

FOR THE 1ST
QUARTER 2021

QUARTERLY
STATEMENT

GRENKE GROUP

GRENKE

GROUP KEY FIGURES

	UNIT	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2020 to Mar. 31, 2020	Change (%)
NEW BUSINESS LEASING	EURk	365'835	681'276	-46.3
DACH*	EURk	104'331	158'241	-34.1
Western Europe (without DACH)*	EURk	98'444	177'410	-44.5
Southern Europe*	EURk	83'413	196'855	-57.6
Northern/Eastern Europe*	EURk	57'201	120'501	-52.5
Other regions*	EURk	22'446	28'269	-20.6
NEW BUSINESS FACTORING	EURk	155'413	171'726	-9.5
of which Germany	EURk	50'834	49'195	3.3
of which International	EURk	104'580	122'531	-14.7
GRENKE BANK				
Deposits per end of period	EURk	1'637'398	976'733	67.6
New business SME lending business incl. microcredit business	EURk	14'736	18'007	-18.2
CONTRIBUTIONS MARGIN 2 (CM2) ON NEW BUSINESS				
LEASING	EURk	71'506	123'888	-42.3
DACH*	EURk	14'864	24'266	-38.7
Western Europe (without DACH)*	EURk	21'346	33'425	-36.1
Southern Europe*	EURk	17'967	37'289	-51.8
Northern/Eastern Europe*	EURk	11'807	22'837	-48.3
Other regions*	EURk	5'521	6'072	-9.1
FURTHER INFORMATION LEASING				
Number of new contracts	units	49'213	75'654	-35.0
Mean acquisition value	EURk	7.4	9.0	-17.5
Mean term of contract per end of period	months	48	49	-2
Volume of leased assets per end of period	EURm	8'894	8'860	0.4
Number of current contracts per end of period	units	990'652	970'005	2.1

* Regions:

DACH: Germany, Austria, Switzerland

Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands

Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain

Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia,

Other regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE, USA

Consolidated franchise companies:

Leasing: Australia (2x), Canada (3x), Chile, Latvia, Norway, Singapore, USA

Factoring: Hungary, Ireland, Italy, Poland, Portugal, UK

	UNIT	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2020 to Mar. 31, 2020 adjusted ¹	Change (%)
INCOME STATEMENT				
Net interest income	EURk	95'117	104'704	-9.2
Settlement of claims and risk provision	EURk	44'591	56'942	-21.7
Total operating expenses	EURk	63'866	58'375	9.4
Operating result	EURk	19'685	26'625	-26.1
Earnings before taxes (EBT)	EURk	18'276	24'367	-25.0
NET PROFIT	EURk	13'987	19'651	-28.8
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	EURk	5'481	16'326	-66.4
Net profit attributable to hybrid capital holders	EURk	9'404	7'428	26.6
Net profit attributable to non-controlling interests	EURk	-898	-4'103	78.1
Earnings per share (basic and diluted)	EUR	0.12	0.35	-65.7
Cost/income ratio	percent	51.2	43.7	17.4
Staff cost	EURk	31'674	31'730	-0.2
of which total remuneration	EURk	26'028	25'994	0.1
of which fixed remuneration	EURk	20'151	19'312	4.3
of which variable remuneration	EURk	5'877	6'682	-12.0
Average number of employees in full-time equivalent (FTE)	employees	1'844	1'851	-0.4

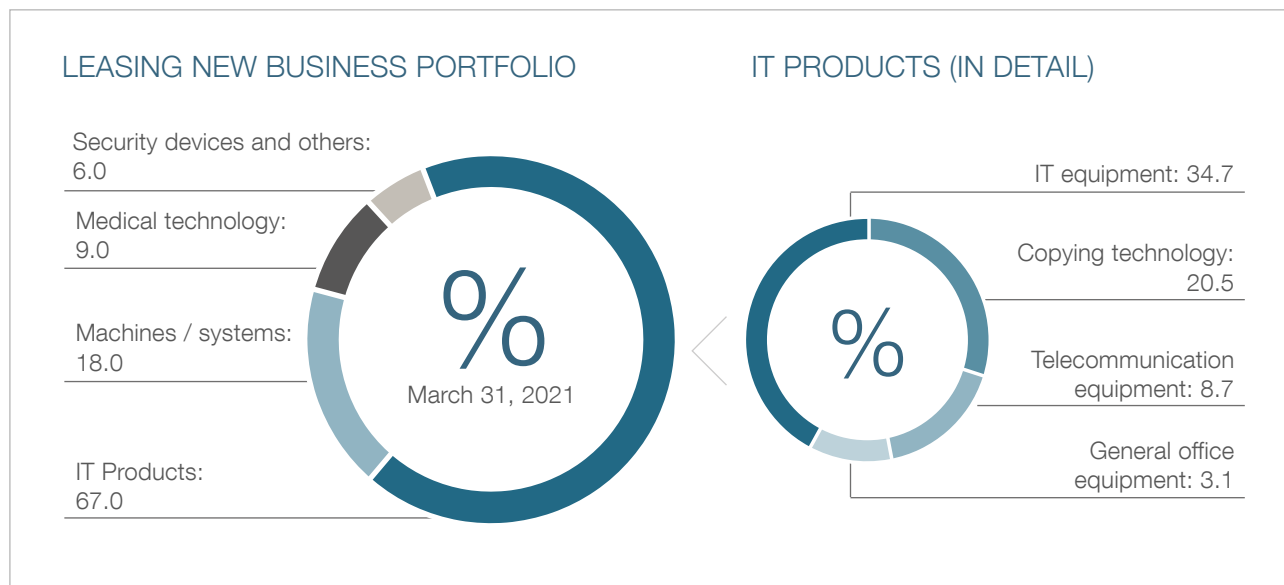
¹ Figures for 2020 have been adjusted in accordance with IAS 8.42 (including the consolidation of the franchise companies)

