

 **RENK Holding GmbH**

Consolidated financial statements of  
RENK Holding GmbH, Munich (now  
RENK Group AG, Augsburg) (prepared  
in accordance with IFRS) as of and for  
the fiscal year ended December 31, 2021

(Translation - the German text is authoritative; excluding  
management commentary)

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Consolidated financial statements of RENK Holding GmbH,  
Munich (now RENK Group AG, Augsburg) (prepared in  
accordance with IFRS) as of and for the fiscal year ended  
December 31, 2021

## Consolidated Income Statement

EUR thousand		2021	2020
	Note	Jan. 1 - Dec. 31	Jan. 2 - Dec. 31*
Revenue	[6]	697,660	154,974
Cost of sales		-573,124	-121,033
Gross profit		124,536	33,941
Other operating income	[7]	5,927	1,852
Net allowances on financial assets	[20]	-3,281	-833
Distribution expenses		-47,030	-9,160
General and administrative expenses		-34,353	-6,875
Other operating expenses	[8]	-20,477	-20,793
Operating profit		25,322	-1,868
Interest expense***	[9]	-33,600	-12,690
Other financial result***	[9]	18,511	1,706
Financial result***		-15,090	-10,984
Profit before tax**/***		10,232	-12,852
Income tax expense**/***	[10]	-11,111	-9,458
Profit after tax**/***		-878	-22,310
<i>thereof attributable to the shareholders of the parent**/****</i>		-878	-20,319
<i>thereof attributable to non-controlling interests</i>		—	-1,991

\* Figures have been adjusted, see note (13) "Business combination in 2020".

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

## Consolidated Statement of Comprehensive Income

EUR thousand	Note	2021 Jan. 1 - Dec. 31	2020 Jan. 2 - Dec. 31*
Profit after tax**/**		-878	-22,310
Items not reclassified to profit or loss			
Remeasurement of defined benefit liability	[10]	14,340	1,321
Deferred taxes**/**	[10]	-3,322	1,428
		11,017	2,749
Items reclassified to profit or loss in the future			
Currency translation differences		5,486	-104
		5,486	-104
Other comprehensive income for the period**/**		16,504	2,645
Other comprehensive income**/**		15,626	-19,665
<i>thereof attributable to the shareholders of the parent**/**</i>		<i>15,626</i>	<i>-17,674</i>
<i>thereof attributable to non-controlling interests</i>		<i>—</i>	<i>-1,991</i>

\* Figures have been adjusted, see note (13) "Business combination in 2020".

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## Consolidated Statement of Financial Position

### Assets

EUR thousand	Note	Dec. 31, 2021	Dec. 31, 2020*
Intangible assets**	[15]	435,570	239,662
Property, plant and equipment	[16]	332,378	300,340
Other and financial investments	[30]	23,667	22,983
Deferred tax assets**	[10]	1,492	3,861
Other non-current financial assets**/**	[21] [30]	22,133	13,978
Other non-current receivables	[21]	3,561	4,732
Non-current assets**/**		818,800	585,557
Inventories	[17]	250,040	248,604
Trade receivables	[18] [28]	117,497	131,626
Contract assets	[19] [30]	60,068	2,565
Current income tax receivables		9,588	13,386
Other current financial assets	[21] [30]	10,091	16,296
Other current receivables	[21]	8,098	7,449
Cash and cash equivalents		97,546	186,881
Current assets		552,928	606,807
**/**		1,371,728	1,192,364

\* Figures have been adjusted, see note (13) "Business combination in 2020".

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## Equity and liabilities

EUR thousand	Note	Dec. 31, 2021	Dec. 31, 2020*
Subscribed capital		25	25
Capital reserves		312,309	221,903
Retained earnings**/**		-23,189	-22,310
Cumulative other comprehensive income**/**		19,149	2,645
Equity**/**	[22]	308,294	202,263
Non-current financial liabilities***	[25] [30]	614,117	405,033
Pension provisions	[23]	6,411	16,023
Deferred tax liabilities**/**	[10]	87,261	80,115
Contract liabilities, non-current	[26]	39,398	78,544
Other non-current provisions	[24]	13,536	11,480
Other non-current financial liabilities	[29] [30]	639	232
Other non-current liabilities		30	–
Non-current liabilities and provisions**/**		761,392	591,427
Current financial liabilities***	[25] [30]	15,757	106,345
Income tax liabilities		599	652
Trade payables	[30]	65,816	49,383
Contract liabilities, current	[26]	121,612	106,380
Current income tax payables		1,256	496
Other current provisions	[24]	66,621	53,825
Other current financial liabilities	[27] [30]	2,904	53,014
Other current liabilities	[27]	27,476	28,579
Current liabilities and provisions***		302,042	398,674
**/**		1,371,728	1,192,364

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## Consolidated Statement of Changes in Equity<sup>1)</sup>

EUR thousand	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit liability	Currency translation	Total equity of majority shareholders	Non-controlling interests	Total equity
As of Jan. 2, 2020	–	–	–	–	–	0	–	0
Profit after tax	–	–	20,319**/***	–	–	-20,319**/***	-1,991**	-22,310**/***
Cumulative other comprehensive income	–	–	–	2,474**	-104	2,370**	275**	2,645
Other comprehensive income after tax	–	–	20,319**/***	2,474**	-104	-17,949**/***	-1,716**	-19,665**/***
Contribution establishment of RENK Holding GmbH	25	–	–	–	–	25	–	25
Shareholder contributions	–	221,903	–	–	–	221,903	–	221,903
Addition to basis of consolidation	–	–	–	–	–	0	51,553	51,553
Squeeze-out of non-controlling interests	–	–	-1,991**	275**	–	-1,716**	-49,837**	-51,553**
As of Dec. 31, 2020*	25	221,903	22,310**/***	2,749	-104	202,263**/***	–	202,263**/***
Profit after tax	–	–	-878**/***	–	–	-878**/***	–	-878**/***
Cumulative other comprehensive income	–	–	–	11,017**	5,486	16,504**	–	16,504**
Total comprehensive income after tax	–	–	-878**/***	–	–	15,626**/***	–	15,626**/***
Shareholder contributions	–	90,406	–	–	–	90,406	–	90,406
As of Dec. 31, 2021	25	312,309	23,189**/***	13,766**	5,382	308,294**/***	–	308,294**/***

1) Please see Note "Equity".

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## Consolidated Statement of Cash Flows

EUR thousand	Note	2021	2020
		Jan. 1 - Dec. 31	Jan. 2 - Dec. 31*
Cash and cash equivalents at beginning of period		186,881	–
Profit before tax**/***		10,232	-12,852
Income taxes paid	[10]	-8,861	-5,366
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[15] [16]	76,294	13,849
Write-downs/reversals other and financial investments		1,528	690
Change in provisions for pension obligations	[23]	4,776	-75
Gains/losses from asset disposals	[15] [16]	-363	-42
Other non-cash expenses and income**		-1,006	-1,407
Change in inventories	[17]	6,991	14,626
Change in receivables and contract assets**	[18] [19] [21]	8,621	-7,110
Change in (contract) liabilities	[25] [26]	-31,381	6,336
Change in other provisions	[24]	17,775	-3,090
Financial result (not including income from dividends)**/***	[9]	13,469	11,362
Cash flows from operating activities**/***		98,075	16,922
Payments to acquire property, plant and equipment and intangible assets	[16] [17]	-32,806	-15,564
Acquisition of subsidiaries	[13] [14]	-301,509	-503,366
Proceeds from asset disposals		2,593	404
Cash flows from loans receivable		7,441	–
Cash flows from restricted cash	[21]	3,406	-18,392
Income from dividends		1,621	–
Cash flows from investing activities		-319,254	-536,918
Equity contributions**		41,554	221,928
Proceeds from bond**	[25]	203,455	487,978
Repayment of IC loans**	[25]	-40,607	–
Change in cash pool**	[25]	275	–
Change in financial liabilities**	[25]	-213	-14
Acquisition of non-controlling interests		-51,553	–
Lease payments and interest payments on leases**	[17] [25]	-2,003	-384
Interest payments**	[9]	-20,160	-2,235
Cash flows from financing activities**		130,748	707,273
Effect of exchange rate changes on cash and cash equivalents		1,094	-395
Change in cash and cash equivalents		-89,335	186,881
Cash and cash equivalents at end of period		97,546	186,881
Restricted cash	[21]	9,944	18,392
Gross liquidity at end of period		107,490	205,273
Financial liabilities (excluding liabilities from cash pool)**	[25]	-629,600	-511,378
Net liquidity at end of period***		-522,110	-306,105

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# Notes to the Consolidated Financial Statements

## Principles of Financial Reporting

### (1) General principles

RENK Holding GmbH, domiciled in Augsburg, Germany, is registered with Augsburg Local Court under HRB 37339. With the entry dated April 5, 2022, the company's registered office was moved to Augsburg, as this is the headquarters for its main operating activities. The company operates as a holding in the RENK Group. RENK develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

In what follows, the group of RENK Holding GmbH will be designated as RENK or the RENK Corporation. The RENK Corporation including the non-consolidated equity investments will be designated the RENK Group.

In accordance with section 290(1) and (2) HGB, RENK Holding GmbH, which was founded in fiscal year 2020 and is held by the financial investor Triton, 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. After the acquisition of the shares from Volkswagen-Vermögensverwaltungs-GmbH, RENK GmbH with its subsidiaries has been included in the consolidated financial statements since October 2020.

RENK FinCo GmbH, RENK GmbH and RENK Test System GmbH exercise the exemption provided by section 291 of the Handelsgesetzbuch (HGB - German Commercial Code) and do not prepare their own consolidated financial statements or corporate management report. In addition, the companies applied the exemption provision in accordance with section 264(3) HGB and therefore did not disclose their annual financial statements or prepare notes or a management report.

