RENK

Innovative Power Transmission

Annual Financial Statements as of December 2016 and Management Report for the fiscal year 2016

RENK Aktiengesellschaft

RENK AG, Augsburg
Annual Financial Statements as of December 31, 2016
Management Report for the fiscal year 2016

Contents

Management report of RENK AG for the fiscal year from January 1 to December 31, 2016

Order intake and operating profit remain at a high level

- Order intake € 425 million (previous year: € 421 million)
- Sales revenue € 425 million (previous year: € 424 million)
- Number of employees 1,915 (previous year: 1,913)
- Operating profit € 50 million (previous year: € 57 million)
- Operating return on sales 11.7% (previous year: 13.4%)
- Earnings per share € 5.78 (previous year: € 5.03)
- Net cash flow € 31 million (previous year: € 57 million)
- Proposed dividend: distribution per share of € 2.20 (previous year: € 2.20)

Outlook 2017

- Order intake down slightly
- Sales revenue at previous year's level

Business activities and management

Business focus

RENK AG – Business focus

The origins of RENK AG date back to 1873 when Johann Julius Renk founded a small workshop for the mechanical production of gear wheels in Augsburg Lechviertel. In 1879 the young firm moved to the Göggingen neighborhood, which is still the Group's headquarter today. The company was transformed into a stock corporation as early as 1897; since 1923 RENK has been a part of what is now the MAN Group. Following the majority takeover of MAN SE by Volkswagen AG in 2011, RENK also became a member of the Volkswagen Group.

Today, RENK is a key provider of premium drive technology for a wide range of applications. It has a global outlook and major production locations (branches) in Augsburg, Rheine and Hanover.

Overview of divisions

The **Special Gear Units** business comprises large-gear production at the company's Augsburg site. The product range extends from stationary gear units for a variety of industrial applications, including the cement industry, to turbo gear units of up to 140 MW transmission capacity to complex gear units for fast craft and naval applications with up to 90 MW transmission ratings.

The **Vehicle Transmissions** business is a leading manufacturer of fully automatic transmissions for medium-weight and heavy tracked vehicles. RENK's automatic power-shift transmissions are suitable for rear or front installation with all modern diesel engines. Electronically controlled and monitored, the units are built at the Augsburg site.

The **Standard Gear Units** business includes large-gear production at the Rheine site. It specializes in marine gear units for merchant ships, ferries, LNG/LPG tankers, supply vessels and special ships. It also manufactures gear units for turbine plants and couplings for industrial applications. The site is also been center for RENK's offshore wind turbine activities.

The **Slide Bearings** business at the Hanover site supplies hydrodynamic, lubricated slide bearings. These are used for electric motors, generators, pumps, blowers, water turbines, conveyors and marine applications. RENK has been a leading provider for standard series for years.

Intensive cooperation

Combining the individual strengths and product expertise of the individual divisions means the potential for synergies that can be leveraged by the divisions working together on larger projects. In addition, selective product allocation allows the optimization of large-gear unit production and assembly capacity.

Honing the competitive edge

RENK's competitive capability is built on maintaining a leading technological position in individual application areas, its global presence in its relevant markets and service quality tailored to the needs of international customers.

Internal management system and value management

Internal management process
RENK is incorporated in the internal management process of the Volkswagen Group. The starting point for internal management is medium-term planning, which is produced once per year and forms the core of operational planning for a period of five years.

When planning the company's future, the individual planning components are determined on the basis of the timescale involved. The coordinated results of the upstream planning processes are used as the basis for the medium-term financial planning. This comprises the upfront investments needed for alternative products and the implementation of strategic options, the financial planning of the income statement, cash flow and balance sheet planning, profitability and liquidity.

The first year of the medium-term planning period is then fixed and a budget prepared for the individual months.

During the year, the budget is reviewed each month to establish the degree to which the targets have been met. Target/actual comparisons, prior-year comparisons, variance analyses and, if necessary, action plans to ensure targets are met are used in this process. For the current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and the full year. This is done taking into account the current risks and opportunities. The focus of internal management during a year is therefore on adapting ongoing operations to internal and external circumstances. At the same time, the current forecast serves as a basis for the medium-term and budget planning that follows it.

Key performance indicators
The most important financial performance indicators at RENK are sales revenue, operating profit and operating return on sales. The operating return on sales is the ratio of the operating profit generated to sales revenue. The most important non-financial performance indicator is order intake. In particular, internal management in the segments uses the performance indicators operating profit and operating return on sales at the level of the RENK Group and on the basis of values derived in accordance with the International Financial Reporting Standards (IFRSs). It was therefore decided not to present this information in these financial statements of RENK AG prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code).

Target returns
In accordance with the objectives of the MAN Group, RENK is striving for an operating return on sales of 9.0% within a range of +/- 2 percentage points throughout a business cycle in its Power Engineering business area. In 2016 the operating return on sales was 11.7% after 13.4% in the previous year.

Business performance and results of operations

Economic environment
The moderate growth of the global economy slowed to 2.3% (2.5%) in fiscal year 2016. Economic momentum declined in most industrialized countries, while the growth rate in the emerging economies remained virtually constant year-on-year. Inflation rose as a result of the expansive monetary policy of many central banks and rising prices for energy and commodities.

In Western Europe the economy continued to recover in the year under review. The growth rate for gross domestic product (GDP) was slightly below that of the previous year. Economic developments were mixed for both Northern European and Southern European countries. The UK's referendum held in June, in which a narrow majority voted to leave the European Union (EU), had a drastic effect. The immediate repercussions were uncertainty on the financial markets and gloomier growth prospects for the UK and Europe as a whole. In Germany, the continuing positive sentiment among consumers and the good situation on the labor market led to slightly higher GDP growth than in the previous year of 1.8% (1.5%).

GDP increased overall in Central and Eastern Europe in the year under review, but growth slowed as the year progressed. While the relatively high growth in Central Europe diminished slightly compared to the previous year, the recessionary phase of the previous year ended in Eastern Europe.

Economic growth in the US was below the previous year's level. Above all, the economy was aided by private consumer spending and the expansive monetary policy, while private gross investment performed poorly. The US dollar remained strong, which put pressure on exports of domestic good. Brazil experienced a recession for the second year in a row. Its economic output decreased by 3.3% (-3.9%). It was squeezed by weak domestic demand, commodity prices worldwide remaining relatively low and political uncertainty.

The growth of the Chinese economy lost momentum due mainly to structural changes in 2016. However, it reached a high level compared to the rest of the world at 6.7% (6.9%). The Indian economy continued its positive trend and its growth was almost as strong as last year's at 7.4% (7.5%).

According to the German Engineering Association (VDMA), sales revenue in the global mechanical engineering sector was flat in 2016 for the second year in a row. The slight increase in China compensated for the decline in the US and Japan, while sales revenue in the EU hovered around the previous year's level. The VDMA also assumes production in German mechanical and plant engineering at the level of the previous year at best.

Summary by the Executive Board

As in previous years, significant deviations and divergent developments shaped the markets relevant to RENK in 2016 as well. Overall, however, these developments were in line with or very close to the forecasts made at the beginning of the year. It is intrinsic to RENK's business model that the exact planning of volumes, structuring and timing is extremely difficult, particularly as a result of major projects. The customer-oriented one-off and small-series production predominant at RENK entails additional risks and also opportunities as compared to original forecasts and planning. RENK's management can therefore positively state that order intake, sales revenue, the operating profit and the operating return on sales developed within or close to the projected ranges in fiscal year 2016.

The tables below provide an overview of the individual figures forecast for the year under review 2016 and their attainment. For detailed information on the development of key performance indicators, please see the sections "Results of operations" and "The segments".

Forecast variance analysis

RENK AG

	Results 2015	Forecast 2016	Results 2016
Order intake	€ 421 million	Equal to previous year's level	€ 425 million
Sales revenue	€ 424 million	Slight growth	€ 425 million
Operating profit	€ 57 million	Slight decline	€ 50 million
Operating return on sales	13.4%	Double-digit, but lower than 2015	11.7%

Special Gear Units segment

	Results 2015	Forecast 2016	Results 2016
Order intake	€ 159 million	Tangible increase	€ 190 million
Sales revenue	€ 130 million	Tangible increase	€ 140 million

Vehicle Transmissions segment

	Results 2015	Forecast 2016	Results 2016
Order intake	€ 74 million	Slight decline	€ 102 million
Sales revenue	€ 118 million	Notable decline	€ 109 million

Standard Gear Units segment

	Results 2015	Forecast 2016	Results 2016
Order intake	€ 99 million	Not inconsiderable decline	€ 57 million
Sales revenue	€ 92 million	Slightly higher than previous year's level	€ 101 million

Sliding Bearings segment

	Results 2015	Forecast 2016	Results 2016
Order intake	€ 97 million	Equal to previous year's level	€ 84 million
Sales revenue	€ 89 million	Equal to previous year's level	€ 84 million

Order situation and operating profit

Order intake level with previous year

RENK generated an order intake of € 425 million in fiscal year 2016 after € 421 million in the previous year. As anticipated, incoming orders in the year under review thus remained at the level of the previous year once again. While Special Gear Units business was at the upper end of the forecast range, Vehicle Transmissions business performed far better than originally expected. By contrast, order intake in Standard Gear Units business once again fell short of projections, which had already been dramatically reduced compared to the previous year, in particular as a result of a lack of orders in the wind power sector. Order intake in Sliding Bearings business was unable to maintain the previous year's level.

Sales revenue of € 425 million

In fiscal year 2016 RENK generated sales revenue of € 425 million (previous year: € 424 million), and therefore did not achieve the slight increase that was forecast. A significant increase was assumed for Special Gear Units business at the start of the year, though this proved to be slightly lower than expected. By contrast, the marked decline in Vehicle Transmissions business did not occur in full with a drop of 9%. Standard Gear Units business fulfilled expectations with a 10% increase in deliveries. Slide Bearings business was at the lower end of the planning range with a minor drop of 5%.

Order backlog approximately level with previous year

The order backlog declined slightly from € 735 million at the beginning of the year to € 731 million at year-end. The order backlog in Vehicle Transmissions business decreased slightly, while Special Gear Units business saw a tangible surge. As a result of weak order intake, booked business for Standard Gear Units business fell significantly, while Sliding Bearings business was able to maintain the previous year's level.

Operating profit again at a high level in 2016

RENK closed the fiscal year 2016 with an operating profit of € 50 million (previous year: € 57 million). A slight decline had been expected for 2016 in planning. The previous year's operating profit had included a positive net effect of € 6 million from the reorganization of a supplier relationship in the offshore wind power sector. The additional earnings contribution in Standard Gear Units offset the declines in other business areas only to a small degree in 2016. The operating return on sales was down accordingly at 11.7% after 13.4% in the previous year and was therefore roughly in line with assumptions.

Income statement[1)]

	2016		2015	
	€ million	**in %**	**€ million**	**in %**
Sales revenue	425	100.0	424	100.0
Cost of sales	(329)	(77.5)	(331)	(78.2)
Gross profit	**96**	**22.5**	**93**	**21.8**
Distribution expenses	(31)	(7.2)	(28)	(6.6)
General administrative expenses	(14)	(3.2)	(13)	(3.1)
Other operating income	14	3.2	15	3.5
Other operating expenses	(15)	(3.6)	(10)	(2.4)
Operating profit	**50**	**11.7**	**57**	**13.4**

1) Minor differences in totals or percentages in the statements and tables below may occur as a result of the commercial rounding of amounts in the thousands of euro.

The gross margin rose again from 21.8% in the previous year to 22.5% in fiscal year 2016. This was due, among other things, to the different product mix of the orders invoiced. Furthermore, the previous year's figure also included the depreciation on a wind power test rig. Distribution expenses climbed by € 3 million, while there were only minor changes within administrative expenses. There were also changes in other operating income, which was down by € 1 million. In the previous year this item had included payments for an original purchase commitment from the offshore wind power sector of € 9 million. In the year under review this was offset by higher income from the reversal of provisions. Other operating expenses were significantly higher. In addition to a series of minor changes, the provisions for the capacity adjustments required at the Rheine site amounted to around € 5 million.

Reconciliation to profit after tax

	2016	2015
	€ million	**€ million**
Operating profit	**50**	**57**
Income from investments	2	3
write-downs of long-term financial assets	(2)	–
Net interest income	6	(3)
Profit before tax	**56**	**56**
Taxes on income	(17)	(22)
Profit after tax	**39**	**34**
Earnings per share in €	5.78	5.03
Dividend distribution per share in €[1)]	2.20	2.20

1) 2016: Proposal to the Annual General Meeting

There were significant changes in the financial result. On the one hand there was the impairment loss of approximately € 2 million on the carrying amount of the Chinese subsidiary. On the other, there was a substantial earnings improvement in pensions of € 8 million. In addition to the positive effect of the adjustment of the interest rate in the calculation of pension obligations, there was also notable income from the reclassification of assets within pensions.

At € 17 million, tax expenses were below the previous year's figure of € 22 million in 2016. Thus, the tax rate for fiscal year 2016 was 30.1% after 39.0% in 2015. Profit after tax climbed accordingly from € 34 million in the previous year to € 39 million in the year under review. This resulted in an increase in earnings per share from € 5.03 to € 5.78.

Financial position

Principles and objectives of financial management
As in previous years, RENK's financial management was performed centrally by MAN SE.

The aim of central financial management is to ensure sufficient liquidity at all times, to limit financial risks and thereby to enhance enterprise value.

This comprises safeguarding liquidity resources for operating activities, investment and targeted growth in addition to the hedging of currency risks. Liquidity is managed by the MAN Group's central cash management system, which includes RENK AG.

Cash flow

€ million	2016	2015
Cash flows from current activities	54	94
Cash flows from current investing activities	(23)	(37)
Net cash flow	**31**	**57**
Cash flow from change in deposits	80	0
Cash flows from financing activities	(15)	(16)

RENK generated cash flows from operating activities of € 54 million in fiscal year 2016 after € 94 million in the previous year. The decline resulted in part from the changes in working capital. The increased capital commitment in inventories for the processing of ongoing projects and in receivables was only partially offset by a net increase in prepayments received.

After the high investments in tangible and intangible assets of recent years, spending was well below the previous year's figure in fiscal year 2016. Further details can be found in the section "Capital expenditures, environmental management".

RENK thus generated a net cash flow of € 31 million in fiscal year 2016 after € 57 million in the previous year. Cash flows from financing activities included dividends paid.

Net assets

Assets

In € million	Dec. 31, 2016	Dec. 31, 2015
Tangible and intangible assets	158	156
Long-term financial assets	16	15
Inventories	165	156
Receivables and other assets	245	223
Miscellaneous current and noncurrent assets	11	2
	594	**552**

Equity and liabilities

In € million	Dec. 31, 2016	Dec. 31, 2015
Equity	325	301
Provisions	56	53
Prepayments received	160	139
Trade payables	26	32
Miscellaneous current and noncurrent liabilities	27	27
	594	**552**

With capital expenditure significantly below the previous year's level in fiscal year 2016, tangible and intangible assets only grew from € 156 million to € 158 million. Effects in financial assets included the impairment loss and capital increase at the Chinese subsidiary and the reversal of impairment losses at RENK France.

Following the cycle of project processing, inventories moved up by € 9 million in the year under review and receivables by € 22 million.

RENK's equity rose by € 24 million over the course of fiscal year 2016 from € 301 million to € 325 million. Taking into account the higher total assets, the equity ratio was therefore up from 54.5% at 54.7%. Prepayments received increased once again, in particular as a result of the high inflows in RENK AG's Vehicle Transmissions business.

Distribution constant at € 2.20 per share

The goal of RENK's dividends policy is still to allow shareholders to participate appropriately in business performance on the one hand, while ensuring RENK's future viability by increasing its equity on the other. RENK AG has reported net income for fiscal year 2016 in accordance with the German Commercial Code of € 39.3 million (previous year: € 34.2 million). The Executive Board transferred € 19.7 million of this (previous year: € 17.1 million) to retained earnings. Including retained profits brought forward, the net retained profits therefore amount to € 22.6 million (previous year: € 17.9 million). The Executive Board and the Supervisory Board propose to the Annual General Meeting the distribution of a dividend for fiscal year 2016 as in the previous year of € 2.20 per share. Measured against the closing price of RENK shares as of December 31, 2016, of € 101.15, this corresponds to a dividend yield of 2.2% (previous year: 2.1%).

Capital information/disclosures in accordance with section 289(4) HGB[1)]

RENK AG is a parent company within the meaning of section 289(4) of the Handelsgesetzbuch (HGB – German Commercial Code); the disclosures on the individual matters are as follows.

Clause 1:
Composition of subscribed capital
The share capital of RENK AG of € 17.9 million is divided into 7 million no-par value bearer shares. There are no other classes of shares.

Clause 2:
Restrictions on voting rights or the transfer of shares
Each share grants one vote; there are neither restrictions on voting rights nor restrictions concerning the transfer of shares.

Clause 3:
Direct or indirect shareholdings of more than 10% of the capital
In the fiscal year MAN SE, Munich, held 76 % in the subscribed capital of RENK AG. Through their investment in MAN SE, Volkswagen Truck & Bus GmbH, Wolfsburg, its parent company Volkswagen Aktiengesellschaft, Wolfsburg, and Porsche Automobil Holding SE, Stuttgart, and their controlling shareholders also indirectly held 76% in the subscribed capital of RENK. RENK AG was not advised of, nor is it aware of, any other direct or indirect shareholdings in the capital of the company exceeding 10% of the voting rights or the relevant reporting thresholds of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

Clause 4:
Bearers of shares with special rights granting control
There are no special rights granting control.

Clause 5:
Control of voting rights for employee shareholdings in capital
There is no control of voting rights.

Clause 6:
Statutory provisions and regulations in the Articles of Association on the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association
The appointment and dismissal of the Executive Board are regulated by section 84 of the *Aktiengesetz* (AktG – German Stock Corporation Act). Members of the Executive Board are therefore appointed by the Supervisory Board for a maximum of five years. In accordance with Article 5 of the Articles of Association, the Executive Board of RENK AG consists of at least two persons. The number of members is determined by the Supervisory Board.

In accordance with section 179(2) AktG, amendments to the Articles of Association can be resolved by the Annual General Meeting with a three-quarter majority of the capital represented.

1) Please also see “Equity” in the notes for the required capital disclosures.

Clause 7:
Powers of the Executive Board to issue or redeem shares
The authorization of the Executive Board to buy back own shares ended on November 8, 2007. 199,903 own shares or 2.86% of the total number of shares had been bought back by this date.

The Executive Board is authorized, with the approval of the Supervisory Board, to dispose of or acquire own shares in a manner other than on the stock market or by way of offer to all shareholders with shareholders' preemptive rights disapplied,

- if the own shares acquired are sold at a price not significantly less than the market price of the shares of the company,

or

- if this is done as consideration in the context of a business combination or to acquire companies or equity investments in companies.

The Executive Board is also authorized, with the approval of the Supervisory Board, to withdraw own shares without this requiring an additional resolution by the Annual General Meeting.

These authorizations were not exercised in the year under review. There is no authorized capital for the issue of new shares.

Clause 8:
Material arrangements in the event of a change of control following a takeover bid
There are no such arrangements.

Clause 9:
Compensation agreements with members of the Executive Board or employees in the event of a takeover bid
There are no change-of-control regulations either for members of the Executive Board of RENK AG or its employees.

Closing statement by the Executive Board on the dependent company report in accordance with section 312 AktG

In accordance with section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act), the Executive Board of RENK AG has prepared a dependent company report. It lists all the transactions with affiliates of the MAN Group in fiscal year 2016. The closing statement by the Executive Board on this report ends as follows:

"The Executive Board hereby declares that, according to the circumstances known to it at the time that each transaction was performed, our company received appropriate consideration for each transaction."

