RENK. EMPOWERING FORCES.

Half-Year financial report as of June 30, 2018
RENK Aktiengesellschaft

RENK Aktiengesellschaft

Half-Yearly Financial Report as of June 30, 2018

Content

Introduction

The half-yearly financial report of RENK Aktiengesellschaft (RENK AG) satisfies the requirements of the applicable provisions of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and contains condensed interim consolidated financial statements, a Group interim management report and a responsibility statement in accordance with section 115 WpHG.

In accordance with IAS 34, the condensed half-year consolidated financial statements were prepared in line with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable at the end of the reporting period and endorsed by the European Union (EU) and their Interpretations.

The half-yearly financial report should be read in conjunction with the Annual Report as of December 31, 2017 and the additional information on the company provided there.

Minor differences in totals or percentages in the statements and tables below may occur as a result of the commercial rounding of amounts. Amounts are presented in euro (€), millions of euro (€ million) or thousands of euro (€ thousand).

This half-yearly financial report of RENK AG has not been reviewed by an independent auditor.

At a Glance

RENK Group

In € million (unless stated otherwise)	2018 01.01.-30.06.	2017 01.01.-30.06.	Change in %
Order intake	288	221	+30.2
Sales revenue	218	224	(2.6)
Order backlog[1]	816	748	+9.2
Headcount (no.)[1]	2,250	2,235	+0.7
			Change in € million
Operating profit	17	30	(13)
Profit before taxes	19	31	(12)
Profit after tax	13	21	(8)
Earnings per share in €	1.91	3.13	–
Operating return on sales in %	7.6	13.3	–
Capital expenditures[2]	5	5	–
Depreciation and amortization on noncurrent assets	9	9	–
Internally financed R&D expenditures	7	8	(1)
Gross cash flow	24	27	(3)
Cash flows from operating activities	(17)	16	(33)
Cash flows from current investing activities	(5)	(5)	–
Net cash flow	(23)	11	(34)
Net liquidity[1]	161	199	(38)
Total equity[1]	422	422	–

1) As of June 30, 2018, as against December 31, 2017
2) For property, plant and equipment and intangible assets

Group Interim Management Report as of June 30, 2018

Order intake up significantly
The RENK Group generated an order intake of € 288 million in the first six months of fiscal year 2018 (previous year: € 221 million). A key factor in this increase was a major order for HSWL 295 gear units from the Far East. In Vehicle Transmissions, this order also contributed significantly to order intake doubling compared to 2017. Order intake in Special Gear Units was also higher than in the previous year, though Slide Bearings only just matched its prior-year level and Standard Gear Units fell short of it.

In the same period, RENK generated sales revenue of € 218 million, almost repeating the figure for the same period of 2017 (€ 224 million). While sales revenue in Vehicle Transmissions and Special Gear Units was on par with the previous year, deliveries in Slide Bearings and Standard Gear Units business units fell short of the previous year's figures.

There were no effects from the first-time adoption of the amended International Financial Reporting Standards for the recognition of revenue from contracts with customers as of June 30, 2018.

Decline in operating profit
Owing to the more intensive competitive situation, a less favorable product mix and delays on some projects, the RENK Group's operating profit declined to € 17 million in the first half of 2018 as against € 30 million in the same period of 2017. Only Vehicle Transmissions achieved earnings at the previous year's level, while all other segments reported substantial declines in operating profit. The effect on profit of the new accounting provisions for financial instruments with regard to expected credit losses was € -0.3 million as of June 30, 2018.

RENK therefore generated an operating return on sales of 7.6% in the 2018 reporting period (previous year: 13.3%). With the exception of Special Gear Units, all segments made positive contributions to earnings.

After taking into account the financial result of € 2 million (previous year: € 1 million) and the income taxes of € -6 million (previous year: € -10 million), the RENK Group's profit after tax amounted to € 13 million in the first six months of 2018 (previous year: € 21 million).

Cash flow
RENK generated a gross cash flow of € 24 million in the first half of 2018 (previous year: € 27 million). In line with business performance and project progress, the effect of funds tied up in working capital (€ -41 million) rose at a significantly faster rate than in the same period of the previous year (€ -12 million) as there were no offsetting effects from prepayments received in the current year. For the period from January to June 2018, this resulted in cash flows from operating activities of € -17 million after € 16 million in the same period of 2017.

As in the previous year, cash flows from investing activities amounted to € -5 million. In addition to expenses for intangible assets and property, plant and equipment, this also includes the acquisition of an interest in RENK-MAAG at just under CHF 2 million.

Taking into account the unchanged dividend payment of € 15 million and exchange rate effects, cash and cash equivalents declined by € 37 million to € 161 million in the first half of 2018.

Asset and capital structure

The RENK Group's total assets rose from € 700 million to € 706 million in the first half of fiscal year 2018.

Total assets were increased by the mandatory first-time adoption of the new regulations on the recognition of revenue from contracts with customers. These require the recognition of unconditional rights to non-cash customer prepayment receivables. There was a volume of approximately € 12 million as of June 30, 2018; this is reported under current other financial assets or contract liabilities.

As the bulk of new investment will take place in the second half of 2018, the amounts recognized for intangible assets and property, plant and equipment were reduced by depreciation and amortization; this was offset by the acquisition of the interest by RENK-MAAG. The first-time adoption of the financial reporting standards on the reporting and measurement of financial instruments also resulted in a measurement effect in other comprehensive income of around € 3 million for the other equity investment already recognized in other comprehensive income in previous years.

In addition to the rights to customer prepayments, current assets were also increased by a rise of € 23 million in inventories, € 7 million in trade receivables and € 5 million in other receivables. By contrast, cash and cash equivalents fell by € 37 million and current tax receivables by € 4 million.

In the noncurrent range of the equity and liabilities side of the statement of financial position, provisions for pensions rose by € 2 million. In the current range, other provisions declined by around € 5 million, while trade payables increased by € 3 million, other current liabilities by € 3 million and current financial liabilities by € 1 million.

Capital expenditures and R&D

As in the previous year, RENK invested around € 5 million in property, plant and equipment and intangible assets in the first half of 2018. Capital expenditure focused on the Augsburg site.

