Semiannual Financial Report as of June 30, 2011

RENK AG

Contents

At a glance	Page 3
Interim group management report as of June 30, 2011	Page 4
Condensed interim consolidated financial statements as of June 30, 2011	Page 11
Management representation	Page 23
Financial diary of the RENK Group	Page 23

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, 2010, and the additional corporate information therein contained.

At a glance

RENK GROUP

€ million (unless otherwise stated)

	H1/2011	H1/2010	Rel. change
			in %
Order intake	262	352	–26
Net sales (revenue)	179	188	–5
Order backlog [1)]	600	522	+15
Headcount [1)]	1,950	1,882	+4
thereof temporary employees [1)]	75	68	+10
			Abs. change
			in € mill.
Operating profit (EBIT)	25	25	0
EBT (earnings before taxes)	25	25	0
Net income (EAT)	18	17	–6
Earnings per share (EpS) in €	2.58	2.51	+0.07
ROS in %	14.0	13.3	—
Capital expenditures	6	9	–3
Amortization/depreciation of fixed assets	6	6	0
R&D expenditures (internally funded)	2	2	0
Cash earnings	24	25	–1
Cash flow from operating activities	31	49	–18
Cash flow from investing activities	(5)	(9)	+4
Free cash flow	25	40	–15
Net liquid assets [1, 2)]	112	99	+13
Equity [1)]	226	217	+9

[1)] As of June 30, 2011, vs. December 31, 2010
[2)] Including long-term cash investments of €15 million

Interim group management report as of June 30, 2011

Bright outlook for Germany's mechanical engineering industry
The global economy had in 2010 recovered with surprising rapidity from the severest recession since the end of WWII. The recuperation surge then receded somewhat in the first half of this year. Within the EU economic zone there are at present uncommonly vast regional differences in the recovery process, with Germany driven by its close export focus and competitive economic structure commanding a foremost position.

Both this and next year are forecast to show further global gains in capital expenditures on machinery and equipment and hence the German industry association VDMA is looking to ongoing growth on the part of the nation's mechanical engineering sector.

The RENK Group's business performance on target during H1/2011
The healthy progress achieved by the mechanical engineering industry is reflected in order intake by the RENK divisions with the exception of Vehicle Transmissions, which is heavily dependent on the military sector. Although order intake at €262 million was short of the prior year's €352 million (which had included the PUMA megacontract), nonetheless Slide Bearings, Special and Standard Gear Units all reported steep growth rates.

At €179 million, total sales were not quite at the prior year's €188 million (down 5 percent) yet the figures do match the forecasts outlined in the 2010 annual report according to which RENK expects for this year a slight downturn since most of the orders placed in 2010 are scheduled for delivery not before 2012 and thereafter.

Earnings stable
Despite slightly declining sales, operating profit at €25 million continued at the year-earlier level. The main reason was improved capacity utilization at the three German plants thanks to the order situation. Whereas the Slide Bearings division showed an appreciable EBIT rise and the Special Gear Units division a moderate improvement from a low prior-year baseline, Vehicle Transmissions and Standard Gear Units both reported sales-related reductions in EBIT. ROS at 14.0 percent (up from 13.3) was again good.

Reasonable cash flow trend
The order intake uptrend raised inventory levels. The higher prepayments received had a highly favorable impact on cash flows, surging from €4 million to €30 million significantly thanks to the megacontracts for the US Navy programs. Together with the other working capital changes, the cash flow from operating activities amounted to €31 million (down from €49 million).

The H1 net cash of €5 million used in investing activities diminished from the year-earlier €9 million. While in H1/2010 the extension to the building infrastructure for Special Gear Units had been in the focus, this year's H1 additions to tangible assets focused again on expenditures for operating plant and equipment. Taking into account the dividend payout of €12 million, the cash flow statement closed with net liquid assets of €112 million as of June 30, 2011 (up from €99 million at year-end 2010).

