Joint Reasoned Opinion of the Executive Board and the Supervisory Board

of

RENK Aktiengesellschaft

(“RENK AG” or the “Company”)

Gögginger Straße 73, 86159 Augsburg, Germany

pursuant to § 27 (1) of the Securities Acquisition and Takeover Act

in response to the voluntary public takeover offer

of

Rebecca BidCo GmbH (formerly SCUR-Alpha 1138 GmbH)

(the “Bidder”)

c/o Triton Beratungsgesellschaft GmbH, Schillerstraße 20, 60313 Frankfurt am Main, Germany

addressed to

the shareholders of RENK Aktiengesellschaft

dated

24 March 2020

Shares of RENK AG: ISIN: DE0007850000

RENK Shares Tendered for Sale: ISIN: DE000A254278
Table of Contents

Definitions .................................................................................................................................................. 6

I. GENERAL INFORMATION ABOUT THIS OPINION ........................................................................... 7
   1. Legal and factual foundations ........................................................................................................ 7
   2. Statement of competent works council .......................................................................................... 8
   3. Publication of opinion and possible changes to bid .................................................................... 8
   4. Independent review by RENK AG shareholders ......................................................................... 9
   5. Notice to RENK AG shareholders with permanent / habitual residence or domicile in the USA ... 11

II. GENERAL INFORMATION ABOUT COMPANY AND BIDDER .......................................................... 11
   1. RENK AG ...................................................................................................................................... 11
      a) Legal foundations ...................................................................................................................... 11
      b) Composition of Executive Board and Supervisory Board ....................................................... 11
      c) Capital and shareholder structure ............................................................................................ 12
      d) Persons acting jointly with Company ....................................................................................... 12
      e) RENK AG’s business orientation ........................................................................................... 14
      f) Overview of business divisions ................................................................................................ 15
      g) Business development ............................................................................................................... 16
      h) Selected financial indicators .................................................................................................... 17
      i) RENK’s strategy ....................................................................................................................... 19
      j) Number of employees ............................................................................................................... 20
   2. Bidder ............................................................................................................................................. 20
      a) Bidder’s legal foundations .......................................................................................................... 20
      b) Bidder’s shareholder structure .................................................................................................. 20
      c) Persons acting jointly with Bidder ............................................................................................. 23
   3. Participation in RENK AG of Bidder and persons acting jointly with it ........................................ 23

III. INFORMATION ON BID .................................................................................................................... 23
    1. Bid execution ............................................................................................................................... 23
    2. Publication of decision to submit bid ........................................................................................ 24
    3. BaFin review and publication of offer document ....................................................................... 24
    4. Background of the Bid and deliberations of Executive Board and Supervisory Board .......... 24
       a) Investment Agreement ............................................................................................................ 24
          (1) Support of the Bid .............................................................................................................. 25
| (2) | Support for business strategy | 25 |
| (3) | Recognizing significance of employees and constructive dialog with employee representatives | 26 |
| (4) | Site and employment protection | 26 |
| (5) | Support for investments | 26 |
| (6) | Dividend policy and liquidity planning to suit financial needs (including investments and acquisitions) | 27 |
| (7) | Preserving core competencies and intellectual property (including trademarks) | 27 |
| (8) | Workforce and employees | 27 |
| (9) | Cost reimbursement | 27 |
| (10) | Holding period for RENK Shares | 28 |
| (11) | Term | 28 |
| b) | Statement about Bidder’s Bid | 28 |

5. Substance of bid | 28 |
| a) | Offer Consideration | 28 |
| b) | Acceptance period | 30 |
| c) | Rights of rescission | 31 |
| d) | Bid conditions | 32 |
| e) | Waiver of Bid Conditions | 32 |
| f) | Applicable law | 33 |
| g) | Public notices | 33 |

6. Bid financing | 33 |

IV. TYPE AND AMOUNT OF CONSIDERATION OFFERED | 34 |

1. Type and amount of consideration | 34 |

2. Statement on statutory minimum price | 34 |

3. Assessing adequacy of consideration offered | 35 |
| a) | Fairness opinion | 36 |
| b) | Overall assessment of adequacy of consideration offered | 37 |

V. BIDDER’S OBJECTIVES / INTENTIONS AND LIKELY IMPACT ON COMPANY | 39 |

1. Objectives and intentions in the Investment Agreement | 39 |
| a) | Corporate governance | 39 |
| b) | Business strategy | 39 |
| c) | Structural measures | 39 |
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>d) Holding period for RENK Shares</td>
<td>39</td>
</tr>
<tr>
<td>e) Corporate seat and principal place of business; sites</td>
<td>40</td>
</tr>
<tr>
<td>f) Workforce and employees</td>
<td>40</td>
</tr>
<tr>
<td>2. Objectives and intentions in the Offer Document</td>
<td>40</td>
</tr>
<tr>
<td>a) Future business activities, assets and future obligations of RENK AG</td>
<td>40</td>
</tr>
<tr>
<td>b) Corporate seat and principal place of business of RENK and critical corporate sites</td>
<td>41</td>
</tr>
<tr>
<td>c) Employees, employee representatives and employment conditions</td>
<td>41</td>
</tr>
<tr>
<td>d) Members of RENK Executive Board and Supervisory Board</td>
<td>42</td>
</tr>
<tr>
<td>e) Structural measures</td>
<td>43</td>
</tr>
<tr>
<td>f) Intentions with regard to business activities of Bidder and its direct and indirect parent companies</td>
<td>43</td>
</tr>
<tr>
<td>3. Statement by the Executive Board and Supervisory Board on the objectives and intentions of the Bidder</td>
<td>44</td>
</tr>
<tr>
<td>VI. POSSIBLE IMPACT ON EMPLOYEES, TERMS OF EMPLOYMENT AND SITES OF RENK AG</td>
<td>44</td>
</tr>
<tr>
<td>VII. POSSIBLE IMPACT ON RENK AG SHAREHOLDERS</td>
<td>45</td>
</tr>
<tr>
<td>1. Possible impact if the Bid is accepted</td>
<td>45</td>
</tr>
<tr>
<td>2. Possible impact if the Bid is not accepted</td>
<td>46</td>
</tr>
<tr>
<td>VIII. OFFICIAL PERMITS AND PROCEEDINGS</td>
<td>48</td>
</tr>
<tr>
<td>1. Need for approval under merger-control law</td>
<td>48</td>
</tr>
<tr>
<td>a) EU Commission’s approval under merger-control law</td>
<td>48</td>
</tr>
<tr>
<td>b) Merger control in Brazil</td>
<td>50</td>
</tr>
<tr>
<td>c) Merger control in Saudi-Arabia</td>
<td>50</td>
</tr>
<tr>
<td>d) Merger control in Turkey</td>
<td>51</td>
</tr>
<tr>
<td>e) Merger control in Ukraine</td>
<td>52</td>
</tr>
<tr>
<td>f) Post-execution registration in Egypt</td>
<td>52</td>
</tr>
<tr>
<td>2. Approvals under foreign trade law</td>
<td>53</td>
</tr>
<tr>
<td>a) Approval under foreign-trade law in Germany</td>
<td>53</td>
</tr>
<tr>
<td>b) Approval under foreign-trade law in France</td>
<td>53</td>
</tr>
<tr>
<td>c) Approval under foreign-trade law in Italy</td>
<td>54</td>
</tr>
<tr>
<td>d) Approval under foreign-trade law in Canada</td>
<td>54</td>
</tr>
<tr>
<td>e) Approval under foreign-trade law in United Kingdom</td>
<td>54</td>
</tr>
<tr>
<td>f) Approval under foreign-trade law in United States</td>
<td>55</td>
</tr>
</tbody>
</table>
IX. VESTED INTERESTS OF MEMBERS OF EXECUTIVE BOARD AND SUPERVISORY BOARD 56
   1. Special vested interests of members of Executive Board and Supervisory Board .......... 56
   2. Bidder’s agreements with members of Executive Board and Supervisory Board .......... 56
   3. No non-cash benefits or other advantages in connection with bid .......................... 57

X. INTENTION OF MEMBERS OF EXECUTIVE BOARD AND SUPERVISORY BOARD TO
   ACCEPT BID ............................................................................................................. 57

XI. RECOMMENDATION .............................................................................................. 57

Annex – KPMG’s Fairness Opinion
**Definitions**

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptance Period</td>
<td>30</td>
</tr>
<tr>
<td>Additional Acceptance Period</td>
<td>31</td>
</tr>
<tr>
<td>Articles of Association</td>
<td>11</td>
</tr>
<tr>
<td>BaFin</td>
<td>24</td>
</tr>
<tr>
<td>Bid</td>
<td>7</td>
</tr>
<tr>
<td>Bid Conditions</td>
<td>32</td>
</tr>
<tr>
<td>Bid Equity Financing</td>
<td>34</td>
</tr>
<tr>
<td>Bidder</td>
<td>1, 7</td>
</tr>
<tr>
<td>CET</td>
<td>7</td>
</tr>
<tr>
<td>Company</td>
<td>1</td>
</tr>
<tr>
<td>Competing Offer</td>
<td>30</td>
</tr>
<tr>
<td>Domination and Profit Transfer Agreement</td>
<td>25</td>
</tr>
<tr>
<td>EUR</td>
<td>7</td>
</tr>
<tr>
<td>EURO</td>
<td>7</td>
</tr>
<tr>
<td>Executive Board</td>
<td>7</td>
</tr>
<tr>
<td>Expected Financing Needs</td>
<td>33</td>
</tr>
<tr>
<td>Fairness Opinion</td>
<td>36</td>
</tr>
<tr>
<td>Investment</td>
<td>24</td>
</tr>
<tr>
<td>Investment Agreement</td>
<td>10</td>
</tr>
<tr>
<td>KPMG</td>
<td>36</td>
</tr>
<tr>
<td>Maximum Financing Needs</td>
<td>33</td>
</tr>
<tr>
<td>Member of the RENK Group</td>
<td>7</td>
</tr>
<tr>
<td>Offer Consideration</td>
<td>7, 28</td>
</tr>
<tr>
<td>Offer Document</td>
<td>7</td>
</tr>
<tr>
<td>Opinion</td>
<td>7</td>
</tr>
<tr>
<td>RENK AG</td>
<td>1</td>
</tr>
<tr>
<td>RENK Group</td>
<td>7</td>
</tr>
<tr>
<td>RENK Majority Shareholder</td>
<td>14</td>
</tr>
<tr>
<td>RENK Share Tendered for Sale</td>
<td>29</td>
</tr>
<tr>
<td>RENK Shares</td>
<td>12</td>
</tr>
<tr>
<td>Share Purchase Agreement</td>
<td>24</td>
</tr>
<tr>
<td>Supervisory Board</td>
<td>7</td>
</tr>
<tr>
<td>Takeover Offer</td>
<td>23</td>
</tr>
<tr>
<td>Tender Offer Statement</td>
<td>11</td>
</tr>
<tr>
<td>Three-Month Average Price</td>
<td>34</td>
</tr>
<tr>
<td>Triton-Equity Investors</td>
<td>33</td>
</tr>
<tr>
<td>USA</td>
<td>9</td>
</tr>
<tr>
<td>WpÜG</td>
<td>7</td>
</tr>
<tr>
<td>WpÜG-AngebotsVO</td>
<td>24</td>
</tr>
</tbody>
</table>
I. GENERAL INFORMATION ABOUT THIS OPINION

Pursuant to §§ 34, 14 (2) and (3) of the Securities Acquisition and Takeover Act ("Wertpapierübernahmegesetz - WpÜG"), Rebecca BidCo GmbH (formerly SCUR-Alpha 1138 GmbH), a company with its corporate seat in Munich, Germany, and registered with the commercial register at the local court of Munich under HRB 253889 ("Bidder") on 10 March 2020 published an offer document within the meaning of the Securities Acquisition and Takeover Act (the "Offer Document") for all shareholders of RENK AG, a company with its corporate seat in Augsburg, Germany, and registered with the commercial register at the local court of Augsburg under HRB 6193 (hereinafter referred to jointly with its direct and indirect subsidiaries as “RENK Group”; RENK AG as well as any subsidiary is hereinafter referred to as a “Member of the RENK Group”), such Offer Document detailing its voluntary public takeover offer (the "Bid") for the acquisition of all no-par-value bearer shares of RENK AG with a proportionate amount of the share capital of EUR 2.56 per share (ISIN: DE0007850000 / WKN: 785000) which are not directly held by the Bidder against payment of a cash consideration in the amount of EUR 106.20 per share of RENK stock (the "Offer Consideration"). The Offer Document was transmitted to the executive board of RENK AG (the “Executive Board”) on 10 March 2020, and the Executive Board forwarded the Offer Document to the RENK AG Supervisory Board (the “Supervisory Board”) on 10 March 2020.

The Executive Board and the Supervisory Board hereby issue a joint reasoned opinion pursuant to § 27 of the Securities Acquisition and Takeover Act (the “Opinion”) on the Bidder’s Bid.

The Executive Board and the Supervisory Board adopted resolutions to issue the Opinion on 24 March 2020.

In connection with the Opinion, the Executive Board and the Supervisory Board would like to emphasize the following upfront:

1. Legal and factual foundations

Pursuant to § 27 (1) sentence 1 of the Securities Acquisition and Takeover Act, the executive board and the supervisory board of a target company must submit a reasoned opinion on a takeover offer and any change thereto. The executive and supervisory boards may provide such opinion jointly, and the Executive Board and the Supervisory Board have decided to address the Bidder’s bid in a joint opinion, which is issued subject exclusively to German law.

Unless specifically provided otherwise, any exact times stated in the Opinion reflect Central European Time ("CET"). The currency designation “EUR” or “Euro” refers to the currency of the European Economic and Monetary Union as defined by Art. 3 (4) of the Treaty on European Union. Insofar as terms and phrases such as “at the present time,” “currently,” “at the moment,” “now,” “presently” or “today” are used, they refer to the date of the Opinion’s publication – i.e. 24 March 2020 – unless specifically provided otherwise.

Any and all information, forecasts, estimates, valuations, appraisals, forward-looking statements and declarations of intent are based on information that was available to the Executive Board and
the Supervisory Board as of the date of the Opinion’s publication and/or reflect their assessments or intentions at the time. Statements related to the future reflect intentions, views or expectations and are subject to known and unknown risks as well as uncertainties since such statements refer to events and depend on circumstances of and in the future. Words like “suppose,” “plan,” “intend,” “estimate,” “likely,” “assume,” “expect,” “anticipate,” “target,” “become,” “determine” and similar terms indicate statements related to the future, and while the Executive Board and the Supervisory Board believe that the expectations contained in such statements related to the future are based on justified and appreciable suppositions and are accurate and complete as of today, the underlying assumptions may undergo changes after the date of the Opinion’s publication due to political, economic or legal developments.

The Executive Board and the Supervisory Board do not intend to update the Opinion or any forward-looking statements contained herein, and they enter into no obligation to do so save to the extent required by German law.

The information contained in the Opinion about the Bidder and the Bid are based on the data contained in the Offer Document and/or available from other public sources unless specifically provided otherwise. The Executive Board and the Supervisory Board indicate that they are unable to verify the intentions that the Bidder expresses in the Offer Document, and it cannot be ruled out that the Bidder will change its intentions and/or that the intentions published in the Offer Document will not be implemented, or will be implemented differently.

2. Statement of competent works council

According to § 27 (2) of the Securities Acquisition and Takeover Act, the target company’s competent works council may transmit a statement about the Bid to the Executive Board, which the Executive Board would have to attach to its own opinion under § 27 (2) of the Securities Acquisition and Takeover Act; its obligation under § 27 (3) sentence 1 of the Securities Acquisition and Takeover Act is not affected.

The competent works council of RENK AG has informed the Executive Board that it does not intend to provide a statement of its own.

3. Publication of opinion and possible changes to bid

The Opinion as well as any amendment hereto and/or additional statements on possible changes of the Bid will be published pursuant to § 27 (3) and § 14 (3) sentence 1 of the Securities Acquisition and Takeover Act on the Company’s website at

https://www.renk-ag.com/de/investor-relations/berichte/

in the German language, and at


in the English language (convenience translation only). RENK AG, Investor Relations, Gögginger Straße 73, 86159 Augsburg, Germany (as an entity within the meaning of § 27 (3) sentence 1 in
conjunction with § 14 (3) sentence 1 no. 2 of the Securities Acquisition and Takeover Act) will make available copies of opinions / statements by mail at no charge (please send requests by facsimile to +49 (0) 821 5700-552 or by electronic mail to info@renk.biz and include a postal address). Any publication as well as the availability of free copies will be announced in the form of public notices in the Federal Gazette (Bundesanzeiger).

The Opinion as well as any amendment hereto and/or additional statements on possible changes of the Bid will be published in the German language as well as in English translation (convenience translation only). Only the German versions are authoritative, and no warranty is offered as to the accuracy and completeness of any English translation.

4. Independent review by RENK AG shareholders

The Executive Board and the Supervisory Board point out that the description of the Bid contained in the Opinion does not claim to be exhaustive, and that only the provisions set forth in the Offer Document inform the Bid’s substance and implementation. The valuations and recommendations by the Executive Board and the Supervisory Board in the Opinion are not binding upon RENK AG shareholders in any way. Insofar as the Opinion references, summarizes, quotes or repeats the Bid or the Offer Document, such instances represent mere references that do not have the effect of the Executive Board and the Supervisory Board appropriating the Bid or the Offer Document or providing a warranty as to the accuracy and completeness of the Bid or the Offer Document.

Under item 1.2 of the Offer Document, the Bidder explains that the Bid's acceptance outside of the Federal Republic of Germany, EU member states and the European Economic Area as well as the United States of America ("USA") may be subject to restrictions, and it expressly does not guarantee that applicable legal provisions permit the Bid's acceptance outside of the Federal Republic of Germany, EU member states and the European Economic Area as well as the USA.

Under item 1.2 of the Offer Document, the Bidder advises RENK AG shareholder with permanent / habitual residence or domicile in the USA that the Bid is submitted with respect to the securities of a company that is a foreign private issuer within the meaning of the U.S. Securities Exchange Act of 1934, as amended (U.S. Exchange Act), whose shares of stock are not registered in accordance with Section 12 of the U.S. Exchange Act. The Bidder explains that, in the USA, the Bid is made on the basis of the Tier-1 exemption from certain requirements of the U.S. Exchange Act and as a rule is subject to the disclosure and other provisions and processes of the Federal Republic of Germany, which differ from those of the USA. The Bidder clarifies that, insofar as the Bid is subject to U.S. securities law, these laws apply exclusively to holders of RENK Shares in the USA, which is why no other person is entitled to any claims thereunder.

In item 1.2 of the Offer Document, the Bidder further stresses that, pursuant to Rule 14e-5(b)(10) of the U.S. Exchange Act, it may acquire RENK Shares during the Bid term by means other than under the Bid – on the stock exchange or over the counter – as long as doing so conforms to applicable German legal provisions, including but not limited to the Securities Acquisition and Takeover Act (to such extent, the Bidder also makes reference to item 6.7 of the Offer Document). The Bidder explains that information about such purchases or purchase agreements is published.

9
pursuant to § 23 (2) of the Securities Acquisition and Takeover Act, and that such information is further published in an English translation on the Bidder’s website at http://rebecca-angebot.de.