Research and development

Continuing change and innovation at all times in business and society, technological progress and advancing globalization mean that companies are always facing new challenges. Accepting and shaping these remains the basis for competing successfully on the market moving ahead.

Research and development place a prominent role in this. Most of the products in RENK's range have long lifecycles, hence our innovation management focuses on progress that benefits customers in addition to the targeted development of new products, and the company also cooperates with various universities and research institutes.

In fiscal year 2016 RENK invested € 9 million (previous year: € 7 million) of its own funds in the development of new products and the enhancement of existing ones. RENK therefore also continued its long-term strategy of gearing its development work towards customers' calls for technologically advanced concepts and the growing need for integrated service packages in 2016.

As in previous years, activities in high-performance marine gear units in Special Gear Units again focused on the optimization and advancement of the CODELAG technology, with which gas turbines and electric motors can be variably combined in 2016. Based on this, RENK developed its innovative AED (Advanced Electric Drive) module, which can be used universally as a primary or auxiliary drive for low-noise drives. The first system was delivered towards the end of the year under review, and further orders have been received. This technology is being developed continuously in order to tap additional application areas in the marine sector.

In the stationary gear units business area, a new drive concept for vertical mill drives upper performance range for cement has been developed in recent years in COPE® (COmpact Planetary Electric Drive). The first specimens have since been put into operation without notable difficulties; there are plans to round down the range of services. In addition to work on further components in the cement mill environment, development activities mainly focused on the new design and development of special turbo gear unit series.

The new, future-proof transmission electronics developed to production readiness in Vehicle Transmissions in recent years have since been delivered to the first customers and are being tested there. A further focus was the ongoing development of individual gear unit components and devising concepts to supplement the product portfolio.

As well as the completion of the full gear unit range for dredgers, R&D activities for marine gear units in Standard Gear Units business targeted gear unit packages with automatic switching functions for hybrid drives in particular. The main area for stationary and wind turbine gear unit series was the continuous improvement of technical properties. In couplings, prototypes for various applications were developed, tested and delivered to customers for further trials.

As in previous years, development activities in Slide Bearings business again focused on process improvements in coating technologies in 2016, for instance with a view to cutting back on resources and optimizing costs by reducing the storage of metal. Furthermore, work was done on specific software instruments and facilities to simulate and test application possibilities and limits even under critical operating conditions.

Capital expenditures, environmental management

RENK invested a total of € 22 million in tangible and intangible assets in fiscal year 2016 (previous year: € 37 million). This marked a significant decline compared to the extraordinarily high capital expenditure efforts of recent years. RENK's long-term capital expenditure policy is geared towards the current and, in particular, expected future market requirements for its products and services. Flexibility, speed and high technological solution expertise in the implementation of customer-specific requirements are the guiding principle for all decisions. A further basic condition is the continuous improvement of cost structures to be able to keep pace with the intensive competition.

In the context of RENK's long-term capital expenditure policy, the Augsburg plant was a focal point for activities in 2016 as well. After the assembly and testing facilities went on line in the multipurpose hall in the previous year, Special Gear Units business has now also completed the complex test bays for large and turbo gear units and tested them in trial and full operations. Thus – barring some minor residual work – RENK's biggest investment project to date has been successfully implemented. Following the completion of this assembly and testing project, the priority now is the reorganization of mechanical production in Special Gear Units. The first decisions on capital expenditure have already been made.

In line with this, the implementation of the long-term capital expenditure strategy continued in Vehicle Transmissions. This included the completion of the expanded or replaced test facility capacity that was urgently needed to process current orders. In addition, the replacement and restructuring of mechanical production equipment continued and key design and planning work was done for the reorganization of assembly processes. As well as the further transformation of production, this project will be at the heart of investment efforts in Vehicle Transmissions in the coming years.

There was also further investment in the expansion of infrastructure at the Augsburg site. This mainly related to logistics, where the first steps were taken for a new state-of-the-art logistics center. This is intended to create a framework for the more efficient handling of logistics processes, ending the current distribution across several sometimes off-site locations and creating space for the needs of the other business units at the main plant.

At Standard Gear Units in Rheine, the priority was rounding off the property situation. Alongside replacement investments in production, the new cogeneration plant was put into operation.

There was also replacement investment in Slide Bearings business at the Hanover site. Moreover, there was work to expand testing capacity and a cogeneration plant commenced operations here as well.

Environmental issues are a top priority at all RENK's production sites. The monitoring audit for the environmental management system (DIN EN ISO 14001) of RENK AG at the Augsburg site introduced back in 2012 was successfully carried out in fiscal year 2016. The environmental management system at RENK AG's Hanover site is also certified to ISO 14001.

RENK AG's second environmental program is now running at the Augsburg site. It defines the goals and measures for protecting the environment for 2015 to 2018. With this program, the company is committed to implementing further voluntary protective measures in the different environmental fields that go beyond the extent required by law.

The recuperation of electrical energy into the grid is being successfully used in the new multifunctional test bays in Special Gear Units business. As a result, cost-intensive peak power was reduced in the year under review.

At its Rheine site, RENK has changed most of the lighting system in the production halls from high-energy, high-maintenance mercury-vapor lamps to long-lasting, energy-saving LED lighting. A new cogeneration plant was installed modularly in 2016. This cogeneration plant with a thermal priority circuit will cover most of the heating requirements of the Rheine plant while also generating a small portion of its required electric power.

Energy-optimized hall ventilation was installed in the production hall at the Hanover site. This was combined with the cogeneration plant that was installed in the previous year to optimize its performance.

These measures entail significant advantages in terms of energy efficiency, carbon footprint and energy costs.

Employees

RENK employed 1,915 people as of December 31, 2016 (previous year: 1,913). It also had 39 subcontracted employees (previous year: 34).

RENK's success is closely linked to the extensive expertise, long-term experience and the high motivation of its employees. Unlike a company's products and services, the people within an organization, their culture and their abilities cannot be copied. For this reason, a focus on being a "top employer" is an important component of corporate strategy. The goal is to have excellently qualified and highly motivated employees in RENK's individual units and also to train the right talent for future tasks.

The best talent for RENK – recruitment and loyalty
RENK therefore takes targeted measures to raise its profile as a "top employer" in the respective regions and thus to attract and retain the best talent. In many cases, students and other applicants also apply at the recommendation of RENK employees. Competition amongst companies for the best minds, and especially for the most suitable young academics in the field of engineering, begins well before actual recruitment.

RENK, for instance, makes extensive use of internships, dissertations and working students to get to know and retain interesting candidates even during their studies. In addition to attending the relevant university fairs, employees from technical departments also give presentations at universities and make a case for working at RENK. In addition, student groups from engineering disciplines regularly visit the individual sites. Keynote speeches and facility tours illustrate the ranges of activities possible at RENK.

Furthermore, potential applicants can sign up for a job newsletter and stay informed about current vacancies specific to their target group.

The key to RENK's success is developing and implementing bespoke solutions for customer requirements in the field of drive technology. To do this employees need extensive expertise in this market, which can only be achieved through long-term loyalty to RENK and a strong sense of identity with the company and its products. RENK fulfills these objectives with an average length of employment of around 16 years and an employee-initiated staff turnover rate of less than 1%.

With a wide range of possibilities flexibly tailored to their respective requirements, employees are able to find the right work-life balance in all phases of their life. In addition to various part-time opportunities, including during parental leave, the Augsburg plant financially participated in the "Summer Children" project for the first time in 2016. This initiative by the Society for the Promotion of Professional and Social Integration (gfi) helps parents by providing childcare and an extensive program of activities to cover periods when kindergartens are closed and during school vacations.

Employee participation in business success
RENK's image as an employer and employee motivation depend not least on an attractive salary package. Accordingly, the great commitment by employees will be rewarded for fiscal year 2016 by allowing them to participate directly in business performance. This profit-sharing is based on the stipulated targets.

Company pension plan
RENK rewards the long-term loyalty of its employees with an additional attractive company pension plan in the form of the MAN Profit-Sharing and Pension Plan (MEV). In addition to employer contributions, employees have the option of voluntary deferred compensation as part of their personal pension provision. Such contributions are free from tax and social security contributions up to the statutory contribution assessment ceiling. The company supports this voluntary deferred compensation with additional top-ups.

Promotion of occupational health management
Occupational health management plays an important role in maintaining the workforce. In the second year after the introduction of occupational integration management (BEM), employees are increasingly taking advantage of the chance for a personal interview with the BEM team. The aim is to protect employees against future inability to work through suitable preventive measures, such as the providing height-adjustable desks, and other ergonomic measures, and also to enable employees to return to working life after long-term illness. The BEM team carries out workplace tours with the competent safety engineers and works physicians, and cooperates closely with external partners such as the statutory pension insurance organization or the Integration Office. To promote occupational health management, an independent works physician was again hired at the Augsburg site in 2016 to provide a wide range of medical services for employees. In cooperation with the company health insurance system, previous health-based activities such as the free back school, health weeks in the works restaurant, colon cancer awareness, vaccination consulting and skin screening were continued.

Nutrition also plays an important role in mental and physical fitness. The new employee restaurant was therefore opened at the Augsburg plant in January 2016. In a friendly atmosphere with an outdoor area in the summer, employees are offered a wide range of dishes using fresh local produce. An increase of more than 300% in the meals served shows the success of this project. And there is strong demand for the vegetarian dish available every day.

Employee survey
RENK's reputation as an attractive employer is also continuing to grow internally. The latest employee survey – the third since 2011 – was carried out in October 2016. 1,834 employees were invited to give feedback on the company at the Augsburg, Rheine and Hanover sites. 1,552 employees took part in the survey in total – a participation rate of 85%. This high figure demonstrates employees' strong commitment and interest in actively shaping the development of RENK. 80% of participants said they were proud to work for RENK. This result is a source of pride in itself, and at the same time is a reminder to managers of their commitment to keep moving RENK forward with measures to be implemented together with employees. The recipients of their own, individual report will first deal with their personal results. Then they will discuss with their employees which measures must be taken in their own area of responsibility to achieve further improvements. Not least because of the comprehensive communication of the new RENK leadership concept, the significantly greater commitment on the part of managers to be developers in their own area of responsibility is a helpful catalyst.

Employee vocational training and continuous professional development
RENK continues to develop the technical and managerial skills of its employees so that every site will still have suitably trained and highly motivated employees in the future.

The success of the vocational training concept at RENK has again been highlighted by numerous awards at all sites. At the end of 2016 a total of 113 vocational trainees (previous year: 121) were being trained at RENK either directly in its individual divisions or by RENK indirectly at the MAN vocational training center in Augsburg. The Augsburg plant accounts for 67 (previous year: 68), Rheine 32 (previous year: 41) and Hanover 14 (previous year: 12). 15 of the 113 vocational trainees are doing combined studies of mechanical engineering or mechatronics at a university parallel to their vocational training.

Customers want RENK to be an end-to-end system provider. This entails constantly increasing demands on employees' interdisciplinary skills. A key role in this is played by those employees with an academic background. They have to understand RENK as a whole, work together across all areas and continuously acquire new methodological competences. For this reason, the RENK Academic Onboarding Program (RAO) was launched as a pilot project in the Augsburg plant in 2016. Employees with university degrees who have been with the company for around two to three years are automatically granted access to this program. The first point of the program, an external team building, gives them the chance to get to know themselves and their colleagues from other areas better. They then have the opportunity to understand the overall relationships within the company more comprehensively through job rotation and mutual presentations on activities and areas. This allows them a better grasp of their own contribution to the success of the company so that they can adapt to the needs of the entire organization. In addition to other presentations held by managers, for instance on corporate strategy, participants work on a real company project, network with each other and thus acquire project management skills on-the-job.

In addition to the RENK Academic Onboarding Program, employees are offered a wide range of opportunities for personal and professional development thanks to the qualification interviews given annually for all employees. The focus this year was on business management for non-business managers, purchasing and the development of public speaking and presentation skills for our technicians and engineers. Furthermore, joint team and department workshops are offered to promote cooperation in addition to process improvement and knowledge sharing.

Our thanks to the employees and their representatives

We would like to thank all our employees for their dedication and contribution to the successes achieved. Our thanks also go to the employee representatives on the Supervisory Board, the members of the Works Council and the Economic Committee for continuing the open and constructive cooperation of past years.

We will remember the members of staff and former employees who passed away in the period under review fondly.

The segments

The segment tables below show order intake and sales revenue for the individual segments and intersegment transactions.

Special Gear Units (Augsburg plant)

€ million	2016	2015	Change*)
Order intake	190	159	31
Sales revenue	140	130	10
Order backlog	236	188	48

*) Calculated in € thousand

General economic conditions
The individual target markets of Special Gear Units developed in extremely different directions again in 2016, in terms of market volumes, the competitive situation and other overall conditions.

The marine gear units business area continued to operate in a market environment for technologically advanced gear unit solutions largely characterized by the procurement activities of government contractors for navies and coast guards in 2016. In many cases, technologically highly sophisticated gear sets are used that – depending on required profile – enable the isolated or combined use of different drive sources. The potential for such high-end gear unit solutions has expanded massively in recent years, in particular as a result of many navies' need to replace partially outdated units, but also due to new requirements profiles. In addition to the needs of the public sector, there is also demand for this technology from the considerably smaller market segment for mega-yachts, as they also have similar standards of performance, flexibility, noiselessness and smooth running.

This is in stark contrast to the markets in which the stationary gear units business area operates. General conditions did not improve there again in 2016, and in some cases the trend was even moving in the opposite direction. The persistently low price of oil prevented investment in the production of crude oil, particularly for offshore or deep sea projects. In addition, declining oil revenues in oil-producing countries caused budget-related volume reductions and investment shifts to infrastructure projects – something now being seen not just in countries with offshore oil production but conventional oil-producing countries as well. Furthermore, the consistently low price for commodities important to industry, such as copper, chromium, zinc and nickel, prevented new projects for the mining, transport and milling of these substances. The minor positive development arising from the low price of oil continued only in the plastics manufacturing industry. As in the past few years, intensive competition prevailed on all submarkets for industrial gears. RENK is countering this with a range of measures for process improvement, efficiency enhancement and product differentiation.

Business development
Special Gear Units increased its order intake significantly once again in 2016. At € 190 million, orders were up 20% on the previous year (€ 159 million). In turn, this growth was driven by demand for complex marine gear unit solutions; this segment set a new record for order intake. This was thanks in part to follow-up orders for single or multiple projects under longer term procurement programs. A particularly significant factor was the Italian Navy's extensive and technologically highly sophisticated program – for which the first ship sets were received in 2015 with the bulk of the order following in 2016. A major order for the Indian Navy, which includes system integration services in addition to the delivery of gears systems, stands out especially. The same applies to the drive system of a Polar research vessel, which is being equipped with a particularly quiet AED.

Order intake for stationary gear units was slightly higher than in the previous year, mainly as a result of a better order situation for gear units for the plastics processing industry.

At € 140 million, sales revenue in Special Gear Units was € 10 million higher in the year under review than the 2015 figure (€ 130 million). Growth in Stationary Gear Units resulted in particular from deliveries of industrial and mill gear units, including further COPE® units. In marine gear units there was a clear shift towards complex systems for combining several drive sources. The first AED ship set was delivered as well.

Outlook
The positive market situation for technically sophisticated gear units for use in navy and coast guard ships should by and large continue in 2017 as well. However, changes at the political level in individual countries can lead to noticeable shifts in the timing of new projects. There are no signs of a turnaround in industrial gear units. Continuing strong competition is still expected for all key product segments, and thus high price pressure is also expected as a result. There are good prospects for turbo gear units in the high-performance range or for specific applications. There are likewise opportunities on the fiercely contested market for cement mill gear units, in both conventional and COPE® configurations. This is also true for the – admittedly small – market for special gear units for use in polymer production in the plastics industry.

Vehicle Transmissions

€ million	2016	2015	Change*)
Order intake	102	74	28
Sales revenue	109	118	(9)
Order backlog	414	421	(7)

*) Calculated in € thousand

General economic conditions

The basic market situation for RENK as a manufacturer of transmissions for medium-weight and heavy tracked vehicles was also essentially unchanged in the year under review. The part of the world market accessible to RENK comprises only a relatively small number of mostly long-term procurement programs, usually with small volumes and hence low annual shipments. It is still RENK's primary goal to be involved in most of these procurement programs. We have good prospects for receiving new series orders, though it is becoming more and more difficult to forecast the timing and content of their actual implementation. In addition to the multitude of domestic, external and financial policy factors influencing decision-making in possible customer countries, there is also the impact analysis of a restrictively handled German export approval policy. This is also helping to boost new providers that are often specifically set up and aided by their respective national governments.

New providers are still pushing their way onto the market in after sales business, especially for maintenance. There is a risk that, due to budget constraints, contractors will be selected who do not meet the quality requirements. As an original equipment manufacturer (OEM), RENK is also standing by its established high technical standards for maintenance.

Business development

Order intake in Vehicle Transmissions climbed to € 102 million in fiscal year 2016 after € 74 million in the previous year. This included a major order for the delivery of gears units, test equipment and spare parts for the RK 325 series. There were also notable orders for maintenance and spare parts for HSWL 354 and HSWL 284C gear units.

At € 109 million, sales revenue in Vehicle Transmissions business fell short of the previous year's figure of € 118 million. The main revenue drivers in new transmissions were deliveries of the HSWL 256 series for the German PUMA and British AJAX project and revenues from the HSWL 354 series.

Outlook

For the coming years RENK expects that the market for tracked vehicles will develop along similar lines to the recent past. The market segment relevant to RENK will also be dominated by major procurement projects of individual countries in 2017. The demands for local content, knowledge transfer, etc. and the effects of often irrelevant political considerations from various sources frequently entailed by such projects will have a substantial impact on their content, form and timing. This makes reliable scheduling difficult for RENK, with the result that considerable uncertainty remains despite a number of promising projects.

Standard Gear Units (Rheine plant)

€ million	2016	2015	Change*)
Order intake	57	99	(42)
Sales revenue	101	92	9
Order backlog	52	96	(44)

*) Calculated in € thousand

General economic conditions

As in previous years, the difficult state of the markets significant to Standard Gear Units business remained unchanged in 2016. New construction plans in the offshore segment were still stuck at a barely perceptible level, and large offshore support firms in the US and Europe announced major restructuring measures with redundancies and the decommissioning of ships. However, project activities on the excavator market remained at a constant level due to the continuous demand for coastal protection and waterway maintenance work.

The market for turbo gear units from Rheine was unchanged as well. Most energy generation projects with steam turbine power of more than 20 MW have been put on hold following technical and commercial due diligence. Many potential customers still complained that capacity utilization was far too low. A number of measures to adapt to the market situation have already been resolved or are already being implemented.

The negative market development in the segment of the couplings market relevant to RENK likewise continued in 2016. At best, system operators were prepared to invest in the modernization of existing facilities, though there was no progress in project planning or the initiation of new systems. This led to substantial underutilization among equipment manufacturers and therefore to the adjustment of company structures.

A consolidation process has begun among providers of offshore wind turbines in Germany and Europe. The market again fell short of expectations in 2016. In Asia, too, the implementation of projects has not kept up with the original planning.

Business development

These negative conditions on the individual markets left a very clear mark on the order intake statistics for Standard Gear Units in the year under review. At € 57 million, orders in Rheine were down by 43% on the previous year (€ 99 million) in 2016. The main reason for this was the almost complete absence of new orders for wind turbine gear units, which had accounted for a third of total volumes one year previously. There were also significant downturns in marine gear units, while stationary gear units slightly exceeded the previous year’s level.

