RENK AG, Augsburg Annual Financial Statements as of December 31, 2017 Management Report for the fiscal year 2017

Content

Management report of RENK AG for the fiscal year from January 1 to December 31, 2017

Order intake and operating profit remain at a high level

- Order intake € 373 million (previous year: € 425 million)
- Sales revenue € 410 million (previous year: € 425 million)
- Number of employees 1,937 (previous year: 1,915)
- Operating profit € 46 million (previous year: € 50 million)
- Operating return on sales 11.3% (previous year: 11.7%)
- Earnings per share € 5.62 (previous year: € 5.78)
- Net cash flow € -6 million (previous year: € 31 million)
- Proposed dividend: distribution per share of € 2.20 (previous year: € 2.20)

Outlook 2018

- Order intake increased significantly
- Sales revenue higher than previous year

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 – 120 years ago. RENK has been a part of what is now the MAN Group since 1923. 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.

RENK has made it its goal to maintain and expand its top technological position in key areas and to achieve profitable growth in the future. The main pillars of this strategy are discrete internationalization measures, a dedicated focus on customer requirements, operational excellence in all fields and a constant willingness to innovate.

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 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 creates 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 shows 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, 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 2017 the operating return on sales was 11.3% after 11.7% in the previous year.

Business performance and results of operations

Economic environment
The world economy achieved gross domestic product (GDP) growth of 3.2% (2.5%) in 2017. Economic momentum increased year-on-year in both the advanced and the emerging economies.

GDP growth in Western Europe picked up slightly over the year to reach 2.3% (1.8%). The majority of countries in this region increased their growth rate. Uncertainty stemmed from the UK's exit negotiations now underway with the European Union, and the question this entails of the future nature of relations.

The general upward trend intensified in Central Europe, and in Eastern Europe the economy grew much more strongly than in the previous year. Russia ended its recessive phase with a growth rate of 1.6% (-0.4%).

In Germany, the continuing optimistic sentiment among consumers and the good situation on the labor market led to stronger GDP growth in 2017 than in the previous year of 2.5% (1.9%).

The growth rate of the US economy was higher than in the previous year at 2.2% (1.5%). Above all, the economy was aided by private consumer spending and the expansive monetary policy. Private gross investment performed positively as well. The US dollar was slightly weaker than in the previous year.

Brazil moved on in the year under review after bottoming out economically: Economic output increased by 1.0% (-3.5%). Nonetheless, the situation for South America's largest economy remained tense, due in part to political uncertainty.

The Chinese economy expanded at the high level of the previous year with a growth rate of 6.9% (6.7%). The Indian economy continued its positive trend but growth was less rapid than in the previous year at 6.5% (7.1%). The reform measures introduced have had since a dampening effect. Japan reported solid GDP growth of 1.8% (0.9%).

According to the German Engineering Association (VDMA), after a slight decline in the previous year, sales revenue in the global engineering sector climbed by around 6% in 2017, which was significantly more than originally expected. There were upward movements in many countries, especially China, the most important production location in global mechanical engineering. Revenue for German mechanical engineering industry was also around 3% higher than in 2016.

Summary by the Executive Board
In line with its broad product portfolio and its presence on a wide range of markets, RENK again faced different situations and circumstances on its individual target markets in 2017. The relevant performance indicators, compiled at the level of the RENK AG, therefore did not stray far from the ranges estimated at the start of the year. Closer examination reveals that, thanks to this broad positioning, positive and negative developments in individual, only somewhat correlated business areas are at least partially offset.

RENK's business model, with its often significant but relatively few large projects compared to the total volume, entails a high level of volatility in terms of the accuracy of order volume, structure and timing planning. RENK's typical customer-oriented one-off and small-series production also makes exact planning difficult, and can lead to both risks and opportunities. RENK's Executive Board is not entirely satisfied with its volume of order intake or sales revenue, but the slightly better development in operating profit and operating return on sales compared to assumptions is cause for optimism.

The tables below provide an overview of the individual figures forecast for the year under review 2017 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 2016	Forecast 2017	Results 2017
Order intake	€ 425 million	Slight decline	€ 373 million
Sales revenue	€ 425 million	Same level	€ 410 million
Operating profit	€ 50 million	Tangible decline	€ 46 million
Operating return on sales	11.7%	Tangible decline	11.3%

Special Gear Units

	Results 2016	Forecast 2017	Results 2017
Order intake	€ 190 million	Slight decline	€ 127 million
Sales revenue	€ 140 million	Slight increase	€ 141 million

Vehicle Transmissions

	Results 2016	Forecast 2017	Results 2017
Order intake	€ 102 million	Significant decline	€ 91 million
Sales revenue	€ 109 million	Slight increase	€ 115 million

Standard Gear Units

	Results 2016	Forecast 2017	Results 2017
Order intake	€ 57 million	Slight increase	€ 88 million
Sales revenue	€ 101 million	Significant decline	€ 78 million

Slide Bearings

	Results 2016	Forecast 2017	Results 2017
Order intake	€ 84 million	Same level	€ 80 million
Sales revenue	€ 84 million	Same level	€ 83 million

Order situation and operating profit

Order intake € 373 million

RENK received new orders worth € 373 million in fiscal year 2017. As expected, order intake was therefore below the previous year's level (€ 425 million). However, as a result of different developments in the individual segments, the decline was stronger than originally planned. Incoming orders in Special Gear Units fell short of expectations, which had already been lowered slightly at the beginning of the year compared to the record level of 2016. This was mainly due to the postponement of major navy projects. By contrast, order intake for Vehicle Transmissions did not decrease quite as much as originally expected thanks to more positive development in after-sales and maintenance. Incoming orders for Standard Gear Units developed significantly better than anticipated at the beginning of the year, with key contributions from new orders in the Standard Gear Units business unit, mainly for wind turbine and marine gear units. The development in order intake in Slide Bearings was close to the forecast, only slightly below the previous year's level.

Sales revenue down on previous year

RENK generated sales revenue of € 410 million in 2017 after € 425 million in the previous year. The original goal of constant sales revenue compared to the previous year was thus not achieved. Revenue remained on par with the previous year's level in Special Gear Units, and the slight increase planned was not achieved in part due to postponements. On the other hand, Vehicle Transmissions achieved the target set at the beginning of the year of a slight increase in sales revenue. Owing to the order intake situation in the previous year, there was little way to influence the forecast significant decline in sales revenue for Standard Gear Units, and the actual decline was therefore almost exactly as predicted. As assumed at the beginning of the year, sales revenue in Slide Bearings was roughly at the same level as the previous year.

Order backlog of € 689 million

In fiscal year 2017, RENK generated € 37 million more in sales revenue than new orders received in the same period. Together with other changes, this caused the order backlog to decline from € 731 million as of the beginning of the year to € 689 million as of the end of the year. With the exception of the clear increase in Standard Gear Units, the order backlog declined in all segments. The impact of these declines varied according to the different lead times for orders in the individual segments. Given the often very long lead times in Vehicle Transmissions, the effect was strongest here in absolute terms because a large amount of its deliveries were for major orders received several years ago.

Operating profit of € 46 million

RENK generated an operating profit of € 46 million in fiscal year 2017 after € 50 million in the previous year. This means that the decline in operating profit was less than had been anticipated at the beginning of the year. The better than expected earnings in Vehicle Transmissions, Standard Gear Units were offset by a disappointing performance from Special Gear Units. RENK therefore reported an operating return on sales for fiscal year 2017 of 11.3% (previous year: 11.7%).

Income statement[1)]

	2017		2016	
	€ million	**in %**	**€ million**	**in %**
Sales revenue	410	100.0	425	100.0
Cost of sales	(329)	(80.4)	(329)	(77.5)
Gross profit	**80**	**19.6**	**96**	**22.5**
Distribution expenses	(29)	(7.1)	(31)	(7.2)
General administrative expenses	(16)	(3.9)	(14)	(3.2)
Other operating income	14	3.4	14	3.2
Other operating expenses	(3)	(0.8)	(15)	(3.6)
Operating profit	**46**	**11.2**	**50**	**11.7**

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 fell from 22.5% in the previous year to 19.7% in fiscal year 2017. This was due particularly to lower sales, while the cost of sales remained at the level of the previous year as a result of an unfavorable product mix. At €29 million, selling costs were slightly down on the previous-year figure of € 31 million. In fiscal year 2017, general administrative expenses rose slightly, by € 2 million to € 16 million. For other operating income there were no changes in comparison to the previous year. Other operating expenses at € 3 million were considerably down on the previous-year figure of € 15 million, with the previous year figure including the addition to provisions for personnel measures in Standard Gear Units.

Reconciliation to profit after tax

	2017	2016
	€ million	**€ million**
Operating profit	**46**	**50**
Income from investments	3	2
Write-downs of long-term financial assets	–	(2)
Net interest income	3	6
Profit before tax	**52**	**56**
Taxes on income	(14)	(17)
Profit after tax	**38**	**39**
Earnings per share in €	5.62	5.78
Distribution per share in €[1)]	2.20	2.20

1) 2017: Proposal to the Annual General Meeting

High distributions from subsidiaries resulted in increased income from investments of € 3 million (previous year: € 2 million). The previous year included positive earnings contributions from adjustments to actuarial assumptions as well as reclassifications of assets in net interest income which were not repeated in fiscal year 2017. At the same time, an impairment loss on a subsidiary in the previous year negatively impacted earnings before tax.

At € 14 million, tax expenses were below the previous year's figure of € 17 million in 2017. Thus, the tax rate for fiscal year 2017 was 26.7% after 30.1% in 2016. Profit after tax declined accordingly from € 39 million in the previous year to € 38 million in the year under review. Earnings per share therefore decreased from € 5.78 to € 5.62.

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	2017	2016
Cash flows from current activities	15	54
Cash flows from current investing activities	(21)	(23)
Net cash flow	**(6)**	**31**
Cash flow from change in deposits	0	80
Cash flows from financing activities	(15)	(15)

RENK generated cash flows from operating activities of € 15 million in fiscal year 2017 after € 54 million in the previous year. The decline was due primarily to changes in working capital, such as the net reduction in prepayments received and the increased capital commitment in inventories for processing ongoing projects.

Cash flows from current investing activities includes payments for the acquisition of tangible and intangible assets of € 16 million after € 22 million in the previous year. For further explanations, please refer to the section "Capital expenditures and environmental management". In addition, in the fiscal year a total of three subsidiaries were created or acquired which resulted in cash amounts of over € 5 million.

RENK thus generated a net cash flow of € 6 million in fiscal year 2017 after € 31 million in the previous year. Cash flows from financing activities included dividends paid.

Net assets

Assets

In € million	Dec. 31, 2017	Dec. 31, 2016
Tangible and intangible assets	152	158
Financial assets	21	16
Inventories	170	165
Receivables and other assets	230	245
Miscellaneous short-term and long-term assets	12	11
	586	**594**

Equity and liabilities

In € million	Dec. 31, 2017	Dec. 31, 2016
Equity	348	325
Provisions	50	56
Prepayments received	135	160
Trade payables	26	26
Miscellaneous short-term and long-term liabilities	25	27
	586	**594**

The considerably lower capital expenditure in fiscal year 2017 resulted in tangible and intangible assets moving down from € 158 million to € 152 million. Factors impacting the higher financial assets included the establishment/acquisition of three non-consolidated subsidiaries.