These consolidated financial statements of RENK Holding GmbH (smallest group) for the fiscal year from January 1 to December 31, 2021 were prepared in line with section 315e(3) of the German Commercial Code (HGB) in accordance with the International

Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association on March 14, 2022 and approved for submission to the shareholder by resolution of the management.

The consolidated financial statements have been prepared in euro, the functional currency of the RENK Corporation. Unless stated otherwise, all figures are in thousands of euro (EUR 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 "-".

### Changes in the consolidated financial statements for fiscal year 2021

#### 1. Change of the information on exempted companies based on § 264 (3) HGB

The consolidated financial statements as of December 31, 2021, including the Group management report, were prepared on March 14, 2022, and subsequently amended. The amendment related to the inclusion of RENK Magnet-Motor GmbH in the disclosure of subsidiaries exempted under 264 (3) HGB in the notes to the consolidated financial statements. These amended consolidated financial statements were approved by resolution of the Annual General Meeting on May 15, 2023.

#### 2. Correction of a material misstatement

The amended consolidated financial statements as of December 31, 2021, including the Group management report, have been amended again as follows. Some of the amendments had to be recognized retrospectively in accordance with IAS 8.

The changes in the income statement, the statement of comprehensive income, the statement of financial position, and the statement of changes in equity mainly relate to the values of deferred taxes.

This concerns the consolidated income statement as follows:

EUR thousand	2021 as reported	Adjustment	2021 adjusted	2020 as reported	Adjustment	2020 adjusted
<b>Profit before tax</b>	<b>-2,561</b>	<b>0</b>	<b>-2,561</b>	<b>-14,858</b>	<b>0</b>	<b>-14,858</b>
Income tax expense	-8,604	1,589	<b>-7,015</b>	-10,665	1,848	<b>-8,818</b>
<b>Profit after tax</b>	<b>-11,165</b>	<b>1,589</b>	<b>-9,576</b>	<b>-25,524</b>	<b>1,848</b>	<b>-23,676</b>

This concerns the consolidated statement of financial position as follows:

EUR thousand	2021 as reported	Adjustment	<b>2021 adjusted</b>	2020 as reported	Adjustment	<b>2020 adjusted</b>
<b>Assets</b>	<b>1,368,289</b>	<b>-16,529</b>	<b>1,351,760</b>	<b>1,177,604</b>	<b>6,374</b>	<b>1,183,978</b>
Goodwill	70,579	6,374	<b>76,953</b>	20,978	6,374	<b>27,352</b>
Deferred tax assets	24,394	-22,902	<b>1,492</b>	3,861	0	<b>3,861</b>
<b>Equity and liabilities</b>	<b>1,368,289</b>	<b>-16,529</b>	<b>1,351,760</b>	<b>1,177,604</b>	<b>6,374</b>	<b>1,183,978</b>
Deferred tax liabilities	100,614	-18,089	<b>82,525</b>	74,949	4,526	<b>79,475</b>
Equity	296,670	1,561	<b>298,231</b>	199,049	1,848	<b>200,897</b>
Retained earnings	-36,688	3,436	<b>-33,252</b>	-25,524	1,848	<b>-23,676</b>

Significant changes affecting only the **2021 fiscal year**:

- Additional netting of deferred taxes at Group level in the amount of EUR 20,581 thousand.
- Reversal of deferred tax assets on shares in subsidiaries. This results in a correction of deferred tax assets in the amount of EUR -1,218 thousand recognized in profit or loss.

The following significant changes were recognized retrospectively in the **2020 fiscal year**:

- Adjustment of deferred taxes as part of the purchase price allocation with the main effect that a EUR 6,374 thousand higher deferred tax liability and correspondingly higher goodwill (+EUR 6,374 thousand) were recognized as of the date of first-time consolidation of the acquired RENK Group in fiscal 2020.
- Adjustments to the tax treatment of pension plan assets. This resulted in a tax expense for 2020 that was EUR 1,744 thousand lower and a deferred tax liability that was lower by this amount. For 2021, the tax expense was EUR 2,668 thousand lower and the deferred tax liability was EUR 2,668 thousand lower.

The effects resulting from the above-mentioned changes to the income statement and statement of financial position also led to adjustments to the statement of comprehensive income and statement of changes in equity, as well as to adjustments to the notes to the consolidated financial statements.

The following additional material adjustments have been made:

- Adjustment of the allocation between cash and non-cash items, as well as offsetting of loans and liabilities or capital contributions by affiliated companies. As a result, the cash flow from operating activities changed. It amounts to EUR 98,077 thousand (previously: EUR 110,305 thousand). The cash flow from financing activities changed from EUR 118,519 thousand to EUR 130,748 thousand. Additional disclosures have been made in the cash flow statement and in Note (25).
- A presentation of the management participation program, which qualifies as a share-based payment under IFRS 2, has been added. This participation program represents an equity-settled plan at Group level. This did not have any effect on the income statement. Please refer to Note 33.

In addition to these material adjustments, further amendments have been made to the notes to the consolidated financial statements (Note 14, 23(d), 24, 27, 28, 30). All amendments are marked with a double asterisk\*\*.

### 3. Correction of a material misstatement in the accounting treatment of a bond

After approval by resolution of the general meeting of May 26, 2023 the amended consolidated financial statements as of December 31, 2021, including the Group management report, have been amended once again. Some of the amendments had to be recognized retrospectively in accordance with IAS 8.

In the fiscal year 2020, the company issued a bond with a nominal value of EUR 320 million with an interest coupon of 5.75% and a term of five years at TISE in Guernsey. The bond was increased by an amount of EUR 200 million in the fiscal year 2021 to a total nominal value of EUR 520 million, with the interest coupon and the original agreed term remaining unchanged. The additional EUR 200 million was paid out at a premium of EUR 6 million.

As part of the preparatory activities for the 2023 consolidated financial statements, it was determined that the bond contains termination rights, which represent embedded derivatives that must be separated and were not previously recognized. As a result, the liability of the bond and the derivatives were understated for the fiscal year 2020. The separate termination rights must subsequently be recognized at fair value, with the changes in value recognized in profit or loss in the financial result.

Furthermore, the increase in the bond in the fiscal year 2021 represents a significant modification within the meaning of IFRS 9. As a result, the premium is to be recognized as part of the modification gain, which leads to a reduction in interest expenses in the fiscal year 2021. The interest expenses from the bond were therefore overstated in the fiscal year 2021, as the premium was recognized as part of the effective interest expenses over the entire remaining term.

As a result of the identified undervaluation of the derivatives and the bond in fiscal years 2020 and 2021, the effects of these adjustments on the periods presented are presented in the following tables.

This concerns the consolidated income statement as follows:

EUR thousand	2021 as reported	Adjustment	2021 ad-justed	2020 as reported	Adjustment	2020 ad-justed
<b>Interest expenses</b>	<b>-40,943</b>	<b>7,343</b>	<b>-33,600</b>	<b>-13,368</b>	<b>678</b>	<b>-12,690</b>
Other financial result	13,060	5,451	<b>18,511</b>	378	1,328	<b>1,706</b>
Financial result	-27,883	12,793	-15,090	-12,990	2,006	-10,984
<b>Profit before tax</b>	<b>-2,561</b>	<b>12,793</b>	<b>10,232</b>	<b>-14,858</b>	<b>2,006</b>	<b>-12,852</b>
Income taxes	<b>-7,015</b>	-4,096	<b>-11,111</b>	-8,818	-640	<b>-9,458</b>
<b>Profit after tax</b>	<b>-9,576</b>	<b>8,698</b>	<b>-878</b>	<b>-23,676</b>	<b>1,366</b>	<b>-22,310</b>

This concerns the consolidated statement of financial position as follows:

EUR thousand	2021 as reported	Adjustment	2021 ad-justed	2020 as reported	Adjustment	2020 ad-justed
<b>Assets</b>	<b>1,351,760</b>	<b>19,968</b>	<b>1,371,728</b>	<b>1,183,978</b>	<b>8,368</b>	<b>1,192,364</b>
Other non-current financial assets	2,165	19,968	<b>22,133</b>	5,592	8,386	<b>13,978</b>
<b>Equity and liabilities</b>	<b>1,351,760</b>	<b>19,968</b>	<b>1,371,728</b>	<b>1,183,978</b>	<b>8,386</b>	<b>1,192,364</b>
Non-current financial liabilities	622,735	-8,618	<b>614,117</b>	407,239	-2,206	<b>405,033</b>
Deferred tax liabilities	82,525	4,736	<b>87,261</b>	79,475	640	<b>80,115</b>
Current financial liabilities	1,970	13,787	<b>15,757</b>	97,759	8,586	<b>106,345</b>
Equity	298,231	10,063	<b>308,294</b>	200,897	1,366	<b>202,263</b>
Retained earnings	-33,252	10,063	<b>-23,189</b>	-23,676	1,366	<b>-22,310</b>

The effects resulting from the above-mentioned changes to the income statement and statement of financial position also led to adjustments to the statement of comprehensive income and the statement of changes in equity.

In accordance with the corrections presented, some of the amounts shown in Note 9, 10, 21, 25, 30, 31, also had to be adjusted. The other financial result for the previous year was increased by EUR 1,328 thousand, interest expenses were reduced by EUR 678 thousand and the tax expense from deferred taxes increased by EUR 640 thousand. All related amendments are marked with a triple asterisk\*\*\*.

## (2) Consolidation and measurement of equity investments

### (a) Equity investments

The equity investments of RENK Holding GmbH include subsidiaries and financial investments. All material domestic and foreign subsidiaries that RENK Holding GmbH controls directly or indirectly are included in the consolidated financial statements. Control exists when RENK Holding GmbH 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 companies and financial investments are recognized under other equity investments.

