



RENK consolidated financial
statements for the fiscal year
ended December 31, 2008

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Auditor's opinion

The consolidated financial statements and group management report for the fiscal year ended December 31, 2008, were audited by the statutory auditor, viz. KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, which issued its unqualified opinion thereon.

Consolidated income statement for fiscal 2008

k€			
	Note	2008	2007
Net sales	[6]	526,896	430,382
Cost of sales		(395,489)	(325,129)
Gross margin		131,407	105,253
Other operating income	[7]	7,344	8,127
Selling expenses		(23,745)	(22,268)
General administrative expenses		(15,393)	(11,525)
Other operating expenses	[8]	(19,795)	(12,015)
Net investment income		(174)	–
EBIT		79,644	67,572
Interest income	[9]	445	1,231
Interest expense	[9]	(369)	(2,586)
EBT		79,720	66,217
Income taxes	[10]	(24,643)	(26,549)
Net income (EAT)		55,077	39,668
Basic (undiluted) EpS in €	[11]	8.10	5.83

Consolidated balance sheet as of December 31, 2008

Assets

k€

	Note	12/31/2008	12/31/2007
Intangible assets	[14]	7,558	1,081
Tangible assets	[15]	87,739	63,082
Sundry investments		1,386	3,065
Deferred tax assets	[10]	5,732	6,298
Trade receivables	[17]	6,266	–
Other noncurrent assets	[18]	832	1,722
Total noncurrent assets		109,513	75,248
Inventories	[16]	153,883	149,671
Trade receivables	[17]	105,015	97,487
Income tax assets		3,271	3,564
Other current assets	[18]	5,243	4,032
Cash and cash equivalents	[19]	23,378	10,461
Total current assets		290,790	265,215
		400,303	340,463

Equity & Liabilities

k€

	Note	12/31/2008	12/31/2007
Capital stock		17,920	17,920
Additional paid-in capital		10,669	10,669
Reserves retained from earnings		97,116	72,063
Net earnings		39,425	23,001
Accumulated OCI: unrealized gains/losses		42	(380)
Accumulated OCI: statement at fair value of pension accruals		(5,931)	(4,774)
Total equity	[20]	159,241	118,499
Noncurrent financial liabilities	[23]	–	136
Pension accruals	[21]	5,420	4,526
Deferred tax liabilities	[10]	9,711	6,459
Other noncurrent accruals	[22]	4,716	5,007
Other noncurrent liabilities	[26]	608	1,161
Total noncurrent liabilities and accruals		20,455	17,289
Current financial liabilities	[23]	136	408
Trade payables	[24]	50,759	30,815
Prepayments received	[25]	78,496	88,683
Current income tax liabilities		19,449	24,349
Other current accruals	[22]	49,325	42,086
Other current liabilities	[26]	22,442	18,334
Total current liabilities and accruals		220,607	204,675
		400,303	340,463

Consolidated statement of cash flows for fiscal 2008

k€	2008	2007
Opening cash and cash equivalents	10,461	41,752
EBT	79,720	66,217
Legal (current) taxes	(23,337)	(24,808)
Depreciation/amortization/write-down of tangibles, intangibles and investments	10,774	8,287
Change in pension accruals	1,471	1,599
Cash earnings	68,628	51,295
Change in inventories	2,213	(6,389)
Change in prepayments received	(12,127)	4,763
Change in trade receivables	(10,162)	(7,430)
Change in trade payables	18,247	2,720
Change in other accruals	4,582	3,341
Change in other assets	18	275
Change in other liabilities	1,415	837
Elimination of the net gain/loss from the disposal of tangibles, intangibles and investments	(685)	17
Other changes in working capital	(4,130)	11,169
Net cash provided by operating activities	67,999	60,598
Cash outflow for additions to tangibles and intangibles	(29,183)	(14,582)
Cash outflow for additions to investments	–	(1,792)
Cash inflow from the disposal of tangibles, intangibles and investments	937	179
Net cash used in investing activities	(28,246)	(16,195)
Dividend payout	(13,600)	(12,240)
Financial liabilities redeemed	(408)	(370)
Special pension fund endowment	–	(65,364)
Net cash used in financing activities	(14,008)	(77,974)
Net change in cash and cash equivalents	(25,745)	(33,571)
Parity-related change in cash and cash equivalents	18	(17)
Consolidation group-related change in cash and cash equivalents	(12,846)	2,297
Closing cash and cash equivalents	23,378	10,461
Breakdown of net liquid assets at Dec. 31		
Cash and cash equivalents	23,378	10,461
Financial liabilities	(136)	(544)
	23,242	9,917

The cash flow from operating activities includes interest received at k€445 (down from k€1,231), interest paid at k€172 (up from k€118), and income taxes paid at k€27,960 (up from k€12,678). The consolidation group-related change in cash and cash equivalents was basically caused by the first-time inclusion of RENK-MAAG GmbH, Winterthur, Switzerland, cf. Note (2)(b).

Statement of changes in comprehensive income

k€	12/31/2008	12/31/2007
Currency translation differences from non-German subsidiaries	403	(301)
Change in fair value of financial derivatives	19	(100)
Change in actuarial gains/losses on pensions	(1,157)	2,247
Pretax gains/losses directly recognized in equity, net	(735)	1,846
Net income	55,077	39,668
Comprehensive income	54,342	41,514

Notes to RENK's consolidated financial statements

Accounting principles

(1)

General

RENK AG is a subsidiary of Munich-based MAN Maschinen- und Anlagenbau GmbH (which is wholly owned by MAN AG, Munich) and is included as a second-tier subsidiary of MAN AG in the latter's consolidated financial statements.

The subject consolidated financial statements for the fiscal year ended December 31, 2008, conform with the International Financial Reporting Standards (IFRS, which include the IAS) of the International Accounting Standards Board (IASB), London, UK. Moreover, all such Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as require application in fiscal 2008 have been duly taken into account. All the Standards endorsed by the Commission of the European Union (EU) have been applied.

As resolved by the Executive Board, the consolidated financial statements were released on January 27, 2009, for submittal to the Supervisory Board.

The consolidated financial statements are reported in euros (€), the Group's functional currency, and mostly presented in € '000 ("k€").

(2)

Consolidation

(a) Consolidation group

As in the previous year, too, RENK's consolidation group includes, besides RENK AG as parent, the wholly owned subsidiaries, viz. Société d'Équipements, Systèmes et Mécanismes (SESM), Saint-Ouen-l'Aumône, France; RENK Corporation (RC), Duncan, SC, USA; RENK Test System GmbH (RTS), Augsburg; and RENK-MAAG GmbH (RMCH), Winterthur, Switzerland, which was newly consolidated in 2008.

The subsidiaries not included in the consolidated financial statements are, even in the aggregate, of minor significance for the RENK Group's asset and capital structure, financial position, and results of operations.

A complete listing of the RENK Group's shareholdings has been prepared under the terms of Art. 313(4) German Commercial Code ("HGB") and is deposited as required by the law.

(b) First-time consolidation of RENK-MAAG GmbH

RENK-MAAG GmbH (a subsidiary acquired as of May 1, 2007) was for materiality reasons newly included in RENK's consolidated financial statements as of January 1, 2008, by updating the balances from the acquisition price allocation (formerly "PPA") at April 30, 2007, to January 1, 2008. The acquiree's assets changed only insignificantly in said period. When newly included, the subsidiary's balances were as follows:

k€	
Licenses, software and similar rights and assets	432
Trademark, brand, drawings, sundry	6,205
Intangible assets	6,637
Production plant and machinery	4,934
Factory and office equipment	359
Tangible assets	5,293
Inventories	5,431
Trade receivables	3,005
All other assets	768
Assets	21,134
Equity	1,001
Noncurrent liabilities and accruals	615
Current financial liabilities to group companies	12,846
Current financial liabilities	393
Trade payables	1,704
Prepayments received	1,840
Other current accruals	1,503
Other current liabilities	1,232
Equity & liabilities	21,134

The other operating expenses for 2008 include k€809, the net deficit accumulated by 2007.

The current financial liabilities to group companies break down into the financed purchase price of k€12,152 (Sfr 20.0 million) and the net change in cash and cash equivalents between acquisition date and December 31, 2007.

(c) Consolidation principles

The acquisition method is used for capital consolidation. For initial consolidation, all identifiable assets and (effective and contingent) liabilities in the acquiree's accounts are stated at their fair value. Any difference between the purchase cost of the acquiree and the prorated equity is allocated to the appropriate RENK division as cash-generating unit (CGU) and capitalized as goodwill. The division (CGU) including

the assigned goodwill is tested for impairment at least once annually and, if found impaired, written down to its current fair value.

Intercompany accounts (profits, gains, losses, income, expenses, receivables and payables) among companies included in the consolidated financial statements, as well as intercompany profits/losses from intragroup transfers of inventories and non-current assets, are all eliminated. Taxes are deferred for consolidation transactions recognized in net income.