Asset and capital structure

In comparison to December 31, 2010, total assets climbed 7 percent from €419 million to €449 million as of midyear 2011. Major changes in current and noncurrent assets included growing inventories (up from €110 million to €128 million) thanks to the brisk order activity and a €13 million rise in cash and cash equivalents (up from €85 million to €98 million).

On the capital side, noncurrent liabilities and accruals at €48 million remained virtually at the year-end 2010 level of €49 million. Significant changes in current liabilities and accruals referred to the surging prepayments received from €46 million at the close of 2010 to €75 million as of June 30, 2011 (mainly thanks to the US Navy business), as well as the lower income tax liabilities (whittled down by €5 million to €1 million) and the €4 million decrease in other current accruals to €40 million (attributable to the reduced specific warranty accruals). Boosted by the H1 net income, equity mounted from €217 million to €226 million. The equity ratio inched down from 51.7 percent as of December 31, 2010, to 50.3 at June 30, 2011.

Capital expenditures and R&D
Most of the €6 million additions to tangible assets concerned production plant and equipment such as a tempering and carburizing furnace at the Augsburg hardening shop, boring equipment as well as a boring and milling center in Hannover plus the ongoing expansion of the central warehouse in Augsburg. Outlays for our internally funded R&D projects amounted to €2 million (virtually unchanged) and concentrated at Vehicle Transmissions once again on getting the PUMA HSWL 256 transmission ready for series production. R&D work at Standard Gear Units focused on technology transfer issues related to the relocation to Rheine of offshore wind turbine gear units.

Rising workforce to cope with healthy order situation
In order to complete on schedule a soaring order backlog, the number of employees was raised by 4 percent from 1,882 (Dec. 31, 2010) to 1,950 (June 30, 2011). In Rheine, short-time work was phased out in the course of H1/2011. Augsburg and Hannover, in particular, recruited additional personnel. Most of the newcomers were employed in production and production-related areas.

Risk report
The risk report should be read in conjunction with our statements in the 2010 financial statements. The present risk situation is more or less as outlined in the 2010 annual report. A sizeable retrofitting program has eased the risk exposure at Vehicle Transmissions. Regarding cost-sharing in warranty claims for offshore wind turbine gear units, consensus has been reached in one instance.

On the subject of the present economic situation and its impact on RENK's orders, sales and results of operations, refer herein to our statements under *Bright outlook for Germany's mechanical engineering industry, Prospects* and our comments on the individual segments under *The situation at the divisions*.

Prospects
For all of 2011, RENK is looking to an order intake of around €500 million. This assumes, however, the award of a sizeable export contract for Vehicle Transmissions.

According to present estimates, sales will fall just short of the prior-year €403 million. Hence and depending on the H2 risk situation, the operating profit might drop below the previous year's €52 million. ROS will remain double-digit. The improving order situation will refuel sales and EBIT growth starting from 2012.

The situation at the divisions

Vehicle Transmissions

€ million	H1/2011	H1/2010	Change in %
Order intake	42	224	–81
Sales	49	59	–17
			Change in € mill.
Operating profit (EBIT)	8.3	10.3	–2.0
ROS in %	16.8	17.7	—

Economic parameters
H1/2010 saw no fundamental change in the types and numbers of awardable procurement programs in the market for medium- and heavy-duty tracked-vehicle transmissions. There is a fundamental trend toward affording optimum protection for soldiers engaged on missions. According to our present assessments, not one of the new projects awaiting decision within the near future is in doubt for either monetary or structural reasons. Hence, we are counting on good prospects of being considered with our advanced-engineered RENK transmission program. We do identify, however, a growing endeavor on the part of customers to become independent of foreign suppliers and a wish, while the systems are in use, to be able to service and maintain the equipment themselves. In addition, various procurers are posing very extensive and demanding requirements with respect to offset deals. For us, this spells a more complex management of cooperation agreements with local associates and growing challenges regarding the safeguarding of our own know-how.

Since the turn of the year, our French subsidiary SESM SA has been renamed RENK France SAS. The changed name and legal form are intended to cut back on the administrative work and achieve a closer identification within the RENK Group. As the maintenance provider for French army transmissions, the economic environment for RENK France continues to be favorable.