### (b) Basis of consolidation

#### Companies included

In addition to RENK Holding GmbH, the consolidated financial statements include the following wholly owned subsidiaries:

- RENK FinCo GmbH, Munich
- RENK GmbH, Augsburg
- RENK Magnet-Motor GmbH, Starnberg (formerly: Magnet-Motor GmbH)
- RENK Test System GmbH, Augsburg
- 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
- RENK America LLC, Muskegon (MI), USA (formerly: Combat Mobility Solutions LLC)
- RENK Holdings Inc., Muskegon (MI), USA (RENK Holdings Inc. was established in the context of the acquisition of RENK America LLC to bundle all US activities).

On March 1, 2021, RENK GmbH signed a contract on the acquisition of the Combat Propulsion Systems ("CPS") and RENK Magnet-Motor GmbH (formerly: Magnet-Motor GmbH)



("MM") units from L3Harris Technologies Inc. ("L3Harris"). The purchase agreement concluded was executed with effect from July 2, 2021. Please see "Business combination".

The companies RENK America LLC, RENK Magnet-Motor GmbH and RENK Holdings Inc., which were acquired in connection with the acquisition, are included in the consolidated financial statements of RENK Holding GmbH by way of full consolidation as of July 2, 2021.

Please see the corresponding note for a full overview of shareholdings of the RENK Group.

#### (c) Financial investments

Financial investments are measured at fair value through profit or loss. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

Effective August 19, 2021, RENK increased its share in Modest Tree Media Inc. from 17.54% to 28.89% by way of another capital contribution of CAD 3.3 million (EUR 2.3 million). This interest is held via the wholly owned subsidiary RENK Holding Canada Inc. It is accounted for at FV OCI.

#### (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 middle rate at the end of the reporting period; 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 companies 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 companies consolidated.

The financial statements are translated using the modified current 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 historic rates. The resulting translation differences are recognized in other comprehensive income until the disposal of the subsidiary and reported as a separate item in equity.

## Overview of key exchange rates

	Middle rate		Average price	
	Dec. 31, 2021	Dec. 31, 2020	2021	2020
			Jan. 1 - Dec. 31	Jan. 2 - Dec. 31
US dollar	1.13260	1.22710	1.13040	1.21700
Swiss franc	1.03310	1.08020	1.04080	1.08140
Pound sterling	0.84028	0.89903	0.84875	0.90624
Chinese yuan	7.19470	8.02250	7.19930	7.96020
Japanese yen	130.38000	126.49000	128.80000	126.28000

### (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 provisions from defined benefit pension 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 cost.

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

#### (a) Revenue recognition

When control of an asset is transferred to the customer, the entity satisfies its performance obligation and the corresponding revenue can be recognized. The asset comprises contractually agreed goods and services. At contract inception it is determined whether the performance obligation is satisfied over time. If the requirements for this are not met, the performance obligation is satisfied at a point in time in line with agreed trade terms ("Incoterms").

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity 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 calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

Revenue is determined by the transaction price, which is equal to the expected consideration including possible variable remuneration 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.

#### (b) Operating expenses

Operating expenses are recognized when the service is utilized; expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. 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.

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, with the exception of borrowing costs that are capitalized as part of the cost of qualifying assets. 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.

#### (c) Intangible assets

Individually acquired intangible assets are carried at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

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

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

There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment at least once a year and impairment losses are recognized if necessary. This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned to the place expected to benefit from the business combination from which the goodwill arose. The goodwill was not tested for impairment in fiscal year 2020, as it was only based on a provisional purchase price allocation, it only related to the purchase of RENK AG and there were also no triggering events that would have necessitated an impairment test. Based on these provisional figures, no sufficiently precise allocation to the cash-generating units was possible, which is required to carry out an impairment test. In fiscal year 2021, the goodwill resulting from the acquisition of the RENK Group was allocated to the cash-generating units and tested for possible impairment. The recoverability of the goodwill from the acquisition of RENK America and RENK Magnet-Motor in 2021 was confirmed by an impairment test as of December 31, 2021.

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually. No amounts were capitalized in fiscal year 2021 due to currently uncertain marketing opportunities.

#### (d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. 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 life. 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:

in years	
Buildings	10 to 50
Improvements	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

## (e) Leases

Under lessee accounting, the RENK Corporation's 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, when this is shorter.

The right-of-use assets shown in the statement of financial position are reported in those statement of financial position items in which the assets to which the lease relates would have been reported if the RENK Corporation had owned them. The right-of-use assets are therefore reported 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 EUR 5,000. Leases with a total term of up to 12 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 the RENK Corporation is used with regard to the currency area 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 2.60% and 2.75% (previous year: between 3.13% and 3.84%). 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 and the lease term and are adjusted for any remeasurements of the lease liability.

#### (f) Impairment

If there are indications that the carrying amounts of intangible assets, property, plant and equipment or other receivables may be impaired, an impairment test is performed. Intangible assets with indefinite useful lives, capitalized development costs not yet available for use and goodwill are tested for impairment at least annually.

The recoverable amount of the asset in question 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 on the basis of current planning by the management. 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 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.

A weighted average cost of capital before taxes (WACC) that reflects the market conditions is used as the discount rate. The discount rate is calculated on the basis of the interest rate for risk-free investments, a market risk premium and the borrowing rate and taking into account the 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 as 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.

The impairment tests at RENK are based on planning adjusted for the COVID-19 pandemic.

Please see "(i) Primary financial instruments" for information on impairment in connection with financial assets.

#### (g) 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.

With there are indications of a potential impairment, such as obsolescence, damage during storage or price changes, the net realizable value is calculated. If amortized cost exceeds net realizable value, then impairment is taken on inventories. If the reason for the impairment no longer applies in subsequent periods, the impairment loss on amortized cost is reversed.

#### (h) 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. Unconditional rights to consideration, which are to be recognized as receivables, must also be taken into account.

In the RENK Corporation, contract assets result from the satisfaction over time of performance obligations accounted for deploying input-based methods on the basis of costs incurred. Under this method, pro rata revenue and the cost of sales are reported 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 forecast 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 received 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 formed for the remaining share of the expected contract losses.

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

#### (i) 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. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.



Primary financial instruments include, in particular, trade receivables, financial investments, securities, cash and cash equivalents, financial liabilities, trade payables and other financial liabilities. Primary financial instruments are carried at fair value less or plus transaction costs on initial recognition. This excludes financial instruments recognized at fair value through profit or loss and trade receivables that do not have significant financing components, which are recognized at transaction price in accordance with IFRS 15. Fair value on initial measurement is generally the transaction price, i.e. the consideration given or received.

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

- at amortized cost;
- at fair value through other comprehensive income (debt instruments);
- at fair value through other comprehensive income (equity instruments);
- at fair value through profit or loss.

Financial liabilities are assigned to the following categories:

- at amortized cost;
- at fair value through profit or loss (FVTPL).

All financial liabilities are recognized initially at fair value less, in the case of a financial liability not at FVTPL, directly attributable transaction costs. Transaction costs are expensed as incurred for financial liabilities initially measured at FVTPL\*\*\*.

With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortized cost\*\*\*.

An embedded derivative in a hybrid contract, with a financial liability or a non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Multiple embedded derivatives in a single hybrid contract are treated as a single compound embedded derivative unless they relate to the different risk exposures, are readily separable and are independent of each other\*\*\*.

The assessment whether to separate an embedded derivative is done only once at initial recognition of the hybrid contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows\*\*\*.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The resulting gain or loss is recognized in the consolidated income statement\*\*\*.

Equity investments that are not consolidated for reasons of materiality and financial instruments from rights and obligations under IFRS 15 “Revenue from Contracts with Customers” are not assigned to a measurement category under IFRS 9 “Financial Instruments”, though the impairment provisions of IFRS 9 must be taken into account for the latter financial assets on account of an exemption.

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows. These financial assets are thus measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount:

- at which the financial asset or financial liability is measured on initial recognition;
- less any repayments;
- less any recognized loss allowances, write-downs for impairment on or the uncollectibility of financial assets; and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable on maturity (premium, discount) using the effective interest method.

In the RENK Corporation, the “Financial assets at amortized cost” category mainly comprises trade receivables, other financial assets and cash and cash equivalents. Non-interest-bearing and low-interest-bearing receivables with a remaining term of more than twelve months are discounted by discounting the future cash flows at the market rate.

The credit risk of financial assets at amortized cost and contract assets under contracts with customers is taken into account by the recognition of corporation-wide loss allowances for expected credit losses (expected credit loss model) and by recognizing impairment for the losses already incurred. A potential impairment is assumed not just if certain circumstances apply - such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application for insolvency proceedings or failure of restructuring measures - but also for receivables not past due. In addition to the above objective indications, the length of time payments are past due is also taken into account in assessing increases in credit risk.

To calculate loss allowances, insignificant receivables and significant individual receivables without evidence of impairment are grouped into homogeneous portfolios based on common credit risk characteristics and broken down by risk class. Average historical probabilities of default in conjunction with the future parameters of the respective portfolio are used to calculate the amount of impairment.

Impairment for expected credit losses is calculated using a general approach based on the allocation of financial assets to the following stages:

**Level 1:**

For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

**Level 2:**

For financial assets for which the risk of default has increased significantly at the end of the reporting period compared to the initial risk, a loss allowance is recognized for the lifetime expected credit losses of the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

**Level 3:**

If there is objective evidence of impairment since the last reporting date, such as significant financial difficulties at the debtor, default or past-due payments, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

Regardless of the stages of the general approach described above, a loss allowance is recognized over the entire term of financial assets from the time of their addition if there is already objective evidence that they are credit-impaired on initial recognition.

The gross carrying amount of financial assets is written down if there is no valid expectation that the obligor will settle its liability in full or in part or that collateral can be realized, e.g. on the opening of insolvency proceedings or the failure of restructuring measures.