By contrast, sales revenue in Standard Gear Units outperformed the previous year’s level by 10% at € 101 million in fiscal year 2016 (€ 92 million). The increase was due solely to the delivery of most of the major wind turbine order from the previous year. This also offset the at times significant decreases in other business areas, in particular marine gear units and couplings.

Outlook

As in the previous year, there are no indications of a substantial improvement in the general conditions on the markets relevant to Standard Gear Units in 2017.

The current tense global situation on the commercial navy market is still slowing down potential new construction activity, hence the potential for new contracts is likely to remain at a relatively low level for 2017 as well. There are specific projects in, for example, the field of chemical tankers and on the excavator market.

The situation in the turbo gear units product area will similarly remain difficult. New and expanded systems for energy generation and in the oil and gas sector are still only going ahead very hesitantly. In the short term, this might only be positively influenced by a rise in the price of oil.

The couplings business area will also again face a very difficult environment in 2017. The business area is aiming to serve new segments and is also planning to launch newly developed products.

In Europe RENK currently only has prospects for smaller order volumes for offshore wind turbines due to the development in the competitive environment for system providers. There are also no signs of a turnaround in the Far East.

The development in 2016 and the current forecasts for the markets relevant for Standard Gear Units business will be clearly reflected in capacity utilization in Rheine. To counteract this at least partially, multiple measures are being planned with the aim of adjusting the number of employees downward on a voluntary basis.

Slide Bearings

€ million	2016	2015	Change*)
Order intake	84	97	(13)
Sales revenue	84	89	(5)
Order backlog	35	35	0

*) Calculated in € thousand

General economic conditions

The political – and therefore the general economic – environment remained tense in 2016. There was no sign of an improvement in the market situation. As a typical component provider for mechanical and plant engineering and for ship and marine technology, Slide Bearings business is closely linked to the development of its respective customer industries. Uncertainty lies in a number of regions, for instance it is unclear what effect the UK leaving the European Union will have. The renewed sanctions against Russia, the difficult situation in Brazil and the so far unpredictable impact of the new US government's economic policy possess high potential for uncertainty.

The tense sales situation that has long dominated the market for standard e-bearings began to noticeably affect traditional RENK customers. With this customer group not anticipating any improvement in its own general market situation in the short term, there is a growing willingness to try out and consider lower cost alternatives on a broad front. This applies both to technical alternatives such as rolling bearings (instead of sliding bearings for less demanding applications) and to alternative suppliers from other regions, e.g. China. Even if such plans do not go ahead, it still points to a drop in the market price level.

For technically sophisticated applications as well, the general economic and geopolitical developments are reducing the willingness to invest in the corresponding sectors; the potential market volume is shrinking further as a result of uncertain customers and those who wish to wait and see.

Business development

The developments described were clearly reflected in order intake for Slide Bearings business on account of the short order lead times for standard e-bearings. The order volume fell to € 84 million in fiscal year 2016, a drop of 13% compared to the previous year's figure of € 97 million. There was a significant decline in standard e-bearings that was compensated only to a smaller extent by the growth in special bearings. Overall, the emphasis in order intake shifted towards special bearing applications.

Sales revenue in Slide Bearings was also down year-on-year at € 84 million in 2016 (€ 89 million). The drop was mainly due to lower sales revenues in standard e-bearings. Increased revenue from special bearings offset this only to a limited degree.

Outlook

The market conditions for the standard e-bearings business of the Sliding Bearings business area are not expected to change fundamentally in 2017. The trends observed thus far will continue.

Furthermore, the global rise in energy generation using environmentally friendly technologies, such as solar cells, is putting pressure on traditional energy generation technology with rotating machinery, and thereby counteracting demand for slide bearings. However, concepts for energy generation using wind and hydropower could mean new potential in the future.

In the oil and gas sector the recovery of investment activity is dependent on the development of the price of oil. The expected investment activity in neglected infrastructures in Iran has so far been only tentative, and still entails a variety of obstacles, hence a significant influence is not expected from this corner in 2017.

Overall, the shift within the Sliding Bearings product portfolio towards special bearings will continue. A strong focus on new product developments and advances, together with the tapping of new markets and the expansion of existing ones, should ensure a leading market position in terms of technology and quality moving ahead as well.

Report on risks and opportunities*)

Company-wide risk management system
Doing business means constantly being exposed to risk. RENK defines risk as the threat that events, decisions or actions will prevent us from achieving defined goals or successfully pursuing certain strategies. In order to leverage market opportunities, we consciously take risks if we can thereby expect an appropriate contribution to enterprise value. Risks that threaten the company's continued existence should not be taken or, if they are unavoidable, must be minimized with appropriate measures. This requires an effective risk management system tailored to the needs of business activities and that provides the necessary information early on to guide the company.

Risk management at RENK is incorporated in the risk management system of the MAN Group. It is an integral part of corporate management and business processes and is composed of the core elements of corporate planning, including a review process during the year, risk and opportunities management ("risk management"), the internal control system and the compliance system.

One of the goals of corporate planning is to guarantee that risks and opportunities are identified and assessed early on so that suitable measures can be taken. Risk management is set up at all levels to provide current and relevant information on the development of material risks and opportunities and on the effectiveness of the measures taken at an early stage. The internal control system focuses on the close monitoring and controlling of risks, in particular with regard to the effectiveness of business processes, the correctness and reliability of financial reporting, and compliance with legislation and regulations. The RENK compliance system assists in ensuring compliance with all laws applicable to the company, internal guidelines and codes of conduct. It places special emphasis on the issues of combating corruption, antitrust law, data privacy, preventing money laundering and combating terrorism. Details of this can be found under "Compliance system".

Organization of risk management and the internal control system
Overall responsibility for setting up and maintaining an appropriate and targeted system for the early identification of risks lies with the RENK Executive Board. On its own responsibility, RENK's Executive Board has organized risk management and the internal control system to an extent and in a form in line with the requirements and circumstances specific to RENK. The industrial governance management concept calls for local decision-making processes for operations for RENK. The management is responsible for ensuring that in addition to the RENK AG, by far the most important company, the other RENK companies are included in the risk management and internal control system to the necessary extent. The policy for risk and opportunities management and the internal control system provides the framework for a concept of risk management and the internal control system, and contains regulations for structural organization, processes and reporting.

*) Contains the report in accordance with section 289(5) HGB Processes and Reporting.

Structural organization
The structural organization for risk management and the internal control system is based on the RENK management hierarchy. There are coordinators for risk management and the internal control system to ensure that the processes defined in the policy are implemented. They also play a part in the ongoing development and improvement of the risk management system. RENK has set up an interdisciplinary Risk and Compliance Board that acts as a central controlling and monitoring body for risk management, the internal control system and compliance. In the course of discussions by the Risk and Compliance Board, the risk situation is assessed and measures for managing risk and remedying weak points are resolved.

The risk management control process
The risk management control process comprises the phases of identification, analysis, assessment, controlling, monitoring, and communication. Risks and opportunities are classified as either short-term, i.e. up to one year, or long-term, i.e. up to five years. Risks are assessed according to their probability of occurrence and the extent of possible loss on a gross and net basis, whereby the net assessment includes any measures to mitigate risk. Qualitative analyses are also possible. The planned operating profit of the respective organizational unit is taken as the basis for assessing the materiality of such a net analysis. Within their areas of responsibility, risk officers define and implement risk-minimizing measures in addition to monitoring their effectiveness. Using uniformly defined risk areas, any risk clusters can be identified early on and actively handled.

The Risk and Compliance Board assesses the current risk situation by discussing and comparing risks and opportunities, resolving measures and monitoring their effectiveness. Discussions focus on the causes of risk and measures. The risk and opportunities situation, and the measures taken to manage and ameliorate this situation, are reported to the Executive Board. Furthermore, the Supervisory Board receives regular reports on the risk position and the effectiveness of the internal control system in Audit Committee meetings.

Moreover, risk management and the internal control system are subject to constant further development in to take into account changes in conditions and to further increase their benefit at every level of the company.

Accounting-related risk management and internal control systems
Generally, risk management and the internal control system, as an integral component, comprise the accounting-related processes and all risks and controls with regard to financial reporting. This applies to all aspects that can significantly affect the single-entity financial statements. Risk management assesses identified risks in terms of their influence on the single-entity financial statements and takes corresponding measures to manage and control risk.

The internal controls are intended to limit risks of material misstatements in financial reporting, risks of non-compliance with regulatory standards or due to fraud, and minimize operational and business risks (such as asset risks resulting from unauthorized operational decisions or obligations entered into).

Accounting controls have to provide reasonable assurance that the financial reporting process is in accordance with the German Commercial Code and other accounting-related rules and laws, and that it is reliable.

As has the MAN Group, RENK has structured and documented the internal control system in place in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in order to systematically assess the effectiveness of internal controls. The documentation covers all standard business processes, including the processes relevant to the preparation of the financial statements with the necessary controls. It also comprises controls for business specific risks. The scope of the documentation is determined by the companies that are material to the single-entity financial statements or whose qualitative characteristics imply greater exposure to risk. It is reviewed annually on the basis of defined criteria.

Key elements of risk management and control in accounting include the clear assignment of responsibilities and controls in the preparation of financial statements, transparent guidelines for accounting and the preparation of financial statements in the form of policies, appropriate access regulations for accounting-related IT systems and the clear regulation of responsibilities for the involvement of third-party specialists. The dual control principle and the separation of functions are also important principles that have been implemented in internal controls at RENK.

The effectiveness of accounting-related internal controls must be assessed at least once per year, primarily in the process of preparing the financial statements. Identified weaknesses in controls and agreed measures are included in the quarterly reports to the Risk and Compliance Board. In addition, Corporate Audit at MAN SE, acting on behalf of the RENK Executive Board as an independent internal auditor, assesses the regularity, the security and the management and monitoring processes for accounting-related internal controls. The auditor also provides an assessment of the accounting-related processes as part of its auditing activities.

The control system is regularly checked for completeness, suitability and effectiveness to ensure that the rules for reducing procedural and organizational risks are complied with at all levels.

Opportunities and risks

RENK classifies the material opportunities and risks for RENK that can have a significant impact on the net assets, financial position and results of operations on the basis of the five risk areas of market, products, processes, employees and finance.

Market

On its relevant markets, RENK anticipates opportunities for profitable growth in the medium- to long-term in many areas. The fundamental global economic trends – such as continued albeit moderate growth, the resulting rise in global transport routes and volumes plus growing demand for energy – will continue. Within the scope of its strategic orientation, RENK is constantly working to realize these market opportunities.

In our opinion, risks to a continuation of world economic growth mainly lie in turbulence on the international financial markets, protectionist tendencies and structural deficits that could endanger the development of individual industrial nations and emerging economies. In the southern euro area, the situation of some financial institutions, whose resilience to crisis is still not assured, is acting against a sustainable economic recovery. In addition, risks are entailed by the implications of the UK's planned exit from the EU. The consistently high private and public debt in many places is also hampering growth prospects and can lead to negative market reactions. The renewed sanctions against Russia, the difficult situation in Brazil and the so far unpredictable impact of the new US government's economic policy possess high potential for uncertainty. Growth declines in key countries and regions often directly affect the global economy and therefore constitute a central risk.

The economic development of some emerging economies is inhibited mainly by a dependence on capital imports and energy and commodity prices in addition to socio-political tension. Furthermore, risks are arising from flawed government structures and the absence of rule of law. Geopolitical tensions and conflicts are another major risk factor in the development of individual economies and regions. As a result of rising global economic interrelations, even local developments can harm the world economy. For example, an escalation of the conflicts in Eastern Europe, the Middle East or Africa can trigger further disruptions on the global energy and commodity markets and exacerbate migration trends. The same is true of armed hostilities, terrorist activities, or the spread of infectious disease, which can lead to sudden and unexpected market reactions.

Overall, we rate the probability of a global recession as low. However, given the above risk factors a decline in global economic growth or a phase of below-average growth rates cannot be ruled out.

As a company that operates in the capital goods industry, RENK is also subject to fluctuations in the investment climate. Even small changes in growth or growth expectations can result in significant changes in demand for capital goods in the relevant markets, cancellations of orders already booked or the reorganization of longer-term business relationships with key customers. RENK's methods of countering these risks include flexible production concepts and cost flexibility through subcontracted employees, working time accounts, short-time work and, if necessary, contractual compensation arrangements.

The overall economic environment can also mean opportunities for RENK, if actual development deviates positively from forecasts.

In addition, there are risks that growing protectionist efforts, minimum requirements in terms of the share of local production in individual countries or changing competitive conditions on the sales markets of RENK AG adversely affect the planned growth. The markets for products in the military environment are also subject to further risks on account of their dependence on political decision-making, cash-strapped public sectors in many countries, and possibly demands for local content and technology transfer. Furthermore, on many markets RENK faces substantial competitive and price pressure that can lead to a deterioration of the profit margins it can achieve.

Changes in legislation, affecting taxes or customs, or to other provisions in individual countries can likewise entail risks to RENK. RENK constantly monitors and assesses its economic, political, legal, and social environments in order to take into account the resulting risks and opportunities in a timely manner when making business decisions.

Further information on the current developments in connection with the economic situation and the repercussions of this can be found in the sections entitled “Economic environment”, “Outlook” and in the comments on the individual segments under “The segments”.

Products

As a provider of premium technology, RENK's mission is to develop high-quality technologically and economically advanced products and launch them on the market, which opens up opportunities for RENK in a wide range of market segments. Abandoning such a mission would constitute an irresponsible risk to the Group's market position. Still, introducing new products entails design and market risks. RENK counters these with meticulous strategic planning that analyzes developments in its marketplace and business environment. Ensuring that RENK products are of a consistently high quality is an essential prerequisite for tapping further global market potential. This is reflected by extensive capital expenditures in corresponding production capacity and equipment in the fiscal year and previous years.

Products that have already been introduced on the market are subject to risks in terms of the product quality expected by customers. Poor quality can lead to warranty and guarantee costs and, in the long term, to losses of market share or lower profit margins. In extreme cases, product liability claims and related damages are possible. Suppliers and the components they provide must undergo a strict approval procedure to ensure that high quality standards are maintained. Once production has begun, established in-process quality assurance measures ensure that manufacturing defects are identified and fixed in good time. Later, when the products are in use, any defects that arise are recorded, analyzed, and fixed.

RENK's international presence with a variety of products and services mean a diversification of its economic base. This counteracts the risks of dependence on major customers or on individual products and markets. However, it also entails risks due to patent violations and the passing on of company-specific expertise. We therefore monitor our sales markets and protect our expertise with legal action where necessary.

Long-term customer contracts harbor additional risk potential. Changes in the political or business environment within a market can lead to additional expenses in the handling of major projects. Whenever agreements with customers include warranties or guarantee obligations, there is the risk of their unwarranted utilization. This risk is managed by formulating contracts with the utmost care.

RENK also monitors technological advances and new developments to be able to respond to these technological changes promptly with a revised product focus.

Processes

RENK sees the continuous optimization of business processes in Development, Purchasing, Production, Sales and Administration as an ongoing challenge to increase the efficiency of these processes and also to counteract the sometimes significant cost risks in these areas. For example, suppliers are monitored preventively and continuously to detect significant risks of delays in delivery or loss of suppliers at an early stage and thus to mitigate their impact. RENK also decisively and systematically improves the underlying processes with regard to the optimized commitment of current assets.

Risks can arise in handling major projects that may only be recognized in the course of the project. These can include problems in contract design, the miscalculation of orders, changes in economic and technical conditions, flaws in project management or inadequate performance by subcontractors. RENK minimizes these risks with comprehensive project management and order controlling. All major projects are submitted to the Executive Board of RENK AG for approval. Orders already approved and ongoing that deviate significantly from their planned development are logged as critical orders in a special reporting system and regularly presented to the Executive Board.

In connection with its global business activities RENK can also be confronted with various legal disputes and proceedings. In such cases RENK, with the assistance of external legal consultants if necessary, reviews the respective legal situation to avert unwarranted claims or to enforce its own claims.

Business processes at RENK AG are closely supported and in some cases even made possible by IT. This leads to efficiency gains but also harbors risk. Parts of its infrastructure can malfunction as a result of accidents, disasters, technical disruption or Internet attacks, thereby impairing or completely shutting down business processes. Moreover, there are the risks of unauthorized access, theft and the destruction or misuse of business data and information. The resulting financial damage and loss of reputation can affect the company as a whole. To safeguard the availability, authenticity, integrity and confidentiality of data and information, and to minimize identified and potential risks, RENK uses state-of-the-art hardware and software technologies and effective IT organization and security mechanisms. This is evidenced by the use of contemporary standards such as ITIL (IT Infrastructure Library), the operation of a constantly evolving, IT-related, internal control system, internationally recognized ISO 27001 and basic protection certification by the German Federal Office for Information Security (BSI) and other special certificates for the operation of sensitive IT infrastructures and business processes for German and international customers.

The internal control system plays a key role in all business processes, including the accounting process, as it is designed to ensure compliance with the relevant regulations and to reduce unavoidable risks. It makes a vital contribution to protecting RENK's assets.

Employees

A key component in the foundation of RENK's corporate strategy is to be perceived as a top employer in order to remain attractive to skilled and motivated employees. A significant factor in RENK's success is the highly qualified specialists and managers who set new technological benchmarks with RENK products and effectively and efficiently manage its business. Opportunities lie in the skills, international outlook and the ability and willingness to innovate of the employees who develop continuously improved and forward-looking products, services and processes. Risks lie in being unable to staff key positions in good time and in line with future requirements. Thanks to a wide array of HR marketing activities, RENK has succeeded in recruiting and ensuring loyalty to the company among excellently qualified specialists and managers.

An intentional or grossly negligent violation of the law or regulations by employees or managers would be a material risk to RENK. RENK counters this risk with a variety of measures as part of its compliance system. In particular, these include the Code of Conduct, compliance policies and training, the compliance help desk, the Speak Up! whistleblower portal and regular compliance risk assessments and communications measures. For more information, please refer to the section "Compliance system".

Finance

As an international player, RENK is exposed to significant market price, liquidity and credit risks. RENK addresses these risks, which can also represent opportunities due to market fluctuations, as part of its financial risk management.

The term market price risk also covers currency, interest rate and commodity price risks. RENK's international business transactions involve cash flows in several different currencies. If transactions are conducted in a currency other than euro, RENK is exposed to a currency risk which can affect both the prices for goods and services and profit margins. RENK therefore largely hedges its currency risks from orders, receivables and liabilities and, in part, those from planned sales. RENK AG's hedging activities are handled centrally by MAN SE as a counterparty. Substantial quantities of commodities are needed for the manufacture of products. Commodity market price trends or escalator clauses in contracts with suppliers expose RENK to commodity price risks that cannot always be passed on to customers and that therefore erode profit margins. Such risks are counteracted with long-term supply agreements and escalator clauses in contracts with customers.

Liquidity risk describes the risk that RENK is unable to adequately meet its financial obligations. Inflows and outflows of cash are monitored and managed at all times to safeguard liquidity. Moreover, cash flow trends are monitored in the context of detailed financial planning. The company's inclusion in the central cash management of the MAN Group ensures the availability of the necessary funds.

The operating activities of RENK expose it to credit risk. This includes the risk that a partner does not meet its contractual obligations on account of its own economic situation or the political environment, thereby causing a financial loss to RENK. These sovereign and counterparty risks are reduced by the careful selection of deals and partners, suitable contract and payment terms and guarantees and letters of credit.

