leasing	**939,462**	**20.9**	**776,790**	**EURk**
:: of which international	716,191	23.1	581,876	EURk
:: of which franchise international	27,660	104.3	13,540	EURk
:: of which Germany	195,611	7.8	181,374	EURk
Western Europe (without Germany)*	280,559	10.9	252,918	EURk
Southern Europe*	293,518	36.0	215,824	EURk
Northern / Eastern Europe*	149,559	29.2	115,734	EURk
Other regions*	20,215	84.8	10,940	EURk
New business GRENKE Group Factoring (incl. collection services)	**199,735**	**24.8**	**160,012**	**EURk**
:: of which Germany	81,626	18.6	68,853	EURk
:: of which international	74,733	12.1	66,683	EURk
:: of which franchise international	43,376	77.2	24,476	EURk
GRENKE Bank				
Deposits	475,299	23.2	385,682	EURk
New business SME lending business incl. business start-up financing	13,072	25.9	10,382	EURk
Contribution margin 2 (CM2) on new business				
GRENKE Group Leasing	**169,829**	**19.2**	**142,512**	**EURk**
:: of which international	137,077	18.2	115,985	EURk
:: of which franchise international	6,187	124.4	2,757	EURk
:: of which Germany	26,565	11.8	23,770	EURk
Western Europe (without Germany)*	51,254	6.5	48,108	EURk
Southern Europe*	58,349	30.5	44,725	EURk
Northern / Eastern Europe*	29,018	22.6	23,661	EURk
Other regions*	4,643	106.5	2,248	EURk
Further information leasing business				
Number of new contracts	110,206	20.8	91,243	units
Share of IT products in lease portfolio	77	–2.5	79	percent
Share of corporate customers in lease portfolio	100	0	100	percent
Mean acquisition value	8.5	1.2	8.4	EURk
Mean term of contract	48	0	48	months
Volume of leased assets	5,292	17.8	4,492	EURm
Number of current contracts	613,844	16.0	529,108	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: 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

KEY FIGURES
GRENKE CONSOLIDATED GROUP

	Jan. 1, 2017 to Jun. 30, 2017	Change (%)	Jan. 1, 2016 to Jun. 30, 2016	Unit
Key figures income statement				
Net interest income	119,921	13.1	106,013	EURk
Settlement of claims and risk provision	26,963	–4.7	28,298	EURk
Profit from service business	32,420	17.4	27,605	EURk
Profit from new business	33,385	12.1	29,791	EURk
Gains (+) / losses (–) from disposals	–5,027	544.5	–780	EURk
Other operating income	2,469	16.9	2,112	EURk
Cost of new contracts	24,410	21.7	20,060	EURk
Cost of current contracts	6,875	17.1	5,873	EURk
Project costs and basic distribution costs	25,337	19.6	21,181	EURk
Management costs	21,618	18.8	18,192	EURk
Other costs	–869	–118.9	4,587	EURk
Operating result	78,834	18.5	66,550	EURk
Other financial result (income (–) / expense (+))	1,436	201.0	477	EURk
Income / expenses from fair value measurement	–497	n.a.	0	EURk
EBT (earnings before taxes)	76,901	16.4	66,073	EURk
Net profit	**58,960**	**19.0**	**49,555**	**EURk**
Earnings per share (according to IFRS, prior to 1:3 stock split)	**3.90**	**18.2**	**3.30**	**EUR**
Earnings per share (according to IFRS, after 1:3 stock split)	**1.30**	**18.2**	**1.10**	**EUR**
Further Information				
Dividends	1.75	16.7	1.50	EUR
Embedded value, leasing contract portfolio (incl. equity before taxes)	1,081	15.6	935	EURm
Embedded value, leasing contract portfolio (incl. equity after taxes)	994	16.3	855	EURm
Cost / income ratio	49.9	–2.9	51.4	percent
Return on equity (ROE) after taxes	16.4	1.9	16.1	percent
Average number of employees	1,182	19.3	991	employees
Staff costs	41,149	19.6	34,417	EURk
– of which total remuneration	33,839	19.1	28,420	EURk
– of which fixed remuneration	25,151	18.5	21,220	EURk
– of which variable remuneration	8,688	20.7	7,200	EURk

GRENKE Group = GRENKE Consolidated Group including franchise partners

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

CONTENT

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders,
Ladies and Gentlemen,

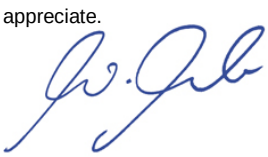
The first half of the current 2017 fiscal year is a clear confirmation of the steadiness of our growth, which continued uninterrupted from the prior year. GRENKE Group's new business increased 22 percent year-on-year, and new business growth in our Leasing segment amounted to 21 percent. We continue to achieve high growth rates, particularly in our international markets such as Italy, Spain and Great Britain. Given our solid performance in the first half of the fiscal year and the equally good prospects for the second half-year, we are raising our forecast for new business in our Leasing segment. Instead of growth ranging from 11 to 16 percent, we now expect growth in a range of 16 to 21 percent. This forecast takes into account the placement of the holidays in the fourth quarter in comparison to the prior year. New business at GRENKE Group Factoring also developed better than expected. The sum of purchased receivables increased over the previous year by 25 percent.

While the strength of our new business growth is paving the way for our future earnings growth, our current earnings development is also very satisfactory. On the whole, we achieved a 19 percent rise in GRENKE Consolidated Group's net profit to EUR 59.0 million in the first six months of 2017. As a result, we have also increased our expectations for the Consolidated Group's net profit and now expect it to reach a range of EUR 118 to 124 million compared to our previous expectation of EUR 113 to 123 million. We are very confident that we will be able to continue our profitable growth throughout the second half of the year.

In addition to our current positive performance, we have also taken some important strategic steps. Today, GRENKE is one of the most important providers of financing solutions in the area of small-ticket IT. Our business model, however, can do much more because it can be adapted and scaled to other areas. Next to IT products, we also finance, for example, small machinery and medical equipment. We see strong future growth potential in these areas both domestically and internationally, which we would like to take full advantage of on a systematic basis.

Although these are important steps on our way to becoming a full-scale provider of small-ticket financing for domestic and international medium-sized companies, they are by no means the only steps. We are also looking to leverage the potential of the acceleration in the digital transformation of the overall economy. Medium-sized companies, in particular, need the right support for this transformation, and we will be there providing them with tailor-made financing solutions. To better position ourselves, we have pooled our digital expertise and capabilities in our new subsidiary GRENKE digital GmbH. With the culture and philosophy of a start-up company, our deliberate intention in setting up this subsidiary is to prototypically develop, roll out and manage our products faster and in a rather unconventional manner.

The capital increase from company funds resolved by the Annual General Meeting and the subsequent stock split have now been completed. After trading near an all-time high of EUR 200 at the end of the first half of year, the new lower share price following the stock split makes GRENKE's shares even more attractive, giving them added potential to appreciate.



Wolfgang Grenke
Chairman of the Board of Directors

GRENKE AT A GLANCE

New business GRENKE Group (incl. franchise partners)

+22%

1. HY 2017: EUR 1,152.3 million (1. HY 2016: EUR 947.2 million)

International presence

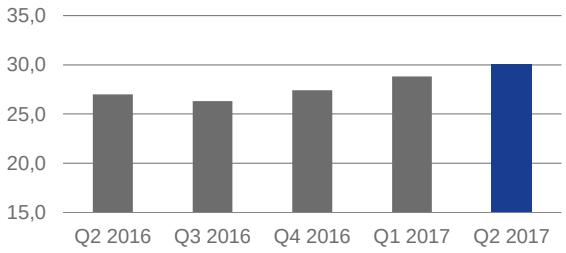
8

NEW LOCATIONS 2017

- Market entry into Australia (Melbourne, Sydney)
- 6 new locations under cell division strategy: Denmark (Odense), Germany (Würzburg), France (Clermont-Ferrand), Italy (Rome), the Netherlands (Zwolle/Meppel) and United Arab Emirates (Abu Dhabi)

GRENKE share price performance (XETRA; EUR)

GRENKE Consolidated Group's net profit (EUR million)



Number of employees of the GRENKE Consolidated Group

1,182

June 30, 2016: 991 employees

Solid equity base

16.4%

EQUITY RATIO

December 31, 2016: 17.4 percent

INTERIM GROUP MANAGEMENT REPORT

Targets and Strategy

We are one of the leading international providers of financial services for small and medium-sized enterprises (SMEs) focused on lease financing. IT products have historically made up the majority of our portfolio. We also, however, offer leasing in the areas of medical equipment and small machinery. Our business model is as straightforward as it is value-oriented. Strategically, we rely on diversification to limit risk. The broad diversification of our portfolio across customers, industries and countries, and the comparably low average volumes of our contracts characterise our business. We are continuously increasing the uniformity of our offers, which helps ensure the fast and secure processing of customer contracts. One example of this is our recent introduction of our innovative eSignature service. Since its introduction, we have already concluded over 36,000 contracts.

