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RENK

RENK Group AG Annual Report 2023

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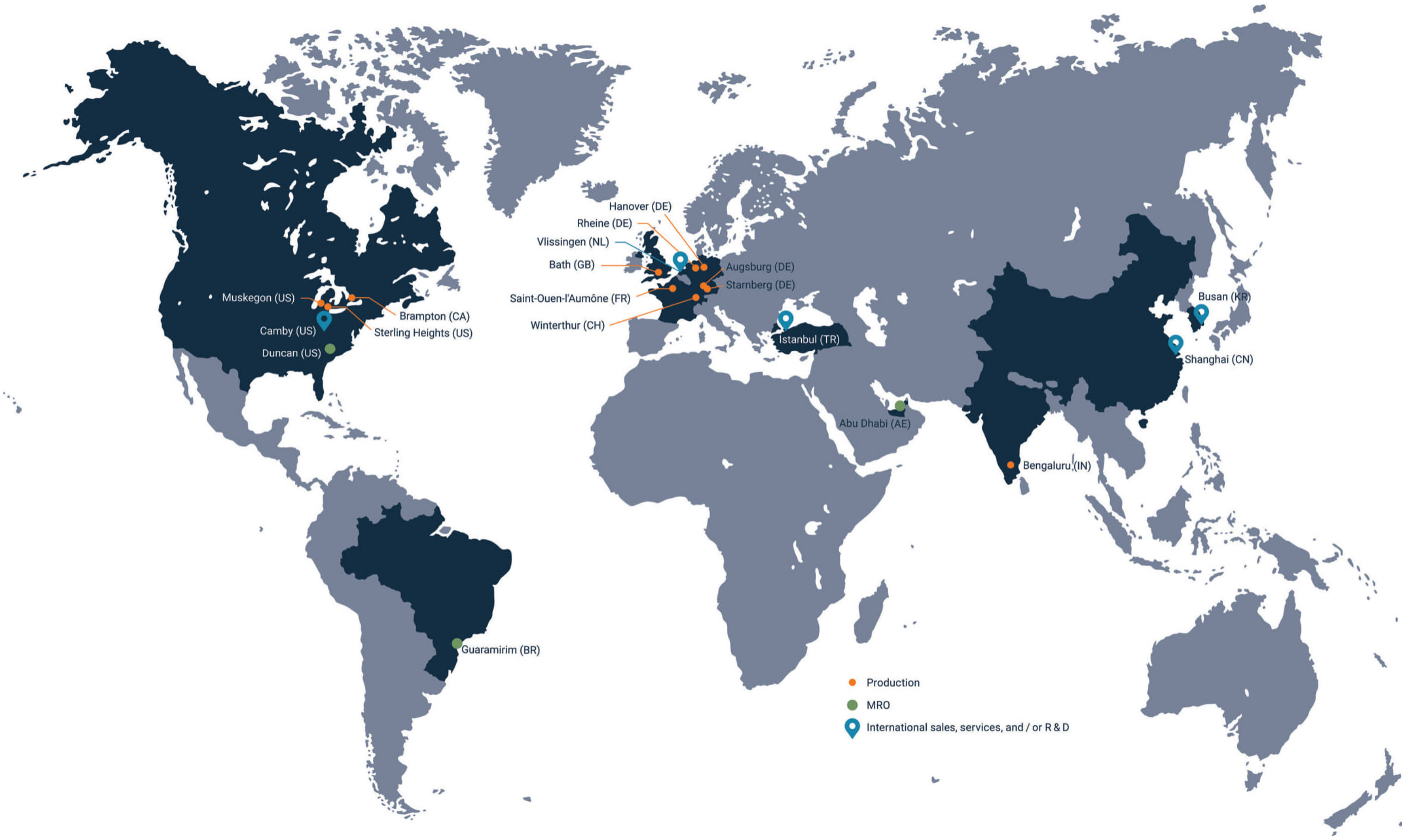
RENK Highlights



/1,780
Fixed order backlog (€ millions)

/926
Revenue (€ millions)

/3,734
Employees

/1,277
Order intake (€ millions)

/16.2 %
Adj. EBIT margin

/19
Locations worldwide

RENK at a glance

A TECHNOLOGY LEADER AND TRUSTED PARTNER FOR 150 YEARS

The origins of RENK go back to 1873. Since then, RENK has established itself as a world-leading provider of mission-critical drive technologies for a wide range of civilian and military end markets. Its product range encompasses transmissions, vehicle drive systems ("powerpacks"), hybrid drive systems, suspension systems, bearings, couplings, and test systems. RENK serves customers in the markets for military vehicles, civil maritime, cement and plastics production, oil and gas, hydrogen, carbon capture, utilization, and storage (CCUS) and industrial heat pump applications.

Headquartered in Augsburg, the RENK Group operates eleven manufacturing facilities in Germany, United States, Switzerland, United Kingdom, France, Canada, and India as part of a network of 19 manufacturing, technical support, and maintenance locations around the world. Our growth is based on our aspiration to be a technology leader, which benefits our customers throughout the entire lifecycle of our innovative products. This performance promise builds on the hard work of our more than 3,734 employees worldwide, who are committed to innovation, a pronounced customer and service focus, excellence and efficiency. These principles provided the foundations for revenue of € 926 million in 2023, an achievement that clearly underlines our growth trajectory.

/ With the mission to enable a safe and sustainable future

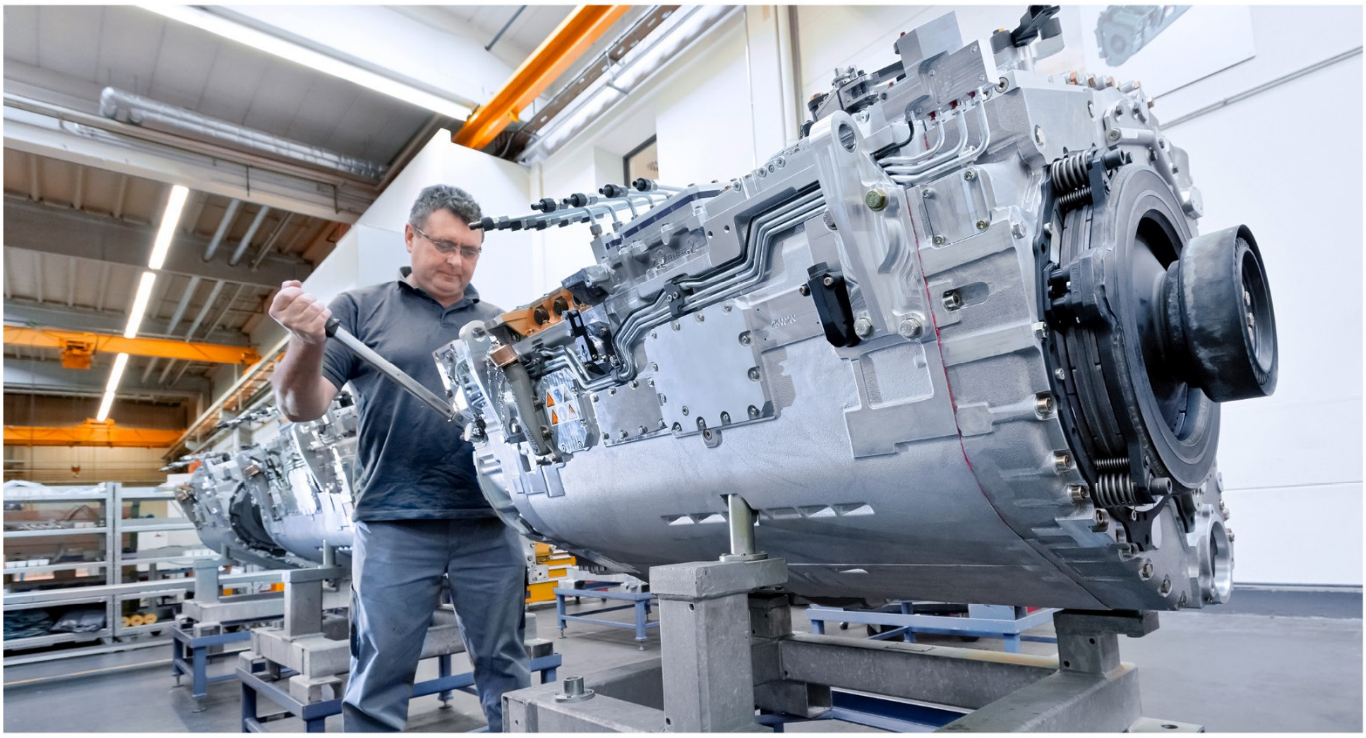
Our segments – Leaders in their fields

RENK's business activities are systematically oriented toward our core competencies and customer requirements in terms of our products. Accordingly, our service range is broken down into three segments: Vehicle Mobility Solutions (VMS), Marine & Industry (M&I) and Slide Bearings (SB). We are a trusted partner to our customers, whom we serve throughout the complete lifecycle of our products lasting many decades.

VEHICLE MOBILITY SOLUTIONS (VMS)

Continuous innovation for reliable, smart, and sustainable mobility solutions

With its product and service range in the Vehicle Mobility Solutions (VMS) segment, RENK is a global innovation and technology leader for vehicle transmissions in tracked military vehicles like battle tanks and infantry fighting vehicles. In addition to transmissions for a wide range of vehicles and requirements, our product portfolio in this segment includes engines, suspension systems, electric drive systems, and complete mobility solutions for military vehicles. Our technologies and products for tracked and wheeled military vehicles are represented in more than 70 land forces worldwide. We are also a leading manufacturer of turnkey test systems (e.g., load, torque, and service life tests) for supporting research and development activities and manufacturing and quality assurance processes in a wide range of industrial and defense applications.



MARINE & INDUSTRY (M&I)

Leading-edge solutions for naval, commercial shipping and industrial applications

In the Marine & Industry (M&I) segment, RENK offers leading-edge propulsion and coupling solutions for naval forces, commercial shipping and industrial applications that address the challenges of securing global shipping and trade routes and support the transformation to carbon neutrality.

The product range for naval vessels and commercial shipping includes drive systems using various forms of propulsion, e.g., diesel engines, gas turbines and hybrid and electric drives. RENK's marine products are used in naval surface combatants such as frigates, corvettes, and patrol craft, as well as in ferries and superyachts. We focus on developing tailored solutions for specific customers and applications that meet all the respective requirements and mission profiles. Our comprehensive service range ensures that our products consistently satisfy our customers' expectations. That is why RENK is trusted by the naval forces and governments of more than 40 countries worldwide.

In the industrial sector, the product range comprises innovative solutions for traditional and new energy markets, including hydrogen, carbon capture, utilization, and storage (CCUS) processes and energy generation using heat pumps. This underlines RENK's commitment to sustainable business activity and its responsible approach to the consumption of resources.

SLIDE BEARINGS (SB)

Where precision meets longevity

The Slide Bearings (SB) segment offers innovative slide bearing solutions for high-end applications across a wide range of industries. RENK is the global market leader for standardized e-bearings. Precision, reliability, and innovation are the cornerstones of our product range, which also includes horizontal, vertical, and tilting pad bearings and the corresponding services. These solutions are used in ships, power plants, wind turbines, industrial facilities, and other critical environments. Our bearings are used in applications such as electric motors, generators, pumps, blowers, water turbines, and conveyors.

RENK has many years of experience in tailoring its technical expertise to its customers' requirements. It uses state-of-the-art manufacturing technologies and quality assurance techniques to deliver long-lived products with outstanding features.

We also place great value on sustainability and environmental compatibility. Our slide bearings help to make machines more efficient, lowering energy consumption and minimizing emissions. This way, RENK is contributing to its customers' green transformation.

STRATEGY

RENK's areas of application are influenced by two megatrends: global peace and security, and the energy transition. Our ambition is to contribute to a safe and sustainable future. To achieve this, we are working to expand our technology leadership, our innovative strength, and our close relationships with our global customer base. We are aware of and take responsibility for the mission-critical role played by our products, which is why developing innovative solutions for our customers and improving our existing product range are central to this objective. Moreover, our global presence ensures close cooperation with our international customers.

We are still aiming to achieve continuous organic growth supplemented by targeted acquisitions. Excellence and efficiency along the entire value chain also make an important contribution to RENK's economic success. Economic and environmental sustainability form part of this strategy. Our products are helping to drive the transformation to a carbon-neutral future.

Letter from the Management Board

Susanne Wiegand and Christian Schulz

Dear Shareholders,

RENK celebrated its 150th anniversary in fiscal year 2023 – a milestone in an eventful success story that we are proud of. Founded by Johann Julius Renk in 1873, RENK has developed from a small workshop for the automated production of gears into a global technology leader and partner for secure, innovative, and sustainable mobility and drive solutions with 19 manufacturing and service locations in Europe, the Americas and Asia. Our brand is built on development, manufacturing and testing expertise throughout the entire product lifecycle. This allows us to continuously exceed the requirements of mission-critical and highly challenging applications with our maintenance and other services. We make security: As a systemically relevant partner for military mobility solutions, RENK helps to lay the foundations for a peaceful society and economic prosperity.

This performance profile is more relevant today than ever before. 2023 was dominated by the continued war in Ukraine and the terrorist attack on Israel. Furthermore, the replacement of the post-war order by multipolar power centers is a scenario that is placing new demands on existing security architectures. Countries need to have a credible ability to defend themselves, including and especially in cases of conventional warfare. We also firmly believe that our drive technologies are contributing to mobility that is essential to upholding a peaceful and globalized world order, something that has helped to guarantee prosperity and freedom for many decades. The same is true for social and environmental sustainability, which provides the necessary framework beyond short-term planning horizons and plays a part in shaping our own future viability. In our 2025 sustainability strategy, we are setting ourselves the goal of making our global operations climate-neutral by 2040. Our products also help our customers to make savings in terms of energy and emissions.

The strained geopolitical environment is reflected in the unprecedented rise in key interest rates, which brought a decade of cheap money to an abrupt end. We are increasingly returning to a situation where spending by governments and business is measured by whether it delivers the required returns. Thanks to our stringent focus on technology leadership, excellence, and effectiveness, we believe we remain well positioned in this respect. With a order intake of € 1,277 million (+29% year-on-year) and revenue of € 926 million (+9% year-on-year), RENK continued the growth trajectory established in previous years in fiscal year 2023.

During the fiscal year, the conditions were put in place for RENK to return to the capital markets. Due to the deterioration in the market environment, however, the decision was taken to postpone the IPO that was scheduled for October 2023 for the time being. RENK has the option of going public later if the market environment develops more positively. In February 2024, RENK took advantage of this to attract new investors who will proactively support our business development going forward.

We hope you enjoy reading this annual report.

Susanne Wiegand und Christian Schulz

Greetings from the Chairman of the Supervisory Board

Claus von Hermann

Dear Shareholders,

the past fiscal year was another successful year of growth for RENK. The company's 150th anniversary marked a milestone in its history and we are confident that RENK has ideal conditions to continue its journey successfully.

After the spin-off from Volkswagen, RENK completed a rapid transformation, taking less than three years to develop into a world-leading provider of mission-critical drive technologies for the defense, industrial and energy sectors with a strong presence in key markets. It is particularly worth noting the acquisitions, which also helped drive the geographical expansion to North America.

Thanks to the tireless work of the employees and the Executive Board, together we managed to strengthen all segments of RENK further in the past year.

Despite the complex global economic environment, RENK displayed resilience and the ability to adapt fast, emphasizing not least the robustness of its business model, the growth strategy pursued, and RENK's position as an outstanding provider on the market for military and civilian drive technologies. The geopolitical situation also emphasizes the relevance of the RENK Group and its service range.

The Supervisory Board was actively involved in monitoring RENK's management and strategic focus. Following the law, the Articles of Association and other compliance requirements is a necessary condition for doing business in a highly regulated environment. As the Supervisory Board, we therefore had a key role to play in monitoring the activities of the Executive Board and also supporting it with maintaining and implementing an appropriate internal control system.

Once the market environment had improved, RENK could celebrate its return to the stock exchange the second round on February 07, 2024. This not only reflects investors' trust in the company, but will also support RENK on its growth trajectory.

RENK's customers are facing new challenges to which the company has excellent responses. We therefore believe that RENK has ideal future prospects for a successful economic development. This is based on its commitment to technological innovation, combined with a prominent market position and accompanied by investors who provide sustained support for the company's growth path.

Best regards,

Claus von Hermann
Chairman of the Supervisory Board, RENK Group AG

About this report

This Annual Report contains the Consolidated Financial Statements and the Combined Management Report of RENK Group AG and its subsidiaries for the year ended 31 December 2023. It complies with the annual financial reporting requirements of Section 114 of the German Securities Trading Act (“Wertpapierhandelsgesetz”).

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) as well as with the additional requirements set forth in section 315 e para. 1 German Commercial Code. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) has audited the Consolidated Financial Statements and the Combined Management Report. The auditor supports the Supervisory Board of RENK Group AG in fulfilling its audit duties. The unqualified independent auditor‘s opinion report can be found under *C. 2. Independent Auditor’s Report*. The Independent Auditor’s Report also includes a “Report on the assurance in accordance with Section 317 (3a) HGB on the electronic reproduction of the Consolidated Financial Statements and the Group management report prepared for publication purposes (“ESEF Report”).

This report contains forward-looking statements that are based on plans, expectations, estimates and projections of the management of RENK Group as at the date of this report. These plans, expectations, estimates, and projections depend on a variety of assumptions and are subject to unforeseeable events, uncertainties, known and unknown risks as well as other factors that may cause actual results or the actual financial situation, development or performance to differ from those expressed or implied in the forward-looking statements. RENK Group does not assume any obligation to update the forward-looking statements or adjust them to reflect events or developments occurring after the date of this report unless obliged by statutory law.

This report includes additional financial indicators that are not defined in the underlying financial reporting standards. These supplemental financial indicators serve to supplement the explanations ot the RENK Group’s net assets, financial position and result of operations and should not be viewed in isolation from the indicators developed in accordance with the applicable financial reporting framework.

The Combined Management Report has been prepared and published in millions of euro (€ million), the Consolidated Financial Statements have been prepared and published in thousands of euro (€ thousand). Due to rounding, numbers presented may not add up precisely to the total provided, and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative version.

A. Combined Management Report

1. Description of business

1.1 Organizational and reporting structure

The RENK Group (after also referred to as RENK) comprises RENK Group AG and its subsidiaries. RENK Group AG, domiciled in Augsburg (Germany), is registered with the local court of Augsburg under the Commercial Register number HRB 39189. The company was converted into a stock corporation with effect from September 13, 2023. The company acts as a holding company in the RENK Group. After the Initial Public Offering originally planned for October 2023 was postponed, the company went public on the Frankfurt Stock Exchange on February 7, 2024.

As the ultimate parent company, RENK Group AG indirectly holds all shares in the operating RENK companies headed by RENK GmbH, Augsburg, through the intermediary RENK FinCo GmbH, Augsburg.

In line with the German Stock Corporation Act (“Aktiengesetz”), the RENK Group AG Executive Board is the governing body with overall responsibility for managing the Company’s business. The Supervisory Board of the company is responsible for monitoring the business development and the Executive Board.

RENK considers itself one of the primary providers of drive technology for a wide range of applications with a global focus. Production sites are located in Germany, the United States of America (“US”), France, the United Kingdom, Canada, and India.

RENK’s business activities in fiscal year 2023 were divided into three segments: Vehicle Mobility Solutions (VMS), Marine & Industry (M&I), and Slide Bearings (SB).

13,4 % of our staff were female reporting period. Women accounted for 11.9 % of senior management positions and 25 % of the Supervisory Board. 50 % of the current Executive Board is female. To increase the percentage of women at senior management levels below the Executive Board, RENK set a target of 16 % for fiscal year 2025 and 20 % for 2030. For this, we consider internal female young talents in succession planning. At least one equally qualified woman should also be included in the final selection pool for all management vacancies. To increase the number of applications received from women, special efforts are made to target, recruit, and further develop this group by taking a gender-neutral approach and through strategic career development.

As well as gender diversity, RENK also strives to be aware of and increase the share of senior managers of foreign origin. To ensure success in this regard, the entire application process follows a global approach. Job advertisements are written in English for all sites and published on international platforms. Increasingly, personnel advisers who operate worldwide are contracted to find top candidates.

1.2 Business model

RENK's aim is to maintain and expand its leading technological position in RENK's key sectors in the future and to generate profitable growth. Key pillars of this strategy include further internationalization, a long-term focus on customer needs, operating excellence in all fields and constant innovation.

The RENK group is divided into three segments. These are based on a product or market/customer structure and have a segment manager with full operating responsibility who reports directly to the RENK Group AG Executive Board. The Executive Board of RENK Group AG was the chief operating decision maker in fiscal year 2023 and is identical to the management of RENK GmbH.

Vehicle Mobility Solutions (VMS)

In addition to transmissions for military vehicles, our product portfolio in this segment includes engines, suspension systems, final drives, and electrical components for military vehicles. Through our VMS segment, we provide drive technologies for tracked and wheeled military vehicles to more than 70 land forces worldwide, with a major focus on the European Union (“EU”), member states of the North Atlantic Treaty Organization (“NATO”), NATO-equivalent and other allied countries such as South Korea, India, and Israel. We are also a leading manufacturer of test systems (e.g. load, torque, and service life tests) in a wide range of industrial and defence applications. We offer our customers turnkey test systems to support their research and development activities and manufacturing and quality assurance processes – for example, in the automotive, rail, aviation, wind, and military vehicle industries.

Marine & Industry (M&I)

Our M&I segment is a technology leader for gear units and coupling & clutches solutions for naval forces, commercial shipping, and industrial applications. In shipping, our products are primarily used in naval surface combatants such as frigates and corvettes for naval customers and in high-speed ferries, freighters, and super-yachts for civilian customers. Our marine gear units for naval vessels are used by more than 40 naval forces around the world. In the industrial sector, our customers include plastics, steel, and cement production companies, as well as companies working in oil and gas, hydrogen, carbon capture, utilization, and storage (CCUS), industrial heat pump applications, and the energy generation industry. Our M&I segment serves markets throughout the world, including Germany, Europe, the United States of America, South America, the Middle East, and the Asia/Pacific region. Our global network of sales and service centers enables us to provide rapid, on-the-ground support to customers worldwide. Thanks to our tailored solutions, we can offer customers products that meet their specific needs.

Slide Bearings (SB)

Our SB segment is the global market leader for standardized slide bearings (e-bearings) for electric machinery and hydrodynamic lubricated standard slide bearings. We provide slide bearings for various industrial electric drive systems, as well as for energy generation (both conventional energy generation and hydropower, wind power, and nuclear energy generation), other industrial applications, and for military and civilian ships. Our slide bearings are used in applications such as electric motors, generators, pumps, blowers, water turbines, and conveyors. In this segment, we offer innovative products such as complex special slide bearings. We have assembly, maintenance, repair, and operating centers in multiple regions around the world, as well as a global network of representatives and partners.

1.3 Research and development (R&D)

Our self-financed research and development (R&D) expenses in fiscal year 2023 came to € 21.9 million (2022: € 18.3 million). The resulting R&D ratio (R&D expenses as a percentage of revenue) was 2.4 % (2022: 2.2 %). As of December 31, 2023, RENK held around 425 individual patents and utility models in its continuing operations (2022: around 437). RENK also has about 68 (2022: 68) registered trademarks.

Research and development activities are essential for the RENK Group to maintain and expand its leading technological position. We work closely with various universities, research institutions, and industry partners to remain at the cutting edge of technology and continually improve our products.

Continually investing in R&D is crucial to providing innovative solutions for our customers. In particular, our R&D activities focus on technological trends and the requirements of our customers in relation to unmanned vehicles and vessels.

In relation to hybridization, we are investing in developing innovative electric and hybrid drive systems for military vehicles and ships. Our solutions aim to reduce emissions and improve fuel efficiency.

To meet rising demand for digital solutions for the use of product and maintenance data to improve engineering and manufacturing processes, we have developed digital solutions that make it easy for shipping and industrial customers to access technical documents, spare parts, and service information.

We have also implemented Industry 4.0 solutions, such as machine data recording systems and big data analytics, to optimize processes and increase efficiency. Providing digital data requires sensors to collect and collate this data. We are working on intelligent sensors so that the data can be analysed and interpreted using artificial intelligence (AI).

To support the transition to green energy, we are also developing green energy components and systems.

2. Financial performance system

2.1 Financial framework

RENK's planning and management is based on a multi-stage process. Medium-term planning, which is prepared once per year and covers a three-year period, is the basis for managing the RENK Group and forms the core of operational planning. Based on this, we prepare product and program/project planning for each segment, which is subsequently incorporated in the financial medium-term planning. This comprises capital expenditure needed for decision alternatives related to future products and operational options, as well as earnings and financial planning.

The first planning year in medium-term planning is monthly and represents RENK’s budget. Budget attainment throughout the year is monitored on an ongoing basis and is used as the basis for operational management. Budget/actual comparisons, prior-year comparisons, variance analyses and, where necessary and feasible, action plans to ensure budget targets are met are used here. Revolving forecasts are prepared for the current fiscal year. These take account of current risks and opportunities. The focus of internal management during the year is therefore on adapting to internal and external facts and circumstances in order to achieve targets.

RENK’s financial performance system is based on performance indicators (PIs). The most important performance indicators (key performance indicators, KPIs) are projected for the following fiscal year and target attainment analysed in comparison to previous projections. The RENK Group also sets medium-term targets to be achieved during the medium-term planning period. See section *7 Report on expected developments* for the KPI forecast.

Growth, profitability, and liquidity are the main factors in RENK’s strategic vision and are implemented through performance indicators. In some cases, these are used as parameters for variable management remuneration.

Some performance indicators are referred to as alternative performance measures (APMs). These are not defined under IFRS and so are not an original component of IFRS financial statements. APMs are used and reported because RENK believes that they provide stakeholders with additional information that is relevant to their decision making. Due to their company-specific nature, they may not be comparable with APMs of other companies.

In prior periods and in addition to the performance indicators described below, RENK classified the cash flow from operating activities (operating cash flow), operating profit and the operating margin as KPIs. As a result of its focus towards the capital market, the internal reporting system was realigned in the 2023 financial year and adapted to the financial framework presented below.

2.2 Growth

Growth at the RENK Group is measured, managed, and monitored by revenue (KPI), order backlog (PI/APM), and order intake (PI/APM). Order intake represents the addition of binding customer contracts within the reporting period, measured by the transaction price on which customer contracts are to be based in accordance with IFRS 15 accounting regulations. This PI is used as a parameter for variable management remuneration.

The fixed order backlog at the end of the fiscal year comprises the order backlog for the previous year plus the current order intake and less revenue generated in the current fiscal year. Since fiscal year 2023, RENK's total order backlog has included orders from binding customer contracts as well as orders agreed with customers under master agreements but not yet substantiated by customer orders or call-off orders (frame order backlog) and prospective order backlogs (soft order backlog), which are based on past experience, customer dependencies due to product specificity, and publicly available information. This implied forecast covers the term of master agreements and, for prospective order backlogs without a binding contractual basis, a period not exceeding four fiscal years after the end of the reporting period.

2.3 Profitability

The adjusted EBIT margin (KPI/APM) is the primary measure of RENK's profitability. The calculation is based on net profit for the year before the financial result and taxes (EBIT) (PI/APM) adjusted for non-recurring effects, relative to revenue. Eliminations of the financial result and income taxes are used to neutralize various financing activities and inconsistent taxation systems between countries, in turn facilitating inter-company comparisons. By adjusting for non-recurring effects, RENK aims to focus information on operating activities. Reported EBIT (operating profit/loss) and the EBIT margin (operating return relative to revenue) were two of the key performance indicators in the previous year. Adjustments in the fiscal year, summarized in the table *RENK adjustments*, comprise the effects of M&A activities including purchase price allocations, costs for preparing the company's IPO, inflation compensation premiums paid, severance expenses, and other effects that do not provide any information on operating activities performance.

RENK provides information on future distribution potential through adjusted net income (PI/APM). The profit or loss reported for the fiscal year is adjusted for non-recurring effects in line with the calculation of the adjusted EBIT margin, but in this case less the income tax effect on total adjusted non-recurring effects. The Group tax rate is used to determine the tax effect. Profit/loss after tax (PI) and the related basic earnings per share (PI) presented in the consolidated financial statements are central performance indicators for the RENK Group that impact the company's attractiveness on the capital market. By referencing such performance indicators that include earnings effects which are not covered by operational managing and monitoring activities, we highlight the need for management to also focus on non-recurring effects. Profit/loss after tax is also a parameter for variable management remuneration.

RENK also intends to establish ROCE (return on capital employed) (from 2025 onwards: KPI/APM) as an indicator of the Group's return on investment. Adjusted EBIT is calculated in relation to the average capital employed for the fiscal year. The latter comprises average property, plant and equipment and intangible assets at the start and end of the fiscal year, as well as average net working capital (NWC) (see section *7.6.3 Liquidity*).

2.4 Liquidity

The RENK Group's liquidity is determined by the ability to generate a positive net cash inflow. In consequence, we use free cash flow (PI/APM) to address this focus. Depreciation and amortization, interest paid, income taxes, and capital expenditures are added to EBIT for calculation purposes. Free cash is reduced by an increase in NWC (PI/APM) and increased by its decline. Other reconciliation items include changes to provisions, provided these are not attributable to NWC, and other cash and non-cash effects with minor individual relevance.

Capital efficiency and thus NWC management are central to RENK. NWC is the sum of trade receivables, contract assets, and inventories less the sum of trade payables, contract liabilities, and liabilities from customer prepayments not allocated to contract liabilities. For management purposes, we compare the nominal value of NWC to revenue for the fiscal year (PI/APM).

Managing long-term capital employed is key to ensuring an efficient overall capital base. RENK focuses on capital expenditure for property, plant and equipment and intangible assets, which also effect net cash inflow. For management purposes, we also compare investment payments to revenue in the fiscal year (PI/APM) to highlight the intrinsic relationship between value creation and the required productive capital base.

For liquidity management purposes, RENK currently also focuses on the Group's net debt (PI/APM). As a measure of debt sustainability, we compare net debt to adjusted EBIT plus depreciation of property, plant and equipment and amortization of intangible assets (PI/APM). Net debt is defined as the sum of bond and lease liabilities less cash and cash equivalents.

2.5 Other performance indicators

RENK is committed to providing sustainable solutions in its segments that make mobility solutions more energy efficient. At the same time, our business activities are based on social and environmental standards that RENK has formalized in its 2025 sustainability strategy and translated into key fields of action. The main focus is on establishing quantitative performance indicators and strengthening existing sustainability reporting to reflect the requirements of the Accounting Directive (Directive 2013/34/EU). The basis for this is a project plan that RENK aimed to develop during this fiscal year. Actual figures are also collected using external sustainability ratings. Establishing a project plan and carrying out a sustainability rating represent PIs and constitute central indicators for management remuneration in the current reporting period. The aim for the following year is to successfully implement the project plan. This includes compliance with relevant legal standards.

3. Business performance in the fiscal year

3.1 Overall Executive Board assessment of current economic situation

The Executive Board takes a predominantly positive view of business performance in fiscal year 2023. In contrast to global economic trends, RENK reported a significant order intake underpinned by all segments. Order processing was satisfactory and ensured that Group revenue was within forecast. Performance would have been even better if not for supply chain disruption, which negatively influenced production. Precautions were taken in the form of higher inventories to improve operating resilience. These two effects led to the ratio of NWC to revenue at 26.8 %, higher than the target value at 22 %. At the same time, higher inventory levels were key to increasing output and, in turn, leveraging economies of scale as well as efficiency improvements. The adjusted EBIT margin for the fiscal year therefore met the company's own expectations. The operating profit and the operating margin, which were still part of the KPIs in the previous year, could not achieve the set objectives despite an extremely positive development. The main reasons for this are the additional burdens from the preparation for the capital market, costs for M&A activities, paid inflation compensation premiums, and severance payments.

Acquiring General Kinetics expanded the Group's position on the North American sales market, which is particularly important to RENK in view of its considerable defence budget, especially in the US. At 3.0 %, the ratio capital expenditure to revenue was in line with the upper limit set of 3 %. Net debt amounted to 2.4 as of the end of the reporting period and therefore did not decrease to below 2.0 as forecast. This is mainly due to the reduction of cash and cash equivalents in connection with repaying a shareholder loan. At the same time, supply chain disruptions, production stops, and capital being tied up in higher inventory levels prevented an adequate cash inflow. These were also key factors in the development of free cash flow, which was lower than in the previous year despite satisfactory earnings performance.

Comparison to forecasted PI 2023

in € millions	2022	Forecast 2023	Result 2023	Evaluation
Consolidated Revenue	849.0	900.0-1,000.0	925.5	fulfilled
Adjusted EBIT-Margin	17.0 %	16 -18 %	16.2 %	fulfilled
Order intake	986.6	significant increase	1,276.5	fulfilled
Operating margin	7.7%	significant increase	9.6%	not fulfilled
Operating profit	65.2	significant increase	89.0	not fulfilled
Operating cashflow	110.7	significant increase	n/a[1]	n/a

[1]The definition of PI was changed in 2023 due to the capital market transaction, therefore an assessment of the target accomplishment is no longer possible

3.2 Significant developments and events affecting business performance

Besides general macroeconomic conditions, trends in military and civilian end markets are crucial to RENK. Economic performance in 2023 was shaped by a slowdown in global growth. The International Monetary Fund (IMF) estimates that global growth declined from 3.4 % in 2022 to 3.1 % in 2023. This level of growth is also assumed for 2024. The decline was particularly pronounced in developed economies. Growth contracted significantly from 2.6 % in 2022 to 1.6 % in 2023 and is expected to bottom out in 2024 with a forecasted growth of 1.5 %. Growth in emerging markets, on the other hand, remained relatively stable and is predicated at 4.1 % from 2022 to 2024. Germany's economic output was hit far harder than other EU member states and RENK's global target markets. Price-adjusted gross domestic product was down 0.3 % year on year, while France, Spain, and Italy all reported growth (+0.8 %, +2.4 %, and +0.7 % respectively). Gross domestic product in the US rose sharply compared to the previous year in 2023, up 2.5 %, whereas growth in the United Kingdom fell to 0.5 %.

As well as global uncertainties, the ongoing effects of the COVID-19 pandemic, increasingly fragmented economic areas and trade relations, and greater geopolitical stress factors, this economic slowdown reflects tighter monetary policy introduced in response to unprecedented inflation. Global inflation, which was 8.7 % in 2022, was predicted at 6.9 % for 2023 and 5.8 % for 2024. The decline in inflation, which was significant to start with but then slowed, is indicative of persistent core inflation and so inflation targets will likely not be met until 2025. In line with global macroeconomic conditions, the German Machinery and Equipment Manufacturers Association (VDMA) anticipates zero revenue growth for international machinery revenue in 2023 and 2024.

Contrary to these global economic trends, the defence market benefited from higher defence budgets, the result primarily of geopolitical developments and conflicts, such as the Russian invasion of Ukraine, and geopolitical tensions such as those between China and Taiwan as well as the US respectively, and the conflict in the Middle East. At a global level, one key focus area is the defence budget in North America, which is expected to make up about 46 % of the international defence budget between 2018 and 2027. The global sales market for land and naval defence products (excluding embargoed countries) grew by an average of 11.6 % per year between 2018 and 2022 and will likely continue to expand by an average of 12.9 % between 2022 and 2027.

4. Results of operations

4.1 Order intake and revenue

	Order intake				Revenue			
		Fiscal year		Change		Fiscal year		Change
in € millions	2022	**2023**	in €	in %	2022	**2023**	in €	in %
VMS	601.6	798.1	196.6	32.7	485.6	528.4	42.9	8.8
M&I	286.6	368.4	81.8	28.5	276.1	296.3	20.2	7.3
SB	107.2	120.9	13.7	12.8	90.9	110.9	20.0	22.0
Total segments	**995.4**	**1,287.5**	**292.1**	**29.3**	**852.5**	**935.6**	**83.1**	**9.7**
Reconciliation consolidated financial statements	(8.8)	(11.0)	(2.2)	24.4	(3.6)	(10.1)	(6.5)	183.6
RENK	**986.6**	**1,276.5**	**289.9**	**29.4**	**849.0**	**925.5**	**76.5**	**9.0**

Thanks to growth trends in all segments, RENK reported order intake of € 1,276.5 million in the fiscal year (previous year: € 986.6 million). At € 196.6 million and a share in 62.5% of the order intake, the VMS segment and its drive solutions for tracked vehicles accounted for most of this significant year-on-year rise. Together, the M&I and SB segments reported an order intake of € 489.3 million (previous year: € 393.8 million). The considerable € 81.8 million increase to € 368.4 million in M&I was largely the result of new business in the marine sector. In SB, increased demand for horizontal bearings drove growth of 7.3 %, at the same time as in the previous year, the majority of the order intake is for e-bearings.

