Semiannual Financial Report as of June 30, 2013

RENK AG

Contents

Introduction

The RENK Group's interim report meets the semiannual financial reporting requirements of the applicable regulations of the German Securities Trading Act ("WpHG") and, in accordance with Sec. 37w(2) WpHG, comprises condensed interim consolidated financial statements, an interim group management report, and a management representation. The interim consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) published by the IASB and the related Interpretations (IFRIC) as adopted by the European Union (EU). The semiannual group report should be read in the context of our annual report as of December 31, 2012, and the additional corporate information therein contained.

In this report, differences in amounts or percentages are attributable to commercial rounding.

At a glance

RENK GROUP

€ million (unless otherwise stated)

	H1/2013	H1/2012[1]	Rel. change
			in %
Order intake	237	281	–16
Net sales (revenue)	225	215	+5
Order backlog [2]	644	634	+2
Headcount [2]	2,261	2,245	+1
thereof temporary employees [2]	51	78	–35
			Abs. change
			in € mill.
Operating profit (EBIT)	28	27	+1
EBT (earnings before taxes)	28	27	+1
Net income (EAT)	19	19	0
Earnings per share (EpS) in €	2.81	2.74	—
Return on sales (ROS) in %	12.3	12.6	—
Capital expenditures	8	11	–3
Amortization/depreciation of fixed assets	8	7	+1
R&D expenditures (internally funded)	4	3	+1
Cash earnings	26	27	–1
Cash flow from operating activities	43	10	+33
Cash flow from investing activities	(8)	(10)	+2
Free cash flow	35	(1)	+36
Net liquid assets [2]	145	125	+21
Equity [2]	273	266	+8

[1] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.
[2] As of June 30, 2013, vs. December 31, 2012

Interim group management report as of June 30, 2013

Economic outlook clouded

Forecasts on the future state of the economy have in recent months become more and more guarded. Whereas in January the International Monetary Fund (IMF) had assumed global growth of 3.5 percent, by April this had been pruned to 3.3 and now it has slipped to 3.1 percent. Economic output in the eurozone alone will even shrink by 0.6 percent, the IMF predicted. Emerging nations such as China and Brazil, which in recent years have contributed more than two-thirds of the world's economic expansion, are increasingly sending out gloomy signals and their growth rates are slowing down appreciably.

Germany's mechanical engineering sector, until now relatively robust, has not been unaffected by these trends. In the first months of 2013, fewer orders were booked than a year ago and production volumes were down, too. Hence, the German industry association VDMA has downscaled its forecast for this year: instead of previously a two-percent growth it is now looking to a marginal decline of one percent.

Business mixed at the RENK divisions

RENK, too, reported year-on-year reduced order intake in H1/2013. The only division to generate growth was Special Gear Units, all the others reported downturns, in some cases appreciable. Whereas, in relative terms, Vehicle Transmissions business decelerated chiefly due to the inrush of megacontracts a year earlier, Standard Gear Units suffered from the subdued market for marine gears and couplings as well as the absence of adequate follow-up orders for offshore wind gear units. The Slide Bearings division was confronted, in particular, with abating demand for smaller bearings. In all, order inflow in H1 fell year-on-year 16 percent or €45 million to €237 million.

However, because of the strong first quarter, H1/2013 sales did rise over the year-earlier volume. A clear gain by Standard Gear Units contrasted with shrinking sales at Vehicle Transmissions and Slide Bearings. Standard Gear Units boosted its shipments of marine gear units and couplings; Special Gear Units likewise managed to slightly outperform the year-earlier magnitude. Because of the short lead times, the changing demand structure at Slide Bearings was already reflected in revenue; at Vehicle Transmissions, the phaseout of a major contract the previous year led to a relative decline. At €225 million, H1/2013 sales were up by 5 percent.

Operating profit up

In H1/2013, RENK generated an operating profit of €28 million (year-on-year up by €1 million). All the divisions shared in the gain, albeit in differing degrees. The biggest contributions were delivered by Slide Bearings and Standard Gear Units, followed by Special Gear Units and Vehicle Transmissions. RENK's ROS in H1/2013 was 12.3 percent (down from 12.6).

Swelling cash flow

The order activity uptrend, especially in vehicle transmissions and marine gear units, raised customer prepayments considerably. Combined with an only moderate increase in the capital tied up in inventories and receivables, this trend boosted the net cash provided in H1 by operating activities from €10 million a year ago to €43 million in 2013. This and the lower H1 net cash used in investing activities, shrinking year-on-year for timing reasons from €10 million to €8 million, produced a free cash flow of €35 million (up from a negative €1 million).

Deducting the dividend payout of €14 million, RENK closed the period with net liquid assets of €145 million as of June 30, 2013 (up from its annual opening balance of €125 million).