In item 1.2 of the Offer Document, the Bidder also notes that RENK AG shareholders residing or domiciled outside of the Federal Republic of Germany may have difficulty enforcing rights and claims arising under the law of a country other than where they have their residence or domicile. To such extent, the Bidder makes reference to the fact that the Company and the Bidder have their registered offices in the Federal Republic of Germany, and that some or all of their directors and board members may reside in a country other than its domicile. In this respect, the Bidder explains that it may be impossible under certain circumstances to sue a foreign enterprise or its directors and/or board members in the court of one’s own country of residence for violations of laws of such country, and that additional difficulties may arise to compel a foreign enterprise and its affiliates to submit to a court ruling issued in the country of residence of RENK AG shareholders.

It is incumbent upon each RENK AG shareholder to take note of the Offer Document, form an opinion on the Bid and, if applicable, adopt any needed measure – and to do so independently. In other words, RENK AG shareholders must make their own decision whether and, if applicable, to what extent they wish to accept the Bid, taking into account their overall situation, individual circumstances (including their personal tax status) and personal assessment of the future development of the value and quoted price of RENK AG stock, and in doing so, RENK AG shareholders should consult all available sources of information and duly consider their personal interests. The Executive Board and the Supervisory Board assume no responsibility for the decision of RENK AG shareholders, and insofar as RENK AG shareholders accept the Bid, it is up to them to meet the requirements and conditions described in the Offer Document.

The Executive Board and the Supervisory Board point out that RENK AG shareholders who wish to accept the Bid should check whether such acceptance may be reconciled with such legal obligations as may result from their personal circumstances. The Executive Board and the Supervisory Board are not in a position to review such personal obligations, nor can they take them into account for their recommendation. The Executive Board and the Supervisory Board recommend that, in particular, persons receiving the Offer Document outside of the Federal Republic of Germany or wishing to accept the Bid while subject to the securities law of a jurisdiction other than the Federal Republic of Germany, inquire into the relevant legal situation and conduct themselves accordingly. The Executive Board and the Supervisory Board recommend that RENK AG shareholders obtain individual tax and legal advice as needed.

Based on the information available at this time, the Company’s Executive Board decided that the transaction and the investment agreement entered into with the Bidder on 30 January 2020 ("Investment Agreement") is in the best interest of the Company, its shareholders, employees and other interest groups of the Company.
5. **Notice to RENK AG shareholders with permanent / habitual residence or domicile in the USA**

The Opinion is issued in correspondence with the legal provisions of the Federal Republic of Germany. It does not represent a statement within the meaning of Section 14(d)(1) or Section 13(e)(1) of the U.S. Exchange Act in conjunction with the General Rules and Regulations that apply thereunder ("Tender Offer Statement"). The Executive Board and the Supervisory Board further advise RENK AG shareholders with permanent / habitual residence or domicile in the USA that the reasoned Opinion was prepared in keeping with a format as well as a structure that represents common market practice in the Federal Republic of Germany and differs from such format and structure of Tender Offer Statements as may be customary in the USA. In addition, the substance of the reasoned Opinion deviates from the information required for Tender Offer Statements pursuant to U.S. law. The Executive Board and the Supervisory Board also point out that neither the U.S. Securities and Exchange Commission (SEC) nor the securities regulators of any state of the U.S. reviewed or ruled on the reasoned Opinion prior to its publication.

II. **GENERAL INFORMATION ABOUT COMPANY AND BIDDER**

1. **RENK AG**

   a) **Legal foundations**

   The Company is a stock corporation established in accordance with German law. It has its corporate seat as well as its business address at Gögginger Straße 73, 86159 Augsburg, Germany, and is registered with the commercial register at the local court of Augsburg under the registration number HRB 6193.

   The Company’s object according to §2 (1) of the Company’s articles of association (the “Articles of Association”) consists of the development, manufacture and distribution of mechanical engineering products in general and drive technology in particular.

   Its fiscal year is the calendar year.

   b) **Composition of Executive Board and Supervisory Board**

   The Executive Board is composed of two members: Mr. Florian Hofbauer (chairperson) and Mr. Christian Hammel.

   The Supervisory Board is composed of twelve members, six of which are appointed by shareholders and another six by employees. The Supervisory Board’s current members are:

   - Dr. Ingrun-Ulla Bartole (chairperson)
   - Angela Steinecker (vice-chairperson)
   - Michael Behrendt
   - Hardy Brennecke
   - Joachim Drees
   - Lothar Evers
c) Capital and shareholder structure

According to § 4 of the Articles of Association, the Company’s share capital equals EUR 17,920,000.00 and is divided into 7,000,000 no-par-value bearer shares with a proportionate amount of the share capital of EUR 2.56 per share ("RENK Shares"). There is only one class of shares. According to § 17 of the Articles of Association, each share of RENK Shares grants one vote and carries full voting and dividend rights.

RENK AG stock is admitted to trading on the regulated market (General Standard) of the Munich stock exchange under ISIN DE0007850000.

At this time, the Company holds 199,903 shares of RENK Shares as own stock (corresponding to 2.8557%).

Based on both the notices of voting rights that RENK AG received pursuant to §§ 33 et seqq. of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG) until the publication of the reasoned Opinion, which are published on RENK AG’s website https://www.renk-ag.com/de/ under the “Investor Relations/Stock” tab, and own data inquiries, no shareholder with the exception of RENK’s majority shareholder holds 3.00% or more of RENK AG’s voting rights, be it directly or indirectly.

d) Persons acting jointly with Company

The following companies are subsidiaries of RENK AG, which means that they are to be regarded as persons acting jointly with RENK AG within the meaning of § 2 (5) sentence 2 in conjunction with sentence 3 of the Securities Acquisition and Takeover Act:

- RENK Test System GmbH, a company with its corporate seat in Augsburg and registered with the commercial register at the local court of Augsburg under HRB 18189 – a wholly-owned subsidiary directly controlled by RENK AG;

- RENK France S.A.S., a simplified limited company under French law (société par actions simplifiée) entered into the commercial register (registre du commerce et des sociétés) of Pontoise under the registration number 319 580 320 00038 – a wholly-owned subsidiary directly controlled by RENK AG;

- RENK Corporation, a corporation under the laws of the U.S. State of Delaware registered with the Secretary of State of Delaware under the registration number 902797 – a wholly-owned subsidiary directly controlled by RENK AG;
- RENK Systems Corporation, a company under the laws of the U.S. State of Indiana registered with the Secretary of State of Indiana under the registration number 0120049759 – a wholly-owned subsidiary of RENK Test System GmbH, which RENK AG thus controls indirectly;
- RENK Transmisyon Sanayi A.S., a stock corporation (Anonim Şirket) under Turkish law registered under the commercial register number (ticaret sicil no.) 426546-0 – majority-owned (55%) and thus directly controlled by RENK AG;
- COFICAL RENK Mancais do Brasil Ltda., a limited liability company under Brazilian law (Sociedade Limitada) registered with the chamber of commerce (junta comercial) of the State of Santa Catarina under the registration number N.I.R.E. 42 2 0331850-6 – majority-owned (98%) and thus directly controlled by RENK AG;
- RENK-MAAG GmbH, a limited liability company under Swiss law entered into the Swiss register of companies under the registration number CHE-113.381.663 – a wholly-owned subsidiary directly controlled by RENK AG;
- RENK Shanghai Service and Commercial Co., Ltd., a limited liability company under Chinese law registered with ICA – Shanghai Pudong, New Area Branch, under the registration number 913 101 150 625 508 922 – a wholly-owned subsidiary directly controlled by RENK AG;
- RENK (UK) Ltd., a limited liability company under English law registered with the Companies House under the registration number 1082275 – a wholly-owned subsidiary directly controlled by RENK AG;
- RENK Gears Private Ltd., a limited liability company under Indian law registered with the registrar of companies under the registration number 103585 – majority-owned (99%) and thus directly controlled by RENK AG (RENK Test System GmbH holds the remaining 1%);
- RENK Korea Co., Ltd., a limited liability company under Korean law entered into the register Seogwipo of Jeju’s local court under the registration number 111352 – a wholly-owned subsidiary directly controlled by RENK AG;
- Schelde Gears B.V., a limited liability company under Dutch law (besloten vennootschap met beperkte aansprakelijkheid) registered with the chamber of commerce (kamer van koophandel) under the registration number KVK 22038814 – a wholly-owned subsidiary directly controlled by RENK AG;
- Horstman Holdings Ltd., a limited liability company under English law registered with the Companies House under the registration number 08949564 – a wholly-owned subsidiary directly controlled by RENK AG;
- Horstman Defence Systems Ltd., a limited liability company under English law registered with the Companies House under the registration number 01511975 – a wholly-owned subsidiary of Horstman Holdings Ltd., which RENK AG thus controls indirectly;
Horstman Inc., a company under the laws of the U.S. State of Delaware registered with the Secretary of State of Delaware under the registration number 4731255 – a wholly-owned subsidiary of Horstman Holdings Ltd., which RENK AG thus controls indirectly;

Horstman Systems Inc., an incorporated company under the law of the State Ontario, Canada, entered under the business number 847327533 and the registration number 831610-4 – a wholly-owned subsidiary of Horstman Holdings Ltd., which RENK AG thus controls indirectly; and

RENK Holding Canada Inc., an incorporated company under the law of the State Ontario, Canada, registered with the Ministry of Government and Consumer Services under the registration number 2711511 – a wholly-owned subsidiary directly controlled by RENK AG;

Moreover, the following persons and/or companies may be regarded as persons acting jointly with RENK AG within the meaning of § 2 (5) sentence 2 of the Securities Acquisition and Takeover Act:

Volkswagen Vermögensverwaltungs-GmbH, a company with registered offices in Wolfsburg, Germany, entered into the register of companies of Braunschweig’s local court under HRB 200525 (the "RENK Majority Shareholder"), which directly holds 76.00% of RENK Shares, thus directly controlling RENK AG within the meaning of § 2 (5) sentence 3 of the Securities Acquisition and Takeover Act;

such other individuals and companies as may be listed in Annex 4 Section 2 (Persons and companies directly or indirectly controlling Volkswagen Vermögensverwaltungs-GmbH) of the Offer Document, which are direct or indirect subsidiaries of the RENK Majority Shareholder within the meaning of § 2 (6) of the Securities Acquisition and Takeover Act; and

such companies as may be listed in Annex 4 Section 3 (Additional direct and indirect subsidiaries of companies controlled by VW Vermögensverwaltung) of the Offer Document, which are direct or indirect subsidiaries of VOLKSWAGEN AKTIENGESellschaft and Porsche Automobil Holding SE in relation to which the RENK Majority Shareholder is not a subsidiary within the meaning of § 2 (6) of the Securities Acquisition and Takeover Act.

There are no other persons acting jointly with the Company within the meaning of § 2 (5) sentence 2 of the Securities Acquisition and Takeover Act.

e) RENK AG’s business orientation

The origins of RENK AG date back to the year 1873 when Johann Julius Renk founded a small mechanical workshop for the mechanical production of gears in Augsburg’s Lechviertel. In 1879, the young enterprise moved to the Göggingen district, where RENK AG remains head-quartered today. In 1897, the enterprise was converted into a stock corporation, and starting in the year 1923, RENK AG became part of what later became known as the MAN Group. Following the majority takeover of MAN SE by VOLKSWAGEN AKTIENGESellschaft (VW
AG) in the year 2011, RENK AG became a member of the Volkswagen group as well. At the end of fiscal 2018, MAN SE sold its shares in RENK AG as part of a strategic realignment to the RENK Majority Shareholder, a wholly-owned subsidiary of VW AG.

Today, RENK AG is a recognized throughout the world as a manufacturer of high-quality specialized transmissions for tracked vehicles, industrial applications and shipbuilding, as well as components of drive technology and test systems. It has major manufacturing plants (branches) in Augsburg, Rheine and Hannover. The RENK Group’s four business divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units, and Slide Bearings.

RENK AG’s mission is to preserve and/or enhance its position as a technology leader in important industries and to continue its profitable growth. This strategy is supported by targeted measures of internationalization, a strong alignment with customer needs, operational excellence as well as an ongoing capacity for innovation.

f) Overview of business divisions

(1) The business division Special Gear Units encompasses large-scale transmission manufacturing at RENK AG’s Augsburg site as well as RENK-MAAG GmbH, Winterthur, Switzerland. Products range from stationary transmissions for a wide range of industrial applications – for the cement industry, among others – and turbo transmissions with transmission rates of up to 140 MW, to complex propulsion units for fast ships and navy applications with transmission rates of up to 90 MW.

(2) The business division Vehicle Transmissions is a leading manufacturer of fully automated transmissions for medium-sized and heavy tracked vehicles and further offers a broad spectrum of high-performance test beds for various industry sectors.

RENK AG’s automatic power transmissions are suitable for use in all modern diesel engines as front or rear mounts. The transmissions are controlled and monitored electronically, and they are manufactured at RENK AG’s Augsburg site. The French subsidiary RENK France S.A.S., Saint-Ouen-l’Aumône, primarily provides maintenance services for tracked vehicle transmissions of the French army.

The business division Vehicle Transmissions also includes the Horstman group of companies, which RENK AG regards as a leading provider of mobility solutions for armored wheeled and tracked vehicles throughout the world. The Horstman group has locations in Great Britain, the USA and Canada, and its product portfolio includes hydraulic and hydropneumatic suspension systems. The Horstman group – like RENK AG – considers itself as an established yet innovative technology leader in its industry.

The Vehicle Transmissions business division further includes RENK AG’s test-stand business: RENK Test System GmbH (RTS) in Augsburg and its U.S. subsidiary RENK Systems Corporation, Camby (IN), USA. These companies design and build
customer-specific test stands for development, production and quality assurance, serving the automotive, aviation, rail and tracked vehicle, agriculture as well as wind-energy industries.

(3) The business division Standard Gear Units encompasses RENK AG’s Rheine site and, among other things, specializes in maritime propulsion units for commercial shipping, liquefied petroleum gas carriers as well as supply and other special vessels. In addition, gear boxes are made for turbines and couplings for industrial applications. The site also houses the RENK Group’s activities in the area of offshore wind turbine gear units.

(4) The business division Slide Bearings at the Hanover site of RENK AG and the U.S. distributor RENK Corporation, Duncan (SC), USA, supplies lubricated hydrodynamic bearings, among other components, which are used in electric engines, generators, pumps, blowers, water turbines, conveyors and maritime applications. For standard slide bearings, the RENK Group has been a leading provider for years.

g) Business development

In the financial year 2019, the individual business divisions developed very differently. The various target markets of the RENK Group performed even more differently than in previous years. Against this background, the RENK Group’s broad product portfolio and respective positioning in a diverse range of markets with little correlation proved a valuable stabilizing factor. In addition, the acquisition and first-time consolidation of the Horstman group had a positive impact.

Order situation: In the financial year 2019, the RENK Group booked new orders worth a total of EUR 540 million, up 2 percent from the year before. The Vehicle Transmissions division contributed EUR 217 million of these orders (an increase of approximately EUR 46 million compared to the previous year). The Slide Bearings division booked new orders worth EUR 85 million, roughly in line with the previous year. The Special Gear Units and Standard Gear Units divisions received orders worth EUR 176 million and EUR 70 million, respectively, slightly below the previous year and below expectations overall. For the Special Gear Units division this drop is just due to a slight delay in order intake. However, for the Standard Gear Units division it is due to its various markets not recovering as expected.

Turnover: In the financial year 2019, the RENK Group's turnover rose by 11 percent or EUR 57 million to EUR 559 million, with the Vehicle Transmissions division achieving a substantial increase in sales to EUR 230 million (up from EUR 177 million). The Special Gear Units division reported a slight year-on-year increase in shipments by EUR 11 million to EUR 181 million. At around EUR 85 million (up from EUR 87 million), sales of the Slide Bearings division were slightly down from the previous year, while Standard Gear Units' sales were also down slightly, dropping by EUR 6 million to EUR 73 million.

Order backlog: In the financial year 2019, the RENK Group's total order backlog rose to EUR 821 million. The positive effect of the takeover of the Horstman group's order book of
around EUR 56 million in April 2019 was partly offset by sales generally being higher than order intake. With the exception of Slide Bearings, all divisions generated more sales than new orders during the fiscal year. In the Slide Bearings division, sales equaled new orders.

**Operating profit:** As in the previous year, the RENK Group generated an operating profit of EUR 60 million in fiscal 2019. The rise of the operating profit of the Vehicle Transmissions division to around EUR 44 million was not only attributable to the first-time consolidation of the Horstman group yet also to an increase in earnings of the Augsburg-based business unit and RENK France S.A.S. At EUR 6 million, the Special Gear Units division's operating profit in the financial year 2019 was up from the previous year's EUR 5 million. However, higher warranty provisions and additional expenses across some projects had a greater impact on earnings than anticipated. The Standard Gear Units division reported an operating profit of only EUR 1 million due to the decline in sales and persistently difficult market conditions. For the financial year 2019, the operating profit of the Slide Bearings division was EUR 10 million, slightly below the previous year's EUR 11 million.

**Operating margin:** For the financial year 2019, the operating margin was 10.8% (previous year: 12.0%). As expected, the operating margin of the Vehicle Transmissions division declined slightly to 18.9% (down from 21.1%). For the Special Gear Units division it rose slightly to 3.4% (up from 3.1%), yet fell short of expectations. For the Standard Gear Units division, the sharp drop from 8.2% to 1.4% was even worse than the already cautious budget. For the Slide Bearings division, the operating margin of 11.3% (down from 12.9%) was in line with expectations.

For further details, reference is made to the 2019 annual report, which can be viewed and downloaded from RENK AG's website at www.renk-ag.com in the "Investor Relations" section.

**h) Selected financial indicators**

The Company's selected historical financial data below is based on the Company’s audited consolidated annual accounts for the fiscal year ending 31 December 2019. The financial statements were prepared in accordance with § 315e (1) of the Commercial Code (Han-delsgesetzbuch - HGB) and reflect the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards within the European Union, as well as such supplementary provisions as may be contained in the Articles of Association. They may be viewed on RENK AG’s website www.renk-ag.com in the “Enterprise / Corporate Governance” section. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, certified the Company’s audited consolidated annual accounts for the fiscal year ending 31 December 2019 without qualification.