Group revenue amounted to € 925.5 million (previous year: € 849.0 million), thus showing a considerable increase. VMS was able to contribute to this with € 528.4 million and a sales increase of 8.8 %.As well as satisfactory organic growth, the acquisition of General Kinetics in January 2023 played a significant part in this development. At the end of the fiscal year, VMS accounted for 57.1 % of revenue. The new business of the segment was negatively affected by supply shortages on the procurement side. Revenue in the M&I segment also increased by a considerable 7.3 % to € 296.3 million (previous year: € 276.1 million). The primary reasons for this were product completions and deliveries in industrial business as well as the services sector. The same nominal growth of € 20.0 million resulted in significant growth in SB of 22.0 % to total revenue of € 110.9 million (previous year: € 90.9 million). The high demand for horizontal and e-bearings as well as the spare parts and service business enabled this pleasing development. Consolidated intersegment revenue primarily relates to intragroup deliveries to the VMS segment.

Order backlog

Order Backlog

	Fiscal Year		Change	
in € millions	**2022**	**2023**	**in €**	**in %**
Fixed order backlog	1,406.6	1,780.0	373.5	26.6
Frame order backlog	n/a	585.8	n/a	n/a
Soft order backlog	n/a	2,277.8	n/a	n/a
Total order backlog	**n/a**	**4,643.6**	**n/a**	**n/a**

RENK closed the fiscal year with a fixed order backlog of € 1,780.0 million (previous year: € 1,406.6 million), an extremely satisfactory increase of 26.6 %. The order backlog is allocated to VMS at 71.5 % (previous year: 70.2 %), M&I at 25.0 % (previous year: 26.1 %) and SB at 3.5 % (previous year: 3.7 %). Strong growth relates mainly to customers seeking military products. The medium-term frame order backlog based on master agreements and experience-driven customer behaviour totalled € 585.8 million at the end of the fiscal year. In addition, our assessments of current contract negotiations, our customers' budgeting and decisions about government military spending put the estimated prospective soft order backlog at € 2,277.8 million for the medium-term planning horizon. Sales of military vehicles in VMS offer the most significant prospects of future customer orders.

4.2 Profitability

Profitability

	Fiscal Year		Change	
in € millions	2022	2023	in €	in %
Adjusted EBIT	**144.3**	**150.0**	**5.7**	**3.9**
VMS	113.4	106.4	(7.0)	(6.2)
M&I	20.6	28.4	7.7	37.5
SB	13.4	17.3	3.9	29.5
Reconciliation consolidated financial statement	(3.1)	(2.0)	1.1	(34.3)
Adjusted EBIT Margin	17.0%	16.2 %	n/a	(0.8) p.p.
VMS	23.4%	20.1 %	n/a	(3.2) p.p.
M&I	7.5%	9.6 %	n/a	2.1 p.p.
SB	14.7%	15.6 %	n/a	0.9 p.p.
Adjustments (seperate table)	(79.0)	(61.0)	17.9	(22.7)
EBIT	65.2	89.0	23.8	36.5
VMS	108.0	104.8	(3.2)	(3.0)
M&I	16.6	25.3	8.7	52.4
SB	12.6	16.8	4.2	33.3
Reconciliation consolidated financial statement	(72.0)	(58.0)	14.0	(19.5)
EBIT Margin	7.7%	9.6 %	n/a	1.9 p.p.
VMS	22.2%	19.8 %	n/a	(2.4) p.p.
M&I	6.0%	8.5 %	n/a	2.5 p.p.
SB	13.9%	15.2 %	n/a	1.3 p.p.
Financial result	**(50.4)**	**(42.4)**	**8.0**	**(16.0)**
Profit (+) / loss (-) before tax	**14.8**	**46.6**	**31.8**	**> 200.0**
Income taxes	**1.4**	**(14.3)**	**(15.6)**	**< (200.0)**
Profit (+) / loss (-) after tax	**16.1**	**32.3**	**16.2**	**100.5**
Basic earnings per share (€)	**0.16**	**0.32**	**0.16**	**100.0**

RENK generated an EBIT of € 89.0 million (previous year: € 65.2 million) in the fiscal year. This significant growth resulted in an EBIT margin of 9.6 % (previous year: 7.7 %). In addition to the positive revenue development, scale effects due to overall increased output quantities, the systematical implementation of efficiency programs and lower PPA-related effects contributed to this development. These positive success factors were able to overcompensate for the weaker performance of VMS due to supply chain disruptions. The Group realized an increase in gross profit to € 208.7 million (previous year: € 164.8 million), thus recording a substantial increase of 26.6 % compared to previous year. The distribution expenses related to the sales growth developed in a profit-reducing manner, with a considerable of 7.5 % to € 51.7 Mio. € (previous year: € 48.1 Mio. €). General and administrative expenses also rose significantly to € 66.0 Mio. € (previous year: € 49.8 Mio. €). Factors contributing to this development included higher costs for corporate functions, expenses for the implementation of efficiency programs, in particular measures in preparation for the IPO, and consulting services in connection with strategic and M&A projects.

The EBIT for the VMS segment amounted to € 104.8 million (previous year: € 108.0 million), which corresponds to a share of 71.3 % (previous year: 78.7 %) (before Group reconciliation). In addition to the earnings-reducing effects from resolving supply chain problems, higher R&D and administration expenses also contributed, which are primarily attributable to corporate functions and the acquisition of General Kinetics. This was partially compensated by lower warranty provisions. The EBIT margin was 19.8 % (previous year: 22.2 %). With a share of 17.2 % (before Group reconciliation), M&I generated an EBIT of € 25.3 million (previous year: € 16.6 million). The increase of 52.4 % was as a result of lower warranty provisions. This led to an EBIT margin of 8.5 % (previous year: 6.0 %). EBIT in the SB segment increased by 33.3 % to € 16.8 million (previous year: € 12.6 million). This resulted in an EBIT margin of 15.2 % (previous year: 13.9 %). In addition to the revenue development, the earnings improvement was realized due to a higher share of maintenance and similar services that have a higher gross margin.

Adjustments

	Fiscal Year		Change	
in € millions	2022	2023	in €	in %
Effects of purchase price allocations	66.2	46.9	(19.3)	(29.2)
Capital market readiness costs	0.0	3.1	n/a	n/a
M&A activity related costs	0.1	2.0	1.9	> 200.0
Inflation compensation premium	3.3	3.5	0.2	4.8
Severance provision	4.8	1.7	(3.1)	(64.8)
Other adjustments	4.5	3.9	(0.6)	(14.2)
Adjustments Total	**79.0**	**61.0**	**(17.9)**	**(22.7)**

The adjustments, amounting to € 46.9 million (previous year: € 66.2 million), are primarily due to the effects of purchase price allocations, which mainly concerned depreciation on remeasured fixed assets and are assigned to the reconciliation to Consolidated Financial Statements. The activities initiated in fiscal year 2023 to align the Group with capital market requirements amounted to € 3.1 million. Expenses for termination benefits declined by € 3.1 Mio. € year-on-year to € 1.7 million, and predominantly related to persons who left the Group's management level in the fiscal year. Other adjustments mainly included consulting services in connection with organizational and operational optimization as well as costs in connection with RENK's 150-year anniversary.

RENK generated adjusted EBIT of € 150.0 million (previous year: € 144.3 million), a minor increase of 3.9 %. While the M&I and SB segments allowed adjusted EBIT to improve substantially, VMS was responsible for a moderate reduction of € 7.0 Mio. € to € 106.4 million. For VMS, this meant a material decline in its adjusted EBIT margin to 20.1 % (previous year: 23.4 %). By comparison, M&I's adjusted EBIT rose significantly by 37.5 % to € 28.4 million (previous year: € 20.6 million). Overall, this resulted in a notable lift in M&I's adjusted EBIT margin to 9.6 % (previous year: 7.5 %). The SB segment reported a substantial increase in adjusted EBIT of 29.5 % to € 17.3 million (previous year: € 13.4 million), resulting in a moderate improvement in its adjusted EBIT margin to 15.6 % (previous year: 14.7 %).

RENK's earnings after tax rose by 100.5 % to € 32.3 million (previous year: € 16.1 million). In addition to a decline in interest expense of € 1.9 million to € 39.8 Mio. € (previous year: € 41.7 Mio. €), primarily as a result of the repayment of the shareholder loan granted by the shareholder Rebecca BidCo S.à r.l., the positive effect was mainly a result of the decreased other financial loss, which was down by € 6.2 million at € 2.6 Mio. € (previous year: € 8.7 Mio. €). In the previous year, this had included substantial expenses due to changes in the fair value of derivatives. Overall, this resulted in a notably improved financial result of € -42.4 million (previous year: € -50.4 million). Please refer to Note *11. Income tax* to the Consolidated Financial Statements for information on the development of income taxes. Adjusted earnings after tax amounted to € 76.4 million.

5. Net assets

RENK ended the fiscal year with total assets of € 1,472.6 million (previous year: € 1,442.7 million), with non-current and current assets each accounting for 50.0 %.

Assets

	Fiscal Year		Change	
in € millions	2022	2023	in €	in %
Total non-current assets	**751.9**	**735.7**	**(16.2)**	**(2.2)**
therein				
Intangible assets	389.0	383.9	(5.0)	(1.3)
Property, plant and equipment	323.0	319.0	(4.0)	(1.2)
Total current assets	**690.7**	**736.9**	**46.1**	**6.7**
therein				
Inventories	275.6	326.2	50.6	18.4
Trade receivables	144.7	163.3	18.6	12.9
Contract assets	83.5	96.6	13.1	15.6
Cash and cash equivalents	158.7	102.2	(56.5)	(35.6)
Total assets	**1,442.7**	**1,472.6**	**29.9**	**2.1**

At 95.5 %, long-term committed capital predominantly consisted of intangible and tangible assets purchased through the acquisition of the former RENK AG and RENK America. As part of the purchase price allocations, the difference between the purchase price paid and carrying amounts acquired in previous years was allocated to goodwill, intangible assets as well as property, plant and equipment.

At € 326.2 million (previous year: € 275.6 million), inventories accounted for 44.3 % (previous year: 39.9 %) of short-term committed capital. The material increase was as a result of supply chain disruptions in the VMS segment, which led to higher levels of unfinished goods. The considerable rise in trade receivables of 12.9 % to € 163.3 million (previous year: € 144.7 million) and in contract assets of 15.6 % to € 96.6 million (previous year: € 83.5 million) was consistent with the growth in sales in the fiscal year. Cash and cash equivalents were largely reduced by the repayment of the shareholder loan granted by Triton in the amount of € 50.0 million and by € 34.5 million for the acquisition of General Kinetics.

Liabilities

	Fiscal Year		Change	
in € millions	2022	2023	in €	in %
Total equity	**324.5**	**403.9**	**79.4**	**24.5**
Total non-current liabilities	**781.4**	**661.3**	**(120.0)**	**(15.4)**
therein				
Non-current financial liabilities	617.7	527.5	(90.2)	(14.6)
Non-current contractual liabilities	72.8	44.1	(28.6)	(39.4)
Other non-current provisions	11.3	11.0	(0.3)	(2.4)
Total current liabilities	**336.8**	**407.4**	**70.6**	**20.9**
therein				
Trade payables	66.6	123.6	57.0	85.5
Current contractual liabilities	141.3	171.8	30.6	21.6
Other current provisions	65.2	40.3	(24.9)	(38.2)
Other current liabilities	33.8	38.5	4.7	13.9
Total liabilities	**1,442.7**	**1,472.6**	**29.9**	**2.1**

As of the end of the fiscal year, equity amounted to € 403.9 million (previous year: € 324.5 million) and the equity ratio to 27.4 % (previous year: 22.5 %). In addition to the profit for the fiscal year, this significant increase was as a result of an addition to the capital reserves of € 45.1 million. This was achieved by the voluntary contribution of the shareholder loans of € 30.0 million, plus accured interest, granted by the direct shareholder Rebecca BidCo S.à r.l. Non-current liabilities represented 44.9 % of total equity and liabilities. A nominal amount of € 527.5 million of these non-current liabilities related to bond liabilities that financed the purchase price of the former RENK AG and RENK America. Equity and non-current liabilities were therefore tangibly higher than fixed assets.

Short-term and long-term contract liabilities amounted to € 216.0 million in total (previous year: € 214.1 million). While the total amount was stable, the short-term share rose by € 30.6 million to € 171.8 million (previous year: € 141.3 million) as a result of a higher share of payments on account by customers for goods and services to be provided in the short term. Other current and non-current provisions of € 51.3 million (previous year: € 76.5 million) predominantly related to warranty provisions.

6. Financial Position

6.1 Principles and objectives of financial performance

RENK's financial management is performed centrally by the Treasury function. The aim of central financial management is to always ensure sufficient liquidity, limit financial risks and, in turn, increase the enterprise value.

This includes securing liquidity for operating business, capital expenditures and targeted growth, as well as the financial hedging of currency risks. Liquidity was managed by central cash management. Please also refer to the information in *B 4. Risk Management and Financial Instruments* and *B 35. Events after the Reporting Period* in the Consolidated Financial Statements and to *A 8. Report on the Internal Control and Risk Management System and Significant Risks and Opportunities* of the Management Report.

6.2 Analysis of Cash Flow and Capital Expenditures

Free Cashflow

	Fiscal Year		Change	
in € millions	**2022**	**2023**	**in €**	**in %**
EBIT	65.2	89.0	23.8	36.5
Amortisation and depreciation of intangible assets and property, plant and equipment (incl. PPA amortisation and depreciation)	96.2	78.6	(17.6)	(18.3)
EBITDA	**161.3**	**167.5**	**6.2**	**3.8**
Interest received[1)]	**0.2**	**3.2**	**3.1**	**> 200%**
Interest payments[1)]	**(30.0)**	**(29.9)**	**0.0**	**(0.1)**
Income tax payments	**(10.7)**	**(28.2)**	**(17.5)**	**163.4**
Change in net working capital	**(20.2)**	**(41.4)**	**(21.2)**	**104.9**
Change in inventories	(23.9)	(41.2)	(17.3)	72.4
Change in trade receivables and current assets	(46.0)	(47.8)	(1.8)	4.0
Change in trade payables	0.1	55.4	55.3	> 200%
Changes in contract liabilities and liabilities from customer prepayments	49.6	(7.7)	(57.3)	(115.5)
Investments in property, plant and equipment and intangible assets	**(26.0)**	**(28.1)**	**(2.1)**	**8.0**
Other	**(11.1)**	**(22.1)**	**(11.0)**	**98.8**
Free Cashflow	**63.5**	**21.1**	**(42.4)**	**(66.8)**

1) Reported net in the previous year.

The development in free cash flow was substantially negative compared to the previous year. The change from a net cash inflow of € 63.5 million in 2022 to € 21.1 million in fiscal year 2023 essentially related to the rise in income taxes paid of € 17.5 million on account of the material improvement in operating earnings, the change in current assets, and NWC.

The rise in NWC predominantly resulted from the increase in inventories of € 41.2 million. Disruptions in the supply chain prevented the completion and invoicing of work in progress as planned. Moreover, higher levels of raw materials and intermediate products were stockpiled in order to quickly mitigate the risk of short-term supplier dependencies. In addition, the increase in trade receivables and contract assets of € 47.8 million, which was consistent with the notable growth in sales, contributed to this development. Trade payables increase, which rose by € 55.4 million (previous year: € 0.1 million), was unable to offset this effect. Customer payments received on account of orders remained at the same level as in the previous year. As a result, NWC in relation to sales amounted to 26.8 % after 26.0 % in the previous year.

Investments in tangible and intangible assets of € 28.1 million (previous year: € 26.0 million) essentially related to production facilities in the fiscal year. Investments in tangible and intangible assets therefore amounted to 3.0 % of sales (previous year: 3.1 %).

6.3 Financing and Liquidity Analysis

Change in cash and cash equivalents

	Fiscal Year		Change	
in € millions	**2022**	**2023**	**in €**	**in %**
Cash and cash equivalents at the beginning of the fiscal year	**97.5**	**158.7**	**61.1**	**62.7**
Cash flow from operating activities	115.8	76.2	(39.7)	(34.3)
Cash flow from investing activities	(22.4)	(57.2)	(34.8)	155.9
Cash flow from financing activities	(34.4)	(80.0)	(45.6)	132.4
Other changes in cash and cash equivalents	2.1	4.6	2.5	122.3
Change in cash and cash equivalents in fiscal year	**61.1**	**(56.5)**	**(117.6)**	**(192.4)**
Change in cash and cash equivalents at the end of the fiscal year	**158.7**	**102.2**	**(56.5)**	**(35.6)**

In the reporting period, RENK generated a positive cash flow from operating activities of € 76.2 million (previous year: € 115.8 million). This significant reduction despite the increase in profit before tax of € 31.8 million is essentially a result of the decline in depreciation and amortization of € 17.6 million, the increase in inventories of € 41.2 million and reversal of provisions in the amount of € -25.6 million.

Cash flow from investing activities amounted to € -57.2 million (previous year: € -22.4 million) and, in addition to payments for production facilities, mainly related to the acquisition of General Kinetics in January 2023.

As a result of the repayment of the shareholder loan to Rebecca BidCo S.à r.l. in the amount of € 50.0 million, cash flow from financing activities declined substantially to € -80.0 million as of the reporting date (previous year: € -34.4 million). A positive factor in this context was interest expenses, which were down by € 0.0 million.

The cash flow from operating activities was unable to cover capital expenditures and the repayment of the shareholder loan in the fiscal year. Taking currency effects and the change in the basis of consolidation caused by the acquisition of General Kinetics into account, cash and cash equivalents were therefore reduced by € 56.5 million to € 102.2 million.

7. Report on expected developments

The global security situation faced mounting uncertainty continued in fiscal year 2023. This development is expected to persist or even intensify, driven by the threat of an escalation in the geopolitical tension between China and Taiwan, ongoing terror threats on land and at sea, regional instability in the Middle East, e.g., the armed conflict between Israel, Iran, and the terrorist organization Hamas, in North Africa, and in parts of Asia. The new so called defence supercycle ("super-cycle"), prompted the US and NATO to increase their defence budgets. Since then, global spending on defence has risen considerably. The business of the RENK Group is largely dependent on defence spending by its customers, which include governments, government authorities, international organizations, and entities that rely on government spending to buy the Group's products and services. RENK is therefore susceptible to decisions made in government programs that are swayed by, for instance, social policy considerations, general macroeconomic conditions, or changes in government and administrative policy. As a result of the super-cycle, the Group anticipates a protracted growth phase in defence spending and procurement activities. However, the short-term forecasts for fiscal year 2024 are based on the assumption that RENK will neither be exposed to nor will benefit from significant effects of uncertainty or rising defence spending beyond contractual customer orders and the associated production costs in fiscal year 2024. We continue to assume significant order intake and growth in sales in line with our guidance in the years ahead.

In addition to the general impact on the defence budget, the sanctions and export controls imposed by the EU, the U.S., the U.K., Canada, Japan, and other nations on Russian and Belarusian individuals, companies and organizations are having a substantial impact on the state of the global economy, further exacerbated by Russia's countermeasures. Higher prices for oil and gas, bottlenecks in the supply of gas, supply chain disruption, market volatility, and economic uncertainty, in Europe in particular, have led to elevated rates of inflation and impacted the economy as a whole. Interruptions or disturbances in supply chains, logistical challenges, and shortages of raw materials and intermediate products had a negative impact on the real economy. Looking ahead to fiscal year 2024, RENK assumes that it will not be exposed to any significant negative effects from the aforementioned sanctions.

Defence-based spending and end markets with governmental customers are subject to political decision-making, which has a direct effect on the Group's operating activities and, in. Political developments, such as changes of governments, sanctions, and trade policy in addressable markets such as the EU, U.K., and U.S., can affect the RENK Group's ability to do business in these countries. In the EU and Germany, exports of goods of strategic significance, above all weaponry, military equipment, and dual-use goods, are subject to restrictive controls and approval requirements. Furthermore, new regulations on export control, the stricter enforcement of existing controls and the provisions of supplier countries such as Germany, France, the U.K., and the U.S. can have a substantial effect on the Group's business activities. As a global manufacturer of drive solutions for various civilian and military applications and end markets, the Group abides by laws and guidelines. These regulations cover areas such as data protection, environmental protection, competition, taxation, employment, and export control. These laws and guidelines can arise at the national, bilateral, or even multilateral level or between participating jurisdictions, and their national or even extraterritorial application and relevance can vary. For forecast purposes, RENK assumes the changes in political developments in the countriess most relevant to its business activities will not have any negative effects compared to fiscal year 2023. Furthermore, the Group anticipates that government programs will not be cancelled, significantly delayed, or altered, and that no negative effects will result from reviews of government contracts. Furthermore, RENK assumes a stable legal and regulatory environment.

As a global manufacturer of drive solutions for various civilian and military end markets, the Group's business activities are subject to fluctuations in the world economy, especially for civilian solutions. Furthermore, some of the Group's markets – for instance, energy generation, oil and gas, cement, and steel – react sensitively to cyclical changes in the economic landscape. In this context, decisions to buy products of the Group are largely a result of the output of these and other sectors. Demand in these sectors is influenced by changes in multiple factors, such as commodity prices, interest rates, fuel costs, energy requirements, and economic growth, which mainly affect the Group's products for industrial markets. However, changes in the economic environment are unlikely to have any significant effect on the Group's business activities in the short term as its main activities in the VMS and M&I segments tend to be more exposed to long-term rather than short-term economic risks. As a result, the forecasts for 2024 are based on the assumption that none of the Group's significant orders will be cancelled or delayed.

Some of the Group's business activities take place in highly competitive markets, such as Germany, the US and South America, the Middle East and China, which are affected by changes in market penetration, price competition, and the development and launch of new products, product designs, and technologies. On these markets, the Group's competitive capability is primarily based on quality, innovation, the punctuality of delivery, design, and the ability to provide global technical support, repair expertise, and service. A similar competitive environment to fiscal year 2023 is assumed for forecast purposes. Negative effects on growth and profitability are not expected thanks to binding customer orders. The Group's main activities in the segments VMS and M&I are characterized by long project lead times with accordingly long-term competition risks.

The Group's business activities are highly dependent on punctual delivery and on the appropriate quality and quantity of standard components (e.g., pumps, couplings, bearing or measurement and control technology) purchased from third-party providers, the number of which is limited in some cases. The logistics processes of the Group therefore rely on the availability of components and an uninterrupted supply chain, as well as the sufficient quality of these individual components, in order to ensure that production plans are upheld and thereby to satisfy its contractual and anticipated future obligations, in particular the processing of its order backlog. The repercussions of the COVID-19 pandemic are still affecting the global economy, capital markets, and international trade, which has a direct impact on the availability of raw materials, parts, and components. The forecast for fiscal year 2024 assumes that supply chain restrictions will not have any negative effects on RENK's business activities and that the raw materials and components required for processing will be available as needed and in the appropriate quality. The foundation for this is formed by unaltered supplier relationships.

The Group's production processes rely on various raw materials such as steel, aluminium, and tin, as well as subcomponents and components. Prices for a variety of raw materials and components have risen substantially in the past as a result of inflation, supply chain disruption, and other factors. This risk is partially, but not always, passed on to customers on the basis of agreed contractual clauses. In this context, the Group is exposed to the risk that the actual costs incurred in connection with the performance of its obligations under fixed-price contracts may be higher than assumed when the contracts were entered into. For forecast purposes, the Group assumes that the effects of price increases for the most important raw materials and components will be unchanged compared to fiscal year 2023. Therefore, no significant negative effects are assumed.

To satisfy its contractual and anticipated future obligations, in particular the processing of its order backlog, RENK relies on the recruitment and retention of highly qualified personnel. In the past fiscal year, the Group succeeded in recruiting and retaining the necessary numbers of highly qualified employees. For the purposes of fiscal year 2024, the Group assumes that there will be no substantial personnel shortages with a negative impact on the satisfaction of its obligations to customers.

The Group operates internationally and is therefore exposed to currency risks. The Group generates a substantial share of its sales, and incurs a substantial share of its costs, in currencies other than the Euro. Its most significant foreign exchange risks relate to the US dollar (USD), the Swiss franc, the British pound, the Chinese renminbi yuan, and the Canadian dollar. In relation to the exchange rates for the past fiscal year, the Group assumes the following exchange rates for the coming fiscal year as of the reporting date.

Exchange rates

	31.12.2023	31.12.2024
US dollar	1.07	1.10
Swiss franc	0.95	0.90
British pound	0.86	0.91
Chinese yuan	7.86	7.98
Canadian dollar	1.46	1.51

Beyond the above conditions and assumptions on which the forecast for fiscal year 2024 is based, RENK assumes that there will be no unforeseen events that could result in a material or persistent negative impact on the Group's business operations.

Based on the above forecast assumptions, RENK anticipates group revenues of between € 1,000.00 million and € 1,100.00 million with an adjusted EBIT margin of between 16.0 % and 18.0 % for fiscal year 2024.

The forecast for fiscal year 2024 and the actual results for the year ended are compared in the table below.

Forecast 2024

in € millions	2023	Forecast 2024
Consolidated Revenue	925,500.0	1,000.0-1,100.0
Adjusted EBIT margin	16.2 %	16 - 18 %

8. Report on the internal control and risk management system and essential risks and opportunities

8.1 Essential internal control system features

The internal control system (ICS) represents an organizational context with the aim of ensuring proper accounting and associated financial reporting, as well as effective and efficient business processes, guaranteeing compliance with legal regulations and protecting assets from loss or misuse. As an integral part of the corporate structure of the RENK Group, the ICS provides an essential basis for governance and transparent business processes.

The Group-wide ICS is based on the internationally accepted general concept of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO ICS was adapted to the Group's specific characteristics and individual circumstances to ensure seamless integration and customized implementation.

As one of its duties of care, the Management Board has the overall responsibility for the Group ICS. This includes promoting awareness of the ICS, providing adequate resources to implement and maintain the ICS and monitoring the effectiveness of the ICS. The subsidiaries' managing directors are also obligated to comply with this duty of care and to ensure implementation and maintenance of an effective ICS in their companies. Together with the Management Board, the Supervisory Board of the RENK Group ensures that its effectiveness is monitored. Within the Supervisory Board of the RENK Group, this role falls to the Audit Committee as an independent monitoring body.

The accounting-related ICS of the RENK Group is specifically focusing on ensuring proper financial reporting (correct presentation of the financial position, net assets and results of operations) and aims to ensure accuracy, completeness and timely preparation of financial reports as well as compliance with accounting standards. It takes into account the most significant risks and controls for the main accounting processes as well as relevant functional processes. These processes include not only accounting-related processes, but also purchasing, sales, valuation of inventories and HR, insofar as these have effects on financial reporting.

Annual control tests are carried out to monitor appropriateness and effectiveness of these controls.

Supporting the Management Board of the RENK Group the Centrally Risk Management Department and the ICS Group Coordinator hold the operational powers relating to all ICS-related activities. They define the scope of the ICS in a two-stage approach comprised of company as well as process scoping. An annual review of the scope of application ensures that changes to the ICS are considered. At the level of the respective companies, local ICS officers act as the main point of contact for coordinating the ICS.

Compliance with statutory requirements - including timely preparation of the Annual and Consolidated Financial Statements of the RENK Group - is ensured by way of policies, time limits and analyses at Group and Company level. The following material actions have been implemented within the Group's accounting-related ICS:

- Requirements for financial statements to inform subsidiaries about topics of relevance for preparing financial statements
- Detailed schedule and timeline for preparing the Annual Financial Statements
- Staff training regarding documentation of tested controls
- Controls in the process of preparing Annual and Consolidated Financial Statements (analyses, plausibility reviews, etc.)

The process of preparing Annual and Consolidated Financial Statements as such is secured by way of numerous controls at local and central level, taking into account materiality aspects. They include, among others, automated controls, dual control principle, plausibility checks and monitoring controls. In addition, the ICS of the RENK Group considers the segregation of duty, the principle of transparency as well as the principle of minimum information. They are tested annually in a rolling process to provide the Management and Supervisory Boards with a basis to determine appropriateness and effectiveness of the ICS.

The Management Board receives a yearly report detailing appropriateness and effectiveness of processes and controls, identifying potential weaknesses and defined actions as well as planned improvements and the current status of the ICS. In addition, the Management Board provides the Audit Committee every year with a report on the annual ICS cycle.

Despite careful structuring and comprehensive application of the ICS throughout the entire RENK Group, inherent risks remain with regard to its effectiveness due to subjective arbitrary decisions or other factors.

8.2 Opportunities and risks

Every company faces both opportunities and risks in their business activities. The RENK Group systematically identifies, assesses and manages potential risks and opportunities that may materially affect its business activities. Taking into account its risk strategy, the RENK Group has implemented a Group-wide risk management system for early identification, assessment and response. An integral part of this is the risk early detection system, which identifies and assesses risks that may cause the Group to cease to be able to continue as a going concern, and which are countered with suitable measures. The RENK Group describes risks as the potential danger that events, decisions or actions might hamper the attainment of defined targets of the Group or of a segment or the successful realization of strategies. In the case of risks, its impact on EBIT or equity is assessed.

RENK deliberately incurs risks to take advantage of market opportunities if they materially contribute to increasing the Company's value and further its targets. By contrast, risks that may cause the Group to cease to be able to continue as a going concern are avoided or, if this is not possible, mitigated by taking appropriate measures. To be able to ensure this, an effective risk early detection and risk management system (RMS) is imperative to provide relevant information to manage the Company at an early stage. Likewise, monitoring of risk-bearing capacity, i.e. the maximum risk exposure that the Company can bear over time without causing the Group to cease to be able to continue as a going concern, is another crucial factor in the RMS process.

Deliberately addressing identified opportunities and risks as well as periodically monitoring them are intended to raise awareness of opportunities and risks, and ensuring an ongoing process of improvement. The RMS is based on a management-oriented Enterprise Risk Management (ERM) approach and is aligned with the internationally accepted general concept of the Committee of Sponsoring Organization of the Treadway Commission (COSO). To ensure the best-possible application and effectiveness, the system was adapted to the Group's individual circumstances.

The Management Board has ultimate responsibility for the RMS. It therefore is accountable for defining structure and methodology and also for actions to be taken to manage opportunities and risks. To reflect the organizational realignment, the reporting period for the fiscal year 2023 has therefore been set to every six months (previous year: three times a year). All RMS stakeholders have been notified of the RMS process. The Management Board also periodically reports to the Group's Audit Committee. The Management Board has delegated the ongoing review and updating of the RMS as well as implementation and monitoring of compliance with Group-wide standards to the Central Risk Management Department.

The central risk management acts as a link between the legal entities, central functions and segments, the Management and Supervisory Boards and is responsible for ensuring a structured organizational and operational structure.

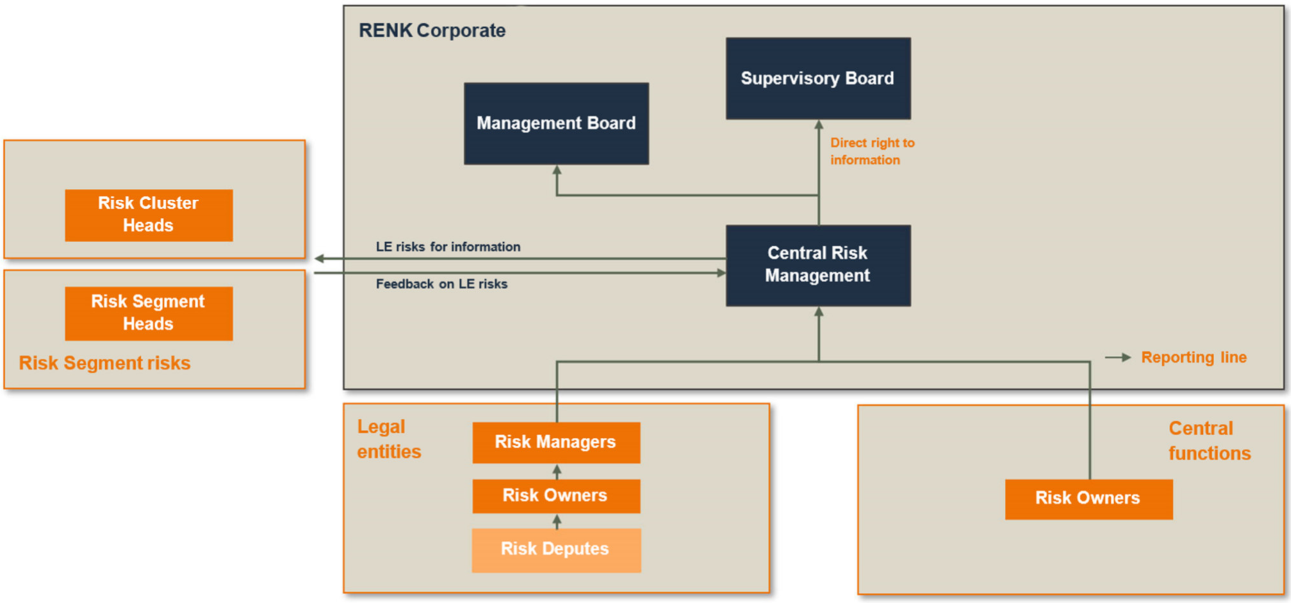


Figure 1: Risk reporting organizational chart

The RMS process is comprised of risk identification, assessment and response phases. It generally applies to all companies in the RENK Group, irrespective of their size.

The objective of risk identification within the RENK Group is to comprehensively and systematically record all significant risks to the Group, irrespective of their type. The legal entities' and central functions' risk owners and risk managers are accountable for identifying risks and opportunities within their area of responsibility and competence over the medium-term (usually up to 3 years; in case of strategic and ESG risks, up to 10 years), whereby experts (risk deputies) provide support as required (bottom-up approach). The risk cluster heads or segment managers identify and assess risks for their respective areas of expertise by applying a top-down approach, including analyses of interdependencies of risks for the RENK Group.
To identify risks, workshops and employee meetings are held, and early warning indicators and key financial figures are analyzed, among others.

The RENK Group categorizes identified risks in seven clusters: strategic risks, operational risks, legal & compliance risks, reputational risks, technology & IT security risks, financial risks as well as ESG risks. All risks must undergo a quantitative assessment, but at least a qualitative one, with regard to their negative impact on the Group's EBIT. Aggregated individual risks that may exceed the materiality threshold due to interdependencies must also be reported. The risk manager is assigned with assessing whether risks which in and by themselves are deemed immaterial, might be material when aggregated.
The risk is the product of the potential damage amount and the probability of its occurrence. When assessing the risk, a distinction is made between gross and net assessment, with actions already taken potentially mitigating the gross risk. The classification of risks is shown in the following risk matrix:

Risk assessment categories

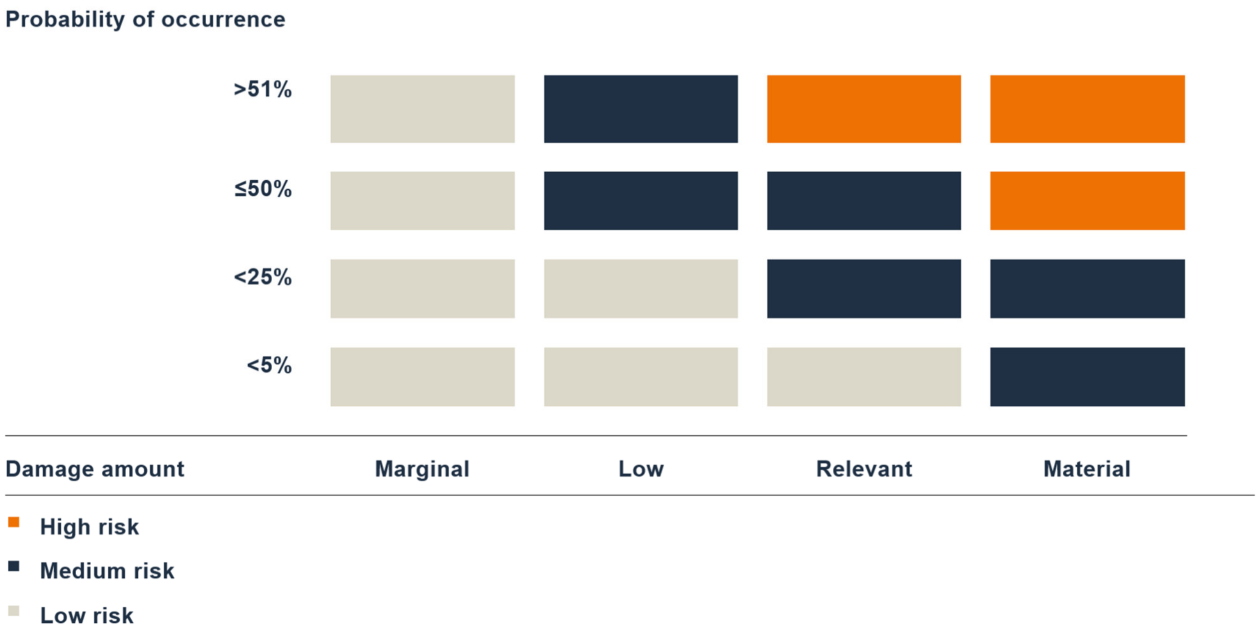


Figure 2: Risk matrix

Probability of occurrence in %	
< 5 %	Very unlikely
< 25 %	Unlikely
≤ 50 %	Possible
< 75 %	Probable
> 75 %	Very likely

Amount of damage in € millions	
< 2	Negligible
2 - 5	Low
5 - 10	Moderate
10- 15	Substantial
> 15	Critical

Figure 3: Assessment categories

The net risk then represents the negative impact and probability of occurrence, taking into account any actions already initiated by the reporting date to mitigate the loss and/or reduce the probability of its occurrence. To manage the identified and assessed risks accordingly, the risk owner is assigned with initiating actions to avoid risks, reduce the negative impact and probability of its occurrence, to hedge the risks or to accept them. To deliberately accept risks, the Company-wide acceptance of risks or willingness to do so must be determined. In addition, coordination with the risk managers is necessary, who must submit the matter to central risk management. The final decision on risk acceptance is to be made by the Management Board, which considers the risk-bearing capacity in its decision-making process.

