Semiannual Financial Report as of June 30, 2010

RENK AG

Contents

Introduction

The RENK Group’s interim report meets the semiannual financial reporting requirements of the applicable regulations of the German Securities Trading Act (“WpHG”) and, in accordance with Sec. 37w(2) WpHG, comprises condensed interim consolidated financial statements, an interim group management report, and a management representation. The interim consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) published by the IASB and the related Interpretations (IFRIC) as adopted by the European Union (EU). The semiannual group report should be read in the context of our annual report as of December 31, 2009, and the additional corporate information therein contained.

At a glance

RENK GROUP

€ million (unless otherwise stated)

	H1/2010	H1/2009	Rel. change
			in %
Order intake	352	140	+151
Net sales (revenue)	188	242	–22
Order backlog *)	568	415	+37
Headcount *)	1,871	1,903	–2
thereof temporary employees *)	58	35	+66
			Abs. change
			in € mill.
Operating profit (EBIT)	25	33	–8
EBT (earnings before taxes)	25	33	–8
Net income (EAT)	17	23	–6
Earnings per share (EpS) in €	2.51	3.34	–0.83
ROS in %	13.3	13.6	—
Capital expenditures	9	10	–1
Amortization/depreciation of fixed assets	6	5	+1
R&D expenditures (internally funded)	2	2	±0
Cash earnings	25	28	–3
Cash flow from operating activities	49	19	+30
Cash flow from investing activities	(9)	(10)	+1
Free cash flow	40	9	+31
Net liquid assets *)	81	53	+28
Equity *)	192	192	±0

*) As of June 30, 2010, vs. December 31, 2009

RENK in the first six months (H1) of 2010

- **Operating profit:**
  €25 million (down from €33 million).

- **ROS: 13.3 percent (down from 13.6).**

- **PUMA contract propels order intake to €352 million.**

- **Sales slump 22 percent to €188 million.**

- **Order backlog surges from €415 million (year-end 2009) to €568 million.**

- **Prospects 2010**
  Tall order backlog to translate into rising sales not before 2012; hence sales and earnings this year will be short of 2009.

Interim group management report as of June 30, 2010

Order intake resurgence in Germany's mechanical engineering sector
Q1/2010 saw a resurgence in both export and domestic orders compared with a year ago, with exports (up 18 percent) easily outpacing German business (up 8 percent). In fact, these figures indicate that following the plunge of 2008/09, the economy has bottomed out and Germany's mechanical engineering sector is returning to normal. The revival in exports, particularly to countries outside Europe, is fueling demand for machinery on the part of German industry. If the rest of the year continues in this vein, the German Engineering Federation (VDMA) reckons that domestic orders will return to the 2005 level and expects exports to rise on a broad scale.

The RENK Group's business in 2010 so far largely as forecast
As forecast in the *Prospects* section of our 2009 Annual Report, order intake has significantly recovered, from €140 million to €352 million. The key factor has been the long-awaited and at the end of Q2 finally awarded contract for transmissions to be installed in the PUMA, the German infantry fighting vehicle. Of the other divisions, Standard Gear Units reported a definite advance in new orders whereas Slide Bearings and Special Gear Units only marginally raised order intake from the year-earlier level.

This year's Q2 sales were well short of the preceding quarter's, with the result that H1 sales dropped year-on-year 22 percent or €54 million to €188 million. The only division reporting higher revenue was Vehicle Transmissions; business at Special and Standard Gear Units plus Slide Bearings plummeted in comparison to volume of 2009, a period whose sales were fueled by tall order backlogs.

The high H1/2010 order intake raised order backlog from €415 million (December 31, 2009) to €568 million. Since these new 2010 contracts will take some time to complete, they are not yet expected to impact to an appreciable scale on sales either this or next year.

Profitability satisfactory
Slumping sales combined with, in some cases, unsatisfactory capacity utilization, were reflected in a decline in operating profit from €33 million to €25 million. Whereas Vehicle Transmissions more than doubled its EBIT, poor sales at Slide Bearings and Standard Gear Units eroded operating profit. Risk provisions at Special Gear Units meant that this division's EBIT was only marginally in the black. At 13.3 percent (down from 13.6), H1 ROS stayed at the solid year-earlier level.