Following the cycle of project processing, inventories moved up by € 5 million in the year under review and trade receivables by approximately € 2 million, while receivables from financial transactions with MAN SE declined by almost € 21 million.

RENK's equity rose by € 23 million over the course of fiscal year 2017 from € 325 million to € 348 million. Taking into account the higher total assets, the equity ratio was therefore up from 54.7% at 59.5%. The reversal and utilization of various warranty provisions, combined with lower requirements for additions were the key factors driving the decline in provisions. The decline in prepayments received resulted from processing orders and related primarily to Vehicle Transmissions and Special Gear Units (civil marine).

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 2017 in accordance with the German Commercial Code of € 38.2 million (previous year: € 39.3 million). The Executive Board transferred € 19.1 million of this (previous year: € 19.7 million) to retained earnings. Including retained profits brought forward, the net retained profits therefore amount to € 26.7 million (previous year: € 22.6 million). The Executive Board and the Supervisory Board propose to the Annual General Meeting the distribution of a dividend for fiscal year 2017 as in the previous year of € 2.20 per share. Measured against the closing price of RENK shares of € 113.01 as of December 31, 2017, this corresponds to a dividend yield of 1.9% (previous year: 2.2%).

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

RENK AG is a parent company within the meaning of section 289a (1) 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 € 17,920,000 is divided into 7 million no-par value shares with equal rights. 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.
MAN SE, Munich, held 76% of the subscribed capital of RENK AG in the fiscal year. Through their investment in MAN SE, Volkswagen Truck & Bus GmbH, Braunschweig, 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.

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 MAN SE in fiscal year 2017. 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

Constant change processes, accelerated innovation and increased global networking are posing new challenges for companies. Not just accepting these challenges, but also helping to shape them is a basic requirement for being able to compete 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. Here RENK cooperates with various universities and research institutes.

In fiscal year 2017 RENK invested € 12 million (previous year: € 9 million) of its own funds in the development of new products and the enhancement of existing ones. RENK therefore continued its long-term strategy of gearing its development work towards customer demand for technologically advanced concepts and integrated service packages in the past year.

As in previous years, development activities for high-end marine gear units in Special Gear Units focused on the optimization and advancement of the CODELAG technology, which allows various combinations of gas turbines and electric motors. Based on this, RENK developed its innovative AED (Advanced Electric Drive) module, which can be used as a primary or auxiliary drive for low-noise drives. The first systems have since been delivered. This technology is being developed continuously to tap additional application areas in the marine sector and outside RENK's previous fields.

In the stationary gear units, the drive concept for high-performance vertical mill drives for cement, COPE ® (COmpact Planetary Electric Drive) developed in the last few years was supplemented by a version designed for the specific requirements of the middle market. Development work in turbo gear units focused on variable transmission models and a newly designed series with planetary gear units.

Vehicle Transmissions also concentrated on continuing projects initiated in previous years. This included both the ongoing development of individual transmission components and extending the existing product portfolio, where initial trial activities were already begun. An additional area of focus was the cooperation with system providers for the integration of RENK transmissions in their vehicles.

Activities in Standard Gear Units also focused on continuing development projects initiated in previous years. The focus in marine gear units was on the advancement and cost optimization of dredger gear units and on hybrid drive system components. A wide range of different versions were designed, for example for railway drives or wind turbine drives, in the couplings unit.

As in previous years, Slide Bearings focused on process improvements in coating technologies, for instance with a view to cutting back on resources and optimizing costs by reducing the storage of metal. In addition, work continued on optimizing the product portfolio in terms of its specific performance limits within a fail-safe indicator field.

Capital expenditures, environmental management

In fiscal year 2017, RENK invested € 16 million in tangible and intangible assets, € 6 million less than the previous year's figure of € 22 million. RENK's long-term investment policy is geared towards the current expected market requirements for RENK products and services, and the continuous improvement of cost structures to stand up to intensive competition.

Most of capital expenditure again related to the Augsburg plant in fiscal year 2017. In addition to a number of smaller measures, the priority for activities in Special Gear Units was the long-term restructuring and renewal of gear grinding technology. Efforts in Vehicle Transmissions focused on continuing the reorganization of the assembly processes that began in the previous year. Furthermore, the infrastructure in production was optimized and added to.

In logistics, design and planning work for the new goods receiving, testing and storage center to the south of Augsburg continued; construction work is to begin in the course of 2018. This state-of-the-art logistics center will create the framework for the centralization and more efficient handling of logistics processes. In addition, the space created at the main plant can be used for the needs of the other segments.

At the Standard Gear Units site in Rheine, new machinery and grinding technology was brought and updated for the processing centers. A similar thing happened at the Hanover Slide Bearings site, where a new universal test rig was put into operation.

RENK expanded its global presence as part of its internationalization strategy in 2017 as well. New subsidiaries were created in India and South Korea to strengthen new equipment business thanks to their local positioning on the one hand and, on the other, to open up the possibility of tapping service potential for RENK that was previously inaccessible due to time and cost constraints. RENK also rounded off its range of high-quality marine construction and services with the acquisition of what was Damen Schelde Gears B.V. in the Netherlands (in the future: Schelde Gears B.V.). € 5 million in total was invested in founding or acquiring these companies.

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's Augsburg site introduced in 2012 was successfully carried out in fiscal year 2017. 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. In some parts of the hall, the lighting system has been changed to long-lasting and energy-saving LED lighting. The commissioning of an extraction system for an oil bath in the hardening shop has reduced soot emissions.

An open boring mill at the Hanover site was replaced by a completely enclosed universal CNC table boring mill, including robotic tool change and air filtration. This makes a significant contribution to improving air quality and reducing noise in the production hall. All container pitches at the site were checked and optimized in line with the new *Verordnung über Anlagen zum Umgang mit wassergefährdenden Stoffen* (AwSV – German Ordinance on Systems for the Handling of Water-Hazardous Substances). These preventive measures to secure container pitches significantly reduce environmental risks due to water-hazardous substances.

The roof insulation on the administrative building at the Rheine site was renovated and brought up to date. This will allow a significant reduction in heating costs. Double-digit savings in the consumption of cooling lubricants is expected thanks to the introduction of fluid management for production machinery that uses them. The preparations for the introduction of paperless production and assembly in the entire production area are largely complete, and paperless assembly began in the initial pilot areas. Substantial reductions in paper consumption are expected here.

These measures entail advantages in terms of energy efficiency, carbon footprint and waste gas management.

Employees

RENK employed 1,937 people as of December 31, 2017 (previous year: 1,915). It also had 65 subcontracted employees (previous year: 39).

RENK's many years of success are closely linked to the high level of skill and dedication of its employees, and their sense of identity with the company. Preserving these qualities while at the same time empowering the company and its employees for evolving challenges within and outside the company was a key area of manager and employee development.

Guiding principles
The company's management devised new corporate guiding principles at the end of 2016. This includes the basic principles of the company and is intended to serve as a guideline for employees and their actions. The values established in it are the measure for our day-to-day activities and support us both internally and externally. RENK's success is built on both understanding and practicing common values.

Implementation of the RENK strategy
Managers and employees will only successfully implement RENK's strategy if they know, understand and can identify with it. Only then will they be able to make their contribution. To achieve this and to get all managers involved, the "RENK Summit", a meeting of more than 100 managers from different sites, was held in Würzburg for the first time in November. Embedded in the RENK guiding principles, work was done to implement the 2025 corporate strategy in various formats.

Leadership focus – Assessment of RENK's guiding management principles
Good management is not just crucial to business success, but also to employee satisfaction. In the employee survey last conducted in 2016, more than 73% of staff stated that they are satisfied with their supervisor's management. While this value shows that RENK is on the right path and that the different HR development programs for management are having an effect, there is still a focus on helping managers to improve their leadership skills.

A feedback process on the basis of RENK's guiding management principles was launched for this purpose. The RENK guiding management principles comprise ten management principles. These describe key success factors for management roles at RENK.

Recruitment and loyalty – the best talent for RENK, even from a school age
Competition for the most talented people has become even greater in light of the good state of the economy and the high employment rate this entails. For this reason, RENK takes selective measures to establish contact with potential applicants long before they enter the workforce. For example, RENK is a sponsoring company for the regional "Jugend forscht" contest for the first time. Together with MAN Diesel & Turbo, RENK will be organizing the event for the Swabia region of southwestern Germany. This grants RENK access to school students who love technology from as early as fourth grade, who can prove what they know and what they can do with their own projects in a number of math and natural sciences fields.

RENK is pursuing the same goal by offering a number of high school student internships. The pool of suitable applicants for training places is growing increasingly small. This is why it is important to show school children early on how appealing it can be to train with and later work for RENK.

As in previous years, RENK relies on its intensive university marketing activities in competing for the best academic graduates. By awarding a high number of internships, dissertations and working students, RENK can show students how exciting it is to work in the world of drive technology and position itself as a top employer. Its success can be seen by the fact that around 50% of the open academic positions at the Augsburg plant were filled from among this group of applicants and its own dual students. In addition, RENK participates in relevant university fairs and organizes its own presentations by its technical departments at different universities. Groups of engineering students regularly visit the individual plants and gain an overview of the various career opportunities at RENK through keynote speeches and company tours.

RENK is also pursuing the goal of significantly increasing the share of women among its employees. Women of equal aptitude are favored for vacancies. Unfortunately, the interest in technical vocational training careers and engineering is not yet at the same level among women. In order to increase the share of female applicants for vocational training careers, "Girls' Day" events were held at all sites, where participants not only learned about technical vocational training careers, but were also given the chance to demonstrate their skills in small practical activities.

Given the high complexity of the work involved and the extensive training required, it is important that RENK not just finds the right employees but also ensures their long-term loyalty to the company. In addition to intensive induction programs, introductory days and corporate events, such as the Christmas market, this goal will also be aided by the RENK Academic Onboarding Program, which was first held in 2016 and is repeated every year. As well as boosting loyalty among academically trained employees, this is also expected to assist in the expansion of key skills and the improvement of interdisciplinary cooperation. Alongside various components such as external team-building exercises, mutual presentations on activities and areas and job rotation, participants are currently working on the general RENK issue of "Employer Branding". The goal is to further consolidate the RENK brand as a top employer.

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 2017 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

In the third year since its launch, occupational health management again focused on occupational integration management. With suitably appropriate preventive measures taken by the integration management team in cooperation with safety engineers and works physicians, attempts are being made to prevent future long-term illnesses and to allow employees to take part in work again after a long-term illness. One of the key areas for occupational integration management at the Augsburg plant was helping an employee who needs a wheelchair take part in normal working life. A number of alterations were made in close cooperation with the employees of the integration office for this purpose.

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 screening, vaccination consulting and skin screening were continued. The employee restaurant set up in Augsburg in 2016 was even more frequently attended in 2017 than in its successful first year, and contributes to healthy eating habits among employees, even with vegetarian dishes that have been well accepted.

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 well 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 2017 a total of 119 vocational trainees (previous year: 123) were being trained at RENK either directly in its individual divisions or by RENK indirectly at the MAN vocational training center in Augsburg. Of RENK AG’s 111 vocational trainees (previous year: 113), the Augsburg plant accounted for 69 (previous year: 67), Rheine for 28 (previous year: 32) and Hanover 14 (previous year: 14). 14 of the 111 vocational trainees are doing combined studies of either mechanical engineering or mechatronics at a university parallel to their vocational training.