The risk-bearing capacity determines the maximum risk value which the Company or the Group can bear over time without putting its own continued existence at risk. The risk-bearing capacity thus can also be referred to as a company's "risk coverage potential" or "resilience".

The overall risk is the result of the aggregation of all individual risks within the group of companies. Aggregation is necessary as developments that may cause the Group to cease to be able to continue as a going concern may also result from the interactions of multiple risks which in and by themselves do not cause the Group to cease to be able to continue as a going concern. To aggregate risks, different generally accepted quantitative and qualitative actions may be used. Given its corporate situation, RENK has decided to add up the amounts of expected losses of all individual risks. To duly consider the risk of multiple risks occurring at the same as well as the risk of interdependencies, RENK has used the highest percentage of the respective probability of occurrence as a basis for determining the respective amounts of expected losses of the individual risks. The aggregation result does not indicate that there is a significant threat to the Company as a going concern.

As part of the semi-annual reporting system, the central risk management consolidates the Group risks and reports to the Management and Supervisory Boards. Unexpected risks that occur outside of regular reporting cycles and have a particularly high negative impact are reported immediately to the central risk management outside of the semi-annual risk process.

The overall risk report prepared annually by central risk management and approved by the Management and Supervisory Boards is used as the basis for external reporting and enables the Management Board to assess the effectiveness of the RMS. The Supervisory Board's monitoring activities are also based on this reporting.

The Internal Audit Department incorporates reported risks in its risk-based audit approach and provides support in monitoring the implementation of control measures.

Significant risk areas:

Based on the risk reporting to the RENK Group's Management Board, the risk situation as of the balance sheet date is as follows, summarizing the most material corporate risks from the Group's perspective:

Significant risk areas

Risk clusters	Risk areas	Risk category	Changes from the prior year
Strategic risks	Strategic market risks	High risk	Increased
	Macroeconomic environment	Medium risk	Increased
Operational risks	Production risk	Medium risk	
	Procurement	Medium risk	
	Personnel	Medium risk	Unchanged
Legal & compliance risks	Warranty and liability risks	Medium risk	Unchanged
	Compliance risks	Medium risk	
Technology & IT-security	Cyber risks	Medium risk	Unchanged
Financial risks	Liquidity risk	Medium risk	
	Currency risk	Medium risk	
	Tax risks	Medium risk	

The following net risks may potentially cause medium or even high losses in terms of the net assets, financial position and results of operations of the RENK Group during the planning period. The risks are categorized as strategic risks, operational risks, legal & compliance risks, reputational risks, technology & IT security risks, financial risks and ESG risks. The respective risks are described in descending order depending on the significance of their effect on net assets, financial position and results of operations. Where the distribution of opportunities and risks across the segments is not explicitly described, any information on opportunities and risks relate to all segments of the RENK Group.

Strategic risks

The risks described below are among the material strategic risks of the RENK Group.

Strategic market risks

To secure and further expand the future market position, economic development and earnings position of the RENK Group, marketable new applications, products and systems must be continuously developed and made ready for the market as quickly as possible. Long development times and constantly changing regulatory conditions represent elements of uncertainty that may affect the economic success of current or future projects. Most notably, there is a risk that prototypes at the development stage will not be ready for the market. Moreover, changes in circumstances may result in a supply shortfall and a loss of market opportunities.

To reinforce and further expand the market position of the RENK Group, the Company focuses on continuous communication with customers and clients, ongoing market monitoring as well as measures for constantly enhancing efficiency. In spite of implemented actions, said risks may have a high impact on the net assets, financial position and results of operations of the RENK Group.

Macroeconomic environment

Macroeconomic, political and geopolitical developments may adversely affect the current business and growth plans of the RENK Group. In particular, the conflict between China and Taiwan and the potentially resulting economic sanctions and export controls may restrict global economic activity and increase volatility on the global financial markets.

To address these risks, RENK is continuously monitoring applicable export control laws and adjusting its sales strategies accordingly. Despite such measures, the development of the global economy involves risks that may moderately affect the net assets, financial position and results of operations of the RENK Group.

Operative risks

The risks specified below are among the significant operative risks of the RENK Group.

Production risks

Maintaining production is pivotal for the economic success of the RENK Group. Events of force majeure or acts of sabotage may lead to material damage or loss of production or to delays or interruptions along the production chain. Moreover, they may cause reputational damage and the loss of customers and orders.

The RENK Group has taken appropriate measures to protect against possible damage and associated business interruptions or production downtimes as well as other potential cases of damage and liability risks, such as obtaining insurance or increasing safety precautions inside and outside the production sites. The site-specific combinations of personnel and organizational actions implemented by the RENK Group are supplemented by structural and mechanical property protection as well as electronic surveillance equipment. However, the effects of force majeure or sabotage may moderately affect the net assets, financial position and results of operations of the RENK Group.

Due to the high level of specialization of each production site, a production outage at any one site may compromise delivery capacities. The RENK Group addresses this risk through a global, strategically optimized production landscape, an expansion of its plant network through mutual enablement and continuous intra-group communication. Despite countermeasures, the risk moderately affects RENK's net assets, financial position and results of operations.

Procurement

The procurement of raw materials, parts and components entails the risk of unexpected delivery disruptions, delays or bottlenecks, quality issues, increasing purchasing prices, cyberattacks on suppliers or the loss of a supplier of precursors and intermediates, raw materials or energy.

Focusing on quality, costs and delivery reliability, the procurement department of the RENK Group ensures the Company's optimum supply with goods and services. The risk potential may be reduced through careful selection of high-performing suppliers, periodic supplier reviews as well as active supplier monitoring, precise specifications and quality requirements, reliability checks as well as adequate reserve stocks. In addition, supplies are ensured by developing alternative sources for goods from critical suppliers and pursuing category strategies. The RENK Group addresses resource bottlenecks with continuous improvements to stabilize the supply chain, as well as highly specific and detailed demand forecasting and close collaboration with suppliers. However, should the supply security be at risk despite all these measures, this may moderately affect the net assets, financial position and results of operations.

Additional procurement risks are caused by considerable market price fluctuations for raw materials and energy, affecting all segments of the RENK Group.

The RENK Group is addressing these risks with long-term material and price hedging agreements and by developing alternative supply sources and competitive tenders. In addition, where possible, the RENK Group is adjusting its pricing strategy. Due to the current high volatility, changes in market prices can moderately affect net assets and results of operations.

Personnel

The successful implementation of the sophisticated growth-oriented corporate strategy, the realization of financial objectives and the sustained economic success of the RENK Group depend on the expertise and experience of its highly qualified staff and specialists. Significant personnel risks in this context include a shortage of skilled workers, the difficult search for the right executives, specialists and talent with the required commercial, technical or industry-specific skills and aging of the workforce.

To mitigate these risks, RENK conducts targeted personnel marketing to externally communicate the Company's strengths. Additional actions taken to mitigate risks include the continuous further development of competitive, fair pay with performance-linked incentive systems, modern HR management as well as structured technical and method-specific training and development. The personnel risks mentioned may also moderately affect the Company's financial position and results of operations.

Legal & compliance risks

The risks described below are among the significant legal & compliance risks of the RENK Group.

Warranty and liability risks

The quality of the products offered by the RENK Group is a major factor for customers' purchasing decisions. To assure this quality in the long term, the Company uses a certified quality management system as well as additional quality-enhancing processes. Despite said actions, the risk remains that poor quality products are delivered, triggering a product liability risk. The use of defective products may also lead to damage and liability claims by customers or to unscheduled repairs as well as to reputational damage for RENK

To mitigate these risks, the RENK Group focuses on strict quality assurance procedures, continuous product and production enhancement processes, as well as ongoing training to ensure qualified staff. Contractual risks for the RENK Group are mitigated through the use of specialized legal support. In addition, selected product liability risks are insured as well. Specific risks may moderately affect net assets and results of operations of the RENK Group.

Compliance

As a global company, the RENK Group has to comply with different laws and regulations worldwide. To ensure that they are adhered to, the Company has implemented a Group-wide compliance management system. In the event of corruption or failure to adhere to anti-corruption laws, money laundering incidents or identified facts that do not meet compliance management systems' requirements, adequate action is taken without undue delay.

The RENK Group cooperates with government authorities when investigating potential compliance violations and adequately addresses detected weaknesses. Periodic Group-wide compliance risk assessments (top-down and bottom-up) as well as case-based risk analyses serve to identify systemic and company-specific compliance risks. Clearly defined responsibilities, internal policies, such as the Code of Conduct, and ongoing training provide support for staff in acting compliant and assist in averting losses for the RENK Group. Compliance violations may moderately affect the net assets, financial position and results of operations of the RENK Group and also its reputation.

In addition, the RENK Group is exposed to risks that may arise due to regulatory or legislative changes on the national or European level, for example due to new laws or changed legal parameters in export controls or due to export restrictions. Moreover, embargoes, economic sanctions or other forms of trade restrictions might be imposed on countries where the RENK Group is operating. Even though regulatory requirements are monitored constantly, any changes may moderately affect the Company's financial position and results of operations.

Technology & IT security risks

The risks described below are among the significant risks of the RENK Group in the area of technology and IT security.

IT cyber security

The IT systems used in all areas of the RENK Group are of major significance for the Company. The functionality of business processes and as a consequence, maintaining business operations, depend on the availability of IT systems, whose functions can be fully or partially impaired by cyberattacks. Additional risks are caused by unauthorized access to IT systems, modification or removal of sensitive business data or lack of functionality of processes and data.

To ensure confidentiality, integrity and availability of data and IT systems, the RENK Group has implemented an information security management system (ISMS) that has been certified under the internationally recognized ISO 27001 and BSI IT-Grundschutz standards.

Staff are sensitized to handling business-related information with care as an important issue for the RENK Group. As a consequence, audits and awareness measures are imperative. In addition, the Company uses integrated hardware and software protection systems and a Cyber Defense Center for continuous active monitoring.

Despite the implemented countermeasures, the risks mentioned may moderately affect net assets, financial position and results of operations.

Financial risks

The risks described below are among the significant financial risks of the RENK Group.

Liquidity risk

The liquidity risk describes the risk that the RENK Group will be unable to satisfy its payment obligations when due. This is the case if the required financial resources cannot be covered by existing equity or debt financing. In fiscal year 2023, the financing requirements of the RENK Group were fully covered by the existing funds. However, there is always the risk that lenders may extraordinarily terminate loans/bonds/financing facilities in the event of non-compliance with financial covenants. As a measure safeguarding liquidity, the Treasury Department’s liquidity planning for the RENK Group is performed on a rolling basis by using the Group's cash pooling to optimize financial resources.

To secure orders and bids, the RENK Group may be reliant on guarantees and sureties issued by banks. If RENK fails to obtain sufficient lines from financial institutions for the provision of securities and guarantees, the planned growth of RENK could be at risk.

Generally, the risk of rising interest rates on interest-bearing liabilities and falling interest rates on interest-bearing assets arises from variable interest agreements and generally from short-term financial instruments. These interest rate risks are managed by early and ongoing financial planning and diversification of financing sources. All financial liabilities as of December 31, 2023, were agreed with fixed interest rates. However, the fair value of the derivative embedded in the bond is subject to changes in the market interest rate. Since this embedded derivative is measured at fair value through profit or loss, the other financial result would be impacted by interest rate changes. Despite the low probability of occurrence, the liquidity risks mentioned, both individually and in total, may moderately affect net asset, financial position and result of operations. In addition, the RENK Group does not apply hedge accounting for economic hedging relationships in the Consolidated Financial Statements as of December 31, 2023.

Default risks

Counterparty risks arise from the investment of excess liquidity and entering into derivative contracts. A partial or total default of a counterparty, for example with regard to its obligation to repay interest and capital, would negatively affect the financial position and result of operations of RENK Group AG. To minimize the default risk associated with these financial instruments, banks are generally used that have at least a credit rating within the investment grade range from one of the globally active rating agencies. The creditworthiness of the banks is continuously monitored. In addition, RENK Group AG defines investment limits for each bank and market value limits for derivative financial instruments. Their amount is based on the credit rating assessment of the rating agencies of the respective bank. Compliance with the limits is continuously monitored.

Currency risk

Operating results therefore are subject to exchange rate fluctuations, most of all the USD/EUR exchange rate. RENK Group AG therefore uses derivatives to reduce the currency risk. The income and cost risks due to currency fluctuations are curtailed by way of purchases and sales in the corresponding foreign currencies and also by forward exchange transactions.

The functional currency of the RENK Group is the Euro. As a company operating internationally, the RENK Group is thus exposed to financial risks due to exchange rate changes. This can result in financial losses if assets denominated in a currency with a declining exchange rate lose value and/or liabilities in a currency with a increasing exchange rate become more expensive. Exchange rate fluctuations can occur in purchases or sales in foreign currency. Therefore, exchange rate fluctuations may affect the results of operations of the RENK Group. External and internal transactions, in which products and services are delivered to third parties and to companies within the RENK Group, can be associated with cash inflows and outflows that are conducted in currencies other than the functional currency of the respective RENK Group company (transaction risk). As far as cash outflows of the respective RENK Group company in a foreign currency are not offset by cash inflows from the operating business in the same currency, the remaining net exchange rate risk is hedged individually by appropriate derivative financial instruments, in particular forward transactions and currency swaps. Conversion risks are generally not hedged.

Tax risks

Because of its global business activities, the RENK Group is exposed to tax risks due to different or changing legislation and tax audits, potentially entailing a risk of additional taxes, interest and penalties. To identify and mitigate tax risks early, RENK Group has implemented organizational measures in order to ensure compliance with tax regulations. These include a Global Tax Center as well as close cooperation with external tax consultants. Despite countermeasures, tax risks might moderately affect the net assets, financial position and results of operations.

Opportunity management

Opportunities through increased defense spending

The military conflicts between Russia and the Ukraine and in Israel are likely to lead to increased defense spending, especially in NATO member states. As a consequence of the conflict between Russia and the Ukraine, a number of countries in Western and Eastern Europe are supporting the Ukraine with military equipment from their own stocks, but also has increased their willingness to improve the military equipment of their own armed forces for national and alliance defense. In the short and medium term, this might lead to an increase in both new and additional defense procurement projects, presenting business potential for the RENK Group, especially in Europe.

Opportunities through market expansion

Due to the increasingly global market strategy of the RENK Group, in addition to selected European countries especially the markets in the U.S., in India, in Japan and - in the energy sector - in China represent major market development opportunities. RENK is focusing on strategic planning and execution in order to ensure its ability to serve these markets more effectively and to successfully develop new markets.

Opportunities through positive reputation

At present, a significant increase in public interest in the defense industry is enhancing the positive reputation of the RENK Group. This development opens not only new market opportunities, but also opportunities in the area of workforce expansion. The Company's positive reputation is increasingly attracting well-qualified workers, which in turn enables the recruitment of skilled staff. This opportunity thus actively counteracts the shortage of skilled workers and possible loss of specialist knowledge and expertise.

Opportunities through better aftersales margins

Increased spare parts sales, maintenance and repair services as well as other after-sales services give the RENK Group an opportunity to generate higher margins. Higher aftersales margins also can contribute to reduce dependence on new product sales and diversify the Company's business model. The opportunities in this area will have a positive impact on the net assets, financial position and results of operations of the RENK Group, especially in the Marine & Industry segment.

Overall assertion

The overall opportunity and risk situation of the RENK Group is evaluated by the Management Board considering all material or individual risks and, if necessary, weighing them up against any emerging opportunities. According to the Management Board’s assessment, the risk position of the RENK Group has deteriorated compared to the prior year. Procurement risks, in particular due to market price fluctuations, lack of adherence to delivery dates and quality problems, and the associated risks for the production processes of RENK, are contributing to a deteriorating risk situation. Overall, there are no known risks that alone or in combination with other risks might be able to cause the Group to cease to be able to continue as a going concern.

9. Explanations to the Annual Financial Statements of RENK Group AG

The annual financial statements of RENK Group AG are prepared in accordance with the provisions of the German Commercial Code ("Handelsgesetzbuch"), while the Consolidated Financial Statements are prepared in accordance with IFRS. As the parent company of the Group, RENK Group AG performs service and holding functions in addition to operational management functions. Its economic development is mainly dependent on the business performance of the operating Group companies. The economic framework of RENK Group AG, as well as its risks and opportunities, are essentially the same as those of the Group, as described in the economic report. The outlook for the Group directly influences by our expectations for RENK Group AG. The above explanations for the RENK Group therefore also apply to RENK Group AG.

As of December 31, 2023, RENK Group AG is a wholly owned subsidiary of the TRITON private equity group and, as the ultimate German company, indirectly holds all shares in the operating RENK companies, headed by RENK GmbH, Augsburg, through RENK FinCo GmbH, Augsburg. The IPO on February 7, 2024 reduced this share to around 67 %.

In conjunction with the RENK Group's activities as a holding company (listed since February 7, 2024), RENK Group AG has entered into service agreements with RENK GmbH. From reimbursements of costs related to the IPO, revenue and associated expenses are recognized.

RENK Group AG employed two members of staff as of the end of 2023 (previous year: zero) (including members of the Board of Management).

9.1 Net Assets, Financial Position, and Results of Operations

Income Statement

	Fiscal year		Change	
in € thousands	**2022**	**2023**	**in €**	**in %**
Revenue	0	1,562	1,562	n/a
Other operating income	0	16	16	n/a
Overall performance	**0**	**1,578**	**1,578**	n/a
Cost of materials	0	(3)	(3)	n/a
Personnel expenses	0	(545)	(545)	n/a
Other operating expenses	(179)	(2,618)	(2,440)	n/a
Operating result (EBIT)	**(179)**	**(1,588)**	**(1,410)**	n/a
Interest and similar expenses	(1)	(62)	(61)	n/a
Taxes on income and earnings	0	0	0	n/a
Earnings after taxes (EBT)	**(180)**	**(1,650)**	**(1,471)**	n/a
Other taxes	0	0	0	n/a
Net loss for the year	(180)	(1,650)	(1,471)	n/a
Losses carried forward from previous years	0	(217)	n/a	n/a
Withdrawal from capital reserves	0	31,868	n/a	n/a
Distributable profit	0	30,000	n/a	n/a

The results of operations in fiscal year 2023 are characterized by reimbursements of costs related to the IPO in the amount of € 1,562 thousand (previous year: € 0 thousand) and other operating expenses, which rose significantly by € 2,440 thousand. This considerable increase from € 179 thousand in the previous year to € 2,618 thousand for fiscal year 2023 is essentially resulting from the significant rise in consulting costs of € 1,615 thousand (previous year: € 0 thousand), in particular with respect to on account of the IPO in February 2024. In this context, there was also a material increase of € 448 thousand in the costs for the preparation of the Consolidated Financial Statements of € 622 thousand (previous year: € 175 thousand). Personnel expenses of € 545 thousand include wages and salaries for the first time. No taxes on income were reported as the profit before tax was negative. The substantial increase in net accumulated losses, of € 1,650 thousand to € 1,868 thousand, is therefore essentially resulting from high other operating expenses. Additionally, the net loss of € 180 thousand in the previous year was carried forward.

Statement of Financial Position

	Fiscal year		Change	
in € thousands	2022	2023	in €	in %
Assets				
A. Fixed assets	**312,284**	**357,374**	**45,090**	**14.4**
I. Financial assets	312,284	357,374	45,090	14.4
B. Current assets	**67**	**7,951**	**7,884**	**n/a**
I. Trade receivables and other assets	0	7,061	7,061	n/a
II. Bank balances	67	891	823	n/a
C. Prepaid expenses and deferred charges	**0**	**7**	**7**	**n/a**
	312,351	**365,333**	**52,981**	**17.0**
Liabilities				
A. Equity	**312,091**	**355,531**	**43,440**	**13.9**
I. Share capital (subscribed capital in previous year) Conditional capital 50,000 (previous year: 0)	25	100,000	**99,975**	n/a
II. Capital reserve	312,284	225,531	**(86,753)**	(27.8)
III. Retained earnings	0	0	**0**	n/a
IV. Loss carryforward	(38)	0	**38**	n/a
V. Net loss for the year	(180)	0	**180**	n/a
VI. Retained earnings	**0**	**30,000**	**30,000**	**n/a**
B. Provisions	**155**	**727**	**572**	**n/a**
C. Total liabilities	**105**	**9,074**	**8,969**	**n/a**
	312,351	**365,333**	**52,981**	**17.0**

In addition to the interest in the affiliated company RENK FinCo GmbH and equity, the balance sheet of RENK Group AG mainly comprises receivables from shareholders and liabilities to Group companies.

The net assets and financial position of RENK Group AG are characterized by a voluntary contribution by Rebecca BidCo S.à r.l. of € 45,090 thousand, which was paid into the capital reserve during the fiscal year. The capital contributions were made in the form of the outstanding amount arising from a loan granted to an affiliated company in 2020. RENK Group AG, in turn, passed the received capital on to another subsidiary, resulting in a corresponding increase in the carrying amounts o it's investment.

The rise in current assets of € 7,884 thousand is essentially attributable to costs passed on in connection with the IPO in February 2024 in the amount of € 2,530 thousand (previous year: € 0 thousand), payments on account of € 1,850 thousand (previous year: € 0 thousand) and VAT receivables of € 1,103 thousand (previous year: € 0 thousand).

As a result of the above voluntary contribution by Rebecca BidCo S.à r.l. of € 45,090 thousand, by way of resolution of September 20, 2023, which was recognized in the company's unutilized capital reserves in accordance with Section 272 para. 2 No. 4 of the German Commercial Code, the equity of RENK Group AG increased notably from € 312,091 thousand to € 355,531 thousand. By way of a resolution passed on August 9, 2023 and entry in the commercial register on August 23, 2023, the subscribed capital of the company was increased significantly by € 99,975 thousand from € 25 thousand to € 100,000 thousand. This is a capital increase from own funds that took place prior to the conversion to a stock corporation.

The subscribed capital of the company of € 100,000 thousand became the share capital of the stock corporation that the company was converted into.

On the equity and liabilities side of the balance sheet, liabilities to affiliated companies rose significantly by € 3,915 thousand from € 100 thousand in the previous year to € 4,015 thousand as a result of the loan granted by RENK GmbH. Furthermore, for the first time, there are liabilities for serviced received of € 2,849 thousand as of the end of the year (previous year: € 0 thousand). Moreover, for the first time there are VAT liabilities of € 985 thousand. Also, there are pension provisions of € 149 thousand for the first time as of December 31, 2023. The settlement amount is offset against the fair value of plan assets, which cannot be accessed by any creditors and that cover the pension entitlements of former employees.

Essentially as a result of transactions mentioned above, the total assets of RENK Group AG amounted to € 365,333 thousand as of December 31, 2023 (previous year: € 312,351 thousand).

Given its ties with the companies of the RENK Group and on the basis of the IPO in February 2024, the performance of RENK Group AG is deemed consistently positive.

The Management Board proposes to use the distributable profit as shown in the financial statements of RENK Group AG as of December 2023 in the amount of € 30,000 thousand to pay a dividend of € 0,30 per share in profit and to pay the dividend out of the capital reserve according to Section 272 para. 2 no. 4 HGB.

9.2 Risks and Opportunities

RENK Group AG participates in the risks and opportunities of its subsidiaries. The extent of this participation is dependent on the respective interest held in them. Therefore, it is exposed to the risk of a potential impairment of its investments. Please also see 8.2 *Report on Risks and Opportunities*.

In addition, obligations can arise under the hard letter of comfort issued for the subsidiary RENK FinCo GmbH, which is also effective for fiscal year 2023. This states that RENK Group AG is required to manage RENK FinCo GmbH and provide it with financial resources such that it is always able to satisfy obligations to its creditors entered into in the reporting period. To the extent that such creditors also include controlling companies, the letter of comfort acts in their favor accordingly.

As the parent company of the RENK Group, RENK Group AG is included in the Group-wide risk management system (see 8.2 *Report on Risks and Opportunities*). From the relationship with its affiliated companies, legal or contractual arrangements (mainly financing arrangements) may lead to obligations as well as impairments of investments.

9.3 Forecast

The future economic development of RENK Group AG is closely linked to the ongoing operating performance of the Group. The net profit of loss of the year serves as key performance indicator.

In the future, RENK Group AG will incur expenses for the remuneration of the members of the Management Board and the Supervisory Board and for further personnel, for tax payments, for financing utilized, and for its own holding organization. Furthermore, income will be generated by the performance of services for other Group companies. Overall, net loss of the year has significantly deteriorated compared to the previous year resulting from the performance of specific holding functions. As there will be additional holding functions taken over, we anticipate a further considerable deterioration of net loss in 2024.

For fiscal year 2023, we are striving for a distribution ratio of around 40 % of the adjusted profit for the year of the RENK Group.

Given its ties with the companies of the RENK Group, the general expectations for RENK Group AG reflect those in the forecast for the RENK Group (see 7. *Report on Expected Developments*).

10. Takeover-relevant information

Explanatory report of the Management Board in accordance with Section 176 para. 1 sentence 1 of the German Stock Corporation Act (AktG) on the information relevant to the takeover in accordance with Sections 289a para. 1 and 315a para. 1 of the German Commercial Code (HGB) as of the balance sheet date December 31, 2023.

Composition of the subscribed capital

As of December 31, 2023, the subscribed capital (share capital) of RENK Group AG in accordance with Sections 6 para. 1 and 2, 7 para. 1 of the Articles of Association amounts to € 100,000,000.00 (in words: one hundred million Euro) and is divided into 100,000,000 bearer shares with no par value (no-par value shares). The shares are fully paid up. There are no different classes of shares.

All shares have the same rights and obligations. The rights and obligations of shareholders arise in detail from the regulations of the German Stock Corporation Act (AktG), in particular from Sections 12, 53a et seqq., 118 et seqq. and 186 AktG.

According to Section 7 para. 2 of the Articles of Association, the shareholders' right to certification of their shares is excluded to the extent that this is permitted by law and certification is not required according to the rules of a stock exchange on which the share is admitted to trading. The company is entitled to issue share certificates that represent individual shares (individual shares) or several or all shares (collective shares). An entitlement of the shareholders to the issuance of profit share and renewal coupons is excluded.

Restrictions affecting voting rights or the transfer of shares

Each share grants one vote at the Annual General Meeting in accordance with Section 20 para. 1 of the Articles of Association and determines the shareholders' share of the company's profits. Excluded from this are treasury shares held by the company, under which the company has no rights in accordance with Section 71b AktG; as of December 31, 2023, the company did not hold any such treasury shares. In the cases covered by Section 136 AktG, voting rights from the affected shares are excluded by law. Legal restrictions on voting rights may still arise in the event of violations of notification obligations in accordance with Sections 20 para. 7 and 21 para. 4 AktG. Likewise, violations of notification obligations within the meaning of Sections 33 para. 1, 2, 38 para. 1 and 39 para. 1 of the German Securities Trading Act (WpHG) can mean that rights from shares and also voting rights do not exist at least temporarily in accordance with Section 44 WpHG.

The German Federal Ministry for Economic Affairs and Climate Protection ("BMWK") may review the direct or indirect acquisition of company shares by a foreign acquirer if the acquirer will directly or indirectly hold 10 % or more of the company’s voting rights after the acquisition. According to the regulations in Sections 60 et seqq. of the Foreign Trade and Payments Ordinance (Außenwirtschaftsverordnung), the intended acquisition must be reported in writing to the BMWK, which will only approve the acquisition if there are no concerns regarding the essential security interests of the Federal Republic of Germany. Whether the provisions of Sections 60 et seqq. of the Foreign Trade and Payments Ordinance are applicable depends on whether the target company of the acquisition is active in one of the sectors listed in Section 60 para. 1 of the Foreign Trade and Payments Ordinance. If Section 60 of the Foreign Trade Ordinance is not applicable, the BMWK can still prohibit or restrict the acquisition if this is likely to affect the public order or security of the Federal Republic of Germany, another member state of the European Union or in relation to projects or programs of Union interest (cross-sector review, Sections 55 et seqq. of the Foreign Trade and Payments Ordinance).

In connection with Article 19 para. 11 of Regulation (EU) No. 596/2014 (Market Abuse Regulation), there are certain trading bans on the purchase and sale of RENK Group AG shares, particularly a temporal context with the publication of financial results.

In the past, members of the Management Board, the Supervisory Board and certain employees of the RENK Group were given the opportunity to participate indirectly in the company ("MEP Participants") as part of a management equity program by purchasing shares in a so-called MEP Pooling vehicle, which in turn has an indirect stake in the company. This employee participation program is subject to for lock-up periods for the sale of shareholdings. The lock-up periods are 12 months and start with the IPO of RENK Group AG, which took place on February 7, 2024.

Apart from this, the Management Board is not aware of any agreements by RENK Group AG shareholders that contain restrictions on the exercise of voting rights or the transfer of shares.

Direct or indirect shareholdings in capital that exceed 10 % of voting rights

To the company's knowledge, as of the balance sheet date, there were the following direct or indirect investments in RENK Group AG, which exceed 10 % of the voting rights:

As of the balance sheet date, all voting rights of RENK Group AG within the meaning of Section 34 WpHG were indirectly controlled by Triton GP HoldCo S.à r.l., with registered office in Luxembourg. The shares in Triton GP HoldCo S.à r.l. are held by various natural and legal persons, none of whom has an individual controlling interest.

According to the company's information as of the balance sheet date, the chain of shareholdings is as follows: Rebecca BidCo S.à r.l., with registered office in Luxembourg, is the direct owner of all shares and all voting rights in RENK Group AG. The shares of Rebecca BidCo S.à r.l. are in turn held by Rebecca MidCo S.à r.l., with registered office in Luxembourg. The majority of the shares in Rebecca MidCo S.à r.l. are held by Rebecca LuxCo S.à r.l. Triton Masterluxco 5 S.à r.l. has a majority stake in Rebecca LuxCo S.à r.l. All shares in Triton Masterluxco 5 S.à r.l. are held by Triton V S.à r.l. SICAV-RAIF. Triton Fund V L.P. has a majority stake in Triton V S.à r.l. SICAV-RAIF. Triton Fund V L.P. belongs to Triton Fund V (Jersey) and is controlled within the meaning of Section 34 WpHG by Triton Fund V General Partners L.P., which in turn is controlled by Triton Managers V Limited. Control over Triton Managers V Limited under securities law is exercised by Triton GP HoldCo II S.à r.l., which is controlled under securities law by Triton GP HoldCo S.à r.l. The shares in Triton GP HoldCo S.à r.l. are held by various natural and legal persons, each of whom holds less than 25 %.

Further direct or indirect shareholdings in the company's capital that amount to 10 % of the voting rights were not reported to the company as of the balance sheet date and are not otherwise known. Nevertheless, there may have been changes in the shares of the share capital with voting rights after the specified date that were not subject to reporting to the company. Since the company's shares are bearer shares, the company is generally only aware of changes in share ownership to the extent they are subject to reporting obligations.

In addition, it should be noted that changes in the shareholder group occurred with RENK Group AG's IPO on February 7, 2024, i.e. during the period in which this report was prepared. In the course of the IPO, the following shareholdings were reported to RENK Group AG:

According to a voting rights notification dated February 12, 2024, Triton GP HoldCo S.à r.l. indirectly controls a total of 65.431 % of the voting rights, with Rebecca BidCo S.à r.l. being the direct shareholder. According to this voting rights notification, the chain of control runs from Triton GP HoldCo S.à r.l. via Triton GP HoldCo II S.à r.l., Triton Managers V Limited, Triton Fund V General Partner L.P., Triton Fund V L.P., Triton V S.à r.l. SICAV-RAIF, Triton Masterlucxo 5 S.à r.l., Rebecca LuxCo S.à r.l., Rebecca MidCo S.à r.l., Rebecca BidCo S.à r.l. to RENK Group AG.

According to a voting rights notification dated February 12, 2024, Rebecca Management S.à r.l., Luxembourg, directly controls 10.598 % of the voting rights of RENK Group AG.

Further shareholdings that reach 10 % of the voting rights were not reported to the company during the IPO and were not otherwise known. At the time of the IPO, Wellington Management Company LLP and KNDS N.V. acquired shares under Cornerstone Investor Agreements.

Holders of shares with special rights that confer control powers

There are no shares with special rights that the grant control privileges.

Type of voting rights control when employees hold shares in the capital and do not exercise their control rights directly

Employees who hold RENK Group AG shares exercise their control rights, like other shareholders, directly in accordance with the statutory provisions and the Articles of Association.

The MEP Participants in the 2020 employee participation program exercise their voting rights in the company indirectly by exercising their voting rights in the MEP Pooling vehicle.

Statutory provisions and provisions of the Articles of Association regarding the appointment and dismissal of Management Board members and amendments to the Articles of Association

The appointment and dismissal of members of the Management Board are regulated in Sections 84 and 85 AktG, Sections 31 and 33 of the German Co-determination Act (MitbestG) and Section 8 of the Articles of Association. In accordance with Section 8 para. 1 of the Articles of Association, the Management Board consists of one or more members; the number of Management Board members is determined by the Supervisory Board. The members of the Management Board are appointed by the Supervisory Board for a maximum period of five years; reappointments are permitted. The Articles of Association additionally stipulate that the Supervisory Board can appoint a Chairman of the Management Board and a Deputy Chairman and can issue Rules of Procedure for the Management Board.

According to Sections 119 para. 1 no. 6, 133, 179 para. 1 sentence 1 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. According to Section 6 para. 6 of the Articles of Association, the Supervisory Board is authorized to amend the company's Articles of Association after each capital increase has been carried out or after the expiry of the authorization period without using the authorized capital (cf. Section 6 para. 4 of the Articles of Association) or the conditional capital (cf. Section 6 para. 5 of the Articles of Association).

According to Section 179 para. 2 AktG, resolutions by the Annual General Meeting to amend the Articles of Association require a majority of at least three quarters of the share capital represented when the resolution is passed, unless the Articles of Association specify a different capital majority. Section 21 of the Articles of Association of RENK Group AG determines a different capital majority in this regard. According to Section 21 sentence 1 of the Articles of Association, the Annual General Meeting passes its resolutions with a simple majority, unless mandatory statutory provisions or the Articles of Association stipulate a higher majority or further requirements. Section 21 sentence 2 of the Articles of Association further provides: If the law requires a capital majority in addition to the majority of votes for resolutions of the Annual General Meeting, a simple majority of the share capital represented when the resolution is passed is sufficient, to the extent permitted by law. However, this simple capital majority according to Section 21 sentence 2 of the Articles of Association does not apply in particular to a change in the object of the company, since only a capital majority greater than three quarters could be specified in the Articles of Association in this respect pursuant to Section 179 para. 2 sentence 2 AktG. Further capital majorities that are legally required for an amendment to the Articles of Association of at least three quarters of the share capital represented when the resolution is passed, in addition to the simple majority of votes, shall remain unaffected; this applies in particular to resolutions on the creation of conditional capital, Section 193 para. 1 sentence 1 AktG, the creation of authorized capital, Section 202 para. 2 sentence 2 AktG, a capital increase from own funds, Section 207 para. 2 sentence 1 in conjunction with Section 182 para. 1 sentence 2 AktG, the reduction of the share capital, Section 222 para. 1 sentence 1 AktG, as well as Section 229 para. 3 in conjunction with Section 222 para. 1 sentence 1 AktG, and the cancellation of shares in the cases of Section 237 para. 2 sentence 1 in conjunction with Section 222 para. 1 sentence 1 AktG.

Powers of the Management Board to issue or repurchase shares

Conditional capital and authorization to issue warrant-linked or convertible bonds as well as profit-sharing certificates conferring conversion or option rights.