As a growth company, our clear strategic long-term goal is to become the market leader in the segments in which we operate. We are already the market leader in small-ticket IT leasing in Germany, Switzerland and Italy and one of the top providers on a European level. Outside of Europe, we have entered various countries in the Middle East, North and South America and, more recently, Australia. We have also been continuously densifying our network of subsidiaries and branch offices in existing markets and small and medium cities for some time now. During the reporting period, we opened a total of eight new locations. In addition, as per January 1, 2017, we acquired Europa Leasing GmbH, which focuses on the leasing of medical devices. We also acquired the companies of our former franchisees in Malta and Brazil during the first half of 2017. For further information on the acquisitions in the current fiscal year, please refer to the notes to the condensed interim consolidated financial statements.

Alongside our regional expansion, we have been further diversifying our product range. Over the long term, we intend to expand the unique expertise we have gained in IT to other areas, which further our development overall as a small-ticket leasing provider for small and medium-sized companies. As a first step, we have started with the leasing of medical equipment and small machinery. We also see further growth potential in the increasing connectivity of the economy. In addition, GRENKE Bank is continually expanding its various financing, investment and payment products on a regular basis. Further information on this expansion is described in the section on the Consolidated Group's business development.

As announced during the 2017 Annual General Meeting, GRENKE digital GmbH was launched as a wholly owned subsidiary of GRENKE AG in early July after the reporting period. As one of the great challenges of our time, digital transformation will also be a factor shaping GRENKE's future success more than ever before. In order to improve our position both within and outside of the GRENKE Group, we are combining our digital expertise and strength to form this subsidiary, marking another key step in the digitisation of our entire business. The philosophy behind this is to have the team at GRENKE digital develop and roll out digital ideas within a start-up culture and guide these ideas going forward to drive even higher speed and efficiency.

Business Development

GRENKE Group's New Business

GRENKE Group is geared toward profitable growth reflected, among others, by the Group's progressing geographic expansion, product diversification and, not least, its uninterrupted new business growth.

In the first half of 2017, GRENKE Group's new business increased 21.7 percent to EUR 1,152.3 million (6M 2016: EUR 947.2 million) exceeding the Group's long-term growth average. New business at GRENKE Group Leasing – defined as the total acquisition cost of newly purchased leased assets – climbed 20.9 percent during the six-month period rising from EUR 776.8 million in the comparable prior-year period to EUR 939.5 million. The largest contributor to this satisfying performance was the Group's international markets where we reached overall growth of 24.9 percent. Growth rates in some of our key countries were significantly higher, for example, in Italy (40.1 percent), Spain (30.3 percent) and Great Britain (30.1 percent). New business in Germany grew 7.9 percent. We are very pleased with this level of growth given our comparably high level of penetration in this market.

Lease applications in the reporting period grew to a total of 236,179 (6M 2016: 203,950) and resulted in the generation of 110,206 (6M 2016: 91,243) new lease contracts. This is equivalent to a two percentage point year-on-year rise in the conversion rate (applications into contracts) to 47 percent. A total of 198,310 (6M 2016: 167,430) of these applications originated from our international markets and led to 90,625 (6M 2016: 73,001) new contracts. The conversion rate in the international markets was 46 percent, which was also two percentage points higher than the level in the comparable prior-year period. In our home market of Germany, 52 percent (6M 2016: 50 percent) of applications were turned 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 the operating income of a lease contract less the cost of risk, increased 19.2 percent from EUR 142.5 million in the previous year to EUR 169.8 million. This is equivalent to a CM2 margin of 18.1 percent following 18.3 percent in the previous year. The CM1 margin (contribution margin 1 at acquisition values) in the first half-year totalled 12.5 percent compared to 13.1 percent in the same prior-year period. In absolute terms, the CM1 increased to EUR 117.8 million after its level of EUR 101.8 million in same prior-year period.

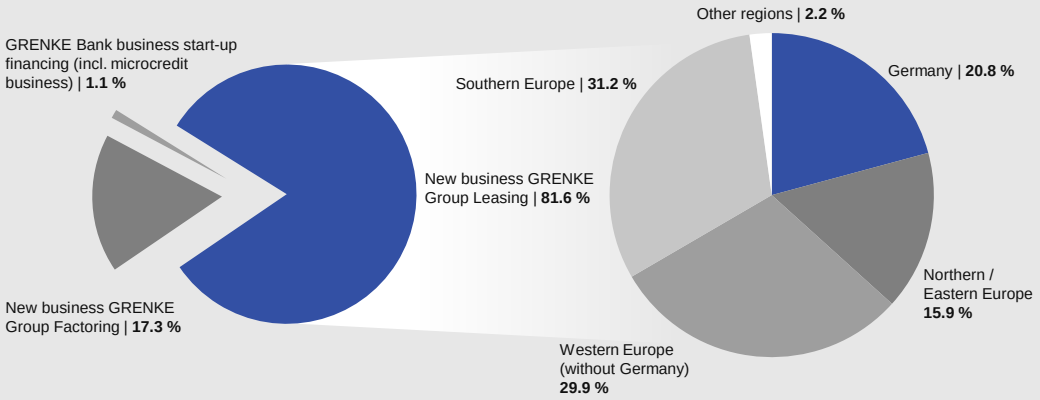
The sum of purchased receivables in the Factoring segment increased by 24.8 percent year-on-year with the acquired volume rising to EUR 199.7 million following EUR 160.0 million in the previous year. Whereas new business in Germany expanded by 18.6 percent to EUR 81.6 million (6M 2016: EUR 68.9 million), the acquired volume internationally rose by 29.5 percent to EUR 118.1 million (6M 2016: EUR 91.2 million). The gross margin in Germany remained high at 1.71 percent compared to 1.99 percent in the first six months of the previous year. The gross margin in our international markets was 1.26 percent following 1.32 percent in the previous year. This margin is based on an average period for a factoring transaction in Germany of roughly 27 days and approximately 37 days internationally. The average for the period for both of these figures was unchanged compared to the six-month period in the prior year.

In the first six months of 2017, GRENKE Bank succeeded in increasing its new business in the SME lending business, including business start-up financing and microcredit business, which also includes the follow-up business from these two areas. New business increased by 25.9 percent to EUR 13.1 million after EUR 10.4 million in the comparable prior-year period. We continue to be very pleased with GRENKE Bank's performance. Deposit volumes as per the June 30, 2017

reporting date amounted to EUR 475.3 million, or 23.2 percent above the level of EUR 385.7 million at the end of the first half of 2016 and 14.0 percent above the level at the end of the 2016 fiscal year (EUR 417.1 million).

NEW BUSINESS GRENKE GROUP | **NEW BUSINESS GRENKE GROUP LEASING**

As per June 30, 2017

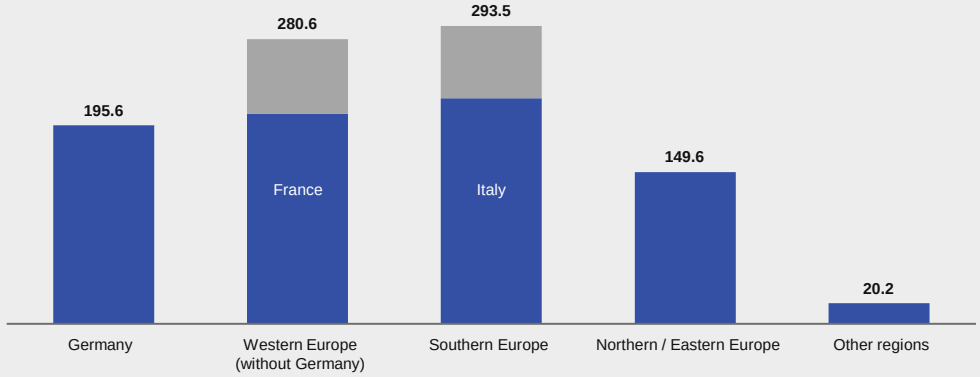


New business as per June 30, 2017:
GRENKE Group Leasing: EURm 939.5 (previous year: EURm 776.8)
GRENKE Group Factoring: EURm 199.7 (previous year: EURm 160.0)