As for additional financial data of the RENK Group, reference is made to the financial statements and semi-annual reports published on RENK AG’s website www.renk-ag.com in the “Investor Relations” section, which are available for download.
(1) RENK GROUP’s consolidated income statement

€ '000

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>558,609</td>
<td>502,218</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>-428,790</td>
<td>-383,442</td>
</tr>
<tr>
<td><strong>Gross operating profits</strong></td>
<td>129,819</td>
<td>118,776</td>
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<tr>
<td>Other operating income</td>
<td>8,350</td>
<td>7,484</td>
</tr>
<tr>
<td>Net allowances on financial assets</td>
<td>-683</td>
<td>-508</td>
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<tr>
<td>Distribution costs</td>
<td>-39,732</td>
<td>-37,412</td>
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<tr>
<td>General administrative costs</td>
<td>-27,520</td>
<td>-22,342</td>
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<tr>
<td>Other operating expenditures</td>
<td>-9,811</td>
<td>-5,721</td>
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<tr>
<td><strong>Operating profit</strong></td>
<td>60,423</td>
<td>60,213</td>
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<tr>
<td>Interest expenditures</td>
<td>-828</td>
<td>-400</td>
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<tr>
<td>Other financial income</td>
<td>2,728</td>
<td>1,802</td>
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<tr>
<td><strong>Financial income</strong></td>
<td>1,900</td>
<td>1,402</td>
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<tr>
<td><strong>Pre-tax profit</strong></td>
<td>62,323</td>
<td>61,615</td>
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<tr>
<td>Income tax</td>
<td>-18,152</td>
<td>-19,105</td>
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<tr>
<td><strong>Post-tax profit (attributable to RENK shareholders)</strong></td>
<td>44,171</td>
<td>42,510</td>
</tr>
<tr>
<td><strong>Earnings per share in € (diluted and undiluted)</strong></td>
<td>6.50</td>
<td>6.25</td>
</tr>
</tbody>
</table>

(2) RENK GROUP’s consolidated financial statement

**Assets**

€ '000

<table>
<thead>
<tr>
<th></th>
<th>31 Dec.</th>
<th>31 Dec.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2018</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>42,287</td>
<td>2,384</td>
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<tr>
<td>Tangible assets&lt;sup&gt;2&lt;/sup&gt;</td>
<td>241,703</td>
<td>210,041</td>
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<tr>
<td>Other and financial holdings</td>
<td>15,370</td>
<td>11,282</td>
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<tr>
<td>Deferred tax assets</td>
<td>9,606</td>
<td>6,295</td>
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<tr>
<td>Other long-term financial assets</td>
<td>860</td>
<td>3</td>
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<tr>
<td>Other long-term receivables</td>
<td>29</td>
<td>3</td>
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<tr>
<td><strong>Long-term assets</strong></td>
<td>309,855</td>
<td>230,008</td>
</tr>
<tr>
<td>Inventories</td>
<td>230,432</td>
<td>196,578</td>
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<tr>
<td>Trade receivables</td>
<td>135,197</td>
<td>104,854</td>
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<tr>
<td>Contractual assets&lt;sup&gt;1&lt;/sup&gt;</td>
<td>4,308</td>
<td>5,718</td>
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<tr>
<td>Current tax receivables</td>
<td>2,418</td>
<td>8,253</td>
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<tr>
<td>Other short-term financial assets</td>
<td>22,997</td>
<td>15,800</td>
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<tr>
<td>Other short-term receivables</td>
<td>7,128</td>
<td>6,451</td>
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<tr>
<td>Liquid funds</td>
<td>102,476</td>
<td>185,700</td>
</tr>
<tr>
<td><strong>Short-term assets</strong></td>
<td>504,956</td>
<td>523,353</td>
</tr>
<tr>
<td></td>
<td>814,811</td>
<td>753,361</td>
</tr>
</tbody>
</table>

<sup>1</sup> The balance-sheet figures for the reporting period reflect the effects of adjustments from the initial consolidation. In addition, reference is made to the section "Merger" in the annual accounts 2019 published and available for download on RENK AG’s website www.renk-ag.com in the "Investor Relations" section.

<sup>2</sup> Reference is made to the section "Changes to accounting rules and methods." in the annual accounts 2019 published and available for download on RENK AG’s website www.renk-ag.com in the "Investor Relations" section.
Liabilities

€ '000  

<table>
<thead>
<tr>
<th>Description</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribed capital</td>
<td>17,920</td>
<td>17,920</td>
</tr>
<tr>
<td>Capital reserves</td>
<td>10,669</td>
<td>10,669</td>
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<tr>
<td>Retained earnings</td>
<td>461,121</td>
<td>431,910</td>
</tr>
<tr>
<td>Equity from unrealized gains/losses</td>
<td>-6,011</td>
<td>-10,564</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td><strong>483,699</strong></td>
<td><strong>449,935</strong></td>
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<tr>
<td>Long-term financial liabilities</td>
<td>5,181</td>
<td>-</td>
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<tr>
<td>Pension provisions</td>
<td>14,233</td>
<td>16,023</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>9,229</td>
<td>-</td>
</tr>
<tr>
<td>Long-term contractual liabilities</td>
<td>73,450</td>
<td>81,993</td>
</tr>
<tr>
<td>Other long-term accruals</td>
<td>11,262</td>
<td>8,555</td>
</tr>
<tr>
<td>Other long-term financial liabilities</td>
<td>1,038</td>
<td>120</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>25</td>
<td>51</td>
</tr>
<tr>
<td><strong>Long-term liabilities and accruals</strong></td>
<td><strong>114,418</strong></td>
<td><strong>106,742</strong></td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td>1,284</td>
<td>-</td>
</tr>
<tr>
<td>Current income tax provisions</td>
<td>2,890</td>
<td>1,898</td>
</tr>
<tr>
<td>Trade payables</td>
<td>41,235</td>
<td>39,407</td>
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<tr>
<td>Short-term contractual liabilities</td>
<td>94,814</td>
<td>80,392</td>
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<tr>
<td>Short-term tax liabilities</td>
<td>976</td>
<td>159</td>
</tr>
<tr>
<td>Other short-term accruals</td>
<td>43,954</td>
<td>43,522</td>
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<tr>
<td>Other short-term financial liabilities</td>
<td>2,106</td>
<td>2,129</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>29,435</td>
<td>29,176</td>
</tr>
<tr>
<td><strong>Short-term liabilities and accruals</strong></td>
<td><strong>216,694</strong></td>
<td><strong>196,683</strong></td>
</tr>
<tr>
<td></td>
<td><strong>814,811</strong></td>
<td><strong>753,361</strong></td>
</tr>
</tbody>
</table>

1) The balance-sheet figures for the reporting period reflect the effects of adjustments from the initial consolidation. In addition, reference is made to the section "Merger" in the annual accounts 2019 published and available for download on RENK AG’s website www.renk-ag.com in the “Investor Relations” section.

2) Reference is made to the section “Changes to accounting rules and methods.” in the annual accounts 2019 published and available for download on RENK AG’s website www.renk-ag.com in the “Investor Relations” section.

i) RENK’s strategy

RENK AG’s mission is to preserve and/or enhance its position as a technology leader in important industries and to continue its profitable growth. This strategy is supported by targeted measures of internationalization, a strong alignment with customer needs, operational excellence as well as an ongoing capacity for innovation. Specifically, RENK AG’s corporate strategy is composed of the following elements:

First, RENK AG intends to leverage the technology leadership position it believes to hold across its business divisions to grow organically across all areas of application. This applies to the development and distribution of new equipment as well as aftermarket activities – i.e., the market for maintenance services and spare parts. In this context, research and development activities are critical for RENK AG in order not to just to maintain but enhance its technology leadership, if possible. RENK AG’s products have long life cycles. Meeting customer requirements through technological enhancements is therefore key to RENK AG’s innovation
management. In addition, activities are focused on new developments for existing and new product lines. One critical pillar of research and development activities is the cooperation with various universities, research institutes as well as partners in the industry.

RENK Group further intends to reinforce its innovative strength and production capacities through investments; these efforts are designed to support and elevate the RENK Group’s ability to distinguish itself in its business segments.

Moreover, RENK Group’s competitiveness is to be maintained with regard to the cost structure, and for this purpose, processes and procedures are to be continuously improved, and efficiency gains are to be realized. In this context, digitalization will play an important role.

Finally, RENK Group plans to pursue value-enhancing and selective acquisitions, particularly to expand and complete its range of products.

j) Number of employees

On 31 December 2019, the RENK Group had a workforce of 2,569 employees. In addition, it used the services of 68 temporary staff. Domestic staff accounted for 2,205 employees, and 364 worked for foreign companies.

2. Bidder

Unless another source is specified, the Bidder published the information below in the Offer Document. The Bidder is responsible for all data contained in the Offer Document.

a) Bidder’s legal foundations

The Bidder, Rebecca BidCo GmbH (formerly SCUR-Alpha 1138 GmbH), is a limited liability company under German law with its corporate seat in Munich, Germany, registered with the commercial register at the local court of Munich’s local court under HRB 253889. The Bidder’s current domestic business address is c/o Triton Beratungsgesellschaft GmbH, Schillerstraße 20, 60313 Frankfurt am Main, Germany. Likely starting in May of 2020, the Bidder’s new business address will be as follows: c/o Triton Beratungsgesellschaft GmbH, Omniturm, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany.

The purpose of the Bidder’s enterprise consists of acquiring and holding stakes in enterprises in the Federal Republic of Germany and abroad.

The Bidder’s managing directors are Claus von Hermann and Volker Stumpf.

At this time, the Bidder is not invested in any other enterprise.

b) Bidder’s shareholder structure

The Bidder is an indirect wholly-owned subsidiary of Triton Fund V, which Triton Investment Management Limited, a company with registered offices in Jersey, represents as manager.
Based on the information provided in the Offer Document, the Bidder’s shareholder structure is as follows:

The Bidder’s sole stakeholder is Rebecca FinCo GmbH (formerly SCUR-Alpha 1137 GmbH), a company with registered offices in Munich and entered into the register of companies of Munich’s local court under HRB 253888.

This company’s sole stakeholder in turn is Rebecca HoldCo GmbH (formerly SCUR-Alpha 1136 GmbH), a company with registered offices in Munich and entered into the register of companies of Munich’s local court under HRB 253885.

All shares of this company are held by Triton V LuxCo 31 SARL, a limited liability company under Luxembourg law (société à responsabilité limitée) with registered offices in Luxembourg, which is entered into Luxembourg’s commercial register (registre de commerce et des sociétés) under the registration number B241575.

This company’s sole stakeholder in turn is Triton V LuxCo 30 SARL, a limited liability company under Luxembourg law with registered offices in Luxembourg, which is entered into Luxembourg’s commercial register under the registration number B241561.

All shares of this company are held by Triton V LuxCo 29 SARL, a limited liability company under Luxembourg law with registered offices in Luxembourg, which is entered into Luxembourg’s commercial register under the registration number B241541.

All shares of this company are held by Triton Masterluxco 5 SARL, a limited liability company under Luxembourg law with registered offices in Luxembourg, which is entered into Luxembourg’s commercial register under the registration number B228924.

The sole shareholder of Triton Masterluxco 5 SARL in turn is Triton V S.à r.l. SICAV-RAIF, an investment company with variable capital (société d'investissement à capital variable) in the legal form of a limited liability company under Luxembourg law with registered offices in Luxembourg, which is entered into the Luxembourg commercial register under the registration number B232241.

The holder of an interest of currently 82.40% and thus of a majority of the capital and voting rights of Triton V S.à r.l. SICAV-RAIF is Triton Fund V L.P., a limited partnership under Jersey law with registered offices in St Helier, Jersey, which is entered into the Jersey Companies Register under the registration number LP2553 and controls Triton V S.à r.l. SICAV-RAIF.

The stakeholders of Triton Fund V L.P. are Triton Fund V General Partner L.P., a limited partnership under Jersey law with registered offices in St Helier, Jersey, which is entered into the Jersey Companies Register under the registration number LP2552, as sole general partner, which controls Triton Fund V L.P., along with various investors as limited partners without a controlling interest.

The stakeholders of Triton Fund V General Partner L.P. are Triton Managers V Limited, a Jersey private company limited by shares with registered offices in St Helier, Jersey, which is
entered into the Jersey Companies Register under the registration number RC124702, as sole
general partner, and Triton Invest-Co SARL, a limited liability company under Luxembourg law
with registered offices in Luxembourg, which is entered into the Luxembourg commercial reg-
ister under the registration number B222068, as sole limited partner. Triton Managers V Lim-
ited controls Triton Fund V General Partner L.P. in its capacity as sole general partner. The
sole stakeholder of Triton Managers V Limited is Triton InvestCo SARL.

The sole stakeholder of Triton InvestCo SARL is Triton Investors SCSp, a special limited part-
nership under Luxembourg law (société en commandite spéciale) with registered offices in
Luxembourg, which is entered into the Luxembourg commercial register under the registration
number B228346.

The stakeholders of Triton Investors SCSp are Triton Investors GP SARL, a limited liability
company under Luxembourg law with registered offices in Luxembourg, which is entered into
the Luxembourg commercial register under the registration number B228246, as sole general
partner, which controls Triton Investors SCSp, as well as various limited partners without a
controlling interest.

The holder of an interest of 85% and thus of a majority of the capital and voting rights of Triton
Investors GP SARL is Carezo (Guernsey) Limited, a Guernsey private company limited by
shares with registered offices in St Peter Port, Guernsey, which is entered into the Guernsey
Registry of Companies under the registration number 52519, which controls Triton Investors
GP SARL.

The sole stakeholder of Carezo (Guernsey) Limited is Addison Nominees Limited, a Jersey
private company limited by shares with registered offices in St Helier, Jersey, which is entered
into the Jersey Companies Register under the registration number 102491, in its capacity as
trustee for Mr. Peder Prahl, c/o Triton Advisers (Sweden) AB, Kungsträdgårdsgatan 20, 7th
floor, 111 47 Stockholm, Sweden.

The sole stakeholder of Addison Nominees Limited is Triton Administration (Jersey) Limited,
a limited liability company under Jersey law with registered offices in St Helier, Jersey, which
is entered into the Jersey Companies Register under the registration number 102111. The
sole stakeholder of Triton Administration (Jersey) Limited is Triton OpCo SARL, a limited lia-
bility company under Luxembourg law with registered offices in Luxembourg, which is entered
into the Luxembourg commercial register under the registration number B228066. The sole
stakeholder of Triton OpCo SARL is Triton Investors SCSp.

The (indirect) controlling interest of Mr. Peder Prahl in Triton Fund V L.P. and the Bidder is a
product of the ownership structure under the company law described above. The Bidder clar-
ified under item 6.2 of the Offer Document that Mr. Peder Prahl is not the ultimate economic
beneficiary of Triton Fund V L.P. and that Mr. Peder Prahl does not bear the economic chances
and risks of Triton Fund V L.P., but that such chances and risks are with the investors in Triton
Fund V L.P..

The Bidder’s shareholder structure is summarily illustrated in Annex 2 of the Offer Document.
c) Persons acting jointly with Bidder

The Bidder lists the individuals and companies, who are the persons acting jointly with the Bidder within the meaning of § 2 (5) sentences 1 and 3 of the Securities Acquisition and Takeover Act, in Annex 3 of the Offer Document. The Bidder further declares in item 6.4 of the Offer Document that there are no other persons acting jointly with the Bidder within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act.

3. Participation in RENK AG of Bidder and persons acting jointly with it

The Bidder explains in item 6.5 of the Offer Document that, at the time of the Offer Document’s publication, neither the Bidder nor any person acting jointly with it within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act nor their subsidiaries hold RENK Shares, be it directly or indirectly. The Bidder further explains that, at the time of the Offer Document’s publication, voting rights associated with RENK Shares are attributed to neither the Bidder nor persons acting jointly with it within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act nor their subsidiaries.

In items 6.5 and 6.6.1 of the Offer Document, however, the Bidder represents that the RENK Majority Shareholder (formerly known as Volkswagen Klassik GmbH), a company with its corporate seat in Wolfsburg and registered with the commercial register at the local court of Braunschweig under HR B 200525, which held 5,320,000 shares of RENK Shares at the time of the Offer Document’s publication, entered into a share purchase agreement on 30 January 2020 for the sale of the shares of RENK Shares sold under the share purchase agreement to the Bidder subject to various conditions precedent (cf. item 6.6.1 of the Offer Document). In this regard, the Bidder explains that the Bidder and its direct and indirect parent companies have described the transfer claim under the above-referenced share purchase agreement as a right derived from instruments held directly or indirectly in reference to the 5,320,000 shares of RENK Shares that were the subject of the purchase agreement pursuant to § 38 of the Securities Trading Act (corresponding to 76.00 % of RENK Shares and 76.00 % of RENK AG’s share capital).

In addition, the Bidder stated, neither the Bidder nor the persons acting jointly with it within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act nor their subsidiaries hold voting-right shares to be notified pursuant to § 38 or § 39 of the Securities Trading Act, be it directly or indirectly, as of the Offer Document’s publication.

III. INFORMATION ON BID

Below please find a summary of selected information about the Bid taken exclusively from the Offer Document or other materials published by the Bidder:

1. Bid execution

The Bidder transacts the Bid in the form of a voluntary public takeover offer for the acquisition of all shares of RENK Shares (“Takeover Offer”) pursuant to § 29 (1) of the Securities Acquisition and Takeover Act. The Bid is executed as a takeover offer according to German law, including
but not limited to the Securities Acquisition and Takeover Act as well as the Offer Ordinance of the Securities Acquisition and Takeover Act (Angebotsverordnung zum Wertpapiererwerbs- und Übernahmegesetz - WpÜG-AngebotsVO). In the event that applicable law bindingly opposes this agreement according to the interpretation adopted by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin), the legal provision in question, or its interpretation by the Federal Financial Supervisory Authority, is to be given preference, and this agreement is to be amended such that it reflects the parties’ intentions to the greatest extent possible.

2. Publication of decision to submit bid

On 30 January 2020, the Bidder published its decision to submit the Bid pursuant to § 10 (1) sentence 1 of the Securities Acquisition and Takeover Act online under https://rebecca-angebot.de.

3. BaFin review and publication of offer document

The Federal Financial Supervisory Authority reviewed the Offer Document under German law and in the German language and approved its publication on the basis of the Bidder’s submissions on 10 March 2020. The Bidder published the Offer Document on 10 March 2020 by (i) posting it online (together with a non-binding English translation) under www.rebecca-angebot.de as well as (ii) handing out copies of the Offer Document free of charge at Deutsche Bank Aktiengesellschaft, Trust & Agency Services, Post-IPO Services, Taunusanlage 12, 60325 Frankfurt am Main, Germany (requests by facsimile to +49 (69) 910-38794 or by electronic mail to dct.tender-offers@db.com). A notice to that effect identifying (i) the internet address under which the Offer Document is published, and (ii) the agency, where the Offer Document may be picked up free of charge, was published on 10 March 2020 in the Federal Gazette.

4. Background of the Bid and deliberations of Executive Board and Supervisory Board

Pursuing the goal of strengthening the business of the RENK Group, the Bidder intends to invest in the RENK Group’s business (the “Investment”) by acquiring from the RENK Majority Shareholder, among others, a total of 5,320,000 RENK Shares (which corresponds to 76.00% of the RENK Shares and 76.00% of the share capital and voting rights of the Company). Subject to the adjustments set forth under item 6.6.1(b) of the Offer Document, the purchase price for the shares of RENK Shares sold under a share purchase agreement (“Share Purchase Agreement”) to that effect equals EUR 97.80 per share of RENK Shares sold pending an adjustment made in relation to the dividend paid for fiscal 2019, but not to exceed a maximum amount of EUR 100.00.

a) Investment Agreement

On 30 January 2020, the Company and the Bidder signed an Investment Agreement which governs the main aspects of the Bid, especially the principal terms and conditions of the Takeover Offer, the parties’ joint intentions and understanding as well as the obligations assumed
with regard to the Takeover Offer, the future organizational and corporate governance structure of the Company and the business strategy underlying the Investment.

The principal provisions of the Investment Agreement are summarized below based on the views of the Executive Board and the Supervisory Board.