At € 7 million, spending on internally financed research and development projects was down slightly on the previous year's level of € 8 million in the first six months of 2018. Activities focused on continuing longer-term development projects and on near-term optimization and efficiency measures.

Headcount virtually unchanged

With 2,250 employees as of June 30, 2018, the RENK Group's headcount increased only marginally compared to the beginning of the year (December 31, 2017: 2,235). It also had 75 subcontracted employees (December 31, 2017: 74).

Risk report

The risk report of the RENK Group should be read in conjunction with our comments on the 2017 consolidated financial statements. The risk position is largely unchanged from the descriptions provided in the 2017 Annual Report.

For information on the effects of the current developments in the economic situation on the order situation, sales revenue and earnings situation, please see "Forecast for fiscal year 2018" and our comments on the individual segments under "Segment performance".

Forecast for fiscal year 2018

The RENK Group's development fell short of the RENK Executive Board's expectations in some respects in the first six months of 2018. Nevertheless, management is confident that the forecast for 2018 as a whole made in the 2017 Annual Report can still be achieved. However, some requirements have to be met in order for this to happen: major projects in Special Gear Units and Vehicle Transmissions will have to be awarded as planned and the anticipated new orders that will be recognized as revenue before the end of the current year – especially in Slide Bearings and after-sales – will have to materialize. In addition, in the remaining months, RENK has to be able to make up for the delivery delays incurred in the first half of the year, for example on account of a failure to deliver by third parties; there must not be any further delays. Order intake should then rise noticeably year-on-year in fiscal year 2018, and revenue should increase slightly as well. The operating profit will thus be able to match the previous year's level. The operating return on sales will decline but remain in the double digits.

Supplementary report

For the report on events after the end of the reporting period, please refer to the comments in the half-year consolidated financial statements.

Segment performance

Special Gear Units

€ million	2018 01.01.-30.06.	2017 01.01.-30.06.	Change*
Order intake	86	75	+11
Sales revenue	72	70	+2
Operating profit	(1)	2	(3)
Operating return on sales (%)*	(1.2)	3.4	(4.6)

* Calculated in € thousand

General economic environment
The different developments observed on the individual target markets for Special Gear Units in recent years continued in the opening months of 2018.

In marine special gear units business, the ongoing fleet renewal requirements of a number of countries ensured the consistently high level of project activities – even though individual major projects have since been postponed. Major projects are due to be awarded in the short to medium term in Europe, the Americas and the Far East. In view of the persistently difficult situation in civil shipbuilding and the excess capacity this has led to, the market segment for official ship gear units is also increasingly coming under price pressure.

The stationary gear units division continued to face difficult general conditions on its sales markets. A lack of investment in the energy and commodities sectors kept demand mired well below the level of the industrial capacity available, making it impossible to improve the extremely tight price situation.

Business development
Special Gear Units reported a total order intake of € 86 million in the first half of 2018, € 11 million more than in the same period of 2017. There were increases in stationary gear units business in Augsburg for industrial, cement mill and turbo gear units and at the Swiss subsidiary RENK-MAAG; by contrast, RENK AG's order intake for marine gear units was down slightly below the previous year.

Sales revenue over 2018 to date amounts to € 72 million as against € 70 million in the previous year. The slight increases in marine gear units and at RENK-MAAG easily offset the decline in stationary gear units in Augsburg.

Deliveries in the reporting period included ship sets for the Italian Navy, call-off orders under the long-term programs with the US Navy and US Coast Guard plus a delivery for a megayacht. In addition to cement mill gear units, sales revenue from stationary gear units also included deliveries of high-performance turbo gear units, including the newly designed series with planetary gear units.

Special Gear Units was unable to break even in the first six months of fiscal year 2018. It reported an operating loss of € -1 million (previous year: operating profit of € 2 million) with an operating return on sales of -1.2% (previous year: 3.4%). This was due in particular to the difficult market situation, especially for stationary gear units.

The Swiss company RENK-MAAG acquired all shares in MAAG Gear Systems AG, Wallisellen, Switzerland, as of June 8, 2018. The remaining activities of the MAAG Group in the marine sector are bundled in MAAG Gear Systems. Please see the notes to the condensed half-year consolidated financial statements for further information.

Outlook

A number of projects in Special Gear Units business are yet to be awarded in the second half of 2018; if these are implemented, order intake in 2018 will easily surpass the figure for 2017. Sales revenue is expected to be up slightly on the previous year. Both operating profit and the operating return on sales should be able to match the previous year's level.

Vehicle Transmissions

€ million	2018 01.01.-30.06.	2017 01.01.-30.06.	Change*
Order intake	125	57	+69
Sales revenue	75	67	+8
Operating profit	11	11	–
Operating return on sales (%)*	14.6	16.0	(1.4)

* Calculated in € thousand

General economic environment
The market for medium-weight and heavy tracked vehicles is still dominated by procurement programs that generally have low to medium annual delivery quantities and processing times lasting several years. Some of these programs have contract awards pending in the short to medium term, provided that the respective government procurement plans are implemented. Nevertheless, it remains difficult to forecast the actual timing of their implementation. A restrictive German export control policy – e.g. including for spare parts for previous gear unit deliveries – is harming potential customers' confidence in the reliability of partners in Germany.

The positive market situation for test systems is ongoing. In particular, there were negative factors on foreign target markets due to unpredictable political circumstances and discernible market foreclosure tendencies.

Business development
In the first half of 2018, a major order for HSWL 295 gear units from the Far East and a large number of mostly after-sales orders allowed order intake in Vehicle Transmissions to more than double as against the 2017 figure. By contrast, order intake for test systems has fallen well short of the previous year's level over the year to date.

In the 2018 reporting period, Vehicle Transmissions generated sales revenue of € 75 million, around € 8 million more than in the same period of 2017. As in the previous year, the main factor driving sales revenue was deliveries of HSWL 256 gear units for the German PUMA program and the British AJAX program. Test systems sales revenue related in particular to applications for testing aviation, railway and vehicle components.

At € 11 million, the operating profit in Vehicle Transmissions was in line with the previous year's figure in the first six months; the operating return on sales was 14.6% (previous year: 16.0%).