	UNIT	Mar. 31, 2021	Dec. 31, 2020	Change (%)
STATEMENT OF FINANCIAL POSITION				
Total assets	EURm	7'247	7'332	-1.2
Lease receivables	EURm	5'464	5'636	-3.1
Equity pursuant to statement of financial position ²	EURm	1'196	1'193	0.3
Equity pursuant to CRR	EURm	1'121	1'031	8.7
Equity ratio	percent	16.5	16.3	1.2
Embedded value, leasing contract portfolio (excl. equity before taxes)	EURm	567	664	-14.6
Embedded value, leasing contract portfolio (incl. equity after taxes)	EURm	1'617	1'657	-2.4

² Including AT1 bonds (hybrid capital), which are reported as equity under IFRS

AT A GLANCE

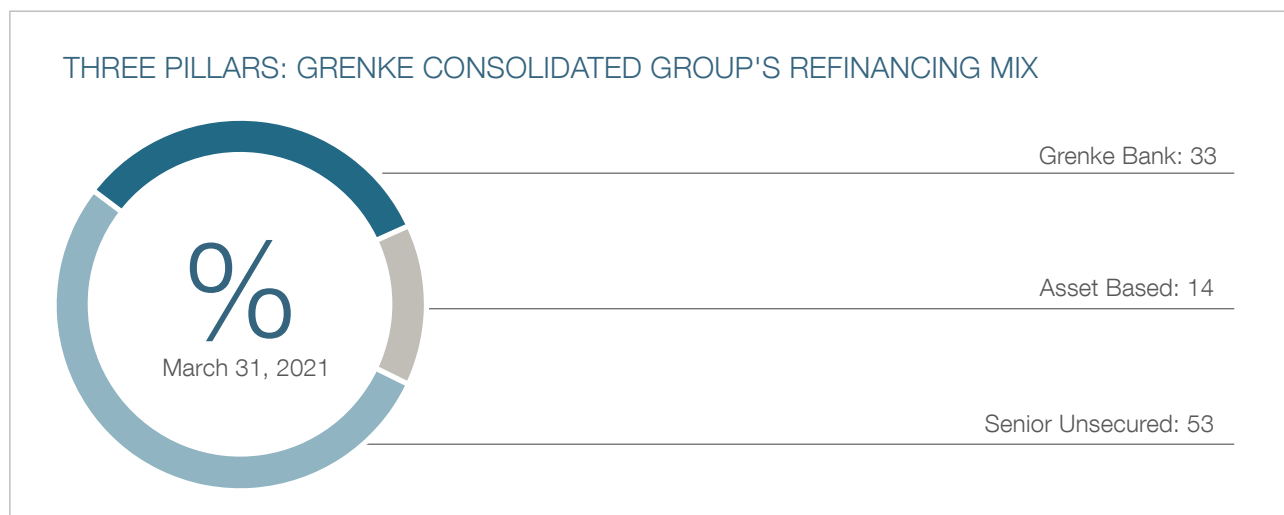
DIVERSIFICATION:



KEY FIGURES:



REFINANCING BASE:



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CONDENSED INTERIM GROUP MANAGEMENT REPORT

1. Business Performance

// New leasing business reaches 53.7 percent of the level in the strong prior-year quarter

// Contribution margin 2 increases substantially to 19.5 percent (Q1 2020: 18.2 percent)

// With net profit of EUR 14.0 million in the first quarter, GRENKE Group is well on its way to achieving full-year forecast

// At 16.5 percent, equity ratio exceeds self-set target of 16 percent

// Outlook for 2021 reaffirmed

1.1 Significant Events and Transactions

After the Supervisory Board of GRENKE AG appointed Isabel Rösler as a member of the Board of Directors effective January 1, 2021 and following the resignation of Mark Kindermann from the Board of Directors, the Supervisory Board reassigned the responsibilities of the members of the Board of Directors at the beginning of February 2021. The Chair of the Board of Directors, Antje Leminsky, assumed responsibility for the Human Resources department, while the essential back office administrative functions were transferred to Chief Risk Officer Isabel Rösler. Chief Financial Officer Sebastian Hirsch was given responsibility for Group Accounting. Prior to this, the Supervisory Board of GRENKE AG had complied with Mark Kindermann's request to terminate his contract prematurely and end his Board of Director's and all other Consolidated Group mandates. As a result, the number of Board of Directors dropped to four members. Mr Kindermann's resignation was preceded by a hearing letter from the German Federal Financial Supervisory Authority (BaFin), which expressed criticism of internal audit processes and procedural weaknesses in the area of compliance.

On February 26, 2021, GRENKE AG provided information on the interim status of the special audit by the auditing firm Mazars, which was mandated by BaFin. According to Mazars, there are no doubts as to the viability of the leasing business, and the allegation of money laundering has not been confirmed. In addition to further exculpatory statements, the report also contained material points of criticism, particularly with regard to the accounting of the franchise companies, the lack of disclosure of related parties, as well as deficiencies in money laundering prevention and in parts of GRENKE Bank's customer lending business. In the course of this assessment and in consultation with the auditors KPMG, the Board of Directors re-evaluated the accounting of the franchise business. The Company saw additional evidence that the franchise companies should have been consolidated in the consolidated financial statements upon their inception, irrespective of the ownership structures, due to de facto control in accordance with IFRS 10. As a result of this reassessment, the comparative figures for 2019 were also adjusted in the consolidated financial statements for 2020.

The overall economic environment remained challenging in the quarter under review. Due to the emergence of new virus mutations, infection figures rose again significantly in numerous European countries at the beginning of 2021. Given the progression of the vaccination campaigns, restrictions continued on economic and social life in most of the economies important for GRENKE in the first quarter of 2021. The International Monetary Fund (IMF) initially lowered its growth forecast for the eurozone in January 2021 from 5.2 percent (October forecast) to 4.2 percent. In April 2021, the IMF revised its expectations slightly higher again to 4.4 percent. The reduced expectations on balance affect all major economies in the eurozone.