(d) Currency translation

Foreign-currency transactions are translated at the applicable historical rate. In subsequent periods, monetary assets and liabilities are translated at the current rate, the resulting translation differences being recognized in the income statement. Nonmonetary items valued at historical cost in a foreign currency are translated at the historical rate.

The functional-currency concept is used to translate the financial statements of non-Euroland companies. Since it is the primary business environment that governs functional currency, that of RENK's consolidated subsidiaries corresponds to the local currency. The financial statements are translated according to the closing-rate method, using the current rate for balance sheet lines and the annual average rate for the income statement. The annual average rates are derived from the monthly means.

In the movement analyses of assets, accruals and equity, the fiscal year's opening and closing balances as well as consolidation group changes are translated at the applicable current rates, while for the remaining balance sheet lines, the annual average rates are used. Differences from the prior-year currency translation of balance sheet captions are recognized in equity only (OCI) but, upon divestment of a subsidiary, recycled to the income statement.

The euro (€) exchange rates of major currencies are as follows:

	Current rate of €1 at		Average rate of €1 in	
	12/31/2008	12/31/2007	2008	2007
US dollar	1.3917	1.4721	1.4759	1.3733
Japanese yen	126.14	164.93	153.15	161.77
Swiss franc	1.4850	1.6547	1.5857	1.6439

(3)

Accounting and valuation

Except for certain financial instruments carried at fair value, the consolidated financial statements are based on cost, as well as on the financial statements of RENK AG and consolidated RENK subsidiaries as prepared in accordance with MAN's groupwide uniform accounting and valuation principles.

(a) Sales recognition

Sales are recognized as and when the underlying products or goods have been delivered or the services rendered and after risk has passed to the customer, always net after all such sales deductions as cash and other discounts, allowances granted to customers, etc. Sales are not recognized unless the amount is reliably determinable and the receivable's collection reasonably certain.

(b) Operating income/expenses

Operating expenses are recognized when the underlying products or services are utilized, whereas expenses for advertising and sales promotion and other sale-related expenses are recognized when incurred. Cost of sales breaks down into the production cost of goods sold and the purchase cost of merchandise sold. In addition to direct materials and direct labor, production cost also comprises production-related overheads, including the depreciation of production plant and equipment and the write-down of inventories.

Warranty obligations are accrued when the products are sold. Research expenses, as well as interest and other borrowing costs are directly expensed in the period.

(c) Intangible assets

Separately acquired intangible assets are capitalized at purchase cost. Intangibles acquired in a business combination or M&A transaction are capitalized at fair value as of the acquisition date. Finite-lived intangibles are amortized on a straight-line basis over their useful lives. The amortization period for software is mostly three years, while licenses and similar rights or assets are amortized over the agreed or contractual term of use. Intangible assets whose useful life cannot be determined are not amortized but tested at least once annually for impairment. If found impaired, they are written down to their current fair value. No goodwill was capitalized as of December 31, 2008.

Expenses incurred for developing new products or series are capitalized (i) when the new products or series are found technically and economically feasible, (ii) when they have been scheduled for internal use or for marketing, (iii) if the expenses can be reliably determined, and (iv) if sufficient resources are available for development project completion, any other R&D expenditures being directly expensed. Capitalized development costs are amortized as from the date of market rollout. For finite-lived items, amortization is charged on a straight-line basis, as a rule over five to seven years. No development costs were capitalized as of December 31, 2008.

(d) Tangible assets

Tangible assets are carried at historical (purchase or production) cost, less accumulated depreciation and, where appropriate, write-down. The production cost of internally manufactured tangibles includes all direct costs (labor and materials), as well as prorated indirect materials and indirect labor.

Unless subject to capitalization, maintenance and repair (M&R) costs are expensed, as are interest costs for borrowings in the period of their incurrence.

Tangible assets are depreciated according to the straight-line method over their estimated useful lives. The groupwide uniform asset depreciation ranges are based on the following useful lives:

Buildings	20 to 50 years
Land improvements	8 to 20 years
Production plant and machinery	5 to 15 years
Factory and office equipment	3 to 10 years

(e) Leases

According to IAS 17, leases for tangible assets (investment leases) may either be capital or operating leases. Contracts where substantially all the risks and rewards incidental to beneficial ownership of the leased asset are transferred to any RENK company as lessee are capitalized and therefore treated as capital leases (*a.k.a.* finance leases). In these cases, the lessee capitalizes the leased asset and recognizes a corresponding financial liability, the latter being amortized in subsequent periods on the basis of the effective interest method. Valuation is based on (i) the present value of the minimum lease payments or (ii) the leased asset's fair value, whichever is lower. All other leases where companies of the RENK Group are lessees are accounted for as operating leases, the lease payments being expensed.

(f) Write-down for impairment losses

Where anything indicates that the book value of an intangible or tangible asset may be impaired, it is tested accordingly by determining the asset's recoverable amount, which is the higher of the asset's value in use or net fair value (NFV: fair value less costs to sell). The value in use, in turn, corresponds to the value of expected cash flows, which is discounted at a fair market rate. Where an individual asset's recoverable amount cannot be determined, that for the smallest identifiable asset group (a so-called cash-generating unit, or CGU for short) to which the asset can be assigned is determined instead. Where the book value exceeds an asset's (or CGU's) recoverable amount, such excess is directly recognized as write-down within other operating expenses.

If the fair value of an asset (or CGU) previously written down rebounds, the asset other than goodwill (or the CGU excluding goodwill) is written up accordingly, the contra

being other operating income. This write-up is capped at the amortized or depreciated cost (excluding a CGU's goodwill) which would have resulted had the asset not been written down.

(g) Inventories

Inventories are stated at the lower of (purchase or production) cost or net realizable value. Production cost includes all manufacturing-related direct costs, as well as proratable fixed and variable indirect materials and indirect labor. The allocable overheads are mostly determined on a normal workload basis. General administrative and selling (GAS) expenses are not capitalized, nor are any debt interest (borrowing) costs. Raw materials and merchandise are generally priced at average purchase cost.

(h) Straight financial instruments

Straight financial instruments mainly include trade receivables from customers, long-term loans, financial investments, securities, cash and cash equivalents, as well as financial liabilities and trade payables. Straight financial instruments are initially capitalized or recognized at fair value, which generally equals the transaction price (value of the consideration given or received). In subsequent periods straight financial instruments are carried at fair value or amortized cost, depending on the category to which they are assigned.

Loans and receivables held for purposes other than trading are generally carried at amortized cost (less any write-down). Within the RENK Group, this category primarily includes trade receivables from customers, the remaining receivables, and long-term loans. Non- or low-interest receivables with a remaining term above six months are discounted. Receivables expected to be uncollectible are fully written off (specific bad-debt allowance). A flat allowance for doubtful accounts provides for the general collection risk and is charged to the receivables portfolio, substantially on the basis of empirical data.

Financial assets available for sale are carried at fair value and, within the RENK Group, include mainly securities and financial investments. The difference between cost and fair value is recognized in, and only in, other comprehensive income (OCI) within equity after duly deferring taxes thereon. Wherever the book value exceeds fair value long-term or substantially, such excess is recognized as write-down in the income statement.

The fair value of securities is as a rule their quoted market price. Financial investments not quoted in an active market and whose fair value is not reliably determinable are carried at cost. Where considered potentially impaired, such assets are tested accordingly, any write-down for impairment loss being recognized in expense.

Financial liabilities are initially recognized at cost and thereafter carried at amortized cost, except for financial derivatives.

(i) Financial derivatives

The MAN Group uses various financial derivatives to hedge underlyings against currency, interest rate and other price risks, mainly from ordinary business. Major financial derivatives of relevance to the RENK Group are currency forwards and forex options.

Financial derivatives are (re)measured at fair (market) value. The fair value of exchange-listed derivatives is their quoted positive or negative market value. Where no market prices are quoted, fair value is determined on the basis of the terms and conditions current at the balance sheet date (such as interest or exchange rates) and by using generally accepted option pricing models or DCF techniques.

The recognition of the resulting unrealized gains/losses depends on the category to which the derivative is assigned.

If and when the IAS 39 hedge accounting criteria are met, RENK accounts as from such date for this hedge as either fair value or cash flow hedge.

A fair value hedge (FVH) secures recognized assets or liabilities or unrecognized firm commitments against potential fair value variations, and these changes in the derivative's (= hedge's) and its underlying's fair values are recognized in net income. Therefore, any upward change in a perfect hedge's fair value is virtually offset by the downward movement of the underlying's fair value, and vice-versa.

Cash flow hedges (CFHs) secure recognized assets or liabilities, or unrecognized firm commitments or high-probability customer projects (forecasted transactions), against the risk of varying cash flows. In a CFH, the effective portion of the change in the derivative's fair value is initially recognized in a separate equity line (OCI) after deducting deferred taxes. When the hedged underlying (if a sales transaction) is recognized in the income statement, the proratable OCI is recycled to *net sales*. If a purchasing transaction (i.e., resulting in the future recognition of a nonfinancial asset), the gains/losses from the statement at fair value of the financial derivative that have been accumulated as OCI change the hedged nonfinancial asset's value. The ineffective portion of such gains/losses on fair value remeasurement is directly recognized in the income statement.