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 receivables and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

Loss allowances were calculated in line with the simplified approach using the following impairment table:

	Past due by			
	Not past due	1-30 days	31-90 days	> 91 days
Loss allowance rate in 2020	0.05%	0.75%	1.75%	3.40%
Loss allowance rate in 2021	0.17%	3.80%	6.75%	10.19%

If there is objective evidence of individual impairment, the provision matrix is disregarded and a specific valuation allowance is recognized on trade receivables in the amount of the losses already incurred in line with stage 3 of the general approach.

Bad debt allowances on receivables are usually recognized in a separate allowance account. They are derecognized at the same time as the corresponding impaired receivable.

Financial assets at fair value through other comprehensive income include financial investments for which the RENK Corporation exercises the irrevocable option for measurement at fair value through other comprehensive income. In the context of recognition through other comprehensive income, the changes in fair value after taking deferred taxes into account and all foreign exchange components are recognized in accumulated other comprehensive income. Reclassification to profit or loss when the financial asset is sold is not permitted, and instead reclassification is to retained earnings on disposal of the equity investment.

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

Central finance management across the RENK Corporation is performed by RENK GmbH.

Cash for the RENK Corporation operating units is essentially managed centrally by RENK GmbH as part of cash pooling. Here the account balances of RENK GmbH and its consolidated subsidiaries are generally combined on a daily basis. In this way, RENK GmbH manages and guarantees the RENK Corporation's liquidity and credit supply.

#### (j) Derivative financial instruments

The RENK Corporation uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. The most important derivative financial instruments for RENK are currency forwards and options.

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

The fair value for listed derivatives is their positive or negative market value, taking counterparty risk into account as applicable. 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.

In the framework of the central financial management at the RENK Corporation, the hedging transactions of the Corporation companies are performed by RENK GmbH and charged on to the companies.

#### (k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. 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 of 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 taxation authority and to the extent that their maturities match.

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.

#### (I) 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 reported 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 equity.

Payments for defined contribution plans are recognized in functional expenses.

#### (m) 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 is as good as 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 of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. 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.

#### (n) Contingent liabilities

If the criteria for forming a provision are not satisfied, but the outflow of financial resources is not remote, then these obligations are stated in the notes to the consolidated financial statements. Contingent liabilities are recognized if the obligations have become more specific, i.e. the outflow of resources has become probable and their amount can be reliably estimated.

#### (o) Embedded derivatives\*\*\*

For non-financial contracts and financial liabilities that are recognized at amortized cost, an assessment is made at inception of the contract as to whether there are any embedded derivatives that must be separated. Embedded derivatives are separated if their terms are not closely related to those of the host contract. A separated embedded derivative is measured at fair value with the corresponding changes in value recognized in the financial result in the consolidated income statement.

#### (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 Corporation.

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) Estimates and judgments

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made 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 knowledge and belief to provide a true and fair view of the net assets, financial position and results of operations of the Corporation. Any uncertainty is adequately 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 of the RENK Group. 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:

Estimates of the useful life of depreciable assets are based on past 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.

Individual performance obligations are accounted for over time using the percentage of completion method. Revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage 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. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.



Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. 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 remuneration components are based on management estimates.

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 the "Pensions and similar obligations" section.

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.

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails 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 is as a result of a past event, whether a future outflow is likely and whether 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.

(4) **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 basis of consolidation and exchange rates are eliminated in the respective positions. The effect of exchange rate changes on cash and cash equivalents is reported 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 company acquisition, cash flows from investing activities also include cash flows from loans receivable and restricted cash. Proceeds from these items 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.

The cash and cash equivalents shown in the statement of cash flows correspond to the "Cash and cash equivalents" item in the statement of financial position and to cash in hand and bank balances.

(5) **New and revised accounting pronouncements and methods**

(a) **Impact of new and revised IFRSs**

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2021.

(b) **Other accounting standards effective for the first time**

The following amendments and accounting standards effective for the first time in fiscal year 2021 have no significant effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

Standard/Interpretation		Mandatory application	Explanation
IFRS 16	Amendments to lease modifications	April 1, 2021	Lease concessions granted due to the corona virus pandemic (e.g. lease-free interest, temporary lease reduction) can be accounted as if they were no lease modifications.
IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16	Interest Rate Benchmark Reform (Phase 2)	Jan. 1, 2021	The underlying reference interest rates IBORs are being reformed and replaced by risk free rates. The standard changes in Phase 2 relate to the period before the replacement of an existing benchmark interest rate with an alternative interest rate. The requirements for recognition, measurement and disclosures in the notes for hedge accounting were adjusted accordingly.
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	Jan. 1, 2021	Extension of the temporary exemption from applying IFRS 9

### (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 2021 consolidated financial statements.

Standard/Interpretation		Published by IASB	Mandatory application	Endorsed by	Expected impact
IFRS 3	Amendments to business combinations	May 14, 2020	Jan. 1, 2022	Yes	No impact
IFRS 17	Insurance Contracts; including amendments to IFRS 17	May 18, 2017 June 25, 2020	Jan. 1, 2023	Yes	No impact
IAS 1	Change to assessment criteria for classification of liabilities as current or non-current and disclosures on accounting policies	Jan. 23, 2020 July 15, 2020 Feb. 12, 2021	Jan. 1, 2023	No	No impact
IAS 8	Definition of accounting estimates	Feb. 12, 2021	Jan. 1, 2023	No	No material impact
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	May 7, 2021	Jan. 1, 2023	No	No material impact
IAS 16	Amendments to Property, Plant and Equipment	May 14, 2020	Jan. 1, 2022	Yes	No material impact
IAS 37	Amendments to Provisions, Contingent Liabilities and Contingent Assets	May 14, 2020	Jan. 1, 2022	Yes	No material impact
	Improvements to International Financial Reporting Standards 2018 – 2020	May 14, 2020	Jan. 1, 2022	Yes	No impact

## Notes to the Consolidated Income Statement

Due to the intra-year acquisition of the RENK Group as of October 1, 2020, the figures are comparable only to a limited extent.

(6)

### Revenue

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Americas	190,723	14,112
Other EU countries	163,697	45,048
Germany	153,004	41,698
Asia	128,419	44,647
Other European countries	54,266	7,723
Australia and Oceania	5,015	548
Africa	2,536	1,199
	697,660	154,974

All recognized revenue results from contracts with customers. The performance obligations extend to all products in the RENK Corporation's product range. The RENK Corporation mostly recognizes revenue at a point in time. The Vehicle Transmissions business includes revenue recognized over a period of time of EUR 123,106 thousand (previous year: EUR 9,166 thousand). RENK America LLC generated revenue of EUR 98,147 thousand in fiscal year 2021.

RENK uses standard international trade terms (Incoterms) to demonstrate the performance of its obligations, whereby all groups are applied and allocation to a specific product group is not possible.

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 EUR 1,276,845 thousand (previous year: EUR 1,030,254 thousand) as of December 31, 2021. The recognition of the corresponding revenue is expected in the following fiscal years:

EUR thousand			
Dec. 31, 2020	2021	2022 to 2027	>2027
Transaction price of remaining performance obligations as of Dec. 31, 2020	487,022	479,551	63,681
Dec. 31, 2021	2022	2023 to 2028	>2028
Transaction price of remaining performance obligations as of Dec. 31, 2021	731,834	490,034	54,977

(7) Other operating income

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Income from exchange rate changes and derivatives	3,816	1,349
Income from reversal of provisions	1,224	131
Income from asset disposals	531	47
Prior-period income	79	161
Miscellaneous other income	277	165
	5,927	1,852

Please see “Other non-current and current provisions” for information on income from the reversal of provisions.

Income from exchange rate changes and derivatives firstly includes 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.

(8) Other operating expenses

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Incidental costs of business combinations	7,968	16,271
Expenses from currency translation differences	5,127	346
Personnel expenses	3,340	1,621
Addition to miscellaneous other provisions	1,458	740
Losses from asset disposals	167	-
Bank fees	160	93
Miscellaneous other expenses	2,256	1,722
	20,477	20,793

Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

In fiscal year 2021, other operating expenses included the incidental costs of EUR 7,968 thousand from the acquisition of the Combat Propulsion Systems business and RENK Magnet-Motor GmbH (formerly: Magnet-Motor GmbH) from L3Harris Technologies Inc. In the previous year, the cost of business combination comprised consulting expenses and costs for export opinions, insurance fees and other taxes in connection with the acquisition of the interest in the former RENK AG (now RENK GmbH).

Expenses from exchange rate changes and derivatives firstly 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.

(9) Interest expense and other financial result

Interest expense

EUR thousand	2021	2020
	Jan. 1 - Dec. 31	Jan. 2 - Dec. 31
Interest expenses on bonds***	17,833	8,561
Loan interest	5,888	1,820
Interest on bridge funding	4,060	-
Guarantee commissions	3,165	929
Interest cost on provisions and liabilities	252	69
Other interest and similar expenses	2,402	1,311
***	33,600	12,690

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of EUR 33 thousand (previous year: EUR 8 thousand) in fiscal year 2021 and is included in interest expense.

The interest expense on bonds includes interest accrued based on the effective interest amounting to EUR 17,833 thousand for 2021 and EUR 8,561 thousand for 2020. As the issuance of the new tranche of EUR 200 million was treated as a modification under IFRS 9 the company had to record a modification gain amounting to EUR 5,995 thousand in order to adjust the amortized cost to the present value of the new contractual cash streams based on the historical effective interest, which has been shown as a deduction of the interest expense\*\*\*.

The interest cost on provisions and liabilities includes interest expenses from lease liabilities in the amount of EUR 152 thousand (previous year: EUR 43 thousand).



## Other financial result

EUR thousand	2021	2020
	Jan. 1 – Dec.	Jan. 2 – Dec.
	31	31
Income		
Income from measurement effects	12,105	106
Income from fair value changes of embedded derivatives***	5,451	1,328
Income from dividends	1,621	605
Other interest and similar income	436	-
Income from securities	426	357
Expenses		
Expenses from write-downs on non-consolidated companies	-1,528	-690
***	18,511	1,706

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Fair value changes mainly resulted from changes in fair value of compound embedded of EUR 5,451 thousand (previous year: EUR 1,328 thousand) \*\*\*.