In the markets of relevance to RENK Test System GmbH (RTS) we still identify strong demand for our products. This applies, in particular, to test rigs for wind turbines, rolling stock, and helicopter transmissions.

Business trend
Following the signing in fiscal 2010 of the contract for the German infantry tank PUMA, RENK was awarded in H1/2011 a contract for the first slice of the second batch of the Spanish infantry tank PIZARRO. Other programs, some of them at an advanced stage of negotiation, failed to progress this far in H1/2011.

Our aftermarket business fared as expected. In addition to the ongoing parts and repair business, an order was booked for the supply of 12 replacement transmissions for the Turkish army.

H1 order intake at Vehicle Transmissions totaled €42 million, far short of the year-earlier €224 million, which had been propelled by the one-time PUMA project.

Except for the last of the Spanish LEOPARD shipments and deliveries to a Middle East customer, all the major series-production programs had been phased out back in 2010. Hence and as expected, sales slipped, from €59 million to €49 million. Aftermarket business ensured again a steady workload.

RTS entered fiscal 2011 bolstered by an all-time high order backlog of €57 million. Hence, the availability of resources is a constraining factor when accepting new order. Quotations concentrated on test rigs for wind turbine gear units and rail vehicles, in strong demand given the trend to high-speed technologies.

With sales down, the operating profit of €8.3 million fell short of the €10.3 million in H1/2010. Propping up EBIT were Augsburg's aftermarket business and RENK France.

Forecast for H2/2011
RENK continues to identify contract-award prospects for sizeable pending export programs. In the absence of notable shipments of new transmission, sales at this division will be dominated by aftermarket business and show a slight downtrend in the latter half of this year. At RTS, major programs recognized according to percentage of completion (PoC) will contribute the lion's share to H2 sales.

Slide Bearings

€ million	H1/2011	H1/2010	Change in %
Order intake	56	39	+44
Sales	48	42	+14
			Change in € mill.
Operating profit (EBIT)	12.3	9.3	+3.0
ROS in %	25.5	22.3	—

Economic parameters
Business was again buoyant at Slide Bearings in H1/2011, primarily propelled by export customers in Brazil, India, and especially China. Although these two latter countries are achieving similarly sharp growth rates, they do differ when it comes to energy production. Because Indian machinery builders have reached the limits of their capacity, the nation's energy needs are meanwhile being addressed to a considerable degree by Chinese companies. The German domestic economy has also recovered and is meanwhile flourishing. In all, however, there are signs of a slackening of pace. Nonetheless, the rate reached is remarkable and almost at the pre-recession level.

Business trend
Standard bearings are currently a predominant component of Slide Bearings' business. With economies rebounding, demand for these bearings has quickly surged, by about 50 percent over the year-earlier volume. Given the short lead times, sales have therefore soared by over 40 percent. Building on brisk project-planning activities we even achieved an H1 increase of over 60 percent in order intake in the case of the special bearings. However, given the project run-up periods and the much longer delivery times, this group of products failed to yet fuel H1/2011 sales growth.

To allow for the burgeoning significance of the Chinese market and our key accounts' desire for short delivery times, an Assembly & Distribution Center for Plain Bearings was opened up on the premises of MAN Diesel & Turbo in Changzhou in May 2011.

With order intake up from €39 million to €56 million and sales from €42 million to €48 million, the division delivered a most commendable performance almost at pre-recession level.

The healthy order situation was mirrored in the operating profit. The reasons for the stable results of operations are above all high capacity utilization and ongoing process improvements along the entire value-adding chain.

Forecast for H2/2011

Despite the ambitious environmental goals set out by the politicians, base-load energy supplies must still be ensured in the future. One consequence of this is that conventional applications for our product range will continue to exist and might even have to be extended. We expect an expansion of power plants with diesel/gas turbine-driven generators in order to address in the short and medium term growing energy needs especially in emerging countries with indigenous mineral and natural gas resources. Such generators are typical users of our slide bearings. Besides the unabated growth in the emerging countries we also expect dynamic momentum from our US subsidiary RENK Corporation. Booming export trade, spurred on by exchange rates, is triggering demand for slide bearings among our American customers.