1.2 New Business

The GRENKE Group's new business comprises the newly financed business volume of the subsidiaries and the consolidated franchise companies. The distinction made in the prior-year period between the GRENKE Consolidated Group (GRENKE AG including its subsidiaries and structured entities) and the GRENKE Group (the Consolidated Group including franchise partners) became obsolete due to the full consolidation of the franchise companies in the consolidated financial statements as of December 31, 2020.

Due to the weaker economy resulting from the ongoing Covid-19 pandemic, the Consolidated Group's overall new business volume in the first quarter of 2021 decreased by 38.5 percent to EUR 536.0 million (Q1 2020: EUR 871.0 million).

New leasing business – defined as the total acquisition costs of newly acquired leased assets – amounted to EUR 365.8 million in the reporting quarter (Q1 2020: EUR 681.3 million). The decline of 46.3 percent compared to the previous year is a result of the strategic focus on higher margin new business and lower overall demand in the target markets due to the economic situation. Additionally, the Covid-19 pandemic had only a slight effect on the previous year's quarter, making for a high basis for comparison.

Of the Consolidated Group's reporting regions, the DACH region, comprising Germany, Austria and Switzerland, recorded the strongest development in the first quarter of 2021 on a comparative basis. New business in this region declined 34.1 percent to EUR 104.3 million (Q1 2020: EUR 158.2 million). In Germany, the year-on-year decline of 30.9 percent was lower than in the Consolidated Group as a whole. As in previous quarters, GRENKE benefited in its home market from its extensive and long-standing relationships with customers and resellers. In Western Europe without DACH, new business fell by 44.5 percent to EUR 98.4 million in the first quarter of 2021 (Q1 2020: EUR 177.4 million). In France, which is the most important single market in this region, new business volume decreased by 44.1 percent. In Southern Europe, the percentage decline in new business was the strongest at 57.6 percent to EUR 83.4 million (Q1 2020: EUR 196.9 million), with new business in Italy, the most important market in the region, falling by 62.3 percent. In the Northern/Eastern Europe region, new business declined by 52.5 percent to a volume of EUR 57.2 million (Q1 2020: EUR 120.5 million). Starting from a

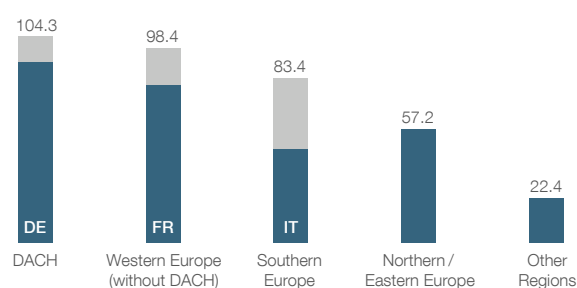
still relatively low base, new business volume in the other regions declined by 20.6 percent to EUR 22.4 million (Q1 2020: EUR 28.3 million).

SEE DIAGRAM NEW BUSINESS LEASING BY REGION

The consolidated franchise companies included in the Leasing segment generated new business volume of EUR 13.1 million in the first quarter of 2021 (Q1 2020: EUR 20.0 million), corresponding to a year-on-year decline of 34.6 percent. Of this volume, EUR 11.5 million (Q1 2020: EUR 17.0 million) was attributable to other regions and EUR 1.5 million (Q1 2020: EUR 3.0 million) to the Northern / Eastern Europe region.

New business leasing by region

As per March 31, 2021, in EUR millions



IT products as a percentage of the leasing portfolio increased to 67.0 percent in the reporting quarter (Q1 2020: 64.3 percent). Medical technology products, small machinery and equipment, security devices and other products together accounted for 33.0 percent of new business in the reporting period (Q1 2020: 35.7 percent).

The GRENKE Group registered 116,814 lease applications in the first quarter (Q1 2020: 154,175). The number of new lease contracts concluded in the same period was 49,213 (Q1 2020: 75,654), resulting in a decline in the conversion rate (applications into contracts) of 42.1 percent (Q1 2020: 49.1 percent). International markets accounted for a total of 94,529 applications (Q1 2020: 128,439), resulting in 37,516 (Q1 2020: 60,673) new contracts. Consequently, the conversion rate in those markets fell to 39.7 percent (Q1 2020: 47.2 percent). In the DACH region, the conversion rate decreased to 52.5 percent (Q1 2020: 58.2 percent). The year-on-year decline in conversion rates reflect the more restrictive acceptance policy for lease applications, while maintaining attractive contribution margins and appropriate risk limitation. The focus of new business was also on small-ticket financing solutions for companies with good to very good credit and industry ratings. Accordingly, the mean acquisition value per lease contract decreased by

17.4 percent to EUR 7,434 in the first quarter of 2021 (Q1 2020: EUR 9,005).

Steering the business towards small-ticket contracts and a more restrictive acceptance policy led to an improvement in the CM2 margin to 19.5 percent in the first quarter of 2021 (Q1 2020: 18.2 percent), which was equal to the level in fourth quarter of 2020 (19.5 percent). In absolute terms, the contribution margin 2 (CM2) of new leasing business fell to EUR 71.5 million (Q1 2020: EUR 123.9 million). The CM1 margin of the leasing business (contribution margin 1 at acquisition values) was 12.7 percent in the first quarter of 2021, reaching EUR 46.6 million (Q1 2020: 12.9 percent or EUR 88.1 million).