Asset and capital structure

In comparison to January 1, 2013, total assets climbed €15 million from €554 million to €569 million as of midyear 2013. On the asset side, it was primarily the €15 million hike in current assets, besides the merely €1 million rise in noncurrent assets, that pushed up the total. While the €8 million addition to inventories and a €13 million reduction in trade receivables pruned the net decrease, the main effect was produced by the mounting cash and cash equivalents (up €21 million), essentially thanks to the inflow of customer prepayments.

On the capital side, there was an analogous trend: customer prepayments jumped €27 million. An offsetting effect originated from trade payables (down €4 million) and other accruals (down €8 million), all of which resulted in a net €15 million surge in current liabilities and accruals. The higher equity (up €8 million) contrasted with lower noncurrent liabilities and accruals (down €7 million), particularly due to the net €6 million shrinkage of pension accruals.

Capital expenditures and R&D

RENK spent €7 million on additions to tangible assets in H1/2013. At Augsburg and Rheine, the emphasis was on further expanding the production and testing facilities; in Hannover and at RENK Labeco, the new buildings were largely completed.

With the contribution of €1 million as share capital, the foundation phase of the new subsidiary RENK Shanghai, China, was finalized. The primary focus of the company is the aftermarket for the RENK stationary and naval gear units operating in China.

In line with H1/2012, RENK spent €4 million on internally funded R&D projects in the period under review. An important aspect at Vehicle Transmissions was work on developing new transmission electronics; Special Gear Units' R&D included the second development phase for the new low-noise marine propulsion module. Standard Gear Units concentrated on further developing and fine-tuning certain naval and stationary series; Slide Bearings focused on improving bearing shell surfaces.

Workforce slightly up

At June 30, 2013, RENK's headcount had climbed year-on-year by 16 to 2,261. The Augsburg and Hannover locations, in particular, reported growth. Also, there was a shift from temporary employees toward permanent staff.

Risk report

The risk report should be read in conjunction with our statements in the 2012 financial information. The present risk situation is essentially as outlined in the 2012 annual report.

On the subject of the present economic situation and its impact on RENK's orders, sales and results of operations, refer herein to our statements under *Economic outlook clouded, Prospects* and our comments on the individual segments under *The situation at the divisions*.

Prospects

H1/2013 has underscored our previous predictions for this year. We still expect sales to approximate the prior-year volume and the operating profit to inch down; ROS will continue double digit. Assuming a number of sizable customer projects materialize as planned, order intake should be in the region of €500 million.

The situation at the divisions

Vehicle Transmissions

€ million	H1/2013	H1/2012	Change in %
Order intake	47	90	–48
Sales	42	47	–11
			Change in € mill.
Operating profit (EBIT)	2.2	3.7	–1.5
Return on sales (ROS) in %	5.3	8.0	—

Economic parameters
As so far, the RENK-accessible market for medium- and heavy-duty tracked vehicles is characterized by a relatively low number of projects but extending over lengthy periods with small annual shipping volumes. The past six months have seen no fundamental change in the identifiable number of projects that are possible candidates for RENK transmissions albeit timing and volumes may change at any time and implementation priorities in the various countries hinge on a host of political and fiscal factors. The extent of aftermarket business is increasingly limited by tight budgets although some nations are exceptions. Used equipment is still being procured in parts of the world yet there is an appreciable decline in a willingness to have extensive repairs and overhauls carried out prior to the introduction of the systems.

RENK France again focused on servicing and M&R work for the French army's tracked-vehicle transmissions. This business can be expected to continue at a steady pace.

The hoped-for revival in the test rig market has so far failed to surface and conditions in the special-machinery market and elsewhere until now have not indicated any rising spending propensity. The few existing projects were under heavy price and lead time pressure. Once again most of the demand originated from abroad.

Business trend
The biggest individual order booked by Vehicle Transmissions in H1/2013 was for RK325 transmissions along with the supply of parts kits and components. RENK France signed new maintenance contracts for the ESM500 transmission. In the course of H1/2013, this division was awarded new contracts altogether worth €47 million, down by €43 million from the H1/2012 intake which, however, had been boosted by a Korean megacontract.

Neither were sales on a par with H1/2012. The €42 million represented an 11-percent decline. The Augsburg plant started series production on the PUMA program and shipped out the first transmissions. Parallel to this, the final prototype batches for the ALTAY and SV Scout programs were delivered and hence these vehicles can now undergo testing. With parts shipments and M&R work provided by RENK AG from Augsburg and by RENK France, the aftermarket played a major role in keeping the division busy.

Test system business this year concentrated to date on coping with the technical and organizational challenges involved in executing major orders for the wind-energy, helicopter and rail industries.

Because of shrinking sales, series start-up burdens and cost increases weighing on individual projects, the operating profit at €2.2 million was down €1.5 million and yielded an ROS of 5.3 percent for the Vehicle Transmissions division.