Previous year as per June 30, 2017:
Germany 26.5 % | Western Europe (without Germany) 34.2 % | Southern Europe 23.1 % | Northern / Eastern Europe 15.0 % | Other regions 1.2 %

NEW BUSINESS GRENKE GROUP LEASING AS PER JUNE 30, 2017

EUR millions



Previous year as per June 30:
Germany EUR 181.4 million | Western Europe (without Germany) EUR 252.9 million | Southern Europe EUR 215.8 million | Northern / Eastern Europe EUR 115.7 million | Other regions EUR 10.9 million

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, Great Britain, Ireland, Norway, Sweden / Czech Republic, Hungary, Poland, Romania, Slovakia
Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE

The GRENKE Consolidated Group's Business Performance

Business in the first half of 2017 saw a seamless continuation of the solid development recorded in the prior year. Earnings continued to be driven mainly by the recent profitable new business and attractive refinancing conditions. As a result, the Consolidated Group's net profit grew an encouraging 19 percent year-on-year. We continued to expand geographically and further penetrate existing markets. In addition to our acquisition of a former franchisee in Brazil, we also opened a new location in Germany and France under our cell division strategy during the second quarter of 2017. We also opened two new locations in Australia – one in Melbourne and one in Sydney – in April 2017 as part of our effort to penetrate the Australian continent since our target group of small and medium-sized enterprises (SMEs) is also represented there. Our long-standing experience in meeting the demands of this customer segment has already been successfully applied in as many as 30 countries, and we intend to do the same in Australia. Similar to our competitors in other markets, competitors in Australia are also focused mainly on higher volume tickets, while our focus is aimed at tickets of up to EUR 25k. By mid-year, GRENKE had opened a total of eight new locations, bringing the total worldwide to 131 locations as per June 30, 2017.

On the product side, we intensified our cooperation with NRW.BANK in the second quarter via GRENKE Bank and have meanwhile issued our seventh global loan. Based on a volume of EUR 40 million, we are offering SMEs further attractive financing through NRW.BANK's promotional vouchers. Thanks to this successful cooperation, more than 15,500 sponsored lease contracts have been concluded to date. Together with a growing number of federal and state development banks, GRENKE Bank is financing business start-ups and helping to provide development funds to small- and medium-sized enterprises (SMEs) and members of self-employed professions for leased-financed business investments. Until now, more than 27,000 lease contracts have been concluded as part of these collaborations.

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 committed development loans as well as the option to obtain bank deposits through GRENKE Bank. At the same time, we are continuously expanding our refinancing range with appropriate instruments. One example is GRENKE Bank's offer providing attractive rates on fixed deposit over an app from the mobile bank N26 in cooperation with WeltSparen. GRENKE Bank has been offering this digital product since May 2017 initially to its customers in Germany.

Thanks to our top-tier reputation on the capital markets, all of our new issues were placed successfully within a short period of time. Only smaller transactions with a total volume of EUR 362 million and CHF 10 million were concluded during the reporting period. Our success when it comes to refinancing is largely a result of our good credit rating, which confirms our unchanged high creditworthiness and investment-grade status. The rating agency Standard & Poor's reaffirmed our counterparty credit rating of BBB+/A-2 with a stable outlook in a recent analysis from May 2017.

Selected Information from the Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

EURk	Apr. 1, 2017 to Jun. 30, 2017	Change (%)	Apr. 1, 2016 to Jun. 30, 2016
Net interest income	**60,800**	**12.1**	**54,260**
Settlement of claims and risk provision	13,323	5.5	12,626
Net interest income after settlement of claims and risk provision	**47,477**	**14.0**	**41,634**
Profit from service business*	17,062	18.5	14,398
Profit from new business	17,811	15.0	15,482
Gains (+) / losses (–) from disposals	–2,446	n.a.	–757
Income from operating business	**79,904**	**12.9**	**70,757**
Operating result	**41,566**	**15.3**	**36,045**
Earnings before taxes	**40,680**	**13.7**	**35,784**
Net profit	**30,128**	**11.5**	**27,030**
Earnings per share (basic/diluted, in EUR, prior to 1:3 stock split) [1]	1.99	11.5	1.80
Earnings per share (basic/diluted, in EUR, after 1:3 stock split) [1]	0.66	11.5	0.60

1 Earnings per share calculated according to IAS 33 is based on the net profit attributable to GRENKE shareholders. No convertible or option rights were outstanding during the current or comparable prior-year period. Therefore, basic and diluted earnings per share were identical.

Consolidated Statement of Financial Position

EURk	Jun. 30, 2017	Change (%)	Dec. 31, 2016
Current assets	**1,788,278**	**11.1**	**1,608,963**
of which cash and cash equivalents	*156,787*	*–0.1*	*156,896*
of which lease receivables	*1,262,562*	*10.7*	*1,141,000*
Non-current assets	**2,603,915**	**10.5**	**2,355,605[1]**
of which lease receivables	*2,363,304*	*11.0*	*2,129,110*
Equity	**719,004**	**4.1**	**690,420**
Equity ratio (in percent)	16.4	–5.7	17.4
Current liabilities	**1,432,815**	**7.9**	**1,328,512**
of which financial liabilities	*1,301,528*	*6.0*	*1,227,581*
Non-current liabilities	**2,240,374**	**15.1**	**1,945,636[1]**
of which financial liabilities	*2,180,287*	*15.1*	*1,894,474*
Total assets	**4,392,193**	**10.8**	**3,964,568[1]**

1 Prior-year figures adjusted. See notes to the interim consolidated financial statements.

Report on the Results of Operations

In the second quarter of 2017, we achieved an operating result of EUR 41.6 million, which was 15 percent above the level in the same period of the previous year. This positive performance was supported by income from the recent robust and profitable new business, strong earnings growth in the service business and declines in a number of our expense items. Net interest income in the second quarter increased year-on-year by 12 percent after a rise in interest and similar income from the financing business and decline in refinancing expenses. Expenses for settlement of claims and risk provision in the reporting quarter were slightly higher but still within a normal range of fluctuation. As a result, net interest income after settlement of claims and risk provision increased 14 percent.

Profit from the service business and profit from new business both performed well. Owing to our high new business growth, profit from the service business surpassed last year's level by 19 percent, and profit from new business grew 15 percent. This represented a further visible acceleration in the trend from the first quarter of 2017. Including the gains/losses from disposals, the Consolidated Group's income from operating business rose 13 percent in the reporting quarter.

The overall growth in expenses lagged the growth in income. Staff costs, one of the largest expense components, increased 23 percent to EUR 21.4 million (Q2 2016: EUR 17.3 million) due to a rise in the number of employees and higher variable compensation. Selling and administrative expenses on the other hand, also a significant expense item on the income statement, declined 11 percent to EUR 13.7 million (Q2 2016: EUR 15.4 million). This decline resulted from the recognition of a tax refund in other taxes thereby reducing expenses, and a sharp decline in reported IT project costs. The quarterly development of IT project costs in the first half-year of 2017 was related to base effects. In 2016, there was a shift in IT project costs from the first quarter into the second quarter. In a quarterly comparison, this shift led to a sharp year-on-year rise in IT project costs in the first quarter of 2017 and to a year-on-year decline in the second quarter. This development does not reflect any change in the investment strategy. There was a growth-related rise in costs for operations and selling costs. There was a slight decline, in contrast, in consulting and auditing costs.

The Consolidated Group's depreciation/amortisation increased 81 percent year-on-year as a result of recent investments in property, plant and equipment mainly for expanding our IT data centre and the acquisition of former franchise companies. On an absolute basis, depreciation/amortisation amounted to EUR 4.0 million compared to EUR 2.2 million in the second quarter of the previous year and still has little impact on the net profit development for the Consolidated Group.

After similarly low other operating income and expenses, other interest income and expenses, results from investments accounted for using the equity method and the result from fair value measurement, earnings before taxes increased 14 percent. Net profit rose 11 percent in the reporting quarter and earnings per share amounted to EUR 1.99 compared to EUR 1.80 in the previous year.

Half-Year Comparison 2017 Versus 2016

The information above pertaining to the reporting quarter also essentially applies to the six-month period. Net interest income grew 13 percent year-on-year and reached EUR 119.9 million compared to EUR 106.0 million in the first six months of 2016. Expenses for the settlement of claims and risk provision totalled EUR 27.0 million and were slightly below last year's level of EUR 28.3 million. The loss rate was 1.0 percent compared to 1.3 percent in the first six months of the previous year. Net interest income after settlement of claims and risk provision rose accordingly by 20 percent from EUR 77.7 million in prior-year period to EUR 93.0 million.

