# GRENKELEASING AG Group

## Quarterly Financial Report as per September 30, 2011

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# KEY FIGURES GRENKE GROUP

| | Jan. 1 to Sept. 30, 2011 | Change (%) | Jan. 1 to Sept. 30, 2010 | Units |
|---|---|---|---|---|
| **New business** | | | | |
| GRENKE Group incl. franchise partners* | 614,990 | 25.0 | 491,967 | EURk |
| – of which Germany | 241,195 | 18.2 | 204,094 | EURk |
| – of which International | 314,966 | 23.5 | 255,128 | EURk |
| – of which Franchise international | 58,829 | 79.7 | 32,745 | EURk |
| Leasing business | 554,923 | 19.9 | 462,973 | EURk |
| – of which Germany | 197,030 | 12.4 | 175,230 | EURk |
| – of which International | 314,966 | 23.5 | 255,128 | EURk |
| – of which Franchise international | 42,927 | 31.6 | 32,615 | EURk |
| Factoring | 60,067 | 107.2 | 28,994 | EURk |
| – of which Germany | 44,165 | 53.0 | 28,864 | EURk |
| – of which Franchise international (CH) | 15,902 | n.a. | 130 | EURk |
| **Contribution margin 2 (CM2) of New business** | | | | |
| GRENKE Group incl. franchise partners* | 91,952 | 22.9 | 74,826 | EURk |
| – of which Germany | 28,269 | 15.6 | 24,450 | EURk |
| – of which International | 54,578 | 24.1 | 43,990 | EURk |
| – of which Franchise international | 9,105 | 42.6 | 6,385 | EURk |
| Leasing business | 90,618 | 22.5 | 73,971 | EURk |
| – of which Germany | 27,261 | 15.5 | 23,596 | EURk |
| – of which International | 54,578 | 24.1 | 43,990 | EURk |
| – of which Franchise international | 8,779 | 37.5 | 6,385 | EURk |
| **Further Information Leasing business** | | | | |
| Number of new contracts | 68,169 | 12.0 | 60,854 | units |
| Share of IT products in the lease portfolio | 86 | –3.4 | 89 | percent |
| Share of corporate customers in the lease portfolio | 100 | 0.0 | 100 | percent |
| Mean acquisition value | 8.1 | 6.6 | 7.6 | EURk |
| Mean term of contract | 46 | 0.0 | 46 | months |
| Volume of leased assets | 2,123 | 14.6 | 1,852 | EURm |
| Number of current contracts | 273,238 | 12.2 | 243,474 | units |
| **GRENKE BANK** | | | | |
| Deposits | 149,275 | 23.4 | 120,948 | EURk |
| Business start-up financing volume | 493 | 112.5 | 232 | EURk |

* incl. Factoring

GRENKE GROUP = GRENKE CONSOLIDATED GROUP including franchise partners

GRENKE CONSOLIDATED GROUP = the consolidated subsidiaries and special-purpose entities according to IFRS

# KEY FIGURES GRENKE CONSOLIDATED GROUP

| | Jan. 1 to Sept. 30, 2011 | Change (%) | Jan. 1 to Sept. 30, 2010 | Units |
|---|---|---|---|---|
| **Key figures income statement** | | | | |
| Net interest income | 68,659 | 17.0 | 58,668 | EURk |
| Settlement of claims and risk provisioning | 25,429 | –3.0 | 26,202 | EURk |
| Profit from insurance business | 18,496 | 15.9 | 15,956 | EURk |
| Profit from new business | 23,004 | 19.1 | 19,310 | EURk |
| Profit from disposals (income exceeding the calculated residual value) | 2,353 | 67.8 | 1,402 | EURk |
| Other operating income | 2,413 | 4.3 | 2,313 | EURk |
| Costs of new contracts | 14,023 | 6.2 | 13,209 | EURk |
| Costs of current contracts | 4,863 | 10.4 | 4,406 | EURk |
| Project costs and basic distribution costs | 15,675 | 4.6 | 14,985 | EURk |
| Management costs | 12,689 | 23.6 | 10,270 | EURk |
| Other costs | 4,180 | 40.4 | 2,977 | EURk |
| Profit from operating business | 38,066 | 48.7 | 25,600 | EURk |
| Other interest result | –222 | 42.5 | –386 | EURk |
| Income/expenses from market valuation of financial instruments | 36 | –85.0 | 240 | EURk |
| EBT (Earnings before taxes) | 37,880 | 48.8 | 25,454 | EURk |
| **Net profit** | **28,083** | **47.2** | **19,079** | **EURk** |
| **Earnings per share (according to IFRS)** | **2.05** | **47.5** | **1.39** | **EUR** |
| **Further information** | | | | |
| Dividend | 0.70 | 16.7 | 0.60 | EUR |
| Embedded value of the leasing contract portfolio (incl. equity before taxes) | 447 | 14.6 | 390 | EURm |
| Embedded value of the leasing contract portfolio (incl. equity after taxes) | 407 | 13.7 | 358 | EURm |
| Cost/income ratio | 57.6 | –10.7 | 64.5 | percent |
| Return on equity (ROE) after taxes | 12.2 | 32.6 | 9.2 | percent |
| Average number of employees | 578 | 8.9 | 531 | persons |

GRENKE GROUP = GRENKE CONSOLIDATED GROUP including franchise partners

GRENKE CONSOLIDATED GROUP = the consolidated subsidiaries and special-purpose entities according to IFRS

# LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders, Ladies and Gentlemen,

The GRENKE Group further continued its particularly successful performance of the first half of 2011 in the third quarter of the current fiscal year. The momentum of our business therefore persisted throughout the entire first nine months despite the usual seasonal effects of the summer: In the GRENKE Group we increased new business by 25.0 percent versus the previous year. International activities again delivered a strong contribution with growth of 29.8 percent. The trend of significant expansion in new business on the German market, that has been observed for several quarters, also continued. In the first nine months, we were able to increase volumes by 18.2 percent.

We are therefore still assuming growth in new business in the GRENKE Group of more than 20 percent in the current fiscal year. Thus, we are clearly on track to achieve the forecasted results which were raised at the start of August: to reach a net profit ranging from EUR 36 million to 38 million in fiscal 2011. This would mark an increase of more than 30 percent. We are still implementing this growth with attractive margins commensurate to risk. In the first nine months of 2011, the contribution margin 2 on leasing business expanded slightly to 16.3 percent after 16.0 percent in the previous year.

In the first nine months of 2011, the GRENKE Consolidated Group's operating income increased by 26.0 percent as opposed to the previous year. The operating result rose by 48.7 percent and net profit by 47.2 percent. Roughly half of income is generated from components not driven by interest. This is the result of our sophisticated contribution margin 2 management and stabilises our operating income even when market interest rates fluctuate.

The course is also clear even beyond the already advanced fiscal year 2011: In the reporting quarter, the GRENKE Group boosted its market presence with two further cell divisions in Denmark (Aarhus) and the UK (Manchester) – after six in the first half of the year and the additional launch on the attractive Turkish market with a franchise partner. Further cell divisions are planned for the current quarter.

There are also things that have not changed – we are growing rapidly and with attractive margins; we are further expanding our market presence and thereby ensuring future growth. These economies of scale mean that our costs are rising at a slower rate. The GRENKE Group can continue to look forward to the future with optimism!

Baden-Baden, November 2011

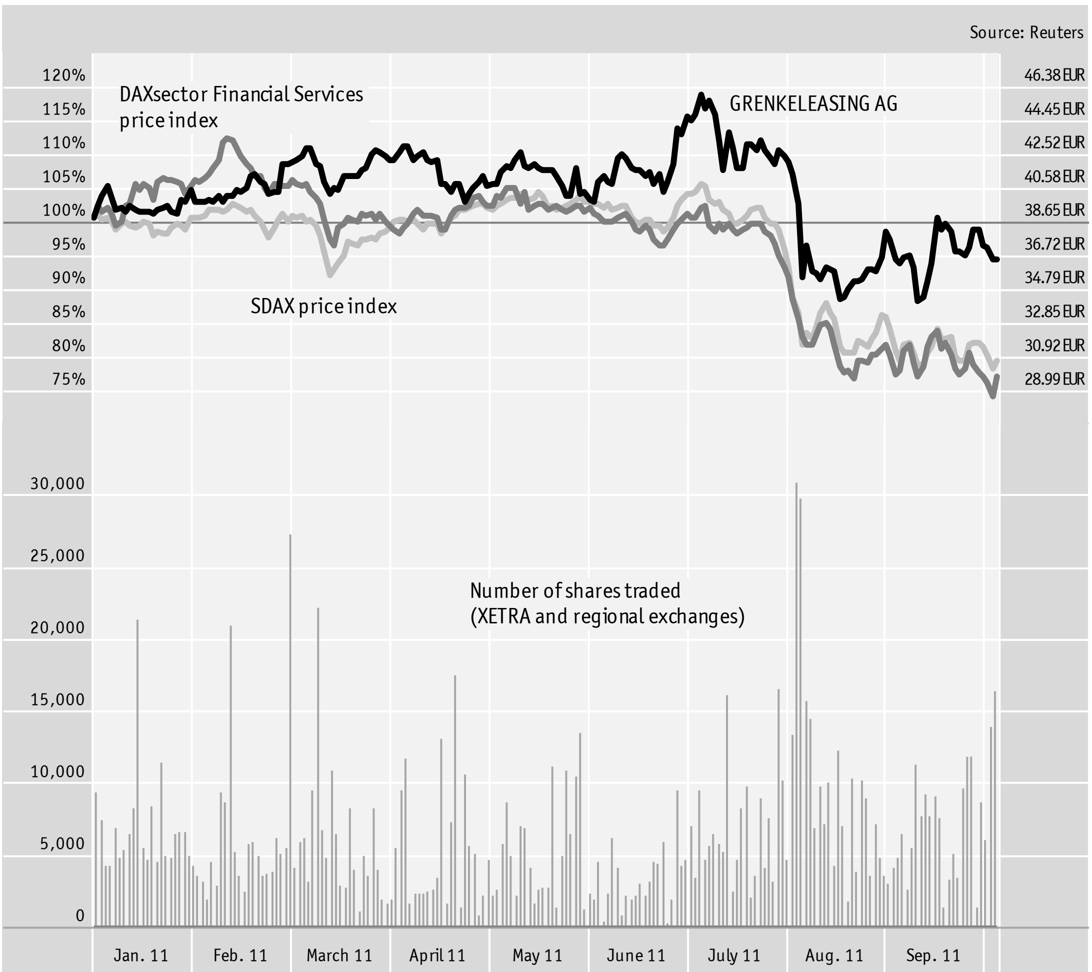
Wolfgang Grenke
Chairman of the Board of Directors

# GRENKELEASING AG SHARES

The shares of GRENKELEASING AG outperformed the market in the first nine months of fiscal 2011. Starting the year with a price on XETRA of EUR 38.65, the shares rose by 18.6 percent to their high for the year to date on July 7. By this date, the SDAX index had risen by 5.0 percent and the DAXsector Financial Services index, which tracks the German financial sector in the Prime Standard, by 1.5 percent.