Contribution margin 2 of the consolidated franchise companies was EUR 2.8 million in the reporting quarter following EUR 4.3 million in the same quarter of the previous year. Of this, EUR 2.5 million (Q1 2020: EUR 3.6 million) was attributable to the other regions and EUR 0.4 million (Q1 2020: EUR 0.7 million) to the Northern/ Eastern Europe region. The CM2 margin of the consolidated franchise companies reached 21.6 percent (Q1 2020: 21.3 percent).

The acceptance of the eSignature process, which allows lease contracts to be processed entirely digitally, continued to rise. The share of contracts concluded via eSignature increased to 38.8 percent in the reporting quarter (Q1 2020: 26.9 percent).

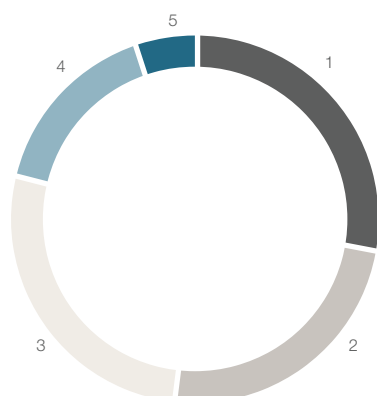
New factoring business, defined as the total of purchased receivables, declined 9.5 percent in the first quarter to EUR 155.4 million (Q1 2020: EUR 171.7 million). Despite lower economic activity overall, new business in Germany recorded growth of 3.3 percent to EUR 50.8 million (Q1 2020: EUR 49.2 million). With a significantly greater share of receivables management (without financing function) of 32.1 percent (Q1 2020: 21.8 percent), where no default risks are assumed, the gross margin in Germany fell to 1.19 percent (Q1 2020: 1.43 percent). The international business, in contrast, was down 14.7 percent at EUR 104.6 million (Q1 2020: EUR 122.5 million). The share of receivables management (without financing function) in the international business decreased to 22.4 percent (Q1 2020: 24.9 percent), and the gross margin declined to 1.32 percent (Q1 2020: 1.59 percent). The gross margin is based on the average period for a factoring transaction of approx. 25 days in Germany (Q1 2020: approx. 27 days) and approx. 43

days on an international level (Q1 2020: approx. 47 days).

The new business of the consolidated franchise companies included in the figures for the Factoring segment rose by 2.1 percent in the first quarter of 2021 to a total of EUR 86.3 million (Q1 2020: EUR 84.5 million).

GRENKE Bank's new business was significantly influenced by the self-imposed restriction of the lending business with small and medium-sized enterprises (SMEs). As a result, the Bank's new business in the first quarter of 2021 was comprised solely of microcredit business within the scope of the "Mikrokreditfonds Deutschland" programme, resulting in a decline in new business of 18.2 percent overall to EUR 14.7 million (Q1 2020: EUR 18.0 million). In the first quarter of 2020, the microcredit business reached EUR 4.5 million. GRENKE Bank's deposit volume increased to EUR 1,637.4 million as of the March 31, 2021 reporting date, which was 67.6 percent higher than the value of EUR 976.7 million as of the end of March 2020. As of December 31, 2020, the deposit business reached a volume of EUR 1,537.3 million.

Leasing new business by region



	2021 Q1	2020 Q1
LEASING (IN PERCENT)		
■ 1 DACH	28.5	23.2
■ 2 Western Europe (without DACH)	27.0	26.0
■ 3 Southern Europe	22.8	28.9
■ 4 Northern / Eastern Europe	15.6	17.7
■ 5 Other Regions	6.1	4.2
GRENKE GROUP (IN EUR MILLIONS)		
New business Leasing	365.8	681.3
New business Factoring	155.4	171.7
New business SME lending business (microcredit business) GRENKE Bank	14.7	18.0

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

2. Net Assets, Financial Position and Results of Operations

Selected information from the consolidated income statement

EURk	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2020 to Mar. 31, 2020*
NET INTEREST INCOME	95'117	104'704
Settlement of claims and risk provision	44'591	56'942
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	50'526	47'762
Profit from service business	27'881	29'384
Profit from new business	7'894	14'218
Gains (+) / losses (-) from disposals	-2'115	-1'915
INCOME FROM OPERATING BUSINESS	84'186	89'449
Staff costs	31'674	31'730
of which total remuneration	26'028	25'994
of which fixed remuneration	20'151	19'312
of which variable remuneration	5'877	6'682
Selling and administrative expenses (excluding staff costs)	25'185	19'757
of which IT project costs	1'273	1'048
EARNINGS BEFORE TAXES	18'276	24'367
NET PROFIT	13'987	19'651
EARNINGS PER SHARE (IN EUR; BASIC / DILUTED)	0.12	0.35

* Figures for 2020 have been adjusted in accordance with IAS 8.42 (including the consolidation of the franchise companies)

2.1 Results of Operations

Interest and similar income from financing business fell by 6.6 percent to EUR 111.8 million in the first quarter of 2021 (Q1 2020: EUR 119.7 million). This decrease was mainly the result of the decline in new business in the 2020 financial year. Interest expenses, in contrast, increased by 11.5 percent to EUR 16.7 million (Q1 2020: EUR 14.9 million) due to higher interest charges for refinancing. Net interest income, the balance of the two items, fell accordingly by 9.2 percent to EUR 95.1 million (Q1 2020: EUR 104.7 million). Expenses for the settlement of claims and risk provision fell by 21.7 percent in the reporting quarter to EUR 44.6 million (Q1 2020: EUR 56.9 million). It should be noted that there had been a sharp rise in the corresponding expenses in the first quarter of the previous year due to the expected losses due to the Covid-19 pandemic.

The loss rate (expenses for the settlement of claims and risk provision in relation to the volume of leased assets) fell to 2.0 percent in the first quarter of 2021 (Q1 2020: 2.6 percent) and was therefore within the range of 1.9 and 2.2 percent expected for the year as a whole. Due to lower risk provisioning, net interest income after settlement of claims and risk provision rose 5.8 percent to EUR 50.5 million in the reporting quarter (Q1 2020: EUR 47.8 million).