If there are indications of impairment on an equity investment carried at acquisition cost, RENK is exposed to the risk of an impairment loss in net profit or loss.

The derivative hedges for currency, interest rate and commodity risks – to the extent that they are used at RENK – are components of economic hedges whose effectiveness is regularly checked.

To reduce the inherent financial risks, the defined benefit pension obligations of RENK AG are largely covered by plan assets that are kept separate from operating assets.

Assessment of the risk and opportunities situation of the company by the Executive Board
As in previous years, the market risks continue to outweigh the other risk areas, though the overall risk position has not changed significantly. The opportunities identified can only partly counteract the risks. It should be noted that the realization of market opportunities is already included in sophisticated internal planning. Based on the risks reported in the Risk and Compliance Board, the Executive Board is satisfied that there are no significant quantified risks in the respective organizational units that, individually or collectively, are not covered by the budgeted operating profit. This also applies to risks for which a higher gross loss was calculated, but for which risk-mitigating measures were taken or a low probability of occurrence was assumed.

Regarding the individual risk areas, the Executive Board anticipates the most significant short-term risks in the market risk area. In particular, this concerns the uncertainties and the strong competitive pressure in many markets relevant to RENK, i.e. in business areas of Special Gear Units, Standard Gear Units and Slide Bearings, and in test rigs. In the area of product-related risks, the focus is on potential technical risks and warranty claims based on customer-specific use of RENK products. In the risk areas of processes and employees, the short-term quantified risks are less significant.

On the basis of the risk management system established in the MAN Group and introduced at RENK, the Executive Board has again found that no risks are discernible at the current time that could lead to a lasting and substantial impairment of the net assets, financial position and results of operations of RENK AG. The risk management system implemented and the related organizational measures thus allow the Executive Board to learn of risks in a timely manner and to initiate adequate measures.

The focus of activities in 2017 will remain on the management of market risks given their at times uncertain development.

Compliance system

In fiscal year 2016, RENK systematically implemented and continued to develop the compliance program covering the combating of corruption, antitrust law, data privacy and money laundering.

RENK has established compliance as an integral part of its corporate culture. The compliance management system is coordinated, taught and constantly refined by the compliance officer on the basis of the MAN compliance program. He reports directly to the RENK AG Executive Board and functionally to the Audit Committee of the Supervisory Board.

The compliance officer is assisted by a deputy and one other employee in the area of reviewing business partners. The Rheine and Hanover plants are also assisted by “compliance champions” – managers who are not full-time compliance employees but who have assumed special responsibility for the issue of compliance at their sites.

Furthermore, the compliance officer can use the resources of MAN’s corporate compliance office. In particular, training and information materials and e-learning courses are managed from here. Policies are adapted to RENK’s structure and business model.

The compliance organization and the introduction of new compliance measures were closely coordinated with the Executive Board and plant management teams on the basis of identified risks. The Risk and Compliance Board, which meets quarterly, is informed of the progress in measures and coordinates the next steps.

The global protection of personal data is ensured by an external data protection officer, based on a data privacy policy that applies to RENK.

In implementing the findings of the compliance risk assessment, a clear tone from the top in terms of integrity, emanating from the Executive Board, managers and the compliance officer, was ensured.

Ethical principles of conduct and compliance requirements for RENK are established in the Code of Conduct. In addition to the Code of Conduct for Employees, RENK has issued a Code of Conduct for Suppliers & Business Partners that defines certain minimum ethical standards that RENK’s suppliers and business partners must agree to comply with.

Business partners assisting with sales are checked to ensure their integrity and are subject to an approval process.

All employees with a compliance risk classification were invited to take part in a mandatory e-learning program, “Code of Conduct 3”, in the reporting period.

The compliance officer gave presentations on the compliance organization, compliance processes and compliance tools at RENK and communicated the Executive Board’s expectations of employees in terms of compliance at events for various employee groups.

The compliance officer and the compliance help desk, which can be used by all employees for matters concerning compliance, received 22 inquiries in the reporting period. These were answered by the compliance officer and documented.

Corporate Governance Statement in accordance with section 289a HGB and section 315(5) HGB for fiscal year 2016[1)]

At RENK, the management and control of the company and the Group are geared towards ensuring sustainable value added and an appropriate result in accordance with the principles of the social market economy.

Corporate governance is defined by the applicable laws, in particular company law, the Articles of Association and internal regulations, and by national and international standards of good and responsible management. The German Corporate Governance Code (Code) provides conduct recommendations and suggestions for the corporate governance as applied in the RENK Group in line with recognized standards.

(a) Corporate Governance at RENK[2)]

The Executive Board and the Supervisory Board of RENK have dealt extensively with the corporate governance system and compliance with the recommendations and suggestions of the Code. They are aware that good and transparent corporate governance, consistent with both national and international standards, is essential for the responsible and long-term management of a company.

Declaration of conformity

On December 9, 2016 the Executive Board and the Supervisory Board issued the declaration of compliance reproduced below in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act):

“The Executive Board and the Supervisory Board of RENK Aktiengesellschaft declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended May 5, 2015 promulgated by the Federal Ministry of Justice on June 12, 2015 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with in the period since the last declaration of compliance was issued in December 2015 and still are complied with, with the exception of items 5.4.1(5) to (7) (disclosure of proposals of candidates for election).

With regard to the recommendation in item 5.4.1(5) to (7) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution. Nonetheless, the Supervisory Board will attempt to comply with the requirements of item 5.4.1(5) to (7) of the Code.”

1) The Corporate Governance Statement in accordance with section 289a HGB and section 315(5) HGB is not included in the audit.
2) Also “Corporate Governance Report” of the Executive Board and the Supervisory Board in accordance with item 3.10 of the German Corporate Governance Code as amended May 5, 2015.

Annual General Meeting

The Annual General Meeting is the forum for shareholders of RENK AG to exercise their voting rights, to obtain information and to engage in a dialog with the Executive Board and the Supervisory Board.

RENK AG's Annual General Meeting is organized and held with the goal of providing all shareholders with information quickly, comprehensively and effectively both before and during the Annual General Meeting. The invitation to the Annual General Meeting is published in the Bundesanzeiger and is made accessible to shareholders and all other interest parties on RENK's website, together with all reports and submissions for the Annual General Meeting.

To make it easier for shareholders to exercise their rights in person and to facilitate voting representatives, in addition to the option of authorizing a bank, shareholder associations or other persons, there is the possibility of authorizing a RENK employee as a voting representative.

Cooperation between the Executive Board and the Supervisory Board

In accordance with German stock corporation law, RENK AG has a dual management structure with an Executive Board and Supervisory Board. Both governing bodies work together closely for the good of the company and strive to sustainably increase the value of the company for the shareholders.

The Executive Board performs management and operational functions on its own responsibility, the Supervisory Board performs monitoring and consulting functions. Both the Executive Board and the Supervisory Board work on the basis of the applicable legal regulations and their respective Rules of Procedure. The Executive Board informs the Supervisory Board promptly and comprehensively on strategy, planning, business development and the risk position. Transactions and measures that require the approval of the Supervisory Board are presented to it in time. The Executive Board also informs the Chairman of the Supervisory Board immediately of extraordinary events.

Executive Board

The Executive Board is the management body of RENK AG and has two members as of December 31, 2016. The members of the Executive Board conduct all the company's business with joint responsibility. The Executive Board is appointed by the Supervisory Board. The Executive Board's work is governed by its Rules of Procedure.

The Executive Board determines the business objectives for the entire RENK Group. It ensures compliance with legal provisions, official regulations and internal company policies. The Executive Board also ensures open and transparent corporate communications. The risk management system assists the Executive Board in recognizing business and financial risks and taking appropriate measures to reduce risks.

In accordance with the specifications of the German Stock Corporation Act and item 4.3.4 of the Code, Executive Board members can perform sideline activities, including supervisory board mandates outside the RENK Group, only with the prior consent of the Supervisory Board. The Executive Board members are further required to disclose conflicts of interest to the Supervisory Board and the other members of the Executive Board without delay. Executive Board members did not report any conflicts of interest in the year under review. In addition, companies of the RENK Group did not perform any transactions with members of the Executive Board or their related parties in the year under review.

In accordance with the decision made by the Supervisory Board on an age limit for members of the Executive Board, appointments for members of the Executive Board should generally end one year after they reach the age of 65: This age limit will increase in line with the development of the standard retirement age for the statutory pension system and the Supervisory Board reserves the right to make exceptions in individual cases.

In accordance with section 76(4) AktG, on July 27, 2015 the Executive Board set targets for the share of women in the first and second management levels below the Executive Board of 0% and 12.8% respectively. The deadline for reaching these targets ends on June 30, 2017.

Supervisory Board

The Supervisory Board consisting of an equal number of employee and shareholder representatives is the monitoring and consulting body of RENK AG.

In accordance with section 96(1) alt. 1 and section 101 AktG in conjunction with section 1(1) and section 7(1) sentence 1 no. 1 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act), the Supervisory Board consists of twelve members. Six of these are shareholder representatives elected by the Annual General Meeting and six are employee representatives elected in line with the German Codetermination Act. Since January 1, 2016, the statutory minimum share of 30% women and men must also be taken into account in new elections to fill single or multiple Supervisory Board seats.

For information on the composition of the Supervisory Board and the Supervisory Board committees formed plus further details of the changes occurred in the year under review, please see the report of the Supervisory Board and the notes to the consolidated financial statements.

The Supervisory Board of RENK AG updated the goals for its composition at its meeting on December 11, 2015. In line with this, and in light of the purpose of the company, its size and the share of its international activities, the Supervisory Board of RENK AG is endeavoring to achieve a composition for the Supervisory Board that takes the following elements into account:

- at least one seat on the Supervisory Board for persons who especially embody the criterion of internationality;
- at least one seat on the Supervisory Board elected by the shareholders for persons who have no potential conflicts of interest and are independent within the meaning of item 5.4.2 of the Code;
- generally no persons should be considered for election who have reached the age of 70 by the time of the election or who have already been a member of the Supervisory Board of the company for more than 20 year.

All these criteria are met.

Supervisory Board members did not report any conflicts of interest in the year under review.

The mandates of Supervisory Board members in bodies of other companies are shown in the notes to the consolidated financial statements.

Remuneration system of the Executive Board and the Supervisory Board
For details of the remuneration system for the Executive Board and the Supervisory Board, please see the remuneration report in the management report.

Compliance
In fiscal year 2016, RENK systematically implemented and continued to develop the compliance program covering the combating of corruption, antitrust law, data privacy and money laundering.

RENK has established compliance as an integral part of its corporate culture. The compliance management system is coordinated, taught and constantly refined by the compliance officer on the basis of the MAN SE compliance program. He reports directly to the RENK AG Executive Board and functionally to the Audit Committee of the Supervisory Board.

The compliance officer is assisted by a deputy and one other employee in the area of reviewing business partners. The Rheine and Hanover plants are also assisted by “compliance champions” – managers who are not full-time compliance employees but who have assumed special responsibility for the issue of compliance at their sites.

Furthermore, the compliance officer can use the resources of MAN’s corporate compliance office. In particular, training and information materials and e-learning courses are managed from here. Policies are adapted to RENK’s structure and business model.

The compliance organization and the introduction of new compliance measures were closely coordinated with the Executive Board and plant management teams on the basis of identified risks. The Risk and Compliance Board, which meets quarterly, is informed of the progress in measures and coordinates the next steps.

The global protection of personal data is ensured by an external data protection officer, based on a data protection policy that applies to the entire RENK Group.

In implementing the findings of the compliance risk assessment, a clear tone from the top in terms of integrity, emanating from the Executive Board, managers and the compliance officer, was ensured.

Ethical principles of conduct and compliance requirements for RENK are established in the Code of Conduct.

In addition to the Code of Conduct for Employees, RENK has issued a Code of Conduct for Suppliers & Business Partners that defines certain minimum ethical standards that RENK’s suppliers and business partners must agree to comply with.

Business partners assisting with sales are checked to ensure their integrity and are subject to an approval process.

All employees with a compliance risk classification were invited to take part in a mandatory e-learning program, “Code of Conduct 3”, in the period under review. This training is expected to be fully completed by the spring of 2017. Moreover, the ombudsman appointed by Volkswagen – the primary parent company – received one anonymous tip-off about possible isolated irregularities in the RENK Group. This was immediately investigated by Corporate Audit at MAN SE. The special audit performed by Corporate Audit did not find any evidence for the anonymous whistleblower's allegations or for misconduct by employees, and therefore the matter was closed without sanctions.

The compliance officer gave presentations on the compliance organization, compliance processes and compliance tools at RENK and communicated the Executive Board's expectations of employees in terms of compliance at events for various employee groups.

The compliance officer and the compliance help desk, which can be used by all employees for matters concerning compliance, received 25 inquiries for the RENK Group and 22 for RENK AG in the reporting period. These were answered by the compliance officer and documented.

Transparency
RENK publishes a financial diary with all the important dates for shareholders on the website www.renk.eu under the "Investor Relations". Furthermore, this website also provides all other important information that can be accessed by shareholders and interested members of the public, thereby allowing the simultaneous and comprehensive communication of relevant information. This includes annual reports and half-yearly reports, press releases and invitations to and agendas for the Annual General Meeting including the other documentation that must be published in connection with the Annual General Meeting.

Furthermore, such information that must be disclosed immediately in accordance with capital market disclosure obligations is also published on the www.renk.eu homepage under "Investor Relations". In particular, examples of such information are:

- In accordance with Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse (Market Abuse Regulation), persons who perform management duties and their related parties must report to the issuer and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – German Federal Financial Supervisory Authority) the purchase and sale of RENK shares and financial instruments that reference RENK shares. No transactions were reported in fiscal year 2016. According to the notifications received, the direct and indirect holdings of shares or derivatives referencing shares by Executive Board and Supervisory Board members have not exceeded the threshold of 1% of the shares outstanding, either in any individual case or in total.
- In accordance with Article 17 of the Market Abuse Regulation, issuers are required to disclose inside information that relates to them directly without delay.
- In accordance with section 26 WpHG, German issuers must immediately publish notifications that they receive of shares of voting rights in the company being exceeded or fallen below.

Accounting and audit of the financial statements
The annual consolidated financial statements of the RENK Group are prepared by the Executive Board based on the International Financial Reporting Standards (IFRS), as adopted in the European Union, and the single-entity financial statements of RENK AG in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements of the RENK Group are audited by the auditor and the Supervisory Board.

In line with the recommendation in item 7.1.2 sentence 2 of the Code, the half-yearly report is discussed at RENK by the Executive Board with the Audit Committee prior to its publication. The publication deadlines for the consolidated financial statements and the half-yearly report stipulated in item 7.1.2 sentence 4 of the Code are complied with.

The Audit Committee of the Supervisory Board proposes an auditor to be elected for the company to the Supervisory Board. The Annual General Meeting appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as the auditor for fiscal year 2016 on April 29, 2016. The auditor provided the Supervisory Board with a statement regarding its independence, which serves as proof of the auditor's independence. In addition to granting the audit engagement and agreeing the fee, the Supervisory Board arranged the immediate reporting by the auditor to the Supervisory Board in the event of findings or events of material importance in the performance of the audit of the financial statements and of the discovery of inaccuracies in the declaration of conformity issued in accordance with section 161 AktG.

(b) Other corporate governance practices

RENK AG is the managing parent company of the RENK Group. In addition to monitoring its operating activities, it also defines the development of the overall strategy and structure of the RENK Group.

To a decisive extent the reputation of RENK and the trust placed in us by our customers, investors, employees and public opinion depends on the correct behavior of all employees in our Group.

For this reason, RENK has assumed the Code of Conduct applying in the MAN Group without restriction as the binding standard for daily work. A central element of the Code of Conduct is to exclude granting or accepting benefits as a means of achieving business targets. In competition RENK is successful exclusively on the basis of the quality and specific customer benefits of its products and services. This is elaborated to our employees not only on the basis of training, but primarily with the management as a role model. The demands of the Code of Conduct are specified in more detail in company policies.

The appreciation of our employees – irrespective of nationality, culture, religion, gender and age – is a key concern for the RENK management. We treat our employees in a fair and forthright manner, with understanding and tolerance and expect precisely this stance from our employees in dealing with colleagues, business partners and third parties. Our responsibility to society is also reflected in the wide-ranging preventive measures relating to occupational safety and the organization of work which provides our employees the best possible protection and a positive working environment. We expect our employees to think and act in an entrepreneurial manner. In return, our employees participate in the success of the company.

Another key feature of the way RENK is managed is the responsibility to investors as quantified on the basis of corresponding profitability benchmarks. In the ongoing pursuit of these goals, it is necessary for us to strengthen our market positions in our core businesses. The relevant potential external growth strategies such as cooperations, joint ventures, acquisitions and establishing worldwide sales networks, are examined on a continuous basis alongside the options of internal growth and are realized in a targeted fashion in line with the available financial options.

(c) Procedures and composition of the Executive Board, the Supervisory Board and committees

The composition of the Executive Board, the Supervisory Board and the Supervisory Board committees is shown in the notes to the annual financial statements. The Executive Board has no committees.

Please see under (a) for information on the working methods of the Executive Board and the Supervisory Board.

Procedures of the committees of the Supervisory Board

The Supervisory Board has formed three joint committees, each consisting of two shareholder representatives and two employee representatives: the Audit Committee, the Executive Personnel Committee and the Mediation Committee in accordance with section 27(3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). There is also the Nomination Committee that consists of two shareholder representatives. The main role of the committees is to prepare resolutions for the Supervisory Board. In some cases, the Supervisory Board's decision-making powers or tasks have been transferred to committees.

The Nomination Committee has the task of identifying candidates for Supervisory Board mandates who, taking account of the statutory provisions and the regulations of the company implemented in line with the declaration of conformity best fulfill the criteria of suitability and then to propose the Supervisory Board suitable candidates for its recommendations for election at the Annual General Meeting.

The Mediation Committee performs the duties assigned to it in accordance with section 27(3) MitbestG.

Meetings of the Audit Committee take place particularly in connection Supervisory Board meetings dealing with the annual financial statements and the half-yearly annual report. Further meetings of the Audit Committee and the other committees are convened when the need arises.

In respect to the activities of the committees, reference is additionally to the report of the Supervisory Board.

(d) Target for the share of women

In accordance with section 111(5) AktG, the Supervisory Board has set a target for the share of women in the Executive Board of 0%.

In accordance with section 76(4) AktG, on July 27, 2015 the Executive Board set targets for the share of women in the first and second management levels below the Executive Board of 0% and 12.8% respectively.

The deadlines for meeting these targets were set as December 31, 2016 for the Executive Board and June 30, 2017 for the first and second management levels below the Executive Board. The Executive Board achieved its target.

For the period from January 1, 2017 to December 31, 2021, in accordance with section 111(5) AktG, the Supervisory Board has set a target for the share of women in the Executive Board of 0%.

(e) Disclosures on compliance with the minimum share of women and men in the Supervisory Board

In accordance with section 96(2) sentence 1 AktG, the supervisory board of a listed stock corporation subject to the German Codetermination Act must consist of at least 30% women and at least 30% men.

In March 2016 the shareholders objected to full compliance in accordance with section 96(2) AktG. Thus, the Supervisory Board must consist of at least two women and two men – in terms of both shareholders and employees.

The shareholder members of the Supervisory Board are two women and four men, and this requirement is therefore fulfilled. The employee members of the Supervisory Board are six men and no women. However, as these are what are known as pre-existing appointments, this is not a contravention of the legal regulation.

(The Corporate Governance Statement can also be viewed on the Internet under the Investor Relations section on www.renk.eu.)