Income from operating business in the first half-year, which included a 17 percent increase in profit from service business, a 12 percent increase in profit from new business and visible losses from disposals, increased year-on-year by 14 percent rising from EUR 134.3 million to EUR 153.7 million. The slower growth in expenses compared to income resulted in a rise in the operating result of 18 percent to EUR 78.8 million in the first half of 2017 compared to EUR 66.6 million in first six months of the previous year.

Earnings before taxes in the reporting period increased 16 percent and amounted to EUR 76.9 million compared to EUR 66.1 million in the first six months of the previous year. Net profit increased 19 percent to EUR 59.0 million (6M 2016: EUR 49.6 million). Earnings per share amounted to EUR 3.90 compared to EUR 3.30 in the first half of the previous fiscal year.

Following the capital increase from company funds and subsequent stock split resolved by the 2017 Annual General Meeting and carried out on July 10, 2017, GRENKE AG's share capital amounted to EUR 44,313,102 divided into 44,313,102 registered ordinary shares (previously: 14,771,034) each representing a notional interest in the share capital of EUR 1.00 per share (previously: EUR 1.28). Measured in terms of the new number of shares outstanding, GRENKE AG's earnings per share in the second quarter of the current fiscal year amounted to EUR 0.66 compared to EUR 0.60 and EUR 1.30 in the first half-year of 2017 compared to EUR 1.10 in the comparable prior-year period.

Segment Development

Business segments

Segment reporting is based on the prevailing organisational structure of the GRENKE 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. Transactions between operating segments are eliminated (for more information, please see "The Consolidated Group's Segment Reporting"). A regional split of business activities is provided on a yearly basis 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 represent the earnings pillar for the Consolidated Group. As a result, the explanations on the results of operations also essentially apply to this chapter. Operating segment income in the Leasing segment rose by 14 percent in the first half-year to EUR 144.0 million from EUR 125.8 million in the comparable prior-year period. With an absolute decline in expenses, the segment result increased by 19 percent and amounted to EUR 74.2 million compared to

EUR 62.1 million in the first six months of the previous year. In the Factoring segment, operating segment income increased by 8 percent to EUR 2.0 million (6M 2016: EUR 1.9 million). The segment result remained slightly negative at EUR –0.2 million (6M 2016: EUR –0.1 million). In the Banking segment, we were able to increase operating segment income by 16 percent to EUR 7.7 million compared to EUR 6.6 million in the same period of the previous year, mainly as a result of intra Consolidated Group refinancing. This segment's result contributed EUR 4.9 million (6M 2016: EUR 4.6 million) to the Consolidated Group's earnings.

Report on Financial Position and Net Assets

The GRENKE Consolidated Group's growth and positive earnings development is reflected in the balance sheet. As per the June 30, 2017 reporting date, total assets increased by 11 percent to EUR 4.4 billion versus EUR 4.0 billion at the end of the previous fiscal year (December 31, 2016). The largest single position on the balance sheet, current and non-current lease receivables, grew 11 percent and accounted for 83 percent of the total assets (December 31, 2016: 82 percent). The Consolidated Group's cash and cash equivalents as per the reporting date were nearly at the level reported as per December 31, 2016. We continue to abide by our strategy of using liquid funds to finance our operational growth when our only other option is to invest these funds in low interest-bearing instruments. Current and non-current other financial assets were slightly higher while total current and non-current assets increased more strongly by 17 percent to EUR 212.8 million.

On the liability side of the balance sheet, the Consolidated Group's current and non-current liabilities grew 12 percent. Whereas financial liabilities – a majority of which are liabilities from refinancing – increased 12 percent, deferred lease payments as per the reporting date grew by 60 percent.

After distributing a dividend of EUR 25.8 million (previous year: EUR 19.6 million), equity increased 4 percent compared to the end of 2016 as a result of the net profit achieved in the first half-year. The equity ratio declined one percentage point from 17.4 percent at the end of 2016 to 16.4 percent as per the end of the first half of 2017 in relation to total assets, which had risen 11 percent as mentioned above. The equity ratio at the end of the first half of 2016, in comparison, was 16.7 percent. We thereby continue to maintain a solid equity base that visibly exceeds our long-term target of 16 percent.

We continued to rely on a broad range of refinancing instruments in the first half of 2017 based on the principle of an economic and balanced use of capital resources. Our excellent reputation in the capital market and with GRENKE Bank's customers provides us flexibility. Detailed information on our source of funds is provided in the notes to the condensed interim consolidated financial statements and is also available on our website at www.grenke.de.

Cash flow from operating activities in the first six months amounted to EUR 58.5 million compared to EUR –35.6 million in the same period of the previous year. Earnings before taxes of EUR 76.9 million (6M 2016: EUR 66.1 million) were offset mainly by a rise in lease receivables of EUR 295.2 million (6M 2016: EUR 193.3 million) and an increase in loans to franchisees and other assets totalling EUR 40.7 million (6M 2016: EUR 73.6 million). In addition, in the previous year, a decrease in deferred lease payments and other liabilities totalled a net negative effect on cash flows of EUR 40.0 million. In the reporting period, these two items contributed EUR 20.1 million to the Consolidated Group's cash flow. Furthermore, the increase in liabilities from the refinancing and the deposit business contributed a total of EUR 291.8 million (6M 2016:

EUR 203.8 million) to cash flows. After interest and taxes paid and received, the net cash flow from operating activities amounted to EUR 45.6 million compared to EUR –44.5 million in the first six months of the previous year.

Cash flow from investing activities amounted to EUR –15.1 million (6M 2016: EUR –4.9 million) in the six-month period and mainly included payments for the acquisition of operating and office equipment in the amount of EUR 7.2 million (6M 2016: EUR 4.4 million) as well as purchase price payments of EUR 8.0 million for the acquisition of Europa Leasing GmbH and our former franchisee in Malta.

Total cash flows, including the cash flow from financing activities, which includes the repayment of bank liabilities of EUR 1.2 million (6M 2016: EUR –0.8 million), interest payments of EUR 4.1 million (6M 2016: EUR 1.7 million) on hybrid capital and the distribution of the dividend for the previous fiscal year of EUR 25.8 million (6M 2016: EUR 19.6 million), amounted to EUR –0.6 million in the reporting period compared to EUR –69.8 million in the same period of the previous year.

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

There have been no material changes to the opportunities and risks in the reporting period compared to those described in our 2016 Annual Financial Report. We continue to believe that the opportunities for our further development far outweigh the risks that are typically inherent in our business model.

Forecast

We are very pleased overall with our performance in the first six months of the fiscal year. At 21 percent, the new business growth in our Leasing segment was above the upper end of our forecast range of 11 to 16 percent announced at the start of the fiscal year. In light of this positive performance and the equally positive outlook for the current fiscal year, we are raising our forecast range for this segment to 16 to 21 percent. At 25 percent, new business growth at GRENKE Group Factoring also exceeded our expectations. This is also true for the development of the net profit, which rose 19 percent year-on-year. We are very confident that we will be able to continue our profitable growth throughout the second half of the year and, therefore, have increased our expectations for the Consolidated Group's net profit for the 2017 fiscal year and now expect it to reach a range of EUR 118 to 124 million compared to our previous expectation of EUR 113 to 123 million.