The profit from service business fell by 5.1 percent in the first quarter to EUR 27.9 million (Q1 2020: EUR 29.4 million). A much stronger decline of 44.5 percent was recorded in the profit from new business, which amounted to EUR 7.9 million (Q1 2020: EUR 14.2 million), reflecting the declining new business in the reporting quarter. Losses from disposals equalled EUR -2.1 million (Q1 2020: EUR -1.9 million). The income from operating business in the first quarter of 2021 fell overall by 5.9 percent to EUR 84.2 million (Q1 2020: EUR 89.4 million).

Staff costs came to EUR 31.7 million in the first quarter, the same level as in the previous year (Q1 2020: EUR 31.7 million). The share of variable remuneration fell by 12.0 percent to EUR 5.9 million (Q1 2020: EUR 6.7 million), and the average number of employees was down 0.4 percent to 1,844 (based on full-time employees; Q1 2020: 1,851).

Depreciation, amortisation and impairment increased by 1.7 percent to EUR 7.0 million in the reporting quarter (Q1 2020: EUR 6.9 million). Selling and administrative expenses increased by 27.5 percent to EUR 25.2 million (Q1 2020: EUR 19.8 million). The main reason for the increase was the added legal, consulting and audit costs in connection with a short-seller report amounting to EUR 6.7 million. The balance of other operating income and expenses improved to EUR -0.6 million in the reporting quarter (Q1 2020: EUR -4.4 million). Other operating expenses in the same quarter of the previous year included foreign currency translation differences of EUR 3.8 million (Q1 2021: EUR 0.0 million).

The cost-income ratio (CIR) was 51.2 percent in the reporting quarter (Q1 2021: 43.7 percent) and thus slightly higher than the full-year target of below 50 percent. This was mainly due to the extraordinary consulting and audit costs resulting from the special audits. Adjusted for these non-recurring charges, the CIR was 46.0 percent.

The operating result for the first quarter of 2021 fell by 26.1 percent to EUR 19.7 million (Q1 2020: EUR 26.6 million) and earnings before taxes by 25.0 percent EUR 18.3 million (Q1 2020: EUR 24.4 million). As expected, the tax rate increased to 23.5 percent after 19.4 percent in the prior-year quarter. Accordingly, net profit amounted to EUR 14.0 million (Q1 2020: EUR 19.7 million) and thus declined by 28.8 percent. The non-controlling interests' share of earnings to be reported due to the consolidation of the franchise companies was EUR -0.9 million (Q1 2020: EUR -4.1 million). This decline is due to the fact that the expenses of the franchise companies are offset by more income (due to a higher

number of contracts than at the start of business activity, among other things). Since the net profit attributable to hybrid capital holders (EUR 9.4 million after EUR 7.4 million) is to be recognised in full as of March 30 of the respective financial year in accordance with the legal contractual structure of the bonds, earnings per share fell to EUR 0.12 in the first quarter of 2021 (Q1 2020: EUR 0.35).

Selected information from the consolidated statement of financial position

EURk	Mar. 31, 2021	Dec. 31, 2020
CURRENT ASSETS	3'490'281	3'407'121
of which cash and cash equivalents	1'054'669	944'733
of which lease receivables	2'054'436	2'066'352
NON-CURRENT ASSETS	3'756'559	3'924'660
of which lease receivables	3'409'934	3'569'940
TOTAL ASSETS	7'246'840	7'331'781
CURRENT LIABILITIES	2'317'050	2'073'208
of which financial liabilities	2'043'386	1'868'140
NON-CURRENT LIABILITIES	3'733'764	4'065'470
of which financial liabilities	3'622'035	3'941'970
EQUITY	1'196'026	1'193'103
Equity ratio (in percent)	16.5	16.3
TOTAL LIABILITIES AND EQUITY	7'246'840	7'331'781

2.2 Net Assets and Financial Position

2.2.1 Net Assets

Total assets as of March 31, 2021 in comparison to the end of the 2020 financial year decreased slightly by 1.2 percent to EUR 7.2 billion (December 31, 2020: EUR 7.3 billion). This decline was mainly a result of a decrease in the largest balance sheet item by far – non-current and current lease receivables – which were 3.1 percent lower in total at EUR 5.5 billion (December 31, 2020: EUR 5.6 billion). This development reflects the new business volume recorded in recent quarters.

Cash and cash equivalents, in contrast, increased to EUR 1,054.7 million as of March 31, 2021 (December 31, 2020: EUR 944.7 million). In the persistently difficult macroeconomic situation, the GRENKE Group continues to focus on maintaining sufficient liquidity in order to have the flexibility to respond to market conditions. As of the reporting date, the Consolidated Group held significantly more cash and cash equivalents than liabilities due in the short term. In addition, the Consolidated Group is obliged to main-

tain a liquidity buffer due to regulatory requirements. As of March 31, 2021, EUR 850.1 million (December 31, 2020: EUR 711.2 million) was held in accounts at the Deutsche Bundesbank, causing corresponding interest expenses due to the negative deposit interest rates.

On the liabilities side of the balance sheet, current and non-current financial liabilities decreased by a total of 2.5 percent to EUR 5.7 billion (December 31, 2020: EUR 5.8 billion). Current and non-current liabilities from refinancing continued to account for the largest share of financial liabilities, falling by 5.7 percent compared to year-end 2020 to EUR 4.0 billion (December 31, 2020: EUR 4.3 billion). GRENKE Bank's current and non-current liabilities from the deposit business increased by a total of 6.4 percent to EUR 1.6 billion (December 31, 2020: EUR 1.5 billion).