More and more, RENK is developing away from being a manufacturer of gear units and towards being a provider for end-to-end systems. This requires that employees have additional electronics expertise in addition to their excellent knowledge of engineering. This is why electronics was one of the main areas of continuous professional development. In addition to various basic training units, several employees were financed to fully train as industrial electricians, which they completed with great commitment and excellent performance.

Another focus was on communication training. Regardless of whether the task at hand is to “present information convincingly” or to “conduct difficult employee appraisals”, good communication is crucial. To advance the company’s many projects successfully, a uniform project management system was set up and a number of employees from all sites were trained in the same way. Furthermore, corresponding training was provided for project contractors. This ensures that all employees who regularly work in project teams have a common understanding of and approach to achieving their goals and milestones faster.

Our thanks to the employees and their representatives
We would like to thank all our employees for their great 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	2017	2016	Change)*
Order intake	127	190	(63)
Sales revenue	141	140	1
Order backlog	215	236	(21)

*) Calculated in € thousand

General economic conditions
As in previous years, 2017 was characterized by divergent developments on the individual target markets of Special Gear Units.

The procurement activities of government contractors continue to dominate the market for marine gear units. The general demand for technically sophisticated gear sets for navies and coast guards continued in the reporting year, based both on many countries' ongoing need to replace partially outdated units, and new or extended requirement profiles. High-end solutions that enable a combination of different drive sources optimized for the respective application situation are frequently used here. In addition to supplying complex gear sets and partial drive systems for frigates, corvettes and patrol vessels, there is also growing demand for system consulting and support for system integration for the entire drive system. Beyond government applications, this transmission technology is also used in highly discerning market segment for mega-yachts, where similar demands are made in terms of performance, flexibility, noiselessness and smooth running.

By contrast, conditions on the markets for stationary gear units remained difficult in 2017 as well. The price of oil has not yet reached the level necessary to kick-start more extensive, long-term investment in oil production, particularly in offshore or deep sea projects. Declining revenues in oil-producing countries are also causing budget cuts and shifts in investment not just to oil production but also to infrastructure projects – both in countries with offshore oil production and conventional oil-producing countries. The market for turbo gear units has not yet recovered from its collapse a few years ago, and there was a shrinking trend in the volumes of gear units needed for cement grinding plants. As a result, the lack of satisfactory capacity utilization among suppliers again led to continued intensive competitive and thus price pressure on all sub-markets for industrial gear units in 2017.

Business development
As expected, order intake in Special Gear Units fell short of the high level of the previous year at € 127 million in fiscal year 2017 (€ 190 million). As had been forecast, the record level of incoming orders for marine gear units in Augsburg was not repeated, and projects originally expected to be implemented in 2017 were postponed to later years.
In addition to follow-up orders under US Navy procurement programs that have been running for several years, the first call-off orders were also placed a new US Coast Guard program. In addition, there were orders for single ships or small series for use in a number of states. Orders were also taken in the mega-yacht segment.

Incoming orders for stationary gear units almost matched the previous year's level in 2017. Growth in orders for gear units for cement mills almost completely offset declines for industrial and turbo gear units.

At € 141 million, sales revenue in Special Gear Units was at the level of the previous year (€ 140 million). Both marine gear units and stationary gear units continued the previous year's sales revenue volumes. As part of the deliveries for long-term projects for individual navies, activities in marine gear units focused on the initial delivery of the first highly complex ship set for the Italian Navy. Furthermore, the highly sophisticated AED system was delivered for an Antarctic research vessel as of the end of the year. The slight increase in industrial gear units in stationary gear units offset the changes in the other product areas.

In December 2017 RENK acquired all shares in what was Damen Schelde Gears B.V., an expert for marine gear units based in Vlissingen in the Netherlands. As part of the marine gear units business area, under the new name of Schelde Gears B.V., the company will continue its previous activities – mainly engineering and after-sales services for the marine sector – within the RENK Group, thereby supplementing RENK's product range for these applications.

Outlook
The promising overall market situation for complex gear units for use in naval and coastguard vessels is not expected to change substantially in 2018. There is still substantial potential worldwide, but the scope and timing of implementation is difficult to assess in individual cases, especially as political developments and considerations play a greater role in decision-making.

We also expect little movement in industrial gear units. There will be no tangible improvement in the difficult market environment for all main product areas. Individual turbo applications appear promising, and potential exists in the plastics processing industry. In stationary gear units as well, political developments are weighing on sales opportunities – Iran, for example, will make only slow progress working through its investment backlog as a result of sanctions in 2018. In the Middle East, necessary investment in, for instance, the cement mill area or oil and gas production is failing because the continuing instability does not allow for regular construction site operation.

Vehicle Transmissions

€ million	2017	2016	Change*)
Order intake	91	102	(11)
Sales revenue	115	109	6
Order backlog	393	414	(21)

*) Calculated in € thousand

General economic conditions

There were no significant changes in the basic market situation for RENK as a manufacturer of transmissions for medium-weight and heavy tracked vehicles in the year under review. The part of the world market accessible to RENK consists of a relatively small number of procurement programs that usually take years to carry out with low annual shipments. It remains RENK's primary goal to participate in the majority of these procurement programs for which opportunities are still open, but it is becoming increasingly difficult to forecast both the timing and content of actual implementation. For one thing, decision-making in potential customer countries is influenced by a variety of domestic, foreign and fiscal policy factors that can range from local to global. For another, the impact assessment of a restrictive German export approval policy is not going unnoticed by decision-makers. This is apparently motivating the need to specifically strengthen or consciously build up alternative providers.

After-sales business continues to be defined by strong competition, especially for maintenance. It is not always the case that contractors have complied with the required quality criteria in the past. As an original equipment manufacturer (OEM), RENK is also standing by its established high technical standards for maintenance.

Business development

At € 91 million, order intake in Vehicle Transmissions as a whole was € 11 million lower than in the previous year. Unlike in 2016, vehicle transmissions in Augsburg was not awarded a major order for new transmissions in 2017. This gap was not entirely filled by increased incoming orders for repairs and after-sales services. Orders for HSWL 354 series gear units were particularly important here. At € 115 million, in 2017 sales revenue in Vehicle Transmissions business was up on the previous year's figure (€ 109 million). The increase resulted from higher deliveries of HSWL 256 series gear units for the PUMA and AJAX programs and the RK 325 series.

Outlook

The general shape of the market for tracked vehicle transmissions will not change in the coming years, and the procurement practices of individual countries will define further development. Irrelevant considerations from various corners frequently play a defining part in decision-making – such as demands to share expertise, local participation in value added, or even other forms of compensation. The significance of new competitors is likely to rise, and in some cases their targeted support from individual states is a counter-reaction to Germany's export control policy, especially as there is no uniform procedure within the EU in this regard. The implications of the intention expressed by NATO Member States to increase defense spending are still unclear. It remains to be seen whether this will be reflected in procurement projects relevant to RENK.

Standard Gear Units (Rheine plant)

€ million	2017	2016	Change)*
Order intake	88	57	31
Sales revenue	78	101	(23)
Order backlog	61	52	9

*) Calculated in € thousand

General economic conditions

Again in 2017, there were no signs of lasting improvement in the Standard Gear Units market for civil marine gear units. The slight increase in the price of oil has not yet invigorated new construction in the offshore sector. There were also hardly any new orders for liquefied natural gas (LNG) tankers on account of the current surplus capacity. The only new builds were for floating storage regasification units (LNG FSRUs). Demand for dredgers rallied slightly towards the end of the reporting period as a result of greater demand for coastal protection and waterway maintenance.

Demand for turbo gear units remained almost unchanged at a low level. Key customers are still complaining that capacity utilization is too low, and are therefore downsizing on RENK's target markets (energy generation, oil and gas), even going as far as plans to shut plants down.

The positive overall economic development in German mechanical engineering has not yet reached the part of the couplings market relevant to RENK: manufacturers of drive technology.

Changes in the legal framework in Germany (amendment of the German Renewable Energies Act) is having a clear impact on the country's wind power industry. Smaller system providers seem to be facing serious difficulties, with gains more likely for large providers. An unmistakable price war is developing between component manufacturers, which is being fueled by Eastern European and Chinese suppliers entering the market.

Business development

After a sharp slump in the previous year, order intake in Standard Gear Units increased significantly in 2017. Incoming orders of € 88 million mark growth of 55% over the previous year's figure of € 57 million. Significant increases were generated by marine gear units, including for dredger and LNG FSRU ships. In the wind power sector there were additional orders for existing wind farms and the order for a prototype. Couplings were noticeably reinvigorated, while the previous year's level for stationary gear units was almost maintained.

As a result of the low order intake in the previous year, sales revenue for Standard Gear Units declined from € 101 million in 2016 to € 78 million in 2017. This was crucially caused by the slump in wind turbine gear unit deliveries, where no relevant new orders were received in the previous year. In the other product groups, increases in stationary gear units and couplings virtually offset the downturn in marine gear units.

Outlook

Standard Gear Units business assumes that conditions on its sales markets will remain challenging in 2018.

There are currently no signs of easing on the commercial maritime market. The potential for LNG-FSRUs is expected to remain virtually the same, while there could be a slight increase for dredgers and RoPax ferries (roll-on/roll-off ferries with passenger cabins). A noticeable recovery is not expected for the offshore market.

New and expanded systems for energy generation and in the oil and gas sector will presumably remain isolated in 2018 as well. This could only be aided in the short term by a rise in the price of oil because then, for instance, fracking technology would become more attractive again.

While there is no discernible improvement on the couplings market for the applications of oil and gas, shipbuilding or the steel industry, isolated opportunities could arise in other fields. Similarly, there could be individual opportunities in the wind sector, though the competitive situation constitutes a major challenge, particularly in Asia.

Slide Bearings

€ million	2017	2016	Change)*
Order intake	80	84	(4)
Sales revenue	83	84	(1)
Order backlog	32	35	(3)

*) Calculated in € thousand

General economic conditions

2017 was once again characterized by global political and regional crises. The development of Slide Bearings business at RENK, as a manufacturer of components for mechanical and plant engineering and ship and marine technology, is highly dependent on the initial conditions for these primary requisitioners.

The positive general sentiment in the highly mixed drive technology sector reported in the year under review has not yet had a positive effect on the standard e-bearings segment. The key customers here are found in the electrical engineering sector, which tends to be at the late end of a recovery cycle. The trends already seen in previous years continued in 2017 as well - production capacity is migrating to future growth markets, while emerging and developing economies are promising much stronger growth momentum than the fully developed yet somewhat shrinking markets of the industrialized nations. This is being further intensified by the transformation processes in the industrialized nations away from energy traditionally produced with rotary machines and towards renewable energies. This will lead to significant structural adjustments for the manufacturers of large systems for conventional power plants – even going as far as mass downsizing and plant closures.

For RENK this meant an increase in competitive pressure from aggressive bearing manufacturers, e.g. from the mid-market segment, and also the continued substitution of slide bearings with rolling bearings for the lower power ranges.

Potential for special bearings identified in the past can also only be achieved to a limited extent because, for example, the continued sanctions against Russia prohibit the delivery of goods with which to replace its naval fleet. The willingness to invest in technologically sophisticated applications where RENK is traditionally strong, such as the oil and gas industry, is still being greatly stifled by general economic developments.

Business development

Owing to the short lead times for standard e-bearings, this market situation was also reflected in the order intake for Slide Bearings business; at € 80 million, 5% fewer orders were received in 2017 than in 2016 (€ 84 million). In particular, there were declines in standard e-bearings and other horizontal bearings.