Outlook
For 2018 as a whole, RENK still anticipates that order intake in Vehicle Transmissions will be significantly higher than in the previous year, and that sales revenue will also increase significantly. Accordingly, the operating profit could also be slightly higher than in the previous year, and the operating return on sales will then match the previous year's level.

Standard Gear Units

€ million	2018 01.01.-30.06.	2017 01.01.-30.06.	Change*
Order intake	38	50	(11)
Sales revenue	35	46	(11)
Operating profit	3	8	(6)
Operating return on sales (%)*	8.0	18.4	(10.4)

* Calculated in € thousand

General economic conditions

Despite a further slight rise in the price of oil, new construction planning in the offshore segment remained at a nadir. The projects being implemented in the natural gas sector are still mainly new floating storage regasification units (LNG-FSRUs). The excess LNG tanker capacity is unchanged, hence there are only a few new construction projects on the market. The slightly positive trend in dredgers has been confirmed over the last few months.

The developments seen in previous periods continued in the turbo gear unit sector in the first half of 2018 as well. The emphasis was on gear units for smaller power classes; projects for more powerful gear units are still subject to major delays – if implemented at all. There is still excess supplier capacity on the couplings market.

The tendering procedure for renewable energies introduced at the beginning of last year has intensified competition substantially. The new system has resulted in considerable economic problems for German manufacturers and suppliers. The market in Asia is now increasingly focusing on 5-6 MW offshore turbines.

Business development

As forecast, order intake in Standard Gear Units for the first six months fell well short of the previous year's € 50 million at € 38 million. In marine gear units, orders were received for dredger and LNG tanker gear units in particular. Despite tough competition on price, various orders were also secured for couplings.

As a result of the weak order intake in the previous year, sales revenue for Standard Gear Units was € 35 million in the first half of 2018, € 11 million less than in the same period of 2017 (€ 46 million). Accordingly, operating profit for the year to date has been down significantly year-on-year at € 3 million (€ 8 million), as has the operating return on sales at 8.0% (previous year: 18.4%).

Outlook

Standard Gear Units still expects that order intake and sales revenue for 2018 will be in line with 2017 levels. By contrast, operating profit and the operating return on sales will be much lower than the previous year's figures.

Slide Bearings

€ million	2018 01.01.-30.06.	2017 01.01.-30.06.	Change*
Order intake	42	44	(2)
Sales revenue	42	45	(3)
Operating profit	4	8	(5)
Operating return on sales (%)*	9.0	18.5	(9.5)

* Calculated in € thousand

General economic conditions

The standard products in Slide Bearings are closely linked to the economic and structural development of the main customer industries, namely electrical engineering. Despite the robust state of the economy to date, there are clear risks that the global economy will lose momentum. There are also significant structural changes; the successes of alternative energy generation are leading to far-reaching changes at what were previously some of RENK's biggest customers, especially in the gas turbine sector. As a result, both geographically and in terms of application, the market volumes relevant for RENK slide bearings are shrinking.

Despite intensive activity and a large number of projects technically ready to be awarded, there seems to be a backlog in capital-intensive project business, i.e. the market for RENK's special bearings; at this time it is not possible to predict whether or when this backlog will be resolved.

Business development

In line with developments on the markets, particularly in project business, order intake for Slide Bearings fell slightly short of the previous year's level of € 44 million at € 42 million in the first half of 2018. This was also true for sales revenue, which did not quite match the prior-year figure at € 42 million (€ 45 million).

As a result of the changes in the product mix and significantly tougher competition on price, the operating profit fell by € 5 million in the first half of 2018 after € 4 million in 2017. This also resulted in a considerably lower operating return on sales of 9.0% (previous year: 18.5%).

Outlook

Order intake and sales revenue for Slide Bearings should be on par with the previous year's level in 2018. However, in light of the tense market situation, operating profit and the operating return on sales will be noticeably lower than the 2017 figures.

Condensed Consolidated Half-Year Financial Statements as of June 30, 2018

Consolidated Income Statement

€ thousand	Note	2018 01.01.-30.06.	2017 01.01-30.06[1]
Sales revenue		**218,486**	**224,413**
Cost of sales	[3]	(171,661)	(166,962)
Gross profit	**[3]**	**46,825**	**57,451**
Other operating income	[3] [4]	2,400	1,492
Distribution expenses		(19,111)	(17,581)
General administrative expenses		(11,080)	(9,787)
Other operating expenses	[5]	(2,411)	(1,667)
Operating profit		**16,623**	**29,909**
Interest expense		(162)	(206)
Other financial result		2,330	1,134
Financial result		**2,169**	**929**
Profit before taxes		**18,792**	**30,838**
Income tax expense		(5,825)	(9,560)
Profit after tax (share of RENK shareholders)		**12,966**	**21,278**
Earnings per share in € (basic and diluted)	**[6]**	**1.91**	**3.13**

1) Adjustment of prior-year information. Please see “New and revised accounting pronouncements”.

Reconciliation to Total Comprehensive Income for the Period

€ thousand	2018 01.01.-30.06.	2017 01.01.-30.06.
Profit after tax	**12,966**	**21,278**
Items not reclassified to profit or loss		
Remeasurement of pension plans[1)]	(758)	3,008
Deferred taxes[1)]	281	(947)
	(477)	**2,061**
Items reclassified to profit or loss in the future		
Currency translation differences[1)]	512	(1,228)
Change in fair values of derivative financial instruments (hedging instruments)	(643)	1,306
Costs of hedging instruments	(72)	–
Deferred taxes	229	(418)
	26	**(340)**
Other comprehensive income for the period	**(451)**	**1,720**
Total comprehensive income	**12,515**	**22,998**
Other comprehensive income for the period as of June 30	**(9,133)**	**(13,912)**

1) No deferred taxes relate to currency translation differences.