As of March 31, 2021, the deferred lease payments increased to EUR 103.6 million (December 31, 2020: EUR 28.8 million). However, this balance sheet item is often subject to large fluctuations during the year.

At EUR 1,196.0 million, equity as of March 31, 2021 was 0.2 percent higher than at the end of 2020 (December 31, 2020: EUR 1,193.1 million). The net profit of EUR 14.0 million generated in the reporting period was offset by the interest payment for the hybrid capital (EUR 9.4 million) and negative effects from the market valuation of hedging instruments (EUR 2.4 million). As a result of the decline in total assets, the equity ratio rose to 16.5 percent as of the end of March 2021 (December 31, 2020: 16.3 percent) and continued to exceed the Consolidated Group's self-set target of a minimum of 16 percent.

2.2.2 Liquidity

The GRENKE Group was in a position at all times in the reporting quarter to meet its payment obligations. The high level of cash and cash equivalents and the diversified refinancing structure were contributors to this.

No bonds, promissory notes or short-term commercial paper were issued via the Grenke Finance PLC subsidiary in the reporting quarter. Bonds of EUR 40 million and promissory notes of EUR 45 million, DKK 13 million and SEK 15 million were repaid on schedule in the reporting period. Due to the delayed publication of the audited consolidated financial statements for the 2020 financial year, promissory notes in the amount of EUR 103 million were repaid early in the reporting quarter.

ABCP programmes were utilised in the amount of EUR 584.0 million and GBP 109.6 million as of March 31, 2021 (December 31, 2020: EUR 680.2 million and GBP 122.4 million). The total volume of these programmes equalled EUR 947.8 million and GBP 150 million, unchanged from December 31, 2020.

The Consolidated Group's unutilised credit lines (i.e. bank credit lines plus the available volume of bonds and commercial paper) amounted to EUR 3,420.2 million, PLN 28 million and HRK 40 million as of the reporting date (December 31, 2020: EUR 3,367.9 million, PLN 24.0 million, HRK 40.0 million and CHF 10.0 million).

GRENKE Bank's refinancing via customer deposits amounted to EUR 1,640.6 million as of the March 31, 2021 reporting date, compared to EUR 982.7 million at the end of the same prior-year period.

2.2.3 Financial Position

Selected information from the consolidated statement of cash flows

EURk	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2020 to Mar. 31, 2020*
- Investments in new lease receivables	-374'852	-696'495
+ Addition of new refinancing (excl. deposit business)	20'057	504'635
+ Net addition to deposit business	99'247	92'277
(I) CASH FLOW FROM INVESTMENTS IN NEW BUSINESS	-255'548	-99'583
+ Payments by lessees	596'812	577'794
- Repayments of refinancing (excl. deposit business)	-276'082	-448'983
(II) CASH FLOW FROM EXISTING BUSINESS	320'730	128'811
(III) OTHER CASH FLOW FROM OPERATING ACTIVITIES	67'453	105'439
CASH FLOW FROM OPERATING ACTIVITIES (I) + (II) + (III)	132'635	134'667
Net cash flow from operating activities	128'058	131'682
Cash flow from investing activities	-1'709	-5'534
Cash flow from financing activities	-16'770	-16'053
TOTAL CASH FLOW	109'579	110'095

* Figures for 2020 have been adjusted in accordance with IAS 8.42 (i.e. including the consolidation of the franchise companies)

Cash flow from operating activities was EUR 132.6 million in the first quarter of 2021, which was close to the previous year's level (Q1 2020: EUR 134.7 million). In the presentation above, net cash flow from investments in new business includes investments for new lease receivables, which contains the net acquisition values for the leasing objects and the costs incurred directly upon the conclusion of the contract. Due to the lower volume of new business, investments for new lease receivables were EUR -374.9 million in the first quarter (Q1 2020: EUR -696.5 million). These are offset by cash inflows from the increase in refinancing (EUR 20.1 million vs. EUR 504.6 million in the prior-year quarter) and GRENKE Bank's deposit business (EUR 99.2 million after EUR 92.3 million in the prior-year quarter). Net cash flow from investments in New Business fell to a total of EUR -255.5 million (Q1 2020: EUR -99.6 million). Cash flow from existing business rose to EUR 320.7 million (Q1 2020: EUR 128.8 million), enabling both the refinancing of new business and the precautionary build-up of liquid funds.

After interest and taxes paid and received, net cash flow from operating activities amounted to EUR 128.1 million in the reporting quarter (Q1 2020: EUR 131.7 million).

Cash flow from investing activities was EUR -1.7 million in the first quarter of 2021 (Q1 2020: EUR -5.5 million). This item mainly included payments for the acquisition of property, plant and equipment and intangible assets of EUR 1.9 million (Q1 2020: EUR 5.7 million).

Cash flow from financing activities reached EUR -16.8 million in the reporting quarter (Q1 2020: EUR -16.1 million). As in the previous year, the largest item was the interest payment on hybrid capital of EUR 13.4 million (Q1 2020: EUR 10.7 million). The repayment of lease liabilities also resulted in a cash outflow of EUR 3.4 million (Q1 2020: EUR 3.2 million).

As a result of the above, total cash flow in the first quarter of 2021 amounted to EUR 109.6 million (Q1 2020: EUR 110.1 million). Cash and cash equivalents increased accordingly to EUR 1,054.7 million as of March 31, 2021, compared to EUR 944.7 million at the end of the 2020 financial year.

3. Report on Risks, Opportunities and Forecasts

3.1 Opportunities and Risks

No significant changes to the opportunities and risks have occurred in the reporting period in comparison to those described in the 2020 Annual Report (published on May 21, 2021). With regard to the future development of the Consolidated Group, the Company and its subsidiaries, no specific risks associated with the business beyond customary risks have been identified.

