

Detailed response:**GRENKE AG rebuts accusations by Viceroy Research**

Baden-Baden, September 18, 2020: GRENKE AG, a global financing partner for small and medium-sized enterprises, continues to vigorously reject the allegations raised by Viceroy Research following the review of the 64-page report. In the unanimous opinion of the Board of Directors and the Supervisory Board, all accusations in all areas are unfounded.

Antje Leminsky, Chair of the Board of Directors of GRENKE AG comments: "The allegations raised in this so-called research report are completely unfounded. We reject any comparison with Wirecard. The accusations brought forward by the short seller, who benefits from the drop in the share price he triggered, are a slap in the face to our more than 1,700 employees, 40,000 resellers and our long-term shareholders."

Full and complete transparency

Viceroy insinuates that GRENKE's franchise acquisitions over the past decade took place with undisclosed related parties and that these relationships should have been disclosed.

This is wrong. CTP Handels- und Beteiligungs GmbH (CTP), which together with their respective managing directors has taken interests in the franchise companies, has been solely owned since the end of January 2020 by the GRENKE founder and Deputy Chairman of the Supervisory Board, Wolfgang Grenke. At that time, Wolfgang Grenke acquired CTP's parent company Sacoma AG and proactively notified BaFin and the Bundesbank. The previous owner has and had no affiliation with the GRENKE Consolidated Group under corporate law. The so-called "Related Party" characteristic of Supervisory Board member Wolfgang Grenke, therefore, did not exist until 2020 and will be accordingly and correctly reported for the first time in the 2020 Annual Report. Since the indirect acquisition of CTP, Wolfgang Grenke no longer participates in the Supervisory Board's discussions on the acquisition of franchise companies and is certainly not involved in any decisions in this regard. Viceroy's assertion that the former member of GRENKE's Board of Directors Thomas Konprecht and the current GRENKE member of the Board of Directors Mark-Antonius Kindermann are the ultimate owners of CTP is incorrect. Neither Mr Konprecht nor Mr Kindermann currently have or had in the past a shareholder role in CTP. Thomas Konprecht is the managing director of CTP under a service contract.

GRENKE AG also emphasises that former GRENKE employees are among the managing directors of the franchise companies. However, they do not have any further role in the GRENKE Consolidated Group, at the latest, from the time they assume the position of shareholder and managing director of the franchise companies.

Wolfgang Grenke comments: "The fact that former employees become self-employed as managing directors of franchisees is not a flaw. On the contrary, it is one of the key strategic strengths of GRENKE. These experienced employees not only contribute entrepreneurial spirit, but also know the Company, the internal processes, the market and the products very well. In turn, CTP helps them to build up and open up markets in the early years."

Ernst-Moritz Lipp, Chairman of the Supervisory Board of GRENKE AG, adds: "After a period of about five years, the GRENKE Consolidated Group has the opportunity to buy the franchise company from the founders. The terms and conditions are set at the very beginning. This is a win-win situation for both sides. The founders of our franchise companies have a clear planning foundation, the best possible support and attractive prospects. And, in any case,

GRENKE AG knows exactly what it is buying. We buy only those that offer above-average potential."

Successful franchise model

Viceroy also claims that the franchise companies acquired by GRENKE have no actual, tangible value and are "underperforming but still appear as goodwill in the Consolidated Group's financial statements.

GRENKE explains: "The franchise companies are acquired after four, five or six years precisely because they have already built up a good network of resellers and, at the same time, offer great potential. It is absolutely customary that the franchise companies, as growing start-ups, are still loss-making at the time of sale. The purchase price for the franchise companies is determined based on a standard market valuation method, the formula for which is already set at the beginning of the franchise relationship. This formula takes into account, among other things, past performance and market potential. The purchase prices of the franchise companies acquired since 2011 amount to a total of around EUR 100 million, which corresponds to about 2% of GRENKE AG's market capitalisation as of December 31, 2019. The success of this acquisition strategy is demonstrated, among others, by the fact that the franchise companies acquired during this period currently represent about one fifth of the total new business of the GRENKE Consolidated Group. The contribution margin 2 (CM2) generated by the acquired franchise companies in 2019 alone amounted to EUR 112 million, which is roughly the same as the total purchase price for these companies.

Any goodwill arising from the purchase price allocation is subject to an annual impairment test.

Deliberately strong liquidity position

Viceroy also claims that a substantial portion of the EUR 1,078 million in cash and cash equivalents reported in the half-year financial report 2020 does not exist.

This allegation – one of Viceroy's central accusations – is entirely fictitious. A total of EUR 849 million, which is almost 80% of the cash and cash equivalents, was held in Deutsche Bundesbank accounts on June 30, 2020 – as published in the half-year financial report. As already reported, the balance at the Bundesbank amounted to EUR 761 million on September 15, 2020. The difference of around 20% is held primarily in accounts at major German banks.

Sebastian Hirsch, member of the Board of Directors of GRENKE AG: "The relatively strong liquidity position is objectively due to the fact that – like many other companies – we deliberately secured additional liquidity at the beginning of the corona crisis. This was mainly achieved by issuing a bond on April 4, 2020 and by offering attractive fixed-term deposits to customers of GRENKE Bank, which resulted in an increase in deposits as a precautionary measure."

Bonds and commercial paper in the amount of EUR 145 million will mature by the end of 2020. In 2021 and 2022, bonds with a volume of around EUR 339 million and EUR 529 million will become due.