In 2017, sales revenue in the Slide Bears at € 83 million remained at the level of the previous year (€ 84 million).

Outlook

The market conditions for Slide Bearings' standard e-bearings business will not change fundamentally in 2018. The trends observed thus far will continue. Political developments at both the global and regional level – such as a change in US policy, Brexit or the situation in Brazil – can have a significant impact.

Structural changes in the energy-producing industry will continue to progress; previous applications for slide bearings will shrink and it will be challenging to compensate for this with other applications. Investment propensity in the oil and gas industry will continue to be largely determined by the development of the price of oil – growth can only be expected if a stable, adequate price level is anticipated.

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 the company from achieving defined goals or successfully pursuing certain strategies. In order to leverage market opportunities the company consciously takes risks if it 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 management 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 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. RENK's Executive Board has organized the extent and structure of risk management and the internal control system in line with the company's specific requirements. The industrial governance management concept calls for local decision-making processes for operations in the RENK Group. 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 Group-wide policy for risk and opportunities management and the internal control system provides the framework for a Group-wide concept of risk management and the internal control system, and contains regulations for structural organization, processes and reporting.

*) Includes the report in accordance with section 289(4) HGB

Structural organization
The structural organization for risk management and the internal control system is based on the RENK management hierarchy. Roles and bodies have thus been set up. There are coordinators for risk management and the internal control system to ensure that the processes defined in the Group 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.

Risk management processes
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. until the end of the fiscal 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 implemented 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 order 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 consolidated financial statements. Risk management assesses identified risks in terms of their influence on the consolidated financial statements and takes corresponding measures to manage and control risk.

The internal controls are geared towards limiting risks of material misstatements in financial reporting, risks of non-compliance with regulatory standards or due to fraud, and minimizing operational and business risks (such as asset risks resulting from unauthorized operational decisions or obligations illegitimately entered into). Accounting controls have to provide reasonable assurance that the Group’s financial reporting process is in accordance with IFRSs, the German Commercial Code and other accounting-related rules and laws, and that it is reliable.

As the MAN Group has, 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 processes relevant to the preparation of financial reporting with the respective 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 consolidated financial statements or whose qualitative characteristics imply greater exposure to risk. This is reviewed annually based on 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 external 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 internal 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

RENK anticipates opportunities for profitable growth in the medium- to long-term in all areas of the transportation and energy markets. The fundamental global economic trends will presumably continue. In particular, these include sustained albeit moderate growth, the international division of labor along value chains and thus a high level of global transport. Furthermore, there is growing demand for energy and the necessary innovation due to climate policy, which is gaining momentum. As part of its strategic focus, RENK is continuously working to realize these market opportunities worldwide.

In our opinion, risks to a continuation of world economic growth mainly lie in turbulence on the financial markets, protectionist tendencies and structural deficits that could endanger the development of advanced and emerging economies. The global transition from an expansionary to a more restrictive monetary policy also means risks for the general economic environment. In addition, uncertainty is entailed by the implications of the UK's planned exit from the EU. While the UK is not currently a main area for RENK's business activities, there could be further imponderables owing to its cooperation in international projects. The consistently high private and public debt in many places is also hampering growth prospects and can lead to negative market reactions. 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. Additional negative effects could result from an exacerbation of the situation in East Asia. 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 are not anticipating a global recession in the coming year. Given these risk factors, however, a decline in global economic growth or a phase of below-average growth rates is possible.

As part of the capital goods industry, RENK is also subject to fluctuations in the investment climate. Even small fluctuations in growth rates or forecasts, or alterations in government investment subsidies, can result in significant changes in demand for capital goods on the RENK Group's markets, cancellations of orders already booked or the reorganization of longer-term business relationships with key customers. RENK's methods for countering these economic sales 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 protectionist efforts, minimum requirements in terms of the share of local production in individual countries or changing competitive conditions on the sales markets of the RENK Group 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 – as regards opinions on export control law, the stipulations made by supplier countries such as Germany or France and the respective political environment in the target countries. There are also uncertainties due to cash-strapped public sectors in many countries, and possibly demands for local content and technology transfer. In particular, failure to achieve a necessary level of localization can lead to additional import duties or penalties. Furthermore, across all product areas 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. In order to meet the future requirements of advancing digitization, the segments are expanding their business models and seizing the challenges of digital transformation as an opportunity.

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 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 together with the service operations.

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, this also entails risks of patent infringements by third parties and the unauthorized disclosure of the company's specific expertise by third parties. We therefore monitor our sales markets and protect the company's expertise with legal action where necessary.

Long-term customer contracts harbor additional risk potential. Changes in a market's political or business framework 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. The RENK Group 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.

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 individual companies or even the Group as a whole.

To safeguard the availability, authenticity, integrity and confidentiality of information while reducing and avoiding risks, and to minimize identified and potential risks, RENK uses a risk-oriented information security management system and state-of-the-art hardware and software technologies with effective IT organization mechanisms in conjunction with a constantly evolving internal IT control system.

The centralization and selective sourcing of IT operations and the systematic introduction of IT service management processes in accordance with the ITIL (IT Infrastructure Library) organizational standard assist in the efficient support of business processes. By organizing its information security based on the internationally recognized ISO 27001 safety standard, RENK has significantly improved the transparency and operational security of its IT processes and infrastructure.

The internal control system plays a crucial 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, thereby protecting assets. It makes a vital contribution to protecting RENK's assets.

Employees
A key component of RENK's corporate strategy is to be perceived as a top employer to remain attractive to skilled and motivated employees moving ahead. 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 operations.

Opportunities for RENK lie in the continuing professional training of all employees from trainees to management. This forms the fundamental basis for a sustainable and trusting customer relationship with recurring business success on all markets. RENK actively monitors the changes in the world of work and the associated new requirements for professional knowledge in the context of work process digitization. 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, the company 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 the risks of corruption, antitrust law, money laundering and terrorism funding 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, the RENK Group is exposed to significant market price, liquidity and credit risks. RENK addresses these risks, which can also represent opportunities due to market fluctuations, with its Group-wide financial risk management. There are also risks from changes in the value of equity investments and pension obligations.

Market price risk also comprises currency, interest rate and commodity price risks. If transactions are conducted in a currency other than RENK's functional currency, they are exposed to a currency risk that can affect prices for goods and services as well as profit margins. RENK therefore largely hedges its currency risks from orders, receivables and liabilities and, in part, those from planned sales. The inclusion of subsidiaries from countries outside the euro area in the consolidated financial statements gives rise to risks affecting profit or loss due to currency translation. RENK does not hedge these translation risks with derivative financial instruments. The hedging activities of the RENK Group and its operating companies are handled centrally by MAN SE as a counterparty. Substantial quantities of raw materials are also 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 the RENK Group 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 business partners, suitable contract and payment terms, 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. Further information on this can be found in the notes to the annual financial statements.

The derivative hedges for currency risks – to the extent that they are used at RENK – are components of economic hedges whose effectiveness is regularly checked. These hedges are accounted for as cash flow hedges in currency risk management. Further information on the management of market price, liquidity and credit risks can be found in the notes to the annual financial statements.

To reduce the inherent financial risks and, in part, on account of legal regulations, the defined benefit obligations of the MAN Group are largely covered pension assets kept separate from working capital. Further information on this can be found in the notes to the consolidated financial statements.

Assessment of the risk and opportunities situation of the Group 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 risks in the respective segments that, individually or collectively, are not covered by the budgeted operating profit on the basis of the net assessment. This also applies to risks for which a higher gross loss was calculated, as 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.

In product-related risks, the focus is on potential technical risks and warranty claims based on customer-oriented 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 by 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 the RENK Group. 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 2018 will remain on the management of market risks given their at times uncertain development.

Compliance

In fiscal year 2017, 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 two other employees 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 assume special responsibility for 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 as necessary.

Ethical principles of conduct and compliance requirements for RENK are established in the Code of Conduct. Rules substantiating the specification of the Code of Conduct are contained in the following compliance policies:

- policy on the handling gifts, hospitality and invitations,
- policy on the involvement of business partners,
- policy on the handling of donations and sponsorship activities,
- policy on compliance with antitrust provisions,
- policy on the fight against terrorism, corruption and money laundering,
- policy on the handling of personal data.

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

The integrity of business partners is checked as a mandatory requirement and they are subject to an approval process.

In the induction phase after joining the company, the Compliance Officer introduces new employees to the compliance organization, compliance processes and compliance tools, and takes the opportunity to discuss the company's expectations of employees.

In addition, in line with their risk classification, employees still receive compliance awareness training in classroom sessions and e-learning.

As per the policy on the involvement of business partners, the integrity of sales support business partners is checked as a mandatory requirement and they are subject to an approval process. The integrity checks conducted in the reporting period and the scheduled follow-up inspections did not lead to any objections.

The electronic monitoring system, also known as the continuous controls monitoring system (CCMS), for the early identification of possible compliance risks and policy violations in purchasing and payment processes, was still running at all RENK sites in Germany in the reporting period. CCMS reporting consists of various check files. Changes in the extent of control and control irregularities are evaluated on a monthly basis and assessed in a meeting with the Head of IT, Head of Finance and the Compliance Officer, and finally reported to the RENK Risk and Compliance Board.

The compliance officer and the compliance help desk, which can be used by all employees for matters concerning compliance, received 28 inquiries for the RENK Group and 26 for RENK AG in the reporting period (compliance officer (25 and 23), MAN compliance helpdesk (3)). These were answered by the compliance officer and documented.

No compliance violations were identified in the reporting period.

MAN's "Speak up!" whistleblower portal helps to detect and avoid dangerous risks. Through "Speak up!", tips concerning severe compliance violations, particularly in the area of white collar crime (such as corruption), antitrust law and privacy, are received and processed.

RENK employees and third parties therefore have another way to provide tips on compliance violations – confidentially, internationally and at any time – other than contacting the compliance officer directly. Compliance violations are not tolerated at RENK under any circumstances. Information on possible violations is examined in detail, violations are stopped and sanctioned as far as labor law allows. Furthermore, the findings from investigating compliance violations are used for the continuous improvement of the compliance system. No tip-offs of compliance violations were received through the whistleblower portal in the year under review.

MAN Corporate Audit conducted an audit of the compliance management system and the business partner process from July 10 to July 28, 2017.

The objective of the audit was to determine whether:

- there is an effective compliance management system;
- internal rules, policies and instructions are adhered to;
- the handling of business partners is in order.

The results found that the processes were essentially in order and that there were no human errors.

Corporate Governance Statement in accordance with section 289f HGB and section 315d HGB for fiscal year 2017[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 reco-mmendations 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 5, 2017, the Executive Board and the Supervisory Board issued the declaration of compliance reproduced below in accordance with section 161 of the German Stock Corporation Act (AktG):

"The Executive Board and the Supervisory Board of RENK AG declare that the reco-mmendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) are complied with effective immediately, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

1.) The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the asessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. As the Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be appropriate, an adjustment of the remuneration system in line with the reco-mmendations of the current version of the Code is being prepared but has not yet been completed or implemented.

1) The Corporate Governance Statement in accordance with section 289f HGB and section 315d 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 February 7, 2017.

2.) Regarding the recommendation in items 5.4.1(6) to (8) 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. Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.

3.) The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release quarterly publications in addition to the statutory requirement of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) to be unnecessary.