The shares of GRENKELEASING AG were then also caught up in the correction that hit the market as a whole immediately after this in the wake of the further exacerbation of the debt crisis in several European countries. This correction marked the shares' low for the year of EUR 33.79 on September 12. As at the end of the third quarter it had recovered 9.5 percent to EUR 37.00 while the SDAX regained only 3.4 percent over the same period and the DAXsector Financial Services made no progress overall. By the end of the quarter, GRENKELEASING AG shares were down 4.3 percent on the start of the year. By contrast, the SDAX was 19.3 percent lower than at the start of the year and the DAXsector Financial Services was down by as much as 23.9 percent.

### Development of the Share Price and Daily Turnover



# INTERIM MANAGEMENT REPORT

## THE GROUP'S GROWTH STRATEGY

GRENKE is an internationally positioned growth company. This was highlighted once again by the development of the GRENKELEASING AG Consolidated Group (below: "GRENKE Consolidated Group") over the reporting quarter. Although Germany remains our strongest market, since 2010 we have been generating more than half of our new business – i.e. the sum of the cost of newly acquired leased assets and the factoring volume – in our international markets.

We significantly expanded our market presence in the first nine months of the year: In the first half of the year, we extended and condensed our network of locations with cell divisions in Italy (Brescia and Turin), France (Grenoble) and Ireland (Cork). Two new locations were added in the reporting quarter following cell divisions in Denmark (Aarhus) and the UK (Manchester). Also, our franchise partners opened further offices in Spain (Malaga) and Portugal (Leiria). And finally, thanks to the conclusion of a new franchise agreement for Turkey – the fastest-growing country in Europe – we have secured our foothold on this highly attractive market. Thus, the GRENKE Consolidated Group, which consists of all its consolidated subsidiaries and special-purpose entities according to IFRS, as well as the GRENKE Group, which in addition includes the franchise partners, have continued its impressive expansion at an accelerated pace. Additional cell divisions are planned for the final quarter of 2011. We have again strengthened our solid basis for further profitable growth with the continued penetration of our presence on markets where we already operate and by consistently tapping new markets.

We are also further broadening our product range and our range of financing solutions on an ongoing basis. Here, our focus is on indirect and online sales channels to commercial customers and on automated contract settlement. This way we can also offer small contract volumes at attractive conditions for customers, while still generating attractive margins. In order to limit risks, we manage our expansion so as to ensure the broad diversification of our portfolio across different customers and sectors with small average financing volumes. We do not compromise on our strategic targets for capital resources and profitability. We also do not make any concessions with regard to maintaining an adequate risk-return profile.

In addition to purchasing lower-volume receivables (factoring) and car leasing, since 2010 our new products include the following two new offers from GRENKE BANK AG. In spring 2010 we established a cooperation agreement between NRW.BANK, the development bank of the state of North Rhine-Westphalia in Düsseldorf, GRENKELEASING AG and GRENKE BANK AG. Thanks to this cooperation agreement, small and medium-sized enterprises and self-employed professionals in North Rhine-Westphalia will be able to obtain development funds if they finance new purchases of operating equipment through leases. This model has proved highly successful in just a very short time, with 1,805 contracts generated by the end of 2010 and an additional 1,026 contracts in the first nine months of 2011. Given its success, the cooperation with NRW.BANK has also been extended: On July 28, 2011, a further global loan of EUR 15.0 million was issued.

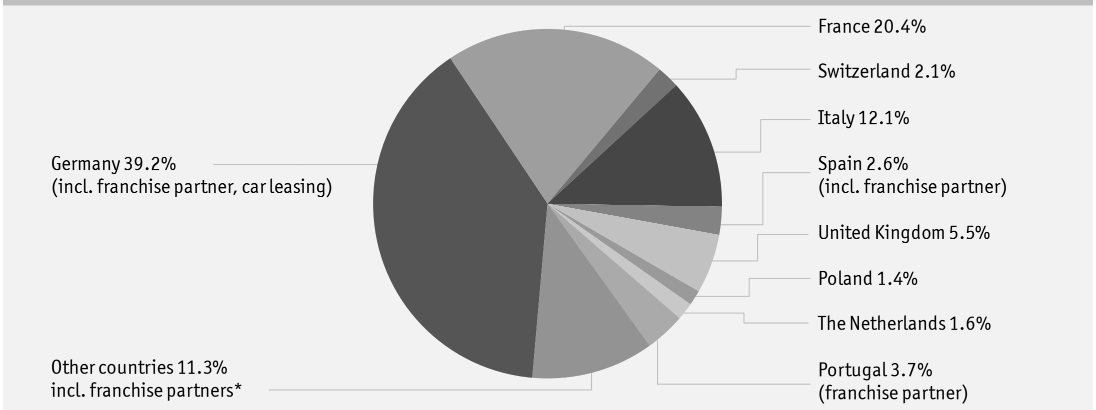
Since the start of 2011, new business start-ups have been granted access to L-Bank funding in Baden-Württemberg in addition to KfW-StartGeld through GRENKE BANK AG. This is part of the "Startfinanzierung 80" development programme, in which Bürgschaftsbank Baden-Württemberg provides an 80-percent indemnification to GRENKE BANK AG for each approved financing.

In spring 2011, GRENKE BANK AG also celebrated its first year of accreditation by KfW-Mittelstandsbank for its business start-up programme "KfW-StartGeld". On the basis of our many years of extensive experience in the field of computer-aided contract settlement, our bank subsidiary has developed an innovative Internet platform that offers entrepreneurs quick and simple access to "KfW-StartGeld". New business start-ups, self-employed professionals and small companies that have existed for no more than three years can receive support of up to EUR 50,000 per inquiry from KfW-Mittelstandsbank. This business is developing well. The volume of business start-up financing transferred in the first nine months of the year amounted to EUR 0.5 million after EUR 0.3 million in 2010 as a whole.

The credit volume of KfW-Mittelstandsbank was recently raised from EUR 50,000 to EUR 100,000 per application, which means that both the L-Bank programme and the KfW programme can now offer a borrowing for new business start-ups of EUR 100,000. The KfW start-up loan "Startgeld" can be used throughout Germany, L-Bank's "Startfinanzierung 80" is limited to the state of Baden-Württemberg.

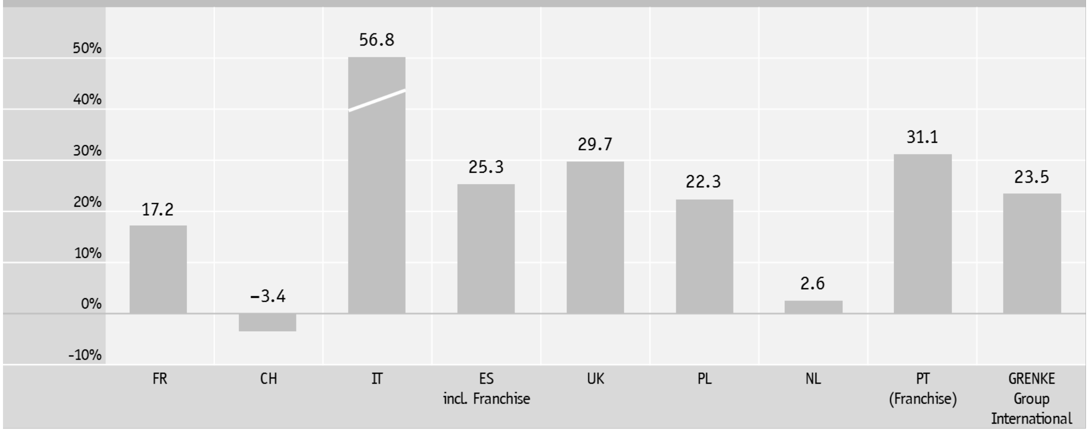
## Expansion in Europe

**Shares in new business of the GRENKE Group as per September 30, 2011**




* Austria, Belgium, Czech Republic, Denmark, Finland, Hungary, Ireland, Luxembourg, Norway, Romania, Slovakia, Slovenia, Sweden, Turkey

**Growth rates international leasing business 9M 2011 (compared to 9M 2010)**



## ECONOMIC ENVIRONMENT

Following a hopeful start to the year in Europe in particular, the global economy is now, in the opinion of the International Monetary Fund (IMF), undergoing a "dangerous new phase": Global economic activity has slowed and become inconsistent, confidence is dwindling and downtrend risks are proliferating. Against the backdrop of the still unresolved structural instabilities, the global economy was shaken in the current year by outside blows such as the natural disaster in Japan and political upheaval in several oil-producing nations of North Africa. Furthermore, the US domestic economy stalled while the euro area faced major financial turbulence and the stock markets are suffering severe losses threatening to drag down the real economy.