Remuneration report for fiscal year 2016

Remuneration of members of the Executive Board

In accordance with the statutory rules, the total remuneration of individual Executive Board members is set by the full Supervisory Board. The subject matter is prepared by the Supervisory Board's Executive Personnel Committee. At the proposal of the Committee, the structure of the remuneration system for the Executive Board is also discussed by the full Supervisory Board and – in accordance with the recommendation of the German Corporate Governance Code (GCGC, item 4.2.2) – regularly reviewed and revised as necessary.

The objective and purpose of this is to establish appropriate remuneration. In particular, the criteria for this are the duties of the respective member of the Executive Board, his personal performance, the economic situation, the success and the future prospects of RENK and the RENK Group and the question of what is usual for remuneration, taking into account the peer group and remuneration structure otherwise in place at RENK.

Remuneration structure and components

Remuneration for members of the Executive Board consists of a salary and benefits in kind not related to performance, pension contributions and performance-based components. The performance-based, variable remuneration takes into account individual performance, the company's success and long-term strategic objectives. The remuneration structure and its components are based on the respective employment contract.

(f) Fixed remuneration

The fixed remuneration is paid as a monthly salary. There are also benefits in kind, including in particular the provision of company cars and the payment of insurance premiums. The fixed remuneration is regularly reviewed and revised as appropriate to take into account the general pay trend and the responsibilities of the respective Executive Board member.

(g) Variable remuneration

A new system of variable compensation was introduced for the members of RENK AG's Executive Board from fiscal year 2016. The variable compensation is calculated on the basis of three equally weighted components, each of which is limited to 200% of the target value:

- Long-term incentive (LTI)
- Corporate bonus (CB)
- Personal performance bonus (PPB)

The **long-term incentive** is directly linked to the goals of the Volkswagen Group's 2018 strategy and is based on the performance criteria derived from the strategy. The calculation is based on a four-year period.

The target areas are:
- Top customer satisfaction
  (measured by the customer satisfaction index)
- Top employer
  (measured by the employee index)
- Increase in sales
  (measured by the growth index) and
- Increase in return
  (measured by the return index)

The customer satisfaction index is calculated using indicators that reflect customers' overall satisfaction with the delivering dealers, new vehicles and service operations on the basis of their last workshop visit. The employee index is determined from the indicators "employment" and "productivity" and from the participation rate and the result of employee surveys. The growth index is calculated from the indicators "delivery to customers" and "market share". The return index is calculated from the development of the return on sales and the dividend on ordinary shares.

The indices calculated for customer satisfaction and on employees and the sales situation are added together and the result is then multiplied by the return index. This method ensures that the LTI is only paid out if the Group is financially successful as a whole. This is because the return index is zero if the return on sales does not exceed a threshold of 1.5%. Consequently, the overall index for the fiscal year in question is then also zero.

Taking into account the four-year average of the overall indices – for the year under review and the three preceding fiscal years – the maximum amount of the LTI was set at € 245 thousand for the Chief Executive Officer and € 230 million for the second member of the Executive Board.

The **corporate bonus** allows the Executive Board to share in the business success of the RENK Group. This success is measured by the operating profit of the RENK Group. The calculation is based on a two-year period.

The achievement of targets is measured using the following system:

The average value of the operating profit of the RENK Group for the last two fiscal years (including the fiscal year in which the bonus is granted) is compared against a target value set by the company's Supervisory Board before the beginning of the fiscal year in which the bonus is granted. The target value is 100% target achievement. The target value is reviewed by the Supervisory Board at regular intervals, at least every three years, and adjusted if necessary.

The resulting percentage ratio between the average value and the target value is the percentage value for the target, which is capped at 200% of the average. The Supervisory Board has set the target value at € 55 million.

The **personal performance bonus** honors individual performance in the previous fiscal year on the basis of target achievement according to the individual target agreement and performance evaluation. Quantitative and qualitative factors are used to determine the bonus. The personal performance bonus is set by the Supervisory Board of the company.

(h) Company pension plan

Pension benefits for members of the Executive Board comprise old age, disability and survivors' benefits. Entitlements to such benefits are accumulated under a defined contribution, fund-based system, the Capital Account Plan. Each year RENK AG pays a contribution of 20% of eligible pay, which is the total of the contractually agreed fixed and variable remuneration. Additional contributions through gross deferred compensation are possible. The contributions paid and interest on them are accumulated in individual capital accounts. The performance of capital account is directly linked to the capital market and defined by a basket of indices and other suitable parameters. Investment risks are gradually reduced with increasing age (lifecycle concept). On retirement, the credit in the capital account, or at least the total contributions paid, can be paid out in a lump sum, in installments or converted into an annuity. In the event of disability or death, the balance accumulated, or at least capital in the amount of four times the fixed annual remuneration, is paid out.

Special employment contract regulations

In the event of a member of the Executive Board's appointment ending early without cause and at the instigation of the company, the member in question receives the fixed remuneration, the bonus, insurance premium allowances and pension plan contributions until the regular end of his term of office, or for a maximum of two years. Any income from other activities will be offset.

In the event of a member of the Executive Board's appointment ending at his own instigation – which is possible giving notice without stating grounds – he will receive his pay only until the end of his notice period. There are no special regulations for a change of control.

Remuneration of members of the Executive Board in 2016

The total remuneration of active members of the Executive Board for their activities in fiscal year 2016 amounted to € 1,478 thousand plus € 186 thousand for pensions (previous year: € 1,359 thousand plus € 175 thousand for pensions). Individual details broken down by fixed, performance-based and long-term incentive components can be found in the table in the notes to the single-entity financial statements of RENK AG and the tables below.

The individual remuneration of members of the Executive Board is reported in this remuneration report on the basis of the uniform sample tables recommended in the GCGC as published on September 30, 2014. A key feature of these sample tables is the separate reporting of benefits granted and amounts actually paid. The targets (payment on 100%) and the minimum and maximum values possible are shown under benefits.

Remuneration of members of the Executive Board in 2016 (granted)

EUR thousand	Florian Hofbauer		
	Chief Executive Officer		
	2016	Minimum	Maximum
Fixed remuneration	245	245	245
Additional benefits	26	26	26
Total	**271**	**271**	**271**
Short-term variable remuneration			
Personal performance bonus	123	0	245
Long-term variable remuneration			
Corporate bonus	123	0	245
Long-term incentive	123	0	245
Total	**368**	**0**	**735**
Pension cost	95	95	95
Total remuneration	**733**	**366**	**1,101**

EUR thousand	Christian Hammel		
	Production and Administration		
	2016	Minimum	Maximum
Fixed remuneration	230	230	230
Additional benefits	49	49	49
Total	**279**	**279**	**279**
Short-term variable remuneration			
Personal performance bonus	115	0	230
Long-term variable remuneration			
Corporate bonus	115	0	230
Long-term incentive	115	0	230
Total	**345**	**0**	**690**
Pension cost	91	91	91
Total remuneration	**715**	**370**	**1,060**

Remuneration of members of the Executive Board in 2015 (granted)

EUR thousand	Florian Hofbauer		
	Chief Executive Officer		
	2015	**Minimum**	**Maximum**
Fixed remuneration	230	230	230
Additional benefits	25	25	25
Total	**255**	**255**	**255**
Short-term variable remuneration			
(Performance component 2)[1]	115	0	230
Long-term variable remuneration			
Performance component 1 (2 years)[1]	115	0	230
Long-term remuneration component (3 years)	115	0	230
Total	**345**	**0**	**690**
Pension cost	95	95	95
Total remuneration	**695**	**350**	**1,040**

EUR thousand	Christian Hammel[2]		
	Production and Administration		
	2015	**Minimum**	**Maximum**
Fixed remuneration	92	92	92
Additional benefits	16	16	16
Total	**108**	**108**	**108**
Short-term variable remuneration			
(Performance component 2)[1]	46	0	92
Long-term variable remuneration			
Performance component 1 (2 years)[1]	46	0	92
Long-term remuneration component (3 years)	46	0	92
Total	**138**	**0**	**276**
Pension cost	18	18	18
Total remuneration	**264**	**126**	**402**

EUR thousand	Ulrich Sauter[3]		
	Production and Administration		
	2015	**Minimum**	**Maximum**
Fixed remuneration	128	128	128
Additional benefits	15	15	15
Total	**143**	**143**	**143**
Short-term variable remuneration			
(Performance component 2)[1]	64	0	128
Long-term variable remuneration			
Performance component 1 (2 years)[1]	64	0	128
Long-term remuneration component (3 years)	64	0	128
Total	**192**	**0**	**384**
Pension cost	53	53	53
Total remuneration	**388**	**196**	**580**

1) If the maximum for performance component 1 or 2 is not met, this can be compensated for by higher achievement of the respective other component. The overall maximum is the total of the two individual maximums shown.
2) Since August 1, 2015
3) Until July 31, 2015

Remuneration of members of the Executive Board in 2016 (actually received)

EUR thousand	Florian Hofbauer
	Chief Executive Officer
	2016
Fixed remuneration	245
Additional benefits	26
Total	**271**
Short-term variable remuneration	
Personal performance bonus[1]	184
Long-term variable remuneration	
Corporate bonus	150
Long-term incentive[1]	145
Total	**479**
Pension cost	95
Total remuneration	**845**

€ thousand	Christian Hammel
	Production and Administration
	2016
Fixed remuneration	230
Additional benefits	49
Total	**279**
Short-term variable remuneration	
Personal performance bonus[1)]	173
Long-term variable remuneration	
Corporate bonus	141
Long-term incentive[1)]	136
Total	**449**
Pension cost	91
Total remuneration	**819**

1) 2016: According to figures currently available

Remuneration of members of the Executive Board in 2015 (actually received)

EUR thousand	Florian Hofbauer
	Chief Executive Officer
	2015
Fixed remuneration	230
Additional benefits	25
Total	**255**
Short-term variable remuneration	
(Performance component 2)	426
Long-term variable remuneration	
Performance component 1 (2 years)	10
Long-term remuneration component (3 years)	0
Other (subsequent adjustment for bonus, special agreements)	0
Total	**436**
Pension cost	95
Total remuneration	**786**

€ thousand	Christian Hammel[1]
	Production and Administration
	2015
Fixed remuneration	92
Additional benefits	16
Total	**108**
Short-term variable remuneration	
(Performance component 2)	170
Long-term variable remuneration	
Performance component 1 (2 years)	4
Long-term remuneration component (3 years)	0
Other (subsequent adjustment for bonus, special agreements)	0
Total	**174**
Pension cost	18
Total remuneration	**300**

€ thousand	Ulrich Sauter[2]
	Production and Administration
	2015
Fixed remuneration	128
Additional benefits	15
Total	**143**
Short-term variable remuneration	
(Performance component 2)	237
Long-term variable remuneration	
Performance component 1 (2 years)	6
Long-term remuneration component (3 years)	0
Other (subsequent adjustment for bonus, special agreements)	0
Total	**243**
Pension cost	53
Total remuneration	**439**

1) Since August 1, 2015
2) Until July 31, 2015

Remuneration of members of the Supervisory Board
The structure and amount of the remuneration of the Supervisory Board are determined by the Annual General Meeting and regulated in Article 12 of the Articles of Association. They take into account the duties and responsibilities of the members of the Supervisory Board.

The annual remuneration consists of the following components:

- Fixed remuneration of € 10,000.
- Additional remuneration for the chair and deputy chair of the Supervisory Board, and for the chair and members of a committee, with the exception of the Mediation Committee. The chair of the Supervisory Board is granted double the fixed remuneration, the deputy chair and the chair of a committee one and a half times this amount, a committee member 1.25 times the amount. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

Supervisory Board members' expenses are also reimbursed.

Remuneration of members of the Supervisory Board in 2016
The total remuneration payable to members of the Supervisory Board for 2016 amounts to € 100,000 (previous year: € 100,000). An individual breakdown of the remuneration of the members of the Supervisory Board who served on the Supervisory Board in 2016 can be found in the notes to the single-entity financial statements of RENK AG.

Furthermore, members of the Supervisory Board did not receive any further remuneration or benefits for services rendered personally, including in particular consulting and mediation services in the year under review.

Former members of the Supervisory Board who left the Supervisory Board before January 1, 2016 are not paid any remuneration.

Forecast

The expected future development of RENK AG and the general conditions for its business activities are described below. Risks and opportunities that could cause a departure from the projected developments are shown in the report on risks and opportunities. The assumptions are based on the current assessments of external institutions, including economic research institutes and banks.

We assume that the growth of the global economy will be slightly higher than the previous year's level in 2017. We see risks in turbulence on the financial markets, protectionist tendencies and structural deficits in individual countries. Furthermore, growth prospects will continue to be weighed down by geopolitical tensions and conflict. For most industrialized countries, we expect the economic recovery to continue at stable rates of expansion overall. Most emerging economies are set to grow slightly more than in the previous year. We expect the highest increases in the emerging economies of Asia.

In Western Europe the economic recovery will presumably slow down in 2017 compared to the year under review. The major challenges are solving structural problems and the uncertain effects of the exit negotiations between the European Union (EU) and the UK. Gross domestic product in Germany is expected to rise at a similar pace in 2017 to that in the year under review. The stable situation on the labor market should continue and support private consumer spending. For Central Europe we anticipate similar growth rates in 2017 as in the past fiscal year.

For North America we expect the economy to expand more rapidly in 2017 than in the previous year. Growth in the US and Canada is likely to increase compared to the previous year. Brazil is fully expected to emerge from its recession in 2017 and achieve minor growth.

The Chinese economy should continue to grow at a high level in 2017, though with less momentum than in previous years. For India we expect a rate of expansion in line with the previous year.

Economists for the German Engineering Association (VDMA) are predicting a slight recovery in the global mechanical engineering sector industry for 2017, though only if the global developments of the last few months do not have negative repercussions. A real increase in production in German mechanical and plant engineering of 1% is forecast.

The RENK Executive Board projects a slight decline in order intake compared to 2016 in fiscal year 2017. In line with RENK's business model and as in previous years, a particular requirement for this is that the major projects expected actually go ahead. Sales revenue should virtually match the 2016 level in 2017.

The persistently difficult condition of key markets, rising competition and price pressure coupled with the capacity utilization problems, especially in Standard Gear Units business, will lead to a noticeable reduction in the operating profit. Accordingly, the operating profit will decline but remain in double digits.

RENK will also continue its long-term programs and projects to secure its position on individual markets and to respond to changing market and customer requirements in 2017. On the one hand, this includes continuous professional development and employee qualification. On the other, this also means the systematic continuation of the multi-year investment program.

An essential prerequisite for ensuring future viability remains RENK's top technological position in gear units and slide bearings. Development activities will play a crucial role in this.

RENK is forecasting the following developments for its individual divisions.

Orders for marine high-end gear solutions will be of great importance to order intake in **Special Gear Units business** in 2017 as well, but are no longer likely to match the previous year's level. However, growth potential is discernible for the stationary gear units business area. Overall, order intake in Special Gear Units business is set to be slightly below the previous year's level in 2017, while sales revenue should be slightly higher than in the previous year.

Vehicle Transmissions business is forecasting a significant decline in order intake in 2017 compared to 2016, which was dominated by major projects. There are still prospects for individual projects in new transmissions and after sales. However, the specific conditions of the market for tracked vehicle transmissions make the exact planning of these transmission projects extremely difficult – in terms of probability and the volume and timing of implementation. Sales revenue in Vehicle Transmissions business should slightly exceed the high level of the previous year in 2017.

Many of the target markets for **Standard Gear Units business** will remain in an extremely tense condition in 2017. Nevertheless, a slight increase in incoming orders compared to 2016 should be possible; the performance in wind turbine gear units will be important in this context. As a result of the weak order intake in fiscal year 2016, sales revenue will be below the previous year's level by some margin.

The lingering difficulties in the key segment of standard e-bearings especially will demand considerable efforts in **Slide Bearings business** to maintain the current level. RENK is facing these challenges. As a result, the division expects order intake and sales revenues to be on par with the previous year for 2017.

The forward-looking statements and information described above are based on our current expectations, assumptions and estimates, and they therefore entail a series of risks and uncertainties. A variety of factors, many of them outside our control, can influence our business activities and their outcome. These factors can result in the actual performance of RENK AG deviating significantly from the forward-looking statements.

Supplementary report

There were no special events after December 31, 2016 with a material effect on the net assets, financial position and results of operations.

Augsburg, February 6, 2017

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

Annual Financial Statements of RENK AG for the fiscal year 2016

Contents

Income statement for the period from January 1 to December 31, 2016

€ thousand	Notes to the financial statements	2016	2015
Sales revenue	[3]	425,123	424,142
Cost of sales		(329,287)	(331,493)
Gross profit		**95,836**	**92,649**
Distribution expenses		(30,540)	(28,493)
General administrative expenses		(13,580)	(13,124)
Other operating income	[4]	13,567	15,152
Other operating expenses	[5]	(15,346)	(10,089)
Income from equity investments	[6]	2,393	2,814
of which from affiliated companies		1,486	2,078
Write-downs of long-term financial assets		(1,847)	0
Net interest income	[7]	5,802	(2,772)
Taxes on income	[8]	(16,956)	(21,918)
Net profit for the year		**39,329**	**34,219**
Retained profits brought forward		2,910	760
Appropriation to retained earnings		(19,664)	(17,109)
Net retained profits		**22,575**	**17,870**

Balance sheet as of December 31, 2016

Assets

€ thousand	Notes to the financial statements	Dec. 31, 2016	Dec. 31, 2015
Intangible assets		1,082	1,223
Tangible assets		156,557	154,128
Long-term financial assets		16,070	15,417
Fixed assets	[9]	**173,709**	**170,768**
Inventories	[10]	164,637	155,723
Receivables and other assets	[11]	244,841	223,037
Cash-in-hand, bank balances, checks	[12]	14	10
Current assets		**409,492**	**378,770**
Deferred expense		**255**	**224**
Excess of plan assets over pension liabilities		**10,683**	**2,436**
		594,139	**552,198**

Equity and liabilities

€ thousand	Notes to the financial statements	Dec. 31, 2016	Dec. 31, 2015
Subscribed capital		17,920	17,920
Treasury shares		(512)	(512)
Issued capital		**17,408**	**17,408**
Capital reserves		10,669	10,669
Retained earnings		274,555	254,891
Net retained profits		22,575	17,870
Equity	[13]	**325,207**	**300,838**
Provisions for taxes		616	3,325
Other provisions		55,473	49,494
Provisions	[14]	**56,089**	**52,819**
Prepayments received		159,687	139,191
Trade payables		26,312	32,508
Other liabilities		26,844	26,842
of which taxes		1,681	2,217
of which social security		240	268
Liabilities	[15]	**212,843**	**198,541**
		594,139	**552,198**

Notes to the annual financial statements for fiscal year 2016

(1) Basic principles of the annual financial statements

RENK Aktiengesellschaft (hereinafter: RENK AG) is a listed corporation based at Gögginger Strasse 73, Augsburg, Germany. The company is registered with the Augsburg Local Court under HRB 6193. RENK AG develops, produces and sells premium drive technology worldwide. It is divided into the segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. As a 76% subsidiary of MAN SE, Munich, RENK AG is included in the consolidated financial statements of MAN SE. In turn, MAN SE is a subsidiary of Volkswagen Truck & Bus GmbH, Braunschweig, a direct and wholly owned subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg. Volkswagen Truck & Bus GmbH holds 74.52% of the capital of MAN SE. MAN SE, and therefore RENK AG as well, are included in the consolidated financial statements of Volkswagen Aktiengesellschaft, the primary parent company, which are published in *Bundesanzeiger* (Federal Gazette).