If and when the originally hedged underlying is no longer expected to materialize, the proratable accumulated OCI is released to the income statement, too.

Any financial derivatives failing to meet, or no longer meeting, the requirements for a hedging relationship are considered instruments held for trading, and for these, any gains/losses from fair value remeasurement are immediately recognized in the income statement.

See Note (30) for the RENK Group's hedging strategy and the current notional volumes.

(j) Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between tax bases and book values, as well as for consolidation transactions recognized in net income and for tax loss carryforwards. Deferred taxes are calculated at the tax rates current at December 31 for post-2008 assessment periods, in Germany, at 30.93 percent (down from 31.58).

Deferred tax assets are recognized only to the extent that taxable income for the utilization of deductible temporary differences will be available.

Any changes in deferred taxes recognized in the balance sheet generally result in deferred tax expense or income. However, if the deferred taxes have directly been recognized in OCI, their changes are, too.

(k) Pension obligations

Pension obligations arising from defined benefit plans are determined according to the projected unit credit (PUC) method by measuring the defined benefit obligations (DBO) on the basis of the prorated entitlements acquired by the balance sheet date, discounting them to their present value and duly taking into account assumptions of the future trend of certain parameters that impact on future pension levels. Differences between assumptions and actual trends or changed actuarial parameters may produce actuarial gains or losses, these being recognized (after duly accounting for deferred taxes) in, and only in, OCI and shown in the statement of changes in comprehensive income (SOCCI).

The fair value of plan assets (which are used to cover pension obligations) is deducted from pension accruals. For measurement details, see Note (21). A defined benefit asset (excess of plan assets over pension obligations) is capitalized as such only to the extent that it results in a refund from the plan or reduces future contributions.

The current service cost, which represents the increase in a DBO's present value as active employees have acquired additional entitlements in the period, is shown in the appropriate functional expense category. The interest cost included in net pension expense, as well as the expected return on plan assets, are recognized within the net interest result.

Payments toward defined contribution plans are recognized in the appropriate functional expense category.

(l) Other accruals

The *other accruals* provide for all identifiable risks and uncertain commitments which arise from past events and are likely to result in an outflow of economic

resources and whose amount can be reliably determined. An accrual is measured at the best estimate of the amount required for settling the obligation. Where the effect of interest is material, the accrual is discounted by applying a current market rate. Any accrual-related reimbursement or refund expected from a third party, if virtually certain to be received, is capitalized as a separate asset.

The recognition of accruals is periodically reviewed for appropriateness and adjusted accordingly when newly established facts or changed circumstances require so. If a reassessment reduces the obligation, the accrual portion proratable to such reduction is released by crediting it to the same functional expense category to whose debit the provision had originally been posted.

Warranty accruals provide for the obligations on the basis of previously incurred warranty expenses, the warranty period and the sales of warranted products, as well as for specific warranties for known claims. Accrued costs yet to be billed and other business obligations are provided for at the best estimate of future cash outflows, as a rule the future production cost thereof. Impending losses on (onerous) contracts in progress are accrued whenever the expected economic benefit from the contract is below the inevitable costs required to perform the contract.

(m) Financial statement presentation

In the balance sheet, assets and liabilities are grouped into noncurrent and current ones. Items are deemed current if due within one year or any longer business cycle. Deferred tax assets and liabilities, as well as assets and accruals relating to defined benefit pension plans, are all classified as noncurrent. The cost-of-sales format is used for consolidated income statement presentation.

(n) Estimates and latitude

Preparing the consolidated financial statements requires certain judgment, estimates and discretionary decisions. RENK's estimates are based on empirical data and other relevant factors, as well as on a going concern. Accounting estimates and assumptions are all made to the best of RENK's knowledge and belief, with a true and fair view of the Group's asset and capital structure, financial position and results of operations in mind. Although valuation reasonably allows for identifiable uncertainties, future events may differ from such estimates. Accounting estimates and assumptions are periodically reviewed.

The following accounting estimates as of the closing date are of particular significance:

The test for goodwill impairment, required at least once annually, calls *inter alia* for the forecast of future cash flows and their discounting. Forecasts predicated on financial budgets or plans approved by management underlie such cash flow projections. Further material assumptions are needed for WACC (weighted average cost of capital) and tax rates. If the book value of tangible or intangible assets is tested for impair-

ment, management's judgment and estimates are again inevitable to determine recoverable amounts.

Pension and similar obligations are measured using actuarial methods which, in turn, hinge on assumptions of discount rates, expected returns on plan assets, pay and pension trends, and mortality. A changed market or business environment may considerably impact on these actuarial assumptions, actual pension and similar obligations thus differing substantially.

Since the Group operates in quite a number of countries it is also subject to a multitude of tax laws and regulations. Actually expected income taxes as well as deferred tax assets/liabilities must be predicted for each corporate taxpayer, and this also calls for assumptions (such as the interpretation of complex tax regulations and the ability to earn sufficient taxable income, depending on tax type and jurisdiction). Any departure of assumed factors from the actual taxation outcome may affect tax expense or deferred taxes.

Depending on the underlying transaction, the measurement of certain other accrued liabilities and similar obligations may be sophisticated and require substantial judgment and a number of estimates. Management estimates of the probability and amount required for the settlement are, *inter alia*, predicated on empirical and currently available technical data, cost trend predictions, potential warranty claims, and the cash inflow from realization.

(4)

Cash flow statement

The cash flow statement breaks down cash flows into those from operating, investing and financing activities. Effects of changes in the consolidation group and exchange rates are eliminated in the lines concerned. The net (forex) parity-related change in cash and cash equivalents is shown in a separate line. The indirect method is used to determine the cash flow from operating activities.

In the cash flow from operating activities, the noncash operating expenses and income, as well as the net gain/loss from fixed-asset disposal are all eliminated. Cash earnings are shown in a separate line and represent the cash flow change attributable to the net income or loss for the year.

The cash flow from investing activities reflects the cash outflow for tangibles, intangibles, and investments. This cash outflow is offset against the cash inflow from the disposal of tangible/intangible assets and investments.

The cash flow from financing activities mirrors the cash dividend payout, cash inflow from and outflow for financial liabilities redeemed or newly raised, as well as endowments of pension funds or plans.

Cash and cash equivalents comprise cash on hand and in bank, as well as the receivables from MAN's intragroup finance transactions.

(5)

Changed accounting methods and rules

(a) Newly applied rules

Back in November 2006, the IFRIC issued its Interpretation IFRIC 11, *IFRS 2—Group and Treasury Share Transactions*, which deals with (i) the accounting for groupwide stock-based payments, (ii) effects of intragroup employee transfers on IFRS 2, and (iii) the accounting treatment of stock-based payments if the parent issues, or is obligated to outsource from a third party, its own shares as treasury stock. The Interpretation does not significantly impact on our consolidated financial statements.

On July 5, 2007, the IFRIC published its Interpretation IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which addresses the issue how assets of defined benefit plans should be measured if minimum funding requirements exist. For IFRS purposes, a defined benefit asset is capitalized if the fair value of plan assets exceeds the present value of the DBO. IFRIC 14 must be applied (according to EU law) as from fiscal years commencing on or after January 1, 2009. The Interpretation has no significant effect on our consolidated financial statements.

In October 2008, the IASB resolved to amend IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*. These amendments (retroactively effective as from July 1, 2008) allow companies to reclassify certain financial instruments, but do not significantly affect our consolidated financial statements.

(b) Newly issued rules endorsed by the EU but not applied early

The IASB accounting pronouncements summarized below require application to financial statements for fiscal years commencing on or after January 1, 2009, their potential effects on the consolidated financial statements being currently assessed by the MAN Group.

IFRS 8, *Operating Segments*, is a Standard issued in November 2006 and superseding IAS 14, *Segment Reporting*. IFRS 8 requires companies to take the management approach to the reporting of financial information on segments, i.e., the definition of segments and the segment disclosures must be based on information internally used by management for segment performance analysis and resource allocation. IFRS 8 must be applied in fiscal years commencing on or after January 1, 2009.

In March 2007, the IASB issued a revised IAS 23, *Borrowing Costs*, thereby eliminating the alternative treatment of borrowing costs directly incurred in connection with the acquisition, construction or production of a qualifying asset. In future, these borrow-

ing costs must be capitalized as part of the asset's cost. The revised Standard must be applied for fiscal years beginning on or after January 1, 2009.

In September 2007, the IASB issued a revised IAS 1, *Presentation of Financial Statements*, with a view to enabling users to more easily analyze and compare financial information. IAS 1 sets out the framework for presenting and classifying financial statements and specifies the minimum disclosure requirements. The revised IAS 1 must be applied for fiscal years commencing on or after January 1, 2009.