Warnings signals have also amassed in Germany of late: In September the GfK consumer climate index declined by 0.1 to 5.2 points and the Markit Purchasing Managers' Index yielded from 51.3 points in August to 50.8. Now at its lowest level since July 2009, this leading indicator has therefore come another step closer to the stagnation threshold of 50 points. The ifo Business Climate Index is moving in the same direction. In September it fell for the third time in a row. In particular, corporate expectations for business performance in the next six months have dimmed considerably. However, with the current corporate situation still good, the German economy has so far remained detached from the political turbulence.

A similar conclusion was reached by Deutsche Bundesbank, which, referencing the last available (August) hard economic indicators such as industrial production and construction, is assuming that the economic trend in Germany will have continued to rise in the third quarter of 2011. Private consumer spending is also expected to have increased slightly following a significant decline in the second quarter, Bundesbank believes. Overall, after the almost stagnation of the second quarter, it is assuming that economic performance will have risen strongly again in the third quarter of 2011.

In September, the Markit PMI fell much more sharply in the euro zone than in Germany, from 50.7 points in August to 49.2. Thus, this leading indicator has fallen below the level of 50 points for the first time since July 2009. Industry especially is seeing a distinct downturn in demand with its fourth drop in orders in a row in the third quarter. The index of incoming orders in euro area (EA-17) industry published by eurostat was also down for the second time in succession in July 2011: After sliding 1.2 percent in June it then dropped by 2.1 percent. Incoming orders in EU-27 declined by 0.8 percent in July 2011 after a dip of 0.8 percent in June as well. However, this downward trend is taking place at a very high level. As against July 2010, the index for incoming orders in July 2011 was up 8.4 percent in the euro zone and 6.8 percent in the EU-27.

## REPORT ON THE RESULTS OF OPERATIONS

In the third quarter of 2011, the GRENKE Consolidated Group essentially continued its high growth in operating income from the first half of the year, driving the figure for the first nine months up by a total of 26.0 percent on the previous year's level to EUR 87.1 million. The strong and, above all, high-margin new business of the past fiscal year is still having a positive effect on net interest income, which climbed by 17.0 percent to EUR 68.7 million. While growth rates are expected to diminish in future – due to base effects on the one hand and the fact that we deliberately scaled back our contribution margin 2 requirements as we left the last recession on the other – little of this has been felt to date. Thus, in the third quarter, net interest income again rose by 17.0 percent to EUR 24.0 million.

The costs of the settlement of claims and risk provisioning were down year-on-year in the first nine months and up insignificantly in the third quarter. The rise in the reporting quarter as against the previous quarter was within normal business parameters. Overall, we are satisfied with this development in claims and anticipate a sustained improvement – providing that the development of the real economy is not negatively influenced by the international financial markets or the debt crisis. However, this improvement will not occur consistently as the level of claims can be very volatile, particularly from quarter to quarter. Temporary increases in the costs of claims are entirely typical for this business. Net interest income after the settlement of claims and risk provisioning increased by 33.2 percent to EUR 43.2 million in the first nine months of 2011.

The contributions from insurance and new business also rose in a satisfactory manner, adding significantly to the excellent business performance of the GRENKE Consolidated Group. In the first nine months of 2011, the profit from insurance business improved by 15.9 percent year-on-year to EUR 18.5 million and the profit from new business – in line with new business growth – rose by 19.1 percent to EUR 23.0 million.

The profit from disposal shows the excess over the calculated residual value. As a net amount, it generally makes only a minor contribution to earnings and tends to fluctuate considerably from quarter to quarter. Given the very high value in the first quarter of 2011, the profit for the first nine months of 2011 improved very strongly year-on-year by 67.8 percent to EUR 2.4 million. In the reporting quarter, the profit amounted to EUR 0.7 million after EUR 0.5 million in the previous year.

With regard to expenses, we are currently seeing significant increases in almost all items as a result of our expansion as growth in our business is always associated with additional employees, more office space, higher travel expenses, vehicle costs and similar expenses. However, the growth rates are very significantly lower than the growth in operating income as we have now achieved positive economies of scale. Developments also vary between different items. In the first nine months of the year, impairment losses were slightly below the prior-year figures and consulting and audit fees noticeably so.

Overall, expense items including the balance from other operating income and expenses increased by a total of 12.6 percent year-on-year to EUR 49.0 million in the first nine months of the year and by 9.1 percent to EUR 15.7 million in the reporting quarter.

In the first nine months, the operating result therefore rose by 48.7 percent year-on-year to EUR 38.1 million. Earnings before taxes and net profit were up 48.8 percent to EUR 37.9 million and by 47.2 percent to EUR 28.1 million, respectively, and earnings per share rose to EUR 2.05 after EUR 1.39 in the previous year.

In the reporting quarter, the operating result improved by 42.3 percent to EUR 13.9 million. Earnings before taxes and net profit were up 47.9 percent to EUR 13.8 million and up 46.5 percent to EUR 10.0 million, respectively, and earnings per share rose to EUR 0.73 after EUR 0.50 in the previous year.

## Report on the development of the segments

The GRENKE Consolidated Group structures its activities in the segments of Leasing Business, Banking Business and Factoring Business. In managing the Leasing Business, the GRENKE Consolidated Group essentially focuses on the individual countries and regions. Thus, the Leasing Business segment represents a combination of several operating segments defined by countries or groups of countries and together making up the reportable Leasing Business segment. The Banking Business segment comprises the activities of GRENKE BANK AG, whose business focuses primarily on German customers. The Factoring segment includes the activities of GRENKEFACTORING GmbH, which performs traditional factoring services in Germany as a financial services provider.

Leasing Business is the GRENKE Consolidated Group's main source of income. The comments on the GRENKE Consolidated Group's earnings performance presented in the previous chapter (Report on the results of operations) therefore also apply to the Leasing Business segment to a significant extent. Here, we increased operating segment income by 26.5 percent year-on-year to EUR 83.7 million in the first nine months of 2011, while the segment result rose by as much as 39.1 percent to EUR 36.3 million.

The Banking and Factoring Business segments are still relatively new activities that are in the development stage and are also much smaller. However, they are now also recording encouraging growth and are turning a profit. In the Banking Business segment, operating segment income remained relatively stable year-on-year after the first nine months at EUR 2.4 million (EUR 2.5 million in the previous year). However, the segment result improved to EUR 1.6 million after a loss of EUR 0.2 million in the previous year. In the Factoring Business segment, operating income climbed by 85.2 percent year-on-year to EUR 1.0 million, with the segment result totalling EUR 0.1 million after a loss of EUR 0.3 million in the previous year.

The earnings contributions of the individual regions in Leasing Business vary depending on the level of maturity of our activities there. The growth rates in well-established markets are also naturally lower than in markets where we are still in the development phase. When considering the Germany segment, it should be noted that part of the administrative functions of the GRENKE Consolidated Group are located at headquarters in Baden-Baden and the costs of these are therefore incurred in this segment. The initial investments for international expansion are also largely reflected in this segment.

Following a very strong year-on-year increase in the reporting quarter, operating segment income in Germany rose by 21.2 percent in the first nine months of 2011 to EUR 35.8 million after EUR 29.5 million. The segment result also benefited from a strong improvement in the third quarter. After high costs had been incurred for faster international expansion in the opening months of the current fiscal year, thereby burdening the segment result for the first half of the year, the nine-month comparison now shows an increase of 27.5 percent to EUR 10.5 million.

In Switzerland we have also a well-established market position since many years. Here, segment income after the first nine months rose slightly by 1.1 percent year-on-year to EUR 3.4 million, the segment result declined from EUR 1.6 million in the previous year to EUR 1.3 million in the reporting period. After a strong first quarter in 2011, income and segment result in the second quarter were both considerably lower than in the previous year; this situation had not yet changed significantly in the third quarter.

After France had also seen a decline in the second quarter, income there improved significantly in the reporting quarter. Accordingly, income growth in the first nine months accelerated notably in comparison to the first half of the year. While the growth rate had been 7.2 percent after six months, it accelerated to 12.6 percent after nine months (EUR 15.7 million after EUR 13.9 million). The result also increased considerably more strongly by 17.8 percent to EUR 9.8 million after EUR 8.3 million.

Persistently high growth rates were generated on the Italian market. Our activities grouped together in the "Other regions" segment also continued to develop very well. In Italy, segment income after nine months climbed by 47.9 percent as against the previous year to EUR 9.6 million and the segment result by 75.8 percent to EUR 5.9 million. In the Other regions segment, income underwent a similarly surge of 50.0 percent to EUR 19.2 million and the result – particularly after a very strong first half of the year – rose by 91.2 percent to EUR 8.7 million.

The development of operating segment income and of the segment results in the individual regions still strongly reflect the different levels of new business during the past financial crisis and shortly thereafter. For this reason, quarterly results are still subject to strong fluctuations. A much more important indicator of our success in the individual regions is the current growth in new business and the development of its contribution margin 2. This will gradually be seen in our income statement as the terms of the contracts progress.

New leasing business documents the GRENKE Group's continuing strong development. In the first nine months of 2011 we have increased new business by 19.9 percent as against the previous year to EUR 554.9 million. At 16.3 percent in the first nine months (HY1: 14.9 percent), the contribution margin 2 is again higher than the respective prior-year figure of 16.0 percent. Thus, the trend of steady margin improvement continued throughout 2011.

These developments essentially apply to all countries in which we operate. It is particularly encouraging that we are also continuing to strongly expand in our German market, increasing new business by 12.4 percent year-on-year in the first nine months. France, our key international market, is on track with growth of 17.2 percent. Switzerland is still in negative territory after the first nine months at –3.4 percent, however it has improved from quarter to quarter in 2011. Italy remains our fastest-growing market after the first nine months with growth of 56.8 percent.