The Company’s shareholder meeting held on September 18, 2023 authorized the Management Board. subject to the consent of the Supervisory Board. to issue in one or more tranches in the period up to September 17, 2028 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to € 50,000.000.00 of limited or unlimited term and to grant the holders or creditors of the bonds option or conversion rights for up to 50.000,000 new shares of the Company with a pro rata amount of the registered share capital of up to €1.00 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Management Board. Other than in Euro, the bonds may also be issued - subject to the limitation to the corresponding equivalent value in euro - in a foreign legal currency. The bonds may also be issued by companies which are controlled by the Company or in which it holds a majority interest: in such case the Management Board is authorized. subject to the consent of the Supervisory Board, to assume on behalf of the Company the guarantee for the bonds and to grant the holders of such bonds option and/or conversion rights for shares of the Company and to effect further declarations and acts as are required for a successful issue.

The issues of the bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. The issue of bonds may also be affected against non-cash contribution provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the hypothetical market value of the bonds calculated using recognized financial calculation methods. The Management Board was authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for bonds to exclude fractional amounts, resulting from subscription ratio from the statutory subscription right of the shareholders for the bonds.

The Management Board is also authorized, subject to the consent the Supervisory Board, to exclude subscription right of the shareholders for bonds to the extent required to grant the holders of warrant-linked bonds. convertible bonds, or profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation (or combinations of all such instruments) issued by the Company or by companies which are controlled by it or in which it holds a majority interest, a subscription right in the scope to which they would be entitled after exercise of the rights and/or fulfilment of the obligations.

Beyond that, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders, for bonds to issue bonds against non-cash contribution in particular – but without limitation– to acquire companies, parts of companies or interests in companies or receivables.

The Management Board is also authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for bonds to issue bonds against cash payment, provided that such sale is affected at an issue price which is not substantially lower than the hypothetical market value of the partial bonds calculated using recognized. in particular financial calculation methods. However, such authorization to exclude the subscription rights shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represents no more than 10 % of the registered share capital. Decisive for the threshold of 10 % is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure should be lower at the time when this authorization is exercised, such lower value shall be decisive. Such amount shall include the pro rata amount of the registered share capital (i) represented by shares which have been or will be issued during the term of this authorization until its exercise out of an authorized capital subject to exclusion of the subscription right pursuant to Section 186 para. 3 sentence 4 AktG, (ii) represented by treasury shares of the Company which have been or will be sold during the term of this authorization until its exercise on the basis of authorizations pursuant to Section 71 para. 1 no. 8 AktG subject to exclusion of the subscription right of the shareholders pursuant to Section 186 para. 3 sentence 4 AktG and (iii) represented by shares which have been or are to be issued to fulfil warrant-linked or convertible bonds respectively profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation to the extent that such bonds were issued during the term of this authorization until its exercise based on another authorization subject to the exclusion of the statutory subscription right in analogous application of Section 186 para. 3 sentence 4 AktG:

Further details can be found in the authorization resolution of the Annual General Meeting.

In order to grant shares to the holders or creditors of the aforementioned instruments, the company's share capital is conditionally increased by up to € 50,000,000.00 (in words: Euros fifty million) ("**Conditional Capital 2023**"). The details of Conditional Capital 2020/I can be found in Section 6 para. 5 of the Articles of Association.

Authorized Capital

The Management Board was authorized, subject to the consent of the Supervisory Board, in the period ending on September 10, 2028, to increase the Company's registered share capital in one or more tranches by up to € 50,000,000.00 (in words: Euros fifty million) in aggregate by issuing up to 50,000,000 new no par value bearer shares against cash contribution in kind ("**Authorized Capital**").

- In principle, shareholders are to be granted subscription rights. The statutory subscription rights of the shareholders may be granted in such a way that the new shares are taken over by a credit institution and/or one or more other companies that fulfill the requirements of Section 186 para. 5 AktG (Finanzinstitute) or a syndicate of such credit or financial institutions with the obligation to offer them indirectly to the shareholders for subscription within the meaning of Section 186 para. 5 AktG. However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in relation to one or more increases of the registered share capital within the scope of the Authorized Capital

- to exclude fractional amounts resulting from the subscription ratio from the statutory subscription rights of the shareholders in order to exclude fractional amounts that arise due to the subscription ratio from the shareholders' subscription rights;

- in the case of increases of the registered share capital against non-cash contributions in particular - but without limitation - to acquire companies, divisions of companies or equity interests in companies;

- if the increase of the registered share capital is affected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Sections 203 para. 1 and 2. 186 para. 3 sentence 4 AktG) than the market price for shares in the Company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this section subject to the exclusion of the statutory subscription right in accordance with Section 186 para. 3 sentence 4 AktG does not exceed 10 % of the registered share capital. Decisive for the threshold of 10 % is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure should be lower at the time when this authorization is exercised, such lower value shall be decisive. Such amount of the registered share capital shall include shares which have been or are to be issued to fulfil warrant-linked or convertible bonds respectively profit-sharing certificates or participating bonds conferring conversion or option rights or establishing a conversion obligation to the extent that such bonds were issued during the term of this authorized share capital until its respective exercise subject to the exclusion of the statutory subscription right in analogous application of Section 186 para. 3 sentence 4 AktG. Such threshold of 10 % of the registered share capital shall also include new or treasury shares of the Company which are issued from an authorized capital or sold as treasury shares during the term of this authorized share capital until its respective exercise on another legal basis subject to exclusion of the subscription right in direct or analogous application of Section 186 para. 3 sentence 4 AktG;

- to grant the holders of warrant-linked bonds, convertible bonds, or profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation (or combinations of all such instruments) issued by the Company or by companies which are controlled by it or in which it holds a majority interest, a subscription right in the scope to which they would be entitled after exercise of the rights or fulfilment of the obligations under such instruments;

- to fulfil obligations of the Company arising from warrants and conversion options or conversion obligations from warrant-linked or convertible bonds or profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation (or combinations of all such instruments) which have been issued by the Company or by companies which are controlled by it or in which it holds a majority interest; and

- to issue new shares against cash and/or in-kind contributions as part of participation programs and/or share-based remuneration. The shares may only be issued to persons who participate in the participation program as a member of the Company's Management Board, as a member of the management of a company dependent The Management Board shall determine, subject to the consent of the Supervisory Board, the further details regarding the rights attached to the shares and the conditions of the share issue. In particular, the profit entitlements of the new shares may be determined in deviation from Section 60 para. 2 AktG and may include a profit entitlement as of the beginning of the fiscal year preceding the issuance of the new shares, provided that at the time of the issuance of the new shares the Company’s shareholder meeting has not yet resolved upon the appropriation of profits for such fiscal year.

Treasury Shares

The Company’s shareholder meeting held on September 18, 2023 authorized the Management Board, subject to the consent of the Supervisory Board, to purchase treasury shares up to a total amount equal to no more than 10 % of the registered share capital. Decisive for the threshold of 10 % shall be the registered share capital figure on the date when this authorization becomes effective. If the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive. In this connection, the shares purchased on the basis of this authorization together with other shares of the Company which the Company has already purchased and still holds shall not exceed 10 % of the respective registered share capital existing at any one time. The authorization may also be exercised by companies which are controlled by the Company or in which it holds a majority interest or by third parties for the account of the Company or companies controlled by it or in which it holds a majority interest. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions.

The purchase shall be affected on the stock market by way of public purchase offer to all shareholders of the Company or a public solicitation to submit sales offers, respectively, by using derivatives and/or from a credit or financial institution.

If the purchase of the shares is affected on the stock market, the purchase price (excluding ancillary purchasing costs) may not be more than 1 0% higher or lower than the opening auction trading price of the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day. If no opening auction is carried out, the first trading price paid for the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day shall be decisive.

If a purchase is affected via a public purchase offer, the Company may either publish a formal offer or publicly request shareholders to submit offers to sell. The offered purchase price (excluding ancillary purchasing costs) may not be more than 10 % higher or lower than the arithmetic mean value of the closing prices (closing prices of the share of the Company as determined in Xetra trading or on any comparable trading system substituting Xetra) on the Frankfurt Stock Exchange for the last three trading days preceding the publication of the purchase offer or the request to submit offers. If the stock price of the shares of the Company deviates materially from the relevant price after the offer has been published, the offer may be adjusted. In this case, the arithmetic mean value of the share (closing prices of the share of the Company as determined in Xetra trading or on any comparable trading system substituting Xetra if a closing auction does not take place, the respective last paid stock exchange prices) on the Frankfurt Stock Exchange for the last three trading days preceding the publication of the adjustment shall be decisive.

The repurchase volume may be limited. To the extent the shares offered for purchase by the shareholders exceed the total amount of the Company’s purchase offer, acceptance shall take place in the ratio of the total amount of the purchase offer to the total quantity of shares offered by the shareholders for the relevant purchase price or a lower price. In addition, it may also be provided that preferential acceptance is given for smaller numbers of up to 100 offered shares per shareholder. The purchase offer or request to submit offers may contain further terms and conditions.

The acquisition of treasury shares can also be effected by way of (i) the acquisition of options entitling the Company to acquire shares of the Company (call-options), (ii) the sale of options obliging the Company in the event of the options being exercised to acquire shares of the Company (put-options), and/or (iii) entering into forward purchase agreements relating to shares of the Company which have a period of more than two stock exchange trading days between the day of the conclusion of the respective forward purchase agreement and its settlement with shares of the Company (call-options, put-options and forward purchase agreements). A combination of different derivatives is permissible.

- The terms and conditions of the derivatives have to stipulate that they are only served with shares of the Company that have been purchased over the stock exchange in compliance with the principle of equal treatment. The purchase price (not including ancillary acquisition costs) paid for such shares of the Company, may not be more than 10 % higher or lower than the opening auction trading price or the first trading price of the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt

Stock Exchange on the respective trading day. If no opening auction is carried out, the first trading price paid for the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day shall be decisive.

- The purchase price per share stipulated in the derivatives may not be more than 10 % higher or lower than the arithmetic mean value of the closing prices (closing prices of the share of the Company as determined in Xetra trading or on any comparable trading system substituting Xetra) on the Frankfurt Stock Exchange for the last three trading days preceding the conclusion of the respective derivative agreement. In addition, the purchase price paid by the Company for call-options or forward purchase agreements, or the respective option premium, shall not be materially higher and the price received by the Company for the sale of put-options, or the respective option premium, shall not be materially lower than the theoretical market price of the derivatives as determined in accordance with generally accepted valuation methods. When determining the theoretical market value, the price per share stipulated in the derivatives shall be taken into consideration in an appropriate manner.

Finally, the Company may agree with one or more credit institutions or other entities fulfilling the prerequisites of Section 186 para. 5 sentence 1 AktG that these deliver to the Company, during a predefined period, a previously determined number of shares or a previously determined euro equivalent of shares in the Company. In such case, the price at which the Company purchases treasury shares must be calculated taking into account a deduction from the arithmetic mean of the share's volume-weighted average price in the Xetra trading system of the Frankfurt Stock Exchange (or any equivalent successor system), calculated during a period comprising a previously determined number of exchange trading days. However, the share's price may not fall short of the aforementioned mean by more than twenty percent. Moreover, the credit institutions or other entities fulfilling the prerequisites of Section 186 para. 5 sentence 1 AktG must undertake to purchase the shares to be delivered on the stock exchange at prices that are within the range that would apply if these shares were directly purchased on the stock exchange by the Company itself.

The authorization may be exercised for any purpose permitted by law, in particular, to pursue one or more of the objectives specified below. The purchase for the purpose of trading in treasury shares is excluded.

- The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel the treasury shares purchased on the basis of this authorization pursuant to Section 71 para. 1 no. 8 AktG without adopting another resolution of the Company's shareholder meeting. The cancellation may be restricted to part of the shares purchased. The authorization to effect cancellation may be exercised more than once. As a general rule, the cancellation shall result in a capital reduction. In derogation from this, the Management Board may stipulate that the registered share capital remain unchanged and that instead the proportion of the remaining shares in the registered share capital be increased as a result of the cancellation pursuant to Section 8 para. 3 AktG. In this case the Management Board is authorized to adjust the corresponding number in the Articles of Association.

- The Management Board is authorized, subject to the consent of the Supervisory Board, to use the shares purchased on the basis of the authorization by means other than by a sale via the stock market or an offer to all shareholders subject to full or partial exclusion of subscription rights of the shareholders as follows:

  - for sale against non-cash contribution, in particular – but without limitation – to acquire companies, divisions of companies or equity interests in companies;

  - for sale against cash payment provided that this takes place at a price that is not substantially lower than the market price of shares of the Company at the time of the sale (simplified exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4, Section 71 para.1 no. 8 sentence 5 half-sentence 2 AktG). The authorization shall be limited, subject to inclusion of other shares and warrant-linked or convertible bonds as well as profit-sharing certificates conferring an option or conversion right or a conversion obligation which have been issued or sold subject to the exclusion of subscription rights of the shareholders during the term of this authorization until its exercise in direct or analogous application of Section 186 para. 3 sentence 4 AktG, to a threshold of 10 % in aggregate of the current registered share capital. Decisive for the threshold of 10 % 1s the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure should be lower at the time when this authorization is exercised, such lower value shall be decisive;

- to fulfil obligations of the Company arising from warrants and conversion options or the conversion obligations from warrant-linked or convertible bonds or profit-sharing certificates (or combinations of all these instruments) conferring conversion or option rights or establishing a conversion obligation which have been issued by the Company or by companies which are controlled by it or in which it holds a majority interest;

- to grant to holders of warrant-linked bonds, convertible bonds or profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation conferring conversion or option rights or establishing a conversion obligation (or combinations of all such instruments) issued by the Company or by companies which are controlled by it or in which the Company holds a majority interest, subscription rights in the scope to which they would be entitled after exercise of the rights or obligations under such instruments;

- to transfer shares under a participation program or a share-based remuneration. The transfer of shares or respective commitments or agreements shall only be made to/with persons who participate in such program or receive such share-based remuneration as a member of the Management Board of the Company, a member of the managing body of a company dependent from the Company or an employee of the Company or a company dependent from the Company. A transfer of treasury shares to such persons may be made at reduced prices or without any separate consideration. To the extent treasury shares are to be granted to members of the Company’s Management Board under this authorization, the Supervisory Board of the Company shall decide on the allocation and all other relevant details.

The authorizations above can be exercised once or numerous times by companies which are controlled by the Company or in which it holds a majority interest or by third parties for the account of the Company or companies controlled by it or in which it holds a majority interest. To this extent, the shareholders’ subscription rights are excluded.

Significant agreements of the company that are subject to a change of control as a result of a takeover offer and the resulting effects

RENK Group AG and its subsidiaries are parties to the following material agreements, which contain provisions for the event of a change of control or acquisition of control as a result of a takeover offer:

- There is a credit agreement (Super Senior Revolving Credit and Guarantee Facilities Agreement – SSRCF and Guarantee Facilities Agreement) dated July 9, 2020 between RENK GmbH (formerly Rebecca BidCo GmbH) as the borrower and a number of lenders, including COMMERZBANK Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank AG. The credit limit of the SSRCF and Guarantee Facilities Agreement amounts to € 50,000,000.00. The guarantee limit was originally € 167,500,000.00 and, as a result of multiple increases and adjustments, is now a total of € 275,000,000.00 as of December 31, 2023. The credit agreement contains a "change of control" clause. This is triggered in the case of share transfers if (a) RENK FinCo GmbH (formerly Rebecca FinCo GmbH) no longer holds 100 % of the shares or voting rights in RENK GmbH, (b) persons other than those specified in the SSRCF and Guarantee Facilities Agreement, acting alone or jointly, directly or indirectly acquire more than 50 % of the voting rights in RENK GmbH or (c) RENK GmbH transfers all or substantially all of its assets to another person who is neither a subsidiary of RENK GmbH nor belongs to certain other persons named in the SSRCF and Guarantee Facilities Agreement. In the event of a change of control, the individual lenders can terminate their obligations and demand repayment of amounts disbursed by them.

- RENK GmbH has outstanding bonds (Senior Secured Notes) dated July 13, 2020 and June 30, 2021 with a total nominal value of € 520,000,000.00. The bonds are subject to the same change of control conditions as the aforementioned SSRCF and Guarantee Facilities Agreement. A change of control gives the respective bond holders the right to demand that RENK GmbH offers to repurchase the bonds at a purchase price of 101 % of the outstanding nominal amount plus interest.

- On September 22, 2023, RENK GmbH as borrower and RENK Group AG, RENK FinCo GmbH and RENK GmbH as guarantors signed a further credit agreement with several lenders, including Crédit Agricole Corporate and Investment Bank, Citibank, N.A., London Branch, COMMERZBANK Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, Goldman Sachs Bank Europe SE, J.P. Morgan SE, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen, Mizuho Bank, Ltd., Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, Tokio Marine Europe S.A., branch for Germany, UniCredit Bank AG und Zurich Insurance plc branch for Germany (New Senior Facilities Agreement), which includes a term credit line of € 525,000,000.00, a revolving credit line of € 75,000,000.00 as well as a guarantee framework of € 450,000,000.00. The agreement contains a change of control clause in the event that (a) RENK Group AG no longer directly or indirectly holds 100 % of the shares or voting rights in RENK FinCo GmbH or (b) one person or several persons acting jointly directly or indirectly gain control over RENK Group AG, i.e. holds or controls 30 % or more of the share capital or voting rights in RENK Group AG. In the event of a change of control, the individual lenders can terminate their obligations and demand repayment of amounts disbursed by them.

Compensation agreements made by the company with members of the Management Board or employees in the event of a takeover offer

RENK Group AG has not entered into any compensation agreements with its employees or with members of its Management Board or with employees or managing directors of direct or indirect subsidiaries in the event of a change of control.

11. Concluding declaration from the Management Board

In the 2023 fiscal year in the period from September 13, 2023, to December 31, 2023, RENK Group AG was a (multi-level) controlled company within the meaning of Section 312 Stock Corporation Act of Rebecca BidCo S.à r.l., Rebecca MidCo. S.à r.l., Rebecca LuxCo S.à r.l., Triton MasterluxCo 5 S.à r.l., Triton V S.à r.l. SICAV-RAIF and Triton Fund V L.P. The Management Board of RENK Group AG has therefore prepared a management report on relations with affiliated enterprises in accordance with Section 312 para. 1 Stock Corporation Act, which contains the following final declaration:

“We declare that in the legal transactions and measures listed in the report on relations with affiliated enterprises from September 13, 2023, to December 31, 2023, the Company received appropriate consideration for each legal transaction according to the circumstances that were known to us at the time the legal transactions were entered into or measures were undertaken or omitted. To the extent that the Company suffered a disadvantage as a result, it was granted a legal right to an adequate advantage in an appropriate amount as compensation before the end of the fiscal year ending on December 31, 2023. The Company did not suffer any disadvantage as a result of measures undertaken or omitted.”

Augsburg, March 25, 2024

RENK Group AG

Susanne Wiegand Chief Executive Officer	Christian Schulz Chief Financial Officer

B. Consolidated Financial Statements

Consolidated Income Statement

in € thousands	Note	2022	2023
Revenue	**[7]**	**848,967**	**925,500**
Cost of sales		(684,166)	(716,812)
Gross profit		**164,801**	**208,688**
Other operating income	[8]	11,333	11,644
Net allowances on financial assets		2,275	(488)
Distribution expenses	[7]	(48,139)	(51,748)
General and administrative expenses	[7]	(49,766)	(66,012)
Other operating expenses	[9]	(15,333)	(13,126)
Operating profit		**65,172**	**88,958**
Interest expense	[10]	(41,683)	(39,800)
Other financial result	[10]	(8,736)	(2,576)
Financial result		**(50,420)**	**(42,376)**
Profit (+) / loss (-) before tax		**14,752**	**46,582**
Income taxes	[11]	1,365	(14,260)
Profit (+) / loss (-) after tax / Consolidated net income for the year		**16,118**	**32,322**
of which attributable to:			
Profit attributable to non-controlling interests		–	15
Profit attributable to shareholders of RENK Group AG		16,118	32,307
Basic earnings per share (€)		0.16	0.32
Diluted earnings per share (€)		0.16	0.32
Weighted average number of ordinary shares outstanding. basic and diluted (€ million)		100	100

Consolidated Statement of Comprehensive Income

in € thousands	Note	2022 01.01.-31.12.	2023 01.01.-31.12.
Profit (+) / loss (-) after tax		**16,118**	**32,322**
Items not reclassified to profit or loss		**–**	**–**
Remeasurement of defined benefit liability	[11]	2,664	(43)
Deferred taxes	[11]	(5,030)	2,669
		(2,367)	**2,626**
Change in the fair value of financial investments		**–**	284
Deferred taxes		**–**	(5)
		–	**279**
Items reclassified to profit or loss in the future		**–**	**–**
Currency translation differences		6,176	(3,383)
		6,176	**(3,383)**
Other comprehensive income for the period		**3,809**	**(478)**
Total comprehensive income		**19,927**	**31,844**
Total comprehensive income attributable to non-controlling interests		–	**17**
Total comprehensive income attributable to shareholders of RENK Group AG		**19,927**	**31,827**

Consolidated Statement of Financial Position

Assets

in € thousands	Note	31.12.2022	31.12.2023
Intangible assets	[14]	388,955	383,914
Property, plant and equipment	[15]	322,981	319,018
Other and financial investments	[4]	21,924	9,423
Deferred tax assets	[11]	13,718	18,239
Other non-current financial assets	[4] [19]	1,957	367
Other non-current receivables	[19]	2,415	4,758
Non-current assets		**751,949**	**735,719**
Inventories	[16]	275,595	326,227
Trade receivables	[7] [17]	144,654	163,301
Contract assets	[4] [18]	83,534	96,593
Current income tax receivables		5,596	8,578
Other current financial assets	[4] [19]	10,663	24,362
Other current receivables	[19]	12,010	15,584
Cash and cash equivalents		158,678	102,216
Currents assets		**690,730**	**736,861**
		1,442,680	**1,472,580**

Equity and liabilities

in € thousands	Note	31.12.2022	31.12.2023
Share capital (subscribed capital in previous year)		25	100,000
Capital reserves		308,594	223,787
Retained earnings		(7,070)	57,553
Cumulative other comprehensive income		22,958	22,477
Equity attributable to shareholders of RENK Group AG		324,506	403,817
Equity attributable to non-controlling interests		–	79
of which non-controlling interests in consolidated net income for the year		–	15
Equity	**[20]**	**324,506**	**403,896**
Non-current financial liabilities	[4] [23]	617,694	527,506
Pension provisions	[21]	1,457	1,952
Deferred tax liabilities	[11]	77,854	72,954
Contract liabilities, non-current	[24]	72,792	44,145
Other non-current provisions	[22]	11,267	10,997
Other non-current financial liabilities	[4] [25]	265	3,771
Other non-current liabilities		48	3
Non-current liabilities and provisions		**781,377**	**661,329**
Current financial liabilities	[4] [23]	17,713	18,588
Income tax liabilities		9,519	13,166
Trade payables	[4]	66,631	123,612
Contract liabilities, current	[24]	141,270	171,840
Other current provisions	[22]	65,196	40,270
Other current financial liabilities	[4] [25]	2,630	1,342
Other current liabilities	[25]	33,837	38,537
Current liabilities and provisions		**336,797**	**407,354**
		1,442,680	**1,472,580**

Consolidated Statement of Changes in Equity

in € thousands	Share capital (subscribed capital in previous year)	Capital reserves	Retained earnings	Re-measure-ment of defined benefit obligations	Impairment of financial investment	Currency translation	Equity of the share-holders of RENK Group AG	Equity attributable to non-controlling share-holders	**Total equity**
As of Jan. 1, 2022	**25**	**312,309**	**(23,189)**	**13,766**	–	**5,382**	**308,294**	–	**308,294**
Profit (+) / loss (-) after tax / Consolidated net income for the year	–	–	16,118	–	–	–	16,118	–	**16,118**
Cumulated other comprehensive income	–	–	–	(2,367)	–	6,176	3,809	–	**3,809**
Shareholder contributions	–	(3,715)	–	0	–	–	(3,715)	–	**(3,715)**
As of Dec. 31, 2022	**25**	**308,594**	**(7,070)**	**11,399**	**–**	**11,558**	**324,506**	–	**324,506**
Profit (+) / loss (-) after tax	–	–	32,307	–	–	–	32,307	15	**32,322**
Deposit fiction transaction costs	–	1,946	–	–	–	–	1,946	–	**1,946**
Contribution of loan	–	45,090	–	–	–	–	45,090	–	**45,090**
Capital increase	99,975	(99,975)	–	–	–	–	–	–	–
Withdrawal from capital reserves and allocation to retained earnings	–	(31,868)	31,868	–	–	–	–	–	–
Cumulated other comprehensive income	–	–	–	2,626	279	(3,383)	(480)	2	**(478)**
Other changes	–	–	448	–	–	–	448	62	**510**
As of Dec. 31, 2023	**100,000**	**223,787**	**57,553**	**14,024**	**279**	**8,174**	**403,817**	**79**	**403,896**

Consolidated Statement of Cash Flows

in € thousands	Note	2022 01.01.-31.12.	2023 01.01.-31.12.
Cash and cash equivalents at beginning of period		**97,546**	**158,678**
Profit (+) / loss(-) before tax		14,752	46,582
Income taxes paid	[11]	(10,699)	(28,185)
Depreciation, amortization and impairment losses on intangible assets and property, pland and equipment	[13] [14]	96,150	78,566
Write-downs / reversals other and financial investments		1,743	1,085
Change in provisions for pension obligations	[21]	(4,181)	(2,588)
Gains/losses from asset disposals	[13] [14]	573	21
Other non-cash expenses and income[1)]		(16,763)	(3,188)
Change in inventories	[15]	(23,910)	(41,225)
Change in receivables and contract assets	[16] [17] [19]	(45,987)	(47,818)
Change in (contract) liabilities	[23] [24]	57,821	56,140
Change in other provisions	[22]	(4,070)	(25,605)
Financial result[2)]	[10]	50,420[2)]	42,376
Cash flows from operating activities		**115,848**	**76,160**
Payment to acquire property, plant and equipment and intangible assets	[14] [15]	(25,983)	(28,050)
Acquisition of subsidiaries net of cash	[13]	–	(34,319)
Proceeds from asset disposals		682	65
Cash flows from loans receivable		942	–
Cash flows from restricted cash	[19]	(10)	1,430
Interest received[3)]	[10]	170	3,238
Dividends received		1,847	435
Cash flow from investing activities		**(22,352)**	**(57,201)**
Equity contributions		–	1,946
Repayment of IC loans		–	(50,000)
Change in cash-pool		2,122	200
Acquisition of non-controlling interests		(4,525)	–
Lease payments	[14] [23]	(2,067)	(2,237)
Interest payments[3)]	[10]	(29,962)	(29,927)
Cash flows from financing activities		**(34,432)**	**(80,018)**
Effect of exchange rate changes on cash and cash equivalents		2,068	(315)
Effect of changes in basis of consolidation on cash and cash equivalents		–	4,911
Change in cash and cash equivalents		**61,132**	**(56,461)**
Cash and cash equivalents at end of period		**158,678**	**102,216**
Loans receivables		1,814	319
Restricted cash	[19]	7,861	6,431
Gross liquidity at end of period		**168,353**	**108,966**
Financial liabilities	[23]	(633,010)	(635,407)
Net liquidity at end of period		**(464,657)**	**(526,441)**

1) In the previous year, dividends received were reported here
2) Financial result including dividend.
3) In the previous year, this item was reported on a net basis.

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

1. General principles

RENK Group AG, domiciled in Augsburg, Germany (the Company), is registered with Augsburg Local Court under commercial register number HRB 39189. The Company was converted into a stock corporation by way of a change of legal form with effect from September 13, 2023. The Company's registered office was relocated to Augsburg with an entry dated April 5, 2022, as this is the headquarters for the main operating activities. The Company operates as a holding in the RENK Group. RENK develops, produces and distributes high-quality drive technology worldwide. Since the current fiscal year, it has been divided into the segments Vehicle Mobility Solutions ("VMS"), Marine & Industry ("M&I") and Slide Bearings ("SB"). The segment structure is described in further detail in the *Group Management Report*.

The Group headed by RENK Group AG corporation is referred to hereafter as "RENK".

In accordance with Section 290 para. 1 and 2 of the German Commercial Code ("*Handelsgesetzbuch*"), RENK Group AG, which was founded in fiscal year 2020 as Rebecca HoldCo GmbH and subsequently changed its name to RENK Holding GmbH and which is held by a fund advised by the financial investor Triton ("Triton V") via the direct holding Company Rebecca BidCo S.à r.l., is obliged to prepare consolidated financial statements due to its direct 100 % interest in RENK FinCo GmbH, which in turn has a direct 100 % interest in RENK GmbH. The RENK Group AG corporation was created by way of the acquisition of the shares from Volkswagen-Vermögensverwaltungs-GmbH in October 2020.

RENK FinCo GmbH and RENK GmbH exercise the exemption option provided by section 291 of the HGB and do not prepare their own consolidated financial statements or group management report. In addition, the entities RENK Test Systems GmbH and RENK Magnet Motor GmbH applied the exemption option in accordance with section 264 para. 3 HGB and therefore did not publish their annual financial statements or prepare notes or a management report. These consolidated financial statements of RENK Group AG for the fiscal year from January 1 to December 31, 2023 were prepared in line with Section 315e para. 3 of the German Commercial Code in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as adopted by the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. The consolidated financial statements were prepared on March 25, 2024 and were released for submission to the Supervisory Board.

The consolidated financial statements have been prepared in Euro, the functional currency of RENK. Unless stated otherwise, all figures are in thousand of Euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts. In the individual tables, amounts that have been rounded to zero are shown as "0". If the figure is actually zero, it is shown as "–".

The information provided below on the 2022 consolidated financial statements and management report relates to the amended consolidated financial statements and management report, which were prepared as at January 27, 2024.

Significant events: Conversion of legal form and capital increase

By shareholder resolution on August 9, 2023 and entry in the commercial register on August 23, 2023, the company's subscribed capital was increased from € 25 thousand by € 99,975 thousand to € 100,000 thousand. This was a capital increase from own funds that took place prior to the conversion to a stock corporation.

The Company's subscribed capital of € 100,000 thousand became the share capital of the stock corporation that the company was converted into. The previous company shares were replaced by a total of 100,000,000 no par value shares, each with a notional interest in the share capital of € 1.00l. The shares are bearer shares.

The Management Board was authorized, subject to the consent of the Supervisory Board, in the period ending on September 10, 2028, to increase the Company’s registered share capital in one or more tranches by up € 50,000,000.00 (in words: fifty million euros) in aggregate by issuing up to 50,000,000 new no par value bearer shares against cash contribution or contribution in kind (“Authorized Capital”). However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in relation to one or more increases of the registered share within the scope of the Authorized Capital.

RENK repaid a € 50,000 thousand portion of a loan to Rebecca BidCo S.à r.l. on August 11, 2023. Rebecca BidCo S.à r.l. made a voluntary contribution in the amount of the outstanding repayment claim of € 45,090 thousand by resolution dated September 20, 2023. This contribution was approproated to the Company’s free capital reserves in accordance with section 272 para. 2 no. 4 HGB.

Please refer to the *Consolidated statement of changes in equity* for details.

2. Consolidation and measurement of equity investments

(a) Equity investments

The equity investments of RENK Group AG include subsidiaries and financial investments. All material domestic and foreign subsidiaries that RENK Group AG controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK Group AG directly or indirectly has power over the potential subsidiary on the basis of voting or other rights, is exposed to positive and negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

Interests in non-consolidated affiliated entities and financial investments are recognized under other equity investments.

(b) Basis of consolidation

Entities included

In addition to RENK Group AG, domiciled in Augsburg, the following subsidiaries – which are wholly owned unless stated otherwise – are included in the consolidated financial statements:

- RENK FinCo GmbH, Augsburg, Germany
- RENK GmbH, Augsburg, Germany
- RENK Magnet-Motor GmbH, Starnberg, Germany
- RENK Test System GmbH, Augsburg, Germany
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK France S.A.S., Saint-Ouen-l'Aumône, France
- RENK Corporation, Duncan (SC), USA
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA
- Horstman Canada Inc., Brampton, Canada (formerly: General Kinetics Engineering Corporation)
- RENK America LLC, Muskegon (MI), USA
- RENK Holdings Inc., Muskegon (MI), USA
- COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil (since January 1, 2023), (98 %)
- RENK Gears Private Ltd., Bangalore, India (since January 1, 2023)
- RENK Shanghai Service and Commercial Co., Ltd., Shanghai, China (since January 1, 2023)

Please see *List of shareholdings* for a full overview of RENK’s shareholdings.

(c) Financial investments

Financial investments that are not consolidated on account of immateriality are essentially measured at amortized cost. In addition, other financial investments are measured at fair value through OCI.

Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the using the mid-market spot rate at the reporting; exchange rate differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On initial recognition of an asset, expense or income that includes prepayments received or made, the exchange rate at which the non-monetary items from prepayments were translated on the date of the transaction is used.

The financial statements of entities from countries outside the Euro area are translated into Euro using the functional currency concept. The functional currency is determined by the primary economic environment it is the respective local currency of the entities consolidated.

The financial statements are translated using the modified exchange rate method, according to which items in the statement of financial position - except equity - are translated using the rate at the end of the reporting period, while income statement items are translated using weighted average exchange rates. Equity is translated at historical rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and presented as a separate item in equity.

Exchange rates

	Closing rate		Average exchange rate	
	31.12.2022	**31.12.2023**	**2022 01.01.-31.12.**	**2023 01.01.-31.12.**
US dollar	1.06660	1.10500	1.05890	1.08159
Swiss franc	0.98470	0.92600	0.98650	0.97173
British pound	0.88693	0.86905	0.86950	0.86991
Chinese yuan	7.35820	7.85090	7.38590	7.65907
Canadian Dollar	1.44400	1.46420	1.43790	1.45958

3. Accounting principles

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within the longer operating cycle. Deferred tax assets and liabilities and assets and pension provisions from defined benefit plans are shown as non-current items. The consolidated income statement has been prepared using the cost of sales method.

With the exception of certain items such as financial instruments at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared on the basis of amortized cost.

The consolidated financial statements are based on the financial statements of RENK Group AG and its consolidated subsidiaries, which are prepared using the same corporation-wide accounting policies.

(a) Revenue recognition

The revenue recognized is generated through the sale of goods or services related to drive technology. Production includes both standard and customer-specific solutions. The services sold include maintenance work. Revenue is recognized when the services are provided or when the customer obtains control of the goods and services.

At contract inception it is determined whether the performance obligation is satisfied over time. The performance obligation is recognized over a period of time if the following criterion of IFRS 15.35 is met: The assets created have no alternative use for RENK and RENK has an enforceable right to payment by the customer for the performance completed to date.

Revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK determines the percentage of completion using the input-based method to estimate the costs incurred in relation to the expected total costs. The contract costs incurred represent the best benchmark for measuring the degree of fulfillment of the performance obligations. If the expected costs exceed the expected revenues, an impairment loss is initially recognized for assets used to fulfill the contract. Otherwise, appropriate provisions are established.

If the requirements for satisfaction over time are not met, the performance obligation is satisfied at a point in time in line with agreed trade terms (Incoterms).

Revenue is determined by the transaction price, which is equal to the expected consideration including possible variable price components. If variable consideration has been agreed in a contract, revenue is estimated using the most likely amount method. Variable consideration is only taken into account in the transaction price if it is highly probable that it will arise. For multi-component contracts, the total transaction price is allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

The breakdown in accordance with IFRS 15.114 into various categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors is shown in section *7. Revenue* in the notes on the consolidated income statement.

Costs incurred in connection with fulfilling contracts (cost to obtain a contract) are recognized depending on how they arise. Costs incurred in preparing for and launching series production relate to services performed at the beginning of the project phase that are of a one-off nature. These pre-production costs constitute part of the performance obligation and are recognized alongside with the products to be delivered.

Costs in connection with post-production development are incurred independently of the degree of completion and the contractual performance obligation and are therefore recognized as current expense through work in progress and the cost of sales. Costs in connection with the ongoing adjustment of series production processes are also recognized as current expense.

In general, the performance of services by RENK provides a benefit for the customer only after completion, as the machines are adapted specifically for the customer and significant reworking would be required if the services were stopped before completion. Revenue from services is therefore recognized at a point in time.

The table below shows the timing of performance for the performance obligations from contracts with customers.

Timing of performance fulfillment per revenue type

Type of revenue	Timing of performance
Revenue from the sale of goods	Depending on the customer contract and the respective order, the timing of revenue recognition is often the same as the time of delivery.
Revenue from the sale of customer-specific products	Revenue is recognized over time for customer-specific products for which there is an enforceable right to payment for performance completed in the amount of costs incurred and a reasonable profit margin. This means that revenue is recognized before the actual time of delivery. Revenue in connection with customer-specific finished goods revenue is recognized at the full price of the finished goods in the mandatory acceptance period. For customer-specific work in progress, revenue in the mandatory acceptance period is not determined at the full price of a finished good, but based on the acquisition cost of the work in progress. The methodology described above is the best way of reflecting the transfer of customer-specific products to the customer.
Revenue from the sale of services	Revenue for services is recognized at a point in time upon completion.