The 2016 annual financial statements were prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) for large corporations, the *Aktiengesetz* (AktG – German Stock Corporation Act) and in compliance with the Articles of Association of RENK AG. The fiscal year is the calendar year.

To improve clarity, individual line items have been combined in the balance sheet and the income statement but explained separately in the notes. The cost of sales (function of expense) method was chosen for the income statement.

(2) Accounting policies

First-time adoption of statutory provisions

RENK applied the HGB provisions as amended in the *Bilanzrichtlinie-Umsetzungsgesetz* (BilRUG – German Accounting Directive Implementation Act) of July 17, 2015 for the first time in fiscal year 2016. The amendments relate in particular to the new definition of sales revenue and regulations on provisions for the preparation of the notes.

The amendment of the measurement rule for pension provisions in accordance with section 253(2) sentence 1 HGB under the “German Act on the Implementation of the Mortgage Credit Directive and the Amendment of HGB Provisions” of March 17, 2016 – according to which pension provisions are now measured using an average interest rate for the past 10 years – was also implemented. The difference between this carrying amount and the theoretical amount from applying the average interest rate for the past seven years to the measurement of pension provisions is restricted from distribution in accordance with section 253(6) HGB.

Revenue recognition and operating expenses

Sales revenue is recognized when products are delivered or services are rendered. Discounts and customer bonuses are deducted from sales revenue. Owing to the new definition of the term "sales revenue", figures for sales revenue can no longer be compared with prior-year figures.

In accordance with section 75(2) sentence 3 of the Introductory Act to the German Commercial Code (EGHGB), the figures from the previous year have not been adjusted. The application of BilRUG provisions to the fiscal year 2015 would have resulted in additional sales revenue of € 1,655 thousand, essentially resulting from the performance of services for the subsidiary RENK Test System GmbH, Augsburg.

Operating expenses are recognized on utilization of the service, expenses for advertising and sales promotion and other expenses relating to sales revenue are recognized when incurred as an expense. Provisions for general warranty are recognized when the products are sold. Interest and other borrowing costs are recognized as an expense in the period in which they are incurred.

Intangible assets

Purchased intangible assets are capitalized at cost of acquisition and amortized on a straight-line basis over a useful life of three to five years.

Tangible assets

Tangible assets are measured at acquisition/production cost less depreciation. The production cost of internally generated tangible assets includes the directly attributable costs, appropriate portions of materials and labor overheads and depreciation if caused by production. Repair costs and interest on borrowed capital, if applicable, are recognized as a current expense.

Buildings are depreciated according to their expected useful life. Since fiscal year 2010, new additions to movable tangible assets have been depreciated on a straight-line basis over their useful lives according to the official depreciation table of the German Ministry of Finance, provided that these are their standard useful lives. Movable tangible assets acquired in previous years are depreciated using the declining balance and the highest possible tax rates over their estimated useful lives. The depreciation method will remain the same. There is no significant additional depreciation.

Depreciation is generally based on the following useful lives:

	Useful life in years
Buildings	10 to 50
Land improvements	5 to 33
Technical equipment and machinery	5 to 21
Operating and office equipment	3 to 15

From fiscal year 2010, independently usable movable fixed assets items subject to depreciation and with an acquisition cost of up to € 410 are written down in full in their year of acquisition.

Impairment losses are recognized if the market value permanently falls to less than the carrying amount. If the reasons for permanent impairment losses no longer apply, they are reversed in the income statement.

Long-term financial assets
Shares in affiliated companies and equity investments are measured at the lower of acquisition cost and market value, if impairment applies. If the reasons for past impairment losses no longer apply, they are reversed in the income statement. Impairment losses can be reversed up to the original acquisition cost at most.

Loans are carried at the lower of nominal amount and present value at the balance sheet date.

Current assets
Inventories are measured at the lower of acquisition/production cost and their realizable current value. In addition to direct costs, production cost includes appropriate portions of materials and labor overheads and depreciation if caused by production. Raw materials and merchandise are measured at average acquisition cost. Sufficient allowances are recognized for inventory risks due to extended storage, diminished marketability and fair value measurement of executory contracts.

Prepayments are recognized without value-added tax.

Receivables and other current assets are carried at nominal amount. Bad debt allowances are recognized for receivables at risk of default. Non-interest bearing and low-interest long-term receivables are discounted. The general credit risk is taken into account by global allowances based on past data.

Cash-in-hand, bank balances and checks are recognized at nominal amount.

Write-downs on current assets are reversed if the reasons for impairment recognized in earlier years no longer apply.

Deferred expense
Expenses before the reporting date are recognized as prepaid expenses if they constitute an expense for a specific period after this date.

Deferred taxes
Deferred taxes are calculated for accounting differences between the accounting and tax carrying amounts of assets and liabilities that are expected to reverse in future fiscal years. An excess of deferred tax liabilities is only recognized if, overall, tax expenses are anticipated in future fiscal years. The company does not exercise the capitalization option for deferred tax assets. Deferred tax assets and liabilities are measured using the German corporate income tax rate expected to be in effect and the average trade tax rate for RENK AG.

Equity – own shares

The notional amount of own shares acquired is deducted from subscribed capital on the face of the balance sheet. The difference between the acquisition cost and the notional amount of own shares is offset against the free retained earnings. The other items of equity are also recognized at nominal amount.

Pensions and similar obligations

Pension obligations are calculated using the projected unit credit method. Future obligations are measured on the basis of the pro rata benefits acquired as of the balance sheet date and discounted to their present value. Assumptions concerning the future development of certain parameters that affect the future amount of benefits are taken into account in their measurement. The measurement uses the average market interest rate of the past 10 fiscal years published by Deutsche Bundesbank in accordance with section 253(2) HGB for an assumed remaining term of 15 years. In the previous year an average interest rate for the seven preceding years assuming a remaining term of 15 years was used for discounting.

Pension provisions are reduced by the fair value of the plan assets for pension obligations. If this fair value exceeds that of pension obligations, this is reported as the asset "Excess of plan assets over pension liabilities".

Offsetting of assets, income and expenses

Assets that exclusively serve to cover pension commitment and partial early retirement obligations, and that are protected from all other creditors, are measured at fair value. Income and expenses from these assets are netted against the interest cost of the corresponding obligation and reported in net interest income. These assets are offset against the respective underlying obligation. If there is an impending liability it is recognized in provisions.

Other provisions, liabilities

Other provisions are recognized for uncertain obligations and miscellaneous business risks. Their measurement takes into account all discernible obligations and future price and cost increases. Long-term provisions are discounted in line with their term.

Prepayments received on account of orders are reported without value-added tax. Liabilities are recognized at their settlement amount.

Currency translation

Short-term receivables and liabilities in foreign currency and MAN intragroup clearing accounts (ICA) in foreign currency are measured at the middle spot rate at the balance sheet date.

The other long-term foreign currency receivables and liabilities are translated at the rate on their transaction date, or the lower/higher closing rate for receivables/liabilities respectively.

Derivative financial instruments and hedges

Derivative financial instruments are used at RENK AG for hedging purposes. These financial instruments are accounted for in line with the imparity principle. Provisions for expected losses from executory contracts are recognized if they have a negative fair value. Positive fair values of derivatives are only recognized when they actually arise.

If certain requirements are met, the hedged item and the corresponding hedge are combined in hedge accounting. If the company exercises the option to combine the hedged items and the hedging instrument, the offsetting changes in value from the hedged risk are not recognized (net hedge presentation method). Ineffective portions of hedges are recognized as provisions for expected losses from executory contracts.

Income statement disclosures

(3) Sales revenue

Sales revenue by region

€ thousand	2016	2015
Federal Republic of Germany	183,667	156,904
Other EU countries	96,640	83,859
Other European countries	22,905	12,531
Asia	66,310	121,892
America	54,265	46,775
Africa	1,040	1,302
Australia and Oceania	296	879
	425,123	**424,142**

Sales revenue by business area

€ thousand	2016	2015
Special Gear Units	137,277	128,419
Vehicle Transmissions	108,515	117,806
Standard Gear Units	98,656	90,165
Slide Bearings	80,675	87,752
	425,123	**424,142**

(4) Other operating income

€ thousand	2016	2015
Income from reversal of provisions	9,284	2,305
Reversal of impairment loss on equity investment	1,500	–
Exchange rate gains	1,098	1,813
Income from the disposal of tangible assets	204	254
Income from the reversal of bad debt allowances	102	121
Income from damages	–	9,138
Miscellaneous other income	1,379	1,521
	13,567	**15,152**

In fiscal year 2016 there was a reversal of an impairment loss on the carrying amount of a wholly owned subsidiary of RENK France in the amount of € 1,500 thousand. Income from reversal of provisions includes income of € 7,011 thousand from the reversal of warranty provisions, mainly in Special Gear Units.

Income from damages in the previous year included € 8,900 thousand from the payment of agreed purchase commitments for wind turbines following the reorganization of the supplier relationship with a customer in the offshore wind power sector.

Other operating income includes prior-period income of € 10,363 thousand (previous year: € 2,329 thousand), essentially due to income from the reversal of provisions.

(5) Other operating expenses

€ thousand	2016	2015
Other personnel expenses	(7,066)	(712)
Exchange rate losses	(4,200)	(6,436)
Write-downs on receivables and other assets	(1,222)	(451)
Change in provisions	(397)	(1,178)
Losses on the disposal of financial and tangible assets	(352)	(15)
Miscellaneous other expenses	(2,109)	(1,297)
	(15,346)	**(10,089)**

Other operating expenses covers the expenses which cannot be assigned to the cost of sales, administrative costs and selling costs function areas. Prior-year expenses amount to € 293 thousand (previous year: € 5 thousand).

Please see “Other provisions” for information on other personnel expenses.

(6) Income from equity investments

€ thousand	2016	2015
Income from equity investments	2,393	2,814
(of which from affiliated companies)	(1,486)	(2,078)
(of which equity investments)	(907)	(736)

(7) Net interest income

€ thousand	2016	2015
Other interest and similar income	39	234
Other interest and similar expenses	(48)	(559)
Interest expense on other long-term provisions	(196)	(235)
Financial result from pension provisions/assets	6,007	(2,212)
	5,802	**(2,772)**

Interest expenses of € 15 thousand were incurred by affiliated companies (previous year: interest income of € 103 thousand). Income from pension provisions contains the interest share from discounting long-term pension provisions of € 1,803 thousand (previous year: € 5,002 thousand).

(8) Taxes on income

€ thousand	2016	2015
Income taxes for the current year	(17,541)	(19,700)
Income taxes for prior years	(86)	(2,218)
Tax refunds/tax claims for prior years	671	–
	(16,956)	**(21,918)**

The prior-period tax expenses in the current fiscal year essentially relate to foreign taxes. The tax refunds mainly result from the 2014 tax assessment.

Balance sheet item disclosures

(9) Statement of changes in fixed assets

The development of fixed assets is shown in the statement of changes in fixed assets on the following pages.

Purchased intangible assets include licenses, software and similar rights and assets.

Impairment losses on leased assets of € 579 thousand were recognized in depreciation on technical equipment and machinery for the fiscal year.

RENK AG is the sole shareholder of RENK Shanghai Services Commercial Co. Ltd, Shanghai, VR China (RSH), which was not included in the consolidated financial statements of the company owing to its immateriality. The shareholder meeting in March 2016 resolved the additional provision of funds in the form of a share capital increase of € 1 million to finance measures in connection with the establishment of a service company on the Chinese market. An impairment loss on the carrying amount of € 1,847 thousand was recognized in depreciation and amortization for the fiscal year on account of the sustained negative economic conditions forecast in the fiscal year 2016.

	Acquisition/production cost				
	As of Jan. 1, 2016	**Additions**	**Reclassi-fication**	**Disposals**	**As of Dec. 31, 2016**
Intangible assets					
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	7,948	597	45	309	8,281
	7,948	**597**	**45**	**309**	**8,281**
Tangible assets					
Land and buildings, including buildings on third-party land	96,858	4,862	6,197	963	106,954
Technical equipment and machinery	172,241	7,008	21,950	3,705	197,494
Other equipment, operating and office equipment	46,225	2,007	1,594	16,780	33,046
Prepayments and assets under construction	31,096	7,298	(29,786)	0	8,608
	346,420	**21,175**	**(45)**	**21,448**	**346,102**
Financial assets					
Shares in affiliated companies	16,772	1,000	0	0	17,772
Equity investments	774	0	0	0	774
Other loans	24	0	0	0	24
	17,570	**1,000**	**0**	**0**	**18,570**
Fixed assets	**371,938**	**22,772**	**0**	**21,757**	**372,953**

Cumulative depreciation and amortization						Net carrying amount	
As of Jan. 1, 2016	**in fiscal year**	**Additions**	**Disposals**	**Reclassi-fication**	**As of Dec. 31, 2016**	**As of Dec. 31, 2016**	**As of Dec. 31, 2015**
6,725	758	0	284	0	7,199	1,082	1,223
6,725	**758**	**0**	**284**	**0**	**7,199**	**1,082**	**1,223**
37,718	2,375	0	706	0	39,387	67,567	59,140
117,593	13,203	0	3,652	3	127,147	70,347	54,648
36,981	2,765	0	16,732	(3)	23,011	10,035	9,244
0	0	0	0	0	0	8,608	31,096
192,292	**18,343**	**0**	**21,090**	**0**	**189,545**	**156,557**	**154,128**
2,137	1,847	1,500	0	0	2,484	15,288	14,635
0	0	0	0	0	0	774	774
16	0	0	0	0	16	8	8
2,153	**1,847**	**1,500**	**0**	**0**	**2,500**	**16,070**	**15,417**
201,170	**20,948**	**1,500**	**21,374**	**0**	**199,244**	**173,709**	**170,768**

List of shareholdings as of December 31, 2016

Name and registered office of the company	Share of capital in %	National currency (NC)	Translation (EUR/NC)	Equity (in 1,000 NC)	Result (in 1,000 NC)
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	€	1	20,215	1,260
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.0560	12,562	1,398
RENK Test System GmbH, Augsburg	100	€	1	8,721	1,422
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.0560	545	(324)
RENK Transmisyon Sanayi A.S., Istanbul, Turkey[1)]	55	TRY	3.1765	3,962	701
RENK UAE LLC, Abu Dhabi, United Arab Emirates[1)]	49	AED	4.0003	23,482	8,020
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil[1)]	98	BRL	3.2207	21,254	3,969
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.0749	16,007	1,118
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China[1)]	100	CNY	7.0608	(308)	(3,110)
RENK (UK) Ltd., London, UK (inactive)	100	n/a	n/a	n/a	n/a

1) As of December 31, 2015

(10) Inventories

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Raw materials and supplies	23,004	21,577
Unfinished goods	139,091	132,767
Prepayments	2,542	1,379
	164,637	**155,723**

(11) Receivables and other assets

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Trade receivables	62,654	61,335
Receivables from affiliated companies	171,847	155,675
(of which trade receivables)	(5,529)	(7,153)
Receivables from other long-term investees and investors	1,201	797
(of which trade receivables)	(1,201)	(797)
Other assets	9,139	5,230
	244,841	**223,037**

€ 3,138 thousand (previous year: € 3,042 thousand) of trade receivables from third parties have a remaining term of more than one year.

Receivables from affiliated companies include receivables from financial transactions with MAN SE in the amount of € 164,909 thousand (previous year: € 148,522 thousand). Receivables from affiliated companies and receivables from other long-term investees and investors are due for payment in the course of the next year.

Other assets include income tax receivables of € 6,047 thousand (previous year: € 1,746 thousand). The remaining terms in 2016 are less than one year.

(12) Cash-in-hand, bank balances, checks

RENK AG is integrated into cash pooling at the MAN Group. In the process, cash and cash equivalents of the Group companies, which include RENK AG, are pooled at MAN SE on a daily basis. The resulting credit balance of RENK AG is reported under receivables from affiliated companies.

(13) Equity

The share capital of € 17,920 thousand is divided into 7,000,000 no-par value bearer shares with equal rights. All shares are fully paid in. In the fiscal year, MAN SE, Munich, held 76% in the subscribed capital of RENK Aktiengesellschaft.

In total, 199,903 shares or 2.86% of the share capital was held by the company as own shares on December 31, 2016, unchanged as against the previous year.

They were acquired in the following periods:

Repurchase of own shares	**Shares**
November 2000	20,904
December 2000	124,303
January 2001	7,030
November 2001	4,700
December 2001	18,183
November 2002	1,228
December 2002	23,555
Shares as at Dec. 31, 2016	**199,903**

The goal of the acquisition was essentially to use the own shares as consideration in the context of a business combination or for the acquisition of companies or equity investments in companies. The own shares are deducted from subscribed capital on the face of the balance sheet at € 512 thousand.

Year of acquisition	**Share of share capital in %**	**Share of share capital in %**	**Acquisition cost in € thousand**
2000	2.07%	372	2,939
2001	0.43%	77	589
2002	0.35%	63	485
	2.86%	**512**	**4,013**

The capital reserves result exclusively from share premiums in the context of capital increases.

Development of other retained earnings

€ thousand	2016	2015
As of Jan. 1, 2016	**254,891**	**197,782**
Transfer from net retained profits, in line with resolution of the Annual General Meeting	0	40,000
Transfer from net profit for the year	19,664	17,109
Retained earnings as of Dec. 31, 2016	**274,555**	**254,891**

Retained earnings include the difference between the notional amount and the acquisition cost of own shares amounting to € 3,501 thousand. In accordance with the resolution of the Annual General Meeting on June 18, 2015, € 40,000 thousand from net retained profits was transferred to retained earnings. Other retained earnings amount to € 274,555 thousand (previous year: € 254,891 thousand). € 19,664 thousand of the net income for fiscal year 2016 was transferred to other retained earnings.

The Executive Board and the Supervisory Board propose to the Annual General Meeting on April 26, 2017 the distribution of a dividend for fiscal year 2016 unchanged as against the previous year of € 2.20 per share. With 7,000,000 shares outstanding less own shares not entitled to dividends in accordance with section 71b AktG (199,903 own shares), this corresponds to an amount of € 14,960,213.40.

Disclosures on amounts subject to restriction on distribution

A difference between the acquisition cost and fair value possibly subject to a restriction on distribution results from assets that are measured at fair value and intended exclusively to serve pension commitments and partial early retirement credit. The difference from the carrying amounts of pension provisions measured using the seven-year-average interest rate previously used and the 10-year-average interest rate applicable for the first time in fiscal year 2016 is possibly also restricted from distribution.

Calculation of the amount resulting from different measurement assumptions restricted from distribution in accordance with section 253(6) HGB:

Profits can only be distributed to the extent that the freely available reserves after the distribution plus a profit carryforward and less a loss carryforward in total at least amount to the difference between the carrying amounts of pension provisions and the capitalized amount less deferred tax liabilities.

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Freely available reserves[1)]	274.555	254.891
plus profit carryforward after distribution for the fiscal year	7.614	2.910
	282.169	**257.801**
Capitalized difference between fair value and acquisition cost of assets in accordance with section 246(2) sentence 2 HGB	1.700	–
Measurement difference on pensions in accordance with section 253(6) HGB	3.363	–
Amounts subject to restriction on distribution	**--**	**--**

1) All reported retained earnings qualify as freely available reserves.

No amount subject to a restriction on distribution was recognized as of December 31, 2016 (previous year: € – thousand).

(14) Provisions

(a) Provision for pensions

The company pension plan is essentially based on defined benefit commitments.