The continuing positive development in the UK and in Poland should also be emphasised. In the UK we increased our new business by 29.7 percent year-on-year in the first nine months. In line with its performance over the year to date, the contribution margin 2 climbed further to 23.4 percent in the third quarter and, at 20.8 percent, has also broken the 20 percent marker for the first nine months.

In Poland we have now completed the integration of this former franchise company. In the first quarter of 2011 new business had remained flat as against the previous year; in the third quarter – as in the second – it expanded more than 50 percent. Thus, the nine-month volume increased by 22.3 percent year-on-year to EUR 8.8 million. At the same time, we improved the contribution margin 2 after nine months from 11.5 to 12.2 percent after only 9.3 percent for the first half of the year (previous year: 11.7 percent). This resulted from the strong rise in the third quarter from 10.9 percent in the previous year to now 17.4 percent.

We launched our factoring product in Switzerland one year ago in order to specifically offer small and medium-sized customers financing solutions in this area. This approach contributed to a rash expansion in the Factoring Performance segment: The growth in new business volumes in the GRENKE Group has accelerated further as a result. After an increase of 105.9 percent in the first half of the year, it increased by 107.2 percent year-on-year in the first nine months to EUR 60.1 million. In the third quarter alone new business climbed by 108.8 percent. The income margin in the first nine months was 2.27 percent after 2.24 in the previous year.

## REPORT ON THE FINANCIAL POSITION AND NET ASSETS

As our new business has grown in the first nine months of 2011, lease receivables increased by 12.4 percent as against the end of fiscal 2010 to EUR 1,493.4 million. Overall, total assets increased in line with this by 10.8 percent to EUR 1,850.9 million.

Given the strength of our earnings, the equity ratio is still at a highly encouraging level despite the consistently rapid expansion. At 16.6 percent at the end of the reporting quarter, it was only slightly less than the 17.2 percent as at the end of fiscal 2010 and therefore still above our target of 16 percent. At the same time we have therefore moderately reduced the slight overcapitalisation that we had deliberately established in the last recession to protect against risks and invested these funds in operating business.

To finance the lease receivables, we made use of our wide range of refinancing sources in the first nine months. After somewhat more extensive transactions were successfully concluded in the first quarter of 2011, no further significant maturities are to be expected for the rest of this fiscal year. We are also excellently positioned for growth in the years beyond: The refinancing of the next major volume of EUR 100 million is not scheduled before August 2012.

Overall, a relatively minor volume of instruments is due for repayment and refinancing in 2012 and 2013. Therefore, we can continue the further development of the GRENKE Consolidated Group with a focus on our strategic objectives and, to a large extent, independent of the possible volatility on the capital markets.

This will also be aided by our successful positioning in deposit business through our banking subsidiary. The corresponding liabilities increased by EUR 27.1 million as against December 31, 2010 to EUR 149.3 million. At EUR 70.7 million as at the end of the reporting period, the available cash and cash equivalents were slightly below the level as at the end of fiscal 2010 of EUR 78.3 million.

The cash flow from operating activities was positive in the first nine months of 2011 at EUR 32.3 million after a negative figure of EUR 28.3 million in the previous year. This substantial growth resulted firstly from the strong rise in net profit in the reporting year. Secondly, we selectively reduced our cash and cash equivalents in the previous year and managed our refinancing activities accordingly. After the payment of taxes owed and insignificant net interest, net cash flow from operating activities amounted to EUR 6.5 million in the first nine months of 2011 after EUR –39.4 million in the previous year.

There was an outflow of funds totalling EUR 2.3 million for the acquisition of the company of our former Hungarian franchise partner in the second quarter of 2011. In the first nine months of 2011, cash flow from investing activities amounted to EUR –3.8 million after EUR –0.9 million in the same period of the previous year. Primarily as a result of the dividend distribution, there was a cash outflow from financing activities of EUR 10.3 million in the reporting year after EUR 8.9 million in the previous year. Therefore, in the first nine months of 2011, total cash flows amounted to EUR –7.5 million after EUR –49.2 million in the previous year.

## REPORT ON FORECASTS AND THE OUTLOOK

### Opportunities and Risks

This opportunities and risks report relates to both the GRENKE Consolidated Group and the segments. The risks for the GRENKE Consolidated Group described in the 2010 annual report are still relevant. No new risks relevant to developments in the current fiscal year have arisen. In general, we see considerably more opportunities than risks for our business development.

For instance, demand for lease finance – measured in terms of the number of inquiries received and the average value per lease – remains high. This allows us to expand new business while also maintaining margins commensurate to risk. Additional locations, branches and franchise partners will also contribute to continued high growth in the future.

There are sufficient funds available to refinance our expansion. The capital markets provide sufficient funds for issuers of good standing even in times of difficulty. We successfully leveraged this in the reporting period within the framework of our requirements. Furthermore, access to banking deposits at GRENKE BANK AG offers us an additional, very attractive source of refinancing that we employ flexibly.

Risks to income development arose in particular from the increase in losses due to the recession. The development of losses traditionally shows a certain degree of fluctuation during the year. However, the general development of losses confirms our expectations that the loss rate saw its high point in the first quarter of 2010.

The economy in Europe has recently weakened considerably – not least on account of the European debt crisis. While this has been recognised by politicians and they are currently working on joint solutions, the political process has proven extremely complex over the course of the year, especially in terms of handling the debt problems of some European countries, and clear approaches to solutions have not yet arisen. Accordingly, the financial markets have remained highly jittery and volatile. However this – as well as the risks of further possible euro turbulence –should have little effect on business performance in the remainder of fiscal 2011.

In principle, there is still the risk of rising interest rates in respect of earnings performance. However, the capital markets currently see this as low-risk given the weaker European economic perspectives. Regardless of the current interest rate developments, in terms of refinancing lease receivables, the GRENKE Consolidated Group is subject to interest rate risks to only a limited extent as the refinancing – if subject to a floating rate at all – is hedged using derivatives. In new business, however, risks may arise in general as a result of changes in interest rates and spreads. The time lag with which we pass on interest rate changes to customers can therefore have a temporary impact on the profitability of new business.

## Overall economic outlook

In light of the precarious situation on the global economy, the IMF adjusted its forecasts downwards in September. Overall, global growth in 2011 and 2012 is now expected to amount to only 4.0 percent after previous estimates of 4.3 and 4.5 percent respectively. The global economy is still being driven by the emerging and developing nations, where real growth rates of more than six percent are still anticipated in spite of the adjustments made here as well. However, the industrial nations will expand by only 1.6 and 1.9 percent respectively (previously: 2.2 and 2.6 percent). Given its persistently weak domestic situation, the US economy is expected to grow at a much slower rate than the euro zone of only 1.5 and 1.8 percent respectively (previously: 2.5 and 2.7 percent).

In the euro zone, an even sharper downturn than before has been forecasted for next year with growth rates of 1.6 and 1.1 percent respectively (previously 2.0 and 1.7 percent). Virtual stagnation is anticipated for Italy at 0.6 and 0.3 percent respectively, while the forecast is a little better for Spain (0.8 and 1.1 percent) and France (1.7 and 1.4 percent). Together with the US, the UK will be one of the few countries to see its growth rates pick up with a forecast of 1.1 percent in 2011 and 1.6 percent next year.

In Germany, the economy is still expected to expand strongly in the current year in particular at 2.7 percent in real terms before being driven down in 2012 to only 1.3 percent. IMF estimates for Germany had previously been 3.2 percent for 2011 and 2.0 percent for 2012. The latest autumn report by the leading German economic research institutes and German government's revised growth forecasts for the next year are pointing in the same direction. Both forecasts assume a significantly lower real rise in GDP at 0.8 and 1.0 percent respectively.

## Expected business development

We have continued our strong growth in the third quarter of the current fiscal year. In the first nine months of 2011, new business in the GRENKE Group expanded by 25.0 percent as against the previous year to EUR 615.0 million. We are therefore still assuming growth in new business in the GRENKE Group of more than 20 percent in the current fiscal year. Thus, we are clearly on track to achieve the net profit forecast we raised at the start of August: a net profit of between EUR 36 million and 38 million in fiscal 2011 and therefore an increase of more than 30 percent.

We are exploiting the differing prospects of the different European countries in a targeted way and are focusing primarily on those regional target markets where competitive intensity is below average. This way, we can achieve our rapid expansion with attractive contribution 2 margins commensurate to risk. This should have a consistently positive effect on net interest income. This also applies to the high-margin new business of previous years, which will now contribute more strongly to consolidated earnings as the term of these agreements progresses.