Cash flow boosted
The H1 cash flow from operating activities soared from €19 million in 2009 to €49 million in 2010. While a year ago particularly prepayments received had decreased (by €14 million), H1/2010 saw a turnaround to a €4 million increase. Moreover, the net cash outflow for taxes of €3 million was in H1/2010 considerably below the year-earlier €13 million whereas the sales-related €28 million shrinkage of the trade receivables portfolio exceeded the H1/2009 decline by €6 million.

The H1 net cash of €9 million used in investing activities virtually remained at the year-earlier level of €10 million. The H1 additions to fixed assets focused on the Augsburg plant (machine tools and an extension to the new production shop). Consequently, the 6-month free cash flow multiplied to €40 million in 2010 (from €9 million a year ago). Taking into account the dividend payout of €12 million, the cash flow statement closed with net liquid assets of €81 million as of June 30, 2010 (up from €53 million at year-end 2009).

Asset and capital structure

In comparison to December 31, 2009, total assets edged up 2 percent from €393 million to €400 million as of midyear 2010. Major changes in current and noncurrent assets included pruned trade receivables (down €28 million), a surge in cash and cash equivalents, as well as capital outlays for tangible assets (up from €97 million to €101 million).

Noncurrent liabilities and accruals rose from €39 million to €46 million, largely due to higher pension accruals (up from €11 million to €16 million after a discount rate raise). On balance, equity and current liabilities and accruals did not change from the year-end 2009 level.

Capital expenditures and R&D

The almost €10 million outlays for tangible assets chiefly concerned two automatic hobbing machines at the Augsburg large-gear production shop and an extension to the new large-gear production shop which will house the essential manufacturing facilities of the Special Gear Units division. The Rheine plant began setting up a test rig for wind turbine gear units.

Internally funded R&D expenditures of €2 million (virtually unchanged) were essentially incurred for development work at Vehicle Transmissions and Standard Gear Units. In the case of Vehicle Transmissions, expenditures focused on the industrialization of the PUMA HSWL 256 transmission, while at Rheine-based Standard Gear Units, they benefited the engineering enhancement of new series of couplings and turbo gear units.

Moderate workforce reduction

The temporary low workload was met, particularly in Q1/2010, with a number of personnel measures, especially an increase in the use of banked working hours and, in some instances, short-time.

At June 30, 2010, the RENK Group employed a workforce of 1,871, down 32 compared with December 31, 2009. A reduction in the regular workforce (down 55 from 1,868 to 1,813) contrasted with an increase in temporaries, from 35 to 58 (up 23). The decline in regulars was shared by all three locations of RENK AG, especially Augsburg. Given the general improvement in the order situation, RENK is keenly interested in holding on to its highly skilled staff.

Risk report

The risk report should be read in conjunction with our statements on the 2009 financial statements. The RENK Group's risk exposure is largely unchanged. A major new risk is the issue of RENK's cost share in repairing the damaged bearings on the wind turbine gear units.

Regarding the present economic situation and its impact especially on RENK's orders, sales and results of operations, refer herein to our statements under *Order intake resurgence in Germany's mechanical engineering sector*, *Prospects* and our comments on the individual segments under *The Situation at the divisions*.

Prospects

For all of 2010, RENK expects an order intake of around €500 million largely including multiyear contracts that will translate into actual sales increase only after 2011.

Sales in fiscal 2010 will fall sharply, and this lower baseline in conjunction with risk provisions for offshore wind turbine gear units, will depress earnings this year.

The improved rate of incoming orders is sowing the seeds for sales and earnings growth starting from fiscal 2012.

Financial controlling parameters revised

As from fiscal 2010, the key financial controlling parameters for MAN Group companies are ROS (return on sales: operating profit returned on sales) and ROCE (return on capital employed: operating profit returned on annual average capital employed). These ratios are used at RENK Group level as well as for local division controlling purposes, besides underlying major portions of the variable pay of management and workforce.

The revised controlling system parameters are presently being fine-tuned and the ensuing implementation procedures worked out.

Due to this controlling parameter revision, the pay components of RENK AG’s Executive Board members will be realigned accordingly. The business performance-related annual bonus will continue to be predicated on the RENK Group’s ROS but no longer on MAN VA (the MAN Group’s value added: an absolute figure); instead, the corresponding relative parameter will complement ROS, i.e., the difference (delta) between the MAN Group’s ROCE and its WACC.