The Executive Board and the Supervisory Board of RENK AG further declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015 promulgated by the Federal Ministry of Justice on June 12, 2015 in the official section of the *Bundesanzeiger* were complied with in the period December 2016 to April 24, 2017, with the exception of items 5.4.1(5) to (7) (disclosure of proposals of candidates for election; items 5.4.1(6) to (8) in the February 7, 2017 version of the Code). The reasons for the exception are explained above.

From April 24, 2017 until the time that this declaration of conformity was issued, the recommendations of the Government Commission on the German Corporate Gover-nance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(2) sentence 1 and (4) sentence 1 (preparation of a skills profile and efforts to adhere to it), 5.4.1(5) (résumés for all Supervisory Board members), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information). The reasons for the departures from items 4.2.3(2) sentence 3, 5.4.1(6) to (8) and 7.1.1 sentence 2 are explained above.

The new recommendations of item 5.4.1(2), (4) and (5) added effective from April 24, 2017 – which relate to the composition of the Supervisory Board and the pre-paration of a skills profile for the body as a whole, striving to adhere to the skills profile for the body as a whole and publishing résumés for all Supervisory Board members supplemented by overviews of their main activities in addition to their Supervisory Board appointment on the company's website – have been complied with since December 5, 2017 when this was discussed accordingly and resolved by the Supervisory Board."

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.

The Executive Board
The Executive Board is the management body of RENK AG and has two members as of December 31, 2017. 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 only can perform sideline activities 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.

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.

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 Supervisory Board member elected by the shareholders who has 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 years.

All these criteria are met.

Mr. Michael Behrendt is considered an independent member of the Supervisory Board as defined by the Code.

Furthermore, the Supervisory Board resolved a skills profile for its composition in accordance with item 5.4.1 of the Code in December 2017. In line with this, the Supervisory Board of RENK AG as a whole should have the following skills and expertise:

- In-depth knowledge and experience from the company itself.
- Management or monitoring experience at other medium-sized or large enterprises.
- Experience in key areas for the RENK Group, such as mechanical engineering and information technology.
- Expertise in the field of finance.

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 report 2017
In fiscal year 2017, 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 two other employees 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 assume special responsibility for compliance at their sites.

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No compliance violations were identified in the reporting period.

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RENK employees and third parties therefore have another way to provide tips on compliance violations – confidentially, internationally and at any time – other than contacting the compliance officer directly. Compliance violations are not tolerated at RENK under any circumstances. Information on possible violations is examined in detail, violations are stopped and sanctioned as far as labor law allows. Furthermore, the findings from investigating compliance violations are used for the continuous improvement of the compliance system. No tip-offs of compliance violations were received through the whistleblower portal in the year under review.

MAN Corporate Audit conducted an audit of the compliance management system and the business partner process from July 10 to July 28, 2017.

The objective of the audit was to determine whether:

- there is an effective compliance management system;
- internal rules, policies and instructions are adhered to;
- the handling of business partners is in order.

The results found that the processes were essentially in order and that there were no human errors.

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 2017.
- 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 40 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 GmbH Wirtschaftsprüfungsgesellschaft as the auditor for fiscal year 2017 on April 26, 2017. 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.

In particular, meetings of the Audit Committee are held in connection with the financial statements meeting of the Supervisory Board and the half-yearly 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

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%.

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 achieving these targets was set as June 30, 2017. The target was not met for the second management level below the Executive Board.

The share of women at the second management level below the Executive Board was 10.3% as of June 30, 2017. The lower deviations results from the departure of two female managers. The duties of one of these managers were reassigned to other organizational functions and a new manager was not appointed to fill this role. For the other position, it was not possible to find a female manager with a corresponding skills profile.

The share of women at the second management level is therefore similar to the share of women in the overall workforce. In particular, the instructions by the Executive Board to increase the share of women in the overall workforce, and among academics especially, is intended to help achieve the share of women stipulated by the Executive Board. RENK traditionally fills most of the management positions from within its own ranks. In light of this, women are favored for nomination for the regular training programs for junior managers.

For the period from January 1, 2017 to December 31, 2021, in accordance with section 76(4) AktG, the Executive Board has again set a target for the share of women of 0% for the first management level and 12.8% for the second management level below the Executive Board.

(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.

The shareholders have 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.

(f) Diversity concept for the Executive Board and the Supervisory Board

The Supervisory Board of RENK AG resolved a diversity concept for the Supervisory Board and the Executive Board in December 2017.

The diversity concept for the Executive Board consists of the following components:

- Stipulation of a target for the share of women in the Executive Board of 0% in accordance with section 111(5) AktG. However, the Supervisory Board supports the activities of the Executive Board to increase the share of women at the highest management levels in the company, including in terms of developing potential successors for 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.
- Executive Board members should have many years of management experience and as much experience as possible from different professions.
- Among other things, the Executive Board as a whole should have long-term experience in finance and HR management.

The Supervisory Board decides who should be appointed to a specific Executive Board position in the interests of the company and taking into account all the circumstances of the individual case.

The diversity concept for the Supervisory Board comprises the following components:

- The objectives set for the composition of the Supervisory Board.
- The skills profile for the Supervisory Board.
- The gender quota of 30%, which is already prescribed by law for the composition of the Supervisory Board of RENK AG in accordance with section 96(2) sentence 1 AktG and must be adhered to accordingly.

With the exception of the gender quota on the Supervisory Board of RENK AG in accordance with section 96(2) AktG, which was not met on account of existing appointments (for reasons see “Disclosures on compliance with the minimum share of women and men in the Supervisory Board”), all the above criteria are met or adhered to.

(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 2017

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.

(g) 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.

(h) 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 € 255 thousand for the Chief Executive Officer and € 230 thousand 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.

(i) 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 2017

The total remuneration of active members of the Executive Board for their activities in fiscal year 2017 amounted to € 1,548 thousand plus € 196 thousand for pensions (previous year: € 1,478 thousand plus € 186 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 2017 (granted)

€ thousand	Florian Hofbauer		
	Chief Executive Officer		
	2017	Minimum	Maximum
Fixed remuneration	255	255	255
Additional benefits	31	31	31
Total	**286**	**286**	**286**
Short-term variable remuneration			
Personal performance bonus	127	0	255
Long-term variable remuneration			
Corporate bonus	127	0	255
Long-term incentive	127	0	255
Total	**382**	**0**	**764**
Pension cost	101	101	101
Total remuneration	**769**	**387**	**1,152**

€ thousand	Christian Hammel		
	Production and Administration		
	2017	Minimum	Maximum
Fixed remuneration	230	230	230
Additional benefits	51	51	51
Total	**281**	**281**	**281**
Short-term variable remuneration			
Personal performance bonus[1)]	115	0	230
Long-term variable remuneration			
Corporate bonus	115	0	230
Long-term incentive	115	0	230
Total	**345**	**0**	**690**
Pension cost	95	95	95
Total remuneration	**721**	**376**	**1,066**

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

€ 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**

€ 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 2017 (actually received)

€ thousand	Florian Hofbauer
	Chief Executive Officer
	2017
Fixed remuneration	255
Additional benefits	31
Total	**286**
Short-term variable remuneration	
Personal performance bonus[1)]	194
Long-term variable remuneration	
Corporate bonus	173
Long-term incentive[1)]	152
Total	**519**
Pension cost	101
Total remuneration	**906**

1) 2017: According to figures currently available

€ thousand	Christian Hammel
	Production and Administration
	2017
Fixed remuneration	230
Additional benefits	51
Total	**281**
Short-term variable remuneration	
Personal performance bonus[1)]	173
Long-term variable remuneration	
Corporate bonus	154
Long-term incentive[1)]	136
Total	**462**
Pension cost	95
Total remuneration	**838**

1) 2017: According to figures currently available

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

€ 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**

1) 2016: According to final figures

€ 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 final figures

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 2017

The total remuneration payable to members of the Supervisory Board for 2017 amounts to € 92,341 (previous year: € 100,000). An individual breakdown of the remuneration of the members of the Supervisory Board who served on the Supervisory Board in 2017 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, 2017 are not paid any remuneration.

Separate non-financial report

RENK Aktiengesellschaft exercises the option provided by section 289b(2) HGB and section 315b(2) HGB to exempt itself from issuing a non-financial declaration and a non-financial Group declaration, and refers to the combined separate non-financial report of Volkswagen AG for fiscal year 2017, which is available in German at https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nichtfinanzieller_Bericht_2017_d.pdf and in English at https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nonfinancial_Report_2017_e.pdf from no later than April 30, 2018.

Forecast

The expected development of the 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 presented in the report on risks and opportunities.

Our assumptions are based on the current assessments of external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

We expect that the growth of the global economy will slow slightly in 2018. We see risks in protectionist tendencies, turbulence on the financial and structural deficits in individual countries. Furthermore, growth prospects will continue to be weighed down by geopolitical tensions and conflicts. We therefore anticipate somewhat diminished momentum for both the advanced and the emerging markets compared to 2017. We expect the highest increases in the emerging economies of Asia.

Moreover, we assume that the growth of the global economy will continue in the years 2019 to 2022.

Economic growth in Western Europe will presumably slow down slightly in 2018 compared to the year under review. The major challenges are solving structural problems and the uncertain outcome and implications of the exit negotiations between the EU and the UK.

For Central Europe we anticipate lower growth rates in 2018 than in the past fiscal year. The economic situation should continue to stabilize in Eastern Europe, unless there is a further escalation of the smoldering conflict between Russia and Ukraine. Russia's economic output will presumably continue to rise following last year's growth.

Gross domestic product in Germany is expected to rise less energetically in 2018 than in the year under review. However, the stable situation on the labor market is likely to continue and support private consumer spending.

We expect that the economic situation in the US will continue to improve in 2018. Growth in Canada is likely to decelerate, while it will remain virtually constant in Mexico.

Brazil's economy is fully expected to continue to stabilize in 2018, achieving slightly higher growth than in the year under review.

The Chinese economy will presumably continue to grow at a relatively high level in 2018, though with less momentum than in previous years. For India we expect a rate of expansion in line with 2017. It is anticipated that the economic situation in Japan will deteriorate over the year under review.

According to the German Engineering Association (VDMA), international mechanical engineering grew by 6% in 2017, significantly more than forecast. The VDMA is forecasting further expansion in 2018 – albeit at a lower rate of 4%. Obstacles to stronger growth are believed to lie in the lingering structural problems and continuing uncertainty over political and economic development in many regions. The VDMA is forecasting growth in sales revenue for German mechanical and plant engineering of 3%, which should also benefit the market for drive technology.

The Executive Board anticipates that RENK will experience a clear recovery in fiscal year 2018 compared to 2017, assuming that planned major projects – particularly in Special Gear Units and Vehicle Transmissions – are implemented as planned. Sales revenue is expected to be slightly higher than the previous year's level in 2018. Thus operating profit in 2018 should be slightly up on the 2017 figure, so that it is likely that the operating return will match the level of the previous year.

RENK will continue its long-term strategy in 2018 as well. Safeguarding its top technological position in gear units and slide bearings will therefore remain at the heart of research and development activities. Also, technological change and changing market and customer requirements can only be mastered with appropriately qualified and motivated employees, hence training and continuous professional development will be of central importance. Finally, the material groundwork also has to be in place if the coming challenges are to be mastered. The continuation of the long-term investment program will provide the basis for this.

RENK's assessment of the developments in the individual segments is as follows:

In 2018 – as in 2017 and 2016 – order intake in **Special Gear Units** will be largely determined by orders for complex marine gear units; some more major projects are expected to reach the tendering phase in 2018. This would result in a considerable increase in incoming orders compared to 2017 for the entire segment. Sales revenue should rise slightly in the new fiscal year.