CONDENSED INTERIM CONSOLI-DATED FINANCIAL STATEMENTS

Consolidated Income Statement

	3-month report		6-month report	
EURk	**Apr. 1, 2017 to Jun. 30, 2017**	**Apr. 1, 2016 to Jun. 30, 2016**	**Jan. 1, 2017 to Jun. 30, 2017**	**Jan. 1, 2016 to Jun. 30, 2016**
Interest and similar income from financing business	71,068	65,043	140,083	128,180
Expenses from interest on refinancing and deposit business	10,268	10,783	20,162	22,167
Net interest income	**60,800**	**54,260**	**119,921**	**106,013**
Settlement of claims and risk provision	13,323	12,626	26,963	28,298
Net interest income after settlement of claims and risk provision	**47,477**	**41,634**	**92,958**	**77,715**
Profit from service business	17,062	14,398	32,420	27,605
Profit from new business	17,811	15,482	33,385	29,791
Gains(+) / losses (–) from disposals	–2,446	–757	–5,027	–780
Income from operating business	**79,904**	**70,757**	**153,736**	**134,331**
Staff costs	21,375	17,338	41,149	34,417
Depreciation and impairment	4,019	2,219	7,107	4,377
Selling and administrative expenses (not including staff costs)	13,653	15,361	27,055	28,766
Other operating expenses	418	791	2,060	2,333
Other operating income	1,127	997	2,469	2,112
Operating result	**41,566**	**36,045**	**78,834**	**66,550**
Result from investments accounted for using the equity method	–61	69	–170	–67
Expenses / income from fair value measurement	–250	0	–497	0
Other interest income	128	157	240	225
Other interest expenses	703	487	1,506	635
Earnings before taxes	**40,680**	**35,784**	**76,901**	**66,073**
Income taxes	10,552	8,754	17,941	16,518
Net profit	**30,128**	**27,030**	**58,960**	**49,555**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	692	431	1,376	862
Shareholders of GRENKE AG	29,436	26,599	57,584	48,693
Earnings per share (in EUR, prior to 1:3 stock split) [1]	1.99	1.80	3.90	3.30
Earnings per share (in EUR, after 1:3 stock split) [1]	0.66	0.60	1.30	1.10
Average number of shares outstanding (prior to 1:3 stock split)	14,771,034	14,759,749	14,771,034	14,756,974
Average number of shares outstanding (after 1:3 stock split)	44,313,102	44,279,247	44,313,102	44,270,922

1 Earnings per share calculated according to IAS 33 is based on the net profit attributable to GRENKE shareholders. No convertible or option rights were outstanding during the current or comparable prior-year period. Therefore, basic and diluted earnings per share were identical.

Consolidated Statement of Comprehensive Income

	3-month report		6-month report	
EURk	**Apr. 1, 2017 to Jun. 30, 2017**	**Apr. 1, 2016 to Jun. 30, 2016**	**Jan. 1, 2017 to Jun. 30, 2017**	**Jan. 1, 2016 to Jun. 30, 2016**
Net profit	**30,128**	**27,030**	**58,960**	**49,555**
Items that may be reclassified to profit and loss in future periods				
Appropriation to / reduction of hedging reserve	–12	26	–48	–14
thereof: income tax effects	–1	–2	7	6
Change in currency translation differences	–1,614	–1,517	–1,140	–3,512
thereof: income tax effects	0	0	0	0
Items that will not be reclassified to profit and loss in future periods				
Appropriation to / reduction of reserve for actuarial gains and losses	–98	–211	–98	–211
thereof: income tax effects	33	60	33	60
Other comprehensive income	**–1,724**	**–1,702**	**–1,286**	**–3,737**
Total comprehensive income	**28,404**	**25,328**	**57,674**	**45,818**
Of which, attributable to:				
Hybrid capital holders of GRENKE AG	692	431	1,376	862
Shareholders of GRENKE AG	27,712	24,897	56,298	44,956

Consolidated Statement of Financial Position

EURk	Jun. 30, 2017	Dec. 31, 2016
Assets		
Current assets		
Cash and cash equivalents	156,787	156,896
Financial instruments that are assets	3,287	3,688
Lease receivables	1,262,562	1,141,000
Other current financial assets	122,732	93,090
Trade receivables	6,377	4,474
Lease assets for sale	6,173	5,969
Tax assets	18,652	23,555
Other current assets	211,708	180,291
Total current assets	**1,788,278**	**1,608,963**
Non-current assets		
Lease receivables	2,363,304	2,129,110
Financial instruments that are assets	295	29
Other non-current financial assets	47,251	73,643
Investments accounted for using the equity method	4,963	5,133
Property, plant and equipment	50,504	48,369
Goodwill	83,437	66,515
Other intangible assets	41,590	20,069
Deferred tax assets	11,437	11,043[1]
Other non-current assets	1,134	1,694
Total non-current assets	**2,603,915**	**2,355,605**[1]
Total assets	**4,392,193**	**3,964,568**[1]

1 Prior-year figures adjusted. See notes to the interim consolidated financial statements.

Consolidated Statement of Financial Position

EURk	Jun. 30, 2017	Dec. 31, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Financial liabilities	1,301,528	1,227,581
Liability financial instruments	596	1,225
Trade payables	23,802	16,663
Tax liabilities	13,685	13,117
Deferred liabilities	14,089	15,976
Current provisions	1,646	1,646
Other current liabilities	26,384	20,396
Deferred lease payments	51,085	31,908
Total current liabilities	**1,432,815**	**1,328,512**
Non-current liabilities		
Financial liabilities	2,180,287	1,894,474
Liability financial instruments	776	1,751
Deferred tax liabilities	54,286	44,630[1]
Pensions	5,025	4,781
Total non-current liabilities	**2,240,374**	**1,945,636**[1]
Equity		
Share capital	44,313	18,881
Capital reserves	93,611	119,043
Retained earnings	530,494	498,807
Other components of equity	–138	1,148
Total equity attributable to shareholders of GRENKE AG	**668,280**	**637,879**
Additional equity components[2]	50,724	52,541
Total equity	**719,004**	**690,420**
Total liabilities and equity	**4,392,193**	**3,964,568**[1]

1 Prior-year figures adjusted. See notes to the interim consolidated financial statements.

2 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, 2017 to Jun. 30, 2017	Jan. 1, 2016 to Jun. 30, 2016
	Earnings before taxes	**76,901**	**66,073**
	Non-cash items contained in earnings and reconciliation to cash flow from operating activities		
+	Depreciation and impairment	7,107	4,377
– / +	Profit / loss from the disposal of property, plant, and equipment and intangible assets	13	42
– / +	Net income from non-current financial assets	1,266	410
– / +	Other non-cash effective income / expenses	112	–2,739
+ / –	Increase / decrease in deferred liabilities, provisions, and pensions	–2,889	–647
–	Additions to lease receivables	–949,597	–780,920
+	Payments by lessees	673,372	583,819
+	Disposals / reclassifications of lease receivables at residual carrying amounts	122,179	104,657
–	Interest and similar income from leasing business	–136,056	–124,826
+ / –	Decrease / increase in other receivables from lessees	–11,618	478
+ / –	Currency translation differences	6,533	23,507
=	Change in lease receivables	–295,187	–193,285
+	Addition to liabilities from refinancing	859,022	752,482
–	Payment of annuities to refinancers	–639,516	–579,973
–	Disposal of liabilities from refinancing	–20,425	–15,029
+	Expenses from interest on refinancing and on deposit business	20,162	22,167
+ / –	Currency translation differences	–2,801	–12,240
=	Change in refinancing liabilities	216,442	167,407
+ / –	Increase / decrease in liabilities from deposit business	75,354	36,378
– / +	Increase / decrease in loans to franchisees	–11,564	7,065
	Changes in other assets / liabilities		
– / +	Increase / decrease in other assets	–29,087	–80,683
+ / –	Increase / decrease in deferred lease payments	18,863	–36,032
+ / –	Increase / decrease in other liabilities	1,217	–4,011
=	**Cash flow from operating activities**	**58,548**	**–35,645**

continued on next page

Consolidated Statement of Cash Flows

EURk		Jan. 1, 2017 to Jun. 30, 2017	Jan. 1, 2016 to Jun. 30, 2016
– / +	Income taxes paid / received	–11,698	–8,411
–	Interest paid	–1,506	–635
+	Interest received	240	225
=	**Net cash flow from operating activities**	**45,584**	**–44,466**
–	Payments for the acquisition of property, plant and equipment and intangible assets	–7,151	–4,377
– / +	Payments / proceeds from acquisition of subsidiaries/associated entities and financial assets	–8,035	–485
+	Proceeds from the sale of property, plant and equipment and intangible assets	120	–6
=	**Cash flow from investing activities**	**–15,066**	**–4,868**
+ / –	Borrowing / repayment of bank liabilities	–1,187	830
+	Proceeds from cash capital increase	0	0
+	Net proceeds from hybrid capital	0	0
–	Interest payment on hybrid capital	–4,125	–1,711
–	Dividend payments	–25,849	–19,557
=	**Cash flow from financing activities**	**–31,161**	**–20,438**
	Cash funds at beginning of period		
	Cash in hand and bank balances	156,896	186,453
–	Bank liabilities from overdrafts	–131	–875
=	**Cash and cash equivalents at beginning of period**	**156,765**	**185,578**
+ / –	Change due to currency translation	114	271
=	**Cash funds after currency translation**	**156,879**	**185,849**
	Cash funds at end of period		
	Cash in hand and bank balances	156,787	116,252
–	Bank liabilities from overdrafts	–551	–175
=	**Cash and cash equivalents at end of period**	**156,236**	**116,077**
	Change in cash and cash equivalents during the period (= total cash flow)	**–643**	**–69,772**
	Net cash flow from operating activities	45,584	–44,466
+	Cash flow from investing activities	–15,066	–4,868
+	Cash flow from financing activities	–31,161	–20,438
=	**Total cash flow**	**–643**	**–69,772**