Forecast for H2/2013
H1/2013 saw negotiations for our HSWL354 and HSWL284C transmissions enter the critical phase. We expect to be awarded the corresponding contracts in the latter half of 2013.

For the end of Q3/2013, we are planning to start up series production of our HSWL295 and hence for H2/2013 the Vehicle Transmissions division is likely to generate sales in excess of H1/2013. However, total annual sales will be slightly down.

Slide Bearings

€ million	H1/2013	H1/2012	Change in %
Order intake	54	60	–10
Sales	54	57	–5
			Change in € mill.
Operating profit (EBIT)	11.5	13.4	–1.9
ROS in %	21.3	23.5	—

Economic parameters
Already evident in 2012, the shift in product portfolio demand continued at the same rate in H1/2013. Manufacturers of smaller electrical machinery incorporating standardized slide bearings are indicating much reduced demand, due on the one hand to economic uncertainties and, on the other, the partial substitution of slide bearings with antifriction bearings on less sophisticated applications. Hence, there is a closer concentration among competitors on high-volume one-off projects with larger standard bearings. Typical of such are diesel and gas engine generating plants for rapidly meeting power needs; these do not require the lengthy upstream approval and funding procedures needed for the big power plants.

Project business was mixed. In the oil and gas-related sectors, project work continued at a high pace; in the marine sector, there was a complete lack of follow-up projects, apart from special applications for Azipod marine propulsion systems.

Business trend
H1/2013 order intake at Slide Bearings was again chiefly made up of standard units which accounted for over one-half of the total volume. Year-on-year, however, order influx for this group of products slipped, especially for the smaller units. This also impacted on sales at our Berlin-based subsidiary ADMOS that manufactures the shells for these series. Altogether, order inflow in H1/2013 sank from €60 million to €54 million.

Sales of slide bearings ran synchronic with orders, with H1/2013 revenue at €54 million down 5 percent.

H1/2013 operating profit at Slide Bearings fell from €13.4 million to 11.5 million, yielding an ROS of 21.3 percent (down from 23.5).

Forecast for H2/2013
Given the repercussions of the susceptible economic environment and seesawing needs on account of increasing project pooling, we expect in the latter half of this year highly fluctuating order intake and sales trends. Compounding these trends is the present, previously barely existing, volatility of the Brazilian real and the Indian rupee. This is an enormous obstacle to project costing and steps up the pressure exercised by locally producing competitors.

For H2/2013, the Slide Bearings division is expected to report order intake and sales at the level of H1.

Special Gear Units

€ million	H1/2013	H1/2012	Change in %
Order intake	90	74	+22
Sales	72	71	+1
			Change in € mill.
Operating profit (EBIT)	4.3	1.7	+2.6
ROS in %	6.0	2.5	—

Economic parameters

As in 2012, the customer markets for Special Gear Units have so far been highly heterogeneous.

The basic market conditions for stationary industrial gear units were moderately favorable in H1/2013. Trends in the energy market were regionally mixed with diverging focal points—nuclear power in Asia, gas in North America, and alternative energies as in Germany. In the plastics industry there were the first signs of a recovery whereas in cement plant engineering, no such general upturn was perceptible even if individual regional markets did show lots of promise.

Again much more favorable during the period was the potential for our advanced-technology marine gear units primarily for use in vessels operated by public authorities, e.g. offshore patrol and naval. A general absence of nonmilitary shipbuilding projects meant, however, that here, too, market pressure was stepped up. On the one hand, competitors attempted to force their way into the market with substantial discounts; on the other, individual contracts were evidently awarded for reasons of economic policy to little-known local suppliers.

Our wholly-owned subsidiary RENK-MAAG again suffered from in some cases extremely heavy price pressure for new products, caused by market newcomers. Moreover, the resurgence in the Chinese market, important to this company, failed to maintain the expected momentum in Q2.

Business trend

The heterogeneous nature of markets and baselines in H1 was also reflected in business for the various product groups. RENK AG's Augsburg marine gear group again managed to boost H1 orders which included follow-up contracts for US naval projects launched in previous years as well as new projects for the Korean coastguard and other customers.

Even steeper, albeit from a lower baseline, was the uptrend of new orders for industrial gear units. Especially for cement mill units we this time clinched a number of contracts and turbo unit orders, too, were up year-on-year.

Total order intake by the Special Gear Units division in H1/2013 rose 22 percent to €90 million.

Due to the lengthy lead times, this surge of new orders was not yet reflected in sales. Nonetheless, at €72 million, the year-earlier €71 was stoutly maintained. Important sales contributions for industrial gear units were generated by the turbo group though predominant in H1 were the shipments for various projects contracted by the marine group.

As in 2012, earnings at Special Gear Units once again suffered from strong price squeezes, especially for industrial gear units. A remixed product portfolio as mirrored in sales and the first results of the cost-pruning programs did, however, enable the division to boost its operating profit from €1.7 million to €4.3 million, equivalent to an ROS of 6.0 percent (up from 2.5).