Consolidated Statement of Financial Position

Assets

€ thousand	Note	Jun. 30, 2018	Dec. 31, 2017
Intangible assets		1,369	1,657
Property, plant and equipment	[8]	191,753	196,686
Other and financial investments	[3] [9]	13,500	9,079
Deferred tax assets	[3]	11,895	7,652
Other noncurrent financial assets	[13]	7	126
Other noncurrent receivables	[13]	33	32
Noncurrent assets		**218,557**	**215,232**
Inventories	[10]	203,276	180,503
Trade receivables	[3] [11]	83,346	87,883
Contract assets*)	[3] [12]	11,030	–
Current income tax receivables		7,241	11,581
Other current financial assets	[3] [13]	12,923	2,866
Other current receivables	[13]	8,578	3,380
Cash and cash equivalents		161,124	198,553
Current assets		**487,519**	**484,765**
		706,075	**699,997**

*) New statement of financial position item in accordance with IFRS 15. Please see “New and revised accounting pronouncements”.

Equity and liabilities

€ thousand	Note	Jun. 30, 2018	Dec. 31, 2017
Subscribed capital		17,920	17,920
Capital reserves		10,669	10,669
Retained earnings	[3]	402,367	404,651
Accumulated other comprehensive income	[3]	(9,133)	(11,390)
Equity		**421,823**	**421,851**
Pension provisions		12,619	10,505
Deferred tax liabilities	[3]	3,856	4,739
Contract liabilities, noncurrent*)	[3] [15]	71,002	70,606
Other noncurrent provisions	[14]	8,259	8,052
Other noncurrent financial liabilities		340	–
Other noncurrent liabilities		85	76
Noncurrent liabilities and provisions		**96,162**	**93,978**
Effective income tax provisions		381	390
Trade payables		37,557	34,635
Contract liabilities, current*)	[3] [15]	72,456	71,055
Current income tax payables		188	2
Other current provisions	[14]	44,045	48,917
Other current financial liabilities		2,593	1,175
Other current liabilities		30,869	27,995
Current liabilities and provisions		**188,091**	**184,169**
		706,075	**699,997**

*) New statement of financial position item in accordance with IFRS 15 (previous year: “Prepayments received”). Please see “New and revised accounting pronouncements”.

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income for the period	Total
As of Jan. 1, 2017	**17,920**	**10,669**	**376,783**	**(15,632)**	**389,740**
Profit after tax	–	–	21,278	–	21,278
Other comprehensive income for the period	–	–	–	1,720	1,720
Total comprehensive income	**–**	**–**	**21,278**	**1,720**	**22,998**
Dividends paid	–	–	(14,960)	–	(14,960)
As of June 30, 2017	**17,920**	**10,669**	**383,101**	**(13,912)**	**397,778**

Before adjustment on Dec. 31, 2017	**17,920**	**10,669**	**404,651**	**(11,390)**	**421,851**
Change in accounting due to IFRS 9 and IFRS 15*)	–	–	(291)	2,709	2,418
After adjustment on Jan. 1, 2018	**17,920**	**10,669**	**404,361**	**(8,682)**	**424,268**
Profit after tax	–	–	12,966	–	12,966
Other comprehensive income for the period	–	–	–	(451)	(451)
Total comprehensive income	**–**	**–**	**12,966**	**(451)**	**12,515**
Dividends paid	–	–	(14,960)	–	(14,960)
As of June 30, 2018	**17,920**	**10,669**	**402,367**	**(9,133)**	**421,823**

*) Please see “New and revised accounting pronouncements”.

Consolidated Statement of Cash Flows

€ thousand	2018	2017
Cash and cash equivalents on Jan. 1	**198,553**	**213,957**
Profit before taxes	18,792	30,838
Income taxes paid	(5,831)	(10,853)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	9,109	9,170
Change in provisions for pension obligations	1,358	(972)
Gains/losses from asset disposals	(58)	26
Other non-cash expenses and income	617	(833)
Change in inventories	(22,515)	(10,711)
Change in receivables and contract assets*)	(13,415)	8,873
Change in (contract) liabilities*)	(650)	(8,321)
Change in other provisions	(4,761)	(1,342)
Cash flows from operating activities	**(17,354)**	**15,875**
Payments to acquire property, plant and equipment and intangible assets	(4,807)	(4,857)
Acquisition of unconsolidated subsidiary	(1,669)	–
Proceeds from asset disposals	1,095	196
Cash flows from investing activities	**(5,381)**	**(4,661)**
Dividends paid	(14,960)	(14,960)
Cash flows from financing activities	**(14,960)**	**(14,960)**
Effect of exchange rate changes on cash and cash equivalents	266	(599)
Change in cash and cash equivalents	**(37,429)**	**(4,345)**
Cash and cash equivalents on June 30	**161,124**	**209,612**

*) New statement of financial position item in accordance with IFRS 15. Please see “New and revised accounting pronouncements”.

Notes to the Condensed Consolidated Half-Year Financial Statements

(1) Basis of presentation

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, RENK AG, Augsburg, prepared its consolidated financial statements for 2017 in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union.

These condensed half-year consolidated financial statements of RENK AG as of June 30, 2018 were prepared in accordance with IAS 34 and do not contain all the information and disclosures in the notes that are required for consolidated financial statements as of the end of the fiscal year in accordance with IFRS, but rather should be read in conjunction with the IFRS consolidated financial statements published by the company for fiscal year 2017. The information in the notes presents the material circumstances needed in order to understand the changes in the net assets, financial position and results of operations of the RENK Group that have taken effect since December 31, 2017.

Unless any changes are explicitly stated, the accounting policies used in the condensed half-year consolidated financial statements are the same as those used in the last consolidated financial statements as of the end of fiscal year 2017. A detailed description of these methods can be found in the notes to the consolidated financial statements as of December 31, 2017. All amounts have been rounded in line with commercial practice; this can result in minor deviations in the addition of figures.

At 1.6%, the discount rate used to calculate pension provisions in Germany in this half-yearly financial report has not changed as against December 31, 2017.

The income tax expense in these consolidated half-year financial statements is calculated on the basis of the effective income tax rate anticipated for the year as a whole.

In the opinion of the Executive Board, this unaudited Group half-yearly financial report contains all the normal adjustments required for an appropriate presentation of the net assets, financial position and results of operations. The results for the six months of fiscal year 2018 do not necessarily provide any indication of future business performance.