As part of the current pension scheme, active employees receive employer contributions pegged to their pay and also have the opportunity to top up their retirement income with deferred compensation which is contributed to by the employer for employees subject to collective bargaining agreements. Employer-and employee-funded contributions, and investment income generated on the capital markets, accumulate as pension capital during active service and are paid out as a single amount or in installments on retirement. In certain cases it can also be converted into an annuity. Employees' investment risks are gradually reduced with increasing age (lifecycle concept).

Former employees, retirees and employees who left the company with vested entitlements are entitled to benefits that are predominantly geared towards paying lifelong pension benefits.

RENK AG's pension assets are managed by MAN Pension Trust e.V. The pension assets of RENK AG are managed by MAN Pension Trust e.V. These assets cannot be accessed by RENK AG at any time and can only be used for current pension benefits or employee claims in the event of insolvency.

The following parameters were used to calculate the projected unit credit:

in %	Dec. 31, 2016	Dec. 31, 2015
Actuarial interest rate	4.01	3.89
Pension trend	1.50	1.70
Salary trend	3.20	3.40

The average seven-year-average interest rate as of December 31, 2016 was 3.23% (previous year: 3.89%).

A company-specific staff turnover probability was applied for the termination of employment without benefits.

The biometric calculations are based on the Heubeck 2005 G mortality tables adapted in line with empirical data specific to MAN.

Development of pension obligations and assets

Development of the obligations in € thou.	2016	2015
Value of obligations as of Jan. 1, 2016	**(61,113)**	**(54,017)**
Transfer of pension obligations to MAN Pensionsfonds AG	4,945	–
Transfer of interest	(1,803)	(5,003)
Transfer to personnel expenses	(3,016)	(2,996)
Other changes	(7)	(154)
Payments / employee contributions	605	1,057
Pension obligation as of Dec. 31, 2016	**(60,389)**	**(61,113)**
Development of pension assets in € thou.	2016	2015
Pensions assets as of Jan. 1, 2016	**63,549**	**53,004**
Income realized from pension assets	4,687	12,239
Other changes	7	154
Pension payments	(294)	–
Contribution to pension assets	–	7,600
Change due to market measurement	3,123	(9,448)
Market value of pension assets as of Dec. 31, 2016	**71,072**	**63,549**
Excess of plan assets over pension liabilities Dec. 31, 2016	**10,683**	**2,436**

Pension obligations of € 4,945 thousand for retired employees of RENK AG were transferred to MAN Pensionsfonds AG in fiscal year 2016.

The income from plan assets of € 7,810 thousand (previous year: € 2,791 thousand) was offset against allocated interest of € 1,803 thousand (previous year: € 5,003 thousand) in accordance with section 246(2) sentence 2 HGB. The resulting net amount of € 6,007 thousand (previous year: € -2,212 thousand) is reported in net interest income under “Net interest income from pension provisions”.

The fair value of the offset assets was determined based on market prices. The acquisition cost of pension assets amounted to € 69,373 thousand (previous year: € 64,972 thousand). The change due to market measurement is € 3,123 thousand (previous year: € -9,448 thousand).

No deficit from indirect pension obligations of MAN Pensionsfonds AG in accordance with section 28(2) HGB was reported in the fiscal year. There was a deficit of € 2,391 thousand as of December 31, 2015.

(b) Other provisions

Other provisions are recognized primarily for statutory and contractual warranty obligations of € 34,440 thousand (previous year: € 27,354 thousand), for personnel measures, mainly including the planned expenses for personnel restructuring in Standard Gear Units, of € 4,741 thousand (previous year: € 415 thousand) and for outstanding services already invoiced of € 4,535 thousand (previous year: € 4,221 thousand). The provisions for warranties of € 6,020 thousand reported in the previous year were reversed in fiscal year 2016.

They also include obligations to employees for anniversaries, death benefits and partial early retirement. The measurement parameters for pensions apply accordingly to anniversary provisions and service cost adjustment items.

The following parameters were applied in the measurement of the provision for partial early retirement:

in %	Dec. 31, 2016	Dec. 31, 2015
Actuarial interest rate	1.80	2.74
Salary trend	3.20	3.40

The provision for partial early retirement of € 6,165 thousand (previous year: € 5,947 thousand) was offset against the insolvency protection credit for partial early retirement of € 3,425 thousand (previous year: € 3,433 thousand). The fair value of the offset partial retirement credit is measured using market prices. The change due to market measurement is € -167 thousand (previous year: € -159 thousand).

(15) Liabilities

€ thousand	Remaining term				
	up to 1 year	between 1 and 5 years	more than 5 years	Dec. 31, 2016	Dec. 31, 2015
Prepayments received	63,321	74,292	22,074	159,687	139,191
(of which from affiliated companies)	(2,042)	0	0	(2,042)	(2,139)
Trade payables	26,203	109	0	26,312	32,508
(of which from affiliated companies)	(679)	0	0	(679)	(2,133)
Other liabilities	26,743	101	0	26,844	26,842
(of which taxes)	(1,681)	0	0	(1,681)	(2,217)
(of which personnel)	(24,429)	(101)	0	(24,530)	(24,083)
	116,267	**74,502**	**22,074**	**212,843**	**198,541**

In total, liabilities with a remaining term of more than one year amount to € 96,576 thousand, of which € 96,366 are prepayments received, € 109 thousand are trade payables and € 101 thousand of which relates to personnel.

In the previous year, prepayments received on account of orders of € 66,039 thousand, trade payables of € 32,504 thousand and other liabilities of € 26,716 thousand had a remaining term of up to one year. Prepayments received are usually secured by bank guarantees.

Other liabilities include personnel commitments of € 24,530 thousand (previous year: € 24,083 thousand). As of the balance sheet date these relate to pay not yet due, social security contributions of € 240 thousand (previous year: € 268 thousand) and liabilities to personnel for time credit, unused vacation days, and annual bonuses.

(16) Contingent liabilities

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Obligations from guarantees	6,863	26,088

As in the previous year, contingent liabilities related almost exclusively to affiliated companies in 2016.

In the context of the spinning off at the time of the test rig product area as RENK Test System GmbH, Augsburg, RENK AG assumed advance payment, contract performance and warranty guarantees to third parties. In addition, RENK AG issued a contract performance guarantee for a longer-term goods and service agreement of its French subsidiary RENK France.

In connection with the acquisition of RENK-MAAG GmbH, RENK AG has guaranteed rent payments, as well as warranty and contract performance obligations for third parties.

RENK AG has issued an open-ended payment guarantee to MAN SE for the liabilities of RENK subsidiaries under their business relationships with MAN SE.

We assume that these will not be utilized based on the experience of recent years.

In the fiscal years 2007, 2009, 2014 and 2016, RENK AG transferred pension provisions for beneficiaries to MAN Pensionsfonds AG and fully financed them. RENK AG is still liable as the guarantor in the event of default.

(17) Other financial commitments

Other financial obligations relate to rental agreements and leases. The future rent and lease payments mature as follows prior to the end of the minimum term of the agreements:

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Due within one year	894	120
Due in between 1 and 5 years	855	28
	1,749	**148**

The financial obligations to affiliated companies amount to € 153 thousand (previous year: € 148 thousand). There is a master supply agreement in Slide Bearings for 2017 and 2018 entailing payments of € 2.2 million and € 2.0 million.

The purchase commitment for tangible assets amounts to € 2,041 thousand (previous year: € 6,489 thousand), € 247 thousand of which relates to affiliated companies (previous year: € 411 thousand).

(18) Other income statement disclosures

The following cost of materials and personnel expenses were incurred in accordance with the total cost (nature of expense) method:

Cost of materials

€ thousand	2016	2015
Cost of raw materials, consumables and supplies, and of purchased merchandise	147,136	136,966
Cost of purchased services	46,770	45,910
	193,906	**182,876**

Personnel expenses

€ thousand	2016	2015
Wages and salaries	124,909	118,806
Social security and post-employment costs	26,493	23,826
	151,402	**142,632**

The cost of old age pensions not including the interest component of additions to pension provisions amounts to € 5,216 thousand (previous year: € 3,387 thousand).

There were 1,825 employees on average over the year (previous year: 1,818), 1,070 (previous year: 1,081) of whom were directly productive and 754 (previous year: 737) indirectly productive.

(19) Deferred taxes

The relevant tax rate for measuring deferred taxes is 32.01% (previous year: 31.17%).

Deferred tax liabilities on differences between the carrying amounts in the trade and tax accounts were offset against deferred tax assets with deviating carrying amounts. Deferred tax liabilities mainly relate to other assets while there are deferred tax assets for pension provisions and other long-term and short-term provisions in particular. Exercising the option under section 274(1) sentence 2 HGB, any excess deferred tax assets after netting were not capitalized.

(20) Derivative financial instruments

In its ordinary operations, RENK AG incurs currency risks mainly in USD, JPY, GBP and CNY, which are hedged by the Corporate Treasury department of MAN SE at market conditions. This refers to currency forwards.

As of the balance sheet date there were currency hedges as follows:

€ thousand	Dec. 31, 2016	Dec. 31, 2015
Nominal volumes		
Foreign exchange sales	27,791	41,146
Fair values		
Foreign exchange sales neg. market value	(1,464)	(2,527)
Foreign exchange sales pos. market value	153	115

The fair value of currency forwards is calculated using currency forward rates as of the balance sheet date obtained from recognized market data providers, compared to the contractually agreed currency forward rates, and the discount factors for the respective remaining terms of the derivatives.

Hedged items and hedges were not recognized in hedge accounting as of December 31, 2016. A provision for expected losses of € 1,464 thousand in total (previous year: € 1,120 thousand) was recognized for negative fair values previously presented.

(21) Total remuneration for auditor activities

€ thousand	2016	2015
Audits of financial statements	148	207
Other assurance or valuation services	20	11
Tax advisory services international	2	2
	170	**220**

(22) Equity investments in RENK AG

MAN SE has long held 76% of the voting rights in RENK AG.

Volkswagen Truck & Bus GmbH, Wolfsburg, notified RENK AG in accordance with section 21(1) WpHG on April 18, 2013 that its share in its voting rights exceeded the threshold of 75% on April 16, 2013, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in RENK AG in total) on this date. All of the above 5,519,903 voting rights are attributable to Volkswagen Truck & Bus GmbH in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE. Volkswagen Aktiengesellschaft notified RENK AG in accordance with section 21(1) sentence 1 WpHG on November 14, 2011 that the share in its voting rights held by Volkswagen Aktiengesellschaft exceeded the threshold of 75% voting rights on November 9, 2011, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in RENK AG in total) on this date. All of the above 5,519,903 voting rights are attributable to Volkswagen Aktiengesellschaft in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE and – since the contribution by Volkswagen Aktiengesellschaft of the shares it holds in MAN SE to Volkswagen Truck & Bus GmbH on April 16, 2013 – through Volkswagen Truck & Bus GmbH as well. Furthermore, Porsche Automobil Holding SE and its controlling shareholders notified RENK AG in accordance with section 21(1) WpHG that the equity investment of Volkswagen AG and Volkswagen Truck & Bus GmbH is also attributable to Porsche Automobil Holding SE and its controlling shareholders.

All of the above 5,519,903 voting rights are attributable to Volkswagen Aktiengesellschaft in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE, Munich, Germany.

The difference between the above equity investment of MAN SE of 76% and the above equity investments of Volkswagen Truck & Bus GmbH and Volkswagen Aktiengesellschaft of 78.86% is due to the fact the latter also includes 199,903 voting rights, corresponding to 2.86% of the voting rights, which are held directly by RENK AG as own shares.

RENK AG was not advised of, nor is it aware of, any other direct or indirect shareholdings in the capital of the company exceeding 10% of the voting rights or the relevant reporting thresholds of the German Securities Trading Act.

(23) German Corporate Governance Code

The Executive Board and the Supervisory Board of RENK AG issued the annual declaration required in accordance with section 161 AktG on December 9, 2016 and made it available to the shareholders. The Declaration of Conformity can be found on the Internet at: www.renk.de and reads as follows:

"The Executive Board and the Supervisory Board of RENK Aktiengesellschaft declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended May 5, 2015 promulgated by the Federal Ministry of Justice on June 12, 2015 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with in the period since the last declaration of compliance was issued in December 2015 and still are complied with, with the exception of items 5.4.1(5) to (7) (disclosure of proposals of candidates for election).

Regarding items 5.4.1(5) to (7) of the Code on the disclosure of certain circumstances of nominations by the Supervisory Board to the Annual General Meeting, the requirements of the Code are unspecific and unclear in their application. A departure from the Code as regards this matter has thus been declared as a precaution. Nonetheless, the Supervisory Board will attempt to comply with the requirements of item 5.4.1(5) to (7) of the Code."

(24) Events after the balance sheet date

There were no material events affecting the net assets, financial position and results of operations after the balance sheet date of December 31, 2016.

(25) Total remuneration of the Supervisory Board and the Executive Board

The total remuneration of the members of the Supervisory Board amounted to € 100 thousand in fiscal year 2016 (previous year: € 100 thousand).

The remuneration of the members of the Executive Board of RENK Aktiengesellschaft consists of fixed remuneration and variable remuneration (see remuneration report). Furthermore, the members of the Executive Board receive a pension commitment.

The table below shows the individual remuneration of the active members of the Executive Board for 2016 (2015):

€ thousand	Florian Hofbauer		Christian Hammel		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed remuneration[1)]	271	255	279	108	550	363
Variable remuneration[2)]	479	436	449	174	928	610
Pension cost	95	95	91	27	186	122
Total	**845**	**786**	**819**	**309**	**1,664**	**1,095**
Present value of pension commitment	2,054	1,893	196	114	2,250	2,007

1) Including additional benefits
2) 2016: According to figures currently available

There was no subsequent offsetting of variable remuneration bonuses in either 2016 or the previous year.

The current service cost shown includes only the pension cost which accrued in the fiscal year.

The pension benefits for former members of the Executive Board and their surviving dependents amounted to € 329 thousand (previous year: € 31 thousand). Provisions totaling € 2,320 thousand (previous year: € 2,248 thousand) were recognized for pension obligations to former members of the Executive Board and their surviving dependents.

In the previous year this included fixed remuneration of € 143 thousand, variable remuneration of € 243 thousand and a pension cost of € 53 thousand for the member of the Executive Board Mr. Sauter, who resigned as of July 31, 2015. The present value of the pension commitment was € 2,189 thousand as of December 31, 2015.

The members of the Executive Board, including their memberships in other statutory supervisory bodies and similar executive bodies are shown under “Members of the Supervisory Board and the Executive Board and their mandates”.

Notifications of equity investments in RENK AG in accordance with section 21 WpHG

1. Truck & Bus GmbH, Wolfsburg, Germany, (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany) notified us in accordance with section 21(1) WpHG on April 18, 2013 that its share in the voting rights of Renk Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on April 16, 2013, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in Renk Aktiengesellschaft in total) on this date.

All of the above 5,519,903 voting rights are attributable to Truck & Bus GmbH (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany) in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE, Munich, Germany. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in Renk Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by Renk Aktiengesellschaft as own shares.

2. Volkswagen Aktiengesellschaft, Wolfsburg, Germany, notified us in accordance with section 21(1) WpHG on November 14, 2011 that its share in the voting rights of Renk Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on November 9, 2011, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in Renk Aktiengesellschaft in total) on this date.

All of the above 5,519,903 voting rights are attributable to Volkswagen Aktiengesellschaft in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE, Munich, Germany. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in Renk Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by Renk Aktiengesellschaft as own shares.

3. Porsche Automobil Holding SE, Stuttgart, Germany, notified us in accordance with section 21(1) WpHG on November 14, 2011 that its share in the voting rights of Renk Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on November 9, 2011, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in Renk Aktiengesellschaft in total) on this date.

All of the above 5,519,903 voting rights are attributable to Porsche Automobil Holding SE in accordance with section 22(1) sentence 1 no. 1 WpHG.

The voting rights attributable to Porsche Automobil Holding SE are actually held by the following companies it controls, whose attributed share of voting rights amounts to 3% or more each:

- Volkswagen Aktiengesellschaft, Wolfsburg,
- MAN SE, Munich.

The above 5,519,903 voting rights include 199,903 voting rights, corresponding to 2.86% of voting rights in Renk Aktiengesellschaft, held directly by Renk Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, as own shares.

The voting rights were not obtained by exercising a right to acquire shares bestowed by financial instruments in accordance with section 25(1) sentence 1 WpHG.

4. Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on December 17, 2014 that its share in the voting rights of RENK AG exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on December 15, 2014, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date. 76.00% (5,320,000) of these voting rights are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG. The attributed voting rights are held through the following companies it controls, whose share of voting rights in RENK AG exceeds 3% or more each: Wolfgang Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen Aktiengesellschaft, Wolfsburg, Truck & Bus GmbH, Wolfsburg, MAN SE, Munich.

5. Ahorner Holding GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on September 11, 2013 that its share in the voting rights of RENK Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on September 11, 2013, and amounted to 78.86% (corresponding to 5,519,903 voting rights) on this date.

78.86% of the voting rights (5,519,903 voting rights) are attributable to the company in accordance with section 22(1), sentence 1, no. 1 WpHG from Louise Daxer-Piech GmbH, Salzburg through Ahorner Beta Beteiligungs GmbH, Grünwald, Ahorner Alpha Beteiligungs GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen Aktiengesellschaft, Wolfsburg, Truck & Bus GmbH, Wolfsburg (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany), and MAN SE, Munich. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in RENK Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by RENK Aktiengesellschaft as own shares.

Ahorner Alpha Beteiligungs GmbH, Grünwald, Germany, notified us in accordance with section 21(1) WpHG on September 11, 2013 that its share in the voting rights of RENK Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on September 11, 2013, and amounted to 78.86% (corresponding to 5,519,903 voting rights) on this date.

78.86% of the voting rights (5,519,903 voting rights) are attributable to the company in accordance with section 22(1), sentence 1, no. 1 WpHG from Porsche Automobil Holding SE, Stuttgart, through Volkswagen Aktiengesellschaft, Wolfsburg, Truck & Bus GmbH, Wolfsburg (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany) and MAN SE, Munich. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in RENK Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by RENK Aktiengesellschaft as own shares.

Ahorner Beta Beteiligungs GmbH, Grünwald, Germany, notified us in accordance with section 21(1) WpHG on September 11, 2013 that its share in the voting rights of RENK Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on September 11, 2013, and amounted to 78.86% (corresponding to 5,519,903 voting rights) on this date.

78.86% of the voting rights (5,519,903 voting rights) are attributable to the company in accordance with section 22(1), sentence 1, no. 1 WpHG from Ahorner Alpha Beteiligungs GmbH, Grünwald, through Porsche Automobil Holding SE, Stuttgart, Volkswagen Aktiengesellschaft, Wolfsburg, Truck & Bus GmbH, Wolfsburg (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany), and MAN SE, Munich. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in RENK Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by RENK Aktiengesellschaft as own shares.

Louise Daxer-Piëch GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on September 11, 2013 that its share in the voting rights of RENK Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on September 11, 2013, and amounted to 78.86% (corresponding to 5,519,903 voting rights) on this date.

78.86% of the voting rights (5,519,903 voting rights) are attributable to the company in accordance with section 22(1), sentence 1, no. 1 WpHG from Ahorner Beta Beteiligungs GmbH through Alpha Beteiligungs GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart, Volkswagen Aktiengesellschaft, Wolfsburg, Truck & Bus GmbH, Wolfsburg (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany), and MAN SE, Munich. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in RENK Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by RENK Aktiengesellschaft as own shares.

6. Louise Daxer-Piëch GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on August 12, 2013 that its share in the voting rights of RENK AG fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of voting rights on August 10, 2013, and amounted to 0% (corresponding to 0 voting rights) on this date.