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

(10)

## Income tax expense

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Current taxes		
Germany	8,342	-1,021
Outside Germany	4,998	1,030
Deferred taxes		
Germany**/**	2,930	9,709
Outside Germany	-5,158	-260
**/**	11,111	9,458

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a

Current tax income includes prior-period income tax of EUR 74 thousand (previous year: EUR 221 thousand).

The tax expense forecast for fiscal year 2021 results from applying the domestic tax rate of 32.0% (previous year: 31.9%) for the 2021 assessment period to the profit before tax. This tax rate takes into account German municipal trade tax of 16.1% (previous year: 16.0%) as well as the German corporate income tax of 15.0% and the solidarity surcharge of 5.5% 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 companies at various locations.

A weighted tax rate for the RENK Corporation was recognized based on the earnings contributions and tax rates of the individual companies in the Corporation. The tax rate for the Corporation as of December 31, 2021 was 31.6% (previous year: 30.0%). Local tax rates for foreign companies range from 19% to 26.13% (previous year: from 19.0% to 28.0%). The change in the tax rate for the Corporation is attributable to the change in the Corporation's structure due to the acquisition of RENK America.

#### Reconciliation of forecast to current income taxes

EUR thousand	2021		2020	
	Jan. 1 - Dec.		Jan. 2 - Dec.	
	31	%	31	%
Profit before tax**/**	10,232	100	-12,852	100
Forecast tax expense	3,232	31.6%	-3,856	30.0%
Difference due to changes in tax rates	212	2%	-25	0%
Tax-exempt income**	-394	-4%	-357	3%
Non-deductible expenses	311	3%	186	-2%
Effects from permanent accounting deviations***	2,769	27%	8,484	-66%
Effects from write-downs of hidden reserves**	6,819	67%	0	0%
Effects from incidental costs of business combination	0	0%	5,563	-43%
Taxes for previous years and other**/**	-1,838	-18%	-538	4%
Current tax expense**/**	11,111	109%	9,458	-74%

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Effects from incidental costs of the business combination, which were recognized separately in the previous year, related to the acquisition of the RENK Group. For reasons of materiality, these effects are not presented separately in the current year. The incidental costs incurred in connected with the acquisition of RENK America are tax-deductible in the US and do not lead to deferred taxes.

Tax-exempt income mainly relates to tax-exempt investment income in the fiscal year.

Deferred tax assets on the remeasurement of pension plans are recognized in other comprehensive income. The higher deferred tax expense in the previous year relates to the reclassification of unrealized gains and losses from pension assets from the "taxable" category to the "tax-exempt" category.

In the reconciliation, this effect is recognized under permanent accounting deviations.

Deferred taxes are attributable to the following items:

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	4,215	20
Property, plant and equipment	610	0
Other equity investments and financial investments**	0	185
Inventories	10,065	12,271
Receivables and other assets	1,996	537
Pensions and similar obligations**	8,682	11,291
Liabilities and other provisions**	23,064	7,447
Loss carryforwards	678	523
Gross amount**	49,310	32,275
Offset**	-47,819	-28,413
Carrying amount in statement of financial position**	1,492	3,861

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Deferred tax assets on unused tax losses were recognized in the amount of EUR 678 thousand in the fiscal year (previous year: EUR 523 thousand). Based on the anticipated future business development at the time the consolidated financial statements were prepared and on the basis of the tax-related earnings planning, this tax asset is expected to be utilized within the corresponding utilization period of the losses. There are no other tax loss carryforwards for which the recognition of deferred taxes would be an option.

There are corporate income tax and trade tax loss carryforwards of around EUR 6.0 million each in the Corporation, for which no deferred taxes have been recognized due to the anticipated future income.

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Intangible assets**	60,617	58,221
Property, plant and equipment**	34,207	30,100
Other equity investments and financial investments***	6,757	5,256
Inventories	454	263
Receivables and other assets**	8,978	3,812
Liabilities and other provisions**/***	24,067	10,875
Gross amount**/***	135,080	108,527
Offset**/***	-47,819	-28,413
Carrying amount in statement of financial position**/***	87,261	80,115

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

In connection with investments in subsidiaries there are temporary differences for which deferred tax liabilities are recognized in the amount of EUR 268 thousand (previous year: EUR 245 thousand).

The recognition of actuarial gains and losses for pension obligations through other comprehensive income leads to a deferred tax asset of EUR 5,070 thousand (previous year: EUR 1,428 thousand). In addition, all other changes with the exception of changes due to initial consolidations were recognized through profit or loss.

Deferred taxes on retained profits of foreign subsidiaries in the amount of EUR 175,441 thousand (previous year: EUR 69,450 thousand) are not calculated, as these profits are largely to be used at the companies. Distributions would generally lead to additional tax expense.

Based on the current planning, the retained profits at subsidiaries of EUR 552 million (previous year: EUR 561 million) are to be reinvested. On distribution, 5% of the profits would be subject to German taxation; foreign withholding taxes might also be payable. In addition, there might be further income tax consequences in the case of distributions of profits of a foreign subsidiary to a foreign interim holding company. Distributions would therefore generally lead to additional tax expense. The calculation of the deferred tax liabilities relating to the taxable temporary differences would involve disproportionate effort.

#### (11) Other income statement disclosures

The cost of sales includes research and development costs of EUR 18,195 thousand (previous year: EUR 5,152 thousand).

Staff costs break down as follows:

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Wages and salaries	188,619	42,136
Social security	41,210	10,382
<i>thereof post-employment expenses</i>	<i>10,516</i>	<i>1,794</i>
	229,829	52,518

Staff costs are included in the cost of sales in the amount of EUR 183,611 thousand (previous year: EUR 42,109 thousand), in distribution expenses in the amount of EUR 27,947 thousand (previous year: EUR 6,414 thousand) and in administrative expenses in the amount of EUR 18,271 thousand (previous year: EUR 3,995 thousand).

RENK employed 2,639 persons (previous year: 2,433 persons) on average over the year. Of these, 1,470 (previous year: 1,341) worked directly and 1,169 (previous year: 1,092) indirectly in production. There were 38 (previous year: 34) employees in the non-active phase of early retirement. On average, 116 (previous year: 107) people were in vocational training.

Short-term leases of EUR 280 thousand (previous year: EUR 56 thousand) and low-value leases of EUR 115 thousand (previous year: EUR 59 thousand) were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

## (12) Total remuneration for work by the auditor

On August 23, 2021, the Annual General Meeting of RENK Holding GmbH selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (EY) as statutory auditor for the 2021 consolidated financial statements.

The table below shows the fees charged for the work of the auditor EY GmbH in fiscal years 2021 and 2020:

EUR thousand	2021	2020
	Jan. 1 - Dec.	Jan. 2 - Dec.
	31	31
Other assurance services	542	2
Audit of the financial statements	514	133
Tax advisory services	18	150
Other services	169	7
Auditor remuneration	1,243	292

Audit services comprise the audit of the consolidated financial statements of RENK Holding GmbH and the IFRS audits and IFRS reviews of individual subsidiaries.

## Notes to the Consolidated Statement of Financial Position

### (13) Business combination in 2020

With effect from October 6, 2020, the share purchase agreement concluded on January 30, 2020 between Rebecca BidCo AG (formerly: Rebecca BidCo GmbH), an indirect 100% subsidiary of RENK Holding GmbH, and Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg, and the acquisition of the shares tendered in the context of the voluntary public takeover bid March 10, 2020, was completed. On this day, Rebecca BidCo AG informed RENK AG that it now disposed over more than 90% of the share capital. On October 7, 2020, Rebecca BidCo AG notified RENK AG of its request to have the RENK AG Annual General Meeting, in accordance with section 62(1) and (5) German Transformation Act (UmwG) in connection with section 327a(1) sentence 1 AktG on the transfer of the shares of the other shareholders (non-controlling interests) to Rebecca BidCo AG against payment of an appropriate cash compensation, resolve the merger of RENK AG and Rebecca BidCo AG (a squeeze-out in terms of merger law). On November 16, 2020, Rebecca BidCo AG informed RENK AG that the cash settlement had been determined at EUR 105.72 per share. The Extraordinary General Meeting of RENK AG on December 22, 2020 approved the squeeze-out in terms of merger law. The merger became effective with its registration on December 22, 2020 and its entry into the Commercial Register on February 15, 2021. The retroactive merger date was January 1, 2020. With the completion of the merger, Rebecca BidCo AG was renamed RENK Aktiengesellschaft. The aim of the acquisition is the strategic expansion of the financial investor, TRITON.

Due to the size and complexity of the transaction, the purchase price allocation as of December 31, 2020 was provisional. The final fair values of the assets and liabilities as of the acquisition date were determined as of October 5, 2021 on the basis of external and internal valuations. The table below shows the adjustments to fair values as of October 6, 2020:

EUR thousand	Provisional		Final
	PPA	Adjustment	
Acquired brands	37,000	–	37,000
Order backlog	48,300	4,059	52,359
Goodwill	39,018	-11,666**	27,352**
Other intangible assets	74,600	30	74,630
Customer bases	49,600	1,016	50,616
Land, buildings, buildings on third-party land	23,960	940	24,900
Technical equipment and machinery	17,800	1,973	19,773
Other equipment, operating and office equipment	–	2,352	2,352
Interests in affiliated companies (at cost)	7,500	-725	6,775
Deferred tax liabilities on intangible assets	-69,854	2,166**	67,688**
Deferred tax liabilities on property, plant and equipment	-12,528	-2,296**	14,824**
Deferred tax liabilities on interests in companies	-2,250	2,151	-99
Total	213,146	0	213,146

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

The consolidated statement of financial position as of December 31, 2020 and the income statement and cash flow statement for fiscal year 2020 were adjusted on the basis of the final purchase price allocation from the acquisition of the former RENK Group.