In January 2008, an amendment to IFRS 2, *Share-Based Payment*, was issued: *Vesting Conditions and Cancellations*. This amendment clearly states that vesting conditions must be met in the form of service period or performance conditions, as well as that the plan cancellation accounting rules apply whether the plan is canceled by the company or a third party. The revised IFRS 2 must be applied for fiscal years commencing on or after January 1, 2009.

In May 2008, the IASB published its first *Improvements to IFRS*, a two-part collection of minor amendments to 20 current IFRS. The first part contains amendments potentially affecting presentation, recognition or valuation/measurement, the second one merely rephrased or editorially revised modifications. Unless otherwise specified in a Standard, these amendments must be applied for fiscal years commencing on or after January 1, 2009.

In May 2008, the IASB issued amendments to IFRS 1 and IAS 27 in order to highlight how the acquisition cost of shares or other equity interests in subsidiaries, associated affiliates and joint ventures must be determined, thus eliminating the purchase method. Consequently, future dividends from subsidiaries, associated affiliates or joint ventures require recognition in income even in cases where paid out of pre-takeover reserves. Moreover, the amended IAS 27 redefines the investment cost-determining rules which apply if the corporate structure of a group is reorganized in the wake of the takeover. The amendments must be applied for fiscal years commencing on or after January 1, 2009.

Notes to the consolidated income statement

(6)

Sales by geographical markets

k€

	2008	2007
Germany	211,113	165,065
Other EU	153,494	129,013
Other Europe	19,912	7,193
Asia	113,285	106,082
Americas	25,498	22,326
Africa	1,849	545
Australia and Oceania	1,745	158
	526,896	430,382

Sales by operating divisions

k€

	2008	2007
Vehicle Transmissions	170,080	163,104
Slide Bearings	96,175	79,086
Special Gear Units	146,946	93,065
Standard Gear Units	113,695	95,127
	526,896	430,382

(7)

Other operating income

k€

	2008	2007
Income from the release of accruals	566	749
Gains from the disposal of tangible/intangible assets	731	125
Income from other trade business	318	343
Gains from foreign exchange and derivatives	4,165	3,608
Miscellaneous	1,564	3,302
	7,344	8,127

(8)

Other operating expenses

k€

	2008	2007
R&D	4,566	3,613
Provisions in the year	132	566
Allowances for and write-down of current assets	4,254	646
Losses on foreign exchange and derivatives	5,778	3,201
Miscellaneous	5,065	3,989
	19,795	12,015

The other operating expenses comprise the expenses not assigned to any of the functional expense categories (primarily to cost of sales); R&D expenses reflect only such portion as is contract-unrelated production cost. The miscellaneous other operating expenses include functionally unallocable personnel expenses, as well as a multitude of single items.

(9)

Net interest result

k€

	2008	2007
Interest and similar income	445	1,231
Interest and similar expenses	(172)	(118)
Interest portion of addition to pension accruals	(3,892)	(3,131)
Expected return on plan assets	3,695	663
	76	(1,355)

A total k€400 (down from k€1,194) of interest income and k€0 (virtually unchanged) of interest expenses are allocable to MAN AG.

(10)

Income taxes

The recognized income tax expense breaks down as follows:

k€

	2008	2007
Current taxes		
Germany	22,989	25,282
abroad	348	(474)
Deferred taxes		
Germany	1,907	1,700
abroad	(601)	41
	24,643	26,549

The income tax expected for 2008 was calculated by applying a total 31.58 percent (down from 39.9) to EBT for the assessment period 2008, this percentage being the combined result of municipal trade income tax at 15.75 percent, corporate income tax at 15.0 percent, plus solidarity surtax of 5.5 percent of corporate income tax. As the year before, non-German income tax rate changes had in 2008 no significant effect on the overall tax burden.

Reconciliation of expected to actual income tax expense:

k€				
	2008	%	2007	%
EBT	79,720	100.0	66,217	100.0
Expected income tax	25,176	31.6	26,420	39.9
Tax rate differential	(795)	(1.0)	(120)	(0.2)
Tax-exempt income/gains	(2)	–	–	–
Nondeductible business expenses	66	0.1	827	1.3
Taxes for previous years and sundry	198	0.2	(578)	(0.9)
Actual tax expense	24,643	30.9	26,549	40.1

The actual tax expense includes nonperiod income taxes of k€159. Taxes of k€719 were deferred for actuarial gains/losses.

Allocation of deferred taxes to balance sheet lines:

k€		
	12/31/2008	12/31/2007
Deferred tax assets		
Pension accruals	2,519	4,103
Inventories and receivables	1,536	280
Other accruals	597	933
Sundry	1,080	982
	5,732	6,298
Deferred tax liabilities		
Noncurrent assets	5,219	4,040
Inventories and receivables	1,288	623
Sundry	3,204	1,796
	9,711	6,459

(11)

Earnings per share		
	2008	2007
Net income (k€)	55,077	39,668
Weighted average number of shares outstanding (1,000)	6,800	6,800
Earnings per share (basic/undiluted) in €	8.10	5.83

In accordance with IAS 33, the number of shares outstanding is divided into the Group's net income to obtain earnings per share (EpS). No unexercised stock options existed to dilute earnings per share, at either December 31, 2008 or 2007.

(12)

Additional notes to the income statement

Cost of sales includes the following cost of materials:

k€		
	2008	2007
Cost of raw materials, supplies, and merchandise purchased	179,392	144,905
Cost of services purchased	33,807	37,629
	213,199	182,534

Personnel expenses break down as follows:

k€		
	2008	2007
Wages and salaries	105,216	91,939
Social security taxes and pension expense	21,550	19,265
	126,766	111,204

Pension expense totaled k€2,317 (up from k€1,762) and has been allocated to the appropriate functional categories but it does not include the interest portion contained in the period's pension provision at k€3,892 (up from k€3,131).

In fiscal 2008, the RENK Group's headcount averaged 1,875 employees (up from 1,695).

Breakdown of amortization/depreciation:

k€	2008	2007
Amortization of intangible assets	1,289	446
Depreciation of tangible assets	9,254	7,841
	10,543	8,287

Breakdown of write-down of noncurrent assets:

k€	2008	2007
charged to intangible assets	57	-
charged to sundry investments	174	-
	231	-

Lease payments expensed:

k€	2008	2007
Minimum operating lease payments	40	36
	40	36

(13)

Total fees of statutory auditor

Statutory auditor fees pursuant to Art. 285 clause 1 No. 17 HGB:

k€	2008	2007
(a) Fee for statutory audit	232	173
Incidentals	16	12
(b) Other certification/assurance and valuation services	-	29
(c) Other services	30	6
Total fees of statutory auditor	278	220

Notes to the consolidated balance sheet

(14)

Intangible assets				
k€				
	Licenses, software, similar rights and assets	Technol- ogies purchased	Customer relations	Total
Gross book value at 1/1/2007	3,923	–	–	3,923
Accumulated amortization/write-down	(3,027)	–	–	(3,027)
Balance at 1/1/2007	896	–	–	896
Additions	631	–	–	631
Disposals	–	–	–	–
Amortization	(446)	–	–	(446)
Currency translation differences	–	–	–	–
Balance at 12/31/2007	1,081	–	–	1,081
Gross book value at 1/1/2008	4,533	–	–	4,533
Accumulated amortization/write-down	(3,452)	–	–	(3,452)
Balance at 1/1/2008	1,081	–	–	1,081
Additions	3,649	1,357	2,415	7,421
Disposals	(47)	–	–	(47)
Book transfers	50	–	–	50
Amortization	(935)	(95)	(259)	(1,289)
Write-down	(57)	–	–	(57)
Currency translation differences	167	86	146	399
Balance at 12/31/2008	3,908	1,348	2,302	7,558
Gross book value at 12/31/2008	8,826	1,516	2,763	13,105
Accumulated amortization/write-down	(4,918)	(168)	(461)	(5,547)

The amortization charged to capitalized intangibles is included in the appropriate functional expense categories, mainly cost of sales. k€6,637 of the additions refers to newly consolidated RENK-MAAG GmbH, Winterthur, Switzerland.