Even though most of our Japanese customers' production locations were spared the direct impact of the devastating earthquake and tsunami disasters, the Japanese plants will for an indefinite period be severely handicapped by such factors as energy scarcity. What's more, the expensive Japanese yen is stifling the international competitiveness of our Japanese customers and hence lowering their demand for slide bearings.

The setting-up of an Assembly & Distribution Center at MAN Diesel & Turbo in Changzhou is proceeding according to plan. Given the booming demand in this market we expect our local presence to appreciably enhance market opportunities in China.

Despite the still upbeat mood of the markets there do exist risks possibly affecting an ongoing uptrend. These are particularly related to the resurgence in the prices of commodities and their general availability, factors that could adversely impact on production costs and our ability to plan ahead with any certainty.

Special Gear Units

€ million	H1/2011	H1/2010	Change in %
Order intake	84	49	+71
Sales	52	51	+2
			Change in € mill.
Operating profit (EBIT)	1.6	1.1	+0.5
ROS in %	3.1	2.1	—

Economic parameters

Demand for special gear units is steadily progressing, albeit at a mixed pace, with the naval shipbuilding sector especially buoyant. The USA is rapidly pushing ahead with its Littoral Combat Ship (LCS) program of frigates which, in the first procurement phase, includes twenty vessels. The US Coast Guard is also planning to purchase 20 midsize patrol vessels. Notable projects for new vessels are also pending in the Middle and Far East.

Economic recovery is also observable in the industrial gear market, especially in the case of the Augsburg- and Winterthur-sourced turbo gear units benefiting from the growing numbers of energy-supply and petrochemical plant projects. Despite some new projects, the cement plant market is way short of its pre-crisis volume and for major plastic industry extruders projects are likewise still rare.

Business trend
A mostly congenial market environment boosted order intake by 71 percent, from €49 million to €84 million. A highlight was the order for four sets of gear units for the US Navy's LCS program. Further naval contracts concerned the Korean FFX frigate program and another set of gear units for the NSC program (US Coast Guard). After a lengthy hiatus, we booked another order for a gear unit to be installed on a fast ferry.

Among the industrial gear units, the turbo variety was in strong demand. Order intake for the KPBV grinder gear units remained at the year-earlier volume albeit RENK was confronted by tough competition for prices and delivery periods. Whereas fiscal 2010 had seen just a single order placed for the SUPREX extruder gear unit series, there was a slight improvement in both order intake and project activity in the course of H1/2011.

H1 revenue at €52 million in 2011 was virtually a repeat of the year-earlier €51 million. Most of it was sourced from shipments of turbo gear units and a good volume of aftermarket business whose organization is repeatedly being fine-tuned: The surge in operating profit from €1.1 million to €1.6 million is essentially attributable to improved capacity utilization despite once again heavy risk provisions.

Forecast for H2/2011
No radical changes are expected in the relevant markets. In the case of the naval gear units we are counting on further orders. These may include the US LCS frigate program where to allow for long-lead items to be built into follow-up frigates, the customer is looking into the early placement of the gear unit orders. In addition, we perceive sound prospects of delivering the gear units for patrol vessels of the Indian Coast Guard and of supply vessels for the Turkish navy. In both instances, contract award is expected in the latter half of 2011. Given the worsening national budget problems in Europe, no major momentum for new short-notice naval vessel programs is identifiable. Indeed, existing programs are even being stretched in terms of time.

In the case of the Augsburg- and Winterthur-sourced stationary gear units, H2 orders should continue at the H1 rate. Since sales at Special Gear Units tend to congregate in the latter half of the year we can expect the operating profit to improve.