Income statement – adjustment			2020
EUR thousand	Before adjustment	Adjustment	Adjusted
Revenue	154,974		154,974
Cost of sales	-119,661	-1,372	-121,033
Gross profit	35,313	-1,372	33,941
Other operating income	1,852		1,852
Net allowances on financial assets	-833		-833
Distribution expenses	-9,160		-9,160
General and administrative expenses	-6,875		-6,875
Other operating expenses	-20,793		-20,793
Operating profit	-496	-1,372	-1,868
Interest expense	-13,368		-13,368
Other financial result	378		378
Financial result	-12,990		-12,990
Profit before tax	-13,486	-1,372	-14,858
Income tax expense	-10,704	142**	10,562**
Profit after tax	-24,190	-1,230**	25,420**

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Statement of financial position for the  
Corporation – adjustment

Dec. 31, 2020

EUR thousand	Before adjustment	Adjustment	Adjusted
Intangible assets	246,689	-7,027**	239,662**
Property, plant and equipment	295,983	4,357	300,340
Other and financial investments	23,708	-725	22,983
Deferred tax assets	3,861		3,861
Other non-current financial assets	5,592		5,592
Other non-current receivables	4,732		4,732
Non-current assets	580,565	-3,394**	577,171**
Inventories	248,604		248,604
Trade receivables	131,626		131,626
Contract assets	2,565		2,565
Current income tax receivables	13,385		13,386
Other current financial assets	16,296		16,296
Other current receivables	7,449		7,449
Cash and cash equivalents	186,881		186,881
Current assets	606,806		606,807
	1,187,371	-3,394**	1,183,978**

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Statement of financial position for the Corporation –  
adjustment

Dec. 31, 2020

EUR thousand	Before adjustment	Adjustm ent	Adjusted
Subscribed capital	25		25
Capital reserves	221,903		221,903
Retained earnings	-24,190	-1,230**	-25,420**
Cumulative other comprehensive income	2,645		2,645
Equity	200,383	-1,230**	199,153**
Non-current financial liabilities	407,239		407,239
Pension provisions	16,023		16,023
Deferred tax liabilities	83,382	-2,164**	81,219**
Contract liabilities, non-current	78,544		78,544
Other non-current provisions	11,480		11,480
Other non-current financial liabilities	232		232
Non-current liabilities and provisions	596,900	-2,164**	594,737**
Current financial liabilities	97,759		97,759
Income tax liabilities	652		652
Trade payables	49,383		49,383
Contract liabilities, current	106,380		106,380
Current income tax payables	496		496
Other current provisions	53,825		53,825
Other current financial liabilities	53,014		53,014
Other current liabilities	28,578		28,579
Current liabilities and provisions	390,087		390,088
	1,187,371	-3,394**	1,183,978**

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

## Statement of cash flows for the Corporation

– adjustment

Dec. 31, 2020

EUR thousand	Before adjustment	Adjustment	Adjusted
Cash and cash equivalents at beginning of period	-	-	-
Profit before tax	-13,486	-1,372	-14,858
Income taxes paid	-5,366	-	-5,366
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	12,477	1,372	13,849
Write-downs/reversals other and financial investments	690	-	690
Change in provisions for pension obligations	-75	-	-75
Gains/losses from asset disposals	-42	-	-42
Other non-cash expenses and income	-1,407	-	-1,407
Change in inventories	14,626	-	14,626
Change in receivables and contract assets	-7,110	-	-7,110
Change in (contract) liabilities	6,336	-	6,336
Change in other provisions	-3,090	-	-3,090
Finance costs	13,368	-	13,368
Cash flows from operating activities	16,921	-	16,921
Payments to acquire property, plant and equipment and intangible assets	-15,564	-	-15,564
Acquisition of subsidiaries	-503,366	-	-503,366
Proceeds from asset disposals	404	-	404
Cash flows from loans receivable and restricted cash	-18,392	-	-18,392
Cash flows from investing activities	-536,918	-	-536,918
Equity contributions	221,928	-	221,928
Borrowing of financial liabilities	487,964	-	487,964
Lease payments	-384	-	-384
Interest payments	-2,235	-	-2,235
Cash flows from financing activities	707,273	-	707,273
Effect of exchange rate changes on cash and cash equivalents	-395	-	-395
Change in cash and cash equivalents	186,881	-	186,881
Cash and cash equivalents at end of period	186,881	-	186,881
Cash flows from loans receivable and restricted cash	18,392	-	18,392
Gross liquidity at end of period	205,273	-	205,273
Financial liabilities	-500,268	-	-500,268
Net liquidity at end of period	-294,995	-	-294,995

The disclosures in the notes related to the adjusted figures.

(14) Business combination in 2021

On March 1, 2021, RENK GmbH signed a contract for the acquisition of the Combat Propulsion Systems business ("CPS") and L3Harris Technologies Inc. ("L3Harris") and 100% of the shares in RENK Magnet-Motor GmbH (formerly: Magnet-Motor GmbH) ("MM") from L-3 Communications Holding GmbH for a purchase price totaling around USD 398 million or EUR 337 million. After obtaining all necessary official authorizations, the purchase agreement concluded was executed with effect from July 2, 2021. The final purchase price is the agreed purchase price less contractually agreed variable components. The variable components relate to the cash inflows of CPS for the period from January 1, 2021 to July 2, 2021, the cash outflows of RENK Magnet-Motor to the former owner and a fee that is calculated based on the purchase price and the purchase date. After completing the transaction, the purchase price comes to USD 356 million or EUR 301 million.

The purchase price was settled in cash and cash equivalents. The existing bond was increased by a nominal amount of EUR 200 million to finance part of the purchase price. No changes were made to the original term of five years or the coupon of 5.75% p.a. The bond increase was recognized plus a premium of EUR 6,000 thousand and less the transaction costs of EUR 2,545 thousand. This was done using the effective interest method. The EUR 4,060 thousand incurred to secure the financing for the transaction is reported in interest expense.

CPS is an established manufacturer of transmissions and engines for tracked vehicles on the American and international market. MM is active in the development and construction of high-performance electric power supply and hybrid drive systems for military applications. On completion of the acquisition, RENK will become one of the world's leading suppliers of mobility solutions for armored vehicles with a focus on the US and Europe. The company will bundle the state-of-the-art technologies of RENK, the Horstman Group and CPS and MM.

RENK Holdings, Inc., Muskegon (MI), USA, a wholly owned subsidiary of RENK GmbH, and Combat Mobility Solutions LLC, Muskegon (MI), USA, (CMS), a wholly owned subsidiary of RENK Holdings, Inc., were founded on March 5, 2021. CMS was renamed RENK America LLC. On completion of the acquisition, RENK America acquires the assets of CPS in an asset deal.

RENK America LLC and RENK Magnet-Motor GmbH are included in the consolidated financial statements of RENK Holding GmbH from the acquisition date July 2, 2021 onward.

The new subsidiary RENK America formed to take over CPS assets is now a US center of excellence for the RENK Group. RENK America will complement and expand the RENK Group's global capacities in research and development, production and services.

As of the acquisition date, the fair values of the assets acquired and liabilities assumed from RENK America and RENK Magnet-Motor break down as follows:

EUR thousand	July 2, 2021
Purchase price	301,122
Intangible assets – customer base**	96,818
Intangible assets – technology**	48,381
Intangible assets – order backlog**	34,314
Other intangible assets	40
Property, plant and equipment	33,696
Inventories	6,248
Trade receivables	292
Contract assets	59,276
Other receivables	130
Cash and cash equivalents	1,825
Financial liabilities	2,250
Deferred tax liabilities	471
Trade payables and contract liabilities	21,950
Other liabilities	1,529
Other provisions	1,554
Goodwill	47,857

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

The goodwill resulting from the purchase price allocation is attributable to the expertise of the workforce and to the expectations for future synergies and future sales potential within the Vehicles Transmissions business. This goodwill is fully allocated to the Vehicles Transmissions business and is not tax-deductible overall. The trade receivables of EUR 292 thousand are gross amounts. They were classified as fully collectible as of the acquisition date.

Between July and December 2021, RENK America and RENK Magnet-Motor contributed EUR 103,358 thousand to the Corporation's revenue, EUR 15,484 thousand to its operating profit, and EUR 17,169 thousand to its profit after tax. This includes depreciation and amortization (not including depreciation and amortization from purchase price allocation) of EUR 1,239 thousand.

If the transaction had taken place on January 1, 2021, additional revenue of EUR 109,732 thousand, additional operating profit of EUR 37,989 thousand, and additional profit after tax of EUR 28,012 thousand (with an applicable income tax rate of 26% in the jurisdiction) would have been taken into account. Additional depreciation and amortization (not including depreciation and amortization from purchase price allocation) of EUR 1,333 thousand would have had to be taken into account for the first half of the year.\*\*

Taking account of the depreciation and amortization and deferred taxes from the purchase price allocation, there is an additional negative impact on earnings of EUR 21,649 thousand for the period from July to December 2021; if the acquisition had taken place at the beginning of 2021 already, an additional EUR 21,649 thousand would have been taken into account, reducing earnings.

Costs of EUR 7,968 thousand were incurred in the Corporation in connection with the business combination. These costs are recognized in full in Other operating expenses.

To expand the RENK America US center of excellence, the subsidiaries RENK Systems Corporation, Camby (IN), USA, and RENK Corporation, Duncan (SC), USA, were transferred to the new RENK GmbH subsidiary – RENK Holdings, Inc. – in the form of an equity contribution on July 2, 2021 as part of internal corporate restructuring.

RENK Holdings, Inc. will assume the holding function for RENK America and the Corporation companies transferred.