The situation at the divisions

Vehicle Transmissions

€ million	H1/2010	H1/2009	Change in %
Order intake	224	31	+623
Sales	59	46	+28
			Change in € mill.
Operating profit (EBIT)	10.3	1.7	+8.6
ROS in %	17.6	3.6	—

Awaited for some time now, the order for 405 transmissions, model HSWL 256, to be built into the German PUMA infantry fighting vehicle, was finally placed in June 2010. We also identify opportunities for other new contracts. For the British FRES program and the new Turkish battle tank ALTAY we received advance releases for ensuring the scheduled delivery dates. We are presently negotiating with customers regarding continuing programs in India and the Middle East. Other possible orders for new transmissions concern the Korean K2 program and the continuation of Spain’s PIZARRO program.

The phaseout of major series-production programs in 2009 and 2010 is reflected in revenue. Nonetheless, we did succeed in once again raising sales in H1/2010 with the final delivery of power packs for India's ARJUN program and additional HSWL 354 transmissions for Spain's LEOPARD 2E. Our after-sales business is again proving to be a steady source of revenue. Compared with H1/2009 (which had been burdened by risk provisions), the operating profit improved substantially. For program timing reasons, H2/2010 sales will fall significantly.

At our French subsidiary SESM, the situation is stable and economically sound. Its main activity is the servicing of military vehicle transmissions. An agreement binding the customer for a maximum term of ten years has endorsed SESM as service provider for the ESM 500 transmissions installed in France’s Leclerc tanks. Concurrently, SESM is also servicing the transmissions of the French army’s AMX vehicles.

A member of the Vehicle Transmissions division, RENK Test System GmbH (RTS) and its U.S. marketing subsidiary LABECO were awarded in spring 2010 their biggest-ever individual order: two wind turbine gear unit test rigs rated at 7.5 and 15 MW. The deal is worth €29 million and has been placed by Clemson University, South Carolina, for a newly established wind energy R&D center. One consequence of this major contract: a record order backlog and long-term stable capacity utilization. Altogether, with its sophisticated product portfolio now extended to include test rigs for wind turbine gear units, RTS commands an excellent base for long-range successful marketing activities.

It is quite conceivable that Vehicle Transmissions will be awarded further notable contracts in H2/2010. For program timing reasons, sales and earnings will fall short of the H1 level.

Slide Bearings

€ million	H1/2010	H1/2009	Change in %
Order intake	39	38	+3
Sales	42	55	–24
			Change in € mill.
Operating profit (EBIT)	9.3	12.9	–3.6
ROS in %	22.3	23.4	—

The order influx rate reflects a resurgence in slide bearing demand, especially for the standard variety. Project business inquiries have so far been mixed, with the necessary momentum still missing from the rolling steel mill and marine sectors. Early indicators from our customers suggest that the markets will continue on the road of recovery, especially in Asia for smaller standard bearings.

Sales dropped 24 percent, from €55 million to €42 million. Whereas year-earlier revenue had still benefited from the then record order backlog, the 2010 figures for these short-leadtime products have suffered from weak order inflow in 2009.

Thanks to cost-pruning and capacity adjustment measures in H2/2009, ROS has remained very strong in 2010 despite slumping sales. Another fortunate factor has been the weaker euro versus the U.S. dollar and Japanese yen.

As to H2/2010, we still expect a tough environment for long-term project business. In contrast, the market for standard bearings is, we believe, more favorable; here we have succeeded in raising our share of the midsize bearing segment. The conditions therefore exist for business to continue at the H1 rate. In order to retain our competitive edge beyond 2010 we are consistently pursuing an international make-or-buy strategy to increasingly capitalize through alliances on the advantages of low-cost regions.

Special Gear Units

€ million	H1/2010	H1/2009	Change in %
Order intake	49	46	+7
Sales	51	81	–37
			Change in € mill.
Operating profit (EBIT)	1.1	10.7	–9.6
ROS in %	2.1	13.2	—

The key accounts for RENK’s industrial gear units are the international large-scale plant engineering companies. Because of the 2008/9 economic crisis, many projects had been shelved, especially due to funding bottlenecks. Now, thanks to the pending recovery in the market for such plants, a number of these postponed projects are beginning to take shape. Particularly in the market for cement mill and plastic processing plant gear units—virtually zero orders in 2009—demand is beginning to pick up.