Standard Gear Units

€ million	H1/2011	H1/2010	Change in %
Order intake	84	41	+105
Sales	32	39	–18
			Change in € mill.
Operating profit (EBIT)	3.0	4.3	–1.3
ROS in %	9.2	11.1	—

Economic parameters
The commercial shipbuilding market is showing a revival in demand which is also affecting both LNG tankers and specialty offshore vessels all of which are candidates for RENK's standard gear program.

Demand for steam turbine applications, in contrast, is recovering only marginally. Although many energy projects are still pending award, so far progress has only proceeded sluggishly.

The market for industrial couplings is presently upbeat, with growing demand specifically from the energy production, compressor, turbine as well as the steel and general plant engineering sectors. We also perceive expansion opportunities for marine couplings albeit competition for major projects has pressurized prices appreciably. The reignited political debate in favor of renewable energy generation in the wake of the disaster at the Japanese power plant Fukushima will, in particular, have a longish and stimulating impact on the market for offshore wind farms.

Business trend

Thanks chiefly to our strong position in the LNG tanker market, H1/2011 order intake recovered sharply.

The likewise steady order influx for turbo gear units was mainly due to a large order for 40 such units for a series of compressors on a gas pipeline in Queensland, Australia. There are possibilities of a follow-up contract of a similar magnitude.

In the coupling market, prices in many sectors such as plant engineering, were under heavy pressure. Nonetheless, order intake during the period was generally rising, specifically the Raflex flexible steel-disk couplings for marine applications being in strong demand.

The framework contract with AREVA Wind GmbH generated another two shipments of 5-MW wind energy converters; the present order book covers shipments beyond 2012. A further customer has contracted us to supply gear units intended for 6.5-MW offshore applications.

The poor order inflow in previous years led to another decline in sales and EBIT.

Forecast for H2

The market for standard gear units is not expected to change businesswise to any significant extent. Demand in the sector for new commercial vessels should revive slightly at the turn of 2011/12. Pent-up demand in the energy production segment, especially among the BRIC and the emerging nations, will also generate a solid longer-term base for steam turbine gear unit production. In the coupling market, the surfacing resurgence is likely to continue.

Given the current political swing in favor of renewable energy generation, the offshore wind turbine sector is feeding on further sustained momentum. As a premium supplier of gear unit systems, RENK will address this trend by expanding and continuously developing its product lineup.

Condensed interim consolidated financial statements as of June 30, 2011

RENK consolidated income statement

k€	**H1/2011**	**H1/2010**
Net sales (revenue)	**178,678**	**187,991**
Cost of sales	(132,399)	(140,974)
Gross margin	**46,279**	**47,017**
Other operating income	4,379	3,193
Selling expenses	(13,377)	(12,863)
General administrative expenses	(7,573)	(6,106)
Other operating expenses	(5,362)	(6,343)
Sundry investment income	603	25
EBIT	**24,949**	**24,923**
Interest income	590	249
Interest expense	(216)	(417)
EBT	**25,323**	**24,755**
Income taxes	(7,781)	(7,657)
Net income (EAT)	**17,542**	**17,098**
EpS in €	**2.58**	**2.51**

RENK Group

Statement of comprehensive income for H1/2011

k€	H1/2011	H1/2010
Net income (EAT)	**17,542**	**17,098**
Currency translation differences	870	1,281
Change in fair value of financial derivatives	2,255	(4,227)
Change in actuarial gains/losses from pensions	1,962	(4,777)
Deferred taxes on OCI	(1,305)	2,898
Total OCI	**3,782**	**(4,825)**
Comprehensive income	**21,324**	**12,273**

A k€705 decrease in deferred taxes was attributable to changes in fair value of financial derivatives, another k€600 reduction to changes in actuarial gains/losses from pensions; this compares with year-earlier increases of k€1,319 and k€1,579, respectively.