If a financial asset could contain a significant financing component (receivables for customer advances), in accordance with IFRS 15.63 the entity does not adjust the promised amount of consideration for the effects of this if it is expected at contract inception that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(b) Cost of sales, distribution expenses and administrative expenses

The cost of sales item comprises product-related expenses, including research and development costs. The latter include costs to develop products and technologies for which the recognition criteria under IAS 38 are not met. The cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

Distribution expenses comprise the costs of the sales department, including staff and material costs, as well as other distribution expenses.

General and administrative expenses include pro rata staff and material costs and miscellaneous other administrative expenses such as expenses for Group management, HR, or accounting that have not been charged to other account cost centers as an internal service.

(c) Operating expenses

Operating expenses are recognized at the time of change of control of the goods; expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred.

Warranty provisions are recognized when the products are sold. Expenses for research are immediately recognized in profit or loss. Interest and other borrowing costs are recognized as expenses in the period in which they arise. A qualifying asset is an asset that necessarily takes a period of at least a year to get ready for its intended use or sale.

(d) Intangible assets

Individually acquired intangible assets are capitalized at acquisition cost and then amortized over the period of their finite useful life.

For intangible assets acquired in a business combination, cost is equal to their fair value at the acquisition date.

Intangible assets with a finite useful life are amortized on a straight-line basis over the following periods:

Useful life of intangible assets

Type of intangible asset	in years
Software	3
Licenses and similar rights	Contractual terms of use
Customer relationships	15 to 30
Technologies	10 to 30
Brand	30

If there are indications that intangible assets could be impaired, RENK performs an impairment test and recognizes an impairment loss where necessary.

There is no amortization if the useful life is indefinite. Instead, the intangible assets are tested for impairment at least once a year.

Please see the information in section *g) Impairment losses on intangible assets and property, plant and equipment*.

(e) Property, plant and equipment

Property, plant and equipment are capitalized at cost and then depreciated over their expected useful lives. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately.

Expenses for maintenance and repairs are recognized in profit or loss, unless they must be capitalized.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. The useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if necessary. Depreciation is essentially based on the following useful lives:

Useful life of property, plant and equipment

Type of intangible asset	in years
Buildings	10 to 50
Property facilities	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

If there are indications that property, plant and equipment could be impaired, RENK performs an impairment test and recognizes an impairment loss where necessary. Please see the information in section *g) Impairment losses on intangible assets and property, plant and equipment*.

(f) Leases

Under lessee accounting, leases for property, plant and equipment are recognized as right-of-use assets and lease liabilities in the statement of financial position.

The lease liability is recognized at the amount of the future lease payments discounted at the incremental borrowing rate over the entire term of the lease. The incremental borrowing rate is used only if the interest rate implicit in the lease cannot be readily determined. During the term of the lease, the lease liability is carried forward using the effective interest method and taking lease payments into account.

The right-of-use asset is recognized at the amount of the lease liability plus initial direct costs. In subsequent periods, the right-of-use asset is to be amortized on a straight-line basis over the term of the lease or the economic life of the underlying asset, when this is shorter.

The right-of-use assets shown in the statement of financial position are presented in those statement of financial position items in which the assets to which the lease relates would have been presented if RENK had owned them. The right-of-use assets are therefore presented under non-current assets in property, plant and equipment as of the end of the reporting period.

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed € 5,000. Leases with a total term of up to twelve months are classed as short term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

Many leases include extension and termination options. All relevant factors and circumstances that create an economic incentive to exercise or not exercise the option are taken into account when determining the lease terms. Optional periods are taken into account when determining the lease term if it is reasonably certain that the option will be exercised or not exercised.

To discount the lease liability, an incremental borrowing rate for RENK is used with regard to the respective currency and the contract term. The incremental borrowing rate is used only if the interest rate implicit in the lease cannot be readily determined. In the reporting period, the lease liabilities from new leases, contract modifications and changes in determining the term of the lease were discounted at a Corporation interest rate in a range between 5.44 % and 5.59 % (previous year: between 2.60 % and 5.55 %). If the lease is modified or there are changes in the lease payments, the term of the lease or the estimate with regard to exercising call options, then the lease liability is remeasured. The right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the underlying asset and the lease term and are adjusted for any remeasurements of the lease liability.

(g) Impairment losses on intangible assets and property, plant and equipment

If there are indications that the carrying amounts of intangible assets and property, plant and equipment may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives and goodwill are tested for impairment at least annually.

Goodwill is assigned to the cash-generating units to test it for impairment. It is assigned based on the benefit that was received from the business combination when the goodwill was identified. In fiscal year 2023, the goodwill resulting from the acquisition of RENK in 2020 and from the acquisition of RENK America in 2021, which is allocated to the cash-generating units, was tested for impairment. Recoverability was confirmed.

The recoverable amount of the respective asset is calculated to determine the extent of a possible impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use.

The value in use is the present value of the expected cash flows determined by budgets prepared by the Executive Board and approved by the Supervisory Board. This planning is based on expectations regarding future development of the various individual markets. Appropriate assumptions about macroeconomic trends (development of currency, interest and commodities prices) and historical developments are taken into account. The planning period covers a three-year period. Please see the forecast in the Group Management Report for information on the assumptions in the detailed planning period. Plausible assumptions on future developments are made for subsequent years. Planning assumptions are adjusted to take account of current knowledge.

The calculation of cash flows is based on expected growth rates for the markets in question. The cash flows estimate after the end of the planning period is based on a growth rate of 1 % p.a.

The discount rate used (before taxes) is determined on the basis of a weighted average cost of capital (WACC) in line with market conditions. This is based on the interest rate for risk-free investments, the market risk premium and the borrowing rate, as well as taking into account specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted if necessary.

If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit to which the asset in question can be assigned is determined. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss on the asset is immediately recognized in profit or loss.

If an asset or cash-generating unit on which an impairment loss was recognized later has a higher recoverable amount, an impairment loss is reversed up to no higher than the amortized cost that would have resulted without the impairment. The impairment loss is reversed in profit or loss and is recognized in other operating income. The reversal of impairment losses on goodwill is not permitted.

Please see 4.1 *Financial risk management* for information on impairment in connection with financial assets.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes directly attributable production costs and pro rata fixed and variable production overheads. The allocated overheads are mostly determined on the basis of normal capacity utilization. Distribution expenses, general and administrative expenses and borrowing costs are not capitalized. Raw materials and merchandise are measured at weighted average cost.

Impairment factors, such as obsolescence, storage damage or price changes, are taken into account by means of a write-down in the net realizable value. If amortized cost exceeds net realizable value, then inventories are write-off. If the reason for the write-off no longer applies in subsequent periods, the write-off on inventories is reversed up to their amortized cost.

(i) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Enforcable rights to payment, which are to be recognized as receivables, must also be taken into account.

Contract assets result from performance obligations satisfied over time and are accounted for using an input method based on costs incurred. Under this method, pro rata revenue and the cost of sales are presented in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total expected cost of the contract.

If the result of a performance obligation cannot be reliably determined, revenue is recognized only in the amount of the contract costs incurred. Under the percentage of completion method, the parts of the contract for which revenue has been generated are recognized under contract assets, taking account of prepayments received and prepayments receivable.

Expected losses from performance of obligations over a period of time are recognized in full. In contract assets, contract losses are recognized on a pro rata basis; provisions are established for the remaining share of the expected contract losses.

Impairment losses on contract assets are described under 4.a *Financial risk management*.

Contract liabilities comprise prepayments received and the contra entry for unconditional customer prepayment receivables, i.e. liabilities from prepayments to be received.

(j) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another.

RENK’s primary financial assets include Trade receivables, Financial investments, Marketable securities, Other financial assets, Cash and cash equivalents. Primary Financial liabilities include Financial liabilities, Trade payables and Other financial liabilities.

Financial assets and liabilities are presented at their gross amount. They are only offset when this is legally enforceable for RENK at the current time and it actually intends to offset them.

Financial assets

Primary financial assets are initially recognized in the case of a regular way purchase on the settlement date, i.e. the date on which the financial asset is delivered. . It is derecognized as soon as the right to receive cash and cash equivalents or another financial asset expires due to payment, by decree, statute of limitations, set-off or due to another factor or the entitlement is transferred to another person, with all risks transferred in full to the acquirer. With regard to the regular sale of primary financial assets, the settlement date is the date of derecognition, as is the case for recognition.

On initial recognition, financial assets are classified as follows based on the business model for their management and the structure of cash flows:

- measured at amortized cost (Trade receivables, Other financial assets, Cash and cash equivalent),
- measured at fair value through other comprehensive income (Financial investments), and
- measured at fair value through profit or loss (Derivatives and Trade receivables that can be sold under a factoring agreement).

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK intends to hold these to collect the associated cash flows. These financial assets are thus classified as measured at amortized cost.

One exception is the sale of Trade receivables as part of a factoring agreement. RENK’s intention is to sell the Trade receivables for certain customers defined in the contract. These Financial assets are therefore classified as measured at fair value through profit or loss. As at December 31, 2023, all of these receivables have been sold.

Equity investments are measured at fair value. RENK does not exercise the option of recognizing changes in the fair value of equity instruments in Other financial income and expenses.

For financial assets, other than Trade receivables, without significant financing components, additions are measured at fair value on initial recognition. In the case of an asset that is not measured at fair value through profit or loss, the transaction costs directly attributable to its acquisition or issue are added or deducted. Trade receivables without any significant financing components are recognized at the transaction price under IFRS 15 on initial recognition.

Financial assets at amortized cost are measured using the effective interest method in subsequent periods and must be assessed for impairment. Gains and losses are recognized in profit or loss if the asset is derecognized, modified or becomes impaired.

At the end of each reporting period, indications of impairment of individual financial assets are assessed. Assessing impairment risks is subject to uncertainty and is in some cases influenced by judgments made by management. Impairment losses are recognized in profit or loss. The impairment for credit losses is measured on the basis of the 12-month expected credit losses (stage 1) or on the basis of the expected credit losses over the entire term. The 12-month expected credit losses result from possible default events within 12 months of the balance sheet date. If assigned to level 2 or 3 of the impairment model or using the simplified approach, an impairment loss is recognized at an amount equal to lifetime expected credit losses. Further information can be found in section *4. Risk management and financial instruments*.

Financial liabilities

Financial liabilities are measured at fair value on initial recognition once RENK becomes a party to the contract. In the case of a liability that is not measured at fair value through profit or loss, the transaction costs directly attributable to its acquisition or issue are added or deducted. As all primary financial liabilities at RENK are classified as measured at amortized cost, they are subsequently measured using the effective interest method.

Financial liabilities are derecognized when they are extinguished, i.e. when all obligations specified in the contract have been met, been canceled, or expired. The financial liability is also derecognized if the contractual terms are amended and the cash flows of the modified liability differ significantly. If this is the case, a new financial liability is recognized based on the amended terms. If a financial liability is derecognized, any difference between the carrying amount of the extinguished liability and the consideration paid is recognized in profit or loss.

(k) Derivative financial instruments

The RENK Group uses derivative financial instruments to hedge foreign currency risks that may arise primarily from operating activities. RENK mainly uses currency forwards for this purpose.

Derivative financial instruments are measured at fair value on initial recognition on the trade date and at the end of each subsequent reporting period. Gains and losses from measurement at fair value are recognized in profit or loss.

The fair value for derivatives is their positive or negative market value, taking counterparty risk into account. If no quoted market prices are available, fair values are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models such as discounted cash flow models or option pricing models.

An embedded derivative in a hybrid contract with a financial liability or a non-financial host contract is separated from the host contract and accounted for as a separate derivative if:

- the economic characteristics and risks are not closely related to the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative
- the hybrid contract is not measured at fair value through profit or loss (FVTPL).

Multiple embedded derivatives in a single hybrid contract are treated as a single compound embedded derivative unless they relate to different risk positions, can readily be separated, and are independent of each other.

The assessment of whether an embedded derivative is to be separated is made only once on initial recognition of the hybrid contract. A reassessment is made only if a change occurs in the contractual conditions that significantly changes the cash flows.

A separated derivative is measured at fair value, with corresponding changes in value recognized in the financial result in the consolidated income statement.

In the context of central financial management at the RENK Corporation, the hedging transactions of the subsidiaries are performed by RENK GmbH and charged on to the subsidiaries. Further information on risk management at the RENK Corporation can be found in section *4. Risk management and financial instruments.*

(l) Income taxes

Tax liabilities include current income tax liabilities.

Current tax is the anticipated tax liability or tax asset on the taxable income or tax loss for the fiscal year, based on tax rates that apply or will soon apply at the end of the reporting period, as well as all adjustments of the tax liability for previous years. The amount of the anticipated tax liability or tax asset reflects the best estimate, taking account of any tax uncertainties.

Deferred taxes are presented in separate items of the statement of financial position. Income tax liabilities for potential tax risks are recognized based on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and tax loss carryforwards. Tax effects from distributions of profit are recognized as deferred taxes only when the appropriate earnings resolution has been passed.

Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

Deferred tax assets are recognized only to the extent that taxable profit will be available for the utilization of the deductible temporary differences or the tax loss carryforwards. Deferred tax assets are usually subsequently measured based on future taxable income for a planning period of three fiscal years.

Deferred tax assets are offset against deferred tax liabilities if they relate to the same type of tax and the same taxation authority.

Changes in deferred taxes in the statement of financial position lead to deferred tax expense or income. If the change in deferred taxes results from items recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

Deferred tax liabilities on taxable temporary differences from investments in subsidiaries, branches and associates and interests in joint ventures are not recognized if the Group can determine the date of recovery and it is probable that the temporary difference will not be recovered in the foreseeable future.

(m) Pensions and similar obligations

Pension obligations from defined benefit plans are calculated using the projected unit credit method. The future benefit obligations are measured on the basis of the benefits accrued pro rata by the end of the reporting period and discounted to present value. Their measurement reflects assumptions about the future development of certain parameters that affect the future level of benefits.

Provisions for pension obligations are reduced by the fair value of the plan assets held to cover the pension obligations. If plan assets exceed obligations, the excess is only recognized in other assets if it will result in a refund from the plan or a reduction of future contributions.

The service cost, which represents the benefits of active employees accumulated in accordance with the benefit plan in the fiscal year, is presented in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

Remeasurements of the net asset or net liability include actuarial gains and losses arising from differences between the actuarial assumptions used and the actual trends, changes in actuarial assumptions and the return on plan assets, not including amounts included in net interest income or expenses. Remeasurements are recognized net of deferred taxes in other comprehensive income in equity.

Payments for defined contribution plans are recognized in functional expenses.

(n) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

A reimbursement of third parties anticipated in connection with a provision is recognized as a separate asset if its realization virtually certain. Provisions are regularly reviewed and adjusted as further information develops or circumstances change. If a change in an estimate results in a reduction of the obligation, the provision is reversed accordingly and the income is recognized in the corresponding functions or in other operating income.

Provisions for warranties are recognized at the time, at which the relevant product is sold or the service is performed. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known damages. RENK holds a special-purpose real estate fund that is protected against insolvency to serve its partial retirement obligation. The fair value of this fund is offset against the corresponding obligation. Provision for outstanding incoming invoices are recognized for services performed but not yet invoiced. Provisions for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(o) Contingent liabilities

If the criteria for recognition of a provision are not fulfilled, but the outflow of financial resources is not remote, then these obligations are disclosed in the notes on the consolidated financial statements. Contingent liabilities are recognized if the obligations meet the recognition criteria, i.e. the outflow of resources has become probable and their amount can be reliably estimated.

(p) Business combinations

The acquisition method was used to account for the business combinations. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred,
- the liabilities incurred by the former owner of the operation acquired and
- the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed as part of the business combination are initially measured at fair value at the acquisition date. Costs related to acquisitions are recognized as an expense.

The excess of the consideration transferred over the fair value of the identifiable net asset acquired is recognized as goodwill.

(q) Material estimates and judgments

When preparing consolidated financial statements, assumptions and estimates are made to a certain extent that affect the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. The estimates were made on the basis of past experience and other relevant factors, including the assumption of going concern. All estimates and assumptions are made to the best of management’s knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Group. Any uncertainty is reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations. Estimates and judgments are reviewed on an ongoing basis.

The assumptions made regarding the following matters as of the end of the reporting period are of particular significance:

The recoverability of goodwill is tested on the basis of management assumptions using the discounted cash flow method. The calculation of the discount rate using capital market parameters and the determination of future cash flows are particularly important here.

Estimates of the useful lives of depreciable assets are based on historical experience. If, in the context of the review of useful life, a change is made in estimates, the remaining useful life is adjusted and any impairment loss is recognized.

Recognizing the leases in the form of a right-of-use asset and a lease liability requires estimates on the lease term of the relevant lease components. It must be assessed whether it is reasonably certain that the contractually agreed extension, termination and call options will be exercised. The estimate for the initial recognition of the lease components determines the amount of the lease liability and thus the right-of-use asset. Changes to the estimate in subsequent periods result in a change to the residual values of statement of financial position items related to leases.

Determining impairment of financial assets requires estimates of the level and probability of occurrence of future events. As far as possible, estimates are derived from past experience.

Pensions and similar obligations are measured using actuarial methods. These are mainly based on assumptions relating to discount rates, salary and pension trends and mortality. These actuarial assumptions can differ significantly from actual developments due to changes in market and economic conditions and therefore lead to a substantial change in pensions and similar obligations. The underlying assumptions are presented in section *m) Pensions and similar obligations*.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and requires estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable amounts. Litigation and other legal proceedings simultaneously give rise to complex legal issues and are subject to many difficulties and uncertainties. A provision is recognized for this if it is likely that, in connection with these proceedings, a liability has been incurred that will probably lead to an outflow of resources and its amount can be reliably estimated. Assessing whether a present obligation as of the end of the reporting period exists as a result of a past event, and whether a future outflow is likely and the obligation can be estimated reliably, requires considerable judgment and significant estimates by management. Future events and developments as well as changes in estimates and assumptions can lead to an amended assessment at a future date. Additional expenses that can have a material effect on the net assets, financial position and results of operations of RENK thus cannot be completely ruled out. Changes in contractual or actual circumstances are monitored and assessed as regards the potential impact on the amount and reporting of the recognized assets and liabilities, income and expenses and information on contingent assets and liabilities in the reporting period. Developments in these general conditions that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

Individual performance obligations are accounted for over time using the percentage of completion method. In these cases, revenue is recognized based on progress of completion. By using this method, it is important to have a reliable estimation in the progress of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. Each operating unit estimates are continuously reviewed by Management and are adjusted as necessary.

Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Estimates are necessary to determine the transaction price, especially when variable consideration is included. The variability relates to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable consideration is based on management estimates.

As the Corporation operates in several countries, it is subject to different tax laws. The expected current income taxes and the deferred tax assets and liabilities must be calculated for each taxable entity. This requires, among other things, assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income within the respective tax type and jurisdiction. If these assumptions differ from the actual outcome of such tax uncertainties, this can affect tax expenses and deferred taxes. The best estimate of the expected tax payment is used for recognized uncertain income tax positions.

In relation to the war in Ukraine, the Middle East conflict, and climate change, the management of the RENK Group AG corporation has analyzed the resulting risks and effects on accounting in fiscal year 2023. In this context, the focus was on the recoverability of goodwill, other intangible assets and property, plant and equipment, inventories and contract assets, as well as the value of receivables. In addition, opportunities and risks are continuously monitored against the background of "changing era", "climate change" and “supply chain problems” and taken into account with regard to their impact on forward-looking assumptions and estimates in the measurement of assets and liabilities. In the fiscal year, there were no material effects on the assets and liabilities or the results of operations.

- We do not assume that our inventories will become worthless or that their sales prices will collapse within the next few years due to climate-related risks. Furthermore, there are no known indications of climate-related cost increases in inventories that cannot be passed on to customers.

- No significant adjustments to business activities are planned in the short term, which is why neither climate risks nor changes in the useful lives of fixed assets will be reflected at RENK.

- The climate-related factors relevant to RENK, such as increases in the price of electricity and water, etc., are already taken into account in the assumptions for the impairment test of intangible assets. RENK's short-term economic development is largely determined by the geopolitical situation. Consequently, climate-related factors play only a subordinate role for RENK in the valuation of intangible and tangible assets in the short term

- RENK's long-term business model focuses on the defense sector, in which the personal safety of people plays a key role and therefore issues such as CO2 emissions, climate change, etc. are still of secondary importance. This is also reflected in the valuation of receivables and contractual assets. In the civil sector, which is mainly reflected by the SB and M&I segments, RENK focuses on sustainable and resource-conserving solutions in the long-term business model, which is covered in particular by the wind energy segment. This does not result in any substantial risks from climate change for the measurement of receivables and contractual assets or for sales revenue.

(r) Transaction costs and related cost reimbursements

Until December 31, 2023, RENK incurred transaction costs in connection with a planned admission of new shareholders. The costs incurred in connection with the planned equity offering are recognized in profit or loss as no net proceeds for the Company are expected. Reimbursement claims against the shareholder are also recognized in profit or loss as a reduction to the corresponding expenses if the shareholder is legally obliged to reimburse the costs or is the economic recipient of the underlying service. Reimbursement claims against the shareholder solely based on its position as a shareholder are recognized as a contribution directly in equity. As of December 31, 2023, RENK shows the shareholder contribution of the transaction costs as an increase of the capital reserve in the amount of € 1,946 thousand. See also section *31. Related party disclosures*.

(s) Restatements and covenant breaches

RENK has issued a secured bond (Senior Secured Notes) in the amount of € 520,000 thousand. In addition, there is a super senior facilities agreement as at the reporting date (see also section *35. Events after the reporting date*). In this context, certain loan conditions (covenants) must be complied with, in particular with regard to a limit for the key financial figure "Senior Secured Net Leverage" (secured net financial liabilities / LTM Adj. EBITDA). Furthermore, the assumption of further financial liabilities and the provision of collateral is restricted in this respect. If the covenants or other behavioral obligations are not complied with, this can be remedied or lead to extraordinary termination of the loan agreements. During the financial year and as at December 31, 2023, the loan conditions were generally met.

The consolidated financial statements of RENK Group AG (formerly: RENK Holding GmbH) as of December 31, 2021 were retrospectively amended and consequently subjected to a supplementary audit, which was completed as of May 25, 2023.

Due to the supplementary audit mentioned above, the Company faced a delay in completing and publishing the consolidated financial statements for 2022 that resulted in a breach of contractual reporting resulting from the senior secured notes and senior facilities agreement of the RENK GmbH.

Regarding the senior secured notes, this breach was conclusively remedied by the provision of the audited consolidated financial statements for 2022 on May 30, 2023. Regarding the senior facilities agreement, this violation was conclusively remedied by the extension of the reporting deadline requested on May 5, 2023 and granted by a majority of the financing banks on May 9, 2023 and the provision of the audited consolidated financial statements for 2022 on May 30, 2023 within the extended reporting deadline. The violations did not have any economic effects on RENK GmbH.

Due to the correction of a material misstatement in the 2021 Consolidated financial statements in connection with the recognition of a bond and the necessary adjustment entries in the subsequent fiscal years 2022 and 2023, these consolidated financial statements as of December 31, 2023 have been adjusted for the subsequent effects.

4. Risk management and financial instruments

(a) Financial risk management

RENK's Group Treasury is responsible for operating financial risk management. The parent company's management is regularly informed about the risks of the Group.

Credit risk

Credit risks include direct counterparty risk and the risk of deterioration in credit quality. RENK recognizes loss allowances for expected credit losses. RENK has three kinds of financial assets that are subject to the expected credit loss model: trade receivables, contract assets, and debt instruments measured at amortized cost.

Cash and cash equivalents are also subject to the impairment requirements set out in IFRS 9. As in the previous year, however, the impairment loss identified was immaterial.

The maximum credit risk is limited to the carrying amounts of financial and contract assets presented in the statement of financial position.

The approach for individual impairment is comparable to the approach for Trade receivables and contract assets (Simplified Approach). The impairment of Other financial assets is based on the general impairment model (General Approach).

Trade receivables and contract assets

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of trade receivables and contract assets are calculated on the basis of a provision matrix. Rates are graded depending on the number of days that a trade receivable is past due (risk classes). The loss rates are calculated separately for defaults in the different segments based on the following general credit risk characteristics: similar pattern of defaults in the past, clustering according to the specific default structure and, on this basis, formation of a portfolio in line with the provision matrix shown. The discount rates are based on historical loss rates and forward-looking factors. To account for forward-looking information, historical loss rates were adjusted using scaling factors. RENK has identified gross domestic product (GDP) in the customer regions in which products and services are sold as the most relevant factor affecting customers' abilities to settle receivables. The historical loss rates are adjusted on a weighted basis on the basis of expected changes in this factor.

An impairment is recognized on an individual basis if one or more events that have a detrimental impact on the debtor's credit rating have occurred. These events include defaults, pending insolvency or concessions granted to the debtor on account of payment difficulties. RENK considers a financial asset to be in default if it is unlikely that the debtor will be able to pay its loan commitment to RENK in full without RENK having to resort to measures such as using collateral (if available). Given that, based on past experience and the customer structure in individual segments, receivables more than 90 days past due have not led to significant defaults, RENK does not consider a financial asset that is more than 90 days past due to be in default. Likewise, based on past experience and the customer structure in individual segments, RENK does not assume that the default risk of a receivable increases significantly if the debtor is more than 30 days past due. The probability that a debtor will enter bankruptcy or other financial reorganization is taken into account in the credit rating as an indicator of impairment. Trade receivables and contract assets are directly derecognized if there is no longer a sufficient expectation of recovery. For example, this is the case if the debtor is found to be insolvent.

The following table shows expected credit losses on trade receivables and contract assets as of December 31, 2023:

Impairment losses 2023 in € thousands	Carrying amount before impairment	Default-weighted average loss rate	Impairment
Trade Receivables	127,082	0.04 %	48
Trade receivables past due			
of which 1–30 days	22,192	2.07 %	459
of which 31–90 days	6,054	3.03 %	183
of which more than 90 days	9,030	4.06 %	367
Objective evidence of impairment as at the reporting date	2,282	100 %	2,282
Total trade receivables	**166,640**	**2.00 %**	**3,339**
Contract assets	96,602	0.01 %	9

The following table shows expected credit losses on trade receivables and contract assets as of December 31, 2022:

Impairment losses 2022[1)] in € thousands	Carrying amount before impairment	Default-weighted average loss rate	Impairment
Receivables not due	120,759	0.06 %	78
Trade receivables past due			
of which 1–30 days	10,496	1.75 %	184
of which 31–90 days	7,767	3.14 %	244
of which more than 90 days	6,449	4.83 %	311
Objective indications of impairment as at the reporting date	2,034	100.00 %	2,034
Total trade receivables	147,505	1.93 %	2,851
Contract assets	83,592	0.07 %	58

[1)] The structure of the table for 2022 has been adjusted for better comparability.

The following table shows the impairment losses on Trade receivables and contract assets from January 1, 2023 to December 31, 2023, as calculated using the impairment matrix:

Reconciliation Risk Impairment in € thousands	Contract assets		Trade receivables	
	2022	**2023**	**2022**	**2023**
Impairment losses as of Jan 1	102	58	2,094	817
Expenses (+) / income (–) from the remeasurement of impairment losses (addition/reversal)	(44)	(49)	(1,277)	240
Impairment loss as of Dec 31	58	9	817	1,057

Any collateral for trade receivables or contract assets did not have a material impact on the amount of the impairment losses.

The impairment losses in fiscal years 2022 and 2023 consist of portfolio-based impairment losses and separate specific valuation allowances.

Debt instruments at amortized cost

Debt instruments measured at amortized cost include loans to related parties and other receivables.

Cash and cash equivalents are deposited with banks and financial institutions with ratings ranging from A1/A+ to A3/BBB+ based on ratings from the agencies Moody’s and Standard & Poor’s (S&P). The estimated valuation allowance on cash and cash equivalents was calculated based on expected losses within twelve months and reflects Short term maturities. Based on the external ratings from banks and financial institutions, the Group assumes that its cash and cash equivalents have a low default risk.

Impairment losses for expected credit losses for these financial assets are determined on the basis of the general approach in IFRS 9. RENK uses credit ratings for contractual partners that are based on ratings by external parties (S&P). The credit ratings are reviewed regularly. All debt instruments measured at amortized cost are considered “low risk.” In the RENK Group’s view, a bond has a low default risk if its credit risk rating meets the global definition of “investment grade” (IFRS 7.35F(a)). RENK considers this to be the case if the rating is Baa3/BBB or higher. The impairment recognized in the period was thus limited to the expected credit losses within twelve months. RENK assumes a significant increase in the default risk if the credit risk deteriorates by two rating grades since initial recognition. For credit-impaired assets whose credit rating was not yet impaired when they were purchased or originated and for which there is objective evidence of insolvency, such as the opening of insolvency proceedings, a loss allowance at an amount equal to lifetime expected credit losses is recognized (level 3). Accordingly, interest income on the net carrying amount would be calculated minus the loss allowance for level 3 assets.

A financial asset is in default or is credit-impaired if one of the following criteria is met:

- Insolvency or a similar event indicating significant financial difficulty and a probable default of the counterparty
- Probable write-off
- Breach of contract meaning that it can be assumed with high probability that one or more receivables will not be collectible
- Other reasons why, in the opinion of Credit Management, it can be assumed with high probability that the receivable will not be collectible

In the case of proven uncollectibility, the financial asset is derecognized. If its credit rating improves, the impairment loss is reversed.

The calculation did not result in any material impairment losses.

Liquidity risk

Liquidity risk describes the risk that RENK may be unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

Solvency and the provision of liquidity are regularly monitored on the basis of rolling liquidity planning. Financing requirements are covered by both operating cash flow and external financing.

Cash management for the operating units is carried out centrally as part of cash pooling (for details, please see section *23. Financial liabilities* in the notes on the consolidated statement of financial position). Cash is combined on a daily basis. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In the context of a syndicated loan agreement, there are cash credit lines with banks of € 50,000 thousand for the entities with a term to January 13, 2025 and an extension option. Deutsche Bank acts as the lead agent for the syndicated loan. The basic interest rate is determined depending on the debt-to-equity ratio. The credit lines had not been utilized at the end of the reporting period.

In the context of a syndicated loan agreement, RENK also has guarantee credit lines with a term to January 13, 2025 and an extension option. The amount of the syndicated guarantee credit lines is unchanged year-on-year at € 245,000 thousand and has been utilized in the amount of € 162,394 thousand (previous year: € 154,464 thousand). Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of € 52,261 thousand (previous year: € 28,690 thousand), which amounted to € 26,213 thousand (previous year: € 12,061 thousand) as at the balance sheet date. Cash collateral of € 6,431 thousand (previous year: € 7,845 thousand) was provided for the bilateral guarantee credit lines as of the reporting date.

As of December 31, 2023, there is also a bond with a nominal value of € 520,000 thousand that will mature in 2025. The bond is listed on the TISE in Guernsey, bears interest of 5.75 % p.a. and is collateralized by pledging bank accounts, receivables and equity investments of the guarantors. Please refer to section *35. Events after the reporting date* and the refinancing outlined there.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations.

There were no significant risk concentrations in the past fiscal year.

The following table shows how the cash flows of liabilities and derivative financial instruments affect RENK's liquidity situation. In addition, there is a loan commitment from Rebecca BidCo S.à r.l. in the amount of € 2,000 thousand, which can be utilized by the borrower at any time. Of this amount, € 319 thousand (previous year: € 319 thousand) had been drawn as at December 31, 2023. These are recognized as loan receivables:

Maturities

in € thousands	31.12.2022			31.12.2023		
	2023	2024 to 2027	> 2027	2024	2025 to 2028	> 2028
Cash outflows from primary financial liabilities	99,073	675,356	242	157,352	549,929	–
of which from bonds	29,900	579,800[2)]	–	29,900	549,900[2)]	–
of which from loan liabilities	–	91,395	–	–	–	–
of which trade payables	66,631	–	–	123,612	–	–
of which other financial liabilities	1,013	28	–	1,242	29	–
of which liabilities from cash pool	2,398	–	–	2,598	–	–
of which from lease liabilities	1,528	4,133	242	2,203	4,375	1,886
Cash outflows from derivative financial instrument with negative market value and gross fulfillment	(2,000)	(400)	–	97	235	–
Associated cash outflows	(24,860)	(3,971)	–	6,744	1,277	–
Associated cash inflows	22,860	3,571	–	6,647	1,042	–

[1)] The procedure for calculating the amounts was as follows:
– If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
– Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
– It is assumed that the cash outflows will not occur earlier than shown.
[2)] This includes the two tranches of € 320,000 thousand and € 200,000 thousand within the bond.

Foreign currency risk

RENK operates internationally and is thus exposed to foreign currency risks. These arise when recognized assets and liabilities and future transactions are denominated in a currency other than the parent company's functional currency.

The majority of operating activities are conducted in the functional currency. Currency risks of the remaining transactions are quantified by the Group entities on an ongoing basis. Taking account of predetermined risk limits by Group Treasury, this remaining risk is hedged decentrally at banks using currency forwards. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by a strict separation of functions on the basis of the dual control principle. The option under IFRS 9 regarding hedge accounting in accordance with IFRS 9 was not exercised for this economic hedge.

At RENK, all firm customer contracts in foreign currency with a value equivalent to more than € 250 thousand are hedged. Foreign currency risks related to purchasing are not hedged.

As of the end of the reporting period, RENK's foreign exchange risk is primarily from transactions in USD, CHF, CNY, CAD and GBP. Thanks to the currency forwards in place for these currencies, RENK was not exposed to any significant risks.

In a sensitivity analysis, the derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10 % appreciation/depreciation of a base currency in relation to the quote currency as of December 31, 2023 and December 31, 2022 are as follows:

Sensitivity analysis 2023

in € thousands	31.12.2023	
	Net profit/loss for the period	
Currency pair (base currency/exchange rate currency)	**+10 %**	**(10%)**
EUR/CNY	(154)	+188
EUR/GBP	(302)	+369
EUR/CAD	(212)	+259
EUR/USD	(14,392)	+17,590
EUR/CHF	(905)	+1,106

Sensitivity analysis 2022[1)]

in € thousands	31.12.2022	
	Net profit/loss for the period	
Currency pair (base currency/exchange rate currency)	**+10 %**	**(10%)**
EUR/CHF	(634)	634
EUR/CNY	(179)	66
EUR/GBP	(613)	613
EUR/JPY	(65)	49
EUR/USD	(2,799)	2,159
CHF/GBP	1	(1)
CHF/USD	(335)	335
GBP/USD	33	(33)

1)The structure of the table for 2022 has been adjusted for better comparability.

Interest rate risk

Fixed interest rates were agreed for all of RENK's financial liabilities as of December 31, 2023 (see also section *35. Events after the reporting period*). Furthermore, RENK had no significant credit instruments that were subject to a floating interest rate. However, the fair value of the prepayment option embedded in the bond is influenced by changes in the market interest rate. As this embedded derivative is measured at fair value through profit or loss, RENK's other financial result would be influenced by interest rate changes. A hypothetical increase (decrease) of 100 basis points in the market interest rate would have an impact on the other financial result of € -3,063 thousand (€ 8,550 thousand).

(b) Financial instruments: Classification and fair value

Financial assets and liabilities recognized at fair value or for which a fair value is disclosed in the notes on the annual financial statements are to be classified in the fair value hierarchy described below. They are allocated to levels of the fair value hierarchy on the basis of inputs used for measurement:

Level 1:
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:
Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models such as the discounted cash flow models or option pricing model.