In the specialty ship gear unit segment, order intake is still dormant. Various frigate projects in North Africa and the Near & Middle East, although awardable, have been shelved. Nonetheless we did observe brisk H1 inquiries particularly for naval applications in the United States, and the Near, Middle & Far East which may sprout orders in H2/2010. Business in megayacht gear units has lost its momentum, with no broad-based revival in sight.

At €49 million, order intake stabilized at a low level. As expected, revenue was well short of the year-earlier period, when production was still operating to capacity.

With sales down by over one-third and the accompanying idling capacities plus the bearing damage on the offshore wind turbine gear units, H1 earnings were severely down.

Our Swiss subsidiary, RENK-MAAG GmbH had a good six months, with strong turbo gear unit business from China propelling order influx at double-digit rates and sales receding only slightly.

For H2, we do not expect any sustained recovery in demand for stationary gear units; as to the marine variety, there is the possibility of sizable orders especially for the U.S. Navy.

Assuming on-time shipments, we are looking to a noticeable advance in revenue. The same applies to an EBIT improvement albeit the unresolved issue of RENK's share in the costs of repairing damaged bearings on the wind turbine gear units does pose a threat.

<u>Standard Gear Units</u>

€ million	H1/2010	H1/2009	Change in %
Order intake	41	29	+40
Sales	39	63	–38
			Change in € mill.
Operating profit (EBIT)	4.3	7.7	–3.4
ROS in %	11.1	12.3	—

Global shipbuilding is still in the state of crisis. Any upturn in world trading volume and rising freight rates may be seen as an early indicator that the crisis is coming to an end. Despite this, in Europe, especially, more yard closedowns and workforce retrenchments are expected. Regarding the Rheine plant's marine gear lineup, there are growing inquiries from luxury and standard ferry builders. Another busier market: new LNG tankers and multipurpose freighters.

Driven by steam turbine business, orders for turbo gear units are slightly up, too. In contrast, the clutch/coupling market is idling at the year-earlier level, with no acceleration expected in the near future. Most of the additional 40-percent order intake is due to a further shipment of 5-MW wind turbine gear units as part of the skeleton agreement with AREVA/Multibrid.

The decline in H1/2010 sales is mainly related to marine gear units; a year ago, a tall backlog of orders still had to be shipped out, with none remaining this year. Turbo gear unit and clutch/coupling sales were also down although in a year-on-year comparison, the shortfall was much less than with marine gear units.

The decline in operating profit from €7.7 million to €4.3 million was basically due to lower sales. Thanks to timely and comprehensive cost management, Standard Gear Units, with an ROS of 11.1 percent, has succeeded in holding on to the year-earlier magnitude.

A further reduction in marine gear unit shipments is expected to lead to shrinking H2 sales and earnings. As to new orders, there are possibilities that the H1 upturn will continue.

Related parties
For details of related-party transactions, see the notes to the consolidated financial statements.

Subsequent events
No reportable events have occurred after the semiannual closing date.

Condensed semiannual consolidated financial statements as of June 30, 2010

RENK consolidated income statement

k€	H1/2010	H1/2009
Net sales (revenue)	**187,991**	**241,826**
Cost of sales	(140,974)	(178,781)
Gross margin	**47,017**	**63,045**
Other operating income	3,193	2,509
Selling expenses	(12,863)	(13,662)
General administrative expenses	(6,106)	(6,599)
Other operating expenses	(6,343)	(12,309)
Sundry investment income	25	—
EBIT	**24,923**	**32,984**
Interest income	249	143
Interest expense	(417)	(478)
EBT	**24,755**	**32,649**
Income taxes	(7,657)	(9,928)
Net income (EAT)	**17,098**	**22,721**
EpS in €	**2.51**	**3.34**

RENK Group:

Statement of comprehensive income

k€	H1/2010	H1/2009
Net income (EAT)	**17,098**	**22,721**
Currency translation differences from non-German subsidiaries	1,281	(111)
Change in fair value of financial derivatives	(4,227)	250
Change in actuarial gains/losses from pensions	(4,777)	(718)
Deferred taxes on OCI	2,898	418
Gains/losses directly recognized in equity, net	**(4,825)**	**(161)**
Comprehensive income	**12,273**	**22,560**