RENK consolidated balance sheet as of June 30, 2011

Assets

k€	6/30/2011	12/31/2010
Intangible assets	6,955	7,364
Tangible assets	108,470	108,389
Sundry investments	1,493	1,493
Deferred tax assets	12,727	13,455
Trade receivables	3,345	4,027
Other noncurrent assets	15,218	15,205
Total noncurrent assets	**148,208**	**149,933**
Inventories	128,125	110,250
Trade receivables	66,469	68,703
Income tax assets	1,218	1,755
Other current assets	7,317	3,496
Cash and cash equivalents	97,962	85,170
Total current assets	**301,091**	**269,374**
	449,299	**419,307**

RENK consolidated balance sheet as of June 30, 2011

Equity & liabilities

k€	6/30/2011	12/31/2010
Capital stock	17,920	17,920
Additional paid-in capital	10,669	10,669
Reserves retained from earnings	123,497	123,497
Net earnings	77,729	72,427
Accumulated OCI (unrealized gains/losses)	(3,876)	(7,658)
Total equity	**225,939**	**216,855**
Noncurrent financial liabilities	871	953
Pension accruals	11,913	14,466
Deferred tax liabilities	16,653	14,982
Other noncurrent accruals	18,147	18,281
Other noncurrent liabilities	587	588
Total noncurrent liabilities and accruals	**48,171**	**49,270**
Trade payables	36,494	35,484
Prepayments received	75,334	46,225
Current income tax liabilities	1,388	6,568
Other current accruals	40,028	44,286
Other current liabilities	21,945	20,619
Total current liabilities and accruals	**175,189**	**153,182**
	449,299	**419,307**

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, 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)**	**12,273**
Dividend payout	—	—	—	(12,240)	—	(12,240)
Balance at June 30, 2010	**17,920**	**10,669**	**114,972**	**60,393**	**(12,322)**	**191,632**
Balance at December 31, 2010	**17,920**	**10,669**	**123,497**	**72,427**	**(7,658)**	**216,855**
Net income (EAT)	—	—	—	17,542	—	17,542
OCI: currency translation differences	—	—	—	—	870	870
OCI: unrealized gains/losses from financial derivatives	—	—	—	—	1,550	1,550
OCI: actuarial gains/losses				—	1,362	1,362
Comprehensive income	—	—	—	**17,542**	**3,782**	**21,324**
Dividend payout	—	—	—	(12,240)	—	(12,240)
Balance at June 30, 2011	**17,920**	**10,669**	**123,497**	**77,729**	**(3,876)**	**225,939**

RENK consolidated statement of cash flows

k€	H1/2011	H1/2010
EBT	25,323	24,755
Current taxes	(6,756)	(5,644)
Amortization/depreciation/write-down of tangibles/intangibles and investments	6,077	5,812
Change in pension accruals	(655)	(345)
Cash earnings	**23,989**	**24,578**
(Increase)/decrease in inventories	(17,971)	2,691
Increase in prepayments received	29,930	4,442
Decrease in trade receivables	2,633	28,154
Increase/(decrease) in trade payables	905	(3,730)
Net change in income tax assets/liabilities	(4,670)	(3,218)
Decrease in other accruals	(4,341)	(2,980)
Increase in other assets	(2,220)	(3,336)
Increase in other liabilities	1,524	3,770
Elimination of net gain/loss from disposal of tangibles/intangibles and investments	(34)	(143)
Other changes in working capital	799	(1,464)
Net cash provided by operating activities	**30,544**	**48,764**
Cash outflow for additions to tangibles and intangibles	(5,713)	(8,774)
Cash inflow from the disposal of tangibles/intangibles and investments	321	190
Net cash used in investing activities	**(5,392)**	**(8,584)**
Dividend payout	(12,240)	(12,240)
Financial liabilities raised	—	926
Financial liabilities redeemed	(111)	—
Net cash used in financing activities	**(12,351)**	**(11,314)**
Parity-related change in cash and cash equivalents	(9)	28
Opening cash and cash equivalents	**85,170**	**52,967**
Closing cash and cash equivalents	**97,962**	**81,861**

Notes to RENK's consolidated financial statements

General

RENK AG's present consolidated interim financial statements for the six months (H1) ended June 30, 2011, 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 interim 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 2010. Unless expressly otherwise stated, the accounting and valuation methods applied to these interim consolidated financial statements are identical with those adopted for the consolidated financial statements as of December 31, 2010, 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 interim 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 6–10. There have been no other changes in the current reporting structure in comparison to that at December 31, 2010.