(15)

Tangible assets					
k€					
	Land and buildings	Production plant and machinery	Other plant, factory and office equipment	Prepayments on tangibles, construction in progress	Tangible assets
Gross book value at 1/1/2007	47,434	94,159	19,745	3,372	164,710
Accum. depreciation/write-down	(26,259)	(65,661)	(15,733)	–	(107,653)
Balance at 1/1/2007	21,175	28,498	4,012	3,372	57,057
Additions	525	6,596	1,730	5,260	14,111
Book transfers	(90)	3,433	(16)	(3,372)	(45)
Disposals	(1)	(134)	(42)	–	(177)
Depreciation	(1,229)	(5,418)	(1,194)	–	(7,841)
Currency translation differences	(10)	(4)	(9)	–	(23)
Balance at 12/31/2007	20,370	32,971	4,481	5,260	63,082
Gross book value at 1/1/2008	47,796	101,668	21,284	5,260	176,008
Accum. depreciation/write-down	(27,426)	(68,697)	(16,803)	–	(112,926)
Balance at 1/1/2008	20,370	32,971	4,481	5,260	63,082
Additions	3,528	12,995	3,030	14,289	33,842
Book transfers	3,312	1,841	3	(5,206)	(50)
Disposals	(171)	(21)	(13)	–	(205)
Depreciation	(1,408)	(6,447)	(1,399)	–	(9,254)
Currency translation differences	5	294	25	–	324
Balance at 12/31/2008	25,636	41,633	6,127	14,343	87,739
Gross book value at 12/31/2008	54,490	115,131	24,980	14,343	208,944
Accum. depreciation/write-down	(28,854)	(73,498)	(18,853)	–	(121,205)

The depreciation charged to tangible assets is included in the appropriate functional expense categories, mainly cost of sales. No write-down was charged in either 2008 or 2007. k€5,293 of the additions refers to newly consolidated RENK-MAAG GmbH, Winterthur, Switzerland.

(16)

Inventories k€	12/31/2008	12/31/2007
Raw materials and supplies	27,151	26,710
Work in process and finished products	123,504	118,210
Prepayments made	3,228	4,751
	153,883	149,671

Inventories valued at k€342,688 (up from k€228,470) were in 2008 recognized as cost of sales. Inventories of a gross k€15,632 were written down (up from k€14,503), the write-down totaling k€4,775 (up from k€1,082).

(17)

Trade receivables k€	12/31/2008	12/31/2007
Due from customers	99,201	89,077
Due from nonconsolidated group companies	5,222	6,190
Due from investees	6,858	2,220
	111,281	97,487

k€6.266 (up from k€3,471) of trade receivables has a remaining term above one but below five years. The remaining k€105,015 (up from k€94,016) now falls due in less than one year.

Movement analysis of specific allowances for bad debts among trade receivables:

k€	2008	2007
Balance at January 1	907	567
Added	6	433
Utilized	(488)	-
Reversed	(140)	(93)
Exchange rate effects	2	-
Balance at December 31	287	907

Movement analysis of the specific portfolio allowances for trade receivables:

k€		
	2008	2007
Balance at January 1	459	505
Added	96	-
Utilized	-	20
Reversed	(100)	(80)
Exchange rate effects	3	1
Other changes	105	13
Balance at December 31	563	459

The table below breaks down receivables not written down:

k€		
	2008	2007
Neither past due nor impaired	81,706	69,461
Past due for	29,575	28,026
≤30 days	16,316	12,807
31–90 days	6,106	9,726
91–180 days	2,500	1,600
181–360 days	2,037	2,170
>1 year	2,616	1,723
Balance at December 31	111,281	97,487

A portfolio allowance accounts for the default risks in these receivables. As of the balance sheet date, there was no indication that any of the receivables neither impaired nor past due would go bad.

We make credit insurance contracts to manage the default risk inherent in trade receivables from customers, mainly by obtaining Hermes cover for export receivables.

(18)**Other assets**

k€

	12/31/2008	12/31/2007
Financial derivatives	663	1,294
Loans and other receivables from third parties	21	22
Non-income tax assets	67	53
Reserve from employer's pension liability insurance	507	1,668
Advances, clearing account balances	1,050	1,153
Prepaid expenses and deferred charges	1,786	1,017
Sundry assets	1,981	547
	6,075	5,754

The *other assets* are disclosed in these balance sheet lines:

k€

	12/31/2008	12/31/2007
Other noncurrent assets	832	1,722
Other current assets	5,243	4,032

Pursuant to IAS 39, financial derivatives are stated at fair value; most of them are hedges against either currency risks in customer contracts or other forex risks.

(19)**Cash and cash equivalents**

k€

	12/31/2008	12/31/2007
Cash on hand and in bank	433	287
Due from MAN intragroup financing	22,945	10,174
	23,378	10,461

The accounts due from MAN intragroup financing reflect receivables under the central cash-pooling system of, and short-term investments with, MAN companies.

(20)

Stockholders' equity

RENK AG's capital stock of €17,920,000 is divided into 7 million no-par shares. During the year under review, 76 percent of RENK AG's capital stock has been owned indirectly by Munich-based MAN AG through MAN Maschinen- und Anlagenbau GmbH, Munich.

	Capital stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	Accumulated OCI	Total
Balance at Dec. 31, 2006	17,920	10,669	58,507	9,129	(7,000)	89,225
Net income (EAT)	–	–	13,556	26,112	–	39,668
Dividend payout	–	–	–	(12,240)	–	(12,240)
OCI: currency translation	–	–	–	–	(301)	(301)
OCI: changes in unreal. gains/losses	–	–	–	–	(100)	(100)
OCI: actuarial gains/losses	–	–	–	–	2,247	2,247
Balance at Dec. 31, 2007	17,920	10,669	72,063	23,001	(5,154)	118,499
Net income (EAT)	–	–	25,053	30,024	–	55,077
Dividend payout	–	–	–	(13,600)	–	(13,600)
OCI: currency translation	–	–	–	–	403	403
OCI: changes in unreal. gains/losses	–	–	–	–	19	19
OCI: actuarial gains/losses	–	–	–	–	(1,157)	(1,157)
Balance at Dec. 31, 2008	17,920	10,669	97,116	39,425	(5,889)	159,241

As of December 31, 2008, RENK AG held a total 199,903 treasury shares in its portfolio, equivalent to 2.86 percent of the capital stock or a stake of k€512. Altogether k€4,013 of the treasury stock has been offset against equity.

The additional paid-in capital solely comprises stock premiums from increases in RENK AG's capital stock. The other comprehensive income (OCI) from unrealized gains/losses was derived from the remeasurement to fair value of pension accruals.

Dividend distribution is subject to the provisions of the German Stock Corporation Act ("AktG"), according to which cash dividends may be distributed from the Group parent's (RENK AG's) net earnings; these net earnings according to German GAAP total k€25,453 as of December 31, 2008. The Company's Executive and Supervisory Boards will propose to the annual general meeting on May 12, 2009, to pay a cash dividend of €1.80 per share from said net earnings, corresponding to €12,240,174.60 for 7,000,000 no-par shares after deduction of the dividends proratable to the 199,903 treasury shares (which do not rank for dividend pursuant to Art. 71b AktG).

(21)

Pension accruals

Pension accruals break down as follows:

k€	12/31/2008	12/31/2007
Pension obligations in Germany	2,987	4,198
Pension obligations abroad	2,433	328
	5,420	4,526

(a) Pension plans and coverage capital

Employees of German RENK subsidiaries benefit from a defined contribution plan (DCP) which centers around the accumulation of capital to be paid out on retirement in one sum; capital redemption in the form of annuities is optional in certain cases. The amount of pension capital is the accumulated total of annual pension modules assigned to employees according to their pensionable pay and their age.

In fiscal 2007 RENK AG had begun to fund the capital for its pension obligations by transferring a total k€65 million as endowment to MAN Pension Trust e.V., a membership corporation under German law. In November 2007, a pension obligation volume of some €31 million for around 1,600 pensioners was assigned to MAN Pensionsfonds AG and fully trust-funded externally. However, since RENK remains liable under a guaranty of collection upon assignee default, the pension obligations assigned and the related trust assets transferred to MAN Pensionsfonds AG continue to be recognized netted in the consolidated balance sheet.

Under irrevocable agreements, these trust assets are exempt from recourse or attachment by RENK AG (trustor) and earmarked solely to fund current pension payments or settle employee claims in the case of employer insolvency. For the purpose of overseeing due and proper management and appropriation of the special pension trust assets, security trustees independent of MAN have been appointed. MAN Pensionsfonds AG is subject to the supervision by BaFin, the German Federal Financial Supervisory Authority.

The assets held under the CTA (contractual trust agreement) are invested by several asset managers in various funds on the capital market in accordance with specified investment policies. The acquisition of securities issued or floated by MAN AG or an MAN company is prohibited, as is (in Germany) any investment in real estate for internal use.

RENK-MAAG GmbH in Switzerland has incurred defined benefit obligations which are all plan-funded. In addition, France's Société d'Équipements, Systèmes et Mécanismes (SESM) is subject to certain statutory payment obligations when employees retire early or go into regular retirement.

Obligatory contributions to defined benefit plans are expected to amount in 2009 to k€1,401.

Breakdown of plan asset portfolio k€	Germany		Abroad	
	2008	2007	2008	2007
	Fixed-income bonds	36,900	23,613	2,844
Money market instruments	15,628	26,662	1,166	–
Equities	9,774	15,323	1,655	–
Real estate	–	–	1,806	–
Total plan assets	62,302	65,598	7,471	–

As of December 31, 2008, plan assets returned a red 2.2 percent in Germany and an equally negative 12.7 percent in Switzerland.