The Executive Board must make assumptions and estimates in preparing the condensed half-year consolidated financial statements. These affect the amounts and reporting of the figures stated for assets, liabilities, income and expenses for the reporting period. The actual amounts incurred can differ from these estimates. In addition to the figures, the condensed half-year consolidated financial statements also include notes on selected items.

(2) Basis of consolidation

As well as RENK AG, the condensed half-year consolidated financial statements as of June 30, 2018 also include the following wholly owned subsidiaries:

- RENK France S.A.S., Saint-Ouen-l'Aumône, France
- RENK Corporation, Duncan (SC), USA
- RENK Test System GmbH, Augsburg
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA

The basis of consolidation is unchanged compared to the end of the preceding fiscal year.

(3) New and revised accounting pronouncements

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods since January 1, 2018.

IFRS 9 – Financial Instruments
Since January 1, 2018, the RENK Group has applied IFRS 9 in the classification and measurement of financial assets, impairment on financial assets and hedge accounting.

The classification and measurement of financial assets is determined by the business model applied and the structure of cash flows. On initial recognition, a financial asset is classified either as "at amortized cost", "at fair value through other comprehensive income" or "at fair value through profit or loss". The classification and measurement of financial liabilities is largely unchanged under IFRS 9.

When reclassifying financial instruments, financial investments are always measured at fair value, even if the investee is not listed. This resulted in an increase in value of € 2,753 thousand in financial investments recognized directly in accumulated other comprehensive income under the option for equity investments not held for trading. Also in the event of subsequent derecognition, e.g. when selling the equity investment, the cumulative changes in value will no longer be reclassified to profit or loss.

The expected credit loss model for calculating impairment losses and recognizing loss allowances replaces the incurred loss model previously used. Under the simplified IFRS 9 approach, loss allowances on individual receivables are calculated using a provision matrix based on the age structure of the receivables in question. The change in measurement increases the loss allowance overall, as a result in particular of the requirement to recognize loss allowances for non-impaired financial assets.

Impairment losses on financial and contract assets developed as follows as a result of the application of the expected credit loss model in accordance with IFRS 9:

€ thousand	Loss allowance as of 31/12/2017	Adjustment IFRS 9	Loss allowance as of 01/01/2018
Trade receivables	692	337	1,029
Contract assets[1]	–	86	86
Total	**692**	**423**	**1,115**

1) New statement of financial position item in accordance with IFRS 15.

With regard to hedge accounting, the standard extends the designation options and introduces a requirement to implement complex accounting logic. Furthermore, IFRS 9 eliminates the quantitative thresholds for effectiveness testing. In particular, reclassification practice changes under IFRS 9. The compensating effect of hedges on operating profit/loss remains unchanged from previous accounting. As the new regulations for hedges are applied prospectively with currency forwards, no first-time adoption effects result from these hedges.

This will also lead to significantly more extensive disclosures in the notes.

IFRS 9 was implemented in the RENK Group using the modified retrospective transition approach, under which the cumulative effects are recognized in other comprehensive income in the opening statement of financial position as of January 1, 2018. Please see the statement of financial position at the end of this section for a summary of the effects.

Financial instruments are still categorized as “at fair value”, “at amortized cost”, “hedging derivative financial instruments” and “not assigned to an IFRS 9 measurement category”. Within the “hedging derivative financial instruments” category, there were no reclassifications to or from other categories as a result of IFRS 9.

Under IAS 39 Financial Instruments, “at fair value” included the measurement categories “available-for-sale financial assets” and “financial instruments measured at fair value through profit or loss”. There were no changes in financial instruments measured at fair value through profit or loss. Taking into account the increase in the value of financial investments, available-for-sale financial assets were adjusted as follows as of January 1, 2018:

€ thousand	At Fair Value IAS 39 as of 31/12/2017	Reclassification from "amortized cost"	Reclassification due to accounting at Fair Value	Reclassification to "at amortized cost"	At Fair Value IFRS 9 as of 01/01/2018
	Carrying amount	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Noncurrent assets					
Other and financial investments[1]	774	–	2,753	–	3,527

1) IAS 39 “assets available for sale” category. IFRS 9 “at fair value through other comprehensive income” category.

Under IAS 39, “at amortized cost” included the measurement categories “loans and receivables” and “financial liabilities at amortized cost”. There were the following adjustments in “loans and receivables”:

€ thousand	“At amortized cost” IAS 39 as of 31/12/2017	Reclassification from/to "at Fair Value"	Reclassificationı contract assets acc to IFRS 15[2]	Revaluation due to the Expected Credit Loss Model	“At amortized cost” IFRS 9 as of 01/01/2018
	Carrying amount	**Carrying amount**	**Carrying amount**	**Risk provision**	**Carrying amount**
Noncurrent assets					
Other financial assets[1]	7	–	–	–	7
Current assets					
Trade receivables[1]	87,883	–	(7,582)	(337)	79,964
Other financial assets[1]	2,188	–	–	–	2,188
Cash and cash equivalents	198,553	–	–	–	198,553

1) IAS 39 “loans and receivables” category. IFRS 9 “at amortized cost” category.
2) Reclassification to “not assigned to an IFRS 9 measurement category”.

The carrying amounts of the financial assets measured at amortized cost in accordance with IFRS 9 are equal to the fair value as of January 1, 2018.

There were no adjustments in the financial liabilities measurement category. “Financial liabilities at amortized cost” under IAS 39 are allocated to the category “at amortized cost” under IFRS 9.

The carrying amount of the "available-for-sale financial assets" measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 as of 31/12/2017	Reclassi-fication	Adjustment IFRS 9	Carrying amount IAS 39 as of 01/01/2018	Change in equity
Available for sale financial asset IAS 39	**774**	**–**	**–**	**774**	**–**
Difference from the revaluation acc. to IFRS 9 category	–	–	2,753	2,753	2,753
Financial assets at fair value through profit and loss (IFRS9)	**–**	**–**	**–**	**3,527**	**2,753**

The carrying amount of the "financial assets at fair value through profit or loss" measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 as of 31/12/2017	Reclassi-fication	Adjustment IFRS 9	Carrying amount IAS 39 as of 01/01/2018	Change in equity
Financial assets at fair value through profit and loss	**796**	**–**	**–**	**796**	**–**

The carrying amount of the "loans and receivables" measurement category was adjusted as follows as of January 1, 2018:

€ thousand	Carrying amount IAS 39 as of 31/12/2017	Reclassi-fication contract assets acc. to IFRS 15*)	Adjustment IFRS 9	Carrying amount IAS 39 as of 01/01/2017	Change in equity
Loans and receivables	**288,632**	**–**	**–**	**288,632**	**–**
Not assigned to an IFRS 9 measurement category	–	(7,582)	(86)	(7,582)	(86)
Difference from the revaluation acc. to IFRS 9 category	–	–	(337)	(337)	(337)
Financial assets at amortized cost	**–**	**–**	**–**	**280,713**	**(423)**

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 revises accounting for revenue recognition.