7. LK Holding GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on August 12, 2013 that its share in the voting rights of RENK Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on August 10, 2013, and amounted to 78.86% (corresponding to 5,519,903 voting rights) on this date.

78.86% of the voting rights (5,519,903 voting rights) are attributable to the company in accordance with section 22(1), sentence 1, no. 1 WpHG from MAN SE, Munich, through Truck & Bus GmbH, Wolfsburg (now: Volkswagen Truck & Bus GmbH, Braunschweig, Germany), Volkswagen Aktiengesellschaft, Wolfsburg, Porsche Automobil Holding SE, Stuttgart, Familien Porsche-Kiesling Beteiligung GmbH, Grünwald and Louise Daxer-Piëch GmbH, Grünwald. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in RENK Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by RENK Aktiengesellschaft as own shares.

8. The following persons ("Notifying Parties") notified us in accordance with section 21(1) WpHG on November 14, 2011 that the share of the respective Notifying Party in the voting rights of Renk AG exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on November 9, 2011, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in Renk AG in total) at the end of this date. All of the above 5,519,903 voting rights are attributable to the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in Renk Aktiengesellschaft, a subsidiary of the Notifying Parties within the meaning of section 22(3) WpHG, held directly by Renk Aktiengesellschaft as own shares. The voting rights of the following Notifying Parties are actually held by the following companies it controls, whose attributed share of voting rights amounts to 3% or more each:

Notifying Party	**Companies controlled by each of the Notifying Parties**
Mag. Josef Ahorner, Austria Mag. Louise Kiesling, Austria Prof. Ferdinand Alexander Porsche, Austria Dr. Oliver Porsche, Austria Kai Alexander Porsche, Austria Mark Phillipp Porsche, Austria Gerhard Anton Porsche, Austria	Ferdinand Porsche Privatstiftung, Salzburg, Austria; Ferdinand Porsche Holding GmbH, Salzburg, Austria; Louise Daxer-Piëch GmbH, Salzburg, Austria; Louise Daxer-Piëch GmbH, Grünwald, Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria; Ferdinand Alexander Porsche GmbH, Grünwald, Germany; Gerhard Anton Porsche GmbH, Salzburg, Austria; Gerhard Porsche GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Ing. Hans-Peter Porsche, Austria Peter Daniell Porsche, Austria	Familie Porsche Privatstiftung, Salzburg, Austria; Familie Porsche Holding GmbH, Salzburg, Austria; Ing. Hans-Peter Porsche GmbH, Salzburg, Austria; Hans-Peter Porsche GmbH, Grünwald, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Dr. Wolfgang Porsche, Germany	Familie Porsche Privatstiftung, Salzburg, Austria; Familie Porsche Holding GmbH, Salzburg, Austria; Ing. Hans-Peter Porsche GmbH, Salzburg, Austria; Hans-Peter Porsche GmbH, Grünwald, Germany; Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany; Wolfgang Porsche GmbH, Stuttgart, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Ferdinand Porsche Privatstiftung, Salzburg, Austria	Ferdinand Porsche Holding GmbH, Salzburg, Austria; Louise Daxer-Piëch GmbH, Salzburg, Austria; Louise Daxer-Piëch GmbH, Grünwald, Austria; Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria; Ferdinand Alexander Porsche GmbH, Grünwald, Germany; Gerhard Anton Porsche GmbH, Salzburg, Austria; Gerhard Porsche GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Familie Porsche Privatstiftung, Salzburg, Austria	Familie Porsche Holding GmbH, Salzburg, Austria; Ing. Hans-Peter Porsche GmbH, Salzburg, Austria; Hans-Peter Porsche GmbH, Grünwald, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Ferdinand Porsche Holding GmbH, Salzburg, Austria	Louise Daxer-Piëch GmbH, Salzburg, Austria; Louise Daxer-Piëch GmbH, Grünwald, Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria; Ferdinand Alexander Porsche GmbH, Grünwald, Germany; Gerhard Anton Porsche GmbH, Salzburg, Austria; Gerhard Porsche GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Familie Porsche Holding GmbH, Salzburg, Austria	Ing. Hans-Peter Porsche GmbH, Salzburg, Austria; Hans-Peter Porsche GmbH, Grünwald, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Louise Daxer-Piëch GmbH, Salzburg, Austria	Louise Daxer-Piëch GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria	Ferdinand Alexander Porsche GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Gerhard Anton Porsche GmbH, Salzburg, Austria	Gerhard Porsche GmbH, Grünwald, Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany

Notifying Party	Companies controlled by each of the Notifying Parties
Louise Daxer-Piëch GmbH, Grünwald, Germany Ferdinand Alexander Porsche GmbH, Grünwald, Germany Gerhard Porsche GmbH, Grünwald, Germany	Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Ing. Hans-Peter Porsche GmbH, Salzburg, Austria	Hans-Peter Porsche GmbH, Grünwald, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany	Wolfgang Porsche GmbH, Stuttgart, Germany; Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Hans-Peter Porsche GmbH, Grünwald, Germany Wolfgang Porsche GmbH, Stuttgart, Germany	Familie Porsche Beteiligung GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Porsche Piëch Holding AG, Salzburg, Austria	Porsche Gesellschaft m.b.H., Salzburg, Austria; Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Porsche Gesellschaft m.b.H., Salzburg, Austria	Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany, MAN SE, Munich, Germany
Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald, Germany Familie Porsche Beteiligung GmbH, Grünwald, Germany Porsche Gesellschaft mit beschränkter Haftung, Stuttgart, Germany	Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany

9. The following persons ("Notifying Parties") notified us in accordance with section 21(1) WpHG on November 15, 2011 that the share of the respective Notifying Party in the voting rights of Renk Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on November 9, 2011, and amounted to 78.86% (corresponding to 5,519,903 of 7,000,000 voting rights in Renk Aktiengesellschaft in total) on this date. All of the above 5,519,903 voting rights are attributable to the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG. The voting rights are attributable to the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG through the following subsidiaries within the meaning of section 22(3) WpHG. This includes 199,903 voting rights, corresponding to 2.86% of the voting rights in Renk Aktiengesellschaft, a subsidiary of MAN SE within the meaning of section 22(3) WpHG, held directly by Renk Aktiengesellschaft as own shares.

Notifying Party	**Companies controlled by each of the Notifying Parties**
Dr. Hans Michel Piëch, Austria	Dr. Hans Michel Piëch GmbH, Salzburg, Austria; Hans Michel Piëch GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany
Dr. Hans Michel Piëch GmbH, Salzburg, Austria	Hans Michel Piëch GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany
Hans Michel Piëch GmbH, Grünwald, Germany	Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany
Prof. Ferdinand Karl Piëch, Austria	Ferdinand Karl Alpha Privatstiftung, Vienna, Austria; Dipl.-Ing Dr.h.c. Ferdinand Piëch GmbH, Salzburg, Austria; Ferdinand Piëch GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany
Ferdinand Karl Alpha Privatstiftung, Vienna, Austria	Dipl.-Ing Dr.h.c. Ferdinand Piëch GmbH, Salzburg, Austria; Ferdinand Piëch GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich; Germany
Dipl.-Ing. Dr.h.c. Ferdinand Piëch GmbH, Salzburg, Austria	Ferdinand Piëch GmbH, Grünwald, Germany; Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany
Ferdinand Piëch GmbH, Grünwald, Germany	Porsche Automobil Holding SE, Stuttgart, Germany; Volkswagen Aktiengesellschaft, Wolfsburg, Germany; MAN SE, Munich, Germany

10. The following persons notified us in accordance with section 21(1) WpHG on July 15, 2015 that their share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on July 14, 2015, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date:

- Stephanie Porsche-Schröder, Austria,
- Dr. Christian Porsche, Austria,
- Ferdinand Rudolf Wolfgang Porsche, Austria.

76.00% of the voting rights (corresponding to 5,320,000 voting rights) are attributable to each of the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG. The voting rights attributable to them are held via the following companies they control, each of whose share in the voting rights of RENK Aktiengesellschaft is 3% or more:

- Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria
- Wolfgang Porsche GmbH, Grünwald, Germany
- Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria
- Familie Porsche Holding GmbH, Salzburg, Austria
- Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
- Hans-Peter Porsche GmbH, Grünwald, Germany
- Ferdinand Porsche Holding GmbH, Salzburg, Austria
- Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
- Ferdinand Alexander Porsche GmbH, Grünwald, Germany
- Gerhard Anton Porsche GmbH, Salzburg, Austria
- Gerhard Porsche GmbH, Grünwald, Germany
- LK Holding GmbH, Salzburg, Austria
- Louise Kiesling GmbH, Grünwald, Germany
- Familie Porsche Beteiligung GmbH, Grünwald, Germany
- Porsche Automobil Holding SE, Stuttgart, Germany
- Volkswagen Aktiengesellschaft, Wolfsburg, Germany
- Truck & Bus GmbH, Wolfsburg, Germany
- MAN SE, Munich, Germany

11. Familie Porsche Privatstiftung, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on July 15, 2015 that its share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of voting rights on July 14, 2015, and amounted to 0% (corresponding to 0 voting rights) on this date.

12. Ferdinand Porsche Privatstiftung, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on July 15, 2015 that its share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, fell below the thresholds of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of voting rights on July 14, 2015, and amounted to 0% (corresponding to 0 voting rights) on this date.

13. Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on July 15, 2015 that its share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on July 14, 2015, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date. 76.00% of the voting rights (corresponding to 5,320,000 voting rights) are attributable to Ferdinand Porsche Familien-Privatstiftung in accordance with section 22(1) sentence 1 no. 1 WpHG. The voting rights attributable to Ferdinand Porsche Familien-Privatstiftung are held via the following companies it controls, whose share in the voting rights of RENK Aktiengesellschaft is 3% or more:

- Familie Porsche Holding GmbH, Salzburg, Austria
- Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
- Hans-Peter Porsche GmbH, Grünwald, Germany
- Ferdinand Porsche Holding GmbH, Salzburg, Austria
- Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
- Ferdinand Alexander Porsche GmbH, Grünwald, Germany
- Gerhard Anton Porsche GmbH, Salzburg, Austria
- Gerhard Porsche GmbH, Grünwald, Germany
- LK Holding GmbH, Salzburg, Austria
- Louise Kiesling GmbH, Grünwald, Germany
- Familie Porsche Beteiligung GmbH, Grünwald, Germany
- Porsche Automobil Holding SE, Stuttgart, Germany
- Volkswagen Aktiengesellschaft, Wolfsburg, Germany
- Truck & Bus GmbH, Wolfsburg, Germany
- MAN SE, Munich, Germany

14. The following persons notified us in accordance with section 21(1) WpHG on July 20, 2015 that their share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on July 14, 2015, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date:

- Dr. Geraldine Porsche, Austria,
- Diana Porsche, Austria,
- Felix Alexander Porsche, Austria.

76.00% of the voting rights (corresponding to 5,320,000 voting rights) are attributable to each of the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG. The voting rights attributable to them are held via the following companies they control, each of whose share in the voting rights of RENK Aktiengesellschaft is 3% or more:

- Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria
- Familie Porsche Holding GmbH, Salzburg, Austria
- Ing. Hans-Peter Porsche GmbH, Salzburg, Austria
- Hans-Peter Porsche GmbH, Grünwald, Germany
- Ferdinand Porsche Holding GmbH, Salzburg, Austria
- Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria
- Ferdinand Alexander Porsche GmbH, Grünwald, Germany
- Gerhard Anton Porsche GmbH, Salzburg, Austria
- Gerhard Porsche GmbH, Grünwald, Germany
- LK Holding GmbH, Salzburg, Austria
- Louise Kiesling GmbH, Grünwald, Germany
- Familie Porsche Beteiligung GmbH, Grünwald, Germany
- Porsche Automobil Holding SE, Stuttgart, Germany
- Volkswagen Aktiengesellschaft, Wolfsburg, Germany
- Truck & Bus GmbH, Wolfsburg, Germany
- MAN SE, Munich, Germany

15. Ferdinand Porsche Familien-Holding GmbH, Salzburg, Austria, notified us in accordance with section 21(1) WpHG on August 4, 2015 that its share in the voting rights of RENK AG, Augsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on July 31, 2015, and amounted to 76% (corresponding to 5,320,000 voting rights) on this date.

76% (5,320,000) of these voting rights are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG. Attributable voting rights are held via the following companies they control, each of whose share in the voting rights of RENK AG is 3% or more:

- Hans-Peter Porsche GmbH, Grünwald, Germany
- Ferdinand Alexander Porsche GmbH, Grünwald, Germany
- Gerhard Porsche GmbH, Grünwald, Germany
- Louise Kiesling GmbH, Grünwald, Germany
- Familie Porsche Beteiligung GmbH, Grünwald, Germany
- Porsche Automobil Holding SE, Stuttgart, Germany
- Volkswagen Aktiengesellschaft, Wolfsburg, Germany
- Volkswagen Truck & Bus GmbH, Braunschweig,
- MAN SE, Munich

16. The following persons notified us in accordance with section 21(1) WpHG on June 16, 2016 that their share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of voting rights on June 15, 2016, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date:

- Dr. Wolfgang Porsche
- Dr. Christian Porsche
- Stephanie Porsche-Schröder
- Ferdinand Rudolf Wolfgang Porsche
- Felix Alexander Porsche

76.00% of the voting rights (corresponding to 5,320,000 voting rights) are attributable to each of the respective Notifying Parties in accordance with section 22(1) sentence 1 no. 1 WpHG. The voting rights attributable to them are held via the following companies they control, each of whose share in the voting rights of RENK Aktiengesellschaft is 3% or more:

- Familie WP Holding GmbH
- Dr. Wolfgang Porsche Holding GmbH
- Ferdinand Porsche Familien-Privatstiftung
- Ferdinand Porsche Familien-Holding GmbH
- Ferdinand Alexander Porsche GmbH
- Familie Porsche Beteiligung GmbH
- Porsche Automobil Holding SE
- Volkswagen Aktiengesellschaft
- Volkswagen Truck & Bus GmbH
- MAN SE

Members of the Supervisory Board and the Executive Board and their appointments

(26) **Supervisory Board**

Dr. Ingrun-Ulla Bartölke
Wolfsburg
Chairwoman of the Supervisory Board

Head of Group Accounting and External Reporting at Volkswagen Aktiengesellschaft

Roberto Armellini[*)]
Augsburg
Deputy Chairman of the Supervisory Board

Secretary of the Trade Union Confederation

VALEO Schalter und Sensoren GmbH (Deputy Chairman)[1)]
AGCO Fendt GmbH[1)]

Michael Behrendt
Hamburg

Chairman of the Supervisory Board of Hapag-Lloyd AG

Barmenia Allgemeine Versicherungs-AG (Deputy Chairman)[1)]
Barmenia Krankenversicherung a. G. (Deputy Chairman)[1)]
Barmenia Lebensversicherung a. G. (Deputy Chairman)[1)]
Esso Deutschland GmbH[1)]
ExxonMobil C. E. Holding GmbH[1)]
Hapag-Lloyd AG (Chairman)[1)]
MAN Diesel & Turbo SE[1)]
MAN SE[1)]
MAN Truck & Bus AG[1)]

Dipl.-Ing. (FH) Rainer Handschuh[*)]
Augsburg

Chairman of the Group Works Council of RENK AG
Chairman of the Works Council of RENK AG, Augsburg plant and RENK Test System GmbH

Christiane Hesse
Wunstorf
Member of the Supervisory Board since April 19, 2016

Member of the Board of Management (Human Resources and Organization) of Volkswagen Financial Services AG

EURO-Leasing GmbH[4)]
MAN Financial Services GmbH[4)]
OOO Volkswagen Bank RUS, Russian Federation[4)]
VDF Faktoring A.S., Turkey (Chairman)[4)]
VDF Filo Kiralama A.S., Turkey (Chairman)[4)]
VDF Servis ve Ticaret A.S., Turkey (Chairman)[4)]
VDF Sigorta Aracilik Hizmetleri A.S., Turkey (Chairman)[4)]
Volkswagen Doğuş Finansman A.S., Turkey (Chairman)[4)]

Dipl.-Ing. (FH) Frank Hoffmann[*)]
Augsburg

Head of Vehicle Transmissions at RENK AG, Augsburg

Thorsten Jablonski
Peine near Hanover
Member of the Supervisory Board since April 19, 2016

Head of Transmissions/Head of Kassel site for Volkswagen Aktiengesellschaft

Volkswagen Automatic Transmission (Dalian) Co., Ltd., China (Chairman)[4)]
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., China[4)]
Volkswagen Sarajevo, d.o.o., Bosnia and Herzegovina (Chairman)[4)]
Volkswagen Transmission (Shanghai) Company Ltd., China[4)]
VW-VM Forschungsgesellschaft mbH & Co. KG[4)]

Dr.-Ing. Hans-O. Jeske
Wesel

Former member of the Executive Board of MAN Diesel & Turbo SE

RWTÜV GmbH[3)]
MAN Diesel Shanghai Co., Ltd., China[3)]

Prof. Werner Neubauer
Wolfsburg
Member of the Supervisory Board until February 15, 2016

Former member of the Brand Board of Management, Volkswagen Passenger Cars

Wolfsburg AG[1)]
Volkswagen Sachsen GmbH[1)]
SITECH Sp. z.o.o, Poland[3)]
Volkswagen Automatic Transmission (Tianjin) Co., Ltd., China[3)]

Dr. Georg Pachta-Reyhofen
Niederpöcking

Former Chief Executive Officer of MAN SE

MAN Diesel & Turbo SE (Chairman)[1)]

Herbert Surmann[*)]
Rheine

Chairman of the Works Council RENK AG, Rheine plant

Walter Vogt[*)]
Eltville

Labor union secretary on IG Metall Executive Board, Frankfurt/M.

IBM Deutschland GmbH[1)]
Baugenossenschaft Darmstadt eG[1)]

Ingo Weidner[*)]
Hanover

Mechanical engineer

As of December 31, 2016 or leaving date (if earlier)

*) Elected by employees
1) Memberships in statutory supervisory bodies in Germany
2) Memberships in statutory supervisory bodies in Germany (Group appointments)
3) Memberships in other supervisory bodies in Germany and abroad
4) Memberships in other supervisory bodies in Germany and abroad (Group appointments)

(27) Supervisory Board committees

Executive Personnel Committee
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Rainer Handschuh
Dr. Georg Pachta-Reyhofen

Nomination Committee
Dr. Ingrun-Ulla Bartölke
Dr. Georg Pachta-Reyhofen

Mediation Committee
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Rainer Handschuh
Dr. Georg Pachta-Reyhofen

Audit Committee
Michael Behrendt (Chairman)
Walter Vogt (Deputy Chairman)
Dr. Ingrun-Ulla Bartölke
Herbert Surmann

(28) Executive Board

Florian Hofbauer
Landsberg

Spokesperson
Technology and Sales

Christian Hammel
Munich

Production and Administration

Augsburg, February 6, 2017
RENK Aktiengesellschaft

The Management Board

Florian Hofbauer Christian Hammel

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of RENK Aktiengesellschaft, together with a description of the principal opportunities and risks associated with the expected development of the company for the remaining months of the fiscal year.

Augsburg, February 6, 2017

RENK Aktiengesellschaft

Florian Hofbauer   Christian Hammel

Auditor’s Report

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of the Renk Aktiengesellschaft for the business year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company’s Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company’s Board of Managing Directors as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, February 6, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Holger Graßnick	ppa. Stefan Postenrieder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

[German Version is authorative]

RENK Aktiengesellschaft

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A company of the MAN Group