(1) Support of the Bid

Pursuant to the Investment Agreement, RENK AG has undertaken to refrain, and to procure to the extent permitted by law that each Member of the RENK Group for its part refrains, from taking such steps and adopting such measures as may adversely affect the Takeover Offer, its (prompt) execution or the Bidder’s intentions set forth in this agreement.

Furthermore, the Company has undertaken to procure that it will not sell or otherwise dispose of its treasury RENK Shares. To this end, the Company signed a non-tender agreement with the Bidder and an account-blockage agreement with the custodian bank in connection with the Investment Agreement.

In addition, the Company has undertaken, to the extent permitted by law and subject to the Executive Board’s fiduciary duties under § 93 of the Companies Act (Aktiengesetz - AktG), to support the Bidder to the best of its ability in the execution and implementation of a domination and profit transfer agreement with the Company pursuant to § 291 (1) of the Companies Act ("Domination and Profit Transfer Agreement"). However, an obligation of the Executive Board or the Company to enter into the envisioned Domination and Profit Transfer Agreement, or an obligation of the Executive Board or Supervisory Board of the Company to advise the Company’s general meeting to approve the envisaged Domination and Profit Transfer Agreement (or a draft thereof submitted by the Bidder), is not intended.

Finally, in view of the fact that the Bidder will consider third-party financing to finance the transaction, before or after its completion, the Company has undertaken to assist the Bidder to the best of its ability, to respond to any inquiries from the Bidder’s advisors as well as potential equity investors and to make competent staff available for any management presentations.

(2) Support for business strategy

Subject to its legal means of influence-taking, the Bidder has undertaken to assist the Company’s Executive Board and the Supervisory Board with the implementation of the business strategy, which includes the following elements:

- implementing organic growth across all areas of application, including new equipment and aftermarket activities, based on the RENK Group’s technology leadership;

- investing in innovation and production capacity to support the RENK Group’s distinctiveness;
continually improving business activities and realizing efficiency gains to preserve the RENK Group’s cost competitiveness; and

• pursuing value-enhancing and selective acquisitions to complete the RENK Group’s range of products.

(3) Recognizing significance of employees and constructive dialog with employee representatives

In the Investment Agreement, the Bidder acknowledges that a committed RENK Group workforce represents the foundation of the Company’s continued success, and that the continued success of the RENK Group depends on the performance, creativity and innovative capability of the Company’s workforce. The Bidder has thus agreed to continue and to intensify the constructive dialogue with all employee representatives of the RENK Group, as well as to support the Company’s Executive Board in maintaining and creating an attractive and competitive environment.

(4) Site and employment protection

Subject to available legal means of influence-taking, the Bidder has undertaken to work towards maintaining the RENK Group’s manufacturing sites in Augsburg (which is also to remain the corporate headquarters), Rheine and Hanover at least until December 31, 2026, and to consider site closures outside Germany only in very close coordination with the Executive Board.

Subject to available legal means of influence-taking, the Bidder has further undertaken to procure that no business-related workforce reductions will be announced at the Augsburg, Rheine and Hanover sites before the end of 31 December 2026 without the works council’s consent. Starting on 1 January 2021, an exemption from such exclusion of redundancies will only be possible in the event of a significant deterioration of the economic situation of the Company under conditions defined more precisely in the Investment Agreement. The exclusion of redundancies does not affect the reduction of personnel at the Rheine site under the agreement between the Company and the Rheine Works Council dated 6 December 2019 (as well as any addendum thereto).

Finally, the Bidder has undertaken not to initiate a sale or other disposal of any significant number of shares, businesses or material parts thereof or material assets of the RENK Group without the consent of the Company’s Executive Board.

(5) Support for investments

The Bidder has undertaken to support the Company’s Executive Board in investing in new product developments as well as in value-enhancing and selective acquisitions to ensure the success of the RENK Group. In this context, the Bidder has also undertaken to provide access to its internal resources, including its finance and capital-markets experts, with a view to actively supporting these strategic decisions and investment projects. In addition, the Bidder has
also committed to providing the Company with access to its internal resources in the areas of digitization, procurement and purchasing.

(6) Dividend policy and liquidity planning to suit financial needs (including investments and acquisitions)

As part of its dividend policy and liquidity planning, the Bidder has undertaken to take into account the financial requirements of the RENK Group with regard to its business strategy, and to ensure that sufficient funds are earmarked for covering basic operational investment requirements along with value-enhancing and selective acquisitions.

(7) Preserving core competencies and intellectual property (including trademarks)

In the Investment Agreement, the Bidder has affirmed that it will respect the intellectual property rights of RENK Group companies as well as their R&D obligations, and it has committed to ensuring that such industrial property rights will remain the property of, and continue to be used by, the RENK Group. In addition, the Bidder has undertaken to maintain the RENK Group's trademarks as independent brands and to support the RENK Group in increasing awareness thereof.

(8) Workforce and employees

The Bidder has undertaken in the Investment Agreement to exercise its rights following the consummation of the transaction in order to procure as follows upon closing:

- Existing affiliations with employer associations of the metal and electrical industries will be continued.
- Competent works councils will be consulted with respect to planning for personnel needs.
- Technical, business and commercial training will be continued at or above current levels, and partial-retirement plans will not be discontinued.
- Works councils will be consulted regarding the question of how the current “make or buy” process may be put to the best possible use with regard to the outsourcing of services and products for the benefit of the RENK Group and its employees.
- Negotiations will be held with competent works councils to determine how the existing practice of having employees share in the Company’s success may be developed for the future, as well as how employees may further share in a very successful exit of the Bidder.
- The Company’s existing pension scheme will be continued at current levels in accordance with the Company Pensions Act (Betriebsrentengesetz - BetrAVG) as well as the relevant case law.
- The Bidder will establish whether it might be in the RENK Group’s interest if the Supervisory Board would deliberate on and potentially resolve to increase the number of members
on the Company’s Executive Board from two to three individuals within the first 18 months after the consummation of the transaction.

(9) Cost reimbursement

With respect to the Company’s costs resulting from the implementation of the Investment Agreement, the Bidder has undertaken to indemnify and hold the Company harmless from such internal or external costs and expenditures as the Company and the members of the RENK Group may incur in connection with measures and actions predating the consummation of the transaction that are either set forth in the Investment Agreement or adopted upon the Bidder’s instruction. In all other respects, it was agreed that each party bears its own costs and expenses regarding the Investment and the consummation of the Investment Agreement.

(10) Holding period for RENK Shares

No agreement was made regarding a holding or lock-up period as part of the Investment Agreement.

(11) Term

The Investment Agreement went into effect when it was signed; it will end as soon as the Bidder no longer holds a majority interest in RENK AG following the consummation of the transaction. In certain cases (e.g., in the event that the Takeover Offer expires on account of Bid conditions not having been satisfied), both sides hold a special right of termination with immediate effect. The right to terminate this agreement for cause is not affected.

b) Statement about Bidder’s Bid

Upon its publication on 10 March 2020, the Executive Board and the Supervisory Board, with the support of their financial and legal advisors, carefully examined the Offer Document, and final meetings of the Executive Board and the Supervisory Board took place on 24 March 2020 to examine the valuation and fairness opinion of KPMG AG Wirtschaftsprüfungsgesellschaft (see item IV.3.c) of the Opinion) in detail and to discuss them with the financial and legal advisors. By unanimous vote without abstentions, both the Executive Board and the Supervisory Board each voted to issue a recommendation to RENK AG shareholders to accept the Bid and tender their RENK Shares into the Bid.

5. Substance of bid

a) Offer Consideration

The Bidder offers an offer consideration – i.e., a consideration within the meaning § 27 (1) sentence 2 no. 1 of the Securities Acquisition and Takeover Act – in the amount of EUR 106.20 in cash per share of RENK Shares (“Offer Consideration”).
The Offer Consideration per share of RENK Shares applies to any and all shares of RENK Shares, including any ancillary rights (especially the dividend right) that may exist at the time of the Bid’s implementation.

The Bidder undertakes to increase the Offer Consideration payable or paid as part of the Bid with respect to each RENK Share tendered for sale ("RENK Shares Tendered for Sale") in line with and to the extent of any increase in the total purchase price paid to the RENK Majority Shareholder under the Share Purchase Agreement per RENK Share sold thereunder that results from the possible falling due of

a) the default interest agreed in the Share Purchase Agreement (as defined and set out in more detail under item 6.6.1(c) of the Offer Document); and/or

b) a settlement payment or a supplementary payment to the RENK Majority Shareholder under the Share Purchase Agreement (as described in greater detail in items [6.6.1(b)(i)] and 6.6.1(b)(iii) of the Offer Document; and/or

c) a payment made under any indemnification agreed to be paid to the RENK Majority Shareholder under the Share Purchase Agreement (as defined and set out in more detail under item 6.6.1(d) of the Offer Document); and/or

d) a payment of taxes and dues (as defined and set out in more detail under item 6.6.1(e) of the Offer Document),

in each case as described in item 6.6.1 of the Offer Document, provided that the total purchase price thereby exceeds the Offer Consideration payable or paid under the Bid.

The Bidder will promptly notify the Federal Financial Supervisory Authority of any increase in the Offer Consideration and publish a notice to that effect online under http://rebecca-angebot.de as well as in the Federal Gazette.

Provided that the increase in offer consideration has been announced prior to the settlement of the offer, RENK AG shareholders who have accepted the offer will receive the increased Offer Consideration accordingly upon settlement.

Provided that the increase in Offer Consideration is announced after settlement, RENK AG shareholders who have accepted the Bid and have received the Offer Consideration in the course of settlement are expected to receive the respective increase amount per RENK Share via Clearstream and the custodian bank system to their respective bank accounts within ten banking days after the aforementioned publication, provided their account data corresponds to the date used for settlement of the offer. Should the account data of RENK AG shareholders who have accepted the Bid have changed, such shareholders should contact their former custodian bank with their new account details. The corresponding amount of the claim for subsequent payment will be kept available at the Bidder’s premises and, accordingly, paid out via the custodian bank system upon request of the shareholders.
b) Acceptance period

The Takeover Offer provides for an acceptance period of ten (10) weeks ("Acceptance Period").

The period allotted for the acceptance of the Bid commenced upon the publication of the Offer Document on 10 March 2020 and will end on 19 May 2020 at 00:00 AM (local time in Frankfurt am Main, Germany) or 06.00 PM (local time in New York).

Subject to the conditions listed below, the Acceptance Period automatically prolongates as follows:

- Subject to § 21 of the Securities Acquisition and Takeover Act, the Bidder may change the Bid up until one business day before the Acceptance Period expires. If the Bid is changed pursuant to § 21 of the Securities Acquisition and Takeover Act within the last two weeks before the Acceptance Period expires, the Acceptance Period is extended by two weeks (§ 21 (5) of the Securities Acquisition and Takeover Act) – i.e., until 2 June 2020, 00:00 AM (local time in Frankfurt am Main) / 06.00 PM (local time in New York). This also applies in the event that the changed Bid violates applicable law.

- If, during the Acceptance Period for the present Bid, a third party submits a competing offer ("Competing Offer"), and the Acceptance Period for the present Bid expires before the acceptance period for such Competing Offer does, the expiration date of the Acceptance Period for the present Bid is determined on the basis of the acceptance period for the Competing Offer (§ 22 (2) of the Securities Acquisition and Takeover Act). This also applies in the event that the Competing Offer is changed, is prohibited or violates applicable law.

In the event that, in connection with the present Bid, a RENK AG general meeting is convened following the publication of the Offer Document, the Acceptance Period is not extended for the present Bid pursuant to § 16 (3) of the Securities Acquisition and Takeover Act because the maximum period of ten weeks has already been set for acceptance pursuant to item 5.1 of the Offer Document.

The period for the Bid’s acceptance, including any and all extensions thereof resulting from provisions of the Securities Acquisition and Takeover Act (but excluding the additional acceptance period defined below), is uniformly referred to in this Opinion as "Acceptance Period".

The Bidder will publish any extension of the Acceptance Period as provided in item 20 of the Offer Document. With regard to the right of rescission in the event of changes to the Bid or the submission of a Competing Bid, reference is made to the Bidder’s statements in item 17.1 of the Offer Document.
RENK AG shareholders who did not accept the Bid within the Acceptance Period may do so within two weeks after the Bidder’s publication of the Bid’s outcome pursuant to § 23 (1) sentence 1 no. 3 of the Securities Acquisition and Takeover Act (“Additional Acceptance Period”) unless one of the Bid conditions set forth under lit. d) below has definitively lapsed by the end of the Acceptance Period without having previously been effectively waived. Upon the expiration of the Additional Acceptance Period, the Bid may no longer be accepted unless there is a right to tender according to § 39c of the Securities Acquisition and Takeover Act; the Bidder described the details of such right under item 16.6 of the Offer Document.

Subject to an extension of the Acceptance Period in the cases described above, the Additional Acceptance Period likely commences on 26 May 2020 – following the Bidder’s publication of the Bid’s outcome pursuant to § 23 (1) sentence 1 no. 3 of the Securities Acquisition and Takeover Act likely on 25 May 2020 – and ends on 8 June 2020, 00:00 AM (local time in Frankfurt am Main) / 06:00 PM (local time in New York). The Additional Acceptance Period is a period provided by law.

c) Rights of rescission

Under item 17 of the Offer Document, the Bidder notes the following rights of rescission, which are available to all shareholders who accepted the bid. Such rights are described herein only briefly (the Bidder has described them in exhaustive detail in the Offer Document):

1) In the event of a change to the Bid pursuant to § 21 (1) of the Securities Acquisition and Takeover Act, RENK AG shareholders may withdraw from the agreements entered into as a result of Bid acceptance until the Acceptance Period has expired pursuant to § 21 (4) Securities Acquisition and Takeover Act if and to the extent that they accepted the Bid prior to the publication of such change to the Bid.

2) In the event of a Competing Offer pursuant to § 22 (1) of the Securities Acquisition and Takeover Act, RENK AG shareholders may withdraw from the agreements entered into as a result of Bid acceptance until the Acceptance Period has expired pursuant to § 21 (3) Securities Acquisition and Takeover Act if and to the extent that they accepted the Bid prior to the publication of the Offer Document for such Competing Bid.

3) In addition, the Bidder grants the holder of RENK Shares Tendered for Sale the contractual right to withdraw from the agreements entered into as a result of Bid acceptance from the day on which the Acceptance Period expires until the end of trading on the day the satisfaction of any and all Bid conditions (that have not been effectively waived) or the non-completion of a Bid Condition was made public.

The Bidder has provided additional details on the rights of rescission, exercising them and the consequences of doing so in item 17 of the Offer Document.
d) Bid conditions

According to item 12.1 of the Offer Document, the execution of the Bid as well as the agreements executed by the acceptance of the Bid are subject to the following conditions subsequent (collectively “Bid Conditions” or individually “Bid Condition”). The Bid Conditions that correspond to the requirements of the Investment Agreement are only mentioned briefly herein. With respect to the complete wording of the Bid Conditions, reference is made to item 12.1 of the Offer Document:

- At the time the Acceptance Period expired, the Company’s general meeting has not adopted resolutions in favor of
  - (i) an increase in the share capital (including a capital increase financed with Company funds); or
  - (ii) creating conditional or authorized capital; or
  - (iii) having the Company enter into an enterprise agreement (Unternehmensvertrag) within the meaning §§ 291, 292 of the Companies Act with a party that is not a Member of the RENK Group; or
  - (iv) amending the Company’s Articles of Association; or
  - (v) dissolving the Company; or
  - (vi) using the balance-sheet profit for the financial year 2019 such that a dividend is distributed per share of RENK Shares that exceeds the amount that the Bidder and the RENK Majority Shareholder expect: EUR 2.20.

- Granting of the following regulatory approvals by 8 May 2021 at the latest:
  - (i) approvals under merger-control law by the European Commission, the anti-trust authorities of Brazil, the anti-trust authorities of Saudi-Arabia, the anti-trust authorities of Turkey as well as the anti-trust authorities of Ukraine;
  - (ii) approvals under foreign-trade law in Germany, France, Canada, the United Kingdom and the United States.

e) Waiver of Bid Conditions

Up until one business day prior to the expiration of the Acceptance Period, the Bidder may waive in advance any or all Bid Conditions pursuant to § 21 (1) sentence 1 no. 4 of the Securities Acquisition and Takeover Act, where permitted – in each instance, provided that such Bid Conditions have not definitively lapsed. Such waiver shall have the same effects as the satisfaction of the Bid Condition in question. In the event that the Bidder waives any Bid Condition within the last two weeks before the Acceptance Period expires, the Acceptance Period is extended by two weeks (§ 21 (5) of the Securities Acquisition and Takeover Act) – i.e., until 2 June 2020, 00:00 AM (local time in Frankfurt am Main) / 06:00 PM (local time in New York).
f) Applicable law

According to item 21 of the Offer Document, the Bidder’s Bid and any agreement entered into between the RENK AG shareholders and the Bidder as a result of Bid acceptance are subject to German law, and the exclusive legal venue for all legal disputes arising from or in connection with the Bid (as well as all agreements resulting from its acceptance) is, to the extent permitted by law, Frankfurt am Main, Germany.

g) Public notices

The Bidder stated in item 20 of the Offer Document that it will promptly publish all publications and notices required under the Securities Acquisition and Takeover Act or the applicable U.S. capital-market regulations in connection with this Bid online under www.rebecca-angebot.de (in the German as well as the English language) and, to the extent necessary under the Securities Acquisition and Takeover Act, in the Federal Gazette.

6. Bid financing

According to item 14.3 of the Offer Document, the Bidder has adopted the measures needed under to § 13 (1) sentence 1 of the Securities Acquisition and Takeover Act in order to procure that it will dispose of the financial resources necessary for the Bid’s satisfaction in full when the claims for payment of the Offer Consideration fall due.

Based on information provided by the Bidder, the maximum costs for the Bid (consisting of the maximum consideration as well as the transaction costs in connection with the Bid’s preparation and execution) equal the amount of EUR 748,400,000.00 ("Maximum Financing Needs").

The Maximum Financing Needs also encompass the shares of RENK Shares currently held by the RENK Majority Shareholder, which the Bidder will acquire subject to the terms of the Share Purchase Agreement, along with such RENK Shares as the Company may hold itself (treasury shares). As far as those are concerned, however, the Bidder has entered into qualified non-tender and account-blockage agreements, which is why the Bidder assumes that no Offer Consideration will be due for 5,519,903 shares of RENK Shares. Consequently, only 1,480,097 shares of RENK Shares are held by RENK shareholders who could potentially accept the Bid. The total Offer Consideration that would be needed if all of these shares of RENK Shares were tendered into the Bid is EUR 157,186,301.40 at the Offer Consideration of EUR 106.20 per share of RENK Shares, and the expected total costs for the purchase of such shares of RENK Shares, including the transaction costs for the Bid, would thus not exceed EUR 162,186,301.40 ("Expected Financing Needs").