The recognition of prepayments that are unconditional but that have not yet been paid by the customer increased total assets by € 9,233 thousand as against the previous year.

The items “Contract liabilities” and “Contract assets” have been added to the statement of financial position in order to recognize excess performance by the customer or the company. Since January 1, 2018, the receivables from the performance of obligations over a period of time that were previously included in trade receivables have been reported as contract assets. These are not assigned to any IFRS 9 measurement category as they are not financial instruments. However, the regulations on impairment are applied under the simplified IFRS 9 methodology. Amounts previously reported as current or noncurrent prepayments received, including liabilities from unconditional customer prepayment receivables, are reported under contract liabilities.

The RENK Group uses the modified retrospective transition approach, under which the cumulative transition effects are recognized in the opening statement of financial position for 2018. Please see the statement of financial position at the end of this section for a summary of the effects.

In order to standardize presentation with the changes from IFRS 15 and for improved comparability, the reporting of income from the reversal of provisions and deferred liabilities was adjusted and allocated to the functional areas for which they were recognized. The figures for the previous year were adjusted as follows:

€ thousand	June 30, 2017 before adjustment	Adjustment	June 30, 2017 after adjustment
Cost of sales	(170,681)	3,718	(166,962)
Gross profit	**53,733**	**3,718**	**57,451**
Other operating income	5,210	(3,718)	1,492
Operating profit	**29,909**	**–**	**29,909**

The transition effects of the first-time adoption of IFRS 15 and IFRS 9 on the statement of financial position are as follows:

Assets

€ thousand	Dec. 31, 2017 before adjustment	Adjustment IFRS 15	Adjustment IFRS 9	Jan. 01, 2018 after adjustment
Other and financial investments	9,079	–	2,753	11,832
Deferred tax assets[1]	7,652	–	5	7,657
Noncurrent assets	**215,232**	**–**	**2,758**	**217,990**
Trade receivables	87,883	(7,582)	(337)	79,964
Contract assets	–	7,582	(86)	7,496
Other current financial assets	2,866	9,233	–	12,098
Current assets	**484,765**	**9,233**	**(423)**	**493,575**
	699,997	**9,233**	**2,335**	**711,565**

Equity and liabilities

€ thousand	Dec. 31, 2017 before adjustment	Adjustment IFRS 15	Adjustment IFRS 9	Jan. 01, 2018 after adjustment
Retained earnings	404,651	–	(291)	404,361
Accumulated other comprehensive income	(11,390)	–	2,709	(8,682)
Equity	**421,851**	**–**	**2,418**	**424,268**
Deferred tax liabilities[1]	4,739	–	(83)	4,656
Prepayments received longterm	70,606	(70,606)	–	–
Contract liabilities, noncurrent	–	70,606	–	70,606
Noncurrent liabilities and provisions	**93,978**	**–**	**(83)**	**93,895**
Prepayments received shortterm	71,055	(71,055)	–	–
Contract liabilities, current	–	80,287	–	80,287
Current liabilities and provisions	**184,169**	**9,233**	**–**	**193,401**
	699,997	**9,233**	**2,335**	**711,565**

1) Deferred taxes on loss allowances recognized in accordance with IFRS 9 and on the fair value of the other equity investment in accordance with IFRS 9 before netting.

(4) Other operating income

€ thousand	2018 01.01.-30.06.	2017 01.01.-30.06.
Prior-period income	1,158	28
Income from currency translation differences and derivatives	514	348
Income from reversal of provisions[1)]	481	884
Income from reversal of bad debt allowances on receivables and receivables written off	83	7
Miscellaneous other income	164	225
	2,400	**1,492**

1) Adjustment of prior-year information. Please see "New and revised accounting pronouncements".

Income from currency translation differences includes gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and price gains from measurement as of the end of the reporting period. The resulting exchange rate losses are reported in other operating expenses.

(5) Other operating expenses

€ thousand	2018 01.01.-30.06.	2017 01.01.-30.06.
Expenses from currency translation differences and derivatives	1,018	662
Bad debt allowances on receivables and other assets and write-off of bad debts	330	149
Surety and bank fees	289	318
Miscellaneous other expenses	774	538
	2,411	**1,667**

(6) Earnings per share

	2018 01.01.-30.06.	2017 01.01.-30.06.
Profit after tax in € thousand	12,966	21,278
Weighted average shares outstanding (in thousands)	6,800	6,800
Earnings per share in €	**1.91**	**3.13**

In accordance with IAS 33, earnings per share are calculated from the consolidated profit after tax and the average number of shares outstanding in the period. There were no financial instruments as of either June 30, 2018 or June 30, 2017 that would dilute earnings per share.

(7) Dividend for fiscal year 2017

In accordance with the resolution of the Annual General Meeting on April 27, 2018, RENK AG paid the shareholders an ordinary dividend with a total value of € 14,960,213.40 (€ 2.20 per share) for fiscal year 2017. The dividend was paid on May 3, 2018. A dividend of € 2.20 per share, and thus the same amount, was also distributed to the shareholders in the previous year.

Notes to the Consolidated Statement of Financial Position

(8) Property, plant and equipment

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Land and buildings	67,121	68,258
Technical equipment and machinery	98,520	101,306
Other equipment, operating and office equipment	15,419	15,643
Prepayments and assets under construction	10,693	11,479
	191,753	**196,686**

(9) Other and financial investments

RENK MAAG GmbH, Winterthur, acquired all shares in MAAG Gear Systems AG, based in Wallisellen, Switzerland, effective June 8, 2018. This is reported at the converted cost of € 1,669 thousand. The remaining activities of the MAAG Group in the marine sector are bundled in the new subsidiary. The Group company is not included in the consolidated financial statements as it is insignificant overall to the net assets, financial position and results of operations of the RENK Group.