Our positive expectations for the development of expenses were confirmed in the third quarter, though intra-year fluctuations had varying effects on quarter-to-quarter performance. In particular, the loss rate has been largely constant over the year. The rise in expenses, particularly selling and administrative expenses, has been flatter than that of operating income. This positive development is therefore set to continue in the final quarter of the year.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JULY 1 TO SEPTEMBER 30, 2011

| | 3-month report | | 9-month report | |
|---|---|---|---|---|
| **EURk** | **July 1 to Sept. 30, 2011** | **July 1 to Sept. 30, 2010** | **Jan. 1 to Sept. 30, 2011** | **Jan. 1 to Sept. 30, 2010** |
| Interest and other income from financing business | 37,051 | 31,853 | 106,748 | 91,696 |
| Expenses from interest on refinancing and on deposit business | 13,037 | 11,331 | 38,089 | 33,028 |
| **Net interest income** | **24,014** | **20,522** | **68,659** | **58,668** |
| Settlement of claims and risk provision | 9,384 | 8,991 | 25,429 | 26,202 |
| **Net interest income after settlement of claims and risk provision** | **14,630** | **11,531** | **43,230** | **32,466** |
| Profit from insurance business | 6,617 | 5,659 | 18,496 | 15,956 |
| Profit from new business | 7,684 | 6,478 | 23,004 | 19,310 |
| Profit from disposal | 700 | 517 | 2,353 | 1,402 |
| **Income from operating business** | **29,631** | **24,185** | **87,083** | **69,134** |
| Personnel expenses | 9,054 | 8,205 | 26,871 | 23,595 |
| Depreciation | 669 | 655 | 1,997 | 2,016 |
| Selling and administration expenses (excl. personnel expenses) | 5,991 | 5,784 | 19,212 | 17,334 |
| Other operating expenses | 315 | 585 | 3,350 | 2,902 |
| Other operating income | 295 | 813 | 2,413 | 2,313 |
| **Profit/loss from operating business** | **13,897** | **9,769** | **38,066** | **25,600** |
| Expenses/income from the fair value measurement | –38 | –302 | 36 | 240 |
| Other interest income | 130 | 87 | 325 | 349 |
| Other interest expenses | 181 | 219 | 547 | 735 |
| **Earnings before taxes (EBT)** | **13,808** | **9,335** | **37,880** | **25,454** |
| Income taxes | 2,002 | 2,233 | 13,876 | 11,721 |
| Deferred taxes | 1,773 | 252 | –4,079 | –5,346 |
| **Net profit** | **10,033** | **6,850** | **28,083** | **19,079** |
| Earnings per share (basic) in EUR | 0.73 | 0.50 | 2.05 | 1.39 |
| Earnings per share (diluted) in EUR | 0.73 | 0.50 | 2.05 | 1.39 |
| Average shares outstanding (basic) | 13,684,099 | 13,684,099 | 13,684,099 | 13,684,099 |
| Average shares outstanding (diluted) | 13,684,099 | 13,684,099 | 13,684,099 | 13,684,099 |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JULY 1 TO SEPTEMBER 30, 2011

| EURk | 3-month report July 1 to Sept. 30, 2011 | 3-month report July 1 to Sept. 30, 2010 | 9-month report Jan. 1 to Sept. 30, 2011 | 9-month report Jan. 1 to Sept. 30, 2010 |
|---|---|---|---|---|
| **Net profit for the period** | **10,033** | **6,850** | **28,083** | **19,079** |
| Allocation/reduction of the hedging reserve (before taxes) | 115 | 681 | 904 | 1,771 |
| Income taxes | –11 | –45 | –76 | –140 |
| Allocation/reduction of the hedging reserve (after taxes) | 104 | 636 | 828 | 1,631 |
| Allocation/reduction of reserve for actuarial profits and losses (before taxes) | –30 | –60 | 50 | 4 |
| Income taxes | 7 | 15 | –12 | –1 |
| Allocation/reduction of reserve for actuarial profits and losses (after taxes) | –23 | –45 | 38 | 3 |
| Change of currency translations | –1,153 | 356 | –731 | 2,385 |
| **Other comprehensive income for the period** | **–1,072** | **947** | **135** | **4,019** |
| **Total comprehensive income** | **8,961** | **7,797** | **28,218** | **23,098** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS PER SEPTEMBER 30, 2011

| EURk | Sept. 30, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | 70,748 | 78,297 |
| Financial instruments with positive market value (short term portion) | 796 | 1,255 |
| Lease receivables | 550,201 | 508,325 |
| Other current financial assets | 84,601 | 77,434 |
| Trade receivables | 4,091 | 3,845 |
| Lease assets for sale | 8,352 | 8,159 |
| Tax receivables | 360 | 572 |
| Other current assets | 78,219 | 54,913 |
| **Total current assets** | **797,368** | **732,800** |
| **Non-current assets** | | |
| Lease receivables | 943,236 | 819,899 |
| Financial instruments with positive market value (long term portion) | 2,773 | 1,115 |
| Other non-current financial assets | 38,430 | 43,831 |
| Property, plant and equipment | 35,531 | 35,645 |
| Goodwill | 13,540 | 12,985 |
| Other intangible assets | 1,696 | 1,660 |
| Deferred tax assets | 17,680 | 22,575 |
| Other non-current assets | 630 | 483 |
| **Total non-current assets** | **1,053,516** | **938,193** |
| **Total assets** | **1,850,884** | **1,670,993** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS PER SEPTEMBER 30, 2011

| EURk | Sept. 30, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Liabilities and equity** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Refinancing liabilities | 402,493 | 320,582 |
| Liabilities from deposit business | 94,013 | 87,624 |
| Short-term debt | 621 | 684 |
| Financial instruments with negative market value (short term portion) | 4,774 | 5,449 |
| Trade payables | 8,104 | 6,194 |
| Tax liabilities | 2,785 | 14,795 |
| Deferred liabilities | 4,060 | 4,713 |
| Provisions | 3,515 | 3,452 |
| Other current liabilities | 5,671 | 7,411 |
| Deferred lease payments | 66,281 | 67,300 |
| **Total current liabilities** | **592,317** | **518,204** |
| **Non-current liabilities** | | |
| Refinancing liabilities | 863,817 | 786,961 |
| Liabilities from deposit business | 55,294 | 34,615 |
| Long term debt | 2,406 | 3,094 |
| Financial instruments with negative market value (long term portion) | 1,356 | 1,583 |
| Deferred tax liabilities | 27,578 | 36,361 |
| Pensions | 1,642 | 1,566 |
| Other non-current liabilities | 62 | 836 |
| **Total non-current liabilities** | **952,155** | **865,016** |
| **Equity** | | |
| Capital stock | 17,491 | 17,491 |
| Capital reserve | 60,166 | 60,166 |
| Retained earnings | 148,919 | 89,054 |
| Other components of equity | 1,310 | 1,175 |
| Balance sheet profit | 78,526 | 119,887 |
| **Total equity** | **306,412** | **287,773** |
| **Total liabilities and equity** | **1,850,884** | **1,670,993** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2011

| | EURk | Jan. 1 to Sept. 30, 2011 | Jan. 1 to Sept. 30, 2010 |
|---|---|---|---|
| | **Earnings before taxes** | **37,880** | **25,454** |
| | **Non-cash items contained in net profit for the period and reconciliation to cash flow from operating activities** | | |
| +/– | Amortisation/depreciation | 1,997 | 2,016 |
| –/+ | Profit/loss from the disposals of equipment and intangible assets | –25 | –15 |
| –/+ | Investment income | 222 | 386 |
| –/+ | Non-cash changes in equity | 738 | 4,487 |
| +/– | Increase/decrease deferred liabilities, provisions and pensions | –529 | 4,967 |
| – | Additions of lease receivables | –573,732 | –477,716 |
| + | Payments by lessees | 428,340 | 372,880 |
| + | Disposals/reclassifications of lease receivables at residual carrying values | 86,781 | 77,366 |
| – | Interest and other income from financing business | –106,748 | –91,696 |
| – | Increase in other receivables from lessees | 745 | –2,379 |
| +/– | Currency translation differences | 1,799 | –7,380 |
| = | *Change in lease receivables* | *–162,815* | *–128,925* |
| + | Additions of liabilities from refinancing | 935,051 | 958,075 |
| – | Payment of annuities to refinancers | –193,106 | –200,102 |
| – | Disposal of liabilities from refinancing | –623,387 | –749,900 |
| + | Expenses from interest on refinancing and on deposit business | 38,089 | 33,033 |
| +/– | Currency translation differences | 481 | 3,296 |
| = | *Change in refinancing liabilities* | *157,128* | *44,402* |
| +/– | Increase/decrease in liabilities from deposit business | 27,068 | 14,569 |
| –/+ | Increase/decrease in loans to franchisees | 10,255 | 14,555 |
| | **Changes in other assets/liabilities** | | |
| –/+ | Increase/decrease in other assets | –36,255 | 12,975 |
| +/– | Increase/decrease in deferred lease payments | –1,020 | –27,745 |
| +/– | Increase/decrease in other liabilities | –2,298 | 4,566 |
| = | **Cash flow from operating activities** | **32,346** | **–28,308** |

continued on next page

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM JAN. 1 TO SEPT. 30, 2011: CONTINUED

| | EURk | Jan. 1 to Sept. 30, 2011 | Jan. 1 to Sept. 30, 2010 |
|---|---|---|---|
| –/+ | Taxes paid / received | –25,598 | –10,739 |
| – | Interest paid | –547 | –735 |
| + | Interest received | 325 | 349 |
| = | **Net cash flow from operating activities** | **6,526** | **–39,433** |
| – | Purchase of equipment and intangible assets | –1,571 | –874 |
| –/+ | Payments / proceeds from acquisition of subsidiaries | –2,343 | 0 |
| + | Proceeds from sale of equipment and intangible assets | 108 | 19 |
| = | **Cash flow from investing activities** | **–3,806** | **–855** |
| +/– | Raising / repayment of bank liabilities | –674 | –681 |
| – | Dividend payment | –9,579 | –8,210 |
| = | **Cash flow from financing activities** | **–10,253** | **–8,891** |
| | **Cash funds at the beginning of the period** | | |
| | Cash on hand and balances with banks | 78,297 | 109,866 |
| – | Bank liabilities from overdrafts | –113 | –1,131 |
| = | **Cash and cash equivalents at the beginning of the period** | **78,184** | **108,735** |
| +/– | Change due to currency translation | 60 | –477 |
| = | **Cash funds after currency translation** | **78,244** | **108,258** |
| | **Cash funds at the end of the period** | | |
| | Cash on hand and balances with banks | 70,748 | 60,095 |
| – | Bank liabilities from overdrafts | –37 | –1,016 |
| = | **Cash and cash equivalents at the end of the period** | **70,711** | **59,079** |
| | **Change in cash and cash equivalents during the period (=Total cash flows)** | **–7,533** | **–49,179** |
| | Net cash flow from operating activities | 6,526 | –39,433 |
| + | Cash flow from investing activities | –3,806 | –855 |
| + | Cash flow from financing activities | –10,253 | –8,891 |
| = | **Total cash flow** | **–7,533** | **–49,179** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY

| EURk | Capital stock | Capital reserve | Retained earnings | Hedging reserve | Reserve for actuarial profits and losses | Currency translation | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity as per Jan. 1, 2011** | **17,491** | **60,166** | **208,941** | **–1,005** | **–172** | **2,352** | **287,773** |
| Total comprehensive income | | | 28,083 | 828 | 38 | –731 | **28,218** |
| Dividend in 2011 for 2010 | | | –9,579 | | | | **–9,579** |
| **Equity as per Sept. 30, 2011** | **17,491** | **60,166** | **227,445** | **–177** | **–134** | **1,621** | **306,412** |
| **Equity as per Jan. 1, 2010** | **17,491** | **60,166** | **189,315** | **–2,941** | **–112** | **–1,035** | **262,884** |
| Total comprehensive income | | | 19,079 | 1,631 | 3 | 2,385 | **23,098** |
| Dividend in 2010 for 2009 | | | –8,210 | | | | **–8,210** |
| **Equity as per Sept. 30, 2010** | **17,491** | **60,166** | **200,184** | **–1,310** | **–109** | **1,350** | **277,772** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## SEGMENT INFORMATION FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30, 2011