Forecast for H2/2013

Assuming the projects pending over the months ahead materialize, we expect Special Gear Units to report for H2 an order intake at the level of H1. For both industrial and marine products we identify good opportunities of being awarded sizable projects.

H2 revenue should be well over H1 leading to annual sales in excess of the prior-year volume.

Standard Gear Units

€ million	H1/2013	H1/2012	Change in %
Order intake	47	60	–22
Sales	64	46	+39
			Change in € mill.
Operating profit (EBIT)	10.1	5.6	+4.5
ROS in %	15.9	12.1	—

Economic parameters

As in the preceding periods, the global market for new merchant vessels has so far this year been again weak and even the Chinese shipyards are struggling to survive. In contrast, demand for specialty vessels, specifically LNG tankers, continued comparatively stable. The slumping yen-euro parity has, in this context, meant a significant competitive edge for Japanese suppliers.

In the market for the Rheine-sourced turbo gear units, project activities continued brisk yet less than an average number materialized. The steam turbine plant manufacturers again suffered from poor workloads and in the steel-processing industry (of importance to the coupling group) the malaise already manifest at the end of 2012, picked up momentum.

The offshore wind energy sector in Germany was again depressed by delays in project funding, infrastructure deficits, and risk hedging obstacles for investors and operators.

Business trend

As expected, the Standard Gear Units division failed to repeat the high order inflow of H1/2012. At €47 million, new orders slumped 21 percent by €13 million. In the presently most important marine sector, the predicted slowdown in the LNG tanker market is having appreciable repercussions.

Propelled by surging order intake the year before, the division’s H1 sales rose year-on-year from €46 million to €64 million. All product groups reported growth, most steeply the marine. The expansion in offshore wind energy gear units was also due to the fact that only since the second quarter of 2012 have they been assigned to the Standard Gear Units division.

H1/2013 operating profit at this division hiked up from €5.6 million to €10.1 million. Hence, ROS jumped from 12.1 to 15.9 percent.

Forecast for H2/2013

Order backlog and planned shipments of standard gear units suggest that H2/2013 sales will be slightly short of H1. For all of 2013, revenue will therefore match the prior-year level. As to new contracts, we expect for the latter half of the year an influx slightly shy of H1 and consequently last year's intake will not be re-achieved.

Condensed consolidated interim financial statements as of June 30, 2013

RENK consolidated income statement

k€	H1/2013	H1/2012[1)]
Net sales (revenue)	**225,387**	**214,798**
Cost of sales	(171,532)	(161,822)
Gross margin	**53,855**	**52,976**
Other operating income	3,969	2,667
Selling expenses	(15,729)	(14,565)
General administrative expenses	(8,199)	(8,013)
Other operating expenses	(6,845)	(6,879)
Sundry investment income	625	958
EBIT	**27,676**	**27,144**
Interest income	39	254
Interest expense	(65)	(363)
EBT	**27,660**	**27,035**
Income taxes	(8,571)	(8,381)
Net income (EAT)	**19,079**	**18,654**
Earnings per share (EpS) in €	**2.81**	**2.74**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

RENK statement of comprehensive income

k€	H1/2013	H1/2012[1)]
Net income (EAT)	**19,079**	**18,654**
Gains/losses not subsequently recyclable from OCI to income statement		
Change in actuarial gains/losses from pensions and similar obligations	3,863	(5,932)
Deferred taxes	(1,064)	2,148
Gains/losses subsequently recyclable from OCI to income statement		
Currency translation differences	(329)	40
Change in fair value of financial derivatives	(877)	(1,463)
Deferred taxes	274	456
Total OCI	**1,867**	**(4,751)**
Comprehensive income	**20,946**	**13,903**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

RENK consolidated balance sheet

Assets

k€	6/30/2013	12/31/2012[1)]
Intangible assets	6,100	6,799
Tangible assets	139,131	139,516
Sundry investments	2,493	1,493
Deferred tax assets	23,252	25,021
Noncurrent trade receivables	6,481	3,356
Other noncurrent assets	73	131
Total noncurrent assets	**177,530**	**176,316**
Inventories	171,888	163,612
Current trade receivables	68,688	81,409
Income tax assets	481	1,392
Other current assets	5,451	6,179
Cash and cash equivalents	145,223	124,627
Total current assets	**391,731**	**377,219**
	569,261	**553,535**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