If the major projects planned are implemented on time, **Vehicle Transmissions** can also look forward to a clear increase in new orders in 2018. Sales revenue is also set to rise considerably as planned deliveries are implemented.

Fiscal year 2017 developed better than expected one year ago for **Standard Gear Units**. Order intake and sales revenue should be able to continue the 2017 level in 2018.

With no sign of a significant improvement in the initial situation on the markets for **Slide Bearings**, only a marginal increase in orders is anticipated for fiscal year 2018. Sales revenue will be at a level similar to that of 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, 2017 with a material effect on the net assets, financial position and results of operations.

Augsburg, February 8, 2018

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

Annual Financial Statements of RENK AG for the fiscal year 2017

Content

Income statement for the period from January 1 to December 31, 2017

€ thousand	Note	2017	2016
Sales revenue	[3]	409,659	425,123
Cost of sales		(329,243)	(329,287)
Gross profit		**80,416**	**95,836**
Distribution expenses		(29,344)	(30,540)
General administrative expenses		(15,501)	(13,580)
Other operating income	[4]	13,738	13,567
Other operating expenses	[5]	(3,172)	(15,346)
Income from equity investments	[6]	2,975	2,393
of which from affiliated companies		1,759	1,486
Write-downs of long-term financial assets		-	(1,847)
Net interest income	[7]	3,041	5,802
Taxes on income	[8]	(13,905)	(16,956)
Profit after tax		**38,248**	**39,329**
Net profit for the year		**38,248**	**39,329**
Retained profits brought forward		7,614	2,910
Appropriation to retained earnings		(19,124)	(19,664)
Net retained profits		**26,738**	**22,575**

Balance sheet as of December 31, 2017

Assets

€ thousand	Note	Dec. 31, 2017	Dec. 31, 2016
Intangible assets		1,258	1,082
Property, plant and equipment		150,850	156,557
Financial assets		21,447	16,070
Fixed assets	**[9]**	**173,555**	**173,709**
Inventories	[10]	169,776	164,637
Receivables and other assets	[11]	230,146	244,841
Cash-in-hand, bank balances, checks	[12]	68	14
Current assets		**399,990**	**409,492**
Deferred expense		**587**	**255**
Excess of plan assets over pension liabilities		**11,480**	**10,683**
		585,612	**594,139**

Equity and liabilities

€ thousand	Note	Dec. 31, 2017	Dec. 31, 2016
Subscribed capital		17,920	17,920
Treasury shares		(512)	(512)
Issued capital		**17,408**	**17,408**
Capital reserves		10,669	10,669
Retained earnings		293,679	274,555
Net retained profits		26,738	22,575
Equity	**[13]**	**348,494**	**325,207**
Provisions for taxes		381	616
Other provisions		49,758	55,473
Provisions	**[14]**	**50,139**	**56,089**
Prepayments received		135,358	159,687
Trade payables		26,191	26,312
Other liabilities		25,430	26,844
of which taxes		1,931	1,681
of which social security		272	240
Liabilities	**[15]**	**186,979**	**212,843**
		585,612	**594,139**

Notes to the annual financial statements for fiscal year 2017

(1) Basic principles of the annual financial statements

RENK Aktiengesellschaft (hereinafter: RENK AG) is a listed corporation domiciled 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. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings. For the RENK sub-group, as smallest consolidated group, RENK AG prepares consolidated financial statements which are published in the *Bundesanzeiger*. 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 wholly owned, direct subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg. Volkswagen Truck & Bus GmbH holds 74.55% of the capital in MAN SE. MAN SE and thus RENK AG as well are included in the consolidated financial statements of Volkswagen Aktiengesellschaft, the ultimate parent company, which are published in *Bundesanzeiger* (the Federal Gazette).

The 2017 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

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.

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.

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.

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.

Provisions, liabilities

Provisions for taxes relate to all uncertain tax liabilities of the company which legally or economically originated to the end of the fiscal year.

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	2017	2016
Federal Republic of Germany	150,631	183,667
Other EU countries	138,275	96,640
Other European countries	24,549	22,905
Asia	42,029	66,310
Americas	51,043	54,265
Africa	2,340	1,040
Australia and Oceania	792	296
	409,659	**425,123**

Sales revenue by business area

€ thousand	2017	2016
Special Gear Units	136,655	137,277
Vehicle Transmissions	114,583	108,515
Standard Gear Units	76,135	98,656
Slide Bearings	82,286	80,675
	409,659	**425,123**

(4) Other operating income

€ thousand	2017	2016
Income from reversal of provisions	10,833	9,284
Income from currency translation	1,979	1,098
Income from the disposal of tangible assets	121	204
Income from the reversal of bad debt allowances	65	102
Reversal of impairment loss on equity investment	–	1,500
Miscellaneous other income	740	1,379
	13,738	**13,567**

Income from reversal of provisions includes income of € 6,879 thousand from the reversal of warranty provisions, mainly in Special Gear Units.

Other operating income includes prior-period income of € 9,948 thousand (previous year: € 10,363 thousand), essentially due to income from the reversal of provisions.

(5) Other operating expenses

€ thousand	2017	2016
Expenses of assumption of losses	(1,358)	(4,200)
Change in provisions	(609)	(397)
Write-downs on receivables and other assets	(106)	(1,222)
Other personnel expenses	(68)	(7,066)
Losses on the disposal of financial and tangible assets	(53)	(352)
Other expenses	(978)	(2,109)
	(3,172)	**(15,346)**

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 € 72 thousand (previous year: € 293 thousand).

Miscellaneous operating expenses include other taxes of € 345 thousand (previous year: € 339 thousand).

(6) Income from equity investments

€ thousand	2017	2016
Income from equity investments	2,975	2,393
(of which from affiliated companies)	(1,759)	(1,486)
(of which equity investments)	(1,216)	(907)

(7) Net interest income

€ thousand	2017	2016
Other interest and similar income	211	39
Other interest and similar expenses	(54)	(48)
Interest expense on other long-term provisions	(143)	(196)
Financial result from pension provisions/assets	3,027	6,007
	3,041	**5,802**

Interest expenses of € 85 thousand were incurred by affiliated companies (previous year: € 15 thousand). Income from pension provisions contains the interest share from discounting long-term pension provisions of € 3,612 thousand (previous year: € 1,803 thousand).

(8) Taxes on income

€ thousand	2017	2016
Income taxes for the current year	(14,792)	(17,541)
Income taxes for prior years	887	585
	(13,905)	**(16,956)**

The prior-period tax expenses in the current fiscal year essentially relate to foreign taxes and tax refunds, primarily resulting from the external tax audit for the years 2011 to 2013.

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.

There were no impairment losses in the reporting period.

In fiscal year 2017, the new founded equity investments Renk Gears Private Ltd., Bangalore/India, and Renk Korea Co., Ltd., Busan/South Korea, and the the acquired company Damen Schelde Gears B. V., Vlissingen/Netherlands, were capitalized with acquisition costs of € 5,377 thousand.

	Acquisition/production cost				
	As of Jan. 1, 2017	Additions	Reclassi-fications	Disposals	As of Dec. 31, 2017
Intangible assets					
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	8,281	903	–	782	8,402
	8,281	**903**	**–**	**782**	**8,402**
Tangible assets					
Land and buildings, including buildings on third-party land	106,954	486	–	–	107,440
Technical equipment and machinery	197,494	3,432	3,268	2,544	201,650
Other equipment, operating and office equipment	33,046	5,248	58	759	37,593
Prepayments and assets under construction	8,608	5,635	(3,326)	0	10,917
	346,102	**14,801**	**0**	**3,303**	**357,600**
Financial assets					
Shares in affiliated companies	17,772	5,377	–	–	23,149
Equity investments	774	–	–	–	774
Other loans	24	–	–	–	24
	18,570	**5,377**	**–**	**–**	**23,947**
Fixed assets	**372,953**	**21,081**	**–**	**4,085**	**389,949**

Cumulative depreciation and amortization						Net carrying amount	
As of Jan. 1, 2017	**in fiscal year**	**Additions**	**Disposals**	**Reclassi-fications**	**As of Dec. 31, 2017**	**As of Dec. 31, 2017**	**As of Dec. 31, 2016**
7,199	727	–	782	–	7,144	1,258	1,082
7,199	**727**	**–**	**782**	**–**	**7,144**	**1,258**	**1,082**
39,387	2,381	–	–	–	41,768	65,672	67,567
127,147	14,880	–	2,479	2	139,550	62,100	70,347
23,011	3,179	–	756	(2)	25,432	12,161	10,035
–	–	–	–	–	–	10,917	8,608
189,545	**20,440**	**–**	**3,235**	**0**	**206,750**	**150,850**	**156,557**
2,484	–	–	–	–	2,484	20,665	15,288
–	–	–	–	–	–	774	774
16	–	–	–	–	16	8	8
2,500	**–**	**–**	**–**	**–**	**2,500**	**21,447**	**16,070**
199,244	**21,167**	**–**	**4,017**	**–**	**216,394**	**173,555**	**173,709**

List of shareholdings as of December 31, 2017

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LW)	Equity (1,000 LC)	Result (1,000 LC)
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	20,419	1,519
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1988	12,128	980
RENK Test System GmbH, Augsburg	100	EUR	1	8,641	(80)
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1988	1,222	551
RENK Transmisyon Sanayi A.S., Istanbul, Turkey[1)]	55	TRY	3.7263	4,819	857
RENK UAE LLC, Abu Dhabi, United Arab Emirates[1)]	49	AED	3.8790	25,815	10,354
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil[1)]	98	BRL	3.4372	19,144	1,065
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.1694	15,979	472
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China[1)]	100	CNY	7.3332	4,466	(2,623)
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Renk Gears Private Ltd., Bangalore/India[2)]	100	INR	76.5670	108,000	n/a
Renk Korea Co., Ltd., Busan/South Korea[2)]	100	KRW	1,278.2200	900,000	n/a
Damen Schelde Gears B.V., Vlissingen/Netherlands[2)]	100	EUR	1	1,397	n/a

1) As of December 31, 2016
2) Equity is stated as of the acquisition date on account of the new formation/acquisition.

(10) Inventories

€ thousand	Dec. 31, 2017	Dec. 31, 2016
Raw materials, consumables and supplies	22,156	23,004
Unfinished goods	142,936	139,091
Prepayments	4,684	2,542
	169,776	**164,637**

(11) Receivables and other assets

€ thousand	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	65,419	62,654
Receivables from affiliated companies	149,907	171,847
(of which trade receivables)	(5,730)	(5,529)
Receivables from other long-term investees and investors	1,419	1,201
(of which trade receivables)	(1,419)	(1,201)
Other assets	13,401	9,139
	230,146	**244,841**

€ 5,371 thousand (previous year: € 3,138 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 € 144,177 thousand (previous year: € 164,909 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 € 9,221 thousand (previous year: € 6,047 thousand). The remaining terms in 2017 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, 2017, 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, 2017	**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 € thousand**	**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	2017	2016
As of Jan. 1, 2017	**274,555**	**254,891**
Transfer from net profit for the year	19,124	19,664
Retained earnings as of Dec. 31, 2017	**293,679**	**274,555**

Retained earnings include the difference between the notional amount and the acquisition cost of own shares amounting to € 3,501 thousand. Other retained earnings amount to € 293,679 thousand (previous year: € 274,555 thousand). € 19,124 thousand of the net income for fiscal year 2017 was transferred to other retained earnings.