The Group structures its activities in the segments of Leasing Business, Banking Business and Factoring Business. The Leasing Business segment accounts for all activities performed by GRENKELEASING AG and its subsidiaries until the acquisition of GRENKE BANK AG and GRENKEFACTORING GmbH. In managing the Leasing Business, the Group essentially focuses on the individual regions and countries. Thus, the Leasing Business segment is a combination of several operative segments defined by countries or groups of countries which together define the reportable Leasing Business segment. The Banking Business segment comprises the activities of GRENKE BANK AG, which has mainly focused on its internet presence and the associated sales activities since its acquisition by GRENKELEASING AG. The bank's business focuses mainly on German customers. The Factoring segment includes the activities of GRENKEFACTORING GmbH, which performs traditional factoring services in Germany and is a financial services provider.

| | Leasing Business segment | | | | | | Banking Business segment | Factoring Business segment | Total segments | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As per September 30, 2011 (EURk)** | **Germany region** | **France region** | **Switzer-land region** | **Italy region** | **Other regions** | **Total** | | | | | |
| **Operating segment income** | 35,800 | 15,681 | 3,437 | 9,600 | 19,164 | **83,682** | 2,449 | 952 | **87,083** | 0 | **87,083** |
| **Segment result** | 10,498 | 9,838 | 1,305 | 5,937 | 8,748 | **36,326** | 1,611 | 129 | **38,066** | 0 | **38,066** |
| **Reconciliation to consoli-dated financial statements** | | | | | | | | | | | |
| Operating result | | | | | | | | | | | **38,066** |
| Other financial income | | | | | | | | | | | **–186** |
| Taxes | | | | | | | | | | | **9,797** |
| **Net profit for the period according to consolidated income statement** | | | | | | | | | | | **28,083** |
| **Segment assets** | 644,527 | 390,946 | 47,356 | 159,266 | 554,007 | **1,796,102** | 212,123 | 10,249 | **2,018,474** | –185,630 | **1,832,844** |
| **Reconciliation to consoli-dated financial statements** Unallocated items | | | | | | | | | | | **18,040** |
| **Total assets according to consolidated balance sheet** | | | | | | | | | | | **1,850,884** |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## SEGMENT INFORMATION FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30, 2010

| | Leasing Business segment | | | | | | Banking Business segment | Factoring Business segment | Total segments | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As per September 30, 2010 (EURk) | Germany region | France region | Switzer-land region | Italy region | Other regions | Total | | | | | |
| **Operating segment income** | 29,538 | 13,925 | 3,401 | 6,493 | 12,777 | **66,134** | 2,486 | 514 | **69,134** | 0 | **69,134** |
| **Segment result** | 8,235 | 8,349 | 1,573 | 3,377 | 4,576 | **26,110** | –177 | –333 | **25,600** | 0 | **25,600** |
| **Reconciliation to consolidat-ed financial statements** | | | | | | | | | | | |
| Operating result | | | | | | | | | | | **25,600** |
| Other financial income | | | | | | | | | | | **–146** |
| Taxes | | | | | | | | | | | **6,375** |
| **Net profit for the period according to consolidated income statement** | | | | | | | | | | | **19,079** |
| **Segment assets** | 679,515 | 333,525 | 46,397 | 96,205 | 357,516 | **1,513,158** | 161,158 | 4,398 | **1,678,714** | –141,174 | **1,537,540** |
| **Reconciliation to consolidat-ed financial statements** | | | | | | | | | | | |
| Unallocated items | | | | | | | | | | | **18,330** |
| **Total assets according to consolidated balance sheet** | | | | | | | | | | | **1,555,870** |

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

The interim consolidated financial statements of GRENKELEASING AG (hereafter also referred to as "GRENKE Consolidated Group") as at September 30, 2011 meet the requirements of the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) and adopted by the EU, as did the consolidated financial statements as at December 31, 2010.

The provisions on interim reporting set out in IAS 34 were applied accordingly. All of the interim financial statements of the companies included in GRENKE Consolidated Group's financial statements have been prepared using uniform accounting policies.

As interim reporting is based on the consolidated financial statements, detailed information on accounting and consolidation policies can be found in the notes to the consolidated financial statements for the year ended December 31, 2010.

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

The interim consolidated financial statements and the interim management report have not been audited or reviewed by an auditor.

## MANDATORY NEW ACCOUNTING STANDARDS

The first-time application of the standards adjusted as part of the Annual Improvement Project 2010 ("AIP 2010") and of IAS 24 "Related Party Disclosures", IAS 32 "Financial Instruments: Presentation" (10 February 2010), IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" and IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (1 July 2010) did not result in any material changes in recognition and measurement in Group reporting.

The new or amended statements and interpretations published by the International Accounting Standards Board (IASB) that are not yet required to be applied have not been applied in advance.

The newly by IASC published IFRS 10 "Consolidated Financial Statements", which supersedes the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities", is effective for financial years beginning on or after January 1, 2013. The company is currently assessing the effects of the new standard on the consolidated financial statements. The following new or amended standards that have been published but that are not yet effective are expected to have little to no impact on the consolidated financial statements:

- IAS 19 "Employee Benefits"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"

## USE OF ASSUMPTIONS AND ESTIMATES

The main uncertainties in estimates and the associated disclosure requirements relate to the following areas:

- Measurement of non-performing lease receivables 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.
- Recognition of lease assets for sale at estimated residual values.

Non-performing lease receivables are carried at nominal value less appropriate valuation allowances. The amounts of valuation allowances are 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 formed in line with risk considerations. The following table shows 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 collection 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 (paid in full) |

A decrease in value is assumed for categories 2 to 7 as the contracts have been terminated due to defaults in payment. The allowance rates range from 5 percent to 100 percent.

Estimated residual values are used to determine the present value of lease receivables. Non-guaranteed residual values are used to calculate lease receivables in accordance with the definition set out in IAS 17. Estimated residual values comprise anticipated sales proceeds and any revenues generated in a given renewal period. They are determined on the basis of past experience and statistical methods.

Based on past experience, the residual values of additions up to and including fiscal year 2006 range from 11 percent to 15 percent of historical cost, depending on the term of the lease. In fiscal year 2007, this allocation was broken down further into more detailed maturity groups on account of the increased forecastability of the statistical population.

For additions from 2007 to 2008, the residual values range from 7.7 percent to 28.4 percent of historical cost, depending on the term of the lease. Residual values of between 6.5 percent and 28.4 percent were applied for additions from 2009 onwards. For additions after April 1, 2011, residual values of between 6.5 percent and 23.5 percent were applied.

Proceeds are a best estimate based on statistical analyses. If the post-transaction recoverable amount (from sale and subsequent lease) is lower than expected, the lease receivables are written down. However, any increase in the recoverable amount is not recognised.

Lease assets for sale are measured on the basis of the average sales proceeds per age group realised in the past fiscal year in relation to the original acquisition cost. Lease assets for sale are measured at historical residual values, taking into account their actual saleability. As at the balance sheet date, the residual values applied amounted to between 3.1 percent and 18.6 percent of the historical cost (previous year: between 4.1 percent and 18.6 percent). If a sale is considered unlikely due to the condition of the asset, the asset is written off and expensed.

| EURk | Sept. 30, 2011 | Sept. 30, 2010 |
|---|---|---|
| **Changes in performing lease receivables** | | |
| **Balance at beginning of period** | **1,241,374** | **1,048,550** |
| + Change during the period | 165,563 | 126,557 |
| **Lease receivables (current + non-current) from current contracts at end of period** | **1,406,937** | **1,175,107** |
| **Changes in non-performing lease receivables** | | |
| **Gross receivables at beginning of period** | 170,346 | 169,389 |
| – Accumulated valuation allowances at beginning of period | –83,496 | –83,060 |
| **= Non-performing lease receivables at beginning of period** | **86,850** | **86,329** |
| + Additions to gross receivables during the period | 24,707 | 23,252 |
| – Disposals of gross receivables during the period | 23,205 | 17,531 |
| + Disposal of accumulated valuation allowances during the period | 13,852 | 9,116 |
| – Addition of accumulated valuation allowances during the period | 15,704 | 12,458 |
| **Non-performing lease receivables at end of period** | **86,500** | **88,708** |
| **Lease receivables (carrying amounts of current and non-current receivables) at beginning of period** | **1,328,224** | **1,134,879** |
| **Lease receivables (carrying amounts of current and non-current receivables) at end of period** | **1,493,437** | **1,263,815** |

## GOODWILL

In the past quarter, the goodwill in the consolidated financial statements was tested for impairment in accordance with IAS 36 on the basis of the 2011 half-year figures.