On 18 February 2020, Triton Fund V L.P., Triton Fund V SCSp, Triton Fund V F&F L.P., Triton Fund V F&F No. 2 L.P., Triton Fund V F&F No. 3 L.P., Triton Fund V F&F No. 4 SCSp, Triton Fund V F&F No. 5 SCSp, Triton Fund V F&F No. 6 SCSp and Triton Fund V F&F SMA SCSp (the “Triton Equity Investors”) undertook vis-à-vis the Bidder to provide the Bidder, either directly or indirectly, with funds in the total amount of EUR 184,186,301.40 in the form of equity capital and/or on the basis of shareholder loans or similar instruments, so that the Bidder may satisfy its payment
obligations under the Bid (referred to collectively as “Bid Equity Financing”). As private-equity funds, the Triton Equity Investors are financed by their own investors, who have entered into commitments to provide capital. The Triton Equity Investors may call up capital from their investors, who are bound by such commitments to provide the capital so promised to the Triton Equity Investors.

The total amount of Bid Equity Financing (up to EUR 184,186,301.40) covers – and exceeds – the Expected Financing Needs of no more than EUR 162,186,301.40. Bid Equity Financing has not been terminated, and the Bidder has no reason to assume that grounds for the termination of Bid Equity Financing exist. Consequently, the Bidder has adopted the necessary measures to ensure that it will dispose of the funds needed to meet Expected Financing Needs.

Thanks to the qualified non-tender agreements described above, including but not limited to the contractual penalty and set-off clauses contained therein, financing for the Bid is assured even in the event that actual financing needs reach the amount of Maximum Financing Needs.

Goldman Sachs Bank Europe SE, a provider of securities services with registered offices in Frankfurt am Main that is not affiliated with the Bidder, has issued the commitment letter required pursuant to § 13 (1) sentence 2 of the Securities Acquisition and Takeover Act; such letter is attached to the Offer Document as Annex 5.

IV. TYPE AND AMOUNT OF CONSIDERATION OFFERED

1. Type and amount of consideration

The Bidder is offering an Offer Consideration – i.e., consideration within the meaning of § 27 (1) sentence 2 no. 1 of the Securities Acquisition and Takeover Act – in the amount of EUR 106.20 in cash per RENK Share.

2. Statement on statutory minimum price

The Offer Consideration for RENK Shares must meet the provisions concerning the minimum price within the meaning of § 31 (1) of the Securities Acquisition and Takeover Act as well as §§ 4 and 5 of the Offer Ordinance of the Securities Acquisition and Takeover Act, which is determined in relation to the higher of the two thresholds set forth below:

- Pursuant to § 5 of the Offer Ordinance of the Securities Acquisition and Takeover Act, the consideration within the meaning of § 27 (1) sentence 2 no. 1 of the Securities Acquisition and Takeover Act must equal or exceed the weighted average domestic stock exchange price of RENK Shares during the three-month period prior to the publication of the Bidder’s decision to tender the Bid (“Three-Month Average Price”) in the event of a takeover offer within the meaning of § 29 et seq. of the Securities Acquisition and Takeover Act. The decision to tender the Bid was published on 30 January 2020, to the effect that the Three-Month Average Price of relevance is that as of 29 January 2020, and the Federal Financial Supervisory Authority stated such price at EUR 106.20 per share of RENK Shares by letter dated 6 February 2020.
Pursuant to § 4 of the Offer Ordinance of the Securities Acquisition and Takeover Act, the consideration for the target company's stock must equal or exceed the value of the greatest consideration granted or agreed by or with the Bidder, a person acting jointly with it within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act or their subsidiaries for the purchase of RENK Shares within the six months immediately preceding the publication of the Offer Document in the event of a takeover offer within the meaning of § 29 et seqq. of the Securities Acquisition and Takeover Act. During the six months before 10 March 2020 (the day the Offer Document was published), the Bidder and the RENK Majority Shareholder entered into a Share Purchase Agreement for the purchase of 5,320,000 shares of RENK Shares (corresponding to 76.00 % of all RENK Shares). According to the Share Purchase Agreement, the pre-acquisition price per share of RENK Shares did not exceed EUR 97.80 (subject to the adjustments set forth under item 6.6.1(b) of the Offer Document). Beyond the Share Purchase Agreement, neither the Bidder nor any persons acting jointly with it within the meaning of § 2 (5) of the Securities Acquisition and Takeover Act or their subsidiaries purchased RENK Shares or entered into agreements to do so during the six-month period immediately preceding 10 March 2020 (the day the Offer Document was published). The minimum Offer Consideration per share of RENK Shares to be observed pursuant to § 4 of the Offer Ordinance of the Securities Acquisition and Takeover Act (in conjunction with § 31 (1) and (7) of the Securities Acquisition and Takeover Act) on account of prior purchases thus equals EUR 97.80 pending the adjustments set forth under item 6.6.1(b) of the Offer Document.

Pursuant to the Offer Document, the Offer Consideration per share of RENK Shares thus equals or exceeds EUR 106.20. The Offer Consideration offered by the Bidder corresponds to the amount of the minimum Offer Consideration.

3. Assessing adequacy of consideration offered

The Executive Board and the Supervisory Board diligently and thoroughly examined and assessed the Offer Consideration for RENK Shares from a financial viewpoint.

The basis for this assessment was in particular the RENK Group's current strategy and financial planning, as well as a Company valuation by applying a discounted cash flow analysis and taking into account the historical trend of the RENK AG stock exchange price. Other assumptions and information were also carefully and intensively analyzed and evaluated. The Executive Board and the Supervisory Board each independently assessed the reasonableness of the Offer Consideration.

In contrast, a valuation by financial analysts was not taken into account when assessing the appropriateness of the Offer Consideration because such a valuation (including a price target) has not been made in the past to any appreciable extent. The Executive Board and the Supervisory Board also considered the determination of the enterprise value by means of valuation multiples (market and transaction multiples) to be of little consequence since, due to the RENK Group's heterogeneous business activities, other companies can only be regarded as comparable to a very limited extent.
KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG") provided advice as the Executive Board and the Supervisory Board undertook their deliberations.

The Executive Board and the Supervisory Board expressly point out that the assessment of the adequacy of the consideration offered was made independently and without regard for their obligation under the Investment Agreement to recommend that the Bid be accepted on certain conditions.

a) Fairness opinion

The Executive Board and the Supervisory Board retained the services of KPMG financial advisor. KPMG prepared an independent opinion on the adequacy of the Offer Consideration of EUR 106.20 from a financial viewpoint for the holders of RENK Shares ("Fairness Opinion"). In its Fairness Opinion dated 24 March 2020, KPMG arrives at the conclusion that the Offer Consideration per RENK Shares payable to holders of RENK Shares according to the Offer Document is adequate from a financial viewpoint for such shareholders.

The Fairness Opinion dated 24 March 2020 is attached hereto as an Annex.

The Executive Board and the Supervisory Board, acting independently from each other, have duly examined the Fairness Opinion so obtained, discussed it at length with KPMG representatives and subjected it to their own critical analysis.

The Executive Board and the Supervisory Board point out that the Fairness Opinion was prepared and submitted exclusively for the purpose of informing and supporting the Executive Board and the Supervisory Board of RENK AG in connection with the assessment of the financial adequacy of the Offer Consideration, and that third parties, including holders of RENK Shares, must not rely thereon. The Fairness Opinion is neither addressed to third parties (including holders of RENK Shares) nor intended to protect third parties. Accordingly, third parties may derive no rights from the Fairness Opinion, and such opinion gives rise to no contractual relationship between KPMG and any third party reading it. Neither the Fairness Opinion nor the engagement letter under which RENK AG retained KPMG’s services provides any protection for third parties or brings about the expansion of its respective sphere of influence to include third parties.

Specifically, the Fairness Opinion is not addressed to RENK AG shareholders and does not constitute a recommendation on the part of KPMG in the question whether or not holders of RENK Shares should sell their shares in connection with – or accept – the Bid. KPMG’s consent regarding the inclusion of its Fairness Opinion with this Opinion as an Annex does not result in an expansion or extension of the group of persons to whom this Fairness Opinion is addressed or who may rely thereon; likewise, it does not extend its sphere of influence to third parties.
b) Overall assessment of adequacy of consideration offered

The Executive Board and the Supervisory Board diligently and thoroughly examined and assessed the adequacy of the amount of consideration offered. In so doing, the Executive Board and the Supervisory Board both undertook their own deliberations and considered the content of the Fairness Opinion, verifying the plausibility of the financial advisors’ methodology on the basis of their own experience.

As part of their respective considerations, the Executive Board and the Supervisory Board took into account the following aspects, among others:

- In the course of evaluating the RENK Group, the discounted cash flow analysis is the most meaningful valuation method in the view of the Executive Board and the Supervisory Board since it reflects the medium- to long-term expected cash flow trend in the total enterprise value. On the basis of the long-term strategic business plan of the Executive Board, the discounted cash flow analysis arrives at a range for the enterprise value, in which the enterprise value implied by the Offer Consideration is at the upper end of this range, assuming realistic assumptions from the perspective of the Executive Board and Supervisory Board.

- As KPMG noted in the Fairness Opinion, the Offer Consideration adequately reflects the Company’s earnings value. However, the Executive Board and the Supervisory Board are not fully convinced that the forecast earnings value may actually be fully realized in the future – especially in light of the following circumstances:
  - The RENK Group is currently experiencing a challenging market environment in some business fields, which is why the forecasts underlying the calculation of the RENK Group’s earnings value are associated with greater uncertainty than would be the case if the market environment was more tranquil.
  - It cannot be ruled out that the export licenses needed for certain orders of the RENK Group may be denied in some cases in the future due to changes in the regulatory framework.
  - As far as the award of public contracts is concerned, a “local-content approach” has increasingly been observed in the recent past, which means that at least a portion of the value-creation associated with the parts supplied must occur in the country where the contract was awarded. Since this can, in any event, hardly be realized in countries where, as of today, the RENK Group neither manufactures goods nor provides other value-creating services (such as installation), this may have the effect of restricting the markets to which the RENK Group has access.
  - Finally, major public-works projects are tendered and awarded to a considerable degree in dependence on prevailing political conditions and budgets, and given this background, there is no guarantee that RENK will continue winning major public-works contracts to the same extent as before.
• The Offer Consideration corresponds to the Three-Month Average Price of the RENK stock. If the Offer Consideration is considered against the background of the historical stock market prices of RENK AG stock during the 12 months preceding the publication of the decision to submit the Bid, it can be observed that the Offer Consideration is at the upper end of the range of the price trend during the period under review. It should also be borne in mind that RENK AG stock price trends have in the past already been characterized by considerable speculation on a possible sale by the RENK Majority Shareholder and that upward price fluctuations have always been linked to rumors of an intention to sell.

• Upon completion of the transaction, the RENK Group will withdraw from the Volkswagen Group. This will, however, eliminate in the future any existing synergies with the other companies of the Volkswagen group. Thus, the Executive Board and the Supervisory Board expect significantly higher costs for advanced payments and performance guarantees. The separation of pension liabilities from the Volkswagen group will also lead to a noticeable additional burden on the Company (also due to the loss of economies of scale). The same applies to procurement. The Executive Board and Supervisory Board do not expect that this adverse effect will be offset by corresponding synergies with the Bidder and its portfolio companies. However, these effects have not been taken into account in the Fairness Opinion.

• Due to the current situation in connection with the Covid-19 pandemic, the first massive effects on the Company's economic environment can already be observed. Furthermore, it cannot be ruled out that considerable changes in the Company's work and organizational processes as well as in the relevant key economic figures will occur for an indefinite period of time. Due to the dynamic situation - especially against the background of the unforeseeable development of the Covid-19 pandemic and the associated government intervention and restriction measures - these effects cannot yet be estimated or quantified. Looking at the development on the global stock markets since the decision to submit the Bid was published and especially since mid-February 2020, stock exchanges have recorded a significant deterioration. Due to the Bid, the RENK AG stock has so far hardly been affected by these losses. It is to be expected that once the Bid has been executed, the stock exchange price of RENK AG stock will adjust to the general trend on the stock markets.

On the basis of an overall assessment of, among other items, the aspects mentioned above, the Bid’s general circumstances as well as the Fairness Opinion, on which the Executive Board as well as the Supervisor Board based their analysis, among other factors, the Executive Board and the Supervisory Board consider the Offer Consideration to be fair and have each arrived at the following conclusion regarding the adequacy of the consideration offered by the Bidder for the RENK Shares included with the Bid within the meaning of § 31 (1) of the Securities Acquisition and Takeover Act:

The Executive Board and the Supervisory Board consider the amount of the Offer Consideration to be adequate within the meaning of § 31 (1) of the Securities Acquisition and Takeover Act. The Offer Consideration meets statutory requirements and, in the opinion of the Executive Board and the Supervisory Board, fairly reflects the Company’s value.
V. BIDDER’S OBJECTIVES / INTENTIONS AND LIKELY IMPACT ON COMPANY

1. Objectives and intentions in the Investment Agreement

As already mentioned under item III.5 lit. a) hereof, the Investment Agreement includes basic agreements and arrangements regarding efforts to continue deepening and enhancing the long-term sustainable value of RENK Group’s business. Below please find a summary of the Bidder’s significant objectives and intentions set forth in the Investment Agreement:

a) Corporate governance

The Bidder does not intend to bring about changes to the size and composition of the Executive Board. However, the Bidder will check whether it might be in the RENK Group’s interest for the Supervisory Board to deliberate on and, if applicable, resolve to institute an increase in the number of members on the Company’s Executive Board from two to three individuals within the first 18 months after the closing.

Likewise, it is not intended to introduce or adopt measures regarding the size of the Supervisory Board and the co-determination to which it is subject. However, the Bidder intends to be represented on the Supervisory board in a manner commensurate with its holding following the consummation of the transaction.

b) Business strategy

The objective of the investment is to continue deepening and enhancing the long-term sustainable value of the RENK Group’s businesses. The Bidder intends to continue, support and strengthen the RENK Group as one of the world’s leading provider of high-quality drive technology for highly sophisticated applications. In addition, the Bidder wishes for the RENK Group to continue pursuing and developing its business as an independent corporate group.

The Bidder recognizes the Company’s successful business strategy and has committed under the Investment Agreement to support such business strategy in the manner described under item III.5 lit. a) (2) above.

c) Structural measures

As already explained under item III.5 lit. a) (1) above, the Bidder intends, to the extent commercially reasonable at the relevant point in time, to establish a Domination and Profit Transfer Agreement within the meaning of § 291 (1) of the Companies Act between the Bidder as controlling entity and the Company as controlled entity following the consummation of the Share Purchase Agreement and concurrent with the execution of the Takeover Offer.

d) Holding period for RENK Shares

No agreement was entered into with regard to a holding or lock-up period in the Investment Agreement. However, the Company undertook therein not to sell its own stock to the Bidder
as part of the Takeover Offer and entered into an agreement to that effect with the custodian bank.

e) Corporate seat and principal place of business; sites

According to the Investment Agreement, the Bidder does not intend to induce RENK AG to relocate its corporate seat and principal place of business away from Augsburg. Furthermore, there are no plans for the Bidder to induce RENK AG to relocate the corporate seat of or close critical corporate sites.

f) Workforce and employees

It is not intended to introduce or effect changes to any existing employee representation within the RENK Group. Instead, the Bidder is willing to continue and deepen the constructive dialog with all employee representatives within the RENK Group, as well as to support RENK AG in maintaining and creating an attractive and competitive work environment. In view of this background, the Bidder and the RENK Group’s employee representatives have agreed on the principles of their future cooperation as part of the Investment Agreement. For details, please see the overview of the terms of the Investment Agreement under item III.4 lit. a).

2. Objectives and intentions in the Offer Document

Under item 9 of the Offer Document, the Bidder provides the below definitive description of the joint objectives and intentions of the Bidder and its direct and indirect parent companies with regard to RENK AG and (to the extent affected by the Bid) the Bidder and its parent companies. In so doing, the Bidder clarifies that these intentions are not to curtail such Bidder rights as would accrue to it in the event of the potential execution of a Domination and Profit Transfer Agreement pursuant to § 291 of the Companies Act (on the Bidder’s pertinent intention, see lit. e) (1) below as well as item 9.5.1 of the Offer Document) between the Bidder and RENK AG.

a) Future business activities, assets and future obligations of RENK AG

The Bidder has indicated that it intends to continue expanding RENK AG’s position as an international technology and innovation leader for transmission and drive solutions, as well as to strengthen and support all aspects of the RENK Group’s businesses. This includes, yet is not limited to, the Bidder’s intention to support the Company with investments for new product development along with value-enhancing and selective acquisitions in order to secure the RENK Group’s future success. To this end, the Bidder has indicated that it intends to give RENK AG access to its own internal resources (e.g., in the areas of finance, capital markets, digitization, procurement and purchasing) with a view to lending active support with such strategic direction and investment projects.

Save for the event of the potential execution of a Domination and Profit Transfer Agreement with the Bidder, it is the Bidder’s express intention that the Executive Board continue steering RENK AG independently and exclusively on its own responsibility pursuant and subject to German law. The Bidder has indicated that it does not intend to make any changes to the
business activities of the RENK Group and has no plans to divest any RENK Group assets or businesses. The Bidder has further indicated that it intends to preserve the RENK Group’s core competencies with the constructive support of the Company and RENK Group employee representatives (e.g., in cases of inorganic growth or fluctuating capacities).

The Bidder has indicated that it intends, following the consummation of the Share Purchase Agreement and the Bid’s execution, to submit proposals to the RENK AG’s Executive Board for a review of the capital structure. For the purpose of refinancing RENK AG’s existing financial liabilities falling due on account of change-of-control clauses, the Bidder has indicated that it further intends to arrange for a business line of credit for RENK AG upon request.

The Bidder explains that it recognizes that any dividend policy and liquidity planning must duly take into account the financial needs of the RENK Group with regard to the business strategy, which is why it has indicated that it intends to ensure, first and foremost, that its budget provides for adequate funding to finance the basic operating investment needs; the same goes for value-enhancing and selective acquisitions, which the Bidder may finance either wholly or in part.

The Bidder declares that it will respect the intellectual property of RENK AG and all other members of the RENK Group, along with their respective research and development projects. The Bidder has indicated that it intends to protect and continue using the industrial property rights of RENK AG and the RENK Group. The Bidder recognizes that RENK AG is the owner of several strong trademarks in certain countries that command a significant level of brand awareness in the markets and among the customers in questions, and that the Company regards these as critical assets of the RENK Group and intends to preserve the RENK Group’s trademarks as independent trademarks while supporting the RENK Group in expanding the level of awareness associated with them.

b) Corporate seat and principal place of business of RENK and critical corporate sites

The Bidder has indicated that it does not intend to relocate RENK AG’s corporate seat or the Company’s principal place of business away from Augsburg, to close or move critical corporate sites, including but not limited to the manufacturing sites in Augsburg, Rheine and Hanover, or to induce a member of the RENK Group to either relocate its corporate seat or to close or move critical corporate sites.

c) Employees, employee representatives and employment conditions

The Bidder declares that it values and recognizes the competence and commitment of RENK Group employees, that a committed RENK Group workforce represents the foundation of the Company’s – as well as the transaction’s – success and that, in particular, the lasting success of the RENK Group hinges on the performance, creativity and innovative capability of the RENK Group workforce.
The Bidder has indicated that it intends to preserve the rights of co-determination of employee representatives, as well as to continue and intensify the constructive dialogue with all employee representatives of the RENK Group and to support the Company’s Executive Board in maintaining and creating an attractive and competitive environment. There are no plans to effect changes regarding employee representation.