The Executive Board and the Supervisory Board shall propose to the Annual General Meeting on April 26, 2017 the distribution of an unchanged dividend for fiscal year 2017 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. Shareholders' entitlement to the dividend arises only with the resolution by the Annual General Meeting.

Disclosures on amounts subject to restriction on distribution

The difference from the carrying amounts of pension provisions measured using the seven-year-average interest rate and the ten-year-average interest rate used may be restricted from distribution.

A difference between acquisition cost and assets measured at fair value and intended exclusively to serve pension commitments and partial early retirement credit may be excluded from distribution.

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.

The following overview shows the calculation of the overall amount of the freely available reserves and the presentation of the two amounts restricted from distribution.

€ thousand	Dec. 31, 2017	Dec. 31, 2016
Freely available reserves[1)]	293,679	274,555
plus profit carryforward after distribution for the fiscal year	11,778	7,614
	305,457	**282,169**
Provisions for specific items		
Provisions for pensions and similar obligations 7 years	70,304	63,752
Provisions for pensions and similar obligations 10 years	66,009	60,389
Measurement difference on pensions in accordance with section 253(6) HGB	**4,295**	**3,363**
Capitalized difference between fair value and acquisition cost of assets in accordance with section 246(2) sentence 2 HGB	**4,856**	**1,700**
Amounts subject to restriction on distribution	**--**	**--**

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

Because sufficient freely available reserves were available, no amount restricted for distribution was to be considered as of December 31, 2017 and as of December 31, 2016.

(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.

The pension assets of RENK AG are managed by the MAN Pension Trust e.V. These assets are irrevocably unavailable to the RENK AG and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency.

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

in %	Dec. 31, 2017	Dec. 31, 2016
Actuarial interest rate	3.68	4.01
Pension trend	1.50	1.50
Salary trend	3.60	3.20

The average seven-year-average interest rate as of December 31, 2017 was 2.80% (previous year: 3.23%).

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 € thousand	2017	2016
Value of obligations as of Jan. 1, 2017	**(60,389)**	**(61,113)**
Transfer of pension obligations to MAN Pensionsfonds AG	–	4,945
Transfer of interest	(3,612)	(1,803)
Transfer to personnel expenses	(4,930)	(3,016)
Other changes	(15)	(7)
Payments / employee contributions	2,937	605
Pension obligation as of Dec. 31, 2017	**(66,009)**	**(60,389)**
Development of pension assets in € thousand	**2017**	**2016**
Pension assets as of Jan. 1, 2017	**71,072**	**63,549**
Income realized from pension assets	3,483	4,687
Other changes	15	7
Pension payments	(237)	(294)
Contribution to pension assets	–	–
Change due to market measurement	3,156	3,123
Market value of pension assets as of Dec. 31, 2017	**77,489**	**71,072**
Excess of plan assets over pension liabilities Dec. 31, 2017	**11,480**	**10,683**

No pension obligations for retired employees of RENK AG were transferred to MAN Pensionsfonds AG in fiscal year 2017 (previous year: € 4,945 thousand).

The income from plan assets of € 6,639 thousand (previous year: € 7,810 thousand) was offset against allocated interest of € 3,612 thousand (previous year: € 1,803 thousand) in accordance with section 246(2) sentence 2 HGB. The resulting net amount of € 3,027 thousand (previous year: € 6,007 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 € 72,633 thousand (previous year: € 69,373 thousand). The change due to market measurement is € 3,156 thousand (previous year: € 3,123 thousand).

No deficit from indirect pension obligations of MAN Pensionsfonds AG in accordance with section 28(2) HGB was reported in the fiscal year.

(b) Other provisions

Other provisions are recognized primarily for statutory and contractual warranty obligations of € 28,979 thousand (previous year: € 34,440 thousand), for personnel measures, mainly including the planned expenses for personnel restructuring in Standard Gear Units, of € 3,244 thousand (previous year: € 4,741 thousand) and for outstanding services already invoiced of € 5,258 thousand (previous year: € 4,535 thousand).

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, 2017	Dec. 31, 2016
Actuarial interest rate	1.26	1.80
Salary trend	3.70	3.20

The provision for partial early retirement of € 6,850 thousand (previous year: € 6,165 thousand) was offset against the insolvency protection credit for partial early retirement of € 3,513 thousand (previous year: € 3,425 thousand). The fair value of the offset partial retirement credit is measured using market prices. The change due to market measurement is € -79 thousand (previous year: € -167 thousand). The acquisition cost of insolvency protection credit for partial early retirement was unchanged year-on-year at approximately € 3,592 thousand.

(15) Liabilities

€ thousand	Remaining term				
	up to 1 year	**> 1 year**	**of which > 5 years**	**Dec. 31, 2017**	**Dec. 31, 2016**
Prepayments received	64,750	70,607	9,635	144,992	159,687
(of which from affiliated companies)	(662)	–	–	(662)	(2,042)
Trade payables	26,042	149	–	26,191	26,312
(of which from affiliated companies)	(776)	–	–	(776)	(679)
Other liabilities	25,354	76	–	25,430	26,844
(of which taxes)	(1,931)	–	–	(1,931)	(1,681)
(of which personnel)	(22,336)	(76)	–	(22,412)	(24,530)
	116,146	**70,832**	**9,635**	**196,613**	**212,843**

In total, liabilities with a remaining term of more than one year amount to € 70,832 thousand, of which € 70,607 are prepayments received, € 149 thousand are trade payables and € 101 thousand of which relates to personnel commitments.

In the previous year, prepayments received on account of orders of € 63,321 thousand, trade payables of € 26,203 thousand and other liabilities of € 26,743 thousand had a remaining term of up to one year. Prepayments received are usually secured by bank guarantees.

Other liabilities include personnel commitments of € 22,412 thousand (previous year: € 24,530 thousand). As of the balance sheet date these relate to pay not yet due, social security contributions of € 272 thousand (previous year: € 240 thousand) and liabilities to personnel for time credit, unused vacation days, and annual bonuses.

Other disclosures on the annual financial statements

(16) Contingent liabilities

€ thousand	Dec. 31, 2017	Dec. 31, 2016
Obligations from guarantees	**8,689**	**6,863**

As in the previous year, contingent liabilities related almost exclusively to affiliated companies in 2017.

For RENK Test System GmbH, RENK-MAAG GmbH and RENK France S.A.S., RENK AG assumed advance payment, contract performance and warranty guarantees to third parties.

RENK AG has issued open-ended payment guarantees 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, 2017	Dec. 31, 2016
Due within one year	968	894
Due in between 1 and 5 years	479	855
	1,447	**1,749**

The financial obligations to affiliated companies amount to € 143 thousand (previous year: € 153 thousand). There is a master supply agreement in Slide Bearings for 2018 entailing payments of € 2.0 million.

The purchase commitment for tangible assets amounts to € 2,209 thousand (previous year: € 2,041 thousand), € 56 thousand of which relates to affiliated companies (previous year: € 247 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	2017	2016
Cost of raw materials, consumables and supplies, and of purchased merchandise	133,222	147,136
Cost of purchased services	49,556	46,770
	182,778	**193,906**

Personnel expenses

€ thousand	2017	2016
Wages and salaries	121,483	124,909
Social security and post-employment costs	26,147	26,493
	147,630	**151,402**

The cost of old age pensions not including the interest component of additions to pension provisions amounts to € 4,983 thousand (previous year: € 5,216 thousand).

There were 1,828 employees on average over the year (previous year: 1,825), 1,048 (previous year: 1,070) of whom were directly productive and 780 (previous year: 754) indirectly productive.

(19) Deferred taxes

The relevant tax rate for measuring deferred taxes is unchanged at 32.01%.

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 or currency options.

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

€ thousand	Dec. 31, 2017	Dec. 31, 2016
Nominal volumes		
Foreign exchange sales	25,130	27,791
Fair values		
Foreign exchange sales neg. market value	(35)	(1,464)
Foreign exchange sales pos. market value	612	153

The fair value of currency forward and option transactions 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, 2017. A provision for expected losses of € 35 thousand in total (previous year: € 1,464 thousand) was recognized for negative fair values previously presented.

The positive values shown included € 139 thousand for currency options (previous year: € – thousand). The nominal volume stated above includes € 5,101 thousand for currency options.

(21) Total remuneration for auditor activities

The details of the auditors' fees can be found in the consolidated financial statements of RENK AG to which reference is made in line with section 285(17) HGB. Audit services comprise the audit of the consolidated and single-entity financial statements of RENK AG and its subsidiaries. Other assurance services essentially include certificates for ERP system changes.

(22) Equity investments in RENK AG

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

Volkswagen Truck & Bus GmbH, Braunschweig, 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 were attributed to Volkswagen Truck & Bus GmbH in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE. In accordance with section 21(1) sentence 1 WpHG, Volkswagen Aktiengesellschaft, informed RENK AG on November 14, 2011 that Volkswagen Aktiengesellschaft's share of the voting rights exceeded the threshold of 75% on November 9, 2011 and amounted to 78.86% (5,519,903 of 7,000,000 total voting rights in RENK AG) on that day. All of the above 5,519,903 voting rights were attributed to Volkswagen Aktiengesellschaft in accordance with section 22(1) sentence 1 no. 1 WpHG through MAN SE and – since the transfer of the shares held by Volkswagen Aktiengesellschaft in MAN SE to Volkswagen Truck & Bus GmbH on April 16, 2013 – also through Volkswagen Truck & Bus GmbH. Furthermore, Porsche Automobil Holding SE and its controlling shareholders informed RENK AG in accordance with section 21(1) WpHG that the equity investments of Volkswagen AG and Volkswagen Truck & Bus GmbH are also attributed 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 5, 2017 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 AG declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) are complied with effective immediately, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information).

1.) The recommendation of item 4.2.3(2) sentence 3 is not complied with in that the asessment base for variable remuneration components is not essentially forward-looking. The current remuneration system is based on the recommendation found in the version of the Code dated May 5, 2015. As the Supervisory Board considers a long-term assessment basis that is essentially forward-looking to be appropriate, an adjustment of the remuneration system in line with the recommendations of the current version of the Code is being prepared but has not yet been completed or implemented.

2.) Regarding the recommendation in items 5.4.1(6) to (8) 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. Regardless of this, the Supervisory Board will endeavor to comply with the requirements of items 5.4.1(6) to (8) of the Code.

3.) The recommendation of item 7.1.1 sentence 2 (intra-year financial information) is not complied with as the Executive Board and Supervisory Board of RENK AG consider an obligation to release quarterly publications in addition to the statutory requirement of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) to be unnecessary.

The Executive Board and the Supervisory Board of RENK AG further declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended on May 5, 2015 promulgated by the Federal Ministry of Justice on June 12, 2015 in the official section of the *Bundesanzeiger* were complied with in the period December 2016 to April 24, 2017, with the exception of items 5.4.1(5) to (7) (disclosure of proposals of candidates for election; items 5.4.1(6) to (8) in the February 7, 2017 version of the Code). The reasons for the exception are explained above.