Money laundering prevention with an effective system

Viceroy also casts doubt on the effectiveness of money laundering prevention at GRENKE. As alleged evidence, Viceroy argues that three GRENKE Bank customers were able to carry out money laundering via their accounts at GRENKE Bank, although BaFin had already taken legal action against them.

This accusation is also incorrect: The regulatory prescribed processes for "Know your customer" (KYC) and Anti-Money-Laundering (AML) are fully implemented at GRENKE and reviewed regularly. GRENKE uses a high-performance KYC tool that corresponds to the industry standard and is also used by hundreds of Volks- and Raiffeisen banks, among others.

With one exception, none of the other alleged customers mentioned by Viceroy were at any time customers of GRENKE Bank. In the case of the one company named for which an account was maintained in 2018, the account was terminated without notice due to internal suspicious activity reports. At the same time, a notification was sent to the competent supervisory authority – well before the company appeared on the relevant lists.

Antje Leminsky, Chair of the Board of Directors of GRENKE AG: "Not only our formal compliance processes are at the highest level, but also our everyday compliance culture and the attention of our employees."

Proven business model

The Viceroy report also discredits GRENKE's business model, citing among others the, in its view, implausible increase in the number of copiers and printers in the leasing portfolio and an average price for printers and copiers that is allegedly too high. The report also denounces the alleged lack of control mechanisms in the selection of resellers. As evidence, the report cites the review of a lease request within 20 minutes.

These accusations are also unfounded: The Company leases what customers need. Generally speaking, these are new technologies. The relative share of printers and copiers in the leasing portfolio has fallen from 31% to around 18% in the period from 2012 to 2019. The absolute increase in the number of machines essentially reflects the growth of the Company. The absolute amounts quoted by Viceroy Research for printers, for example, do not relate to the price of individual devices, but instead to the average volume of individual contracts, which regularly cover several devices.

In individual cases, GRENKE has been the victim of systematic fraud in the past. These concerned, in particular, the well-known case "Viewble Media". In total, however, the contracts with this one dealer accounted for only about 0.1% of all lease contracts. The business relationship with Viewble Media was terminated by GRENKE already in 2018. GRENKE accommodated the customers who were affected by these cases of fraud just as much as GRENKE itself, both in terms of extending the time frame and the amount of the monthly instalments. GRENKE is already in discussions with other customers about an amicable solution.

In order to avoid similar cases in the future, GRENKE immediately implemented several measures. Firstly, the due diligence carried out on the onboarding of resellers was intensified. In addition to creditworthiness information, this includes, among other things, the on-site inspection of shops and employment conditions. Secondly, in the case of new lease objects, GRENKE carries out an object check including a market price comparison. Thirdly, GRENKE

reviews the service relationship between reseller and lessee and - in case of doubt – rejects combinations of lease object and service.

Antje Leminsky comments on the 20-minute examination saying: "Our fast algorithm-based decisions with our own scoring model is one of our unique selling points in the market. This is where our digital competence, our enormous database and our more than 40 years of experience come together. As a result, we can not only serve our customers very quickly, but also reliably assess the risk of default".

Expertise and continuity in the Supervisory Board and Board of Directors

Viceroy Research believes that there is a "mass exodus" in both the Board of Directors and the Supervisory Board, which is due, among other things, to frequent changes in the chairmanship of the Audit Committee and an alleged lack of audit competence in the Supervisory Board. Viceroy also criticizes the fact that GRENKE has no CFO.

This criticism has no basis whatsoever. Gerhard Witt has been the chairman of the Audit Committee for many years. When his Supervisory Board mandate expired, Tanja Dreilich succeeded him as chair of the Audit Committee. She is a full-time CFO. After one term of office on the Supervisory Board, she left GRENKE, and was succeeded by Florian Schulte, a corporate finance expert, who had already been a member of the Supervisory Board for several years. Furthermore, Jens Rönnberg, an appointed auditor and highly experienced bank auditor has been a member of the Supervisory Board since 2019.

The composition of the Board of Directors is characterised by continuity and long service. Since the appointment of Sebastian Hirsch to the Board of Directors on January 1, 2017, there have been no changes in the Board of Directors of GRENKE AG apart from the scheduled departure of Wolfgang Grenke as Board member on February 28, 2018.

Regarding the role of the CFO, Ernst-Moritz Lipp, Chairman of the Supervisory Board of GRENKE AG, said: "Anyone who only occasionally takes part in roadshows, investor and analyst calls of our Company is fully aware that Sebastian Hirsch fills the role of the CFO de facto and with high competence."

Audit commissioned by KPMG

In view of the seriousness of the allegations, the Board of Directors has proposed to the Supervisory Board that a special audit be prepared. In order to obtain results quickly, the Supervisory Board commissioned the existing auditors KPMG to conduct an audit.

Today, GRENKE AG invites interest parties to a press call and an investor and analyst call.

The press call will take place at 3.00 pm CEST, and the investor and analyst call at 4.00 pm CEST. The investor and analyst call will be available under <https://webcast.meetyoo.de/index.html?e=sVQRHzGWESNq> and can be replayed afterwards.

Corporate News

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About GRENKE

The GRENKE Group (GRENKE) is a global financing partner for small and medium-sized companies. As a one-stop shop for customers, GRENKE's products range from flexible small-ticket leasing and demand-driven bank products to convenient factoring. Fast and easy processing and personal contact with customers and partners are at the centre of GRENKE's activities.

Founded in 1978 in Baden-Baden, the Company operates in 33 countries and employs more than 1,700 staff worldwide. GRENKE shares are listed in the MDAX on the Frankfurt Stock Exchange (ISIN DE000A161N30).

Further information about GRENKE and its products is available at: www.grenke.com