The Bidder further explains that it intends to procure, as part of its rights as a shareholder, that the existing affiliations with employer associations of the metal and electrical industries will be continued, and that there are no plans to induce RENK AG to introduce or adopt measures designed to change or terminate existing works, collective bargaining or similar agreements within the RENK Group. Moreover, the Bidder has indicated that it intends to procure as part of its rights as a shareholder that technical, business and commercial training will be continued, partial-retirement plans will not be discontinued, the existing internal pension scheme remains in effect at the current level and negotiations will ensue about the continued development of employees’ participation in their employer’s financial success.

The Bidder has indicated that subject to any agreements already entered into by the Company, it does not intend to induce RENK AG to terminate employment relations with RENK Group employees or the conditions of their employment on account of the takeover. With regard to the locations Augsburg, Rheine and Hanover, the Bidder intends to procure, in keeping with the Investment Agreement, that no business-related workforce reductions will be announced at the Augsburg, Rheine and Hanover sites before the end of 31 December 2026 without the works council’s consent. After 1 January 2021, this shall only be possible save for the event of a significant deterioration in the economic standing of the Company.

d) Members of RENK Executive Board and Supervisory Board

The Bidder has declared its intention to lend the RENK AG Executive Board its full support with the implementation of its business strategy, and to work with the Executive Board in a constructive fashion. It further declares its intention to check whether it might be in the RENK Group’s interest for the Supervisory Board to deliberate on and, if applicable, resolve to increase the number of members on the Company’s Executive Board from two to three individuals within the first 18 months after the consummation of the Share Purchase Agreement.

The Bidder has indicated that it intends to set medium and long-term incentives for the members of the RENK AG Executive Board to work toward the sustained growth of corporate value, which is why the Bidder has indicated that it intends to propose measures to that effect following the consummation of the Share Purchase Agreement and the Bid’s execution, such measures to include, in the Bidder’s estimate, an offer to the members of the Executive Board to invest in RENK AG indirectly. However, negotiations in this respect have not yet commenced, and timing is still unclear.

The Bidder has indicated that it does not intend to change the size of the Supervisory Board currently composed of twelve members (six of which are appointed by stakeholders and another six by employees), unless applicable law mandates a change. The Bidder recognizes
the provisions of the Co-Determination Act (*Mitbestimmungsgesetz* - *MitbestG*) in the Offer Document and affirms the significance of the stability of the Supervisory Board’s structure as well as the correlation between the Supervisory Board’s work and the Company’s success. The Bidder has indicated that it intends to be represented on the Supervisory Board in a manner reflecting its shareholding following the consummation of the Share Purchase Agreement and the Bid’s execution. The Bidder further declares that it intends to support the forming of committees (e.g., strategy committee) in the interest of working efficiently and with purpose.

e) Structural measures

(1) Domination and profit transfer agreement

The Bidder announces that it intends to enter into a Domination and Profit Transfer Agreement with RENK AG following the execution of the Bid and the completion of the purchase of the RENK Shares sold under the Share Purchase Agreement if and to the extent that doing so makes economic and business sense at the time.

(2) Squeeze-out under transformation and company law

Insofar as the Bidder holds at least 90% of the share capital of RENK AG following the execution of the Bid, the completion of the purchase of the RENK Shares sold under the Share Purchase Agreement or at a later point in time, the Bidder has indicated that it intends, to the extent that doing so makes economic and business sense at the time (and subject to a change of the Bidder’s legal form into a stock corporation or Societas Europea), to demand that RENK AG be merged with and into the Bidder, to the exclusion of outside shareholders, against adequate compensation in cash pursuant to § 62 (5) of the Transformation Act (*Umwandlungsgesetz* - *UmwG*) in conjunction with §§ 327a et seqq. of the Companies Act (Squeeze-out under transformation law).

The Bidder announces in the Offer Document that, insofar as it holds at least 95% of the share capital of RENK AG following the execution of the Bid, the completion of the purchase of the RENK Shares sold under the Share Purchase Agreement or at a later point in time, it intends to demand that outside RENK shareholders transfer the RENK Shares they hold to the Bidder against adequate compensation in cash pursuant to §§ 327a et seq. of the Companies Act (squeeze-out under corporate law).

f) Intentions with regard to business activities of Bidder and its direct and indirect parent companies

The Bidder announces in the Offer Document that, with the exception of the effects on the Bidder’s standing in terms of assets, finances and earnings set forth in item 15 of the Offer Document, the Bidder and its direct and indirect parent companies have no intentions related to the Bid that may affect the companies’ corporate seat or the location of critical corporate sites, the nature of business activities, the use of assets or future obligations of the Bidder and its direct and indirect parent companies, the members of the governing bodies of the Bidder and its direct and indirect
parent companies or the employees, their representation and employment conditions with the Bidder and its direct and indirect parent companies.

3. Statement by the Executive Board and Supervisory Board on the objectives and intentions of the Bidder

The Executive Board and the Supervisory Board are firmly convinced that the aforementioned objectives, which the Bidder, in its own opinion, will pursue if the Bid and in the transaction are successfully completed, will help to significantly strengthen the market position of the Company in a challenging market environment and thus not only create sustainable value for the Company itself, but also for its business partners.

VI. POSSIBLE IMPACT ON EMPLOYEES, TERMS OF EMPLOYMENT AND SITES OF RENK AG

As described under item III.4. lit. a) (3) et seqq., the Bidder agreed under the Investment Agreement to continue as well as to intensify the constructive dialogue with all employee representatives of the RENK Group, and to support the Company’s Executive Board in maintaining and creating an attractive and competitive work environment.

Specifically, the Bidder has undertaken, subject to its legal means of influence-taking, to work toward maintaining the RENK Group’s manufacturing sites in Augsburg, Rheine and Hanover at least until December 31, 2026, and to consider site closures outside of Germany only in very close coordination with the Executive Board. In addition, the Bidder has undertaken, subject to its legal means of influence-taking, to procure that no business-related workforce reductions will be announced at the Augsburg, Rheine (subject to the agreement between RENK AG and the Rheine works council of 6 December 2019 as well as any addenda thereto) and Hanover sites before the end of 31 December 2026 without the works council’s consent save for the event of a significant deterioration in the economic situation of the Company (under conditions defined more precisely in the Investment Agreement).

Finally, the Bidder has undertaken not to initiate a sale or other disposal of any significant number of shares, businesses or material parts thereof or material assets of the RENK Group without the consent of the Company’s Executive Board.

Lastly, in the Investment Agreement the Bidder has undertaken to exercise its rights following the consummation of the transaction in order to safeguard the employee rights listed under item III.4 lit. a) (8) above, such as the participation of the competent employee representatives in planning for personnel needs.

The Executive Board and Supervisory Board are of the opinion that the execution of the transaction (including a successful Bid) will make an important contribution to securing the position of the employees and their representatives in the medium and long term. Due to the agreed location and employment guarantees described above under III.4. lit. a) (4), the consequences for the workforce are, in the view of the Executive Board and Supervisory Board, beneficial from an overall perspective.
VII. POSSIBLE IMPACT ON RENK AG SHAREHOLDERS

The observations below serve the purpose of providing RENK AG shareholders with the data needed for an assessment of the consequences of their acceptance or non-acceptance of the Bid. The information below contains some aspects that the Executive Board and the Supervisory Board consider to be pertinent to the decision faced by RENK AG shareholders whether or not to accept the Bid. Such a list may not be exhaustive, however, since it is possible that certain situations and peculiarities are not taken into account. RENK AG shareholders must decide for themselves whether and, if applicable, to what extent to accept the Bid, and the items listed below are merely meant to provide a measure of guidance. When making their decision, RENK AG shareholders should duly consider their personal circumstances, including their individual tax situation and the ways in which accepting or not accepting the Bid might affect it. The Executive Board and the Supervisory Board recommend that RENK AG shareholders avail themselves of expert advice if and to the extent necessary.

1. Possible impact if the Bid is accepted

In consideration of the foregoing, all RENK AG shareholders, who intend to accept the Bid, should, among others, take into account the following items:

- RENK AG shareholders who accept or have accepted the Bid will no longer profit from possible price gains of RENK Shares with respect to any shares of RENK AG stock that they have tendered for sale.

- The Bid is not executed and the Offer Consideration is not paid until all Bid Conditions have been met – or waived by the Bidder. The Bidder has specified 8 May 2021 as the latest possible date for the Bid’s execution under item 13.6 of the Offer Document. Until such time, the execution of the Bid or the final decision on its non-acceptance may be delayed. Specifically, the Bid’s execution may be delayed on account of regulatory approvals and proceedings that need to be obtained or completed before the Bid may be executed. In the meantime, RENK AG shareholders who accept the Bid may be restricted in their means of disposing of any RENK Shares with respect to which they accepted the Bid, in which case they do hold a contractual right of rescission (for details, please see item 16.2 of the Offer Document).

- RENK AG shareholders who accept or have accepted the Bid are obligated to reverse any agreement entered into as a result of Bid acceptance if and to the extent that the Bid Conditions were not – or not effectively – waived by the Bidder by the end of the Acceptance Period (for details, see item 16.3 of the Offer Document).

- RENK Shares Tendered for Sale are traded under a separate ISIN, which is why they are not fungible with any shares not tendered. In the event of a low acceptance rate, liquidity within these separate share classes may be significantly lower yet – especially when considering the already-low liquidity of RENK Shares. Moreover, trading under such separate ISIN may be subject to a price than differs from that of non-tendered RENK Shares.

- Upon the completion of the Bid and the lapse of a one-year period within the meaning of § 31 (5) of the Securities Acquisition and Takeover Act, the Bidder will have the option of acquiring
additional RENK Shares at a higher price over the counter without having to adjust the Offer
Consideration for the benefit of those RENK shareholders who have already accepted the
Bid. The Bidder may further purchase shares of RENK Shares on the exchange at a higher
price already within the aforementioned one-year period without having to adjust the Offer
Consideration for the appropriate share class for the benefit of those RENK shareholders
who have already accepted the Bid.

- RENK shareholders who accept the Bid will not participate in any settlements payable by
force of law (or under the courts’ interpretation thereof) in cases of certain structural
measures implemented after the Bid’s execution (especially if a Domination and Profit Trans-
fer Agreement is entered into or in the event of a squeeze-out under transformation or cor-
porate law). The amount of settlements is determined on the basis of the conditions
prevailing at the time of the adoption of a resolution to that effect by the RENK AG general
meeting. The adequacy of the amount of a cash settlement may be determined as part of a
judicial review. The amount of the adequate cash settlement may equal, fall below or exceed
the amount of Offer Consideration offered.

2. Possible impact if the Bid is not accepted

RENK AG shareholders who do not accept the Bid – and do not otherwise dispose of their RENK
Shares, either – remain shareholders of RENK AG but should take into account the following:

- The Bidder has announced its intention to enter into a Domination and Profit Transfer Agree-
ment with RENK AG following the execution of the Bid and the completion of the purchase
of the RENK Shares sold under the Share Purchase Agreement if and to the extent that
doing so makes economic and business sense at the time. The execution of a Domination
and Profit Transfer Agreement requires, among other things, the approval of a three-quarter
majority of the share capital represented at the time the resolution is adopted by the RENK
AG general meeting. By virtue of the Share Purchase Agreement entered into between the
Bidder and the RENK Majority Shareholder, the Bidder will hold at least 76.00% of RENK
Shares upon the Bid’s execution. Therefore, the Bidder will command the majority of votes
required to enter into a Domination and Profit Transfer Agreement on the occasion of the
RENK general meeting irrespective of the number of RENK Shares Tendered for Sale.

As soon as a Domination and Profit Transfer Agreement takes effect, the Bidder would be
entitled to issue binding directions to the RENK AG Executive Board with respect to the
performance and management of RENK AG. If a Domination and Profit Transfer Agreement
is in place, RENK AG would be obligated to pay to the Bidder as controlling entity such full
annual surplus as would accrue in the absence of any obligation to transfer profits, as ad-
justed by losses carried forward from the previous year, the amount to be allocated to re-
erves by law as well as any amount barred from distribution pursuant to § 268 of the
Commercial Code (Handelsgesetzbuch - HGB). Conversely, the Bidder would be obligated
to offset such annual loss of RENK AG as may otherwise (absent a Domination and Profit
Transfer Agreement) be incurred during the contractual term if and to the extent that it is not
covered by retained earnings allocated to reserves during the contractual term.
In addition, a Domination and Profit Transfer Agreement would provide for an obligation on the Bidder’s part (i) to acquire the RENK Shares of outside RENK AG shareholders at an adequate rate of compensation in cash at their request, and (ii) indemnify the remaining outside RENK AG shareholders in the form of a recurring annual settlement. The amounts of such recurring annual settlement and a potential cash compensation payment would be determined on the basis of the conditions prevailing at the time of the adoption of a resolution to that effect by the RENK AG general meeting. The adequacy of the amounts of such settlements may also be determined as part of a judicial review. The amount of an adequate recurring annual settlement may equal or exceed the amount of dividends RENK AG distributed among shareholders in the past, but it might also fall below it. Likewise, the amount of an adequate cash settlement may equal or exceed the amount of Offer Consideration offered, but it may also fall below it.

- The Bidder has further announced that it intends – following the execution of the Bid, the completion of the purchase of the RENK Shares sold under the Share Purchase Agreement or at a later point in time (subject to a change of the Bidder’s legal form into a stock corporation or Societas Europea) – to demand that RENK AG be merged with and into the Bidder, to the exclusion of outside shareholders, against adequate compensation in cash pursuant to § 62 (5) of the Transformation Act (Umwandlungsgesetz - UmwG) in conjunction with §§ 327a et seqq. of the Stock Corporations Act (Squeeze-out under transformation law), or to demand that outside RENK shareholders transfer the RENK Shares they hold to the Bidder against adequate compensation in cash pursuant to §§ 327a et seqq. of the Stock Corporations Act (squeeze-out under corporate law) – in each instance, to the extent that doing so makes economic and business sense at the time.

In both cases, the amount of the cash settlement would be determined on the basis of the conditions prevailing at the time of the adoption of a resolution to that effect by the RENK AG general meeting. The adequacy of the amount of the cash settlement may also be determined as part of a judicial review. The amount of the adequate cash settlement may equal or exceed the amount of Offer Consideration offered, but it might also fall below it.

- The current price of RENK Shares also reflects the fact that the Bidder published its decision to submit the present Bid on 30 January 2020, along with the preceding rumors of a possible takeover of RENK AG. It is uncertain whether the price of RENK Shares will remain at its current level, drop below or rise above it following the execution of the Bid.

- It is likely that the Bid’s execution will trigger a further reduction of the number of free-float shares of issued RENK Shares, and it should be expected that the supply of and demand for RENK Shares will be lower than it is today after the Bid has been executed, thereby affecting the liquidity of RENK Shares. For this reason, it is possible that purchase and sales orders for RENK Shares cannot be executed, or cannot be executed in a timely fashion. In addition, the possible reduction of liquidity for RENK Shares may have the effect of far greater fluctuations in the price of RENK Shares in the future.
• Following the execution of the Bid and the completion of the purchase of sold RENK Shares on the basis of the Share Purchase Agreement or at a later point in time, the Bidder may, to the extent permitted by law, induce RENK AG to request that the admission of RENK Shares to trading on the regulated marked of the Munich stock exchange be revoked once applicable conditions have been met, or to suspend trading on the Berlin, Frankfurt am Main and Stuttgart stock exchanges. In the former case, RENK AG shareholders would no longer benefit from the heightened reporting requirements of the regulated market. Should the Bidder set out to bring about the separate suspension of stock listings pursuant to § 39 of the Stock Exchange Act (Börsengesetz - BörsG) in this regard, the Bidder would present RENK shareholders with a delisting offer within the meaning of § 39 (2) of the Stock Exchange Act, and such delisting offer might – in terms of value – equal or exceed the Offer Consideration offered, but it might also fall below it.

• Following the execution of the Bid and the completion of the purchase of the RENK Shares sold under the Share Purchase Agreement, the Bidder will command the (qualified) voting and capital majorities in the RENK AG general meeting to force decisions, including structural measures under company law (on the Bidder’s specific intentions, cf. to that extent item 9.5 of the Offer Document). Only with respect to some of the conceivable measures, Germany law would impose on the Bidder a duty to present outside RENK shareholders with an offer for the purchase of their RENK Shares against adequate compensation on the basis of a RENK AG valuation, or grant them other indemnification. Since such a Company valuation would have to be based on the conditions prevailing at the time of the adoption of a resolution on the measure in question by the RENK AG general meeting, a settlement offer of this kind might – in terms of value – equal or exceed the Offer Consideration offered, but it may also fall below it. Implementing some of the conceivable measures might also lead to the suspension of the listing of RENK Shares on a stock exchange.

VIII. OFFICIAL PERMITS AND PROCEEDINGS

The Executive Board and the Supervisory Board point out that the Bidder has explained in item 11 of the Offer Document that the intended purchase of RENK Shares is subject to various approvals under merger-control and foreign-trade law. Below please find an overview of the official permits and proceedings needed for the transactions, along with the individual steps characterizing such proceedings:

1. Need for approval under merger-control law

The proposed merger must first be approved under merger-control law as follows:

a) EU Commission’s approval under merger-control law

Pursuant to Article 1(2), Article 3(1) of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (EU Merger Regulation), the transaction is subject to the approval under merger-control law by the European Commission.
As a rule, the European Commission has 25 business days ("Phase I") from the day the formal application was received to decide whether the transaction is compatible with the common market. In the event that the parties offer to enter into obligations in response to reservations expressed by the European Commission, if any, such period would be extended to a total of 35 business days. However, in the event that the European Commission deems it necessary to examine the transaction more closely because it has reason to harbor serious doubts about its compatibility with the common market, it may commence a detailed principal investigation ("Phase II"), in which case the review may consume up to 90 more business days. This period may be extended to up to 105 business days (if the parties offer to enter into obligations).

In view of RENK AG’s business activities, the Bidder does not anticipate that the transaction will raise serious doubts regarding its compatibility with the common market: The business activities of RENK AG and those of the portfolio enterprises controlled by the Bidder do not overlap from a competition perspective, nor are there vertical supply relationships between the business activities of RENK AG and the business activities of the Bidder or its parent entities. Consequently, the Bidder expects that an approval will be issued within the initial waiting period of 25 business days from the day the formal application is submitted. When such an application can be filed with the European Commission depends on the length of the pre-registration phase, which may take up a few weeks or months and is essentially set by the European Commission. Though it is convinced that an approval will be issued in Phase I, the Bidder cannot entirely rule out that such approval may be delayed on account of reservations that, as described above, result in an extension of Phase I or even the institution of Phase II.

Note should further be taken of the possibility that a referral of the decision on the proposed merger to one or several member nations of the European Union is considered even after the transaction was registered with the European Commission in the event that the proposed merger threatens to compromise the competition on a market of a given member nation, or the transaction would compromise the competition on a market of such member nation that exhibits all characteristics of a separate market and represents no significant portion of the common market. A member nation may file a referral request up until 15 business days after the formal application, and such request results in an extension of the duration of the Phase I proceedings to 35 business days. The Commission may effect a partial referral up until 65 business days after the formal application. A partial referral to the competition authorities of a member nation requires that the review under competition law of the portion of the transaction to be referred may be detached from the review under competition law of the rest, especially in terms of geography. The competition authorities of the member nation will look into such detachable aspect in the event of a referral subject to the applicable national regulations – and does so on its own and independently from the European Commission, which for its part examines the non-referred portion of the proposed merger. In the event that the decision on the transaction is referred to one or several competition authorities of member nations in its entirety, only such authorities rule on the proposed merger in accordance with applicable national regulations, and no longer the European Commission.
With the submission of the formal application by the Bidder on 27 February 2020, the pre-registration phase has started.

b) Merger control in Brazil

The transaction requires a review under merger-control law by the Brazilian anti-trust authorities (Administrative Council for Economic Defense – CADE) under Law No. 12.529 of 30 November 2011 along with the applicable ordinance.