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, 2017	**18,881**	**119,043**	**498,807**	**90**	**–1,556**	**2,614**	**637,879**	**52,541**	**690,420**
Total comprehensive income	--	--	57,584	–48	–98	–1,140	56,298	1,376	57,674
Dividend payment in 2017 for 2016	--	--	–25,849	--	--	--	–25,849	--	–25,849
Capital increase (Conversion of capital reserves in the context of the stock split)	25,432	–25,432	--	--	--	--	0	--	0
Reversal of premium on hybrid capital	--	--	–48	--	--	--	–48	48	0
Interest payment on hybrid capital (net)	--	--	--	--	--	--	0	–3,235	–3,235
Change in tax rate	--	--	--	--	--	--	0	–6	–6
Equity as per Jun. 30, 2017	**44,313**	**93,611**	**530,494**	**42**	**–1,654**	**1,474**	**668,280**	**50,724**	**719,004**
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
Interest payment on hybrid capital (net)	--	--	--	--	--	--	0	–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**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, 2017, 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 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, 2016.

Accounting Policies

The accounting policies applied are generally the same as those applied in the previous year. The impact of the amended standards applied for the first time is presented briefly in the paragraph below.

The auditor has reviewed, but not audited, the condensed interim consolidated financial statements and the interim group management report as per June 30, 2017.

Accounting Standards and Interpretations Already Published but Not Yet Implemented

The IASB has published new and amended IASs and IFRSs that will only become mandatory at a later date. GRENKE AG will implement these standards into the consolidated financial statements when their adoption becomes mandatory. The following explains the accounting rules that are relevant for the Consolidated Group.

IFRS 9 "Financial Instruments"

This standard contains provisions for recognition, measurement and derecognition of financial instruments as well as for the accounting of hedging relationships. The standard replaces the previous accounting regulations for financial instruments under IAS 39 "Financial Instruments: Recognition and Measurement" and the previously released versions of IFRS 9.

IFRS 9 maintains the existing measurement categories of "amortised cost" and "at fair value" when measuring financial instruments. As the basis for classification and measurement, the standard refers to the criteria of cash flow characteristics and the business model used to manage financial instruments. IFRS 9 also introduces a new impairment model based on expected credit losses, whereas IAS 39 only allowed for the recognition of impairment for incurred losses. The standard also contains new provisions for the application of hedge accounting to better reflect an entity's risk management activities,

especially with regard to the control of non-financial risks. The standard is to be applied retrospectively, except in the case of hedge accounting. The provision of comparable prior-year information is not required. The regulations for hedge accounting should generally be applied prospectively with only a few exceptions. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2018. The GRENKE Consolidated Group will apply IFRS 9 for the first time starting with the fiscal year beginning on January 1, 2018.

Loans and receivables are held to collect the contractual cash flows whereby it is necessary to review whether contractual cash flows solely represent principal and interest payments on the outstanding amount (SPPI test). Loans and receivables will likely continue to be measured at amortised cost under IFRS 9. It is expected that equity instruments recorded as assets will be recognised directly in equity at fair value utilising the corresponding accounting option. All financial assets (derivatives) held and previously measured at fair value are expected to continue to be measured at fair value.

The classification and measurement of financial liabilities remain almost unchanged compared to the previous provisions of IAS 39. The amendments are not expected to have an impact on the consolidated financial statements.

The introduction of the new impairment model will have an impact on the consolidated financial statements because potential and expected impairments are recognised at an earlier time. The earlier recognition of impairments will result in a higher risk provision and, therefore, a slightly lower level of equity, whereby a detailed analysis of all of the relevant reliable information will be necessary to determine the exact amount of the impact. The higher risk provision is expected to have the largest impact on the lease receivables. It is not planned to use the simplified approach for lease receivables. Impairments of lease receivables from the banking and factoring businesses are expected to increase only marginally as a result of the amended method to calculate risk provisions compared to IAS 39.

In terms of hedge accounting, the GRENKE Consolidated Group assumes that all hedging transactions currently designated as effective hedging relationships fulfil all of the criteria for hedge accounting specified under IFRS 9. Therefore, this is unlikely to lead to any impact on the consolidated financial statements. The precise impact of the issues referred to on the GRENKE Consolidated Group is currently being examined. The evaluation may still change however based on further detailed analysis or additional information provided to the Consolidated Group in the future.

IFRS 15 "Revenue from Contracts with Customers"

The standard introduces a principles-based, five-step model for the recognition of revenue from contracts with customers. According to IFRS 15, revenue is recognised in the amount that is expected to be received as consideration for the transfer of goods or services to customers (the transaction price as defined by IFRS 15). Revenue is recognised when the customer assumes the economic control of the goods or services. IFRS 15 also contains reporting requirements. The new standard also requires the disclosure of a number of quantitative and qualitative items to give the users of the consolidated financial statements an understanding of the amount, nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace all existing provisions on revenue recognition under IFRS (IAS 11 "Construction Contracts" and IAS 18 "Revenue"), as well as the related IFRS interpretations. The standard is to be applied to fiscal years beginning on or after January 1, 2018, either by means of a full retrospective application or a modified retrospective application. GRENKE is reviewing the allocation of the

transaction price to various performance commitments. The GRENKE Consolidated Group is currently assessing the effects of the application of IFRS 15 on the Company's consolidated financial statements. Based on the analyses to date, GRENKE does not expect any material impact on the consolidated financial statements because, until now, the Consolidated Group generated only a low amount of income from long-term or multi-component contracts. With regard to the new rules on principal-agent relationships, an examination is underway which has not yet produced any sound results. It is not yet decided in what form first-time application will be presented (e.g., fully retrospective, transition method or application of exemption rule).

IFRS 16 "Leases"

In January 2016, the IASB published the new standard IFRS 16 "Leases". IFRS 16 replaces the previous IAS 17 standard on lease accounting and the interpretations IFRIC 4, SIC-15 and SIC-27. Application of the new standard is mandatory for fiscal years beginning on or after January 1, 2019. Early application is permitted only if IFRS 15 "Revenue from Contracts with Customers" is applied at the same time. The main changes introduced by IFRS 16 relate to lessee accounting. The differentiation between an operating lease and a finance lease at the lessee is eliminated. 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"). Simplifications are provided for "low-value" leases and short-term leases of 12 months or less. For "low-value" leases, the simplification applies even if their aggregate amount was material. The simplification consists of an option to apply the recognition and disclosure requirements of IFRS 16.

The accounting policies for the lessor were left mostly unchanged and generally correspond to the previous provisions of IAS 17. As a result, the new standard is not expected to have a material impact on the GRENKE AG consolidated financial statements as a lessor. For leases where the GRENKE Consolidated Group is the lessee, the amended accounting principles will have an effect on the consolidated financial statements. One example is that usage rights will be capitalised for leased vehicles and properties. The effect of this, however, is not expected to be significant because the GRENKE Consolidated Group operates predominantly as a lessor.

Adjustments

The accounting of deferred taxes was changed in accordance with the provisions of IAS 8.41 ff. (partial offsetting). Deferred tax assets and liabilities should be offset to the extent the criteria under IAS 12.74 are met. The criteria for offsetting in certain circumstances, which resulted in deferred tax assets and liabilities, were already met in the past. Despite the order to offset, deferred tax assets and liabilities have been recognised separately for certain issues. This change has no effect on the Consolidated Group's net profit.

The changes were made with retrospective effect. Therefore, the comparable balance sheet figures as per December 31, 2016 have been changed in these interim consolidated financial statements. The changes have the following effect on the balance sheet:

Selected Information From the Balance Sheet as per December 31, 2016

EURk	Reported consolidated financial statements Dec. 31, 2016	Adjustment	Adjusted consolidated financial statements Dec. 31, 2016
Non-current assets			
Deferred tax assets	17,927	–6,884	11,043
Total non-current assets	**2,362,489**	**–6,884**	**2,355,605**
Total assets	**3,971,452**	**–6,884**	**3,964,568**
Non-current liabilities			
Deferred tax liabilities	51,514	–6,884	44,630
Total non-current liabilities	**1,952,520**	**–6,884**	**1,945,636**
Total liabilities and equity	**3,971,452**	**–6,884**	**3,964,568**

The adjustments have no effect on the income statement, statement of comprehensive income or the statement of cash flows for the 2016 fiscal year or on the statement of changes in equity as per December 31, 2016.