RENK consolidated balance sheet

Equity & liabilities

k€	6/30/2013	12/31/2012
Capital stock	17,920	17,920
Additional paid-in capital	10,669	10,669
Reserves retained from earnings	159,693	159,693
Net earnings	101,438	95,959
Accumulated OCI (unrealized gains/losses)	(16,355)	(18,222)
Total equity	**273,365**	**266,019**
Noncurrent financial liabilities	—	263
Pension accruals	24,025	29,731
Deferred tax liabilities	22,442	23,188
Other noncurrent accruals	5,592	5,483
Other noncurrent liabilities	833	1,168
Total noncurrent liabilities and accruals	**52,892**	**59,833**
Current financial liabilities	—	247
Trade payables	35,806	40,076
Prepayments received	127,502	100,434
Current income tax liabilities	1,127	1,038
Other current accruals	50,166	58,180
Other current liabilities	28,403	27,708
Total current liabilities and accruals	**243,004**	**227,683**
	569,261	**553,535**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

RENK Group statement of changes in equity

k€	Capital stock	Additional paid-in capital	Reserves re-tained from earnings	Net earnings	Accum. other comprehensive income (OCI)	Total
Balance at December 31, 2011	**17,920**	**10,669**	**137,497**	**84,142**	**(14,625)**	**235,603**
Change in accounting policy due to IAS 19 (2011)	—	—	467	—	—	467
Adjusted balance at Dec. 31, 2011[1)]	**17,920**	**10,669**	**137,964**	**84,142**	**(14,625)**	**236,070**
Net income (EAT)	—	—	—	18,654	—	18,654
OCI: currency translation differences	—	—	—	—	40	40
OCI: change in fair value of financial derivatives	—	—	—	—	(1,007)	(1,007)
OCI: actuarial gains/losses (pensions)	—	—	—	—	(3,784)	(3,784)
Comprehensive income	—	—	—	**18,654**	**(4,751)**	**13,903**
Dividend payout	—	—	—	(12,240)	—	(12,240)
Balance at June 30, 2012	**17,920**	**10,669**	**137,964**	**90,556**	**(19,376)**	**237,733**
Balance at December 31, 2012	**17,920**	**10,669**	**158,937**	**95,959**	**(18,222)**	**265,263**
Change in accounting policy due to IAS 19 (2011)	—	—	756	—	—	756
Adjusted balance at Dec. 31, 2012[1)]	**17,920**	**10,669**	**159,693**	**95,959**	**(18,222)**	**266,019**
Net income (EAT)	—	—	—	19,079	—	19,079
OCI: currency translation differences	—	—	—	—	(329)	(329)
OCI: change in fair value of financial derivatives	—	—	—	—	(603)	(603)
OCI: actuarial gains/losses (pensions)				—	2,799	2,799
Comprehensive income	—	—	—	**19,079**	**1,867**	**20,946**
Dividend payout	—	—	—	(13,600)	—	(13,600)
Balance at June 30, 2013	**17,920**	**10,669**	**159,693**	**101,438**	**(16,355)**	**273,365**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

RENK consolidated statement of cash flows

k€	H1/2013	H1/2012[1)]
EBT[1)]	27,650	27,035
Noncash expenses/income within EBT, net	377	(227)
Current taxes	(8,319)	(6,326)
Amortization/depreciation/write-down of tangibles/intangibles and investments	7,752	7,020
Decrease in pension accruals	(1,797)	(816)
Cash earnings	**25,663**	**26,686**
Increase in inventories	(8,387)	(22,751)
Increase in prepayments received	27,015	10,584
Decrease in trade receivables	9,505	1,783
Decrease in trade payables	(4,236)	(4,412)
Net change in income tax assets/liabilities	(3,924)	614
Decrease in other accruals	(2,893)	(2,325)
Decrease/(increase) in other assets	405	(28)
(Decrease)/increase in other liabilities	(527)	792
Elimination of net gain/loss from disposal of tangibles/intangibles and investments	49	(77)
Other changes in working capital	(86)	(1,354)
Net cash provided by operating activities	**42,584**	**9,512**
Cash outflow for additions to tangibles and intangibles	(7,386)	(7,682)
Cash outflow for subsidiaries acquired (less cash and cash equivalents)	—	(2,860)
Cash outflow for investees	(1,000)	—
Cash inflow from the disposal of tangibles/intangibles and investments	501	77
Net cash used in investing activities	**(7,885)**	**(10,465)**
Dividend payout	(13,600)	(12,240)
Change in financial liabilities	(502)	(1,295)
Net cash used in financing activities	**(14,102)**	**(13,535)**
Parity-related change in cash and cash equivalents	(1)	16
Opening cash and cash equivalents	**124,627**	**96,451**
Noncash change in cash and cash equivalents	—	7,500
Closing cash and cash equivalents	**145,223**	**89,479**

[1)] Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

Notes to RENK's consolidated financial statements

General

RENK AG's present consolidated interim financial statements for the six months (H1) ended June 30, 2013, conform with the International Financial Reporting Standards (IFRS)—including the related Interpretations of the International Accounting Standards Board (IASB)—which are applicable to interim reports in the European Union (EU). Consequently, these interim financial statements do not comprise all the information and disclosures in the notes that the IFRS require for consolidated annual financial statements but should be read in the context of RENK's published IFRS consolidated financial statements for fiscal 2012. Unless expressly otherwise stated, the accounting and valuation methods applied to these interim consolidated financial statements are identical with those adopted for the consolidated financial statements as of December 31, 2012, and to which (including the related notes) reference is made for full details.