Level 3:
Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described. They are the prices that an independent party would pay for the assets/liabilities.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2023, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories:

Reconciliation of balance sheet items to the classes of financial instruments 2023

in € thousands	At fair value through profit or loss	At fair value through other comprehensive income	At amortized costs		Not allocated to any IFRS 9 measurement category	Fair Value Level
	Carrying amount	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets						
Other and financial Investments	761	3,259	–	–	5,403	3
Other non-current financial assets						
Loan receivables	–		319	319	–	3
Non-current derivative assets	42		–	–	–	2
Other non-current financial assets	–		6	6	–	2
Current assets						
Trade receivables	–		163,301	163,301	–	–
Other current financial assets						
Current derivative assets	344		–	–	–	2
Other current financial assets	–		17,587	17,587	–	–
Restricted cash	–		6,431	6,431	–	–
Cash and cash equivalents	–		102,216	102,216	–	–
Total assets	**1,147**	**3,259**	**289,860**	**289,860**	**5,403**	**–**
Non-current liabilities						
Non-current financial liabilities						
of which bonds	–		521,245	507,892	–	2
of which loan liabilities	–		–	–	–	–
of which lease liabilities	–		–	–	6,261	–
Other non-current financial liabilities						
Other non-current financial liabilities	–		29	29	–	2
Non-current derivative liabilities	188		–	–	–	2
Embedded derivatives	3,554		–	–	–	3
Current liabilities						
Current financial liabilities						
Bonds (short-term portion)	–		13,787	13,787	–	2
Liabilities from the Cash-Pool	–		2,598	2,598	–	–
Short-term Lease-liabilities	–		–	–	2,203	–
Trade payables	–		123,612	123,612	–	–
Other current financial liabilities	–		–	–	–	–
Other current financial liabilities	–		1,242	1,242	–	–
Current derivative liabilities	100		–	–	–	2
Total equity and liabilities	**3,842**	**–**	**662,513**	**649,160**	**8,464**	**–**

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2022, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories:

Reconciliation of balance sheet items to the classes of financial instruments 2022[1)]

in € thousands	At fair value through profit or loss	At fair value through other compre-hensive income	At amortized cost		Not assigned to an IFRS 9 measure-ment category	Fair Value Level
	Carrying amount	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets						
Other and financial Investments[2)]	1,845	2,975	–	–	17,104	3
Other non-current financial assets						
Loan liabilities	–		319	319	–	3
Loan receivables	43		–	–	–	2
Non-current derivative assets	–		186	186	–	2
Other non-current financial assets	1,409		–	–	–	3
Current assets						
Trade receivables	–		144,654	144,654	–	–
Other current financial assets	–		–	–	–	–
Current derivative assets	174		–	–	–	2
Other current financial assets	–		2,807	2,807	–	–
Restricted cash	–		7,682	7,682	–	–
Cash and cash equivalents	–		158,678	158,678	–	–
Total assets	**3,472**	**2,975**	**314,327**	**314,327**	**17,104**	**–**
Non-current liabilities						
Non-current financial liabilities						
of which bonds	–		521,925	483,735	–	2
of which loan liabilities	–		91,395	87,883	–	2
of which lease liabilities	–		–	–	4,374	–
Other non-current financial liabilities						
Other non-current financial liabilities	–		28	28	–	2
Non-current derivative liabilities	237		–	–	–	2
Embedded derivatives	–		–	–	–	–
Current liabilities						
Current financial liabilities						
Bonds (short-term portion)	–		13,787	13,787	–	2
Liabilities from the Cash-Pool	–		2,398	2,398	–	–
Short-term Lease-liabilities	–		–	–	1,528	–
Trade payables	–		66,631	66,631	–	–
Other current financial liabilities						
Other current financial liabilities	–		952	952	–	–
Current derivative liabilities	1,678		–	–	–	2
Total equity and liabilities	**1,915**	**–**	**697,116**	**655,414**	**5,902**	**–**

[1)]The structure of the table for 2022 has been adjusted for better comparability.
[2)]The values reported in the category “Not assigned to an IFRS 9 measurement category” have been adjusted.

RENK GmbH has measured the investment in Modest Tree Media Inc., Halifax, Canada, at fair value through profit or loss and designated the investment in RENK U.A.E. LLC as measured at fair value through other comprehensive income. RENK U.A.E. LLC was designated as such in order to avoid fluctuations in earnings from the measurement of the investment. In the 2023 financial year, a dividend payment of € 435 thousand (previous year: € 0) was made from the investment in RENK U.A.E. LLC for the 2022 financial year. There were no reclassifications of cumulative gains or losses within equity.

The equity investments are classified as level 3 of the fair value hierarchy. The fair value is calculated using the discounted cash flow (DCF) method. Expected future cash flows, which are determined on the basis of planning figures, are discounted using the weighted average cost of capital (WACC) for equity and debt. The sum of the discounted expected future cash flows reflects the enterprise value less (net) financial debt. The WACC is calculated using the average of the cost of equity and the cost of debt. This is then weighted with the share of total capital. The sum of the discounted expected future cash flows reflects the enterprise value less the (net) financial liabilities in order to determine the equity value.

A change in the average cost of capital or the expected cash flows would have the following effects on equity or the financial result:

Sensitivity of the participation 2023

in € thousands	31.12.2023	Effect on equity	Effect on financial result
Adjustment of cash flow	10.0 %	318	69
	(10.0 %)	(231)	(69)
Adjustment of the weighted average cost of capital	+ 1 p.p.	(121)	(83)
	(1) p.p.	247	107

Sensitivity of the participation 2022

in € thousands	31.12.2022	Effect on equity	Effect on financial result
Adjustment of cash flow	10.0 %	209	149
	(10.0%)	(209)	(149)
Adjustment of the weighted average cost of capital	+ 1 p.p.	56	(272)
	(1) p.p.	(82)	364

When calculating the sensitivities shown above, one parameter is changed in each case while leaving the other parameters unchanged. In principle, a market change that affects one input may also correlate with other input data. These effects may intensify the changes or cancel each other out, depending on the respective movements. The model is based on the implicit assumption that the correlation remains constant over time. The fair values within level 3 developed as follows:

Change in fair value of the Financial Participation

in € thousands	Participation FVTPL	Participation FVOCI
Jan 1, 2022 (reported under other non-current financial assets)	**4,279**	**2,975**
Issuance of additional tranche	(2,433)	-
Dec 31, 2022 (reported under other non-current financial assets)	**1,845**	**2,975**
Changes from measurement at fair value (recognized in financial result)	(1,085)	-
Changes from measurement at fair value (recognized in comprehensive income)	-	284
Dec 31, 2023 (recognized in other non-current financial assets)	**761**	**3,259**

All other current financial assets and other current and non-current financial liabilities measured at fair value through profit or loss are currency derivatives (currency forwards). To measure fair value, future cash flows are calculated by discounting the forward cash flows based on foreign exchange spot spot and swap rates (using the difference in interest method). Accordingly, they are allocated to level 2 of the fair value hierarchy.

In case of current financial assets and liabilities measured at amortized cost, the carrying amounts as of the end of the reporting period approximately match their fair value due to the maturities.

Other non-current financial assets measured at amortized cost mainly include loans to affiliated companies. To measure the fair values, the future contractually agreed cash flows are discounted using a term-adequate, credit-risk-adjusted market interest rate.

The fair value of the separated embedded derivative is deducted from the listed price of the bond. The bond's fair value is therefore allocated to level 2 of the fair value hierarchy.

In addition, the compound embedded derivative is classified as level 3 of the fair value hierarchy. The fair value is calculated using a trinomial tree approach based on the Hull-White single-factor model. The model uses the following inputs that are observable on the market: the market price of the bond, the market interest rate, implicit market volatility of interest rate swaptions and credit derivatives (CDS options); as well as the following unobservable inputs: the estimated probability of a change of control occurring.

The volatility of the underlying Hull-White process is calibrated using the weighted average volatility of interest rate swaptions and credit derivatives, while the level of the required market interest rate is calibrated to the bond price. The Hull-White process models the development of the required interest rate over time, and exercising the options is reviewed using the trinominal tree approach. The model uses a stochastic process to develop RENK's market interest rate curve. The volatility of the process is calibrated to the volatilities of the CDS options and swaptions (weighted average). The credit spread compared to the risk-free interest rate is calibrated to adjust the bond price in the model to the market price of the bond. At each time step in the trinomial tree, the possible development of the interest rate required by the market is modeled. For each node, a check is performed based on the timing and the development of the interest rate in the model to determine whether it is advantageous to exercise the option or to continue the option. The corresponding value of the option is traced back through the tree to the measurement date.

Options 2023

in € thousands	31.12.2023	Fair value of embedded derivative	Effect on the financial result
Adjustment of the probability of a change of control occurring	+1 p.p.	(4,220)	(666)
	(1) p.p.	(2,889)	666
Adjustment of the Credit Spread	10.0 %	(4,169)	(615)
	(10.0 %)	(2,882)	673
Adjustment of the Volatility	10.0 %	(3,428)	126
	(10.0 %)	(3,636)	(81)

Options 2022

in € thousands	31.12.2022	Fair value of embedded derivative	Effect on the financial result
Adjustment of the probability of a change of control occurring	+1 p.p.	926	(484)
	(1) p.p.	1,893	484
Adjustment of the Credit Spread	10.0 %	618	(791)
	(10.0 %)	2,261	851
Adjustment of the Volatility	10.0 %	2,012	603
	(10.0 %)	859	(551)

When calculating the sensitivities shown above, one parameter is changed in each case while leaving the other parameters unchanged. A market change that affects one input may also correlate with other input data, e.g. an increase in the credit spread may correlate with an increase in volatility. These effects may intensify the changes or cancel each other out, depending on the respective movements. The model is based on the implicit assumption that the correlation remains constant over time. The fair values within level 3 developed as follows:

Change in fair value for embedded derivatives

in € thousands	Fair Value
Jan 1, 2022 (reported under other non-current financial assets)	**19,968**
Issuance of additional tranche	–
Changes from measurement at fair value (recognized in other financial result)	(18,559)
Dec 31, 2022 (reported under other non-current financial assets)	**1,409**
Issuance of additional tranche	0
Changes from measurement at fair value (recognized in other financial result)	(4,964)
Dec 31, 2023 (recognized in other non-current financial assets)	**(3,554)**

The fair value of the loan liabilities from fiscal year 2022 is calculated by discounting the cash flows with a risk-adjusted interest rate curve. The risk adjustment is calculated based on the relationship between the interest rate in question and the performance of the bond from the acquisition of the RENK Group and RENK America. It is thus allocated to level 2 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy during the fiscal year.

(c) Financial instruments: Expenses and income

The net gains and losses from financial instruments are shown in the table below:

Net gain and loss from financial instruments

in € thousands	2022	2023
Financial assets at amortized cost	5,009	3,333
Financial liabilities at amortized cost	(32,176)	(44,387)
Financial assets and liabilities at fair value through profit or loss	(22,262)	(7,096)
Financial assets at fair value through other comprehensive income	–	719
Net gain (+)/net loss (–)	**(49,429)**	**(47,431)**

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances and currency translation.

Net gains or losses from financial liabilities at cost result mainly from interest expenses and gains from currency translation.

Net gains or losses from financial assets and liabilities measured at fair value through profit or loss mainly result from changes in fair value from the measurement of the compound embedded derivative, derivatives and investments at fair value through profit or loss.

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

Interest income and expenses

in € thousands	2022	2023
Interest expense	41,358	38,289
Interest income	113	4,096

(d) Financial instruments: Offsetting

The following table contains information on possible offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

Generally, the amounts owed by each counterparty under the derivative transactions on a single day in relation to all outstanding transactions in the same currency are combined into a single net amount that is to be paid by one party to the other (e.g. German Framework Agreement on the Conclusion of Financial Futures, or Master Netting Agreements of the International Swaps and Derivatives Association (ISDA)). In certain cases – for example, if a credit event such as default occurs – all outstanding transactions under the agreement are terminated, the value on termination is calculated, and only a single net amount is to be paid to settle all transactions.

The “Related financial instruments that are not offset” column shows the amounts that are subject to a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can only occur given certain future events, such as the insolvency of one of the parties.

Financial instruments: Offsetting effects

in € thousands	Carrying amount in statement of financial position	Related financial instruments that are not offset	Net amount
Dec 31, 2023			
Assets from derivative financial instruments	386	281	106
Liabilities from derivative financial instruments	288	281	7
Dec 31, 2022			
Assets from derivative financial instruments	217	(174)	43
Liabilities from derivative financial instruments	1,915	(174)	1,741

5. Statement of cash flows

In the statement of cash flows, cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The effects of changes in the scope of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is presented separately.

Cash flows from operating activities are calculated using the indirect method. Non-cash operating expenses and gains/losses from asset disposals are therefore eliminated in cash flows from operating activities.

Besides additions to property, plant and equipment, intangible assets and the acquisitions of subsidiaries, cash flows from investing activities also include cash flows from loans receivable and restricted cash as well as short term investments. Proceeds from these items as well as interest and dividends received are offset against each other.

Cash flows from financing activities consist of the following cash transactions: equity contributions, lease payments, borrowing and repayment of financial liabilities and interest payments.

Cash and cash equivalents shown in the consolidated statement of cash flows correspond to the “Cash and cash equivalents” item in the consolidated statement of financial position and to cash in hand and bank balances.

6. New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU effective from January 1, 2023 and relevant to RENK. The application of the new accounting standards did not have any material effects on the consolidated financial statements.

In December 2021, the OECD published model rules for a new global framework for effective minimum taxation to ensure that the profits of multinational groups with a total annual turnover of at least € 750 million are taxed at a minimum rate of 15 % per country. The EU unanimously agreed in December 2022 to implement this framework in the form of a directive, which will also apply to purely domestic entities with a certain minimum turnover. The EU directive was transposed into the national law of the member states by December 31, 2023, so that it applies to fiscal years beginning after that date.

For the RENK Group AG corporation, the new legal framework is expected to apply from fiscal year 2024. RENK Group AG is therefore currently examining the potential future impact of the regulations on the Group, including the effects on current and deferred taxes and tax payments. Additionally, internal processes are set up in a way that RENK is able to be fully compliant with legal requirements from fiscal year 2024 onwards.

RENK has already applied the International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12), published in May 2023 and adopted into European law by the European Union in November 2023. The amendments provide for a temporary exemption from the recognition of deferred taxes for the top-up tax, provided it takes effect, and require new disclosures on the risks of global minimum taxation.

The exemption applies retrospectively. However, as global minimum taxation had not been enacted (or substantively enacted) in any country in which the RENK operates as of December 31, 2022, and no related deferred tax was recognized at that date, the retrospective application has no impact on RENK's consolidated financial statements.

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2023 have no significant effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

New IFRS without material effect

Standard/Interpretation		Mandatory application
IFRS 17	Insurance Contracts; including amendments to IFRS 17	January 1, 2023
IAS 1	Disclosures on accounting policies	January 1, 2023
IAS 8	Definition of accounting estimates	January 1, 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IAS 12	International tax reform - Pillar two model rules	May 23, 2023

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2023 consolidated financial statements.

IFRS not applied or new IFRS

Standard/Interpretation		**Mandatory application**
IAS 1	Adjustment of non-current liabilities with covenants and adjustment of the assessment criteria for the classification of liabilities as current or non-current	January 1, 2024
IFRS 16	Adjustment of lease liabilities for sale and leaseback	January 1, 2024
IAS 7 und IFRS 7	Financing Arrangements for Suppliers	January 1, 2024
IAS 21	(Clarification of accounting for lack of exchangeability) - Amendments to IAS 21	January 1, 2025

Notes on the Consolidated Income Statement

7. Revenue

RENK generates revenue through the sale of goods or services in the field of drive technology in the following geographical regions (by customer location):

Revenue by regions

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Germany	188,565	246,220
America	244,625	216,551
Other EU countries	184,913	204,260
Asia	125,357	185,249
Other European countries	100,422	67,363
Africa	3,053	2,956
Australia and Oceania	2,032	2,902
	848,967	**925,500**

25 % of revenue was recognized over time in fiscal year 2023 (€ 234,813 thousand, previous year: 26 %, € 219,286 thousand).

Revenue of the reporting period, which was included in the opening balance of contract liabilities as of January 1, 2023, amounts to € 10,762 thousand (2022: € 10,543 thousand).

Until December 31, 2023, revenue of € 690,687 thousand (previous year: € 629,681 thousand) was recognized at a point in time.

The revenue recognized over time is attributable to the following segments: € 187,392 thousand (previous year: € 219,286 thousand) (VMS), € 50,803 thousand (previous year: € 0 thousand) (M&I) and € 961 thousand (previous year: € 0 thousand) (SB). The revenues recognized at a point in time amount to € 341,037 thousand (previous year: € 266,291 thousand) (VMS), € 245,492 thousand (previous year: € 276,059 thousand) (M&I) and € 109,902 thousand (previous year: € 90,889 thousand) (SB). An analysis of the contracts against the background of the alternative benefits of the products and the specific contractual clauses was carried out on a project basis in the M&I and VMS segments and led to the recognition of revenue over time in the 2023 financial year.

Revenue of € 925,500 thousand until December 31, 2023 (€ 848,967 thousand until December 31, 2022) can be allocated to the following countries with a share of more than 10 % of total revenue: Germany € 246,220 thousand (previous year: € 188,565 thousand) and the USA € 195,896 thousand (previous year: € 231,155 thousand).

No single customer accounted for more than 10 % of RENK’s revenues in any of the periods presented.

The segment reporting shows how revenue breaks down by individual segment.

Contracts with customers resulted in the following contract balances:

Contract balances

in € thousands	December 31, 2022	December 31, 2023
Trade receivables	144,654	163,301
Contract assets	83,534	96,593
Contract liabilities	214,062	215,985

In addition to the usual payment terms of a maximum of 90 days after performance, the terms of payment also include (pro rata) prepayments.

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 1,780,042 thousand (previous year: € 1.406.541 thousand) as of December 31, 2023. The recognition of the corresponding revenue is expected in the following fiscal years:

Transaction price of remaining performance obligations

in € thousands			
	2023	2024 to 2029	> 2029
Transaction price of remaining performance obligations as of December 31, 2022	757,852	596,944	51,744
	2024	2025 to 2030	> 2030
Transaction price of remaining performance obligations as of December 31, 2023	951,588	789,519	38,934

Cost of sales, distribution expenses and administrative expenses

The cost of sales of € 716,812 thousand (previous year: € 684,166 thousand) mainly comprises expenses for products sold and services provided in the amount of € 648,025 thousand (previous year: € 599,649 thousand).

In 2023, distribution expenses amounted to € 51,748 thousand (previous year: € 48,139 thousand). They comprise staff costs of € 34,854 thousand (previous year: € 31,490 thousand), material costs of € 8,200 thousand (previous year: € 8,518 thousand) and miscellaneous other distribution expenses of € 8,694 thousand (previous year: € 8,131 thousand).

General and administrative expenses amounted to € 66,012 thousand in 2023 (previous year: € 49,766 thousand). They mainly comprise staff costs of € 33,045 thousand (previous year: € 24,952 thousand) and material costs of € 35,863 thousand (previous year: € 27,791 thousand).

8. Other operating income

Other operating income

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Income from exchange rate changes and derivatives	6,218	5,545
Income from reversal of provisions	3,190	3,037
Income from reimbursement of personnel costs	–	900
Income from compensation agreements	–	396
Income from asset disposals	27	101
Income from prior-period	13	80
Income from derecognition of debtor overpayment	770	26
Miscellaneous other income	1,115	1,558
Total	**11,333**	**11,644**

Income from exchange rate changes and derivatives comprises gains from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price gains from the measurement of derivatives.

The reimbursement of staff costs relates to COVID-19 subsidies in the US.

For information on income from the reversal of provisions, please see section *22. Other non-current and current provisions* in the notes on the consolidated statement of financial position.

9. Other operating expenses

Other operating expenses

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Expenses from exchange rate changes and derivatives	(5,473)	(6,319)
Addition to miscellaneous other provisions	(1,398)	(2,538)
Personnel expenses	(3,142)	(609)
Incidental costs of business combinations	–	(557)
Costs of the annual financial statements	(178)	(522)
Discounts granted	(443)	(472)
Other taxes	(18)	(346)
Losses from asset disposals	(600)	(241)
Value adjustments	(174)	(221)
Bank fees	(122)	(204)
Non-refundable expenses	(468)	(163)
Commission expenses	(1,800)	–
Miscellaneous other expenses	(1,516)	(934)
Total	**(15,333)**	**(13,126)**

Expenses from exchange rate changes and derivatives include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currency and realized and unrealized price losses from the measurement of derivatives.

Personnel expenses include severance payments for former employees. The decrease in personnel expenses is attributable to considerably lower severance payments in fiscal year 2023. Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

10. Interest expense and other financial result

Interest expense

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Interest expenses on bonds	(29,233)	(29,219)
Loan interest	(5,241)	(3,695)
Guarantee commissions	(3,114)	(3,904)
Interest cost on provisions and liabilities	(335)	(263)
Other interest and similar expenses	(3,760)	(2,719)
Total	**(41,683)**	**(39,800)**

For further information on interest expenses for bonds and loans, please see section *23. Financial liabilities* in the notes on the consolidated statement of financial position.

Other financial result

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Income		
Income from currency translation	17,398	29,210
Income from dividends	1,847	435
Income from securities	1,393	4,493
Other interest and similar income	170	4,155
Expenses		
Expenses from write-downs on financial participations	(2,433)	(983)
Expenses from currency translation	(8,552)	(34,922)
Expenses from changes in the fair value of derivatives	(18,559)	(4,963)
Total	**(8,736)**	**(2,576)**

Income and expenses from currency translation mainly relates to effects from the measurement of foreign-currency loans.

Income from securities relates to income from shares from the trust assets of the pension fund.

Total dividends of € 435 thousand (previous year: € 1,847 thousand) were received in the reporting period. These were distributed by RENK U.A.E. LLC (previous year: € 1,847 thousand Cofical RENK Mancais do Brasil Ltda., € 0 thousand RENK U.A.E LLC).

11. Income taxes

Income tax expense/income

in € thousands	2022 01.01.-31.12.	2023 01.01.-31.12.
Current income taxes	**(24,979)**	**(28,818)**
of which attributable to previous periods	(3,982)	(580)
Deferred taxes	**26,344**	**14,558**
of which from temporary differences	26,874	14,707
from loss and interest carryforwards and tax credits	(530)	(149)
Income tax expense (-)/income (+)	**1,365**	**(14,260)**

The combined tax rate for the German tax group is 31.95 % on profit before tax for the 2023 assessment period (previous year: 32.04 %). This tax rate takes into account German municipal trade tax of 16.13 % (previous year: 16.21 %) as well as the German corporate income tax of 15.00 % and the solidarity surcharge of 5.50 % of corporate income tax (both unchanged year-on-year). The change in the tax rate is associated with the change in domestic assessment rates and with new domestic entities at various locations.

In contrast to the presentation in the previous year, a weighted Group tax rate determined on the basis of the earnings amounts and tax rates of the individual Group companies was no longer used to calculate the expected tax expense in the tax reconciliation in the 2023 financial year; instead, the tax rate of 31.95 % determined for RENK for the German income tax group is now used.

This change in method was made in order to achieve greater consistency in the information useful to the users of the financial statements. The previous method of using the weighted Group tax rate regularly results in major fluctuations between successive financial years, for example due to special effects or the volatile earnings situation of individual Group companies. The use of the nominal tax rate of the German tax group smoothes out these fluctuations and makes the respective reported value of the expected tax expense more comparable to the corresponding previous year's value. An adjustment for the previous year's comparison column would be immaterial and has therefore not been made.

The presentation of the corresponding previous year's figures for 2022 remains unchanged from the presentation in the consolidated financial statements due to the lack of material effects on net assets and the income statement, meaning that the expected tax expense in the previous year's column continues to be calculated using the weighted Group tax rate for the 2022 financial year (30.00 %).

Local tax rates for foreign entities range from 20.79 % to 26.50 % (previous year: from 20.12 % to 25.64 %).

Reconciliation from expected to actual tax expense:

Expected current income taxes

in € thousands	2022 01.01-31.12.	in %	2023 01.01-31.12.	in %
Profit (+) / loss (-) before tax	**14,752**	**100**	**46,582**	**100**
Expected tax expense	**(4,425)**	**(30)**	**(14,883)**	**(32)**
Difference due to changes in tax rates	546	4	1,723	4
Tax-free income	986	7	511	1
Non-deductible expenses	(1,228)	(8)	(1,488)	(3)
Effects from permanent accounting deviations	1,485	10	406	1
Effects from change in recognition of deferred tax assets	(125)	(1)	(817)	(2)
Effects from use of tax credits not capitalized in the previous year	635	4	1,313	3
Effects from foreign taxes	(164)	(1)	(330)	(1)
Taxes for previous years and other	5,058	34	(74)	–
Other effects	(1,403)	(10)	(621)	(1)
Profit (+) / loss (-)	**1,365**	**9**	**(14,260)**	**(31)**

The effects from the change in the tax rate are mainly based on differences between the tax rate for the RENK Group and the national tax rate for expected taxes and on the effect of deviations from the average deferred tax rate, particularly at RENK America LLC.

Non-deductible expenses are particularly related to trade tax additions.

Deferred taxes on the remeasurement of pension plans are recognized in other comprehensive income.

Deferred taxes are attributable to the following items:

Deferred taxes 2023

	Status as of January 1, 2023		Current period			Status as of December 31, 2023	
in € thousands	Deferred tax assets	Deferred tax liabilities	Recognized in the income statement	Recognized in other compre-hensive income	Recognized in Goodwill	Deferred tax assets	Deferred tax liabilities
Intangible assets	10,475	(53,491)	16,072	(829)	(7,602)	18,630	(54,005)
Property, plant and equipment	767	(31,038)	(1,502)	54	158	1,251	(32,812)
Other equity investments and financial investments	0	(561)	381	(4)	35	0	(149)
Inventories	8,785	(416)	11,250	(24)	419	20,168	(154)
Receivables and other assets	93	(14,253)	(4,511)	(23)	0	216	(18,910)
Pensions and similar obligations	12,270	0	1,144	2,650	0	22,134	(6,070)
Liabilities and other provisions	20,809	(17,724)	(7,983)	(41)	67	11,264	(16,136)
Loss carryforwards	148	0	(149)	1	0	0	0
Deferred taxes (before offsetting)	**53,347**	**(117,483)**	**14,702**	**1,784**	**(6,923)**	**73,663**	**(128,236)**
Offsetting	(39,629)	39,629	0	0	0	(55,282)	55,282
Deferred taxes (after offsetting)	**13,718**	**(77,854)**	**14,702**	**1,784**	**(6,923)**	**18,381**	**(72,954)**
Valuation allowance – other	0	0	(144)	2	0	(142)	0
Deferred taxes (net)	13,718	(77,854)	14,558	1,786[1)]	(6,923)	18,239	(72,954)

1) of which exchange rate changes recognized directly in equity € -878 thousand

Deferred taxes 2022[1)]

in € thousands	Status as of January 1, 2023		Current period			Status as of December 31, 2023	
	Deferred tax assets	Deferred tax liabilities	Recognized in the income statement	Recognized in other compre-hensive income	Recognized in Goodwill	Deferred tax assets	Deferred tax liabilities
Intangible assets	4,215	(60,617)	13,094	292	0	10,475	(53,491)
Property, plant and equipment	610	(34,207)	3,355	(29)	0	767	(31,038)
Other equity investments and financial investments	0	(6,757)	6,196	0	0	0	(561)
Inventories	10,065	(454)	(1,255)	13	0	8,785	(416)
Receivables and other assets	1,996	(8,978)	(7,201)	23	0	93	(14,253)
Pensions and similar obligations	8,682	0	8,618	(5,030)	0	12,270	0
Liabilities and other provisions	27,476	(28,479)	4,067	21	0	20,809	(17,724)
Loss carryforwards	678	0	(530)	0	0	148	0
Deferred taxes (before offsetting)	**53,722**	**(139,492)**	**26,344**	**(4,710)**	**0**	**53,347**	**(117,483)**
Offsetting	(52,231)	52,231	0	0	0	(39,629)	39,629
Deferred taxes (after ofsetting)	**1,492**	**(87,261)**	**0**	**(4,710)**	**0**	**13,718**	**(77,854)**
Valuation allowance – other	0	0	0	0	0	0	0
Deferred taxes (net)	1,492	(87,261)	26,344	(4,710)[1)]	0	13,718	(77,854)

[1)]For better comparability, the structure of the table for 2022 has been adjusted.
[2)]of which exchange rate changes recognized directly in equity € 320 thousand.

The recognition of actuarial gains and losses for pension obligations and plan assets through other comprehensive income leads to deferred tax of € 4,264 thousand (previous year: € 6,925 thousand). In addition, all other changes with the exception of changes due to initial consolidations were recognized through profit or loss.

No deferred tax assets on unused tax losses were recognized in the fiscal year (previous year: € 148 thousand).

Unrecognized deferred tax assets:

Unrecognized deferred tax assets

in € thousands	2022		2023	
	Gross amount	Tax effect	**Gross amount**	**Tax effect**
Deductible temporary differences	0	0	670	141
Interest carried forward	0	0	0	0
Tax losses				
Domestic corporate tax losses	6,344	1,004	7,820	1,237
Domestic trade tax losses	7,027	1,139	8,403	1,355
Foreign tax losses	2,074	518	4,222	887

Tax loss carryforwards that have not been recognized expire as follows:

Expiry of non-utilizable tax loss carryforwards

	2022			2023		
in € thousands	Corporate income tax	Trade tax	Abroad	Corporate income tax	Trade tax	Abroad
Within 1 year	0	0	0	0	0	0
Within 2 - 5 years	0	0	0	0	0	0
Within 6 - 9 years	0	0	0	0	0	0
Within 10 - 14 years	0	0	0	0	0	2,083
Within 15 - 20 years	0	0	2,074	0	0	0
Unlimited in time	6,344	7,027	0	7,820	8,403	2,139
Total	**6,344**	**7,027**	**2,074**	**7,820**	**8,403**	**4,222**

No deferred taxes were recognized for taxable temporary difference from retained profits in connection with interests in affiliated entities (outside basis differences) of € 13,922 thousand (previous year: € 10,534 thousand) as no reversal of these differences is expected in the foreseeable future.

IFRIC 23 clarifies the application of recognition and measurement requirements under IAS 12 if there is uncertainty as to the income tax treatment. Estimates and assumptions are to be made with regard to recognition and measurement, for example whether an assessment is made separately or together with other uncertainties, whether a probable or anticipated value is used for the uncertainty and whether changes have occurred in comparison to the previous period. The discovery risk is insignificant with regard to accounting for uncertain items in the statement of financial position. Accounting assumes that the tax authorities will examine the matter in question and have access to all relevant information.

This does not result in any significant impact on RENK’s consolidated financial statements.

Global minimum taxation

The ultimate parent company of RENK is domiciled in Germany, which has implemented new legislation on global minimum taxation effective for fiscal years beginning after December 30, 2023. RENK is in the process of taking the necessary internal measures to fully comply with the new legislation. In order to make an indicative assessment of the material impact that would have arisen if the Global Minimum Tax had already come into force in 2023, RENK has tested the CbCR-Safe-Harbor transitional arrangements provided for in the legislation on the basis of RENK's financial and tax data for 2022. On this basis, all countries in which RENK operates have been exempt from the supplementary tax. There is currently no evidence that this event would change on the basis of RENK's financial and tax data for 2023.

As the new legislation in Germany did not come into force until January 1, 2024, there is no impact on current taxes for the year ending December 31, 2023. The RENK Group has taken advantage of a temporary mandatory exemption from recognizing deferred taxes for the effects of the supplementary tax and will actually recognize it as tax when it arises.

12. Other income statement disclosures

Depreciation and amortization in the cost of sales in the 2022 and 2023 financial years are as follows:

Amortization and impairment of intangible assets and property, plant and equipment

in € thousands	2022	2023
PPA amortization	66.2	46.9
Operational amortization	28.9	30.3
Total amortization of COGS	**95.1**	**77.2**
Amortization of distribution costs	0.2	0.2
Amortization of administrative expenses	0.8	1.1
Amortization and impairment of intangible assets and property, plant and equipment	**96.2**	**78.6**

The cost of sales includes research and development costs of € 21,878 thousand (previous year: € 18,290 thousand).

Personnel expenses break down as follows:

Personnel expenses

in € thousands	2022	2023
Wages and salaries	223,933	251,287
Social security contribution and expenses for pensions	41,984	45,654
Total	**265,917**	**296,941**

Personnel expenses are included in the cost of sales in the amount of € 229,043 thousand (previous year: € 209,475 thousand), in distribution expenses in the amount of € 34,854 thousand (previous year: € 31,490 thousand) and in administrative expenses in the amount of € 33,045 thousand (previous year: € 24,952 thousand).

Short-term leases of € 526 thousand (previous year: € 455 thousand) and low-value leases of € 259 thousand (previous year: € 195 thousand) were recognized directly as an expense in the reporting period as part of the simplification rule for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

Notes on the Consolidated Statement of Financial Position

13. Business combination

With effect from January 1, 2023, the following affiliated companies (previously not consolidated due to immateriality) were incorporated in the scope of consolidation to include them in the internal and external reporting structure:

- COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil
- RENK Gears Private Ltd., Bangalore, India
- RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China

The effect of € 469 thousand resulting from the initial consolidation of the above-mentioned companies was offset against equity.

RENK acquired 100 % of shares in General Kinetics Group (“GK”) with effect from January 27, 2023. As of the acquisition date, GK comprised four companies:

- GK Holdco Inc., Brampton, Canada (“GK Holdco”)
- General Kinetics Engineering Corporation, Brampton, Canada (“GKEC”)
- General Kinetics Inc., Bedford, USA (“GK Inc.”)
- General Kinetics LLC, Bedford, USA (“GK LLC”)

On the acquisition date, GK Holdco Inc., Brampton, Canada, was merged with General Kinetics Engineering Corporation, Brampton, Canada, following the acquisition of GK. This was followed by a merger of the company created by the first merger with the company Horstman Systems Inc, Woodbridge, Canada, which was already fully consolidated. The resulting legal entity has been trading as Horstman Canada Inc., Brampton, Canada, since May 1, 2023. With effect from July 18, 2023, the companies General Kinetics Inc., Bedford, USA, and General Kinetics LLC, Bedford, USA, were merged with Horstman Inc, Sterling Heights, USA, which was already fully consolidated.

General Kinetics is a leading provider of chassis systems for military wheeled vehicles. This new addition will allow RENK to provide global mobility solutions for wheeled and tracked vehicles in the future.

Horstman Canada Inc. was included in the consolidated financial statements of RENK Group AG from the acquisition date January 27, 2023 onward.

General Kinetics (GK) was acquired at a purchase price of € -34,530 thousand. The purchase price was fully settled in cash and cash equivalents.

As at July 31, 2023, the final fair values of the assets and liabilities at the acquisition date were determined based on external valuations. At the acquisition date, the fair values of the assets acquired and liabilities assumed from General Kinetics are broken down as follows:

Business combination

in € thousands	
Purchase price	(34,530)
Intangible assets – customer base	22,308
Intangible assets – order backlog	5,111
Intangible assets – technology	138
Property, plant and equipment	1,780
Inventories	6,445
Trade receivables	3,601
Other receivables	203
Cash and cash equivalents	210
Financial liabilities	(1,494)
Deferred tax liabilities	(7,759)
Trade payables	(1,610)
Other liabilities	(4,122)
Goodwill	**9,719**

The goodwill resulting from the purchase price allocation is attributable to the expertise of the workforce and to future sales potential within the Horstman Group. This goodwill was fully allocated to the VMS segment and is not tax-deductible overall. The trade receivables of € 3,601 thousand represents gross amounts. They were classified as fully collectible as of the acquisition date.

In the period from February to December 2023, the newly acquired company, which is now part of Horstman Canada Inc, contributed € 23,313 thousand to the Group's revenue and € 3,167 thousand to its profit after tax. If the transaction had taken place on January 1, 2023, additional revenue of € 1,658 thousand and additional profit after tax of € 85 thousand would have been considered. In 2022 and 2023, the Group incurred costs of € 875 thousand in connection with the business combination. These costs are fully recognized in other operating expenses in the respective period.

The depreciation and amortization and the deferred taxes on the results of the purchase price allocation would lead to a negative effect of approximately € 150 thousand per month.

14. Intangible assets

Intangible assets

in € thousands	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
As of January 1, 2022	**85,078**	**76,953**	**273,539**	**435,570**
Additions	2,121	323	85	2,529
Reclassifications	155	–	231	387
Disposals	(731)	–	–	(731)
Depreciation/amortization	(9,873)	–	(51,572)	(61,445)
Cumulative depreciation/amortization on disposals	168	0	–	168
Currency adjustment	3,044	1,972	7,460	12,476
As of December 31, 2022	**79,962**	**79,248**	**229,743**	**388,954**
Additions	740	–	797	1,537
Reclassifications	962	–	(60)	902
Disposals	(93)	–	–	(93)
Depreciation/amortization	(9,123)	–	(32,832)	(41,955)
Cumulative depreciation/amortization on disposals	–	9,719	27,557	37,276
Additions from non-consolidated companies	11	5,600	–	5,611
Currency adjustment	(1,777)	(1,532)	(5,008)	(8,317)
As of December 31, 2023	**70,682**	**93,034**	**220,198**	**383,914**
Gross carrying amount on December 31, 2023	–	–	–	–
Cumulative depreciation/amortization and impairment losses	–	–	–	–

Other intangible assets include values for brands, customer relationships and other intangible assets from the business combinations in previous fiscal years. Amortization of intangible assets is included in the cost of sales.

At RENK, the carrying amount of goodwill is subject to annual impairment testing at the level of the group of cash-generating units to which it is allocated.

Goodwill acquired through business combinations has been allocated to the VMS and SB segments (formerly: divisions). Impairment testing is performed at the level of these groups of cash-generating units.

The goodwill resulting from the acquisition of RENK in 2020 was originally allocated to the VMS (71 %) and SB (29 %) businesses.

The remaining goodwill of € 52,647 thousand from the business combination with RENK America and RENK Magnet-Motor in fiscal year 2021 was fully allocated to the VMS segment. Please refer to *3.4 Intangible assets* in the accounting principles.