3.2 Company Forecast

The forecast for the 2021 financial year incorporates the fact that the ongoing Covid-19 pandemic and the associated economic restrictions will continue to render a challenging market environment. It is impossible from today's perspective to make a reliable estimate of the extent to which this will have an influence on the Consolidated Group's business and earnings development. As a result, the forecast for the 2021 financial year is subject to an unusually high degree of uncertainty.

The first quarter of 2021 was in line with the expectations expressed by GRENKE AG's Board of Directors in the forecast contained in the 2020 Annual Report. The Board of Directors therefore confirms the Company forecast for the 2021 financial year published in that report.

The Board of Directors anticipates new leasing business of between EUR 1.7 and 2.0 billion in 2021 (2020: EUR 2.0 billion). The Board of Directors expects the markets to pick up over the remainder of the year and result in more business in the second half of 2021 than in the first half.

The CM2 margin on new business in the 2021 financial year is expected to be slightly below the previous year (18.4 percent). Although the CM2 margin exceeded the previous year's level in the first quarter of 2021, the Board of Directors expects the margin to decline in the further course of the year due to refinancing conditions.

The lower volume of new business in the first quarter of 2021 and in the months ahead will have an impact on the income from operating business for full-year 2021. Despite the expected lower business volume, the Board of Directors

anticipates a slight rise in costs but still expects the cost-income ratio to remain below 50 percent (2020: 43.1 percent) due to the organisation's strong cost awareness and the scalability of its business model. The loss rate is expected to be between 1.9 and 2.2 percent (2020: 2.3 percent). On this basis, the Board of Directors is projecting a net profit in the range of EUR 50 million to EUR 70 million in 2021. In view of the first quarter net profit of EUR 14.0 million, the Board of Directors believes the Consolidated Group is well on its way to achieving this goal.

For the equity ratio, the Board of Directors expects the ratio to remain stable and be at a level of more than 16 percent at the end of 2021 (2020: 16.3 percent). It is important to take the effects of the full consolidation of the franchise companies into account when assessing the equity ratio. The elimination of the goodwill attributable to the franchise companies reduces the regulatory and rating-related capital requirements. As a result, 16 percent of balance sheet equity is no longer considered necessary to meet external equity requirements, but rather 15 percent.

In addition, the GRENKE Group expects a stable cash flow from operating activities, with which the planned investments can be fully internally financed.

4. Subsequent Events

On April 30, 2021, GRENKE AG published preliminary figures for the 2020 financial year and an outlook for the 2021 financial year. In addition, the Company announced that the 2020 annual report, including the audit opinion, would be published on May 21, 2021.

On 5 May 2021, Deutsche Börse AG announced that the shares of GRENKE AG would be removed from the SDAX in the course of an unscheduled adjustment as of May 10, 2021 due to the violation of basic criteria (publication of audited annual reports). Since then, the shares have been listed on the CDAX, which comprises all German shares listed on the Frankfurt Stock Exchange in the General Standard and Prime Standard.

On May 17, 2021, GRENKE AG announced in an ad hoc notification that on that date auditing firm KPMG had issued an unqualified audit opinion on the annual and consolidated financial statements as of December 31, 2020. In addition,

the Company announced that the Board of Directors plans to propose a dividend of 26 cents per share (2019: 80 cents per share) to the Annual General Meeting for the 2020 financial year. The 2020 Annual Report was published on May 21, 2021.

Due to the ongoing restrictions on public life, the Board of Directors of GRENKE AG decided on May 18, 2021, in consultation with the Supervisory Board, to hold the ordinary Annual General Meeting in virtual form on July 29, 2021, as in the previous year.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EURk	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2019 to Mar. 31, 2019 adjusted ¹
Interest and similar income from financing business	111'780	119'654
Expenses from interest on refinancing and deposit business	16'663	14'950
NET INTEREST INCOME	95'117	104'704
Settlement of claims and risk provision	44'591	56'942
Of which, impairment losses	43'517	55'607
NET INTEREST INCOME AFTER SETTLEMENT OF CLAIMS AND RISK PROVISION	50'526	47'762
Profit from service business	27'881	29'384
Profit from new business	7'894	14'218
Gains(+) / losses (-) from disposals	-2'115	-1'915
INCOME FROM OPERATING BUSINESS	84'186	89'449
Staff costs	31'674	31'730
Depreciation and impairment	7'007	6'888
Selling and administrative expenses (not including staff costs)	25'185	19'757
Other operating expenses	2'087	5'744
Other operating income	1'452	1'295
OPERATING RESULT	19'685	26'625
Result from investments accounted for using the equity method	-176	-115
Expenses / income from fair value measurement	303	-1'054
Other interest income	649	366
Other interest expenses	2'185	1'455
EARNINGS BEFORE TAXES	18'276	24'367
Income taxes	4'289	4'716
NET PROFIT	13'987	19'651
of which total comprehensive income attributable to ordinary shareholders and hybrid capital holders of GRENKE AG	14'885	23'754
of which total comprehensive income attributable to non-controlling interests	-898	-4'103
Earnings per share (basic/diluted in EUR)	0.12	0.35
Average number of shares outstanding	46'495'573	46'353'918

¹ Figures for 2020 have been adjusted in accordance with IAS 8.42 (including the consolidation of the franchise companies)

² Interest and similar income calculated according to the effective interest method EUR 1,796k (previous year: EUR 1,699k).