(15)

## Intangible assets

EUR thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
Gross carrying amount on Jan. 2, 2020	–	–	–	–
Cumulative depreciation/amortization and impairment losses	–	–	–	–
As of Jan. 2, 2020	–	–	–	–
Additions	415	–	–	415
Reclassifications	114	–	–	114
Disposals	-38	–	–	-38
Depreciation/amortization	-874	–	-4,269	-5,143
Cumulative depreciation/amortization on disposals	38	–	–	38
Addition to basis of consolidation	39,818	39,018	172,500	251,336
Currency adjustment	-35	–	1	-34
As of Dec. 31, 2020	39,438	39,018	168,232	246,689
Gross carrying amount on Dec. 31, 2020	40,257	39,018	172,500	251,775**
Cumulative depreciation/amortization and impairment losses	-819	–	-4,268	-5,087
Adjustment to (net)		-11,666**	4,640	-7,026**
As of Dec. 31, 2020 (adjusted)	39,438	27,352**	172,872	239,662**
Additions	1,247		52	1,299
Reclassifications	96		-1	95
Disposals	-951			-951
Depreciation/amortization	-6,265		-37,321	-43,586
Cumulative depreciation/amortization on disposals	934			934
Addition to basis of consolidation	50,501	47,857	136,886	235,244
Currency adjustment	78	1,744	1,051	2,873
As of Dec. 31, 2021	85,078	76,953**	273,539	435,570**
Gross carrying amount on Dec. 31, 2021	101,656	76,953**	315,600	
Cumulative depreciation/amortization and impairment losses	-16,578	0	-42,061	

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Amortization of intangible assets is included in the functional expenses, in the cost of sales in particular.

The addition to the basis of consolidation in the fiscal year relates to the initial consolidation of CPS and MM. Please see "Business combination".



The addition to the basis of consolidation in the previous year relates to the initial consolidation of the former RENK Corporation. In the previous year, intangible assets included amortization of EUR 4,731 thousand due to the provisional purchase price allocation. Please see "Business combination".

In the RENK Corporation, the carrying amount of goodwill is tested for goodwill at the end of each fiscal year.

The goodwill acquired as a result of business combinations is allocated to the cash-generating units for impairment testing. In the RENK Corporation, the four business segments are defined as cash-generating units.

The goodwill resulting from the acquisition of RENK is allocated to the Vehicle Transmissions (EUR 19,419 thousand) and Slide Bearings (EUR 7,933 thousand) businesses.

The remaining goodwill of EUR 52,647 thousand from the business combination with RENK America and RENK Magnet-Motor in fiscal year 2021 is fully allocated to Vehicle Transmissions. Please refer to the accounting principles in section (c) Intangible assets.

The recoverable amount of the respective business segments is determined by calculating the value in use. The values in use of the cash-generating units exceeded the allocated net assets in each case. The calculation is based on forecasts of cash flows over the next three years and a subsequent perpetuity. The table below shows the main assumptions on which the calculation of the values in use is based:

	Vehicle Transmissions	Slide Bearings
in %	2021	2021
Discount rate	10.7	10.7
Sustainable growth rate	1.0	1.0
Planned EBIT growth rate (average for next three years)	2.6	7.6

The goodwill was not tested for impairment in the previous year.

The discount rate is a pre-tax figure that was estimated on the basis of the historic weighted average cost of capital for the sector with a possible debt-to-equity ratio of 35.3% and a market interest rate of 0.1%.

The cash flow forecasts included specific estimates for three years and a perpetual growth rate thereafter. The sustainable growth rate was based on an estimate by the management.

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

- Decrease in the growth rate in the perpetuity to 0.5%
- Increase in the discount rate by 0.5%

The sensitivity analyses showed that with these assumptions, too, there is currently no need to recognize impairment of goodwill in any business segment.

After finalizing the purchase price allocation from the acquisition of the former RENK Group, goodwill developed as follows:

EUR thousand	Vehicle		Total
	Transmissions	Slide Bearings	
Carrying amount on Jan. 2, 2020	–	–	–
Additions	19,419**	7,933**	27,352**
Carrying amount of goodwill on Dec. 31, 2020	19,419**	7,933**	27,352**
Additions	47,857	–	47,857
Currency translation differences	1,744	–	1,744
Carrying amount of goodwill on Dec. 31	69,021**	7,933**	76,953**

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

The additions in fiscal year 2020 relate to the acquisition of RENK, while the additions in fiscal year 2021 relate to the acquisition of RENK America and RENK Magnet-Motor.

(16)

## Property, plant and equipment

	EUR thousand	Land and buildings	Right-of-use assets on land and buildings
Gross carrying amount on Jan. 2, 2020		–	–
Cumulative depreciation/amortization and impairment losses		–	–
As of Jan. 2, 2020		–	–
Additions		1,516	231
Reclassifications		1,188	–
Disposals		-19	-157
Depreciation/amortization		-1,075	-331
Write-downs		–	–
Reclassifications depreciation and amortization		124	–
Cumulative depreciation/amortization on disposals		4	–
Addition to basis of consolidation		106,572	5,750
Currency adjustment		-8	-20
As of Dec. 31, 2020		108,302	5,473
Gross carrying amount on Dec. 31, 2020		109,185	5,788
Cumulative depreciation/amortization and impairment losses		-882	-316
Adjustment to (net)		915	0
As of Dec. 31, 2020 (adjusted)		109,217	5,473
Additions		4,594	180
Reclassifications		7,410	–
Disposals		-20	-194
Depreciation/amortization		-4,469	-1,430
Write-downs		–	1
Reclassifications depreciation and amortization		–	–
Cumulative depreciation/amortization on disposals		9	195
Addition to basis of consolidation		17,377	2,247
Currency adjustment		556	149
As of Dec. 31, 2021		134,674	6,621
Gross carrying amount on Dec. 31, 2021		191,250	10,108
Cumulative depreciation/amortization and impairment losses		-56,575	-3,487

<b>Technical equipment and machinery</b>	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment	Prepayments and assets under construction	Total
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
3,119	3,005	68	7,479	15,418
4,730	-1,975	—	-3,998	-55
-1,174	-909	-60	-212	-2,531
-4,450	-1,226	-73	—	-7,155
-178	—	—	—	-178
-4	-119	—	—	1
1,131	1,085	57	—	2,277
139,047	14,479	299	22,081	288,228
3	-8	—	11	-22
142,224	14,332	291	25,361	295,983
145,698	14,580	307	25,361	300,917
-3,473	-248	-15	—	-4,934
1,247	2,195	0	0	4,357
143,471	16,527	291	25,361	300,340
11,453	4,947	267	10,017	31,458
7,483	386	—	-15,373	-94
-3,303	-490	-273	-2,228	-6,508
-21,537	-5,003	-271	—	-32,710
				1
				0
3,066	754	270	—	4,294
11,933	510	0	2,903	34,970
545	-715	5	87	627
153,111	16,916	289	20,767	332,378
319,551	54,173	568	20,767	
-166,440	-37,257	-279	0	

Depreciation on property, plant and equipment is included in the functional expenses, in the cost of sales in particular.

Property, plant and equipment from the acquisition of the CPS business and RENK Magnet-Motor GmbH are recognized under addition to the basis of consolidation in the fiscal year. Please see "Business combination".

The leases recognized as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets come to EUR 2,002 thousand in the current fiscal year (previous year: EUR 384 thousand).

#### (17) Inventories

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	41,062	38,925
Finished goods and work in progress	203,498	207,307
Prepayments for inventories	5,480	2,372
	250,040	248,604

Consumption of inventories of EUR 415,970 thousand (previous year: EUR 99,216 thousand) was recognized in the cost of sales in the reporting period.

Impairment losses on inventories of EUR 1,980 thousand (previous year: EUR 434 thousand) were recognized in the fiscal year.

#### (18) Trade receivables

Trade receivables break down as follows:

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Customer receivables	107,202	114,912
Receivables from affiliated companies	5,860	7,869
Customer prepayment receivables	4,434	8,845
	117,497	131,626

Customer prepayment receivables are now shown under trade receivables due to the better presentation in comparison to the previous year.

(19) Contract assets

Contract assets developed as follows:

EUR thousand	2021	2020
As of Jan. 1	2,565	–
Addition to basis of consolidation	61,494	2,721
Additions and disposals	-3,677	-155
Change in loss allowance	-95	
Currency changes	-218	-1
As of Dec. 31	60,068	2,565

(20) Loss allowances

The allowances for expected credit losses on trade receivables and contract assets under contracts with customers developed as follows:

EUR thousand	2021	2020
As of Jan. 1	61	–
Addition	2,104	180
Utilization	-133	-117
Currency changes	36	-2
As of Dec. 31	2,068	61

The addition to the loss allowance mainly relates to impaired receivables of RENK GmbH in the amount of EUR 1,350 thousand.

The following changes in the gross carrying amounts of trade receivables and contract assets affected the amount of the loss allowances recognized:

EUR thousand	2021	2020
As of Jan. 1	125,406	–
Addition to basis of consolidation	64,641	113,256
Additions and disposals	-18,953	12,234
Currency changes	765	-84
As of Dec. 31	171,859	125,406

(21) Other non-current and current assets and other receivables

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Restricted cash	7,851	11,257
Receivables from loans	2,093	9,117
Embedded Derivative***	19,968	8,386
Derivative financial instruments	8	582
Miscellaneous other financial assets	2,305	932
<b>Other financial assets***</b>	<b>32,225</b>	<b>30,274</b>
Deferred assets	4,362	3,777
Commission claims	1,411	1,952
Other tax assets	2,157	1,644
Miscellaneous other receivables	3,729	4,808
<b>Other receivables</b>	<b>11,659</b>	<b>12,181</b>
***	43,883	42,455

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Customer prepayment receivables are now shown under trade receivables due to the better presentation in comparison to the previous year. Total other assets and other receivables include non-current assets and receivables of EUR 5,726 thousand (previous year: EUR 10,324 thousand). The restricted cash comprises the cash collateral for bilateral guarantee credit lines. Derivative financial instruments are carried at fair value. They are used to hedge currency risks on customer orders and other foreign exchange positions.