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

Changed accounting rules

In November 2009, the IASB revised IAS 24, *Related Party Disclosures*. On the one hand, the revised Standard provides a partial exemption from the disclosure requirements for transactions of government-related entities *inter se*; on the other, the definition of a related party has been simplified by clarifying its intended meaning and eliminating inconsistencies from the definition. For RENK, which has applied the revised IAS 24 (2009) as from January 1, 2011, the group of related parties has been extended by the redefinition since RENK AG, being part of the MAN Group, has henceforth also been a party related to Volkswagen AG (given the latter's controlling influence over MAN SE) and companies controlled by or jointly with Volkswagen AG. The redefined *related parties* are not believed to have any material effect on the consolidated financial statements.

Consolidation group

The consolidated financial statements include besides RENK AG as parent all subsidiaries wholly owned by it, i.e., RENK France SAS, Saint-Ouen-l'Aumône, France (RFR); 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€	H1/2011	H1/2010
Income from the release of accruals	207	655
Gains from the disposal of tangibles/intangibles	46	150
Income from other trade business	400	702
Gains from exchange differences and derivatives	2,659	1,132
All other income	1,067	554
	4,379	**3,193**

Other operating expenses

k€	H1/2011	H1/2010
R&D	1,861	1,984
Provisions in the period	5	(30)
Write-down of current assets	944	672
Losses on exchange differences and derivatives	1,440	2,143
All other expenses	1,112	1,574
	5,362	**6,343**

Net interest result

k€	H1/2011	H1/2010
Interest and similar income	590	249
Interest and similar expenses	(46)	(36)
Expected return on plan assets	1,937	1,735
Interest portion of addition to pension accruals	(2,107)	(2,116)
	374	**(168)**

Earnings per share

	H1/2011	H1/2010
Net income (k€)	17,542	17,098
Weighted average number of shares outstanding (1,000)	6,800	6,800
Earnings per share (€)	**2.58**	**2.51**

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, 2011 or 2010, to dilute earnings per share.

Dividend for fiscal 2010

As resolved by the annual general meeting on April 14, 2011, RENK AG's Executive Board distributed on April 15, 2011, an ordinary cash dividend of €1.80 per share, corresponding to a total payout for 2010 of €12,240,174.60.

Notes to the balance sheet

Tangible assets

k€	6/30/2011	12/31/2010
Land and buildings	39,277	40,223
Production plant and machinery	50,579	50,693
Other plant, factory and office equipment	6,076	6,030
Prepayments on tangibles, construction in progress	12,538	11,443
	108,470	**108,389**

Inventories

k€	6/30/2011	12/31/2010
Raw materials and supplies	24,486	21,883
Work in process and finished products	101,985	87,795
Prepayments made	1,654	572
	128,125	**110,250**

Trade receivables

k€	6/30/2011	12/31/2010
Due from customers	63,527	66,555
Due from group companies	1,801	848
Due from investees	257	1,739
Receivables under PoC contracts	4,229	3,588
	69,814	**72,730**

Other accruals

k€	6/30/2011	12/31/2010
Warranties	39,157	43,356
Unbilled costs from contracts invoiced	6,906	6,540
Other business obligations	4,654	5,018
Obligations to personnel	4,518	4,819
Remaining accruals	2,940	2,834
	58,175	**62,567**

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

k€	6/30/2011	12/31/2010
Other noncurrent accruals	18,147	18,281
Other current accruals	40,028	44,286

Financial liabilities

k€	6/30/2011	12/31/2010
Payables under capital leases	871	953
	871	**953**

The financial liabilities as of June 30, 2011, are noncurrent.