RENK consolidated balance sheet as of June 30, 2010

Assets

k€	**6/30/2010**	**12/31/2009**
Intangible assets	7,049	6,799
Tangible assets	101,044	97,163
Sundry investments	1,493	1,493
Deferred tax assets	12,557	9,583
Trade receivables	3,989	4,280
Other noncurrent assets	296	859
Total noncurrent assets	**126,428**	**120,177**
Inventories	120,304	121,467
Trade receivables	61,838	89,023
Income tax assets	4,282	4,763
Other current assets	5,251	4,207
Cash and cash equivalents	81,861	52,967
Total current assets	**273,536**	**272,427**
	399,964	**392,604**

RENK consolidated balance sheet as of June 30, 2010

Equity & liabilities

k€	**6/30/2010**	**12/31/2009**
Capital stock	17,920	17,920
Additional paid-in capital	10,669	10,669
Reserves retained from earnings	114,972	114,972
Net earnings	60,393	55,535
Accumulated OCI (unrealized gains/losses)	(12,322)	(7,497)
Total equity	**191,632**	**191,599**
Noncurrent financial liabilities	1,002	—
Pension accruals	15,757	11,079
Deferred tax liabilities	13,209	11,065
Other noncurrent accruals	15,361	15,801
Other noncurrent liabilities	588	588
Total noncurrent liabilities and accruals	**45,917**	**38,533**
Trade payables	34,635	38,095
Prepayments received	61,288	55,131
Current income tax liabilities	5,015	8,707
Other current accruals	36,328	38,576
Other current liabilities	25,149	21,963
Total current liabilities and accruals	**162,415**	**162,472**
	399,964	**392,604**

RENK Group statement of changes in equity (H1)

k€	Capital stock	Additional paid-in capital	Reserves retained from earnings	Net earnings	Accum. other comprehensive income (OCI)	Total
Balance at December 31, 2008	**17,920**	**10,669**	**97,116**	**39,425**	**(5,889)**	**159,241**
Net income (EAT)	—	—	—	22,721	—	22,721
OCI: currency translation differences	—	—	—	—	(111)	(111)
OCI: unrealized gains/losses from financial derivatives	—	—	—	—	147	147
OCI: actuarial gains/losses	—	—	—	—	(197)	(197)
Comprehensive income	—	—	—	**22,721**	**(161)**	**22,560**
Dividend payout	—	—	—	(12,240)	—	(12,240)
Balance at June 30, 2009	**17,920**	**10,669**	**97,116**	**49,906**	**(6,050)**	**169,561**
Balance at December 31, 2009	**17,920**	**10,669**	**114,972**	**55,535**	**(7,497)**	**191,599**
Net income (EAT)	—	—	—	17,098	—	17,098
OCI: currency translation differences	—	—	—	—	1,281	(1,281)
OCI: unrealized gains/losses from financial derivatives	—	—	—	—	(2,908)	(2,908)
OCI: actuarial gains/losses				—	(3,198)	(3,198)
Comprehensive income	—	—	—	**17,098**	**(4,825)**	**4,776**
Dividend payout	—	—	—	(12,240)	—	(12,240)
Balance at June 30, 2010	**17,920**	**10,669**	**114,972**	**60,393**	**(12,322)**	**191,632**