(10) Inventories

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Raw materials, consumables and supplies	27,869	26,371
Finished goods and work in progress	174,012	153,393
Prepayments for inventories	1,395	739
	203,276	**180,503**

Inventories were written down by € 1,317 thousand as of June 30, 2018 (June 30, 2017: reversals of write-downs of € 29 thousand). No significant write-downs on inventories were recognized in the prior-year period.

(11) Trade receivables

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Customer receivables	77,785	73,636
Receivables from affiliated companies	5,561	6,665
Receivables from customer-specific construction contracts (PoC receivables)[1]	–	7,582
	83,346	**87,883**

1) Please see "New and revised accounting pronouncements" for information on receivables from customer-specific construction contracts in the previous year.

(12) Contract assets

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Contract assets from customers	10,896	–
Contract assets from associates	134	–
	11,030	**–**

For information on contract assets, please see "New and revised accounting pronouncements", which explains the changes due to IFRS 9 and IFRS 15.

(13) Other noncurrent and current assets and receivables

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Customer prepayment receivables	12,294	–
Prepaid expenses	3,682	788
Other tax assets	3,158	2,500
Commission claims	1,668	1,539
Derivative financial instruments	135	796
Miscellaneous other assets	605	781
	21,541	**6,404**

For information on customer prepayment receivables, please see "New and revised accounting pronouncements", which explains the changes due to IFRS 15.

Other assets and receivables include noncurrent amounts of € 40 thousand as of June 30, 2018 (December 31, 2017: € 158 thousand).

(14) Other provisions

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Warranties	27,926	32,105
Obligations to employees	8,960	9,472
Outstanding costs	8,355	7,199
Miscellaneous other provisions	7,063	8,194
	52,304	**56,969**

Other provisions break down according to maturity as follows:

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Other noncurrent provisions	8,259	8,052
Other current provisions	44,045	48,917
	52,304	**56,969**

(15) Contract liabilities

€ thousand	Jun. 30, 2018	Dec. 31, 2017
Contract liabilities, noncurrent	71,002	70,606
Contract liabilities, current	60,162	71,055
Liabilities from customer prepayment receivables[1)]	12,294	–
	143,458	**141,661**

1) The net figure as of June 30, 2018 contains only current amounts.

For information on liabilities from customer prepayment receivables, please see “New and revised accounting pronouncements”, which explains the changes due to IFRS 15.

(16) Contingent liabilities

There were no contingent liabilities in the RENK Group as of June 30, 2018 (December 31, 2017: € 14 thousand).

(17) Fair value disclosures

The RENK Group classifies financial instruments as follows:

- financial instruments at fair value;
- financial instruments at amortized cost;
- hedging derivative financial instruments; and
- not assigned to an IFRS 9 measurement category.

The fair values were calculated based on the market conditions at the end of the reporting period and using generally accepted measurement methods. These are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party. The inputs for measuring fair value are largely unchanged compared to December 31, 2017.

Fair value hierarchy

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow models or option pricing models.

Level 3 Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

As of June 30 in the 2018 and 2017 reporting periods, there were no reclassifications between levels 1 and 2 and no reclassifications into or out of level 3.

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of June 30, 2018:

€ thousand	At fair value						
	In other comprehensive income	In profit or loss	At amortized cost		Hedging derivative financial instruments	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of June 30, 2017
	Fair value	**Carrying amount**	**Carrying amount**	**Fair value**	**Carrying amount**	**Carrying amount**	
Noncurrent assets							
Other and financial investments	3,527	–	–	–	–	9,973	13,500
Other financial assets	–	–	7	7	–	–	7
Current assets							
Trade receivables	–	–	83,346	83,346	–	–	83,346
Contract assets*)	–	–	–	–	–	11,030	11,030
Other financial assets	–	61	12,788	12,788	73	–	12,923
Cash and cash equivalents	–	–	161,124	161,124	–	–	161,124
Noncurrent liabilities							
Other financial liabilities	–	–	–	–	340	–	340
Current liabilities							
Trade payables	–	–	37,557	37,557	–	–	37,557
Other financial liabilities	–	77	2,221	2,221	296	–	2,593

*) New statement of financial position item in accordance with IFRS 15. Please see “New and revised accounting pronouncements”.

The following table shows the classes of financial instruments included in statement of financial position items, broken down by the carrying amounts and fair values of financial instruments, and their allocation to the measurement categories as of December 31, 2017:

€ thousand	At fair value						
	In other comprehensive income[1]	In profit or loss[2]	At amortized cost[3]		Hedging derivative financial instruments	Not covered by IFRS 7	Statement of financial position item as of Dec. 31, 2017
	Carrying amount	**Carrying amount**	**Carrying amount**	**Fair value**	**Carrying amount**	**Carrying amount**	
Noncurrent assets							
Other and financial investments	774	–	–	–	–	8,305	9,079
Other financial assets	–	10	7	7	109	–	126
Current assets							
Trade receivables	–	–	87,883	87,883	–	–	87,883
Other financial assets	–	490	2,188	2,188	188	–	2,866
Cash and cash equivalents	–	–	198,553	198,553	–	–	198,553
Noncurrent liabilities							
Other financial liabilities	–	–	–	–	–	–	–
Current liabilities							
Trade payables	–	–	34,635	34,635	–	–	34,635
Other financial liabilities	–	43	1,132	1,132	–	–	1,175

1) Corresponds to the measurement category “Available-for-sale financial assets” under IAS 39.
2) Corresponds to the measurement category “Financial instruments measured at fair value through profit or loss” under IAS 39.
3) Includes the measurement categories “Loans and receivables” and “Financial liabilities at amortized cost”.

Cash and cash equivalents, trade receivables, other financial assets, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

The future cash flows for derivative financial instruments without option components, such as currency forwards, are calculated using forward curves. The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models (Black-Scholes model).