From April 24, 2017 until the time that this declaration of conformity was issued, the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 promulgated by the Federal Ministry of

Justice on April 24, 2017 in the official section of the *Bundesanzeiger* (the Federal Gazette) were complied with, with the exception of items 4.2.3(2) sentence 3 (forward-looking variable remuneration), 5.4.1(2) sentence 1 and (4) sentence 1 (preparation of a skills profile and efforts to adhere to it), 5.4.1(5) (résumés for all Supervisory Board members), 5.4.1(6) to (8) (disclosure of proposals of candidates for election) and 7.1.1 sentence 2 (intra-year financial information). The reasons for the departures from items 4.2.3(2) sentence 3, 5.4.1(6) to (8) and 7.1.1 sentence 2 are explained above.

The new recommendations of item 5.4.1(2), (4) and (5) added effective from April 24, 2017 – which relate to the composition of the Supervisory Board and the preparation of a skills profile for the body as a whole, striving to adhere to the skills profile for the body as a whole and publishing résumés for all Supervisory Board members supplemented by overviews of their main activities in addition to their Supervisory Board appointment on the company's website – have been complied with since December 5, 2017 when this was discussed accordingly and resolved by the Supervisory Board."

(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, 2017.

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

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 2017 (2016):

€ thousand	Florian Hofbauer		Christian Hammel		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Fixed remuneration[1)]	286	271	281	279	567	550
Variable remuneration[2)]	519	479	462	449	981	928
Pension cost	101	95	95	91	196	186
Total	**906**	**845**	**838**	**819**	**1,744**	**1,664**
Present value of pension commitment	2,315	2,054	324	196	2,639	2,250

1) Non-performance-based remuneration component including additional benefits
2) Performance-based remuneration component: 2017 – according to figures currently available

There was no subsequent offsetting of variable remuneration bonuses in either 2017 or the previous year.

The reported pension cost exclusively comprises the service cost incurred in the respective fiscal year.

In fiscal year 2017, no pension benefits were paid to former members of the Executive Board of the company and their surviving dependents (previous year: € 329 thousand). In fiscal year 2017, no provisions were recognized for pension obligations to former members of the Executive Board and their surviving dependents (previous year: € 2,320 thousand).

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".

The remuneration of the members of the Supervisory Board is regulated in the Articles of Association. They provide for fixed remuneration of € 10,000. The chair of the Supervisory Board receives 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. There is no separate remuneration for the chair or members of the

Mediation Committee. If members perform several functions, remuneration is based on the function with the highest remuneration entitlement.

Any expenses arising are also reimbursed.

Remuneration of the Supervisory Board in €

Name	Membership period	Total
Dr. Ingrun-Ulla Bartölke	Full year	–
Roberto Armellini*	Full year	15,000
Michael Behrendt	Full year	15,000
Hardy Brennecke	from April 26	–
Joachim Drees	from April 26	7,591
Rainer Handschuh*	Full year	12,500
Christiane Hesse	Full year	–
Frank Hoffmann	Full year	–
Thorsten Jablonski	Full year	–
Dr. Hans O. Jeske	until April 26	3,222
Dr. Georg Pachta-Reyhofen	until April 26	4,028
Herbert Surmann*	Full year	12,500
Walter Vogt*	Full year	12,500
Ingo Weidner*	Full year	10,000
Total 2017		**92,341**
Total 2016		**100,000**

* These employee representatives have declared that they pay their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with German Trade Union Confederation policy.

The employee representatives on the Supervisory Board also employed at RENK additionally receive their standard pay as employees. Information on the members of the Supervisory Board, including their memberships of other statutory supervisory boards and similar executive bodies, can be found in the corresponding section.

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 (now: Volkswagen Truck & Bus GmbH, Braunschweig, Munich), 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 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 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**
Josef Ahorner, Austria 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
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, 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; 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

Notifying Party	**Companies controlled by each of the Notifying Parties**
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
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. Dipl.-Ing. Dr.h.c. 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 (now: Volkswagen Truck & Bus GmbH, Braunschweig, 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 (now: Volkswagen Truck & Bus GmbH, Braunschweig, 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, Germany.

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 (now: Volkswagen Truck & Bus GmbH, Braunschweig, 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, Germany
- MAN SE, Munich, Germany

16. The following persons notified us in accordance with section 21(1) WpHG on July 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 July 15, 2016, and amounted to 76.00% (corresponding to 5,320,000 voting rights) on this date:

- Dr. Wolfgang Porsche
- Dr. 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

17. Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand Karl Piëch notified us in accordance with section 21(1) WpHG on November 9, 2017 that his share in the voting rights of RENK Aktiengesellschaft, Augsburg, Germany fell below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75 % of the voting rights on November 8, 2017 and amounted to 0% (corresponding to 0 voting rights) on this date.

This notification of voting rights took place with simultaneous discharging effect for Dipl.Ing Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, and Ferdinand Karl Alpha Privatstiftung, Salzburg. Due to the sale of the stake in Auto 2015 Beteiligungs GmbH by Dipl.Ing. Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, voting rights in RENK Aktiengesellschaft are no longer attributed to Dipl.Ing. Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, and Ferdinand Karl Alpha Privatstiftung, Salzburg.

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

Volkswagen Bank GmbH [2]
SEAT S.A., Spain [4]

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

Managing Director IG Metall Augsburg

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]

*) elected by employees
1) Memberships of statutory supervisory boards in Germany
2) Memberships of statutory supervisory boards in Germany (Group mandates)
3) Memberships of comparable supervisory bodies in Germany and abroad
4) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

Hardy Brennecke
Wolfenbüttel
Member of the Supervisory Board since April 26, 2017

Head of the Executive Office for the Commercial Vehicles division of
Volkswagen Aktiengesellschaft
Secretary General of Volkswagen Truck & Bus GmbH

Joachim Drees
Stuttgart
Member of the Supervisory Board since April 26, 2017

Managing Director of Volkswagen Truck & Bus GmbH
Chairman of the Executive Board of MAN SE
Chairman of the Executive Board of MAN Truck & Bus AG

Veritas AG[1)]
Volkswagen Financial Services AG[1)]
MAN Diesel & Turbo SE[2)]
Sinotruk (Hong Kong) Ltd., China[3)]

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

EURO-Leasing GmbH[4)]
MAN Financial Services GmbH[4)]
MAN Financial Services (S.A.) (Pty.) Ltd., South Africa (Chairwoman)[4)]
VDF Faktoring A.S., Turkey (Chairwoman)[4)]
VDF Filo Kiralama A.S., Turkey (Chairwoman)[4)]
VDF Servis ve Ticaret A.S., Turkey (Chairwoman)[4)]
VDF Sigorta Aracilik Hizmetleri A.S., Turkey (Chairwoman)[4)]
Volkswagen Doğuş Finansman A.S., Turkey (Chairwoman)[4)]
Volkswagen Financial Services Digital Solutions GmbH[4)]
Volkswagen Financial Services South Africa (Pty.) Ltd., South Africa (Chairwoman)[4)]

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

Head of Vehicle Transmissions at RENK AG, Augsburg

Thorsten Jablonski
Ilsede

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 Transmission (Shanghai) Company Ltd., China[4)]

Dr. Hans O. Jeske
Wesel
Member of the Supervisory Board until April 26, 2017

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

RWTÜV GmbH[3)]

Dr. Georg Pachta-Reyhofen
Niederpöcking
Member of the Supervisory Board until April 26, 2017

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.

Baugenossenschaft Darmstadt eG (Deputy Chairman)[1)]
IBM Deutschland GmbH[1)]
Mercedes-Benz Bank AG[1)]

Ingo Weidner*)
Hanover

Deputy Chairman of the Works Council of RENK AG, Hanover

(27) Committees of the Supervisory Board

Executive Personnel Committee
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Drees
Dipl.-Ing. (FH) Rainer Handschuh

Nomination Committee
Dr. Ingrun-Ulla Bartölke
Joachim Drees

Mediation Committee
Dr. Ingrun-Ulla Bartölke (Chairwoman)
Roberto Armellini (Deputy Chairman)
Joachim Dress
Dipl.-Ing. (FH) Rainer Handschuh

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

(28) The Executive Board

Dipl.-Ing. (FH) Florian Hofbauer
Landsberg
Spokesperson
Technology and Sales

RENK Shanghai Service and Commercial Co., Ltd., China[4)]

Dipl.-Kfm. (Univ.) Christian Hammel
Munich
Production and Administration

RENK Gears Private Ltd., India[4)]
RENK Korea Co. Ltd., Korea[4)]

Augsburg, February 8, 2018

RENK Aktiengesellschaft
The Executive Board
The Management Board

Florian Hofbauer Christian Hammel

1) Memberships of statutory supervisory boards in Germany
2) Memberships of statutory supervisory boards in Germany (Group mandates)
3) Memberships of comparable supervisory bodies in Germany and abroad
4) Memberships of comparable supervisory bodies in Germany and abroad (Group mandates)

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 8, 2018

RENK Aktiengesellschaft
The Executive Board

Florian Hofbauer Christian Hammel

INDEPENDENT AUDITOR'S REPORT

To Renk Aktiengesellschaft, Augsburg

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Renk Aktiengesellschaft, Augsburg, which comprise the statement of profit and loss for the financial year from 1 January to 31 December 2017, the balance sheet as at 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Renk Aktiengesellschaft for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Management and measurement of inventories

❷ Completeness and measurement of provisions for warranty obligations arising from sales

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Management and measurement of inventories**

① EUR 22 million in raw materials, consumables and supplies, EUR 143 million in work in progress, and EUR 5 million in prepayments were recognized under "Inventories" in the statement of financial position of RENK Aktiengesellschaft, Augsburg. From our point of view, this balance sheet item is of particular importance due to its material amount and the fact that the measurement of inventories is to a large extent based on estimates and assumptions made by management. The reliability of the processes and controls put in place is also a material requirement for managing inventories of work in progress.

② Given that the management and measurement complexity of inventories gives rise to an increased risk of accounting misstatements, we assessed the entity's processes and controls relating to the management and measurement of inventories. Our specific audit approach included testing of the controls and substantive audit procedures, in particular:

- observing stocktaking at multiple sites;
- auditing the measurement of inventories.

We verified the appropriateness of the systems, processes and controls in place, and that the estimates and assumptions made by management are sufficiently substantiated and documented to ensure that inventories are properly recognized.

③ The Company's disclosures relating to inventories are contained in notes (2) and (10) to the financial statements.

❷ **Completeness and measurement of provisions for warranty obligations arising from sales**

① In the financial statements of Renk Aktiengesellschaft, Augsburg, EUR 29 million in provisions for obligations arising from sales are reported under the "Other provisions" balance sheet item. These obligations arise under statutory and contractual guarantee obligations with customers. Warranty claims are calculated on the basis of losses to date and estimated future losses. In addition, assumptions must be made about the nature and extent of future warranty claims. These assumptions are based on qualified estimates.

From our point of view, this matter was of particular importance for our audit because the recognition and measurement of this material item is to a large extent based on estimates and assumptions made by the Company's management.

② With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by management have a direct and significant effect on net profit/loss, we assessed the appropriateness of the carrying amounts, including by comparing these figures with historical data and using the measurement bases presented to us. We evaluated the entire calculations for the provisions using the applicable measurement inputs and assessed the planned timetable for utilizing the provisions.

In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by management were sufficiently documented and supported to justify the recognition and measurement of the provisions for warranty obligations arising from sales.

③ The Company's disclosures on other provisions are contained in notes (2) and (14 b) to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 26 April 2017. We were engaged by the supervisory board on 12 June 2017. We have been the auditor of the Renk Aktiengesellschaft, Augsburg, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Holger Graßnick.

Munich, February 8, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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