The comparable information in the notes to the consolidated financial statements was also changed because of the retrospective adjustment.

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 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

Lease receivables from terminated lease contracts or contracts in arrears are carried at amortised cost 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 range between 5% and 100%. In fiscal year 2017, there was a slight adjustment in the allowance rates. If the previous rates had been applied, allowances would have been EUR 161k lower. Guaranteed and non-guaranteed (calculated) residual values are used to determine the present value of lease receivables in accordance with the definition in 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.

The residual values calculated at the end of the contract period are determined according to the expiration groups of the respective lease contract and based on past experience amount to between 3.0% and 17.5% of the acquisition cost for additions since January 1, 2017.

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. An increase in the recoverable amount, however, remains unrecognised.

Lease Receivables

EURk	Jun. 30, 2017	Jun. 30, 2016
Changes in lease receivables from current contracts (performing lease receivables)	**3,175,908**	**2,758,660**
Balance at beginning of period		
+ Change during the period	336,296	198,522
Lease receivables (current + non-current) from current contracts at end of period	**3,512,204**	**2,957,182**
Changes in lease receivables from terminated contracts/contracts in arrears (non-performing lease receivables)		
Gross receivables at beginning of period	**223,948**	**221,847**
+ Additions to gross receivables during the period	51,154	30,008
– Disposals of gross receivables during the period	17,893	25,091
Gross receivables at end of period	**257,209**	**226,764**
Impairment at beginning of period	**129,746**	**126,335**
+ Additions of accumulated impairment during the period	32,209	29,856
– Disposals of accumulated impairment during the period*	18,408	26,661
Impairments at end of period	**143,547**	**129,530**
Carrying amount of non-performing lease receivables at beginning of period	**94,202**	**95,512**
Carrying amount of non-performing lease receivables at end of period	**113,662**	**97,234**
Lease receivables (carrying amount, current and non-current) at beginning of period	**3,270,110**	**2,854,172**
Lease receivables (carrying amount, current and non-current) at end of period	**3,625,866**	**3,054,416**

* Item contains exchange rate differences in the amount of EUR 100k (previous year: EUR 811k).

Financial Liabilities

EURk	Jun. 30, 2017	Dec. 31, 2016
Financial liabilities		
Current financial liabilities		
Asset-Based	237,506	226,792
Senior Unsecured	765,589	724,236
Committed development loans	45,309	45,604
Liabilities from deposit business	251,068	228,125
Other bank liabilities	2,056	2,824
thereof current account liabilities	*551*	*131*
Total current financial liabilities	**1,301,528**	**1,227,581**
Non-current financial liabilities		
Asset Based	496,696	431,595
Senior Unsecured	1,352,412	1,194,928
Committed development loans	89,803	78,988
Liabilities from deposit business	241,376	188,963
Total non-current financial liabilities	**2,180,287**	**1,894,474**
Total financial liabilities	**3,481,815**	**3,122,055**

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 set up as asset-backed commercial paper (ABCP) programmes.

EURk	**Jun. 30, 2017**	**Dec. 31, 2016**
Programme volume	785,000	735,000
Utilisation	663,863	624,610
Carrying amount	569,828	531,544
thereof current	*166,061*	*154,054*
thereof non-current	*403,767*	*377,490*

Sales of Receivables Agreements

	Jun. 30, 2017	**Dec. 31, 2016**
Programme volume in local currency		
EURk	*25,000*	*25,000*
GBPk	*80,000*	*80,000*
PLNk	*80,000*	*60,000*
CHFk	*50,000*	*50,000*
BRLk	250,000	--
Programme volume in EURk	247,144	178,602
Utilisation in EURk	140,385	126,843
Carrying amount in EURk	140,385	126,843
thereof current	*63,336*	*72,739*
thereof non-current	*77,049*	*54,104*

Residual Loans

The Consolidated Group has had residual loans since its acquisition of Europa Leasing GmbH. The residual loans serve in part to finance the residual amounts of lease contracts for which the payment instalments were sold in the context of the sale of receivables.

	Jun. 30, 2017	**Dec. 31, 2016**
Carrying amount (EURk)	23,989	0
thereof current	*8,109*	*0*
thereof non-current	*15,880*	*0*

Senior Unsecured Financial Liabilities

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

EURk	Jun. 30, 2017	Dec. 31, 2016
Bonds	1,256,346	1,209,998
thereof current	*178,525*	*266,374*
thereof non-current	*1,077,821*	*943,624*
Promissory notes	413,420	392,941
thereof current	*153,027*	*151,387*
thereof non-current	*260,393*	*241,554*
Commercial paper	208,500	201,000
Revolving credit facility	174,305	73,937
thereof current	*160,107*	*64,187*
thereof non-current	*14,198*	*9,750*
Money market trading	34,394	31,692
Current account	20,567	-
Accrued interest	10,469	9,596

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

	Jun. 30, 2017	Dec. 31, 2016
Bonds EURk	2,000,000	1,500,000
Commercial paper EURk	500,000	500,000
Revolving credit facility EURk	160,000	150,000
Revolving credit facility PLNk	70,000	50,000
Revolving credit facility CHFk	30,000	10,000
Money market trading EURk	35,000	45,000

Bonds

In the fiscal year to date, five new bonds were issued with a total volume of EUR 138,000k. The volume of a further bond issued in 2014 was increased by EUR 20,000k. Bonds with an aggregate volume of EUR 112,200k were redeemed on schedule.

Promissory Notes

During the fiscal year to date, three new promissory notes were issued and the maturity of one expiring promissory note was extended. The total volume amounted to EUR 50,000k and CHF 10,000k. Promissory notes with a volume of EUR 10,000k and CHF 8,218k were redeemed on schedule.

Committed Development Loans

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

EURk	Jun. 30, 2017	Dec. 31, 2016
NRW.Bank	53,195	51,771
Thüringer Aufbaubank	12,028	11,068
Investitionsbank Berlin	2,441	3,040
LfA Förderbank Bayern	9,789	14,712
Investitionsbank des Landes Brandenburg	3,047	3,691
KfW	52,248	37,932
Landeskreditbank Baden-Württemberg – Förderbank	2,321	2,310
Accrued interest	43	68

In the reporting period, new loans were issued totalling EUR 33,833k and loans with a total volume of EUR 22,550k were redeemed on schedule.

Equity

By resolution of the by the Annual General Meeting on May 11, 2017, GRENKE AG executed a capital increase from company funds in the amount of EUR 25,432,327.53 and a subsequent stock split at a 1:3 ratio. The new share capital totals EUR 44,313,102.00 divided into 44,313,102 new no-par value shares with a notional interest in the share capital of EUR 1.00 per share. The conversion was executed as per July 2017. Trading in the new shares on the regulated market of the Frankfurt Stock Exchange commenced on July 10, 2017.

Disclosures on Financial Instruments

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.

Fair Value of Financial Instruments

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 1,256,346k (previous year as per December 31, 2016: EUR 1,209,998k) and their fair value amounted to EUR 1,282,599k (previous year as per December 31, 2016: EUR 1,236,937k). 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, 2017	Carrying amount Jun. 30, 2017	Fair value Jun. 30, 2016	Carrying amount Jun. 30, 2016
Financial assets				
Lease receivables (performing)	3,820,351	3,512,204	3,506,128	3,175,908
Other financial assets	174,003	169,983	166,623	166,733
Financial liabilities				
Refinancing liabilities	3,016,846	2,987,315	2,732,454	2,702,143
Liabilities from deposit business	496,001	492,444	420,411	417,088
Bank liabilities	2,056	2,056	2,824	2,824

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, 2017	Carrying amount Jun. 30, 2017	Fair value Dec. 31, 2016	Carrying amount Dec. 31, 2016
Financial assets				
Interest rate derivatives with hedging relationship	46	46	97	97
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	3,536	3,536	3,620	3,620
Total	**3,582**	**3,582**	**3,717**	**3,717**
Financial liabilities				
Interest rate derivatives with hedging relationship	0	0	0	0
Interest rate derivatives without hedging relationship	0	0	0	0
Forward exchange contracts	1,372	1,372	2,976	2,976
Total	**1,372**	**1,372**	**2,976**	**2,976**

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

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 on the basis of 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.