The recoverable amount of the respective cash-generating unit was determined on the basis of a calculation of the value in use using cash flow forecasts based on management-approved five-year financial budgets. Fair value less start-up costs is currently unavailable. The basic assumptions used to calculate the recoverable cash flows in the respective units are based on growth rates in new business of up to 40 percent in individual units and discount factors specific to country and currency of between 7.0 percent and 13.7 percent. Discounting factors are calculated based on the capital asset pricing model (CAPM), whereby a risk-free interest rate of 3.0 percent was assumed for euro countries and a beta factor of 0.80 for the leasing segment and 0.81 for the Bank and Factoring segment. No growth rate was assumed for cash flows after five years.

The cash-generating units used as a basis for testing goodwill impairment are usually legal entities. Key parameters for determining goodwill are future expectations of new business development and profitability.

As at the end of the reporting period, goodwill breaks down as follows: CZK 33,914k (EUR 1,370k) to GRENKELEASING s.r.o., Prague, EUR 504k to GRENKE Consolidated Group’s Italian investments (GRENKE Locazione S.r.l and GRENKE LEASING S.r.l, both in Milan), GBP 1,695k (EUR 1,956k) to Grenke Leasing Ltd., Guildford and PLN 17,888k (EUR 4,061k) to GRENKELEASING Sp.z o.o, Poznán. As at the end of the reporting period, GRENKE BANK AG reported goodwill of EUR 1,582k while GRENKEFACTORING GmbH reported EUR 2,698k. GRENKE SERVICE AG accounts for goodwill of EUR 379k. The provisional goodwill of GRENKELEASING Magyarország Kft., Budapest, acquired in this fiscal year, amounts to HUF 289,899k (EUR 991k). No impairment test was performed as the purchase price allocation is only provisional.

There was no impairment in any of the above cases.

## FINANCIAL LIABILITIES

GRENKE Consolidated Group's financial liabilities comprise liabilities from the refinancing of the leasing business, bank liabilities and liabilities from deposit business.

| EURk | Sept. 30, 2011 | Dec. 31, 2010 |
|---|---|---|
| **Financial liabilities** | | |
| **Current financial liabilities** | | |
| Liabilities from the refinancing of the leasing business | 402,493 | 320,582 |
| *ABS/ABCP-related liabilities* | *91,461* | *70,362* |
| *Bonds, revolving facilities, debentures and private placements* | *277,622* | *219,635* |
| *Committed development loans* | *107* | *187* |
| *Sales of receivables agreements* | *33,303* | *30,398* |
| Current liabilities from deposit business | 94,013 | 87,624 |
| Current portion of bank liabilities | 621 | 684 |
| *thereof current account liabilities* | *37* | *113* |
| **Total current financial liabilities** | **497,127** | **408,890** |
| **Non-current financial liabilities** | | |
| Liabilities from the refinancing of the leasing business | 863,817 | 786,961 |
| *ABS/ABCP-related liabilities* | *243,298* | *214,602* |
| *Bonds, debentures and private placements* | *567,407* | *528,689* |
| *Committed development loans* | *22,887* | *15,000* |
| *Sales of receivables agreements* | *30,225* | *28,670* |
| Non-current liabilities from deposit business | 55,294 | 34,615 |
| Non-current bank liabilities | 2,406 | 3,094 |
| **Total non-current financial liabilities** | **921,517** | **824,670** |
| **Total financial liabilities** | **1,418,644** | **1,233,560** |

### ABS bond

On February 4, 2010, a new ABS bond amounting to EUR 160,000k was placed via the special-purpose entity GOALS FINANCING 2009 LIMITED (GOALS 2009-1). The contracts with GOALS FINANCING 2009 LIMITED allow GRENKELEASING to sell further lease agreements on a revolving basis for a total of three years and up to a maximum volume of EUR 300,000k. The interest rate is variable at three-month EURIBOR plus a spread ranging from 1.25 to 3.5 percent depending on the tranche.

The wholly-owned subsidiary of GRENKELEASING AG, GRENKE FINANCE Plc., Dublin, Ireland, subscribed on a pro rata basis to the second tranche and subscribed fully to the last tranche (nominal amount: EUR 24,200k) of the ABS bond. As a result, the GRENKE Consolidated Group received a cash inflow of only EUR 135,800k. The carrying amount of the total liability was EUR 135,866k as at the end of the reporting period.

## ABCP programmes

The GRENKE Consolidated Group has several asset-backed commercial paper programmes (ABCPs) with a total volume of EUR 400,000k as at the reporting date (previous year: EUR 452,200k). The overview of the programmes as at the reporting date is as follows:

| ABCP programme/SPE | Initiating bank | Refinanceable lease receivables | Programme volume EURk |
|---|---|---|---|
| Compass Variety Funding Limited | WestLB | German and Austrian lease receivables | 40,000 |
| Kebnekaise Funding Limited | SEB AB | German and French lease receivables | 110,000 |
| CORAL PURCHASING Limited | DZ-Bank | German lease receivables | 150,000 |
| Arabella Finance Limited | UniCredit | French lease receivables | 100,000 |
| **Total** | | | **400,000** |

The ABCP programmes grant the company the right to sell receivables to the respective programmes for a certain period or to refinance the receivables through these programmes. The cap on the purchase volume is determined by the volume of the programme, which is normally backed by a liquidity commitment in the corresponding amount by the organising bank. The Compass Variety Funding Limited ABCP programme with WestLB was fixed at EUR 40,000k and approved until January 22, 2012. The programme commitment for the Kebnekaise Funding Limited ABCP programme will run until November 30, 2011.

The programme commitment for the CORAL PURCHASING Limited ABCP programme will run until September 5, 2012, while the programme commitment for the Arabella Finance Limited ABCP programme will run until July 30, 2012.

A further FCT (Fonds Commun de Titrisation à Compartments II/French issuer) used by GRENKELEASING for French securitisation in line with the current general conditions for securitisation was established in order to purchase French lease receivables via the SPE initiated by UniCredit, Arabella Finance Limited ("Arabella"), from November 24, 2010. The sole purpose of this FCT is to securitise French lease receivables under the ABCP programme through Arabella Finance Limited. The first sale of French lease receivables to Arabella took place on January 18, 2011.

48.94 percent of the refinancing framework of the ABCP programmes was utilised as at the reporting date. The corresponding amount of receivables is thus assigned by way of collateral.

## Sales of receivables agreements

Sales of receivables agreements are currently in place with Sparkasse Baden-Baden Gaggenau, Sparkasse Karlsruhe, Commerzbank AG, Norddeutsche Landesbank for the United Kingdom, UBS AG in Switzerland and the Commerzbank subsidiary BRE-Bank SA in Poland. The agreements with Commerzbank AG and BRE-Bank SA in Poland were terminated in 2009. Repayments are being made in line with the contracted portfolios and new acquisitions are not possible at present.

## Bonds, debentures and private placements

A new fixed-rate promissory note loan with a volume of EUR 10,000k was issued on February 11, 2011. The loan matures on August 13, 2012.

On March 9, 2011, a new fixed-interest bullet bond with a volume of EUR 75,000k was issued as part of the debt issuance programme. The bond has a term of four years.

Promissory note loans worth EUR 38,000k that had matured were repaid in full on March 10, 2011 as scheduled.

A debenture of EUR 10,000k issued as part of the debt issuance programme was repaid in full on April 20, 2011. On the same date, a new variable-rate debenture with a volume of EUR 10,000k and a term until July 21, 2014 was issued as part of the debt issuance programme.

A fixed-interest promissory note loan with a volume of EUR 40,000k maturing on April 30, 2011 was replaced by a new variable-interest promissory note loan with the same volume maturing on April 30, 2014. The repayments are due in equal instalments of EUR 6,667k on October 30 and April 30 of each year.

On June 8, a fixed-interest bullet promissory note loan with a volume of EUR 25,000k and a term until June 6, 2014 and a further fixed-interest promissory note loan with a volume of EUR 10,000k and a term until June 8, 2014 were issued. The repayments for the promissory note loan with a volume of EUR 10,000k are due in equal instalments of EUR 1,667k on June 8 and December 8 of each year.

A floating-rate bond of EUR 11,750k was repaid in full on July 4, 2011 as scheduled. On the same day, a fixed-rate bullet promissory note loan with a volume of EUR 12,500k maturing on July 4, 2014 and a stepped coupon bond maturing not later than July 4, 2013 with a volume of EUR 6,900k were issued. On July 28, two fixed-rate bullet promissory note loans of EUR 5,000k each maturing by January 28, 2015 were issued.

A further fixed-rate bullet promissory note loan of EUR 15,000k maturing by August 26, 2014 was issued on August 26.

## Development loans

On February 18, 2010, GRENKELEASING AG and GRENKE BANK AG entered into a cooperation agreement with NRW.Bank, the development bank of the state of North Rhine-Westphalia. This opens up a new opportunity for incorporating development funding into lease financing.

The refinancing of lease agreements, which is available exclusively for investment plans in North Rhine-Westphalia initiated by commercial enterprises and members of self-employed professions with annual sales of up to EUR 500,000k, takes place through the purchase of receivables by GRENKE BANK AG.

GRENKE BANK AG was granted a global loan of EUR 15,000k by NRW.Bank for this specific purpose. The loan was drawn down for the first time in the amount of EUR 7,500k on March 22, 2010; the interest rate was based on six-month EURIBOR plus a margin of 0.21 percent and a term of three years. The second draw-down of a further EUR 7,500k on November 25, 2010 also had a reference interest rate of six-month EURIBOR and a bullet maturity of three years, with a margin of only 0.19 percent in this case.

On July 28, 2011, GRENKELEASING AG and GRENKE BANK AG together with NRW.Bank, the development bank of the state of North Rhine-Westphalia, continued and expanded the cooperation concluded on February 18, 2010 by issuing another global loan totalling EUR 15,000k.