RENK consolidated statement of cash flows

k€	H1/2010	H1/2009
Opening cash and cash equivalents	**52,967**	**23,378**
EBT	24,755	32,649
Current taxes	(5,644)	(11,331)
Amortization/depreciation/write-down of tangibles/intangibles and investments	5,812	5,379
Change in pension accruals	(345)	1,445
Cash earnings	**24,578**	**28,142**
Decrease in inventories	2,691	5,147
Increase/(decrease) in prepayments received	4,442	(14,350)
Decrease in trade receivables	28,154	22,178
Decrease in trade payables	(3,730)	(7,247)
Net change in income tax assets/liabilities	(3,218)	(13,293)
Decrease in other accruals	(2,980)	(1,783)
(Increase)/decrease in other assets	(3,336)	87
Increase/(decrease) in other liabilities	3,770	(201)
Elimination of net gain/loss from disposal of tangibles/intangibles and investments	(143)	(175)
Other changes in working capital	(1,464)	173
Net cash provided by operating activities	**48,764**	**18,678**
Cash outflow for additions to tangibles and intangibles	(8,774)	(9,698)
Cash outflow for additions to investments	—	(4)
Cash inflow from the disposal of tangibles/intangibles and investments	190	184
Net cash used in investing activities	**(8,584)**	**(9,518)**
Free cash flow	**40,180**	**9,160**
Dividend payout	(12,240)	(12,240)
Financial liabilities raised	926	—
Financial liabilities redeemed	—	(136)
Net cash used in financing activities	**(11,314)**	**(12,376)**
Net change in cash and cash equivalents	**28,866**	**(3,216)**
Parity-related change in cash and cash equivalents	28	(7)
Consolidation group-related change in cash and cash equivalents	—	115
Closing cash and cash equivalents	**81,861**	**20,270**
Breakdown of net liquid assets at June 30		
Cash and cash equivalents	**81,861**	**20,270**
Financial liabilities	(1,002)	—
Net liquid assets	**80,859**	**20,270**

Notes to RENK's consolidated financial statements

General

The present consolidated semiannual financial statements for the six months (H1) ended June 30, 2010, conform with the International Financial Reporting Standards (IFRS)—including the related Interpretations of the International Accounting Standards Boards (IASB)—which are applicable to interim reports in the European Union (EU). Consequently, these semiannual financial statements do not comprise all the information and disclosures in the notes which the IFRS require for consolidated annual financial statements but should be read in the context of RENK's published IFRS consolidated financial statements for fiscal 2009. Unless expressly otherwise stated, the accounting and valuation methods applied to these condensed semiannual consolidated financial statements are identical with those adopted for the consolidated financial statements as of December 31, 2009, and to which reference is made for full details.

From the Executive Board's vantage point, the present unaudited interim report reflects all due interim adjustments required in good accounting practice for a true and fair view of the Group's asset and capital structure, financial position, and results of operations. The performance data and results shown for this interim period do not necessarily allow a forecast of the future business trend.

Preparing the consolidated financial statements requires management to make certain assumptions and estimates for the valuation and disclosure in the period of recognized income and expenses. Actual values may differ from those estimates.

Besides the financial schedules, the semiannual financial statements include notes to selected financial statement lines. For segment information, see pages 8–10 and 20–21. There have been no other changes in the current reporting structure in comparison to that at December 31, 2009.

In interim reporting, current income expenses are determined on the basis of the expected full-year tax load ratio.

Changed accounting rules

On January 10, 2008, the IASB issued a revised IFRS 3, *Business Combinations*. This Standard, which supersedes IFRS 3 (2004), provides new guidance for applying the acquisition method (previously called *purchase method*) to business combinations. Highlights of the revised rules are the valuation of minority interests, the accounting for business combinations achieved in stages, and the treatment of contingent price components and of acquisition incidentals. Also new is the application of the full-goodwill method (measurement of minority interests at fair value) or the partial-goodwill alternative (measurement at fair value of the prorated identifiable net assets). For business combinations achieved in stages, IFRS 3 (2008) requires that the shares held at the date at which control passes be remeasured and the resulting gain or loss recognized in the income statement. Payments of contingent consideration that are shown as liabilities at the date of acquisition should now be remeasured at fair value and the resultant gain/loss recognized as income/expense, as appropriate. Acquisition incidentals are henceforth expensed when incurred. RENK has applied IFRS 3 (2008) as from January 1, 2010.

Also on January 10, 2008, the IASB issued the amended IAS 27, *Consolidated and Separate Financial Statements*. The Standard's amendments primarily deal with the accounting for transactions where the company (i) retains control of subsidiaries and (ii) holds a minority (noncontrolling) interest in equity. Transaction not resulting in a loss of control are recognized in, and only in, equity. Residual interests retained when control is lost are remeasured at fair value. Total comprehensive income is now strictly and fully prorated to minority interests even if resulting in the minority interests having a deficit balance. RENK has applied IAS 27 (2008) as from January 1, 2010.

Consolidation group

The consolidated financial statements include besides RENK AG as parent all subsidiaries wholly owned by it, i.e., Société d'Équipements, Systèmes et Mécanismes, Saint-Ouen-l'Aumône, France (SESM); RENK Corporation, Duncan, USA (RC); RENK Test System GmbH, Augsburg, Germany; RENK-MAAG GmbH, Winterthur, Switzerland (RMCH); and RENK LABECO Test Systems Corporation, Mooresville, USA (Labeco).