(b) Funding status

For RENK AG, the following pay and pension rise assumptions underlie actuarial calculations:

%	Germany		Abroad	
	2008	2007	2008	2007
Discount rate	6.0	5.25	3.25	3.5
Pension rise	2.0	2.0	0.25	0.5
Pay rise	2.5	2.5	2.0	2.8
Expected return on plan assets	5.0	4.25	4.25	4.4

Movement analysis of the present value of the DBO:

Present value of the DBO

k€	Germany		Abroad	
	2008	2007	2008	2007
Present value of the DBO at Jan. 1	69,796	71,450	328	383
Consolidation group changes	–	1,786	–	–
Effect of initial consolidation of RENK-MAAG GmbH	–	–	7,421	–
Current service cost	1,563	1,658	590	28
Past service cost	–	–	135	–
Interest cost	3,585	3,113	307	18
Actuarial losses/(gains)	(6,768)	(5,877)	(282)	(39)
Pension payments	(3,055)	(2,949)	(102)	(62)
Contributions by beneficiaries	217	26	277	–
Exchange rate changes, other	(49)	589	1,230	–
Present value of the DBO at Dec. 31	65,289	69,796	9,904	328

Movement analysis of plan assets

k€	Germany		Abroad	
	2008	2007	2008	2007
Plan assets at Jan. 1	65,598	–	–	–
Effect of initial consolidation of RENK-MAAG GmbH	–	–	6,422	–
Plan reclassification	–	–	–	–
Expected return on plan assets (ROPA)	3,400	663	295	–
Difference between expected and actual ROPA	(4,796)	(588)	(1,174)	–
Current contributions by employers	210	134	555	–
Special endowment by employers	–	65,364	–	–
Contributions by beneficiaries	217	26	277	–
Pension payments	(2,833)	–	–	–
Exchange rate changes, other	506	(1)	1,096	–
Plan assets at Dec. 31	62,302	65,598	7,471	–

Breakdown of funding status and pension accruals:

k€	Germany		Abroad	
	2008	2007	2008	2007
Plan-unfunded DBO	1,345	1,441	313	328
Plan-funded DBO	63,944	68,355	9,591	–
Total DBO	65,289	69,796	9,904	328
Plan assets at fair value	(62,302)	(65,598)	(7,471)	–
Pension accruals at Dec. 31	2,987	4,198	2,433	328

(c) Pension expense

Breakdown of net pension expense:

k€	2008	2007
Current service cost	2,153	1,686
Past service cost	135	–
Interest cost	3,892	3,131
Expected return on plan assets	(3,695)	(663)
	2,485	4,154

(d) Gains and losses recognized as OCI

k€	2008	2007
Actuarial (gains)/losses at Jan. 1	6,660	11,684
Changes in fiscal year	(1,080)	(5,329)
Effect of initial consolidation of RENK-MAAG GmbH/other	(327)	305
Actuarial (gains)/losses at Dec. 31	5,253	6,660

(22)

Other accruals						
k€						
	12/31/ 2007	Currency transl. diff., other	Utilized	Added	Re- leased	12/31/ 2008
Warranties	23,086	1,245	(4,262)	17,886	(3,660)	34,295
Unbilled costs	6,137	(416)	(4,032)	6,264	(162)	7,791
Other business obligations	10,647	633	(4,973)	2,290	(2,455)	6,142
Obligations to personnel	6,358	2	(1,423)	357	(1,237)	4,057
Remaining accruals	865	444	(205)	682	(30)	1,756
	47,093	1,908	(14,895)	27,479	(7,544)	54,041

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

k€	12/31/2008		12/31/2007	
	noncurrent	current	noncurrent	current
Warranties	2,578	31,717	2,636	20,450
Unbilled costs	–	7,791	–	6,137
Other business obligations	–	6,142	–	10,647
Obligations to personnel	2,138	1,919	2,371	3,987
Remaining accruals	–	1,756	–	865
	4,716	49,325	5,007	42,086

The warranty accruals provide for implied and express warranties, as well as accommodation/goodwill warranties voluntarily extended to customers. Warranty accruals are utilized when the warranty claim takes effect, which may be anytime during the warranty period. The accruals for unbilled costs refer to products or services yet to be provided under contracts already invoiced (or parts thereof) and to obligations under maintenance and service contracts. The other business obligations refer substantially to accrued losses on onerous contracts, as well as to default/performance-related penalties. The accruals for obligations to personnel provide for employment anniversary allowances, termination indemnities, preretirement part-time work, and statutory postretirement benefits.

(23)

Financial liabilities

k€

	12/31/2008	12/31/2007
Due to banks	136	544

The accounts due to banks are not collateralized by land charges or similar encumbrances.

Financial liabilities are included in these balance sheet lines:

k€

	12/31/2008	12/31/2007
Noncurrent financial liabilities (due >1–5 years)	–	136
Current financial liabilities (due within 1 year)	136	408
	136	544

(24)

Trade payables

k€

	12/31/2008	12/31/2007
Trade payables	50,759	30,815

k€186 of trade payables (up from k€7) has a remaining term of >1 to 5 years, all other now falling due within 1 year.

Trade payables include k€483 (up from k€247) due to nonconsolidated group companies.

(25)

Prepayments received

k€

	12/31/2008	12/31/2007
Prepayments received	78,496	88,683

k€5,742 of the prepayments received (down from k€22,531) has a remaining term of >1 to 5 years, all other now falling due within 1 year.

The prepayments include k€5,785 (down from k€5,988) received from nonconsolidated group companies.

(26)

Other liabilities k€	12/31/2008	12/31/2007
Personnel-related	18,589	14,933
Statutory Social Security	1,423	1,183
Currency hedges	462	–
Non-income taxes	82	8
Remaining liabilities	2,494	3,371
	23,050	19,495

The personnel-related liabilities refer to wages, salaries and social security taxes not yet due at the balance sheet date, as well as to prorated vacation pay and special year-end payments.

As in 2007, the *other current liabilities* included the negative market values of financial derivatives. Since they mostly served as hedges against currency risks in customer contracts, their negative market values contrasted with increased values in the balance sheet lines of the underlyings.

The *other liabilities* are disclosed in the following balance sheet lines:

k€	12/31/2008	12/31/2007
Other noncurrent liabilities	608	1,161
Other current liabilities	22,442	18,334
	23,050	19,495

Other information

(27)

Contingent liabilities

k€	12/31/2008	12/31/2007
Guaranties and suretyships	880	953

In fiscal 2007, RENK AG had furnished MAN AG with a non-expiring payment guaranty for the liabilities of RENK subsidiaries from the latter's business relationship with MAN.

(28)

Other financial obligations

Other financial obligations exist from and under leases. Future rents for the minimum terms of operating leases fall due as follows:

k€	12/31/2008	12/31/2007
Operating leases		
Due within 1 year	41	20
Due >1–5 years	65	16
	106	36

k€	12/31/2008	12/31/2007
Property rental obligations		
Due within 1 year	–	197
Due >1–5 years	–	70
	–	267

Contractual payments under **capital leases** fall due as follows:

k€	12/31/2008	12/31/2007
Due within 1 year	174	429
Due >1–5 years	–	174
Total contractual payments	174	603
Future interest portions	–	(19)
Present value of capital leases	174	584

The lease payments are allocated in accordance with the underlying lease terms. Since RENK is lessee in capital leases, leased assets were capitalized within fixed assets at a total book value of k€174 (down from k€557).

Analysis of the present value over time:

k€		
	12/31/2008	12/31/2007
Within 1 year	174	422
>1-5 years	-	162
	174	584

Financial purchase obligations to third parties from pending capital expenditure projects were within the ordinary scope of business.

(29)

Additional disclosures of straight financial instruments

This Note (29) additionally highlights details of straight financial instruments and discloses further information on FI-related balance sheet and income statement lines.

The book values of financial instruments, broken down into IAS 39 valuation categories, are shown in the table below.

k€		
	12/31/2008	12/31/2007
Loans and receivables	112,555	98,877
Financial assets available for sale	1,386	3,065
At fair value recognized in net income	663	1,294
Cash and cash equivalents	23,378	10,461
Financial assets	137,982	113,697
Trade payables	50,759	30,815
Financial liabilities	136	544
Other financial debts	887	1,708
Financial liabilities	51,782	33,067

In both 2008 and 2007, book value equaled fair value.

The interest income/expense earned/incurred in connection with financial assets and debts break down as follows:

k€		
	2008	2007
Interest income	578	1,442
Interest expense	(109)	(121)

Interest income from impaired financial assets is insignificant given the short periods to expected receipt of payment.

The table below lists the net gains/losses from financial instruments:

k€	2008	2007
Loans and receivables	1,878	(842)
Financial assets available for sale	(174)	-
Financial assets/debts at fair value recognized in net income	-	1,050
Financial debts at cost	637	603
Net gain	2,341	811

The net gains/losses from loans and receivables mainly reflect changes in allowances, write-down and currency translation differences, as well as income from cash inflows and write-up.

The net gains/losses from financial assets available for sale basically mirror net income from investments.

The net gains/losses from financial debts carried at cost chiefly comprise currency translation differences and income from liabilities charged off.