Financial assets at fair value through other comprehensive income include equity shares of € 3,527 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value are recognized in equity after taking deferred taxes into account. In the previous year, equity interests of € 774 thousand were included in available-for-sale financial assets, and were measured at cost applying the practical expedient. Please see “New and revised accounting pronouncements” for information on the reclassification of other and financial investments.

Except for the effects to be recognized in the context of first-time adoption, there were no changes in value recognized in other comprehensive income in the items “Remeasurement of securities and financial investments” or “Other comprehensive income for the period the remeasurement at fair value of other equity investments (equity instruments)” in the reporting period. In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instrument. Of inputs used to calculate the fair value of the equity investment in RENK UAE, only the cost of capital before taxes has changed compared to December 31, 2017. This was 7.7% as of June 30, 2018 (December 31, 2017: 8.0%). A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, neither in isolation nor combination.

Financial assets and liabilities measured at fair value and hedge derivative financial instruments are level 2 of the fair value hierarchy – with the exception of the other equity investment, which is level 3.

(18) **Segment reporting**

The activities of the RENK Group are divided into the reportable segments Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. The management of each of these segments reports directly to the Executive Board of RENK AG in its function as the responsible chief operating decision maker.

The financial performance indicators for segments 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 non-financial performance indicator is order intake as measured by reference to binding incoming orders.

The RENK Group generally recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 10,329 thousand (previous year: € 10,861 thousand).

€ thousand	Special Gear Units		Vehicle transmissions	
Reporting period Jan. 1 – Jun. 30	**2018**	**2017**	**2018**	**2017**
Order intake from third parties	85,509	74,285	123,982	56,022
Order intake from other segments	810	1,194	1,401	632
Total order intake	**86,319**	**75,478**	**125,383**	**56,654**
Sales revenue with third parties	70,338	68,982	73,237	66,501
Sales revenue with other segments	1,194	784	1,406	632
Total sales revenue	**71,532**	**69,766**	**74,643**	**67,133**
Order backlog[1)]	**254,298**	**239,473**	**476,605**	**426,343**
Operating profit	**(843)**	**2,383**	**10,874**	**10,711**
Capital expenditures	2,020	1,838	1,946	2,023
Depreciation and amortization	3,452	3,638	2,800	2,640
Operating return on sales	**(1.2)%**	**3.4%**	**14.6%**	**16.0%**

1) As of June 30, 2018 compared toDecember 31, 2017

Segment information is determined applying the same accounting policies as those used in the preparation of the consolidated financial statements. The composition of the segments is unchanged as against December 31, 2017; please see the corresponding comments in the 2017 consolidated financial statements.

Transactions between segments are performed on an arm's length basis.

	Standard Gear Units		Slide bearings		Consolidation		Group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	36,644	47,267	41,483	43,392	–	–	287,617	220,966
	1,559	2,245	132	422	(3,902)	(4,493)	–	–
	38,203	**49,512**	**41,615**	**43,814**	**(3,902)**	**(4,493)**	**287,617**	**220,966**
	33,099	43,943	41,811	44,987	–	–	218,486	224,413
	1,785	1,647	445	498	(4,830)	(3,562)	–	–
	34,884	**45,590**	**42,256**	**45,485**	**(4,830)**	**(3,562)**	**218,486**	**224,413**
	64,357	**61,313**	**32,069**	**32,643**	**(10,921)**	**(11,847)**	**816,408**	**747,925**
	2,775	**8,382**	**3,808**	**8,431**	**9**	**1**	**16,623**	**29,909**
	535	233	306	763	–	–	4,807	4,857
	1,671	1,753	1,226	1,176	(40)	(37)	9,109	9,170
	8.0%	**18.4%**	**9.0%**	**18.5%**	**(0.2)%**	**–**	**7.6%**	**13.3%**

(19) Related party disclosures

There were no significant changes with regard to related parties as compared to the consolidated financial statements as of December 31, 2017.

The services provided to and received from related parties in the period from January 1 to June 30 in 2018 and 2017 were as follows:

€ thousand	Services rendered (income)		Services received (expense)	
	2018	2017	2018	2017
MAN SE	45	25	392	425
Other MAN, Volkswagen and Porsche Group companies	10,931	9,864	2,632	2,635
Unconsolidated subsidiaries and other equity investments	4,140	961	536	437

A dividend of € 11,704 thousand was distributed to MAN SE for fiscal year 2017. Services by unconsolidated subsidiaries and other equity investments include dividend payments of € 1,979 thousand.

There were the following receivables from and liabilities to related parties as of June 30, 2018 and December 31, 2017:

€ thousand	Receivables		Liabilities	
	2018	2017	2018	2017
MAN SE	161,117	199,086	712	43
Other MAN, Volkswagen and Porsche Group companies	4,629	4,855	1,352	1,497
Unconsolidated subsidiaries and other equity investments	1,933	1,948	777	246

There were no bad debt allowances on receivables from affiliated companies in the reporting period.

There are receivables of € 160,983 thousand from cash management with MAN SE and other MAN companies as of June 30, 2018 (December 31, 2017: € 198,290 thousand).

(20) Review by the Group auditors

The half-year consolidated financial statements as of June 30, 2018 and 2017 were not reviewed by an auditor.

(21) Changes in the Supervisory Board

The term in office of the entire Supervisory Board ended as scheduled at the end of the Annual General Meeting on April 27, 2018.

In accordance with the provisions of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act), Mr. Roberto Armellini, Mr. Lothar Evers, Ms. Adela Lieb, Mr. Klaus Refle, Ms. Karina Schnur and Mr. Mario Sommer were elected to the Supervisory Board as employee representatives.

The Annual General Meeting elected Ms. Dr. Ingrun-Ulla Bartölke, Mr. Michael Behrendt, Mr. Hardy Brennecke, Mr. Joachim Drees, Ms. Christiane Hesse and Mr. Thorsten Jablonski to the Supervisory Board as shareholder representatives.

The term in office of the current Supervisory Board ends at the end of the 2023 Annual General Meeting.

(22) Events after the end of the reporting period

There were no reportable events after June 30, 2018.

Responsibility Statement

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

Augsburg, July 18, 2018

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

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