### Revolving credit facility and money market facility

In the context of revolving credit facilities with a total volume of EUR 120,000k and two money market facilities totalling EUR 25,000k and EUR 15,000k available to GRENKE FINANCE Plc., Dublin/Ireland, GRENKE Consolidated Group has the option of taking on short-term funds with a minimum amount of EUR 5,000k and a term of at least one month at any time. The revolving credit facilities totalling EUR 120,000k are arranged with four banks each with a volume of EUR 30,000k. As in previous years, three of the existing credit facilities with a total volume of EUR 90,000k have again been extended by one year.

Due to their early extension, the facility with SEB will run until March 2012, the facility with WestLB until April 2012 and the Facility with Deutsche Bank until September 2012. The facility with DZ-Bank was extended to October 2012 after the end of the reporting period.

There is a non-committed money market facility of EUR 20,000k available to GRENKE FINANCE Plc., Dublin/Ireland from Bayerische Landesbank. In April 2011, this non-committed money market facility was increased by EUR 5,000k to a total of EUR 25,000k.

A further money market facility of EUR 15,000k was agreed with Norddeutsche Landesbank on August 25, 2011.

As at September 30, 2011, these credit facilities had been utilised in the total amount of EUR 95,000k (previous year: EUR 60,000k). Utilisation is disclosed under current liabilities from refinancing of the leasing business.

## DIVIDEND PAYMENT

The Annual General Meeting on May 10, 2011 adopted the resolution on the appropriation of GRENKELEASING AG's profits for fiscal year 2010 in the amount of EUR 41,832,253.42. The Annual General Meeting approved the proposal of the Board of Directors and the Supervisory Board resolving to appropriate the balance sheet profit for 2010 as follows:

| | |
|---|---|
| Balance sheet profit for 2010 | EUR 41,832,253.42 |
| Distribution of a dividend of EUR 0.70 per share for a total of 13,684,099 shares | EUR 9,578,869.30 |
| Appropriation to other revenue reserves | EUR 29,000,000.00 |
| Profit carryforward (to new account) | EUR 3,253,384.12 |

The dividend was paid to the shareholders of GRENKELEASING AG on May 11, 2011.

In the previous year, the Annual General Meeting adopted the proposal of the Board of Directors and the Supervisory Board resolving to appropriate, and appropriating, the balance sheet profit for 2009 as follows:

| | |
|---|---|
| Balance sheet profit for 2009 | EUR 23,263,815.44 |
| Distribution of a dividend of EUR 0.60 per share for a total of 13,684,099 shares | EUR 8,210,459.40 |
| Appropriation to revenue reserves | EUR 0.00 |
| Profit carryforward (to new account) | EUR 15,053,356.04 |

The dividend was paid to the shareholders of GRENKELEASING AG on May 12, 2010.

## BUSINESS COMBINATIONS

### Business combinations in fiscal year 2011

By way of purchase agreement dated June 6, 2011, GRENKELEASING AG acquired 100 percent of voting shares in GRENKELEASING Magyarország Kft., Budapest/Hungary. The date on which control over the acquired company was achieved, as determined, was June 21, 2011.

Prior to the acquisition, the acquired company was active within GRENKELEASING AG's franchise system, specialising in the sale of small-ticket leases with a strong focus on IT equipment. As the relevant information for final purchase price allocation are not yet available in full, the fair values of the assets and liabilities are preliminary and may be required to be adjusted if additional information is obtained in the course of the acquisition process.

The following table presents the preliminary fair values of the identifiable assets and liabilities at the acquisition date of the company:

| EURk | Fair value |
|---|---|
| Intangible assets | 362 |
| Property, plant and equipment | 214 |
| Trade receivables | 784 |
| Lease receivables | 2,398 |
| Cash and cash equivalents | 57 |
| Deferred tax assets | 67 |
| Other assets | 74 |
| **Total assets** | **3,956** |

| EURk | Fair value |
|---|---|
| Liabilities from the refinancing of lease receivables | 1,641 |
| Trade payables | 224 |
| Deferred tax liabilities | 200 |
| Other liabilities | 178 |
| Provisions | 402 |
| **Total liabilities** | **2,645** |
| Total identified net assets | 1,311 |
| Goodwill arising on acquisition | 1,089 |
| **Total consideration** | **2,400** |

The total consideration paid for the business combination with GRENKELEASING Magyarország Kft. amounted to EUR 2,400k and consisted solely of cash.

| **EURk** | |
|---|---|
| **Consideration** | |
| Purchase price in cash | 2,400 |
| **Total consideration** | **2,400** |

| **EURk** | |
|---|---|
| **Cash outflow due to business combination** | |
| Net cash acquired with the subsidiary | 57 |
| Cash paid | 2,400 |
| **Actual cash outflow** | **2,343** |

The intangible assets relate in full to measured relationships with resellers. This reseller base is scheduled to be written down over a useful life of six years starting from the acquisition date.

The preliminary fair value of trade receivables amounted to EUR 784k; this figure corresponds to the gross amount. These receivables are expected to be collectible in full. The preliminary fair value of lease receivables amounted to EUR 2,398k. The gross amount of these receivables was EUR 2,656k. Valuation allowances have been recognised for EUR 258k of these lease receivables, which are not expected to be collectible.

GRENKELEASING Magyarország Kft.'s liabilities for the refinancing of lease receivables relate entirely to loans from GRENKE FINANCE Plc., Dublin/Ireland. These loans were granted to the former franchise company for the purpose of refinancing its lease receivables.

The loans, some of which are denominated in foreign currency, are measured at the closing rate at both companies and eliminated as part of consolidation, meaning that they are not reported in the consolidated balance sheet. Due to the short term and negligible change in the interest rate of the liabilities, there was no significant deviation between the amount measured at the reporting date and the fair value. The liabilities identified from the business combination and recognised as deferred income in the previous quarter were reclassified to provisions and other liabilities following an initial assessment.

Goodwill arising on acquisition was attributable to the forecast business growth in Hungary and other benefits arising from the full integration of the assets and activities within the GRENKE Consolidated Group. The goodwill recognised is not tax-deductible. Since the date of its acquisition, the acquired company contributed net interest income of EUR 74k and a negative result of EUR 264k to consolidated earnings for the period under review.

## RELATED PARTY DISCLOSURES

Mr. Gilles Christ acquired a total of 1,600 shares in GRENKELEASING AG via the stock exchange (Xetra) in February 2011.

Dr. Uwe Hack acquired a total of 2,500 shares in GRENKELEASING AG via the stock exchange (Xetra) in May 2011. Mr. Wolfgang Grenke also acquired 9,000 shares in GRENKELEASING AG via the stock exchange (Frankfurt/Main) in May.

On July 11, 2011, Prof. Dr. Ernst-Moritz Lipp acquired 2,000 shares in GRENKELEASING AG via the stock exchange (Frankfurt/Main).

By way of signature dated June 29, 2010 and July 13, 2010, the Supervisory Board of GRENKELEASING AG concluded phantom stock agreements with Board of Directors members Dr. Uwe Hack and Mr. Gilles Christ.

Under these agreements, Dr. Uwe Hack and Mr. Gilles Christ receive entitlements to payment equal to the increase in value of 30,000 and 15,000 shares respectively in GRENKELEASING AG in relation to a defined basic share price for the fiscal years 2010, 2011 and 2012. The 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 2010 was EUR 28.68 and for 2011 it is EUR 37.72. The maximum payment arising from this agreement is limited to EUR 600,000 or EUR 300,000 for the period of three years.

Under the program, Dr. Uwe Hack and Mr. Gilles Christ are required to invest the respective net amount paid plus a personal contribution of 25 percent of that amount in GRENKELEASING AG shares. A pro rata calculation was applied to Mr. Gilles Christ's first year of membership on the Board of Directors.

The value of the phantom stock agreements granted for 2011 totalled EUR 89k as at September 30, 2011. As payment is not due until the end of 2011, a proportionate amount of EUR 67k has been expensed for the first nine months of the year.

For 2010, a total of EUR 374k was paid out on the basis of the phantom stock agreements for Dr. Uwe Hack and Mr. Gilles Christ.

## EMPLOYEES

In the reporting period, the GRENKE Consolidated Group had an average of 578 employees (previous year: 531), not including the Board of Directors.

## EVENTS AFTER THE BALANCE SHEET DATE

The revolving loan facility with DZ-Bank was extended to October 2012 on October 4, 2011.

On October 24, 2011, a bullet floating-rate debenture with a volume of EUR 30,000k was issued. The debenture will mature on December 15, 2016. On the same day, two floating-rate promissory note loans with a volume of EUR 10,000k each were repaid by offsetting.

Also on October 24, 2011, a bullet floating-rate stepped coupon bond maturing not later than October 24, 2014 with a volume of EUR 7,000k was issued.

## CALENDAR OF EVENTS 2012

| | |
|---|---|
| February 8, 2012 | Publication of the Annual Results for 2011; Annual Press and DVFA Analysts Conference |
| May 10, 2012 | Annual General Meeting (Kongresshaus Baden-Baden) |

## CONTACT

Renate Hauss
Corporate Communications

Tel.: +49 (0) 7221 5007-204
Fax: +49 (0) 7221 5007-112

E-mail: investor@grenke.de

*Figures in this quarterly financial report are usually presented in thousands and millions of euro. Due to rounding, differences as against the actual number in euro may emerge in individual figures. Naturally, such differences are not of a significant nature.*

*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.*

GRENKE®

GRENKELEASING AG
Neuer Markt 2
76532 Baden-Baden
Germany

Phone: +49 7221 5007-204
Fax: +49 7221 5007-112

www.grenke.de
www.grenkebank.de
www.grenkefactoring.de

E-mail: investor@grenke.de

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