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, 2017	Jan. 1 – Jun. 30, 2016
IT project costs	2,818	3,025

Income Taxes

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

EURk	Jan. 1 – Jun. 30, 2017	Jan. 1 – Jun. 30, 2016
Income taxes		
Current tax expense	15,998	13,607
Deferred taxes	1,943	2,911
Total	**17,941**	**16,518**

Group Segment Reporting

EURk	Leasing segment		Banking segment		Factoring segment		Total segments		Cons. effects		Cons. Group	
January to June	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Operating segment income	**144,029**	125,812	**7,671**	6,633	**2,036**	1,886	**153,736**	134,331	**0**	0	**153,736**	134,331
Segment result	**74,167**	62,111	**4,859**	4,557	**–192**	–118	**78,834**	66,550	**0**	0	**78,834**	66,550
Reconciliation to consolidated financial statements												
Operating result											78,834	66,550
Other financial income											–1,933	–477
Taxes											17,941	16,518
Net profit according to consolidated income statement											**58,960**	49,555
As per Jun. 30 (prev. year: Dec. 31)												
Segment assets	**4,283,344**	3,880,752	**810,704**	722,402	**33,983**	35,908	**5,128,031**	4,639,062	**–765,927**	–709,092	**4,362,104**	3,929,970
Reconciliation to consolidated financial statements												
Tax assets											30,089	34,598[1]
Total assets according to consolidated statement of financial position											**4,392,193**	3,964,568[1]
Segment liabilities	**3,603,283**	3,229,856	**742,050**	668,390	**25,812**	27,247	**4,371,145**	3,925,493	**–765,927**	–709,092	**3,605,218**	3,216,401
Reconciliation to consolidated financial statements												
Tax liabilities											67,971	57,747[1]
Liabilities according to consolidated statement of financial position											**3,673,189**	3,274,148[1]

1 Previous year's figure adjusted

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, 2016. 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 with the exception of tax liabilities.

Acquisitions

Acquisitions in Fiscal Year 2017

Europa Leasing GmbH, Kieselbronn/Germany

On January 1, 2017, GRENKE AG assumed control over Europa Leasing GmbH, Kieselbronn/Germany. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on December 6, 2016.

The business model of Europa Leasing GmbH, Kieselbronn/Germany, is similar to that of GRENKE AG. The company focusses on the sale of medical equipment in its core markets of Germany, Austria and Switzerland.

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 15,091k, lease receivables EUR 39,289k, other assets EUR 7,305k, liabilities from the refinancing of the leasing business EUR 31,998k, deferred tax liabilities EUR 3,185k and other liabilities EUR 7,563k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. The deferred tax liabilities resulted mainly 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 198k 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 profit, including the effects of purchase price allocation, has been negligible due to the short period of time that the company has been part of the GRENKE Consolidated Group. The total consideration paid for the business combination amounted to EUR 19,138k. The cash acquired with the business combination amounted to EUR 4,129k. All costs related to the acquisition were recognised in profit and loss.

GC Renting Malta Ltd., Sliema/Malta

On March 31, 2017, GRENKE AG assumed control over GC Renting Malta Ltd., Sliema/Malta. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on March 29, 2017.

Prior to the acquisition, GC Renting Malta Ltd., Sliema/Malta, was active within GRENKE AG's franchise system and specialised in the sale of small-ticket leases with a strong focus on IT and IT equipment.

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 4,466k, other assets EUR 849k, deferred tax assets EUR 208k, deferred tax liabilities EUR 1,615k and other liabilities EUR 1,266k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. The deferred tax liabilities resulted mainly 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 2,704k 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 profit, including the effects of purchase price allocation, has been negligible due to the short period of time that the company has been part of the GRENKE Consolidated Group. The total consideration paid for the business combination amounted to EUR 5,346k. The cash acquired with the business combination amounted to EUR 592k. All costs related to the acquisition were recognised in profit and loss.

GC Locação de Equipamentos LTDA, São Paulo/Brazil

On June 30, 2017, GRENKE AG assumed control over GC Locação de Equipamentos LTDA, São Paulo/Brazil. The purchase agreement to acquire 100% of the shares and voting rights in the company was concluded on July 25, 2017.

Prior to the acquisition, GC Locação de Equipamentos LTDA, São Paulo/Brazil, was active within GRENKE AG's franchise system and specialised in the sale of small-ticket leases with a strong focus on IT and IT equipment.

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 2,518k, lease receivables EUR 21,022k, other assets EUR 5,115k, liabilities from the refinancing of the leasing business EUR 36,734k, deferred tax liabilities EUR 3,708k and other liabilities EUR 1,743k. Intangible assets are largely attributable to resellers' non-contractual relationships with customers and non-competitive clauses. Of the lease receivables with a gross amount of EUR 26,563k, an amount of EUR 5,540k is impaired and is not expected to be recovered. The deferred tax liabilities resulted mainly 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 14,334k 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 total consideration paid for the business combination amounted to EUR 805k. The cash acquired with the business combination amounted to EUR 859k. All costs related to the acquisition were recognised in profit and loss.

Dividend Payment

On May 11, 2017, the Annual General Meeting adopted the resolution on the appropriation of GRENKE AG's unappropriated surplus for fiscal year 2016 in the amount of EUR 34,637,384.17. 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 2016	EUR 34,637,384.17
Distribution of a dividend of EUR 1.75 per share for a total of 14,771,034 shares	EUR 25,849,309.50
Profit carryforward (to new account)	EUR 8,788,074.67

The dividend was paid to the shareholders of GRENKE AG on May 16, 2017. In the previous year, a dividend of EUR 1.50 per share was paid.

Payment on Hybrid Capital

On March 31, 2017, GRENKE AG paid EUR 4,125,000.00 to hybrid capital holders on schedule.

Related Party Disclosures

The Supervisory Board of GRENKE AG concluded a phantom stock agreement with Board of Directors members Ms Leminsky, Mr Christ and Mr Kindermann.

No payments were made under these agreements during the current fiscal year.

While the agreement with Ms Leminsky applies to fiscal years 2015 through 2017, the agreements with Mr Christ and Mr Kindermann apply to fiscal years 2016 through 2018. Under these agreements, the Board members are each entitled to payments (tranches) for the respective fiscal years equal to the increase in the value of 20,000 shares of GRENKE AG (6,000 shares in the case of Mr Kindermann) in relation to a defined basic share price. 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. The basic share price for the 2017 fiscal year amounts to EUR 144.25 (prior to stock split).

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 (EUR 150,000 in the case of 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% 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. Given the sharp increase in the share price in 2015, Ms Leminsky already reached the maximum payment amount in fiscal year 2015. She will not be able to acquire any additional entitlements in the future based on this agreement.

As per June 30, 2017, the value of the phantom stock agreements amounted EUR 275k (June 30, 2016: EUR 139k). This amount is recognised 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 29.5 million (previous year as per December 31, 2016: EUR 77.3 million), which represents the maximum default risk. The actual utilisation of the guarantees by the guarantee recipients was lower and amounted to EUR 19.3 million (previous year as per December 31, 2016: EUR 56.0 million).

Employees

In the interim reporting period, the GRENKE Consolidated Group had an average of 1,182 employees (previous year as per June 30, 2016: 991), not including the Board of Directors. A further 40 employees (previous year as per June 30, 2016: 23) are in training.

Events After the Balance Sheet Date

Our newly founded subsidiary, GRENKE digital GmbH, commenced operations as per July 1, 2017. The global applications of the Consolidated Group featuring innovative applications such as CRM, ERP, BI and Mobile have been combined in this company.

REVIEW REPORT

To GRENKE AG, Baden-Baden

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and selected explanatory notes, and the interim group management report of GRENKE AG, Baden-Baden, for the period from January 1 to June 30, 2017, which are part of the half-year financial report pursuant to Section 37w WpHG ["Wertpapierhandelsgesetz" – German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's governing bodies. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, July 27, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Frey	Brixner
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

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 27, 2017

Wolfgang Grenke
(Chairman of the Board of Directors)

Antje Leminsky
(Deputy Chairman of the Board of Directors)

Gilles Christ
(Member of the Board)

Sebastian Hirsch
(Member of the Board)

Mark Kindermann
(Member of the Board)

CALENDAR OF EVENTS

October 27, 2017 Publication of the Quarterly Statement for the 3rd Quarter and the First Nine Months of 2017

CONTACT INFORMATION

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Figures in this financial report are generally presented in thousands and millions of euro. Due to rounding, differences to the actual number in euro may occur in individual figures. Such differences are not of a material 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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