The net gains/losses from financial assets/debts at fair value recognized in net income represent changes in the fair value of financial derivatives to which no hedge accounting rules were applied.

(30)

Derivative financial instruments and hedging strategies

The MAN Group is exposed to not insignificant an extent to currency and interest rate risks for whose identification, measurement and containment a groupwide risk management system has been set up.

(a) MAN AG's risk management

Companies of the MAN Group generally hedge their transactions against currency and interest rate risks through MAN AG's central Group Treasury, on terms as if at arm's length and using straight and derivative financial instruments.

Group Treasury's risk positions are hedged externally with banks within predetermined risk limits. Hedges are contracted according to groupwide uniform directives in compliance with the German Act on Corporate Control & Transparency ("KonTraG"), as well as with the German Minimum Requirements for Bank Trading Business ("MaH"). Moreover, such contracting is subject to stringent monitoring, which is particularly ensured through the strict segregation of contracting, settlement and controlling duties.

The MAN Group's currency and interest rate risk positions are regularly reported to MAN AG's Executive and Supervisory Boards. Compliance with guidelines and directives is checked by MAN's Internal Auditing.

(b) RENK's currency risks

Any future cash flows not transacted in the presentation currency of a group company are exposed to currency risks.

Within the MAN Group, principally all firm customer contracts and all purchase orders issued in foreign currency are hedged. Moreover, hedging transactions provide for planned foreign-currency revenues from bulk manufacturing business within defined limits and for high-probability customer projects (firm commitments).

Equity interests or equity-type loans in foreign currency are not subject to any hedging obligation.

Currency forwards in US dollar and Japanese yen existed at December 31, 2008, their recognition being governed partly by CFH, partly by FVH accounting rules.

Breakdown of hedging instruments (notional volumes):

k€

	12/31/2008	12/31/2007
Fair value hedges (FVH)	12,027	16,613
Cash flow hedge (CFH)	9,683	–
No hedge (forex options)	7,482	–

In fiscal 2008, unrealized pretax losses of k€16 from the remeasurement of derivatives in CFHs were recognized in, and only in, OCI.

In connection with FVHs, the gains from derivatives and losses on underlyings amounted to k€1,597 (up from a k€850 loss and gain, respectively). The fair value of forex options came to k€515.

(31)

Stock-based payments

RENK AG's Executive Board members receive stock-based payments under the MSP (MAN Stock Program, first launched in 2005) in the form of taxable cash compensation on condition that they appropriate 50 percent thereof to purchase MAN common stock. Such shares are acquired and held in custody centrally by MAN AG in the name and for the account of the beneficiaries, who may freely dispose of the stock after a 3-year qualifying period. During this freeze period, the shares may not be sold,

assigned, pledged or hedged. When an MSP participant goes into retirement or separates from the MAN Group, the period is shortened to 1 year as from the date of retirement or separation.

Moreover, in line with the plan terms, MSP participants are obligated to appropriate 16.67 percent of their annual variable remuneration (profit share) to acquire MAN common stock, whose freeze period is two years.

Under the MSP 2008, its participants acquired in the year under review a total 1,172 MAN common shares (up from 838) at an average price of €78.53 (down from €106.53), the full cash payments amounting to k€185 (up from k€179). For that portion of their variable remuneration which is earmarked for the acquisition of MAN common stock and based on the MAN stock price at December 31, 2008, the beneficiaries could purchase 3,185 shares (up from 549). Total RENK expenses for the MSP 2008 (including the variable-remuneration portion subject to MSP terms) came to k€432 (up from k€293), k€247 thereof having been accrued (up from k€154).

(32)

Remuneration of the Executive Board

The remuneration of RENK AG's Executive Board members consists of three components: a fixed compensation, a variable remuneration, and stock-based payments (cf. Note 31 above). In addition, Executive Board members are vested with a pension entitlement. The itemized remuneration of Executive Board active in 2008 [2007] is shown in this table:

Remuneration components					
k€					
	Fixed salary	Variable profit share	Stock- based payments	Pension expense	Total
Florian Hofbauer	275	190	222	111	798
[Sep. 1–Dec. 31, 2007]	[86]	[60]	[40]	[14]	[200]
Ulrich Sauter	272	180	210	105	767
	[260]	[171]	[200]	[97]	[728]
Prof. Dr. Manfred Hirt	–	–	–	–	–
	[268]	[310]	[93]	[123]	[794]
Total	547	370	432	216	1,565
	[614]	[541]	[333]	[234]	[1,722]

Special employment contract provisions:

If the appointment of an Executive Board member is revoked early by the Company for reasons other than good cause, the employment contract provisions effective since 2007 stipulate that such dismissed Executive Board member receive his fixed salary, profit share, insurance premium allowances and pension plan contributions up to the regular end of his term of office or for two years, whichever is shorter. Any income earned from other activities will be offset, the pensionable pay base underlying plan contributions being the reduced amount.

If an Executive Board member gives notice of termination and steps down from office at 18 months' notice (permitted without requiring the statement of any reason), he will receive his pay up to the effective date of his notice. No particular stipulations apply upon any change of control.

The amount of the profit share for 2008 is subject to the official approval by the annual general meeting of the Executive Board's acts and omissions for the fiscal year.

Pension payments to former Executive Board members and their surviving dependants amounted to k€227 (up from k€219), while the pension obligations to such former members and their surviving dependants totaled k€3,295 (up from k€2,416).

The Executive Board members including their memberships in other statutory supervisory and comparable boards are disclosed on pages 51 and 53.

(33)

Supervisory Board

Supervisory Board compensation is subject to the provisions of the bylaws. Accordingly, Supervisory Board members are reimbursed for their office-related expenses and receive an annual fee which consists of a basic €2,100 and a variable fee of €200 for each €0.01 of the RENK AG dividend in excess of €0.10. The variable portion is capped at €6,000 each. The Supervisory Board Chairman receives double, the Vice-Chairman 1.5 times, this amount.

Supervisory Board remuneration 2008 in €

Name	Membership period	Fixed fee	Variable fee	Total
Prof. Gerd Finkbeiner	all year	2,100	6,000	8,100
Robert Strixner	all year	2,100	6,000	8,100
Klaus Ketterle	all year	2,100	6,000	8,100
Total 2008		6,300	18,000	24,300
Total 2007		13,650	39,000	52,650

Håkan Samuelsson, Prof. Dr. h.c. Hornung and Anton Weinmann waived to claim the fees they would as Supervisory Board members have been entitled to. For the Supervisory Board members including their memberships in other statutory supervisory and comparable boards, turn to pages 51/53.

(34)**German Corporate Governance Code**

On December 3, 2008, RENK AG's Executive and Supervisory Boards issued, and disclosed to the stockholders on the Internet at www.renk.eu under Investor Relations, the declaration of conformity pursuant to Art. 161 AktG, which reads as follows:

“RENK AG adopted the recommendations of the German Corporate Governance Code Government Commission subject to its declaration of conformity of December 2007 and has implemented the recommendations of the Code (as amended up to June 6, 2008) with the following exceptions:

No further Supervisory Board committees are or will be established (§ 5.3.1–3 of the Code) in addition to the existing Presidential Committee (formed from among the six Supervisory Board members and in charge of Executive Board staffing issues), nor will any separate compensation be paid for the chairmanship and membership in the existing committee (§ 5.4.6 of the Code).”

(35)

Segment reporting

For the purposes of primary segment reporting, the RENK Group's operations are segmented into the Vehicle Transmissions, Slide Bearings, Special Gear Units and Standard Gear Units divisions.

The segment financial information has been determined in conformity with the disclosure and accounting methods applied to the consolidated financial statements, too. Intersegment transfer prices are based on product cost or cost of sales.

Segment assets comprise all operating assets, i.e., the noncurrent and current assets excluding income tax assets and deferred tax assets.

For details of the ROS and ROCE formulas, see the management report, page 36.