Notes to the income statement

Other operating income

k€	H1/2010	H1/2009
Income from the release of accruals	655	214
Gains from the disposal of tangibles/intangibles	150	183
Income from other trade business	702	107
Gains from exchange differences and derivatives	1,132	438
All other income	554	1,567
	3,193	**2,509**

Other operating expenses

k€	H1/2010	H1/2009
R&D	1,984	2,137
Provisions in the period	(30)	455
Write-down of current assets	672	6,678
Losses on exchange differences and derivatives	2,143	1,276
All other expenses	1,574	1,763
	6,343	**12,309**

Net interest expense

k€	H1/2010	H1/2009
Interest and similar income	249	143
Interest and similar expenses	(36)	(80)
Expected return on plan assets	1,735	1,688
Interest portion of addition to pension accruals	(2,116)	(2,086)
	(168)	**(335)**

Earnings per share

	H1/2010	H1/2009
Net income (k€)	17,098	22,721
Weighted average number of shares outstanding (1,000)	6,800	6,800
Earnings per share (€)	**2.51**	**3.34**

According to IAS 33, EpS is obtained by dividing the Group's net income for H1 by the average number of shares outstanding in the period. No financial instruments existed at June 30, 2010 or 2009, to dilute earnings per share.

Dividend for fiscal 2009

As resolved by the annual general meeting on May 6, 2010, RENK AG's Executive Board distributed on May 7, 2010, an ordinary cash dividend of €1.80 per share, corresponding to a total payout for 2009 of €12,240,174.60.

Notes to the balance sheet

Tangible assets

k€	6/30/2010	12/31/2009
Land and buildings	33,735	34,347
Production plant and machinery	49,597	46,869
Other plant, factory and office equipment	6,103	5,941
Prepayments on tangibles, construction in progress	11,609	10,006
	101,044	**97,163**

Inventories

k€	6/30/2010	12/31/2009
Raw materials and supplies	23,284	24,222
Work in process and finished products	95,945	94,870
Prepayments made	1,075	2,375
	120,304	**121,467**

Trade receivables

k€	6/30/2010	12/31/2009
Due from customers	58,131	86,784
Due from group companies	3,461	1,079
Due from investees	1,731	5,248
Receivables under PoC contracts	2,504	192
	65,827	**93,303**

Other accruals

k€	6/30/2010	12/31/2009
Warranties	30,171	30,709
Unbilled costs from contracts invoiced	7,746	8,592
Other business obligations	6,276	6,851
Obligations to personnel	5,550	6,260
Remaining accruals	1,946	1,965
	51,689	**54,377**

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

k€	6/30/2010	12/31/2009
Other noncurrent accruals	15,361	15.801
Other current accruals	36,328	38.576

Financial liabilities

k€	6/30/2010	12/31/2009
Payables under capital leases	1,002	—
	1,002	**—**

The financial liabilities as of June 30, 2010, are noncurrent.

Contingent liabilities

k€	6/30/2010	12/31/2009
Guaranties/suretyships	998	850
	998	**850**

The contingent liabilities as of December 31, 2009, and June 30, 2010, refer almost exclusively to RENK-MAAG GmbH.

Segment reporting

The RENK Group's operations break down into four reportable segments: Vehicle Transmissions, Special Gear Units, Slide Bearings, and Standard Gear Units. Management of each segment reports directly to RENK AG's Executive Board as the appropriate corporate body.

Key parameter for assessing and controlling a segment's results of operations remains the operating profit, which as a rule equals EBIT, just in isolated cases would nonrecurring factors require EBIT to be adjusted. Typical such factors are income and/or expenses whose amount is material and which do not originate from operating activities. Segment assets and liabilities equal the aggregate assets and liabilities of each division.