The reorganization completed in fiscal year 2023 (three segments: VMS, M&I and SB) will lead to a partial reallocation of goodwill. There are no changes for the SB segment, as its content is analogous to that of the former SB division. The content of the VMS segment has changed slightly compared to the VMS division, as the former Test Systems division has been integrated in this segment. As such, the new segment structure corresponds to the structure in place until 2021 again. The goodwill resulting from the acquisition of RENK in 2020 is once again allocated to the segments in line with its original allocation to the business areas at that time.

Goodwill impairment structure 2022

in %	Vehicle Mobility Solutions	Test Systems	Slide Bearings
Discount rate[1)]	11.9	11.9	12.8
Sustainable growth rate	1.0	1.0	1.0
Planned EBIT growth rate (average for next three years)	10.1	11.8	21.2

[1)] Values adjusted

With regard to price and cost increases, development is assumed to be in line with general inflation levels.

The recoverable amount of the respective segments is determined by calculating the value in use. The value in use of the cash-generating groups or cash-generating units exceeded the allocated net assets in each case. The calculation is based on cash flow forecasts for the next three years and a subsequent perpetual annuity. The following table shows the key assumptions underlying the calculation of the values in use in both segments:

Goodwill Impairment Test

	Vehicle Mobility Solutions[1)]	Slide Bearings	Vehicle Mobility Solutions[1)]	Slide Bearings
in %	**2022**	**2022**	**2023**	**2023**
Discount rate	11.9	12.7	12.4	12.8
Sustainable growth rate	1.0	1.0	1.0	1.0
Planned EBIT growth rate (average for next three years)	10.1	21.2	24.5	20.5

[1)] The former Test Systems division was allocated to the VMS segment as a result of the reorganization in 2023. The goodwill allocated to the former Test Systems division in 2022 amounted to € 4,016 thousand.

With regard to price and cost increases, development is assumed to be in line with general inflation levels.

In determining the pretax discount rate (weighted average cost of capital (WACC)), the cost of equity and debt was based on a segment-specific peer group. These entities have similar business and product portfolios and thus comprise the most important national and international competitors. The weighting of the cost of equity and debt was based per cash-generating unit on the peer group’s average debt/equity ratios. Risk-free discount rates ranging from 2.5 % to 4.5 % (previous year: from 1.5 % to 3.5 %) were applied depending on the country.

The cash flow forecasts, which are based on approved planning by the Supervisory Board, included specific estimates for three years and a perpetual growth rate thereafter. The sustainable growth rate was calculated based on an estimate by management. The key factors driving cash flows in the planning phase are rising sales in virtually all segments, driven in particular by higher demand in key product groups.

Separately from the current and assumed economic situation, like in the previous year a sensitivity analysis was performed with regard to the recoverability of goodwill in the segments. The effects of the following scenarios were examined:

- Increase in the discount rate by 2.5 %
- Decrease in the growth rate in the perpetuity to 0 %
- 25 % reduction in the cash flow used in the terminal value.

The sensitivity analyses showed that under these assumptions, too, there is currently no need to recognize an impairment of goodwill in any segment. The same applies to previous year´s CGU structure.

Goodwill developed as follows:

Goodwill reconciliation

in € thousands	Vehicle Mobility Solutions[1)]	Slide Bearings	Total
Carrying amount as of January 01, 2022	**69,021**	**7,933**	**76,953**
Reallocation	0	0	0
Additions	323	0	323
Currency translation differences	1,972	0	1,972
Carrying amount of goodwill as of December 31, 2022	**71,316**	**7,933**	**79,249**
Additions	15,319	0	15,319
Currency translation differences	(1,532)	0	(1,532)
Carrying amount of goodwill as of December 31, 2023	**85,103**	**7,933**	**93,036**

[1)] The former Test Systems division was assigned to the VMS segment as a result of the reorganization in 2023.

The addition relates to the consolidation of the previously unconsolidated subsidiary Horstman Canada Inc., Brampton, Canada in the amount of € 9,719 thousand and the recognition of additional reserves of the previously unconsolidated subsidiary Cofical RENK Mancais do Brasil Ltda. in the amount of € 5,600 thousand. RENK Shanghai Service and Commercial Co., Ltd., and RENK Gears Private Ltd.

15. Property, plant and equipment

Property, plant and equipment

in € thousands	Land and buildings	Right-of-use assets on land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment	Prepayments and assets under construction	Total
As of January 1, 2022	**134,674**	**6,621**	**153,111**	**16,916**	**289**	**20,767**	**332,378**
Additions	3,272	1,209	7,068	3,127	349	10,710	25,734
Reclassifications	9,597	–	5,977	302	–	(16,194)	(318)
Disposals	(41)	(1,645)	(888)	(3,141)	(213)	(49)	(5,977)
Depreciation/amortization	(5,547)	(1,397)	(22,554)	(5,212)	(203)	–	(34,913)
Impairments	–	–	–	–	–	–	–
Reclassifications depreciation and amortization	–	–	–	(69)	–	–	(69)
Cumulative depreciation/amortization on disposals	3	358	563	2,861	173	–	3,958
Addition to scope of consolidation	–	–	–	–	–	–	–
Currency adjustment	895	125	746	31	(6)	397	2,188
As of December 31, 2022	**142,853**	**5,271**	**144,023**	**14,814**	**389**	**15,631**	**322,981**
Additions	1,238	2,841	5,632	4,069	431	15,573	29,786
Reclassifications	429	–	7,674	456	–	(9,461)	(901)
Disposals	(18)	(2)	(2,355)	(824)	(167)	–	(3,366)
Depreciation/amortization	(5,552)	(2,196)	(21,159)	(5,820)	(286)	–	(35,013)
Impairments	–	–	–	–	–	–	–
Reclassifications depreciation and amortization	–	–	–	–	–	–	–
Cumulative depreciation/amortization on disposals	18	1	2,323	770	143	–	3,255
Addition to scope of consolidation	66	1,494	191	858	–	–	2,609
Additions from non-consolidated companies	217	–	79	125	–	194	615
Currency adjustment	(566)	31	(116)	(6)	(1)	(287)	(948)
As of December 31, 2023	**138,685**	**7,440**	**136,292**	**14,442**	**509**	**21,650**	**319,018**
Gross carrying amount as of December 31, 2023	206,569	14,528	342,009	55,675	960	21,650	641,391
Cumulative depreciation/amortization and impairment losses	(67,884)	(7,088)	(205,717)	(41,232)	(451)	–	(322,372)

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular. The leases recognized as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets amount to € 2,237 thousand in the current fiscal year (previous year: € 2,068 thousand). The additions from non-consolidated companies relate to additions from the companies Cofical RENK Mancais do Brasil Ltda., RENK Shanghai Service and Commercial Co., Ltd., and RENK Gears Private Ltd., which were consolidated for the first time.

16. Inventories

Inventories

in € thousands	December 31, 2022	December 31, 2023
Raw materials, consumables and supplies	47,871	83,875
Finished goods and work in progress	218,015	236,677
Prepayments for inventories	9,709	5,675
Total	**275,595**	**326,227**

Consumption of inventories of € 578,994 thousand (previous year: € 525,060 thousand) was recognized in the cost of sales in the reporting period.

Reversals of impairment losses on inventories of € 1,029 thousand (previous year: impairment losses of € 2,290 thousand) were recognized in the fiscal year.

17. Trade receivables

Trade receivables are broken down as follows:

Trade receivables

in € thousands	December 31, 2022	December 31, 2023
Customer receivables	129,391	146,567
Receivables from affiliated, non-consolidated entities	6,131	6,255
Receivables for customer advances	9,132	10,479
Total	**144,654**	**163,301**

All customer prepayment receivables are current.

18. Contract assets

Contract assets developed as follows:

Contract assets

in € thousands	December 31, 2022	December 31, 2023
As of January 1	**60,068**	**83,534**
Additions and disposals	20,523	15,990
Change in loss allowance	87	(15)
Currency changes	2,855	(2,916)
As of December 31	**83,534**	**96,593**

19. Other non-current and current assets and other receivables

Other non-current and current assets and other receivables

	December 31, 2022			December 31, 2023		
in € thousands	Short-term	Long-term	Total	Short-term	Long-term	Total
Restricted cash	7,682	179	7,861	6,431	–	6,431
Receivables from loans	1,495	319	1,814	–	319	319
Embedded derivatives	–	1,409	1,409	–	–	–
Derivative financial instruments	174	43	217	344	42	386
Miscellaneous other financial assets	1,312	7	1,319	17,587	6	17,593
Other financial assets	**10,663**	**1,957**	**12,620**	**24,362**	**367**	**24,729**
Deferred assets	4,696	–	4,696	5,569	–	5,569
Other tax assets	3,839	–	3,839	2,682	–	2,682
Receivables from surplus of plan assets	1,935	25	1,960	1,341	3,539	4,880
Commission claims	1,229	337	1,566	1,042	535	1,577
Miscellaneous other receivables	311	2,053	2,365	4,950	684	5,634
Other receivables	**12,010**	**2,415**	**14,425**	**15,584**	**4,758**	**20,342**
Total	**22,673**	**4,372**	**27,045**	**39,946**	**5,125**	**45,071**

The increase in miscellaneous other financial assets and in miscellaneous other receivables as compared to the previous year is mainly attributable to reimbursement claims against the shareholder Rebecca BidCo S.à r.l.

The restricted cash comprises the cash collateral for bilateral guaranteed credit lines.

Derivative financial instruments are recognized at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

Deferred assets essentially include prepaid services for maintenance contracts and licenses.

Commission claims include prepaid commissions for ongoing projects.

20. Equity

For details please refer to *Statement of Changes in Equity*.

As of December 31, 2023, RENK Group AG had share capital of € 100,000 thousand and capital reserves of € 223,787 thousand.

By resolution of the shareholder on August 9, 2023 and entry in the commercial register on August 23, 2023, the Company's subscribed capital was increased by € 99,975 thousand from € 25 thousand to € 100,000 thousand.

The Company's nominal capital of € 100,000 thousand became the share capital of the stock into which the Company was converted. The previous company shares were replaced by a total of 100,000,000 no-par value shares each with a notional interest in the share capital of € 1.00. The shares are bearer shares. Each share entitles the holder to one vote in the Annual General Meeting.

The Company's shareholder meeting held on September 18, 2023 authorized the Management Board. subject to the consent of the Supervisory Board. to issue in one or more tranches in the period up to September 17, 2028 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to € 50,000.000.00 of limited or unlimited term and to grant the holders or creditors of the bonds option or conversion rights for up to 50.000,000 new shares of the Company with a pro rata amount of the registered share capital of up to € 1.00 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Management Board.

In accordance with the Articles of Association, the Executive Board is authorized, subject to the consent of the Supervisory Board, in the period ending on September 10, 2028, to increase the Company's share capital in one or more tranches by up to € 50,000 thousand in aggregate by issuing up to 50,000,000 new no par value bearer against cash or noncash contributions (Authorized Capital). The Management Board is authorized subject to the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights for one or more capital increases within the scope of the authorized capital.

By way of resolution on September 20, 2023, Rebecca BidCo S.à r.l. made a voluntary contribution in the amount of the outstanding repayment claim on a loan granted in 2020 (€ 45,090 thousand). This contribution was appropriated to the Company's free capital reserves in accordance with Section 272 para. 2 no. 4 German Commercial Code.

The Executive Board proposes that the net retained profits of € 30,000 thousand from the separate financial statements of RENK Group AG as at December 31, 2023 be used to distribute a dividend of € 0.30 per dividend-bearing share and that the dividend payment be made from the capital reserve in accordance with Section 272 (2) no. 4 German Commercial Code.

21. Pensions and similar obligations

RENK grants its employees retirement benefits in accordance with the country-specific circumstances in the form of defined benefit or defined contribution pension plans.

In defined contribution plans, contributions are paid according to legal or contractual obligations to state or private pension funds. There are no further payment obligations other than the payment of contributions.

Current contributions for the defined contribution pension plans are recognized as an expense in the respective year. In 2023, they amounted to a total of € 15,769 thousand (previous year: € 16,554 thousand).

The following amounts were recognized in the statement of financial position for defined benefit pension plans:

Pensions

in € thousands	2022	2023
Present value of externally financed obligations	162,721	182,232
Plan assets at fair value	(173,897)	(191,954)
Funding status on December 31	**(11,176)**	**(9,722)**
Present value of unfunded obligations	489	403
Total	**(10,687)**	**(9,319)**
of which provisions for pension obligations	1,457	1,952
of which over-collateralization IAS 19.64a	(12,144)	(11,217)
of which asset ceiling IAS 19.64b	(10,184)	(6,391)
of which net defined benefit asset	(1,960)	(4,880)

The change in the asset ceiling (€ 3,793 thousand) is recognized in full, except for the time value of money and exchange differences, in cumulative other comprehensive income as the time value of money included here is immaterial.

The calculation of the present value of externally funded obligations and plan assets as of the period is shown in the following tables for fiscal years 2022 and 2023:

IAS 19 development 2023

	Present value of the obligation	Fair value of plan assets	Delta	Impact of asset ceiling	Net carrying amount
Jan 1, 2023	**163,211**	**173,897**	**(10,687)**	**10,184**	**(503)**
Service cost	5,685	0	5,685	0	5,685
Interest expense / (interest income)	5,333	5,690	(357)	239	(119)
Total income recognized in profit or loss	**11,018**	**5,690**	**5,328**	**239**	**5,566**
Actuarial gains (-)/losses (+) from changes in demographic assumptions	(188)	0	(188)	0	(188)
Actuarial gains (-)/losses (+) from changes in financial assumptions	7,910	–	7,910	–	7,910
Actuarial gains (-)/losses (+) from experience adjustments	2,853		2,853	–	2,853
Actuarial gains (-)/losses (+) due to changes in plan assets	0	6,026	(6,026)	0	(6,026)
Change in asset ceiling, excluding amounts included in interest expense	0	0	–	(4,592)	(4,592)
Total amount recognized in other comprehensive income	**10,576**	**6,026**	**4,550**	**(4,592)**	**(43)**
Foreign exchange rate differences	2,884	3,315	(431)	560	129
Employer	0	6,181	(6,181)	0	(6,181)
Employee contributions	1,689	962	727	0	727
Performance payments	(7,480)	(4,891)	(2,589)	0	(2,589)
Other	740	740	0	0	0
Dec 31, 2023	**182,636**	**191,920**	**(9,284)**	**6,391**	**(2,893)**

IAS 19 development 2022

	Present value of the obligation	Fair value of plan assets	Delta	Impact of asset ceiling	Net carrying amount
Jan 1, 2022	**196,356**	**194,499**	**1,857**	**4,554**	**6,411**
Service cost	6,709	0	6,709	0	6,709
Interest expense/(interest income)	1,656	1,561	95	0	95
Total income recognized in profit or loss	**8,365**	**1,561**	**6,804**	**0**	**6,804**
Revaluations	0	0	0	0	0
Actuarial gains (-)/losses (+) from changes in demographic assumptions	1	0	1	–	1
Actuarial gains (-)/losses (+) from changes in financial assumptions	(32,055)	–	(32,055)	–	(32,055)
Actuarial gains (-)/losses (+) from experience adjustments	(1,594)		23,628	–	23,628
Actuarial gains (-)/losses (+) due to changes in plan assets	0	(25,222)[1)]	0	0	0
Change in asset ceiling, excluding amounts included in interest expense	0	0	0	5,630	5,630
Total amount recognized in other comprehensive income	**(33,649)**	**(25,222)**	**(8,427)**	**5,630**	**(2,797)**
Foreign exchange rate differences	2,318	2,542	(223)	0	(223)
Contributions:	**0**	**0**	**0**	**0**	**0**
Employer	0	3,888	(3,888)	0	(3,888)
Employee contributions	1,579	854	725	0	725
Payments from the plan	**0**	**0**	**0**	**0**	**0**
Performance payments	(11,709)	(4,175)	(7,534)	0	(7,534)
Compensations	(49)	(49)	0	0	0
Effects of business combinations	0	0	0	0	0
Other	(7,862)	3,059	(10,921)	0	(10,921)
Dec 31, 2023	**163,211**	**173,897**	**(10,687)**	**10,184**	**(503)**

[1)] Value was still reported in the previous year in the line "Actuarial gains (-)/losses (+) due to changes in demographic assumptions".

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, RENK provides its domestic employees with benefits under an occupational pension system for the time after their active working life. This provides reliable additional income on retirement and risk protection for disability and death.

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision through deferred compensation (paid for by the employer for employees subject to collective bargaining agreements). When actively working, employees accrue pension capital from employer- and employee-financed contributions and returns from investment on the capital market. On retirement this pension capital is paid out as a lump sum or in installments, or in certain cases can be converted into an annuity. Employees' investment risks are gradually reduced with increasing age (lifecycle concept). The performance of the pension capital is derived from the return on the investments. As required by law, at least the total contributions paid for the employee will be paid out on retirement.

Former employees, including pensioners and employees who have left the plan with vested benefits, have pension commitments from closed pension funds, which are predominantly geared towards providing lifetime annuity payments. These commitments entail the usual longevity and inflation risks, which are regularly monitored and evaluated.

RENK Pension Trust e.V./WTW Pensionsfonds AG manages RENK’s German pension assets. These assets are irrevocably unavailable to the RENK entities and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. WTW Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

The pension assets are invested by professional investment managers according to investment guidelines set by an Investment Committee. The strategic allocation of plan assets is based on asset liability management studies conducted at regular intervals.

(b) Pension plans outside Germany

In Switzerland, the defined benefit pension claims and the actuarial reserves are managed in industry-wide company pension institutions. Employees accrue pension capital with these institutions, which is then converted into a lifelong pension under the conditions prevailing at the time. The pension institutions are managed conservatively based on government regulations. If the claims are no longer covered by capital due to negative market developments, restructuring contributions can be levied from the affiliated employers and their employees.

(c) Funding status

The calculation of the present value of defined benefit obligations is based on the following assumptions:

Various mathematical assumptions Pensions

	Germany		Outside Germany	
in %	**2022**	**2023**	**2022**	**2023**
Discount rate as of December 31	3.70	3.10	2.32	1.61
Salary trend	3.20	3.20	2.51	2.70
Pension trend	2.20	2.20	0.00	0
Fluctuation rate	2.57	2.63	8.61	8.26

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to RENK and therefore better reflect mortality than the current RT2018 G mortality tables. The BVG 2020 GT mortality tables were used for Switzerland.

Discount rates are based on the yields on corporate bonds with high credit ratings, with a maturity and currency matching the respective obligations. Pension and salary trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Salary trends comprise expected wage and salary increases that also consider increases resulting from career development.

The present value of defined benefit obligations developed as follows:

Present value of defined benefit obligations

in € thousands	2022	2023
Defined benefit obligation at start of period	196,356	163,211
Current service cost	6,709	5,685
Interest expense	1,656	5,333
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	1	(188)
Actuarial gains (–)/losses (+) due to changes in financial assumptions	(32,055)	7,770
Actuarial gains (–)/losses (+) due to experience adjustments	(1,594)	2,853
Employee contributions to funds	1,579	1,689
Pension payments from company assets	(7,537)	(2,589)
Pension payments from fund	(4,172)	(4,891)
Other changes	(49)	740
Currency differences from plans abroad	2,318	3,024
Defined benefit obligation on December 31	**163,211**	**182,636**

Changes in the main actuarial assumptions would have had the following effects on defined benefit obligations:

Sensitivity of defined benefit obligation

		31.12.2022		31.12.2023	
Present value of defined benefit obligation if		in € thousands	in %	in € thousands	in %
Discount rate	+ 0,5 %-Change	157,298	(3.76)	175,832	(3.73)
	+ 0,5 %-Change	169,797	3.88	190,233	4.16
Salary trend	+ 0,5 %-Change	164,803	0.97	182,991	0.19
	+ 0,5 %-Change	161,759	(0.90)	182,276	(0.20)
Pension trend	+ 0,5 %-Change	163,480	0.16	187,091	2.44
	+ 0,5 %-Change	162,952	(0.16)	178,544	(2.24)
Life expectancy	+ 1 year	166,703	2.09	186,796	2.28

The sensitivity analyses shown each consider the change in one assumption with the other assumptions unchanged from the original calculation, i.e. possible correlation effects between the individual assumptions are not considered.

To analyze the sensitivity of the defined benefit obligation to a change in the assumed life expectancy, the age of beneficiaries was increased by one year as part of a comparative calculation.

The weighted average term to maturity (Macaulay duration) of the defined benefit obligations is eight years.

The defined benefit obligation is divided among the members of the plan as follows:

Present value of defined benefit obligation of members

in € thousands	2022	2023
Active members	81,678	91,423
Former members	8,904	12,519
Beneficiaries	72,629	78,694
Present value of defined benefit obligation	**163,211**	**182,636**

The maturity profile of the payments for the defined benefit obligation is shown below by breaking down the present value of the obligation by the maturity of the underlying payments:

Maturity present value of defined benefit obligation

in € thousands	2022	2023
Payment due		
within one year	7,567	8,327
between one and five years	39,356	41,759
more than five years	116,287	132,550
Present value of defined benefit obligation	**163,211**	**182,636**

The development of plan assets is shown by the table below:

Development of plan assets

in € thousands	2022	2023
Plan assets as of January 1	194,499	173,897
Interest income on plan assets – at the level of the actuarial interest rate	1,561	5,690
Actuarial gains/losses	(25,222)	6,400
Employer contributions to funds	3,888	6,181
Employee contributions to funds	854	962
Pension payments from fund	(4,175)	(4,891)
Other changes	(49)	740
Currency differences from plans abroad	2,542	2,975
Plan assets as of December 31	**173,897**	**191,954**

The investment of plan assets resulted in income of € 12,090 thousand (previous year: € 23,661 thousand), of which € 8,884 thousand (previous year: € 21,207 thousand) relates to plan assets in Germany and € 3,206 thousand (previous year: € 2,454 thousand) to plan assets in other countries.

In the next fiscal year employer contributions to plan assets are expected to amount to € 6,181 thousand (previous year: € 5,391 thousand).

The plan assets are invested in the following categories:

Categories of plan assets

	Quoted price on an active market	No quoted price on an active market	Total	Quoted price on an active market	No quoted price on an active market	Total
in € thousands	31.12.2022			31.12.2023		
Cash and cash equivalents	2,407	–	2,407	2,285	–	2,285
Equity instruments	10,926	–	10,926	13,278	–	13,278
Debt instruments	16,418	–	16,418	17,602	–	17,602
Direct investments in real estate	–	15,185	15,185	–	18,527	18,527
Real estate funds	1,809	–	1,809	1,875	–	1,875
Other funds	120,579	–	120,579	131,062	–	131,062
Other	3,209	3,364	6,573	3,420	3,905	7,325
Plan assets at fair value	**155,348**	**18,549**	**173,897**	**169,522**	**22,432**	**191,954**

The trust assets of the domestic entities that are invested in the mixed specialty fund are recognized under Other funds.

The plan assets are 68 % (previous year: 69 %) invested in domestic assets, 32 % (previous year: 30 %) in other European assets and less than 1 % (previous year: 1 %) in assets from other regions. In this context, no investments were made in the RENK bond, in debt instruments issued by the Group or in other assets that are leased to the Group.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

Expenses for pension obligations

in € thousands	2022	2023
Current service cost	6,709	5,685
Net interest expense (+)/income (–)	95	(119)
	6,804	**5,566**

22. Other non-current and current provisions

Other non-current and current provisions

in € thousands	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of January 1, 2023	**44,368**	**5,426**	**15,609**	**11,061**	**76,464**
Utilization	(5,123)	(2,485)	(7,398)	(3,683)	(18,689)
Addition	1,078	1,052	6,722	4,188	13,040
Addition to scope of consolidation	–	–	21	499	520
Reversal	(15,169)	(1,831)	(363)	(2,702)	(20,065)
Interest cost	(130)	–	232	6	108
Currency translation differences	72	(71)	(110)	(1)	(110)
As of December 31, 2023	**25,096**	**2,091**	**14,713**	**9,368**	**51,268**

Other provisions are broken down according to maturity as follows:

Maturity of provisions

	December 31, 2022		December 31, 2023	
in € thousands	Non-current	Current	Non-current	Current
Warranties	3,894	40,474	2,469	22,626
Outstanding costs	–	5,426	–	2,091
Obligations to employees	6,219	9,390	7,314	7,398
Miscellaneous other provisions	1,154	9,907	1,214	8,155
Total	**11,267**	**65,196**	**10,997**	**40,270**

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Provisions are recognized both for warranties on single-item production and as a lump sum for series production.

Provisions for outstanding costs comprise provisions for outstanding projected services and invoices, as well as risks from customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to provisions for severance payments and leave.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

23. Financial liabilities

Financial liabilities

in € thousands	December 31, 2022	December 31, 2023
Bonds	521,925	521,245
Loan liabilities	91,395	–
Lease liabilities	4,374	6,261
Non-current financial liabilities	**617,694**	**527,506**
Bonds (current)	13,787	13,787
Liabilities from cash pool	2,398	2,598
Lease liabilities	1,528	2,203
Current financial liabilities	**17,713**	**18,588**
Total	**635,407**	**546,094**

On July 13, 2020, a bond with a nominal value of € 320,000 thousand was issued. To finance the acquisition of RENK America in 2021, the existing bond from 2020 was increased by € 200,000 million on June 30, 2021. No changes were made to the term of five years or the coupon of 5.75 % p.a. The bond consists of several early repayment options that can be exercised at the discretion of the issuer or the bondholder. The early repayment options were identified as a single compound embedded derivative instrument that has been separated from the host contract as it is not closely related to the host contract.

The bond is listed on TISE in Guernsey as at December 31, 2023 and is secured by pledging bank accounts, receivables and shares of the guarantors. The bond was recognized net of transaction costs. Interest is recognized as a liability under financial liabilities and paid twice a year. The financial liabilities from loans are not collateralized.

The loan liabilities to Rebecca BidCo S.à r.l. were repaid in the amount of € 50,000 thousand on August 11, 2023. By way of resolution on September 20, 2023, Rebecca BidCo S.à r.l. made a voluntary contribution to the capital reserves in the amount of the outstanding repayment amount of € 45,090 thousand (for further details, see section *20. Equity* in the notes on the consolidated statement of financial position).

The liabilities from cash pooling of € 2,598 thousand are owed to Schelde Gears B.V.

For information on maturities, please refer to section *4. Risk management and financial instruments* in the principles of financial reporting.

The following tables show the changes in liabilities arising from financing activities for fiscal years 2022 and 2023:

Changes in Financial liabilities

in € thousands	Bonds	Loan liabilities	Lease liabilities	Liabilities from cash pool
As of January 1, 2022	**536,377**	**86,154**	**7,068**	**275**
Interest payments	(29,900)	–	–	–
Cash outflows from leasing	–	–	(2,068)	–
Cash-effective change in liabilities	–	–	–	2,123
Cash flows from financing activities	**(29,900)**	–	**(2,068)**	**2,123**
Effects of changes in foreign exchange rates	–	–	120	–
Addition of lease liabilities	–	–	886	–
Interest expense	29,233	5,241	(103)	–
Non-cash changes in financial liabilities	**29,233**	**5,241**	**903**	–
As of January 1, 2023	**535,712**	**91,395**	**5,903**	**2,398**
Interest payments	(29,900)	–	–	–
Cash outflows from leasing	–	–	(2,237)	–
Cash-effective change in liabilities	–	(50,000)	–	200
Cash flows from financing activities	**(29,900)**	**(50,000)**	**(2,237)**	**200**
Effects of changes in foreign exchange rates	–	–	31	–
Addition of lease liabilities	–	–	3,436	–
Interest expense	29,220	3,695	(163)	–
Addition to scope of consolidation	0	–	1,494	–
Contribution to capital reserve	–	(45,090)	–	–
Non-cash changes in financial liabilities	**29,220**	**(41,395)**	**4,798**	**–**
As of December 31, 2023	**535,032**	–	**8,464**	**2,598**

24. Contract liabilities

Contract liabilities

in € thousands	December 31, 2022	December 31, 2023
Contract liabilities, non-current	72,792	44,145
Contract liabilities, current	134,192	159,633
Liabilities from customer prepayment receivables	7,078	12,207
Total	**214,062**	**215,985**

Contract liabilities developed as follows in fiscal year 2023:

Development contract liabilities

in € thousands	2022	2023
As of January, 1	**161,011**	**214,062**
Additions and disposals	52,386	(2,510)
Addition to scope of consolidation	–	4,583
Currency changes	665	(150)
As of December, 31	**214,062**	**215,985**

25. Other non-current and current liabilities

Other non-current and current liabilities

	December 31, 2022			December 31, 2023		
in € thousands	Current	Non-Current	Total	Current	Non-Current	Total
Derivative financial instruments	**1,678**	**237**	**1,915**	**100**	**3,742**	**3,842**
Miscellaneous other financial liabilities	952	28	980	1,242	29	1,271
Other financial liabilities	**2,630**	**265**	**2,895**	**1,342**	**3,771**	**5,113**
Employee-related liabilities	30,726	45	30,772	34,709	–	34,709
Liabilities from other taxes	389	–	389	892	–	892
Miscellaneous other liabilities	2,721	3	2,724	2,937	3	2,940
Other liabilities	**33,836**	**48**	**33,884**	**38,537**	**3**	**38,540**
Total	**36,466**	**313**	**36,779**	**39,879**	**3,774**	**43,653**

Employee-related liabilities mainly consist of deferred vacation that has not yet taken, annual bonuses and working time accounts as well as wages and salaries and social insurance contributions not yet paid at the end of the reporting period.

Other Disclosures

26. Segment reporting

In accordance with the management approach in IFRS 8 Operating Segments, the operating segments were identified based on the internal reporting and the assessment of business performance by the chief operating decision maker (CODM). The management is the chief operating decision maker. Taking account of this approach, the following three operating segments have been identified based on the product or market/customer logic:

With its range of products and services in the **Vehicle Mobility Solutions** (VMS) segment, RENK is one of the global innovation and technology leaders for vehicle transmissions in military tracked vehicles such as main battle tanks and infantry tracked vehicles. In addition to transmissions for military vehicles, the product portfolio in this segment includes engines, suspensions, electric drives, power packs for military vehicles and test systems. Through the VMS segment, RENK supplies parts for more than 80 types of tracked and wheeled military vehicles to over 70 armed forces worldwide, with a strong focus on the European Union (EU), member states of the North Atlantic Treaty Organization ("NATO"), NATO-equivalent countries and other countries such as South Korea, India and Israel. It comprises the corresponding activities mainly at the Augsburg site of RENK Group AG, RENK America in Muskegon (USA), the French subsidiary RENK France S.A.S., RENK Test System GmbH (RTS) in Augsburg and its American sales company RENK Systems Corporation, as well as the Horstman Group with the companies Horstman Holdings Limited and Horstman Defence Systems Limited in Bath (UK), Horstman Inc. in Sterling Heights (MI) (USA) and Horstman Canada in Brampton (Canada).

The **Marine & Industry** (M&I) segment offers technology-leading propulsion and coupling solutions for commercial shipping and industrial applications as well as for the navy. In the marine sector, RENK's products are used in particular in naval surface vessels, such as frigates and destroyers, for naval and government customers, as well as in fast ferries, freighters and superyachts for civilian customers. RENK's marine gear units for naval vessels are used by more than 40 of the world's navies and coast guards. In the industrial sector, RENK's customers include companies in the plastics, steel and cement production sectors, as well as companies in the oil and gas, hydrogen, CO2 capture and utilization, industrial heat pump and power generation industries. The M&I segment serves markets around the world, particularly those in the important markets of Germany, the United States of America, South America and the Middle East as well as China, where RENK has business relationships with customers from various industrial markets. RENK's global network of sales and service centers enables RENK to quickly support customers around the world. RENK's customized solutions allow it to provide customers with products that meet their specific requirements.

The **Slide Bearings** (SB) segment is the global market leader in the field of standardized slide bearings (e-slide bearings). RENK offers slide bearings for various industrial applications of large electric drives, such as for the power generation sector (for conventional power generation as well as for hydroelectric, wind and nuclear power generation), for other industrial applications and for the marine and civil shipping sectors. The plain bearings are used, for example, in electric motors, generators, pumps, blowers, water turbines and conveyor belts. In addition, the SB segment offers innovative products such as complex special plain bearings. RENK has assembly and maintenance, repair and operating centers in several regions as well as a global network of representatives.

The consolidation between the business areas is shown separately.

The financial performance indicator of the segments and therefore the key performance indicator is an adjusted EBIT (operating profit before the effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring). Until April 2023, RENK’s key performance indicator was reported EBIT before purchase price allocation (PPA) (rEBITA). Due to the change in management (CFO Christian Schulz started at RENK in June 2023) and with the progress of the IPO, RENK implemented the new steering key performance indicator adjusted EBIT for management reporting purposes. Significant deviations between rEBITA and adjusted EBIT cannot be derived at segment level as the PPA effects and most adjustments are classified as "Others" and therefore have no material impact on the segments.

The operating segments are also deemed as the reportable segments of RENK Group. As RENK began applying IFRS 8 Segment Reporting for the first time in fiscal year 2023, the segment data as of December 31, 2022 is presented in the segment structure applicable since January 1, 2023 for comparative purposes. The Test Systems division has been part of the VMS Segment since January 1, 2023. In connection with the further centralization of functions within RENK, the Group started to allocate costs for central functions to its segments in the first quarter of fiscal year 2023 to reflect an appropriate cost structure in its segments.

Segment Report 2022

in € thousands	VMS	M&I	SB	Other	Consolidation	Total
Revenue from third parties	485,559	274,244	89,164	–	–	848,967
Revenue from other segments	18	1,815	1,725	–	(3,558)	–
Revenue	**485,577**	**276,059**	**90,889**	**–**	**(3,558)**	**848,967**
Depreciation, amortization and impairment losses (excluding PPA depreciation and amortization)	14,241	13,419	2,447	(185)	–	29,923
rEBITA[1)]	**107,991**	**16,593**	**12,606**	**(5,801)**	**202**	**131,591**
Adjusted EBIT	**113,403**	**20,643**	**13,378**	**(3,106)**	**9**	**144,327**
Non-recurring items[2)]	(5,411)	(4,050)	(772)	(2,502)	–	(12,736)
Purchase price allocation[3)]	–	–	–	(66,420)	–	(66,420)
EBIT	107,991	16,593	12,606	(72,028)	9	65,171
Financial result	–	–	–	–	–	(50,420)
Profit (+) / loss (-) before taxes	–	–	–	–	–	14,752
Income taxes	–	–	–	–	–	1,365
Profit (+) / loss (-) after tax / Consolidated net income for the year	**–**	**–**	**–**	**–**	**–**	**16,118**

[1)] rEBITA is defined as the operating profit as presented in the consolidated income statement plus the effects from the purchase price allocation.

[2)] Includes expenses for inflation compensation premium, severance expenses and other adjustments, which represent costs for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects.

[3)] Purchase price allocation includes PPA depreciation and amortization (€ -66,227 thousand as of December 31, 2022) as well as income/losses from PPA asset disposal (€ 193 thousand loss as of December 31, 2022).

Segment Report 2023

in € thousands	VMS	M&I	SB	Other	Consolidation	Total
Revenue from third parties	527,752	288,968	108,780	–	–	925,500
Revenue from other segments	678	7,326	2,082	–	(10,086)	–
Revenue	**528,430**	**296,295**	**110,862**	**–**	**(10,086)**	**925,500**
Depreciation, amortization and impairment losses (excluding PPA depreciation and amortization)	16,582	13,002	2,049	25	–	31,658
rEBITA[1)]	**104,799**	**25,337**	**16,804**	**(11,023)**	**(50)**	**135,868**
Adjusted EBIT	**106,385**	**28,387**	**17,324**	**(2,040)**	**(50)**	**150,007**
Non-recurring items[2)]	(1,586)	(3,050)	(520)	(8,983)	–	(14,139)
Purchase price allocation[3)]	–	–	–	(46,910)	–	(46,910)
EBIT	104,799	25,337	16,804	(57,933)	(50)	88,958
Financial result	–	–	–	–	–	(42,376)
Profit (+) / loss (-) before taxes	–	–	–	–	–	46,582
Income taxes	–	–	–	–	–	(14,260)
Profit (+) / loss (-) after tax / Consolidated net income for the year	**–**	**–**	**–**	**–**	**–**	**32,322**

1) rEBITA is defined as the operating profit as presented in the consolidated income statement plus the effects from the purchase price allocation.
2) Includes expenses for inflation compensation premium, severance expenses and other adjustments, which represent costs for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the Group, costs relating to marketing activities, costs relating to advisory fees for readiness assessments, costs related to the supplementary audit for fiscal years 2021 and as a consequence additional audit fees for fiscal year 2022, costs relating to professional advisory fees regarding the financing of the Group.
3) Purchase price allocations include PPA depreciation and amortization (€ -46,909 thousand as of December 31, 2023) as well as income/losses from PPA asset disposal (€ - 1 thousand up to December 31, 2023).