From the Executive Board's vantage point, the present unaudited interim report reflects all due interim adjustments required in good accounting practice for a true and fair view of the Group's asset and capital structure, financial position, and results of operations. The performance data and results shown for this interim period do not necessarily allow a forecast of the future business trend.

Preparing interim consolidated financial statements requires the Executive Board to make certain assumptions and estimates for the valuation and disclosure in the period of recognized income and expenses. Actual values may differ from those estimates. Besides the financial schedules, the Group's semiannual financial statements include notes to selected financial statement lines. For enhanced comparability, some year-earlier comparatives have been adjusted to the current presentation format.

For segment information, see pages 21 and 22. There have been no changes in the current reporting structure in comparison to that at December 31, 2012.

In interim reporting, current income tax expenses are determined on the basis of the expected full-year income tax load ratio.

Consolidation group

The consolidated financial statements include besides RENK AG as parent all subsidiaries wholly owned by it, i.e., RENK France SAS, Saint-Ouen-l'Aumône, France; RENK Corporation, Duncan, USA; RENK Test System GmbH, Augsburg, Germany; RENK-MAAG GmbH, Winterthur, Switzerland; RENK Labeco Test Systems Corporation, Mooresville, USA; and ADMOS-Gleitlager Produktions- und Vertriebsgesellschaft mbH, Berlin, Germany.

Changes in accounting policies

RENK has duly adopted all EU-endorsed accounting standards and rules whose application as from January 1, 2013, is mandatory.

June 2011 saw the publication by the IASB of IAS 1 *Presentation of Financial Statements*—"IAS 1 (2011"—which requires a revised presentation of the statement of comprehensive income (SOCI): gains and losses recognized in equity only (as *other comprehensive income*, or OCI) are in accordance with the amended Standard henceforth shown separately, broken down into items that will not be reclassified from OCI to the income statement (so-called non-recyclable gains/losses) and those subsequently recyclable if and when certain prerequisites are met. In addition, the deferred taxes allocable to non-recyclable and recyclable gains/losses must be shown within either category. RENK has applied IAS 1 (2011) since January 1, 2013, and accordingly adjusted in its H1 SOCI. The remaining IAS 1 changes have no significant effect on the RENK Group's asset and capital structure, financial position, or results of operations.

In June 2011, the IASB likewise published an amended IAS 19 *Employee Benefits*—"IAS 19 (2011)"—, requiring actuarial gains and losses for postretirement employee benefits to be recognized immediately upon occurrence in, and only in, OCI within equity. Neither application of the previous prorating according to the corridor method, nor the direct recognition of such gains/losses in the income statement are permitted under the amended IAS 19 (2011). RENK has already recognized the actuarial gains and losses from defined benefit plans in its OCI. Further changes refer to (i) the net interest approach now to be taken to determine net interest cost/income on the basis of the net defined benefit liability/asset, (ii) the recognition in the income statement of any unvested past service cost, and (iii) the redefinition of postretirement benefits: this redefinition requires that top-up bonuses under preretirement part-time work agreements should generally no longer be accounted for as postretirement benefits but must be classified as other long-term employee benefits to be accumulated over the vesting or service period. RENK has retrospectively applied IAS 19 (2011) since January 1, 2013.

The tables below detail the effects of the changed accounting policies, showing the impact on the January 1, 2013 opening balance sheet and that on the prior-period comparatives:

k€	December 31, 2012		January 1, 2013	January 1, 2012		
	Unadjusted	Adjustm.	Adjusted	Unadjusted	Adjustm.	Adjusted
Total assets	**553,885**	**(350)**	**553,535**	**486,200**	**(211)**	**485,989**
thereof deferred tax assets	25,371	(350)	25,021	17,861	(211)	17,650
Total liabilities and accruals	**288,622**	**(1,106)**	**287,516**	**250,597**	**(678)**	**249,919**
thereof other noncurrent accruals	6,589	(1,106)	5,483	7,102	(678)	6,424
Total equity	**265,263**	**756**	**266,019**	**235,603**	**467**	**236,070**
thereof reserves retained from earnings	158,937	756	159,693	137,497	467	137,964

k€	2012		
6 months ended June 30, 2012	**Unadjusted**	**Adjustment**	**Adjusted**
EBT	**26,808**	**227**	**27,035**
thereof other operating expenses	(7,093)	214	(6,879)
thereof interest expense	(376)	13	(363)
Income taxes	(8,308)	(73)	(8,381)
EAT (net income)	**18,500**	**154**	**18,654**
Diluted/basic earnings per share in €	2.72	0.02	2.74

Moreover, in May 2011, the IASB issued IFRS 13 *Fair Value Measurement*, thus compiling and presenting the general rules for fair value measurement in one separate Standard. RENK has duly met the IFRS 13 requirements yet they have had no significant effect on the presentation of its asset and capital structure, financial position, or results of operations, nor have the remaining accounting rules and regulations to be applied for the first time in fiscal 2013 on RENK's asset and capital structure, financial position, or results of operations as presented in this semiannual financial report. For a detailed listing of the Standards and Interpretations herein adopted, see the notes to the consolidated financial statements in the annual report 2012.