There are two kinds of merger-control proceedings in Brazil (namely, the expedited proceedings and the regular ones). After CADE’s general superintendent has deemed the submission of a notice complete, the authorities have up to 240 calendar days to make a decision (regular proceedings). This period may be extended once – either by up to 60 days in response to a party application or by up to 90 days after CADE issued a reasoned decision. If the transaction is eligible for expedited proceedings pursuant to Article 7 (2) of CADE Resolution No. 2 of 29 May 2012 (amended by CADE Resolution No. 16 of 1 September 2016), CADE’s general superintendent makes a decision within 30 calendar days from the date of the application, or any changes thereto, or institutes regular proceedings. The CADE general superintendent may approve a transaction or challenge it before the CADE tribunal. Only the CADE tribunal may prohibit or impose conditions on a transaction. In the event that CADE’s general superintendent approves the transaction, the parties must wait for another 15 calendar days to give third parties an opportunity to challenge the approval decision so issued and request another review by the CADE tribunal; during this period, the CADE tribunal, too, may decide to continue investigating the transaction. In the event that third parties challenge a decision, or the CADE tribunal itself investigates further, the CADE tribunal must issue a final ruling within the regular period (240 calendar days from the day of the initial application, extendable by 60 or 90 calendar days). In the event that the CADE tribunal has not issued a final ruling by end of the regular period, the transaction is deemed to have been approved.

The approval decision of the CADE superintendent comes into legal force upon the lapse of the 15-calendar-day period mentioned above, provided that no third party has objected and the CADE tribunal did not decide in favor of a further review – or, in the event that the CADE tribunal conducts a further review, following the publication of its final ruling.

The Bidder has filed the notice on 27 February 2020; CADE has issued its approval decision on 13 March 2019; currently, the 15-calendar-day challenge period is running. To the knowledge of RENK AG, no challenge has been raised by a third party against the decision.

c) Merger control in Saudi-Arabia

The transaction requires the approval under merger-control law by the Saudi competition authorities (General Authority for Competition – GAC) pursuant to Article seven (7) of the competition ordinance (Competition Regulations) announced as part of Royal Decree No. (M/75) of 29 June 1440H (Hijri calendar; corresponds to 6 March 2019 of the Gregorian calendar (the “Competition Ordinance”).
The transaction further requires the submission of an application for economic concentration with the GAC. As soon as the GAC has established that the application seeking economic concentration is complete, the GAC has up to 90 days to review the application and take a decision, and the authority reserves the right both to demand additional information during this review period and to extend such period until its demands have been met. In the event that the review period lapses without a written GAC decision, the approval sought is deemed to have been granted by the GAC.

The Bidder submitted the application for economic concentration with GAC on 27 February 2020.

d) Merger control in Turkey

The transaction must be registered for purposes of merger control with the Turkish competition authorities and further requires the approval of the Turkish competition commission pursuant to the law on the protection of competition (No. 4054) dated 7 December 1994 (entered into force on 13 December 1994) as well as Communiqué No. 2010/4 concerning mergers and acquisitions subject to approval by the competition council. (Communiqué No. 2010/4). Pursuant to Article 7 of Law No. 4054, the competition commission is the competent body handling merger-control registrations within the competition authorities.

Following the complete submission of a merger-control registration, the competition commission decides at the end of a preliminary review (i.e., “Phase I”) whether the transaction is to be approved or undergo further review (i.e., “Phase II”). The competition commission will notify the parties of the result within 30 calendar days of proper registration, with tacit approval assumed to have been granted if the competition commission does not react within 30 calendar days of proper registration. To be deemed proper, a complete registration notice must be received by the competition authorities. In the event that a registration necessitates further investigation (“Phase II”), the review may take up to 18 months from the submission of a proper registration notice.

The competition authorities may address written requests for information to the parties to the transaction as well as such other parties as may be related thereto and third parties like competitors, customers or suppliers. Each written request received from the competition authorities on account of missing information will suspend the review period, with the 30-calendar-day period commencing anew on the day the answers are received.

Article 14 of Communiqués No. 2010/4 allows the parties to enter into obligations to address reservations against a merger in accordance with Article 7 of Law No. 4054, and the parties may present the competition authorities with suggestions for possible remedies either during the preliminary review or the in-depth investigation. In the event that the parties decide to submit a written commitment during the preliminary review, the registration notice is deemed to have been submitted on the day such commitment is received – i.e., the review period begins anew.

The Bidder filed the registration notice with the competition authorities on 27 February 2020.
e) Merger control in Ukraine

The transaction is subject to the condition precedent of the approval under merger-control law by the Ukrainian anti-monopoly commission (AMK) pursuant to the law on the protection of competition of 11 January 2001 No. 2210-III and the AMK resolution for the approval of the ordinance governing the procedure for the submission of applications with Ukraine’s anti-monopoly commission for the purpose of obtaining its prior approval for company concentration of 19 February 2002, No. 33-p (concentration ordinance).

AMK must decide within 15 calendar days of the submission of the registration notice whether such registration is complete and eligible for a review of its merits (“Phase I”). If AMK deems the registration notice to be incomplete, it may be rejected absent such review.

Phase I encompasses a review of merits as well as an assessment by AMK to determine whether the merger may be approved. In the event that AMK sees possible grounds for denying the merger application, it may initiate an in-depth investigation (“Phase II”). The review period of Phase I is up to ten calendar days (after expiry of the 15 calendar days for the review of completeness) for expedited proceedings and up to 30 calendar days for standard proceedings.

In the event that AMK initiates an investigation as part of Phase II, it may scrutinize the transaction itself and consider any related reservations, obtain expert opinions and review other, additional data. Under competition law, Phase II takes three months from the time AMK has received all necessary information (i.e., AMK may extend or even suspend such period of Phase II if additional documents, information or expert opinions are needed). In the event that AMK requires information from the parties during Phase II, and the parties fail to supply it in a timely fashion, AMK may deem Phase II to have been completed without a decision (if and to the extent that AMK cannot complete the Phase-II review without such outstanding data).

Under the concentration ordinance, Phase II is limited to a period of 135 calendar days from the day the parties were notified of the institution of the Phase-II review. As a rule, AMK completes Phase-II reviews within 135 calendar days, and it is obligated to issue either a positive or a negative decision within such period. In the event that AMK does not take a decision with the Phase-II review period, the transaction is deemed to have been approved. The parties may request an extension of the review period.

The Bidder submitted the registration notice to AMK on 27 February 2020; to the knowledge of RENK AG, the approval by AMK has occurred on 19 March 2020.

f) Post-execution registration in Egypt

Within 30 calendar days of consummation (counting from the effective date of consummation rather than the day following it), the proposed merger must be reported to the Egyptian competition authorities in accordance with Egyptian competition law (Competition Law No. 3 of 2005, as amended).
2. Approvals under foreign trade law

In addition, the transaction requires various approvals under foreign-trade law:

a) Approval under foreign-trade law in Germany

The acquisition by a foreigner of a direct or indirect stake of 10% or more of RENK’s voting rights must be reported pursuant to § 60 (1), (3) sentence 1 in conjunction with § 60a (1) of the Foreign-Trade Ordinance (Außenwirtschaftsverordnung - AWV) and may be reviewed by the Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie - BMWi) for potential threats to the security interests of the Federal Republic of Germany. BMWi may initiate a review (§ 61 sentence 2 of the Foreign-Trade Ordinance) and institute a full-scale investigation within three months of its receipt of the notice pursuant to § 60 (3) of the Foreign-Trade Ordinance. Approval is deemed to have been granted if BMWi does not initiate a review (§ 61 sentence 2 (§ 61 sentence 2 AWV) pursuant to § 60 (1) of the Foreign-Trade Ordinance.

In the event that a full-scale investigation is instituted, the Bidder must furnish BMWi with additional documents. Once all necessary records have been submitted, the acquisition may be restricted or barred by orders pursuant to § 62 (1) of the Foreign-Trade Ordinance within three months in order to safeguard critical security interests of the Federal Republic of Germany. In the event that negotiations are conducted with BMWi about contractual provisions regarding the protection of critical security interests of the Federal Republic of Germany as part of the review proceedings, such period is suspended for the duration of negotiations pursuant to § 62 (2) of the Foreign-Trade Ordinance.

It is RENK AG’s understanding that the Bidder has submitted the notice to BMWi on 5 March 2020.

b) Approval under foreign-trade law in France

Under French foreign-trade law in effect until 1 April 2020 (Articles L. 151-3 et seqq. and R. 153-1 et seqq. of the Currency and Finance Act (Code monétaire et financier – CMF), certain direct and indirect foreign investments in companies having their seat in France are subject to prior approval by the Ministry of Economy and Finance (Ministère de l’Économie et des Finances - MWF), including certain foreign investments in companies having their activities in France that, even if only temporary, entail the exercise of official authority or belong to one of the sectors mentioned in Article L. 151-I a)-b) of the Currency and Finance Act, as amended by Articles R. 153-2, R. 153-4 or R. 153-5 of the Currency and Finance Act. In the event that the Ministry of Economy and Finance does not grant its approval or initiates an in-depth review within two months of its receipt of a complete notice, the transaction is deemed to have been cleared (Article R. 153-8 of the Currency and Finance Act). Investors may turn to the Ministry of Economy and Finance to learn whether prior approval of a certain investment is required pursuant to Article R. 153-7 of the Currency and Finance Act.
It is RENK AG’s understanding that the Bidder has submitted a notice with MWF on 5 March 2020.

c) Approval under foreign-trade law in Italy

Pursuant to Decree No. 21 of 15 March 2020, as amended and implemented by way of certain presidential decrees of the Italian presidency of the council of ministers (Presidenza del Consiglio dei Ministri – Presidency), the acquisition of a direct or indirect stake in an enterprise holding strategic assets relevant to Italy’s defense or national security by a party other than the Italian state or a person controlled by the Italian state must be filed.

The Bidder has filed the transaction with the Presidency on 8 February 2020, and the Presidency approved it on 20 February 2020.

d) Approval under foreign-trade law in Canada

In Canada, the transaction is subject to the provisions for foreign investments under the Investment Canada Act (ICA), which provides for a so-called “net-benefit” assessment as well as a review for reasons of national security.

Pursuant to Section 12 of the ICA, the Bidder must file a notice with the Director of Investments (the “Director”) of Innovation, Science and Economic Development Canada (ISED) within 30 days of the consummation of the transaction. If such notice contains all information needed (to the extent available), the Director immediately sends the Bidder a notice confirming that the transaction is not subject to an assessment pursuant to ICA’s net-benefit rules.

The ICA further vests the Canadian government with the separate authority to review investments if the competent ministry head has good reason to believe that a non-Canadian’s investment might imperil the country’s national security. The government has 45 days from the day a complete notice (as described above) is submitted or the transaction is consummated, whichever occurs first, in order to either direct that the transaction be reviewed for possible threats to national security or to inform the Bidder that it could order such a review with regard to national-security risks.

It is RENK AG’s understanding that the Bidder has submitted the notice to ISED on 5 March 2020 in order to obtain the confirmation that no review under ICA’s net-benefit rules was required already ahead of the transaction’s consummation. Based on past precedent, the Bidder does not anticipate that a review will be ordered for reasons of national security. If such a review for reasons of national security takes place nevertheless, it could take up to 200 days (including the 45-day waiting period from the time a proper notice is filed) to be completed.

e) Approval under foreign-trade law in United Kingdom

Pursuant to Section 67 of the Enterprise Act 2002, the Secretary of State of the United Kingdom (“UK Secretary of State”) is authorized to intervene in transactions above a certain threshold in the form of a European Intervention Notice if the UK Secretary of State believes that one
or more considerations of the public interest are or could be relevant to the assessment of the transaction in question.

The transaction exceeds the relevant thresholds, to the effect that the UK Secretary of State could intervene at any time between the announcement (e.g., by public notice) of critical aspects of the transaction under consideration and up to four months after its consummation. In this context, the Bidder has resolved to contact the UK Secretary of State in order to discuss whether the UK Secretary of State intends to formally intervene by way of an EIN. In the event that the UK Secretary of State decides to proceed with a formal review of the transaction in the public interest, the UK Secretary of State would have some discretion with determining the exact timeframe for the completion of such a review.

It is RENK AG’s understanding that the Bidder has notified the transaction to the UK Secretary of State on 5 March 2020.

f) Approval under foreign-trade law in United States

The Bid is subject to review by the Committee on Foreign Investment in the United States (CFIUS) pursuant to Section 721 of the Defense Production Act of 1950 (DPA), as amended (Section 721, codified in 50 U.S. C. Section 4565), and the provisions of 31 C.F.R., parts 800 and 801. Pursuant to Section 721 of the DPA, the President of the United States of America (the “U.S. President”) is authorized to review and, if applicable, to prohibit or suspend the acquisition of or investments in U.S. enterprises by a “foreign person” if the U.S. President finds, following a review, that such control or investment by the foreign person threatens to imperil the national security of the United States and that other provisions of applicable law do not provide an adequate basis for the protection of national security. Pursuant to Section 721 of the DPA, the CFIUS is vested with the authority to (i) accept notices pertaining to intended transactions, (ii) determine when a review might be indicated, (iii) conduct investigations, (iv) demand remedial action and (v) present the U.S. President with recommendations for the suspension or prohibition of the consummation of transactions – or for the reversal of transactions that have already been executed. One or several parties to a transaction may notify CFIUS of a transaction on their own initiative but, with the exception of certain special scenarios, are not obligated to do so. The present transaction represents such a special scenario, and the parties are obligated to file a notification or a draft notification within 30 days of the Bid’s execution.

The Bidder informed CFIUS of the transaction by filing a draft notification on 27 February 2020.

Certain U.S. companies belonging to the RENK Group are regulated under International Traffic in Arms Regulations (ITAR), 22 C.F.R. Parts 120-130, under the purview of the U.S. Department of State, Directorate of Defense Trade Controls (DDTC). Horstman Inc. and RENK Systems Corporation are each registered with DDTC as manufacturers and exporters of ITAR-controlled goods. Pursuant to Section 122.4(b) of the International Traffic in Arms Regulations, an enterprise registered with ITAR must inform DDTC at least 60 days in advance by registered mail of its intention to sell or transfer the title to or control of the registered enterprise or
any enterprise belonging to it to a foreign person, and such 60-day notice supplies the DDTC with basic information about the transaction, including the foreign buyer’s ownership structure as well as the nature of the activities pursued by the ITAR-registered enterprise. Non-compliance with the 60-day notice (by consummating a transaction less than 60 days after such notice) constitutes an ITAR violation.

Horstman Inc. and RENK Systems Corporation have each filed a 60-day notice on 6 March 2020 and 5 March 2020. Due to the ten week Acceptance Period for the Bid, it is guaranteed that a consummation of the Bid will only occur after expiry of the 60-day notice period.

IX. VESTED INTERESTS OF MEMBERS OF EXECUTIVE BOARD AND SUPERVISORY BOARD

1. Special vested interests of members of Executive Board and Supervisory Board

With the consent of the RENK AG Supervisory Board, the two members of the Executive Board, Messrs. Florian Hofbauer and Christian Hammel, each entered into an agreement with VOLKSWAGEN AKTIENGESELLSCHAFT, the RENK Majority Shareholder’s parent, about a transaction bonus, under which the two members of the Executive Board are entitled to a claim against VOLKSWAGEN AKTIENGESELLSCHAFT for payment of a one-time bonus in the gross amount of 250% of the annual gross fixed remuneration payable to each member of the Executive Board under the executive service agreement. The transaction bonus will be due if the Share Purchase Agreement is effectively consummated on or before 31 March 2021 – unless the member of the Executive Board resigns his office, his appointment is revoked for cause (except for his being recalled on account of the Supervisory Board’s loss of confidence) or his executive service agreement is terminated for cause.

There are no other circumstances giving rise to special vested interests of members of the Executive Board or Supervisory Board.

2. Bidder’s agreements with members of Executive Board and Supervisory Board

The Bidder has indicated that it intends to set medium- and long-term incentives for the members of the RENK AG Executive Board to work toward the sustained growth of corporate value, which is why the Bidder has indicated that it intends to propose measures to that effect following the consummation of the Share Purchase Agreement and the Bid’s execution – such measures to include, in the Bidder’s estimate, an offer to the members of the Executive Board to invest in RENK AG indirectly.

However, negotiations in this respect have not yet commenced, and the timing is unclear as well. As a result, no agreements are in place between the Bidder and members of the Executive Board or Supervisory Board as of the time of the publication of these statements.
3. No non-cash benefits or other advantages in connection with bid

Neither the Bidder nor persons acting jointly with it have granted, promised or otherwise assured the members of the Executive Board or Supervisory Board of financial or other countervailing benefits.

X. INTENTION OF MEMBERS OF EXECUTIVE BOARD AND SUPERVISORY BOARD TO ACCEPT BID

The members of neither the Executive Board nor the Supervisory Board currently hold RENK Shares and thus are unable at this time to accept the Bid.

XI. RECOMMENDATION

In consideration of the information contained in this Opinion and the overall circumstances in connection with the Bid, the Executive Board and the Supervisory Board believe that the consideration offered by the Bidder is adequate within the meaning of § 31 (1) of the Securities Acquisition and Takeover Act. They also consulted the Fairness Opinion prepared by KPMG’s financial advisors as they reviewed the adequacy of the consideration offered.

The Offer Consideration falls within the value bandwidths determined and thus, in the opinion of the Executive Board and the Supervisory Board, fairly reflects RENK AG’s value at this time.

In consideration of the above observations, the Executive Board and the Supervisory Board understand that the amount of the Offer Consideration is fair and appropriate, which is why they advocate for and support the Takeover Offer.

Accordingly, the Executive Board and Supervisory Board recommend all RENK AG shareholders to accept the Bid and to tender their RENK Shares into the Bid.

The decision whether or not to accept the Bid is one that each RENK AG shareholder should make on his or her own in due consideration of his or her overall situation, individual circumstances and personal assessment of the future development of the value and quoted price of RENK Shares. Unless otherwise provided by law, the Executive Board and the Supervisory Board assume no responsibility in the event that accepting or not accepting the Bid ultimately has adverse economic consequences for RENK AG shareholders.