The Company did not allocate its assets to the different business segments for internal reporting purposes. All non-current assets are located in the following geographic areas:

Non-current assets

in € thousands	Germany	America	Other EU countries	Asia	Other European countries	Not allocated	Total
Dec 31, 2022	433,505	220,625	8,760	0	49,045	40,014	**751,949**
Dec 31, 2023	411,480	235,823	8,208	625	46,796	32,786	**735,719**

Non-current assets comprise intangible assets, property, plant and equipment, other and financial investments, deferred tax assets, other non-current financial assets and other non-current receivables, which have been allocated to the above-mentioned regions, except for deferred tax assets and financial instruments.

Non-current assets amounting to € 647,303 thousand as of December 31, 2023 (€ 654,130 thousand as of December 31, 2022) can be allocated to the following countries with a portion exceeding 10 % of total non-current assets: Germany € 411,480 thousand (€ 433,505 thousand as of December 31, 2022) and USA € 235,823 thousand (€ 220,625 thousand as of December 31, 2022).

Further information on revenue can be found in section *7. Revenue* in the notes to the Consolidated Income Statement.

27. Contingent liabilities

Contingent liabilities

in € thousands	December 31, 2022	December 31, 2023
Obligations from guarantees	130	–
Other contingent liabilities	2,181	823
Total	**2,311**	**823**

Other contingent liabilities include contingent liabilities from penalties.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

28. Other financial obligations

Other financial obligations comprise current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These primarily relate to renting work clothes and office printers. The maturities of future rental and lease payments until the end of their minimum term amount to € 495 thousand (previous year: € 325 thousand).

The capitalized leases create potential future payments of € 4,878 thousand resulting from extension options not yet taken into account and termination options of € 49 thousand.

As of the end of the reporting period, purchase commitments to acquire intangible assets and property, plant and equipment were € 18,031 thousand. The commitments for the acquisition of inventories and services amounted to € 365,229 thousand.

29. Additional disclosures in accordance with section 315e HGB

(a) Number of employees

RENK employed 3,254 people (previous year: 3,079 people) on average over the year. Of these, 1,790 (previous year: 1,721) worked directly and 1,463 (previous year: 1,358) indirectly in production. There were 43 (previous year: 45) employees in the non-active phase of early retirement. On average, 122 (previous year: 106) people were in vocational training.

(b) Total remuneration for work by the auditor

On July 14, 2023, the Annual General Meeting of RENK Group AG appointed PricewaterhouseCoopers GmbH WPG (PwC), Munich, as statutory auditor for the 2023 Consolidated Financial Statements.

The table below shows the fees charged for the work of the auditor PricewaterhouseCoopers GmbH WPG in fiscal years 2023 and 2022:

in € thousands	2022	2023
Audit of the financial statements	661	1,638
Other assurance services	111	2,625
Tax advisory services	31	0
Other services	53	667
Auditor remuneration	**856**	**4,930**

Audit services comprise the audit of the consolidated financial statements of RENK Group AG and the IFRS audits and IFRS reviews of individual subsidiaries. Other confirmation services mainly relate to services in connection with the IPO (comfort letter). Other services mainly relate to due diligence services provided in connection with the exit process.

30. List of shareholdings of RENK Group AG as of December 31, 2023

Shareholdings of RENK Group AG

Name and registered office of the company	Share of capital in %	Local currency (LC)	Equity (LC)	Earnings (LC)	Type of inclusion
RENK GmbH, Augsburg, Germany	100	EUR	166,683,297	43,481,018	consolidated
RENK FinCo GmbH, Augsburg, Germany	100	EUR	357,198,512	(200,474)	consolidated
RENK Test System GmbH, Augsburg, Germany	100	EUR	3,739,170	(1,285,921)	consolidated
RENK Magnet-Motor GmbH, Starnberg, Germany	100	EUR	896,694	837,232	consolidated
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	29,280,216	3,895,528	consolidated
Schelde Gears B.V., Vlissingen, Netherlands	100	EUR	3,028,793	(51,611)	at cost
RENK (UK) Ltd., London, UK (inactive)	100	GBP	0	0	at cost
Horstman Defence Systems Ltd., Bath, UK	100	GBP	26,128,380	6,311,467	consolidated
Horstman Holdings Ltd., Bath, UK	100	GBP	42,826,167	(302,599)	consolidated
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	11,068,565	1,281,617	consolidated
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55	TRY	36,361,774	(12,333,431)	at cost
RENK UAE LLC, Abu Dhabi, United Arab Emirates	49	AED	34,433,999	5,363,797	FVOCI
RENK America LLC, Muskegon, USA	100	USD	355,120,483	9,610,783	consolidated
RENK Holdings Inc., Muskegon, USA	100	USD	135,096,327	(13,734,743)	consolidated
RENK Corporation, Duncan, South Carolina, USA	100	USD	9,652,009	2,258,196	consolidated
RENK Systems Corporation, Camby, Indiana, USA	100	USD	3,764,624	1,739,037	consolidated
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	2,205,288	(398,168)	consolidated
Horstman Canada Inc., Brampton, Canada	100	CAD	56,615,730	3,445,688	consolidated
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brasilia	98	BRL	21,184,515	4,264,354	consolidated since Jan. 1, 2023
RENK Holding Canada Inc.	100	CAD	1,274,032	(751)	at cost
Modest Tree Media Inc., Halifax, Nova Scotia, Canada	28,89	CAD	2,787,810	(3,970,600)	FVTPL
Renk Gears Private Ltd., Bangalore, India	100	INR	303,467,335	96,865,379	consolidated since Jan. 1, 2023
Renk Korea Co., Ltd., Busan, South Korea	100	KRW	1,678,397,559	479,150,271	AHK
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China	100	CNY	(2,577,580)	7,969	consolidated since Jan. 1, 2023

31. Related party disclosures

Related parties as defined by IAS 24 are natural persons and entities that can be influenced by RENK Group AG, that can significantly influence RENK Group AG, or that are influenced by another related party of RENK Group AG.

Rebecca MidCo S.à r.l., Luxembourg, holds the shares in Rebecca BidCo S.à r.l., Luxembourg. Rebecca BidCo S.à r.l., holds the shares in RENK Group AG and therefore it, and its affiliated entities, are related parties of RENK. Rebecca MidCo S.à r.l. and Rebecca BidCo S.à r.l. are ultimately held by the "Triton V" fund, which is majority owned by Triton. There is no higher-level parent of Triton that prepares consolidated financial statements available to the public.

Exchanges of goods and services between RENK and its related parties are conducted at arm's length.

Transactions were executed in the following amounts with Rebecca BidCo S.à r.l. in the current fiscal year:

Rebecca BidCo S.à r.l. - Services rendered and received

in € thousands	2022	2023
Services rendered (income)	6	22
Services received (expense)	5,241	3,695

Rebecca BidCo S.à r.l. - Receivables and Liabilities

in € thousands	December 31, 2022	December 31, 2023
Receivables	329	14,836
Liabilities	91,395	0

Transactions were executed in the following amounts with non-consolidated entities in the current fiscal year:

Non-Consolidated entites - Services rendered and received

in € thousands	2022	2023
Services rendered (income)	5,944	9,456
Services received (expense)	1,254	2,831

Non-Consolidated entites - Receivables and Liabilities

in € thousands	December 31, 2022	December 31, 2023
Receivables (December 31)	7,629	6,278
Liabilities (December 31)	3,698	3,601

Besides related entities, related parties of RENK also include persons who can influence or be influenced by RENK Group AG. Thus, RENK's related parties comprise the Executive Board or management of RENK Group AG, Rebecca BidCo S.à r.l. and RENK GmbH and also, since the change to the structural organization in the fiscal year, the new key management personnel in addition to the Executive Board of RENK Group AG. In addition to the management of RENK Group AG, these include the heads of the following administrative areas:

- HR
- Supply Chain Management
- Governance/Legal/Compliance
- Operations
- Finance
- and the heads of the segments.

In addition, the members of the Supervisory Board of RENK Group AG, which was formed in the course of the change of legal form to a stock corporation, are responsible for monitoring the company's activities and are therefore considered as key management personnel. The members of the Supervisory Board, which has been in place since September, are remunerated within the scope of the base salary and attendance fees. The employee representatives on the Supervisory Board employed by RENK also receive their standard market remuneration. For information on Executive Board and Supervisory Board remuneration, please refer to sections *33. Executive Board remuneration* and *34. Supervisory Board remuneration*.

In the previous year, remuneration for key management personnel amounted to € 3,438 thousand, consisting of € 3,409 thousand from short-term benefits and € 29 thousand from other long-term benefits.

Key management personnel remuneration for fiscal year 2023 is broken down below:

Key management personnel remuneration

in € thousands	2023 01.01.-31.12.
Short-term benefits	3,151
Other long-term benefits	208
Total	**3,359**

Key management personnel receive a short-term bonus in addition to their regular salary, which is mainly determined on the basis of earnings and cash flow. Pension commitments were also issued, for which a liability of € 313 thousand was recognized as of the reporting date, which was expensed in fiscal year 2023. For a description of pensions, please see section *21. Pensions and similar obligations* in the notes on the consolidated statement of financial position. A liability of € 416 thousand was recognized for the short-term cash bonus.

Other long-term benefits comprise vacation accruals that are not settled in full within twelve months after the end of the period in which the related service was rendered. There was an obligation of € 71 thousand as of the reporting date.

Key management personnel have indirectly and at their own risk acquired an interest at market value in Rebecca MidCo S.à r.l., a parent company of RENK Group AG, through the self-financed purchase of shares from Rebecca Management S.C.A. and thus participate in the entrepreneurial risks and rewards. This is a share-based payment in accordance with IFRS 2. The investments were to be made by the respective participants upon signing of the investment agreement. As of the reporting date, these investors indirectly held approximately 2.4 % of RENK.

The executives involved bear the risk of this investment as self-financed co-investors. In the event of an exit by the current principal shareholder, the participants will participate in any increase in value achieved. In the event that a participant terminates or has to terminate its participation prematurely, for whatever reason, Rebecca LuxCo S.à r.l., the majority shareholder of Rebecca Management S.C.A., has the option to acquire shares of the participant against cash payment. The purchase price amounts to the lower of the original investment or the market value as defined in the participation agreement – considering the share that has not yet vested, if applicable. This increases by 10 % every six months. The underlying terms and conditions depend on the reason for the termination but do not affect the value of the investment under IFRS 2. Neither RENK Group AG nor any of its subsidiaries is at any time obligated to make any payment to the participants.

According to IFRS 2, these investments are share-based payments. At the time of acquisition of the investments (in 2021 and 2022), the purchase price to be paid was at least equal to the fair value of the investment received. The fair value was determined by carrying forward the business valuation performed in connection with the acquisition by Triton. As the fair value of the investment at the time of acquisition was paid by the parties involved, no monetary benefit was granted. As a result, no personnel expenses are to be recognized at the level of RENK over the entire period of the plan.

32. Earnings per share

For calculating earnings per share, profit or loss attributable to ordinary equity holders of the parent entity is divided by the weighted average number of ordinary shares (including potential ordinary shares) that will be outstanding during the year. Dilution effects are not applicable during the periods presented.

The number of shares used for computation of earnings per share reflect the change of legal form as if it had occurred on January 1, 2022. Since August 9, 2023, prior to the change of legal form, the subscribed capital of the Company has been increased to € 100 million, consisting in into total of 100 million shares with a notional par value of € 1.00 each. The representation of the earnings per share is consistent with the principles in IAS 33.64, which requires calculation of earnings per share (undiluted and diluted) for all periods.

33. Executive Board remuneration

The remuneration of the Executive Board members of RENK Group AG consists of a fixed remuneration and a variable remuneration. Executive Board members also receive a pension commitment. The total remuneration granted for managing director and Executive Board activities in fiscal year 2023 amounted to € 1,384 thousand in accordance with Section 314 para. no. 6a HGB and IFRS. Of this amount, € 951.5 thousand is attributable to the period of managing director activity and € 432.5 thousand to the period of Management Board activity.

Payments to pension fund

	Wiegand	Schulz
in € thousands	**2023**	**2023**
Fixed remuneration	112.5	100.0
Variable remuneration	465.8	241.5
Pension costs	50.0	37.5
Total	**628.3**	**379.0**
Present value of the pension obligation	195.2	51.7

Pension payments to former members of the Executive Board or former managing directors and their surviving dependents amounted to € 439 thousand (previous year: € 5,160 thousand). A total of € 6,041 thousand (previous year: € 5,396 thousand) has been provided for pension obligations to former members of the Executive Board or the management and their surviving dependents.

34. Supervisory Board remuneration

The remuneration of the members of the Supervisory Board is regulated in the Articles of Association. They provide for fixed annual remuneration of € 60 thousand per member of the Supervisory Board. The Chairman of the Supervisory Board receives twice the amount and the Deputy Chairman of the Supervisory Board one and a half times the fixed annual remuneration. The members of the Supervisory Board also receive additional fixed annual remuneration of € 10 thousand each for their work on the Audit Committee and the Nomination Committee of the Supervisory Board. The Chairman of the Audit Committee receives two and a half times this fixed annual remuneration. The Chairman of the Nomination Committee receives twice the amount of this fixed annual remuneration. The members of the Supervisory Board and the committees also receive an attendance fee of € 500 per meeting. All the aforementioned remuneration components are payable at the end of the financial year. Supervisory Board members who were only in office for part of the financial year receive a corresponding pro rata remuneration as a member or chairman of a committee. The following table includes the pro rata fixed remuneration for the financial year, considering the corresponding factor, as well as the variable attendance fees per Supervisory Board member.

Remuneration of the Supervisory Board

in €	RENK GmbH	RENK Group AG	Total
Shareholder Representative			
Conrad, Swantje, Chairwoman of the Audit Committee	7,000	26,500	33,500
Dutheil, Cecile, Member of the Nomination Committee	–	–	–
Martens, Dr. Rainer	889	19,000	19,889
Meier, Johannes, Member of the Audit Committee and Nomination Committee	–	–	–
Stahlmann, Klaus	7,000	19,000	26,000
von Hermann, Claus, Chairman of the Supervisory Board and member of the Nomination Committee	0	0	0
von Pichler, Dr. Cletus	6,111	0	6,111
Employee representative			
Dudzik, Sascha, Member of the Audit Committee	7,000	22,000	29,000
Evers, Lothar	7,000	19,000	26,000
Lieb, Adela	7,000	19,000	26,000
Ott, Horst	583	18,500	19,083
Refle, Klaus, Deputy Chairman of the Supervisory Board and member of the Audit Committee	10,500	31,000	41,500
Sommer, Mario	7,000	19,000	26,000
Steinecker, Angela	9,375	0	9,375
Total	**69,458**	**193,000**	**262,458**

The employee representatives on the Supervisory Board employed by RENK also receive their salary in line with the market. The members of the Supervisory Board are listed in the corresponding section along with their memberships of other statutory supervisory boards and comparable supervisory bodies.

35. Events after the reporting period

Events after the balance sheet date were evaluated up to the date of preparation of the consolidated financial statements. There were no events that must be recognized or disclosed by the date of publication of the consolidated financial statements, with the exception of those mentioned below.

Dr. Emmerich Schiller was appointed by the Supervisory Board as a Managing Director of RENK GmbH with responsibility for the Production division with effect from February 1, 2024. Dr. Alexander Sagel was appointed by the Supervisory Board as a member of the Executive Board with effect from April 1, 2024. Dr. Sagel will be responsible for the operational management of the Vehicle Mobility Solutions (VMS), Marine & Industry (M&I) and Slide Bearings (SB) segments. Dr. Rainer Martens resigned from the Supervisory Board of RENK Group AG and RENK GmbH with effect from February 22, 2024. On March 14, 2024, Mr. Florian Hohenwarter was appointed to the Supervisory Board of RENK Group AG until the next Annual General Meeting by court order of the Augsburg Local Court and to the Supervisory Board of RENK GmbH for the remainder of Dr. Martens' term of office by shareholder resolution dated March 14, 2024.

On February 7, 2024, RENK successfully completed its Private Placement on the Frankfurt Stock Exchange. The shares have since been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. RENK issued 100 million ordinary shares. The financial investor Triton placed 33.33 million RENK shares with institutional investors at an issuance price of € 15.00 per share and thus generated proceeds from the issue in the amount of € 500,000 thousand. As at February 29, 2024, the company had 100 million ordinary shares outstanding.

As part of a private placement, certain members of the Executive Board, the Supervisory Board and selected individuals had the opportunity to acquire shares and thus receive a preferential allocation in connection with this private placement. Various members of RENK's management and closely related persons made use of this option. An overview of the director dealings can be found at https://ir.renk.com/de/corporate-governance/#director-dealings.

On February 18 and 19, 2024, RENK also completed the refinancing of its debt. The € 520,000 thousand corporate bond (5.75 % senior secured notes maturing in 2025) was repaid early on February 20, 2024 and replaced by a € 525,000 thousand term loan (TLB) from a consortium of banks. The term loan has a term of 5 years and is supplemented by a € 450,000s thousand multi-currency guarantee facility and a € 75,000 thousand revolving credit facility, which will remain unused until further notice. The variable interest rate of the term loan was hedged for a large part of the corresponding volume for three years. This was accompanied by the termination of the existing guarantee facilities under the Senior Facilities Agreement (SFA) 2020 and the implementation of the new SFA 2023. On December, 22 2023, the UniCredit guarantee facility under the SFA 2020 was increased from € 80,000 thousand to € 110,000 thousand in order to serve as a security measure in the event of a failure or delay in the IPO and refinancing. The associated upfront fee (€ 300 thousand) was paid on January 22, 2024. This guarantee facility has since been included in the SFA 2023. Bank fees of € 10,000 thousand (gross, excluding legal costs) were incurred for the refinancing.

On February 21, 2024, RENK GmbH entered into an interest rate swap agreement with UniCredit Bank GmbH with effect from February 26, 2024 to hedge the TLB. The forward transaction is a variable-to-fixed interest rate swap agreement with an initial nominal amount of € 350,000 thousand. The term of the agreement is three years and terminates on February 26, 2027. RENK GmbH pays interest quarterly, starting on February 26, 2024, up to and including the end date of the agreement, at a fixed interest rate of 2.845 % and receives quarterly interest payments calculated over the same period at the 3-month EUR-EURIBOR-Reuters rate.

On February 23, 2024, the rating agency Moody's raised the corporate credit rating (CFR) of RENK GmbH to Ba3 (previously B1) and the outlook to "positive" (previously "stable"). At that time, Moody's justified the upgrade of RENK's corporate rating by several rating classes (notches) by RENK's "relatively conservative and balanced financial policy" and its "robust credit metrics" for the future.

Augsburg, March 25, 2024

RENK Group AG

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Susanne Wiegand	Christian Schulz
Chief Executive Officer	Chief Financial Officer

C. Additional Information

1 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the RENK Group AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the RENK Group AG management report includes a fair review of the development and performance of the business and the position of the RENK Group AG, together with a description of the material opportunities and risks associated with the expected development of the RENK Group AG.

Augsburg, March 25, 2024

RENK Group AG

Management Board

Susanne Wiegand
CEO

Christian Schulz
CFO

2 Independet Auditor's Report

To RENK Group AG, Augsburg

Audit Opinions

We have audited the consolidated financial statements of RENK Group AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RENK Group AG for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) as an unaudited part of the group management report.

The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

- otherwise appears to be materially misstated. Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Munich/Germany, 25th March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Holger Graßnick Wirtschaftsprüfer (German Public Auditor)	(sgd.) ppa. Dario Nikolic Wirtschaftsprüfer (German Public Auditor)

3 Supervisory Board Report

Dear Shareholders,

A year full of positive developments, but also challenging ones, lies behind us. Please permit us to make one observation at the outset from the perspective of the Supervisory Board: During this time, RENK has evolved, one could say partially reinvented itself. Above all, though, all of the employees of RENK have demonstrated that the road to success is paved with quality and passion.

In (geo)political terms, the 2023 financial year was primarily characterized by increasing conflict hotspots. This persistent uncertainty and successive crises are shaping the framework conditions under which RENK operates as a partner for safe, innovative and sustainable mobility and drive solutions.

In the midst of this environment, RENK was able to celebrate its 150th anniversary in 2023 and at the same time record sales growth and strong order intake. For RENK as a company, the 2023 financial year was furthermore characterized by the ongoing transformation and preparation for the IPO of RENK Group AG.

And now to briefly touch on the formalities: Through a change of legal form by shareholder resolution of September 12, 2023 and entry in the commercial register on September 13, 2023, RENK Group AG emerged from RENK Holding GmbH, which was founded in 2020 (Augsburg Local Court HRB 37339). The initial public offering of RENK Group AG shares on the Frankfurt Stock Exchange, originally planned for October 5, 2023, was postponed due to a gloomy market environment. However, the company still remained prepared for the capital market. The shares of RENK Group AG were first listed on the Frankfurt Stock Exchange on February 7, 2024.

In preparation for the change of legal form and the IPO, a Supervisory Board was appointed for the first time at RENK Holding GmbH, today's RENK Group AG, in August 2023: The appointment of the shareholder representatives was effected by a shareholder resolution of August 9, 2023. The employee representatives were appointed by order of the Augsburg Local Court dated August 23, 2023. This Supervisory Board established at RENK Holding GmbH continued to exist unchanged following the change of legal form to a stock corporation at RENK Group AG in accordance with Section 203 s. 1 of the German Transformation Act (*UmwG*).

3.1 Collaboration with the Management Board

Since its constitution, the Supervisory Board of RENK Group AG has carried out the tasks assigned to it by law, the Articles of Association and Rules of Procedure. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance for the company. The Management Board regularly informed the Supervisory Board, both in writing and orally, in a timely and comprehensive manner, about corporate planning, business progress, strategic development and the current situation of the company and the group, including the IPO. The cooperation between the Supervisory Board and the Management Board was open and trusting at all times. The Supervisory Board received the information it considers necessary to advise the Management Board and monitor its activities in accordance with the statutory requirements.

The Management Board coordinated the strategic direction of the company with the Supervisory Board. The Supervisory Board discussed the business transactions that are significant for the company in detail based on the reports from the Management Board. Deviations in the business process from the plans were extensively discussed with the Supervisory Board.

The Supervisory Board, in particular the Chairman of the Supervisory Board and the Chairwoman of the Audit Committee, were in regular contact with the Management Board beyond the Supervisory Board meetings and regularly obtained and exchanged information about current developments regarding the company's strategy, financing situation, risk and compliance. In this way, the Supervisory Board was always aware of the intended business policy, the business development and profitability of the company, the corporate planning including financial, investment and personnel planning, the risk situation, risk management and compliance including the situation of the group.

3.2 Corporate Governance and Working Procedure of the Supervisory Board

The Supervisory Board takes into account the principles and regulations on corporate governance for companies, in particular the recommendations of the German Corporate Governance Code (*DCGK*), and regularly monitors their development.

The members of the Supervisory Board are individually responsible to undertake training and further education measures. The company supports the Supervisory Board to an appropriate extent with financial and human resources in order to facilitate the introduction of members of the Supervisory Board to their office and to enable such further training that is necessary to maintain the required level of expertise. For the financial year 2023 in particular, a teach-in was carried out for the members of the Audit Committee on the topic of corporate sustainability reporting, especially on the Corporate Sustainability Reporting Directive (CSRD incl. EU Taxonomy).

3.3 Discussions and Resolutions in the Plenary Session of the Supervisory Board

The Supervisory Board of RENK Group AG (at the time still operating as RENK Holding GmbH) was appointed in August 2023. In total, four meetings of the Supervisory Board of RENK Holding GmbH and RENK Group AG have taken place since the Supervisory Board was constituted in the 2023 financial year.

The constituent meeting of the Supervisory Board took place on September 1, 2023. At this meeting, in particular, the members of the Mediation Committee were elected in accordance with Section 27 para. 3 of the German Codetermination Act (*MitbestG*) and the Supervisory Board adopted initial Rules of Procedure, which were further adapted in the following meetings. In addition, target figures for the proportion of women on the Supervisory Board and in management were set in accordance with Section 52 para. 2 of the German Limited Liability Company Act (*GmbHG*).

The preparation of the change of legal form and the IPO, including the associated measures and decisions, was one of the main topics for the Supervisory Board in the past financial year, especially for the meetings of September 12 and September 21, 2023. In this respect, the Supervisory Board primarily dealt with the requirements relating to the corporate governance of RENK Group AG as a future listed company. Among other things, it appointed the members of the Nomination and Audit Committee and, in accordance with the recommendations of the German Corporate Governance Code, decided on a competence profile for members and concrete goals for the composition of the Supervisory Board. Furthermore, in addition to the Management Board members of RENK Group AG, it appointed the labor director in accordance with Section 33 para. 1 s. 1 German Co-determination Act (*MitbestG*), approved the employment contracts of the Management Board members, issued Rules of Procedure for the Management Board and established a remuneration system for the Management Board in accordance with Sections 87 and 87a of the German Stock Corporation Act (*AktG*). In addition, the members of the Supervisory Board approved the founding audit report regarding the change of legal form from RENK Holding GmbH to RENK Group AG. Furthermore, at the Supervisory Board meeting of December 19, 2023, the Personnel Committee was implemented and the target values for the bonuses of the Management Board members were set.

At the meetings of the Supervisory Board of September 21, 2023 and December 19, 2023, the Management Board reported on the current business situation and development, the order situation, the status of significant orders and M&A activities as well as governance and compliance issues, in particular with regard to risk management, export control system, data protection and compliance training and incidents. To this end, the financial information regarding the financial year, in particular the interim consolidated financial statements as of June 30, 2023, was discussed. After the Management Board addressed (re)financing issues at the meeting of September 21, 2023, the Supervisory Board approved the conclusion of the financing documents. At the meeting of December 19, 2023, the approval on the business plan of RENK Group AG was resolved.

The members of the Management Board took part in select Supervisory Board meetings. However, members of the Management Board were not present during discussions and resolutions regarding the appointment of Management Board members as well as the conclusion of Management Board service contracts and the target values of Management Board bonuses.

After thorough examination and consultation, the Supervisory Board approved the resolutions proposed by the Management Board on measures that require the consent of the Supervisory Board in accordance with the Articles of Association, the Rules of Procedure for the Supervisory Board and the Rules of Procedure for the Management Board. In addition to the individual measures already explained, there are no further events to be reported in the past financial year in relation to measures requiring consent.

3.4 Committees of the Supervisory Board

In order to carry out its tasks efficiently, the Supervisory Board set up four permanent committees in the 2023 financial year: the Audit Committee, the Nomination Committee, the Mediation Committee and the Personnel Committee. These committees prepare the resolutions of the Supervisory Board as well as the topics to be discussed in the plenary sessions. To the extent permitted by law, tasks and decision-making powers of the Supervisory Board have been transferred to the relevant committees.

The Audit Committee held two meetings in which the members of the Management Board and employees of the Finance Department as well as representatives of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC" or the "Auditor") also took part. In its constituent meeting as the Audit Committee of RENK Group AG of September 21, 2023, the Audit Committee agreed and passed a resolution on the further planning and priorities of the annual and consolidated financial statements audit for 2023. With a view to the regulations for listed stock corporations, to which the company is subject once the application for admission to the stock exchange is submitted, the Audit Committee decided to supplement the audit mandate for PwC. Accordingly, a report on capital market viability was prepared. In both, the meeting of September 21, 2023 and the meeting of December 18, 2023, the interim financial information was explained, in particular based on the interim consolidated financial statements as of June 30, 2023, and reports on compliance were submitted. Furthermore, at the meeting of the Audit Committee of December 18, 2023, the new organization of the Finance Department, information on the requirements and design of financial reporting for 2023 and on the status of the 2023 annual financial statements audit were presented, alongside a report from the Internal Audit Department. Furthermore, the current status and planning for the risk management system and the internal control system as well as the planning regarding the implementation of requirements related to CSRD and the EU taxonomy were explained in this meeting and the committee members were given a teach-in on the topic of CSRD.

The committee chairwoman reported on the work of the Audit Committee in the plenary sessions of September 21, 2023, and December 19, 2023.

The Nomination Committee, the Mediation Committee and the Personnel Committee did not hold any meetings in the 2023 financial year.

3.5 Participation in the Meetings of the Plenary Session and the Committees of the Supervisory Board

Information is provided below on the participation of the members of the Supervisory Board in the meetings of the Supervisory Board and the committees that met in the period since the resolution on the change of legal form on September 12, 2023:

Participation of the Supervisory Board members in the meetings

	Supervisory Board plenum		Audit committee		Nomination committee		Mediation committee		Personnel committee	
(number of meetings/participation in %)	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Claus von Hermann Chairman of the Supervisory Board	3/3	100	-	-	-	-	-	-	-	-
Klaus Refle* Deputy Chairman of the Supervisory Board	3/3	100	2/2	100	-	-	-	-	-	-
Swantje Conrad	3/3	100	2/2	100	-	-	-	-	-	-
Sascha Dudzik*	3/3	100	2/2	100	-	-	-	-	-	-
Cécile Dutheil	3/3	100	-	-	-	-	-	-	-	-
Lothar Evers*	2/3	66.67	-	-	-	-	-	-	-	-
Adela Lieb*	3/3	100	-	-	-	-	-	-	-	-
Dr. Rainer Martens	3/3	100	-	-	-	-	-	-	-	-
Johannes Meier	3/3	100	2/2	100	-	-	-	-	-	-
Horst Ott*	2/3	66.67	-	-	-	-	-	-	-	-
Mario Sommer*	3/3	100	-	-	-	-	-	-	-	-
Klaus Stahlmann	2/3	66.67	-	-	-	-	-	-	-	-

* Employee representatives

In addition, the Supervisory Board held a meeting as the Supervisory Board of the then-RENK Holding GmbH on September 1, 2023, before the resolution to change of legal form was adopted by the shareholder. Mr. Evers and Mr. Stahlmann were excused from the meeting of the Supervisory Board on September 12, 2023, and Mr. Ott was excused from the meeting on September 21, 2023. The absent members submitted voting notifications in advance to participate in the resolutions. Apart from this, all current members of the Supervisory Board and the committees were present or all meetings in the 2023 financial year.

Attendance at the meetings of the Supervisory Board in the past financial year, based on the period after the resolution to change of legal form, equalled 91.67 % on average, and 100 % without exception at the meetings of the committees. In the reporting year, no member of the Supervisory Board attended only half or less than half of the meetings of the Supervisory Board and the committees to which that member belongs.

Resolutions were adopted by the Supervisory Board and the committees in meetings that were held primarily in virtual form. The meetings of the Supervisory Board of September 1, 2023, September 12, 2023, and September 21, 2023 were held as video conferences. The meeting of the Supervisory Board of December 19, 2023 took place as a face-to-face meeting, with one guest joining virtually.

In the current financial year 2024, the Supervisory Board held an extraordinary meeting on February 21, 2024, and an ordinary meeting on March 26, 2024, and the Audit Committee held an ordinary meeting on March 25, 2024.

3.6 Conflicts of Interest on the Supervisory Board

Conflicts of interest of members of the Management Board or the Supervisory Board that should have been disclosed to the Supervisory Board were not reported in the past financial year.

3.7 Changes on the Management Board and Supervisory Board

The following changes occurred in the management or Management Board in the past financial year: By resolution of the shareholders' meeting of RENK Holding GmbH on June 2, 2023, the appointment of Mr. Niklas Beyes as managing director was revoked and Mr. Christian Schulz was appointed as managing director with immediate effect. The changes thus took place before the constitution of the Supervisory Board and the effectiveness of the change of legal form.

There were no changes to the Supervisory Board in the past financial year.

3.8 Annual and Consolidated Financial Statements Audit

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected as Auditor for the 2023 financial year by resolution of the shareholders' meeting of RENK Holding GmbH on September 12, 2023, in accordance with Section 197 s. 1 UmwG in conjunction with Section 30 para. 1 s. 1 AktG. PwC, with Holger Graßnick and Dario Nikolic as the responsible auditors and Holger Graßnick as the responsible auditor and partner, audited the annual financial statements of RENK Holding GmbH as well as the consolidated financial statements and the group management report for the first time in the 2022 financial year in accordance with Section 317 of the German Commercial Code (*HGB*). For the 2020 and 2021 financial years, the annual financial statements and the consolidated financial statements as well as the group management report of RENK Holding GmbH were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("EY"). The Supervisory Board also dealt with the supplementary audits for the 2021 and 2022 financial years that have since been published.

The Management Board of RENK Group AG prepared the annual financial statements, the consolidated financial statements and the group management report of RENK Group AG for the 2023 financial year.

PwC audited the annual financial statements, the consolidated financial statements and the group management report of RENK Group AG for the 2023 financial year and issued an unqualified audit certificate in each case dated March 25, 2024. The consolidated financial statements were prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS), as they are applicable in the European Union, and the additional German statutory provisions applicable in accordance with Section 315e para. 1 HGB. The annual financial statements and the group management report were prepared in accordance with German commercial law regulations.

The Auditor carried out the annual and consolidated financial statements audit in accordance with Section 317 HGB and the German principles of proper auditing established by the German Institute of Public Accountants (*IDW*).

The documents mentioned were distributed to us by the Management Board in a timely manner. They were discussed intensively in the Audit Committee on March 25, 2024. The Auditor's audit report was provided to all members of the Supervisory Board and was discussed in detail at the Supervisory Board's balance sheet meeting on March 26, 2024, in the presence of the Auditor, who reported on the key results of his audit. At this meeting, the annual financial statements and the consolidated financial statements were elucidated with the Management Board and the scope, focus and costs of the audit were presented.

We agree with the results of the final audit. Based on the final results of the audit by the Audit Committee and our own examination, no objections are to be raised. The Supervisory Board approved the annual financial statements of RENK Group AG prepared by the Management Board and the consolidated financial statements of the RENK Group prepared by the Management Board. The annual financial statements are therefore approved in accordance with Section 172 AktG. The Supervisory Board and the Management Board propose that the retained earnings of the separate financial statements of RENK Group AG as of December 31, 2023 should be used in an amount of € 30,000 thousand to distribute a dividend of € 0.30 per dividend-entitled share and that the dividend payment should be made from the capital reserve in accordance with Section 272 para. 2 no. 4 HGB. The Supervisory Board considers this proposal to be appropriate and has therefore approved it.

In 2023, RENK was not yet obliged to report on non-financial key figures in accordance with Section 315b HGB. Nevertheless, a voluntary sustainability report was created. The sustainability report was audited by PwC on behalf of the Management Board of the RENK Group AG for the purpose of obtaining limited assurance and provided with a corresponding audit declaration; it is available on the company's homepage. The Supervisory Board also took note of the sustainability report.

3.9 Audit of the Management Board's report on relations with affiliated enterprises

In accordance with Section 312 AktG, the Management Board of RENK Group AG prepared a report on relations with affiliated enterprises (Dependency Report) for the period from September 13 to December 31, 2023 and, in accordance with Section 314 AktG, submitted it to the Supervisory Board in a timely manner for review. The Dependency Report was audited by the Auditor in accordance with Section 313 AktG. Since there were no objections to be raised based on the final results of its audit, the Auditor issued, in accordance with Section 313 para. 3 AktG, the following unqualified audit certificate: "*After our due examination and assessment, we confirm that (1.) the statements of fact in the report are correct, (2.) the company's tradeoff in the legal transactions listed in the report was not unreasonably high, (3.) in the measures listed in the report, there are no circumstances supporting a materially different assessment than that made by the Management Board.*"

The Dependency Report and the Auditor's audit report were provided to the Audit Committee and the Supervisory Board and were reviewed by them. This audit did not lead to any complaints. Based on the final results of the preliminary audit by the Audit Committee and our own examination, the Supervisory Board has no objections to the Management Board's declaration on relations with affiliated enterprises. The result of the Auditor's review of the Dependency Report is approved.

The Auditor's audit certificate for the Dependency Report for the 2023 financial year reads verbatim as follows:

Audit result and audit certificate

In accordance with our engagement, we examined the report of the Management Board in accordance with Section 312 AktG on relations with affiliated enterprises in accordance with Section 313 AktG for the 2023 financial year. Since there are no objections to be raised based on the final results of our audit, we issue the following audit certificate in accordance with Section 313 para. 3 sentence 1 AktG:

After our due examination and assessment, we confirm that

1. the statements of fact in the report are correct,

2. the company's tradeoff in the legal transactions listed in the report was not unreasonably high,

3. in the measures listed in the report, there are no circumstances supporting a materially different assessment than that made by the Management Board.

Munich, March 25, 2024

PricewaterhouseCoopers GmbH

Auditing firm

3.10 Thanks to the Management Board and Employees

The Supervisory Board would like to thank the members of the Management Board, the employees and the employee representatives of all group companies for their active commitment, their great dedication, their successful work and especially for their contribution to the preparation of the IPO of RENK Group AG. They have made a significant contribution to a very successful year for RENK.

Augsburg, March 26, 2024

For the Supervisory Board
Claus von Hermann
Chairman

Trusted Partner.

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