Notes to the income statement

Other operating income

k€	H1/2013	H1/2012
Income from the release of accruals	1,886	313
Gains from the disposal of tangibles/intangibles	80	80
Income from other trade business	174	221
Gains from exchange differences and derivatives	1,381	936
All other income	448	1,117
	3,969	**2,667**

Other operating expenses

k€	H1/2013	H1/2012
R&D	3,934	3,214
Changes in accruals	(126)	387
(Write-up)/write-down of current assets	(290)	1,183
Losses on exchange differences and derivatives	1,782	959
All other expenses[1)]	1,545	1,136
	6,845	**6,879**

Net interest result

k€	H1/2013	H1/2012
Interest and similar income	39	254
Interest and similar expenses[1)]	(50)	(113)
Expected return on pension plan assets	1,659	1,932
Interest portion of addition to pension accruals	(1,674)	(2,182)
	(26)	**(109)**

Earnings per share (EpS)

	H1/2013	H1/2012
Net income in k€ (EAT)[1)]	19,079	18,654
Weighted average number of shares outstanding (1,000)	6,800	6,800
Earnings per share in €[1)]	**2.81**	**2.74**

According to IAS 33, EpS is obtained by dividing the Group’s net income for H1 by the average number of shares outstanding in the period. No financial instruments existed at June 30, 2013 or 2012, to dilute earnings per share.

Dividend for fiscal 2012

As resolved by the annual general meeting on April 24, 2013, RENK AG distributed on April 25, 2013, an ordinary cash dividend of €2.00 per share to its stockholders, corresponding to a total payout for 2012 of €13,600,194.00.

[1)] H1/2012: Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.

Notes to the balance sheet

Tangible assets

k€	6/30/2013	12/31/2012
Land and buildings	41,759	41,972
Production plant and machinery	76,282	68,401
Other plant, factory and office equipment	8,463	7,967
Prepayments on tangibles, construction in progress	12,627	21,176
	139,131	**139,516**

Inventories

k€	6/30/2013	12/31/2012
Raw materials and supplies	33,583	31,429
Work in process and finished products	137,432	131,649
Prepayments made	873	534
	171,888	**163,612**

Trade receivables

k€	6/30/2013	12/31/2012
Due from customers	58,945	66,781
Due from group companies	5,600	6,915
Due from investees	143	121
Receivables under PoC contracts	10,481	10,948
	75,169	**84,765**

Other accruals

k€	6/30/2013	12/31/2012
Warranties	33,578	31,984
Unbilled costs from contracts invoiced	5,828	5,784
Other business obligations	5,508	7,415
Obligations to personnel[1)]	3,736	5,011
Income tax accruals[2)]	5,585	10,516
Remaining accruals	1,523	2,953
	55,758	**63,663**

[1]) Adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.
[2]) Prior-year comparative of income tax accruals adjusted for enhanced comparability.

For further information, reference is made to the section *Changes in accounting policies* above.

The *other accruals* are disclosed within these balance sheet lines:

k€	6/30/2013	12/31/2012
Other noncurrent accruals	5,592	5,483
Other current accruals	50,166	58,180

Financial liabilities

The financial liabilities as of June 30, 2013, include payables under capital leases of k€0 (down from k€510 as of year-end 2012).

Contingent liabilities

k€	6/30/2013	12/31/2012
Guaranties/suretyships	148	929
	148	**929**

Segment reporting

The RENK Group's operations break down into four reportable segments: Vehicle Transmissions, Slide Bearings, Special Gear Units, and Standard Gear Units. Management of each segment reports directly to RENK AG's Executive Board.

Key parameter for assessing and controlling a segment's results of operations is the operating profit, which as a rule equals EBIT, just in isolated cases would nonrecurring factors require EBIT to be adjusted. Typical such factors are income and/or expenses whose amount is material and which do not originate from operating activities. Segment assets comprise the aggregate noncurrent and current operating assets excluding current/deferred income taxes.

Segment information has been determined in accordance with the same disclosure rules and valuation methods as those used for the interim consolidated financial statements. Intersegment transfers are stated on a reasonable cost-plus basis, i.e., at cost plus commensurate profit markup or at transfer prices as if at arm's length.