Contingent liabilities

k€	6/30/2011	12/31/2010
Guaranties/suretyships	848	917
	848	**917**

Segment reporting

The RENK Group's operations break down into four reportable segments: Vehicle Transmissions, Slide Bearings, Special Gear Units, 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 noncurrent and current assets and liabilities excluding current/deferred income taxes.

Segment information has been determined in accordance with the same disclosure rules and valuation methods as those used for the interim consolidated financial statements. Intersegment transfers are stated on a reasonable cost-plus basis, i.e., at cost plus commensurate profit markup or at transfer prices as if at arm's length.

For details on ROS as indicator, see the management report.

Segment information by division

	Vehicle Transmissions		Slide Bearings		Special Gear Units		Standard Gear Units		Consolidation		Group	
k€	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**	**H1/2011**	**H1/2010**
Order intake from third parties	41,750	224,334	55,035	38,146	83,126	49,020	82,215	40,760			262,126	352,260
Intersegment order intake	0	(337)	1,106	396	1,073	429	1,607	604	(3,786)	(1,092)		
Total order intake	**41,750**	**223,997**	**56,141**	**38,542**	**84,199**	**49,449**	**83,822**	**41,364**	**(3,786)**	**(1,092)**	**262,126**	**352,260**
Sales to third parties	48,157	58,117	47,802	40,903	52,127	50,544	30,592	38,427			178,678	187,991
Intersegment transfers	1,254	430	603	653	112	94	1,425	388	(3,394)	(1,565)		
Total segment sales	**49,411**	**58,547**	**48,405**	**41,556**	**52,239**	**50,638**	**32,017**	**38,815**	**(3,394)**	**(1,565)**	**178,678**	**187,991**
Order backlog *)	**261,026**	**272,304**	**37,079**	**29,605**	**186,140**	**154,464**	**129,665**	**79,075**	**(13,572)**	**(13,179)**	**600,338**	**522,269**
EBIT	**8,321**	**10,372**	**12,347**	**9,265**	**1,643**	**1,055**	**2,956**	**4,304**	**(318)**	**(73)**	**24,949**	**24,923**
Net interest income/(expense)	146	(70)	94	25	135	(81)	(1)	(42)			374	(168)
Segment assets *)	125,164	120,325	78,061	78,061	142,759	141,156	81,557	71,603	(7,946)	(7,048)	420,354	404,097
Segment liabilities *)	78,918	70,570	14,468	13,561	78,719	70,780	39,804	32,007	(6,590)	(6,016)	205,319	180,902
Capital expenditures	1,377	2,444	1,666	920	1,472	3,836	265	1,647	933	(73)	5,713	8,774
Amortization/depreciation	1,556	1,248	881	813	2,282	2,454	1,358	1,297			6,077	5,812
ROS (%)	**16.8**	**17.7**	**25.5**	**22.3**	**3.1**	**2.1**	**9.2**	**11.1**			**14.0**	**13.3**

*) Balance at June 30, 2011, or December 31, 2010

Related-party transactions

Besides the extended group of related parties due to the redefinition by IAS 24 *Related Party Disclosures*, there have been no significant changes in reportable transactions with related parties (entities/individuals) in comparison to December 31, 2010. See also above the note to *Changed accounting rules*.

Review by the statutory group auditor

The semiannual consolidated financial statements as of June 30, 2011 and 2010, have not been reviewed.

Changes in Supervisory Board membership

Effective February 22, 2011, Dipl.-Wirtsch.-Ing. Klaus Stahlmann stepped down from the Supervisory Board. On May 5, 2011, MAN SE exercised its statutory right and delegated Ms. Hiltrud Werner to RENK AG's Supervisory Board, which elected Ms. Werner at its meeting of May 26, 2011, its Vice-Chairwoman.

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, 2011, 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, 2011

RENK AG
The Executive Board

Financial diary, RENK Group:

Updating notice for Q3/2011	November 2, 2011
Press release on financial information 2011	February 27, 2012
Annual general meeting on fiscal 2011	April 26, 2012
Updating notice for Q1/2012	May 3, 2012