Segment information by operating division
k€

	Vehicle Transmissions	
	2008	2007
Order intake from third parties	74,106	78,410
Intersegment order intake	31	–
Total order intake	74,137	78,410
Sales to third parties	170,080	163,104
Intersegment transfers	30	–
Total segment sales	170,110	163,104
Order backlog at Dec. 31	161,238	269,915
EBIT	29,307	33,612
Segment assets	138,213	132,465
Segment debt	78,032	93,458
Capex	3,911	1,491
Amortiz./deprec.	3,790	3,975
ROS	17.2%	20.6%
ROCE	61.7%	68.7%

Segment information by region

k€

	Germany	Other Europe	Other world	Consolidation	Total
2008					
Segment sales	211,113	173,406	142,377	-	526,896
Segment assets	382,728	36,069	6,325	(33.822)	391,300
Capital expenditures for tangibles/intangibles	28,772	385	26	-	29,183
2007					
Segment sales	165,065	136,206	129,111	-	430,382
Segment assets	305,269	20,768	4,564	-	330,601
Capital expenditures for tangibles/intangibles	14,310	200	72	-	14,582

Slide Bearings		Special Gear Units		Standard Gear Units		Consolidation		Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
108,948	92,881	167,772	154,728	91,966	113,454	-	-	442,792	439,473
1,931	3,204	2,890	458	2,028	1,445	(6,880)	(5,107)	-	-
110,879	96,085	170,662	155,186	93,994	114,899	(6,880)	(5,107)	442,792	439,473
96,175	79,086	146,946	93,065	113,695	95,127	-	-	526,896	430,382
1,086	1,498	172	697	1,524	1,041	(2,812)	(3,236)	-	-
97,261	80,584	147,118	93,762	115,219	96,168	(2,812)	(3,236)	526,896	430,382
63,152	49,336	250,720	206,574	144,538	172,371	(7,906)	(14,126)	611,742	684,070
16,645	13,208	20,440	9,819	13,252	10,935	-	-	79,644	67,574
63,665	49,686	113,090	81,315	79,118	68,209	(2,786)	(1,074)	391,300	330,601
21,216	15,673	72,457	41,996	42,983	41,097	(2,786)	(1,071)	211,902	191,153
6,993	4,344	5,564	3,629	12,715	5,118	-	-	29,183	14,582
1,282	843	3,789	1,836	1,913	1,633	-	-	10,774	8,287
17.1%	16.4%	13.9%	10.5%	11.5%	11.4%	-	-	15.1%	15.7%
48.1%	45.3%	37.6%	26.9%	44.3%	38.2%	-	-	48.3%	47.2%

(36)

Notification of controlling interest

Pursuant to Sec. 25(1) clause 1 German Securities Trading Act (“WpHG”), the Company published the notification it had received from one stockholder regarding a stake reportable under the terms of Sec. 21(1) WpHG, as follows:

“On behalf of its subsidiary MAN Maschinen- und Anlagenbau GmbH (officially registered in Heilbronn, to be relocated to Munich), MAN AG of Ungererstr. 69, 80805 Munich, notified us pursuant to Sec. 21(1) WpHG in conjunction with Sec. 24 WpHG that said subsidiary’s voting stake in RENK AG had crossed on October 9, 2002, the reportable 5-percent threshold and has since been 76 percent.

MAN AG further notified us under the terms of Sec. 21(1) WpHG that its voting stake in RENK AG continued to amount to 76 percent since, as from October 9, 2002, such voting interest were fully assignable to MAN AG in accordance with Sec. 22(1) clause 1 No. 1 WpHG.”

(37)

Related-party transactions

Due to its indirectly held 76-percent stake in RENK AG, MAN AG is parent of and thus a company related to, RENK AG; moreover, MAN AG’s subsidiaries are companies related to RENK AG.

Type of legal transactions with companies of the MAN Group:

- Products delivered to MAN companies, primarily marine and turbo gear units, as well as bearings from the Hannover plant.
- Products and materials sourced from MAN companies, mainly upstream material for gear/transmission manufacture (such as castings).
- Other reciprocal transfers, such as debit and credit interest for or from MAN AG’s intercompany payment transaction system, tax apportionment and cost refunds for sundry services.

The tables below list the extent of relationships with corporate related parties. For the compensation paid to senior management, etc. (reportable according to IAS 24), see Notes (32) and (33) above.

In 2008, we sold a plot of land (encumbered with an emphyteusis/ground lease) at its fair value of k€200 to a former Executive Board member. The price has been duly paid.

Summary of legal transactions with related MAN group companies in 2008
k€

Company	Outbound transfers	Inbound transfers	Sundry: Expense	Sundry: Income	Backlog outbound transfers 12/31/2008	Backlog inbound transfers 12/31/2008
MAN AG, Munich, Germany	-	-	2,262	1,671	-	-
MAN HR Services GmbH, Munich	-	-	117	-	-	-
MAN IT Services GmbH, Munich	-	-	1,965	-	-	26
MAN Ferrostaal AG, Essen, Germany	-	-	134	-	3,000	-
MAN Nutzfahrzeuge AG, Munich	693	-	-	-	3,087	-
MAN Nutzfahrzeuge Österreich AG, Steyr, Austria	-	-	-	-	298	-
MAN Diesel SE, Augsburg	13,556	1,743	1,236	167	21,222	1,723
MAN Diesel A/S, Copenhagen, Denmark	10,072	-	17	-	5,836	-
MAN Diesel Japan Ltd., Kobe, Japan	6,582	15	72	7	1,919	-
MAN Turbo AG, Oberhausen, Germany	5,494	-	27	-	6,877	-
MAN Turbo AG Schweiz, Zurich, Switzerland	4,595	3	27	-	3,232	-
MAN Ltd., London, UK	164	-	235	-	5	-
Other MAN companies	94	1	33	17	8	-
Total related group companies	41,250	1,762	6,125	1,862	45,484	1,749

Further legal transactions with MAN AG involve guaranties for borrowings in favor of RENK companies (totaling k€11,488 as of December 31, 2008), as well as derivative currency hedges (totaling k€29,272 as of December 31, 2008). Receivables under the cash management system with MAN AG/MCC amounted to k€22,945 at December 31, 2008.

Summary of legal transactions with nonconsolidated RENK subsidiaries in 2008

k€

Company	Outbound transfers	Inbound transfers	Sundry: Expense	Sundry: Income	Backlog outbound transfers 12/31/2008	Backlog inbound transfers 12/31/2008
RENK U.A.E. LLC, Abu Dhabi, UAE	978	–	–	–	886	–
RENK LABECO Test Systems Corp., Mooresville, USA	3,135	–	149	58	10,900	–
COFICAL RENK Mancais do Brasil LTDA, Guaramirim, Brazil	2,628	–	80	–	652	–
RESITA-RENK S.A., Resita, Romania (up to June 16, 2008)	10	–	–	–	–	–
RENK Transmisyon Sanayi A.S., Ankara, Turkey	115	–	14	–	20	–
Total group companies	6,866	–	243	58	12,458	–

Trade receivables from, and trade payables to, nonconsolidated group companies are disclosed in Notes (17) and (24). Unpaid items have neither been collateralized nor were they written down as of December 31, 2008. Risks arising from intragroup trade transactions were accrued at k€558 as of December 31, 2008.

Supervisory Board members:

Dipl.-Ing. Håkan Samuelsson	Munich Chairman CEO of MAN AG
Prof. Dr. h. c. Karlheinz Hornung	Munich Vice-Chairman Executive Board member of MAN AG
Prof. Dipl.-Ing. (FH) Gerd Finkbeiner	Augsburg CEO of manroland AG
Dipl.-Ök. Anton Weinmann	Munich Executive Board member of MAN AG and CEO of MAN Nutzfahrzeuge AG
Klaus Ketterle*)	Augsburg Technical clerk, RENK AG
Robert Strixner*)	Augsburg Foreman, RENK AG

*) elected by the employees

Executive Board members:

Dipl.-Ing. (FH) Florian Hofbauer	Augsburg Spokesman
Ulrich Sauter	Augsburg

Supervisory and Executive Board memberships in other statutory boards or equivalent

Supervisory Board

Dipl.-Ing. Håkan Samuelsson	<ul style="list-style-type: none"> a) manroland AG Siemens AG b) MAN Nutzfahrzeuge AG (chairm.) MAN Ferrostaal AG (chairm.) MAN Diesel SE (chairm.) MAN Turbo AG (chairm.) NEOMAN Bus GmbH (chairm.)
Prof. Dr. h. c. Karlheinz Hornung	<ul style="list-style-type: none"> a) manroland AG Demag Cranes AG Arcandor AG b) MAN Nutzfahrzeuge AG MAN Ferrostaal AG MAN Diesel SE MAN Turbo AG c) MAN Capital Corporation, USA (chairm.)
Prof. Dipl.-Ing (FH) Gerd Finkbeiner	<ul style="list-style-type: none"> a) BÖWE SYSTEC AG b) manroland Vertrieb und Service Süddeutschland GmbH (chairm.) manroland Vertrieb und Service GmbH d) manroland Inc., USA (chairm.) manroland Western Europe Group B.V., Netherlands (chairm.) manroland CEE AG, Austria (chairm.) manroland Japan CO. LTD., Japan manroland Korea Ltd., Korea
Dipl.-Ök. Anton Weinmann	<ul style="list-style-type: none"> b) MAN Truck & Bus Deutschland GmbH (chairm.) NEOPLAN Bus GmbH d) MAN Nutzfahrzeuge Österreich AG, Austria (vice-chairm.) MAN Region West B.V.

Executive Board

Dipl.-Ing. (FH) Florian Hofbauer d) Société d'Équipements,
Systèmes et Mécanismes,
France (chairm.)

Ulrich Sauter d) Société d'Équipements,
Systèmes et Mécanismes,
France

- a) member of a German company's supervisory board
- b) member of a German group company's board
- c) member of a comparable foreign board
- d) member of a foreign group company's comparable board

Augsburg, January 27, 2009

RENK AG
The Executive Board

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