For details of ROS as indicator, see the Annual Report 2012.

Segment information by division												
	Vehicle Transmissions		**Slide Bearings**		**Special Gear Units**		**Standard Gear Units**		**Consolidation/adj.**		**Group**	
k€	H1/2013	H1/2012[1)]	H1/2013	H1/2012[1)]	H1/2013	H1/2012[1)]	H1/2013	H1/2012[1)]	H1/2013	H1/2012[1)]	H1/2013	H1/2012[1)]
Order intake from third parties	47,057	89,552	53,420	58,568	89,443	74,449	46,713	58,702	—	—	236,633	281,271
Intersegment order intake	46	67	767	1,657	904	(254)	507	1,148	(2,224)	(2,618)	—	—
Total order intake	**47,103**	**89,619**	**54,187**	**60,225**	**90,347**	**74,195**	**47,220**	**59,850**	**(2,224)**	**(2,618)**	**236,633**	**281,271**
Sales to third parties	41,859	46,540	52,590	55,236	68,127	67,676	62,811	45,346	—	—	225,387	214,798
Intersegment transfers	15	7	1,348	1,758	3,805	3,310	830	1,121	(5,998)	(6,196)	—	—
Total segment sales	**41,874**	**46,547**	**53,938**	**56,994**	**71,932**	**70,986**	**63,641**	**46,467**	**(5,998)**	**(6,196)**	**225,387**	**214,798**
Order backlog [2)]	**288,463**	**283,861**	**37,723**	**37,443**	**214,234**	**195,848**	**111,893**	**128,314**	**(8,112)**	**(11,886)**	**644,202**	**633,580**
EBIT	**2,239**	**3,722**	**11,464**	**13,374**	**4,282**	**1,744**	**10,094**	**5,633**	**(403)**	**2,671**	**27,676**	**27,144**
Net interest income/(expense)	(93)	(15)	(58)	(83)	202	14	(76)	(38)	(1)	13	(26)	(109)
Segment assets [2)]	146,514	141,063	101,538	103,441	179,299	165,236	119,475	118,206	(1,298)	(824)	545,528	527,122
Segment liabilities [2)]	84,537	73,368	21,478	23,789	101,178	98,646	61,924	64,034	(2,374)	(7,063)	266,743	252,774
Capital expenditures	1,741	1,287	1,915	1,948	3,430	2,048	1,298	2,399	—	—	8,386	7,682
Amortization/depreciation	1,393	1,309	1,484	1,464	2,859	2,843	2,016	1,404	—	—	7,752	7,020
ROS (%)	**5.3**	**8.0**	**21.3**	**23.5**	**6.0**	**2.5**	**15.9**	**12.1**	—	—	**12.3**	**12.6**

[1]) Segment liabilities, EBIT and ROS (EBIT margin) adjusted due to retroactive amendment of IAS 19 (2011); see also pp. 17/18, *Changes in accounting policies*.
[2]) Balance at June 30, 2013, or December 31, 2012

Related-party transactions

There have been no significant changes in reportable transactions with related parties (entities/individuals) in comparison to the consolidated financial statements as of December 31, 2012.

Review by the statutory group auditor

The semiannual consolidated financial statements as of June 30, 2013 and 2012, have not been reviewed by our auditor.

Changes in Supervisory Board membership

Since meantime the provisions of the German Codetermination Act are applicable to RENK, a new Supervisory Board was elected. Employee representatives are: Roberto Armellini, Frank Hoffmann, Klaus Ketterle, Herbert Surmann, Walter Vogt, and Ingo Weidner. At RENK AG's 110th AGM on April 24, 2013, the following stockholder representatives were elected: Dr. Ingrun-Ulla Bartölke, Prof. Dipl.-Ing. (FH) Gerd Finkbeiner, Dr.-Ing. Hans-Otto Jeske, Prof. Dr.-Ing. Werner Neubauer, Prof. Dr. rer. pol. Horst Neumann, and Dr. Georg Pachta-Reyhofen. The constituent meeting of the new Supervisory Board on June 21, 2013, elected Dr. Ingrun-Ulla Bartölke and Roberto Armellini as the Supervisory Board's Chairwoman and Vice-Chairman, respectively.

Subsequent events

No reportable events have occurred after the semiannual closing date.

Management representation

To the best of our knowledge and in accordance with the applicable interim financial reporting principles, we state that (i) RENK's consolidated semiannual financial statements present a true and fair view of the RENK Group's asset and capital structure, financial position and results of operations, (ii) the interim group management report presents a fair review of the Group's business trend, performance and position, and (iii) the principal risks and rewards associated with the Group's expected development for the remaining months of the fiscal year have been duly described.

Augsburg, July 25, 2013

RENK AG
The Executive Board

Financial diary, RENK Group:

Updating notice for Q3/2013	October 29, 2013