	Vehicle Transmissions		Slide Bearings		Special Gear Units		Standard Gear Units		Consolidation		Group	
k€	**H1/2010**	**H1/2009**	**H1/2010**	**H1/2009**	**H1/2010**	**H1/2009**	**H1/2010**	**H1/2009**	**H1/2010**	**H1/2009**	**H1/2010**	**H1/2009**
Order intake from third parties	224,334	31,206	38,146	37,558	49,020	43,483	40,760	28,166			352,260	140,413
Intersegment order intake	(337)	13	396	482	429	2,834	604	420	(1,092)	(3,749)		
Total order intake	**223,997**	**31,219**	**38,542**	**38,040**	**49,449**	**46,317**	**41,364**	**28,586**	**(1,092)**	**(3,749)**	**352,260**	**140,413**
Sales to third parties	58,117	46,291	40,903	52,323	50,544	81,208	38,427	62,005			187,991	241,827
Intersegment transfers	430	13	653	2,615	94	30	388	1,102	(1,565)	(3,760)		
Total segment sales	**58,547**	**46,304**	**41,556**	**54,938**	**50,638**	**81,238**	**38,815**	**63,107**	**(1,565)**	**(3,760)**	**187,991**	**241,827**
Order backlog *)	**300,145**	**135,869**	**32,255**	**34,738**	**171,028**	**170,889**	**78,952**	**82,323**	**(14,244)**	**(8,616)**	**568,135**	**415,203**
EBIT	**10,372**	**1,672**	**9,265**	**12,859**	**1,055**	**10,712**	**4,304**	**7,741**	**(73)**		**24,923**	**32,984**
Interest income	63	126	63	57	53	121	27	-31	43	(130)	249	143
Interest expense	133	224	38	47	134	259	69	78	43	(130)	417	478
Income taxes	2,268	2,447	666	1,007	2,220	3,966	585	887	1,919	1,621	7,658	9,928
Segment assets *)	101,517	100,953	71,474	70,329	138,791	128,891	72,040	78,377	(697)	(292)	383,125	378,258
Segment liabilities *)	67,449	63,044	16,455	14,855	72,515	65,455	34,386	38,171	(697)	(292)	190,108	181,233
Capital expenditures	2,444	1,176	920	2,497	3,836	2,934	1,647	3,091	(73)		8,774	9,698
Amortization/depreciation	1,248	1,540	813	733	2,454	2,073	1,297	1,033			5,812	5,379
ROS (%)	**17.7**	**3.6**	**22.3**	**23.4**	**2.1**	**13.2**	**11.1**	**12.3**			**13.3**	**13.6**
ROCE (%)	**146.4**	**7.8**	**57.4**	**63.8**	**3.6**	**39.3**	**27.6**	**37.9**			**36.2**	**36.9**

*) Balance at June 30, 2010, versus December 31, 2009

Related-party transactions

There have been no significant changes in reportable transactions with related parties (entities/individuals) in comparison to December 31, 2009.

Review by the statutory group auditor

The semiannual financial statements as of June 30, 2010 and 2009, have not reviewed.

Changes in Supervisory Board membership

Employee representative Robert Strixner went into retirement at March 31, 2010, and has been succeeded on the Supervisory Board as from April 1, 2010, by Herbert Köhler, an elected alternate member.

At their annual general meeting on May 6, 2010, RENK AG's stockholders elected Frank H. Lutz, Klaus Stahlmann and Dr.-Ing. Hans-O. Jeske as Supervisory Board members after their predecessors Prof. Dr. h.c. Karlheinz Hornung, Anton Weinmann and Dr.-Ing. Georg Pachta-Reyhofen had stepped down in late 2009 and early 2010, respectively.

The Supervisory Board elected Frank H. Lutz and Klaus Stahlmann its Chairman and Vice-Chairman, respectively.

Subsequent events

No reportable events have occurred after the semiannual closing date.

Management representation

"To the best of our knowledge and in accordance with the applicable interim financial reporting principles, we state that (i) RENK's interim consolidated financial statements as of June 30, 2010, present a true and fair view of the RENK Group's asset and capital structure, financial position and results of operations, (ii) the interim group management report presents a fair review of the Group's business trend, performance and position, and (iii) the principal risks and rewards associated with the Group's expected development for the remaining months of the fiscal year have been duly described."

Augsburg, July 27, 2010

RENK AG
The Executive Board

Financial diary, RENK Group:

Updating notice for Q3/2010	Oct. 28, 2010
Press release on financial information 2010	Mar. 01, 2011
Annual general meeting on fiscal 2010	Apr. 14, 2011
Updating notice for Q1/2010	May 03, 2011