Consolidated statement of financial position

EURk	Mar. 31, 2021	Dec. 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1'054'669	944'733
Derivative financial instruments that are assets	3'955	5'074
Lease receivables	2'054'436	2'066'352
Other current financial assets	158'530	161'757
Trade receivables	6'660	6'384
Lease assets for sale	25'521	24'095
Tax assets	20'923	22'214
Other current assets	165'587	176'512
TOTAL CURRENT ASSETS	3'490'281	3'407'121
NON-CURRENT ASSETS		
Lease receivables	3'409'934	3'569'940
Derivative financial instruments that are assets	2'397	2'442
Other non-current financial assets	121'324	120'767
Investments accounted for using the equity method	4'347	4'523
Property, plant and equipment	85'177	86'646
Right-of-use assets	45'630	47'680
Goodwill	43'721	43'629
Other intangible assets	23'249	23'829
Deferred tax assets	18'636	23'110
Other non-current assets	2'144	2'094
TOTAL NON-CURRENT ASSETS	3'756'559	3'924'660
TOTAL ASSETS	7'246'840	7'331'781

Consolidated statement of financial position

EURk	Mar. 31, 2021	Dec. 31, 2020
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Financial liabilities	2'043'386	1'868'140
Lease liabilities	11'384	11'647
Derivative liability financial instruments	8'347	4'534
Trade payables	34'318	38'638
Tax liabilities	8'050	6'660
Deferred liabilities	32'410	32'313
Other current liabilities	75'572	82'476
Deferred lease payments	103'583	28'800
TOTAL CURRENT LIABILITIES	2'317'050	2'073'208
NON-CURRENT LIABILITIES		
Financial liabilities	3'622'035	3'941'970
Lease liabilities	35'047	36'754
Derivative liability financial instruments	20'880	20'765
Deferred tax liabilities	50'089	60'219
Pensions	5'687	5'736
Other non-current liabilities	26	26
TOTAL NON-CURRENT LIABILITIES	3'733'764	4'065'470
EQUITY		
Share capital	46'496	46'496
Capital reserves	298'019	298'019
Retained earnings	680'681	675'200
Other components of equity	-2'364	-1'507
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF GRENKE AG	1'022'832	1'018'208
Additional equity components ¹	200'000	200'000
Non-controlling interests	-26'806	-25'105
TOTAL EQUITY	1'196'026	1'193'103
TOTAL EQUITY AND LIABILITIES	7'246'840	7'331'781

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

Consolidated statement of cash flows

EURk	Jan. 1, 2021 to Mar. 31, 2021	Jan. 1, 2020 to Mar. 31, 2020 adjusted ¹
EARNINGS BEFORE TAXES	18'276	24'367
NON-CASH ITEMS CONTAINED IN NET PROFIT FOR THE PERIOD AND RECONCILIATION TO CASH FLOW FROM OPERATING ACTIVITIES		
+ Amortization/depreciation	7'007	6'888
- / + Profit/loss from the disposals of equipment and intangible assets	-1	-32
- / + Investment income	1'536	1'089
- / + Other non-cash effective income/expenses	528	5'686
+ / - Increase/decrease in other provisions	48	-5'383
- Additions of lease receivables	-374'852	-696'495
+ Payments by lessees	596'812	577'794
+ Disposals/ reclassifications of lease receivables at residual carrying values	102'803	85'250
- Interest income from lease receivables	-108'470	-116'169
+ / - Increase in other receivables from lessees	-27'402	9'179
+ / - Currency translation differences	-16'969	40'500
= Change in lease receivables	171'922	-99'941
+ Additions of liabilities from the refinancing of lease receivables	20'057	504'635
- Payment of annuities to refinancers	-276'082	-448'983
- Disposal of liabilities from the refinancing of lease receivables	-12'457	-13'828
+ Interest expense from lease liabilities	13'610	13'459
+ / - Currency translation differences	9'690	-21'024
= Change in liabilities from the refinancing of lease receivables	-245'182	34'259
+ / - Increase/decrease in liabilities from deposit business	99'247	92'277
CHANGES IN OTHER ASSETS/LIABILITIES		
- / + Increase/decrease in other assets	13'007	-2'356
- / + Increase/decrease in lease assets from operating leases	-1'240	-3'385
+ / - Increase/decrease in deferred lease payments	74'783	69'687
+ / - Increase/decrease in other liabilities	-7'296	11'511
= CASH FLOW FROM OPERATING ACTIVITIES	132'635	134'667
- / + Taxes paid/ received	-3'041	-1'896
- Interest paid	-2'185	-1'455
+ Interest received	649	366
= NET CASH FLOW FROM OPERATING ACTIVITIES	128'058	131'682
- Purchase of equipment and intangible assets	-1'940	-5'678
+ Proceeds from sale of equipment and intangible assets	231	144
= CASH FLOW FROM INVESTING ACTIVITIES	-1'709	-5'534
+ / - Raising/repayment of bank liabilities	0	-2'193
- Repayment of lease liabilities	-3'364	-3'196
- Interest coupon payments on hybrid capital	-13'406	-10'664
= CASH FLOW FROM FINANCING ACTIVITIES	-16'770	-16'053

Consolidated statement of cash flows (Continued)

CASH FUNDS			
	Cash on hand and balances with banks	944'733	445'978
-	Bank liabilities from overdrafts	-69	-73
=	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	944'664	445'905
+ / -	Change due to currency translation	-889	1'678
=	CASH FUNDS AFTER CURRENCY TRANSLATION	943'775	447'583
CASH FUNDS AT THE END OF PERIOD			
	Cash on hand and balances with banks	1'054'669	558'263
-	Bank liabilities from overdrafts	-1'315	-585
=	CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	1'053'354	557'678
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD			
	Net cash flow from operating activities	128'058	131'682
+	Cash flow from investing activities	-1'709	-5'534
+	Cash flow from financing activities	-16'770	-16'053
=	TOTAL CASH FLOW	109'579	110'095

¹ Figures for 2020 have been adjusted in accordance with IAS 8.42 (including the consolidation of the franchise companies)

CALENDER OF EVENTS

July 02, 2021 // New business figures Q2 2021

July 29, 2021 // Annual General Meeting

August 2021 // Financial report for the 2nd quarter and first half-year of 2021

October 05, 2021 // New business figures Q3 2021

IMPRINT

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