Augsburg, 24 March 2020

RENK Aktiengesellschaft
Attachment: KPMG Fairness Opinion
Annex: KPMG Fairness Opinion
Dear Mr. Hofbauer,

Pursuant to the announcement of the voluntary public takeover offer according to para. 10 et seq. in connection with para. 29 et seq. of the German Securities Acquisition and Takeover Act ("Wertpapiererwerbs- und Übernahmegesetz", hereafter "WpÜG") issued by Rebecca BidCo GmbH, Munich/Germany (formerly known as SCUR-Alpha 1138 GmbH), a subsidiary held by the Triton V fund advised by Triton Beratungsgesellschaft GmbH, Frankfurt am Main/Germany (together hereafter “bidder” or “Triton”), to all shareholders of RENK Aktiengesellschaft, Augsburg/Germany ("RENK"), on 30 January 2020 and in view of the mandatory statement of the Board of Management and Supervisory Board of RENK in accordance with para. 27 WpÜG, we have been engaged by the letter dated 28 January 2020 in our capacity of an independent expert to assess whether the consideration offered for shares in RENK by Triton is financially fair under the terms of the German “Principles for the Preparation of Fairness Opinions” (IDW S 8: Grundsätze für die Erstellung von Fairness Opinions) established by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.).

RENK, founded in 1873, is headquartered in Augsburg, Germany and manufactures drive technology products globally. The company has currently app. 2,500 employees worldwide and operates through four business units (vehicle transmission, special gear units, standard gear units and slide bearings).

As to bidder’s offer document dated 10 March 2020, bidder has offered a consideration per share to RENK’s shareholders in an amount of €106.20 per share ("consideration offered").
We have performed this engagement under the terms of IDW S 8. Accordingly, we assessed the financial fairness of the consideration offered according to the standards set out in IDW S 8. Within our work, we made reference to two further IDW standards. We based our plausibility and consistency assessments as well as benchmarking analyses on IDW note 2/2017 ("Beurteilung einer Unternehmensplanung bei Bewertung, Restrukturierungen, Due Diligence und Fairness Opinion (IDW Praxishinweis 2/2017)"). However, we did not verify the technical and methodological appropriateness of a discounted cash flow calculation as possibly applied by RENK by making use of the guidance for the determination of subjective decision values as defined in IDW S 1 ("Grundsätze zur Durchführung von Unternehmensbewertungen") as there was no discounted cash flow calculation provided by RENK.

We carried out this engagement in the capacity of an independent expert.

We draw your attention to the fact that it was not part of our work to provide an opinion on the legal and tax aspects of the voluntary public takeover offer. Our evaluation of the fairness of the consideration offered was limited to the purely financial aspects. The work we carried out in the course of our Fairness Opinion differs substantially in its scope as well as in its objectives from an audit of the financial statements, a due diligence, an expert opinion in accordance with IDW S 1 or similar examinations. Thus, our Fairness Opinion is not an audit opinion or any other certificate or confirmation relating to the financial statements, the internal controlling system, planning system or the business plan of RENK. We accept no responsibility for the realization of the business plan or the respective underlying assumptions. We neither audited nor reviewed the information and documents underpinning the Fairness Opinion according to the engagement.

Our report comprises a Valuation Memorandum and a Factual Memorandum in addition to this Opinion Letter. The Valuation Memorandum sets out in detail the main conclusions of our work. The Factual Memorandum contains the main facts and information that was made available to us for the purposes of the Fairness Opinion.

Our Fairness Opinion is solely prepared for the Board of Management and the Supervisory Board of RENK in context with their joint statement on the consideration offered according to para. 27 WpÜG. It is not a substitute for the requirement of RENK’s Board of Management and Supervisory Board’s independent assessment whether the conditions of the transaction are financially fair as part of their duty of care. Our Fairness Opinion does not contain any recommendation as to whether bidder’s offer should be accepted by the shareholders of RENK or not. Also, it does not express any opinion as to whether the joint statement according to para. 27 WpÜG is comprehensive and correct or to whether the conditions of the transaction are in compliance with legal requirements.

Release to third parties

Our Fairness opinion will only be issued in connection with the mandatory statement of the Board of Management and Supervisory Board of RENK in accordance with para. 27 WpÜG and in principal is only meant for RENK.
Release to individual parties

Subject to our prior written approval, the Fairness Opinion (Opinion Letter and the Valuation Memorandum) may, in their full version only, be released to third parties. The release is conditional upon the third party agreeing in writing to accept our standard release letter. Third parties for the purposes of this agreement do not include your auditors and your professional advisors advising you in connection with this voluntary public takeover offer provided that they have a duty of confidentiality to you and that you will not release such professional advisors from this duty of confidentiality to you without our prior written consent. In case you request us either in a letter, by eMail/fax to release our report to a third party, you release us from any and all confidentiality requirements with respect to these parties.

Release to multiple parties

In case you wish to make the Fairness Opinion publicly available or make reference to the Fairness Opinion in a publicly available document, we declare our consent under the provision that you adhere to the regulations/requirements of sec. 19 of IDW S 8 and that you agree to hold us harmless from any claims from third parties and costs that may arise as a consequence of the publication of our Fairness Opinion or public reference thereto.

The Factual Memorandum will not be released to any third party under any circumstances.

Our work was carried out subject to the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017.

1 Financial fairness of the consideration offered

There is no legal definition of the term “fairness” given by WpÜG. According to IDW S 8 (sub-section 6.1, 57) in context with statements pursuant para. 27 WpÜG, a consideration per share offered is assessed as ‘financially fair’, in case it is within a range of values determined by applying an income approach and reference transaction prices.

The financial fairness of the consideration offered has been assessed from the perspective of the shareholders of RENK. Fairness Opinions do not express an opinion as to whether a more advantageous consideration could be achieved with another party.
2 Opinion date

Opinion date is 24 March 2020 at which the Board of Management and the Supervisory Board of RENK comment to the transaction according to para. 27 WpÜG.

As we finalized our assessment of the financial fairness on 24 March 2020, we informed the Board of Management of RENK that any change in the assumptions in our evaluation may lead to a change in the assessment of the financial fairness.

3 Engagement execution and basic information

We carried out our work throughout the period from 29 January 2020 until 24 March 2020 on the premises of RENK in Augsburg as well as at our own offices.

Our work was performed on the basis of information provided to us by RENK as well as publicly available information. RENK is solely responsible for the accuracy and completeness of the information provided to us. We undertook steps to satisfy ourselves, to the extent possible, that the information we used in our work is consistent with other information which was made available to us. We have not, however, sought to establish the accuracy and completeness of the information provided and the reliability of the sources.

During the course of the engagement we held conversations with the management of RENK and other key contacts provided by the management. We would like to underline that the preparation of the business plan (including that of the underlying assumptions) is exclusively the responsibility of RENK.

In particular, we performed the following:

Phase 1: Analysis of relevant information concerning RENK business as well as analysis of the transaction terms and conditions:

- Analysis of the voluntary public takeover offer
- Development of an understanding of the business model of RENK
- Analysis of the relevant financial information (financial statements, business plans, other financial data) of RENK
- Assessment of the plausibility of the assumptions underlying RENK’s business plans for RENK’s operating activities and discussion of the expected development of the market and competitive situation with RENK’s management
• Analysis of planning scenarios available. If considered necessary, developing planning scenarios of our own

• Analysis of the transaction process, existing alternative offers and existing valuations

Phase 2: Evaluate the financial fairness of the offered price per share by means of the following steps of work:

• Analysis of recent existing alternative offers

• Application of an income approach (discounted cash flow approach)

• Application of a market approach (e.g. analysis of share prices, Trading-multiples based on key performance indicators of comparable listed companies or comparable transactions) to the extent reasonable possible

• Analysis of further capital market or transaction market-related information, e.g. target share prices, to the extent reasonable possible

RENK’s Board of Management has confirmed that we were provided with a complete and accurate set of documents and information for the purpose of this engagement by the opinion date. The Board of Management of RENK has signed such a letter of representation, dated 24 March 2020.

4 Benchmarks for evaluation of financial fairness

In determining a range of values using a discounted cash flow approach and market-based reference prices, we utilized the following methodologies:

• Discounted cash flow approach for RENK
  – Determination of RENK’s equity value under the premise of a continuation within VW group, based on the business plan as provided by management
  – Sensitivity calculation for RENK’s equity value by performing a simulation analysis for key parameters of the business plan

• Market-based reference prices for the consideration offered
  – Analysis of listed share price development for RENK
  – Trading multiples
Transaction multiples

• Analyst target share prices

The validity of the reference prices (market-based approach) depends on the degree of comparability between the chosen reference companies/transactions and RENK. As RENK is unique with respect to several characteristics of its business (e.g. operating margin profile, sales channels, product mix and respective exposure to potential competitors), a higher weight was given to the results from the discounted cash flow approach. In addition, this approach is consistent with the specific objective of a Fairness Opinion in accordance with para. 27 WpÜG (see IDW S 8, Tz. 57). The DCF approach for RENK is conducted under the premise of a business continuation within the VW group. This approach is consistent with IDW S8, subsection 41. This regulation links the criterion of financial fairness to the requirement that the seller of a business shall not worsen its financial position by the contemplation of the financial transaction as compared to a continuation of the business. In addition, also any synergies or other integration effects of the takeover over on the side of the acquirer are not part of the RENK related discounted cash flow approach. Our analysis was therefore performed on the basis of the continuation of RENK within VW group. Potential effects from (dis)synergies or other disintegration effects that might results after a takeover have been considered within the sensitivity analyses.

5 Income approach

Valuation approach

In line with the individual business activities of RENK, we assume the income approach (discounted cash flow method) to be preferential to evaluate the consideration offered. We applied the Total Cashflow approach (WACC-TCF approach) for our analyses, which is part of the discounted cash flow method.
Under the WACC-TCF approach, the business value of a company with purely financial objectives is based on the present value of the company's future cash flows that are available to company owners. Basis for the valuation is the business plan for RENK under the premise of a business continuation within the VW group. The business plan was developed and finalized by the Board of Management of RENK during October 2019, incorporating updated year-to-date information for the fiscal years 2019 and 2020. We analyzed the business plan according to IDW S 8 which also involved plausibility and consistency assessments as well as benchmarking analyses based on IDW note 2/2017 (“Beurteilung einer Unternehmensplanung bei Bewertung, Restrukturierungen, Due Diligence und Fairness Opinion (IDW Praxishinweis 2/2017”) ). We additionally performed sensitivity analyses for selected parameters in the context of the income approach. By varying selected key parameters, the operating risk which is underlying the future business can be analyzed in a more transparent manner compared to an analysis of a single valuation result. We concluded that the income approach constitutes an appropriate basis to determine subjective decision values from a technical and methodological perspective. The business plan is consistent with available documentation and explanatory backups. The benchmarking analysis did in combination with the sensitivity analyses not reveal any parameters or assumptions that contradict our below conclusion on the financial fairness of the voluntary public takeover offer.

Under the WACC-TCF approach, financial benefits to all providers of capital (equity and debt) are estimated for each of several future periods (total cash flows). The financial planning represents the ongoing business into perpetuity and is divided into two phases. In principle, the first phase (detailed planning phase), covering a period of four years, considers a detailed planning of main forecast items in order to estimate future cash flows. The projections for the years in the second phase (so-called sustainable period or perpetuity) are starting at the end of the detailed planning phase and are normally based on long-term projections of trend developments. Thereby, there is a need to examine if assets, liabilities, financial position and earnings of the transaction target are in a steady state at the end of the detailed planning period or if the annual projected cash flows are still changing. If they are changing, it is to examine, whether a constant amount of change or changes with a constant growth rate represent the changing projected cash flows appropriately.

The equity value is generally determined by subtracting the interest bearing liabilities (net debt) from the present value of total cash flows (entity value).

In order to calculate the entity value, anticipated future total cash flows are discounted as at the opinion date at an appropriate discount rate. The discount rate reflects the return on an alternative investment which compares to an investment in the valuation object, provided that the two investments are equivalent in terms of maturity, risk and taxation. The total cash flows are discounted with weighted average cost of capital (WACC-TCF) based on a weighted average of the yield requirements of the providers of equity and net debt. The weighted average cost of capital is calculated as the arithmetic mean of cost of equity and cost of net debt. The weightings of these components are the corresponding percentages of the market values of equity and net debt in relation to the entity value. When applying the WACC-TCF approach, the corporate tax relief resulting from interest expenses is already accounted for by the recognition of the cash effective corporate tax payments within the total cash flows. For this reason, the cost of debt must not be adjusted for the corporate tax burden when deriving the WACC-TCF. In the sustainable period, the WACC-TCF is reduced by the terminal growth rate.
Any items that cannot be considered in discounted cash flow, either as a whole or in part, will generally be assessed separately and then added to the discounted cash flow. These special items include not only non-operating assets, but also certain financial assets and tax effects. Non-operating assets are any assets that can be sold without affecting the business operations. However, RENK does not possess any non-operating items, such as e.g. unused land, financial assets or tax losses carried forward, which are to be assessed separately.

Based on the benchmarking analyses in accordance with IDW note 2/2017, we identified selected key parameters of the business plan that we considered further in a sensitivity analysis. By making use of a Monte-Carlo simulation, the parameters were varied within a pre-defined range and the respective discounted cash flow results were used to derive a bandwidth of income-based valuation results for RENK.

6 Market approach

We applied the following market approaches to determine market-based reference prices for the consideration offered:

- analysis of listed share price development of RENK,
- trading multiples and
- transaction multiples.

Analysis of listed share price development

In general, share prices have to be analyzed to assess the financial fairness of transaction prices (IDW S 8, sub-section 26). The analysis of share prices of the transaction target provides the opportunity to compare transaction prices with expectations at capital markets. However, the significance of a company’s share price may be limited due to potential impacts of special circumstances (e.g. marketability, insufficient trading or potential manipulation of share prices). Therefore, it may be appropriate to determine average share prices.

In case of public takeover and acquisition offers, para. 31 WpÜG stipulates that the bidder has to offer an appropriate minimum consideration to be determined according to para. 31 WpÜG in conjunction with para. 3 ff. WpÜGAngebV (German Ordinance on the Content of the Tender Document, the Consideration for Takeover Offers and Mandatory Offers and the Exemption from the Duty to Publish and Submit an Offer) et seq. In case of share listings at a German stock exchange, the minimum consideration is in principle the volume-weighted average share price during the last three months before the announcement of the acquisition offer and the announcement of achieving control respectively (para. 5 sec. 1 and 3 WpÜGAngebV in conjunction with para. 10 sec. 1 sent. 1 and para. 35 sec. 1 sent. 1 WpÜG respectively). Hence, the share price is a benchmark for assessing financial fairness of transaction prices.
According to the bidder’s offer document dated 10 March 2020 and approved by the German Federal Financial Supervisory Authority (“BaFin”), BaFin has determined a legal minimum consideration of €106.20 per share for shares in RENK. The determination of the legal minimum consideration is based on the three-months average share price before 30 January 2020.

Trading multiples

When applying trading multiple analyses, the assessment is based on market prices of comparable listed companies (“trading multiples”). For this, the financial reference value of the valuation object (e.g. EBITDA, EBIT) is multiplied by market-based multiples. The market-based multiples are calculated as ratio of market price or entity value to the corresponding financial reference value of the peer group company.

The trading multiples were derived for a set of peer group companies which coincide with the peer group of comparable and listed companies that was used for the determination of the beta factor in the discounted cash flow approach. We used also those peer group companies, which were eliminated in the beta factor analysis due to statistical reasons.

Applying EBITDA (= earnings before interest, taxes, depreciation and amortization) multiples on the corresponding financial reference value of RENK yields in an entity value. The equity value is then derived by subtracting from the entity value any interest-bearing debt and minority interest and adding cash and cash equivalents as well as other interest-bearing assets. In line with the DCF-valuation, no special items have been included in our analysis (according to RENK management, special items do not exist).

In general, the significance of comparable company analyses is limited even when comparing companies in the same industry or companies that are operating in closely related industries. This can be attributed to different portfolios or segments in business, difference in size, different business policy or further influences impacting the business value.

In the case at hand and based on our analysis, we consider the relevance of the comparable company analysis to be limited due to the heterogeneous structure of the business segments and portfolios of peer group companies. Trading multiples were therefore not applied as a primary benchmark to assess the financial fairness of the consideration offered.
Transaction multiples

When applying transaction multiple analyses, the assessment is based on transaction prices of comparable transactions. For this, the sustainable financial reference value of the valuation object (e.g. EBITDA, EBIT) is multiplied by multiples derived from comparable transaction. These transaction multiples are calculated as ratio of transaction price or entity value to the corresponding financial reference value of the company subject to the reference transaction.

Depending on the financial reference value, the entity value or the equity value of valuation object are determined. We based the transaction multiple analyses on EBITDA data to determine the entity value of RENK. Deducting interest-bearing debt and minority interest and adding cash and cash equivalents as well as other interest-bearing assets results in the equity value. In line with the DCF-valuation, no special items have been included in our analysis (according to RENK management, special items do not exist).

For the derivation of transaction multiples, we analyzed transactions of related business areas. We took into account transactions within the last 5 years.

In general, the significance of comparable transaction analyses is limited due to individual influences (strategic purpose, expectations) from buyers’ side in each case. Overlapping in business portfolios or individual expectations on synergies are of significant importance.

Due to limited comparability of reference transactions and the lack of necessary publicly available information, especially with respect to the individual expectations on synergies, transaction multiples were not applied as a primary benchmark to assess financial fairness of the offered price per share in the case at hand.

7 Analysis of supplementary information related to capital and transaction markets

As supplementary information, we analyzed target share prices issued by financial analysts for RENK. Due to limitations of the data validity, we did not consider the target share prices in the assessment of the financial fairness.
8 Opinion

On the basis of our work carried out in accordance with IDW S 8, it is our opinion, that the consideration offered by Triton in an amount of €106.20 per share is financially fair within the meaning of IDW S 8 from the perspective of the shareholders of RENK.

Our Fairness Opinion is based on prevailing market, economic and other conditions at the opinion date and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. This might lead to negative effects in the short to medium term, the potential value impact of which is currently difficult to assess. They were not foreseeable at the time of the voluntary public takeover offer and are therefore not reflected in this offer. As a result, the financial fairness of the voluntary public takeover offer tends to increase in the light of current developments.

This English version serves only as an explanatory note and shall not be signed by us.

In case of any inconsistencies between the German and English version of our Fairness Opinion, the German version shall prevail.

Enclosure
General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017
General Engagement Terms
for
Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application
(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) — hereinafter collectively referred to as "German Public Auditors" — and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.
(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement
(1) Object of the engagement is the agreed service — not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.
(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express written agreement.
(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate
(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances which may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.
(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence
(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.
(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information
To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement
(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.
(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification
(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance for subsequent non-performance or unjustified refusal to perform subsequently, or for unreasonableness or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unreasonableness or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.
(2) The engaging party must assert a claim for the rectification of deficiencies in writing (Textform) (Translators Note: The German term "Textform" means in written form, but without requiring a signature) without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.
(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected — also versus third parties — by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement — also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection
(1) Pursuant to the law (§ Article 323 Abs 1 paragraph 1) HGB (German Commercial Code: Handelsgesetzbuch), § 43 WPO (German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferverordnung), § 203 StGB (German Criminal Code: Strafgesetzbuch) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances disclosed to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.
(2) When processing personal data, the German Public Auditor will observes national and European legal provisions on data protection.

9. Liability
(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.
(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG (German Product Liability Act: Produkthaftungsgesetz), for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.
(3) The German Public Auditor is entitled to invoke defenses based on the contractual relationship with the engaging party also towards third parties.
10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor the auditor must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insolvent the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (Steuerratungsvergütungsgesetz) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.