Embedded Derivative consists of options giving the issuer and bond holder the right, but not the obligation, to early redeem the instrument or put it back to the issuer (in some cases contingent upon a certain event) \*\*\*.

(22) Equity

As in the previous year, subscribed capital at RENK Holding GmbH amounts to EUR 25 thousand.

The capital reserves relate exclusively to capital contributions of Rebecca BidCo SARL, Luxembourg, at RENK Holding GmbH. The two contributions in the year are described in more detail at the end of this paragraph.

The negative retained earnings in the previous year resulted from the loss in fiscal year 2020, which was due primarily to the incidental costs of the business combination. The negative earnings in the fiscal year increase the previous year's negative retained earnings and chiefly result from write-downs of the hidden reserves acquired from the acqui-

sition of the RENK Group in 2020. The accounting is therefore still based on the assumption of a going concern, as sufficient liquidity is available still.

The accumulated other comprehensive income predominantly results from the fair value measurement of provisions for pension obligations.

The most important goals of capital management at RENK are sustainably increasing enterprise value and safeguarding the liquidity and creditworthiness of the Corporation. Factors contributing to this are the reduction of the cost of capital, the optimization of the capital structure and effective risk management.

RENK Holding GmbH is not subject to any capital requirements on the basis of its Articles of Association.

The shareholder Rebecca BidCo SARL contributed EUR 90,406 thousand by converting loan liabilities of EUR 48,852 thousand and as an equity contribution of EUR 41,554 thousand.

## (23) Pensions and similar obligations

The RENK Group 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 to state or private pension funds on the basis of legal or contractual regulations. There are no further payment obligations other than the payment of contributions.

Current contributions are recognized as an expense in the respective year; in 2021 they amounted to a total of EUR 15,181 thousand (previous year: EUR 3,194 thousand) in the RENK Group.

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

EUR thousand	2021	2020
Present value of externally financed obligations	195,791	195,356
Plan assets at fair value	-194,499	-179,942
Funding status on December 31	1,292	15,414
Present value of unfunded obligations	566	609
Total	1,858	16,023
of which provisions for pension obligations	6,411	16,023
of which unrecognized over-collateralization IAS 19.64	-4,554	0

The over-collateralization of RENK MAAG was not recognized in the statement of financial position, as it is attributable to the employees, not the company.



#### (a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group 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.

As a result of leaving the VW and MAN group, the RENK Pension Trust e.V. was established in 2020; this replaces MAN Pension Trust e.V. and manages the RENK pension assets. The RENK GmbH Investment Committee, supported by Willis Towers Watson Investments GmbH, is now responsible for investments.

RENK Pension Trust e.V./WTW Pensionsfonds AG manages the German pension assets of the RENK Group. These assets are irrevocably unavailable to the RENK companies 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.

Obligatory post-employment benefits are paid in France.

### (c) Funding status

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

in %	Germany		Outside Germany	
	2021	2020	2021	2020
Discount rate as of Dec. 31	1.00	0.40	1.35	0.33
Salary trend	3.00	3.00	1.17	2.00
Pension trend	1.70	1.50	0.00	0.00
Fluctuation rate	2.55	2.57	3.46	5.14

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 RT2018G mortality tables. The BVG 2015 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 pay trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Pay trends comprise expected wage and salary increases that also take into account increases resulting from career development.

The present value of defined benefit obligations developed as follows:

EUR thousand	2021	2020
Defined benefit obligation at start of period	195,965	–
Addition to basis of consolidation		188,617
Current service cost	9,654	1,483
Interest expense	672	332
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	-1,194	0
Actuarial gains (–)/losses (+) due to changes in financial assumptions	-7,860	3,796
Actuarial gains (–)/losses (+) due to experience adjustments	1,922	2,066
Employee contributions to funds	1,653	312
Pension payments from company assets	-3,046	-332
Pension payments from fund	-4,737	-763
Other changes	1,194	629
Currency differences from plans abroad	2,133	-174
Defined benefit obligation on December 31	196,356	195,965

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

		Dec. 31, 2021		Dec. 31, 2020	
Defined benefit obligation		EUR thousand	%	EUR thousand	%
Discount rate	+ 0.5 percentage points	187,667	-4.63%	186,041	-5.33
	- 0.5 percentage points	206,151	4.75%	206,767	5.22
Salary trend	+ 0.5 percentage points	202,485	3.03%	202,649	3.30
	- 0.5 percentage points	191,829	-2.36%	191,584	-2.29
Pension trend	+ 0.5 percentage points	196,732	0.19%	196,403	0.22
	- 0.5 percentage points	196,004	-0.18%	195,551	-0.21
Longevity	+ 1 year	201,500	2.55%	201,509	2.75

The sensitivity analyses shown each take into account 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 taken into account.

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

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

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

EUR thousand	2021	2020
Active members	105,625	110,761
Former members	17,481	9,477
Beneficiaries	73,251	75,727
Defined benefit obligation	196,356	195,965

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:

EUR thousand	2021	2020
Payment due		
Within one year	7,383	6,273
Between one and five years	38,549	37,273
More than five years	150,425	152,419
Defined benefit obligation	196,356	195,965

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

EUR thousand	2021	2020
Plan assets on January 1	179,942	–
Addition to basis of consolidation		171,151
Interest income on plan assets – at the level of the actuarial interest rate	610	294
Actuarial gains	11,784	7,183
Employer contributions to funds	2,844	1,277
Employee contributions to funds	787	185
Pension payments from fund	-4,737	-763
Other changes	1,194	629
Currency differences from plans abroad	2,075	-14
Plan assets on December 31	194,499	179,942

The investment of plan assets resulted in income of EUR 12,394 thousand (previous year: EUR 7,472 thousand), of which EUR 9,193 thousand (previous year: EUR 5,992 thousand) relates to Germany and EUR 3,201 thousand (previous year: EUR 1,479 thousand) to other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution is reported under “Other changes”.

In the next fiscal year employer contributions to plan assets are expected to amount to EUR 5,493 thousand (previous year: EUR 4,554 thousand).

The plan assets are invested in the following categories:

EUR thousand	Dec. 31, 2021			Dec. 31, 2020		
	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
Cash and cash equivalents	4,445		4,445	2,973	–	2,973
Equity instruments	11,718		11,718	9,220	6,654	15,874
Debt instruments	14,738		14,738	13,719	–	13,719
Direct investments in real estate		13,490	13,490	–	12,270	12,270
Real estate funds	1,313		1,313	1,154	–	1,154
Other funds	142,762		142,762	128,474	–	128,474
Other	2,923	3,111	6,034	2,732	2,745	5,477
Plan assets at fair value	177,899	16,600	194,499	164,927	15,015	179,942

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

The plan assets are 74% (previous year: 75%) invested in domestic assets, 26% (previous year: 25%) in other European assets and 0% (previous year: 0%) in assets from other regions. In this context, no investments were made in the RENK bond, in debt instruments issued by the Corporation or in other assets that are leased to the Corporation.

#### (d) Expenses for pension obligations

The following amounts were recognized in the income statement:

EUR thousand	2021	2020
Current service cost	9,654	1,483
Net interest expense (+)/income (–)	62**	27
	9,716**	1,511

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement”

## (24) Other non-current and current provisions

EUR thousand	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of Jan. 1, 2021	40,256	4,705	12,088	8,255	65,305
Utilization	-4,972	-962	-6,449	-2,173	-14,557
Addition	23,857	2,593	8,728	4,903	40,081
Addition to basis of consolidation	120	12	1,517	458	2,107
Reversal	-10,593	-1,015	-273	-1,292	-13,173
Interest cost	-01	0	31	19	49
Currency translation differences	109	08	58	170	346
As of Dec. 31, 2021	48,777	5,340	15,701	10,339	80,157

Other provisions break down according to maturity as follows:

EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
	Non-current	Current	Non-current	Current
Warranties	4,948	43,829	2,952	37,306
Obligations to employees	7,478**	8,223**	7,602	4,486
Outstanding costs	—**	5,340**	—	4,704
Miscellaneous other provisions	1,110	9,229	926	7,329
**	13,536	66,621	11,480	53,825

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

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 for outstanding costs comprise risks from customer contracts recognized over a period of time and outstanding services for invoiced customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

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

(25)

## Financial liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Bonds***	522,590	319,352
Loan liabilities	86,154	81,287
Lease liabilities	5,373	4,394
Non-current financial liabilities***	614,117	405,033
Bonds (current portion)***	13,787	8,586
Loan liabilities	–	96,325
Lease liabilities	1,695	1,434
Liabilities from cash pool	275	–
Current financial liabilities***	15,757	106,345
***	629,874	511,378

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

For the acquisition in 2021 described in the "Business combination" section, the bond was increased by a nominal amount of EUR 200 million in June 2021. Like the original bond, this increase in the bond bears interest at a rate of 5.75%\*\*\*.

Some of the previous year's current loan liabilities to affiliated companies were repaid in 2021, while some were contributed to the company's equity\*\*\*.

The following tables show the changes in liabilities arising from financing activities for fiscal years 2020 and 2021:

EUR thousand				
	Bonds	Loan liabilities	Lease liabilities	Liabilities to investees
As of Jan. 2, 2020	–	–	–	–
Addition to basis of consolidation			6,098	0
Proceeds from issuing bonds	320,000	–	–	–
Proceeds from borrowing loan liabilities	–	175,658	–	–
Transaction costs	-7,681			
Change in lease liabilities	–	–	-289	0
Total change in financing activities**	312,319	175,658	-289	0
Effects of changes in foreign exchange rates	0	60	-24	–
Deferred interest***	8,561	1,894	43	–
Bifurcation embedded derivatives***	7,058			
Total other changes, in relation to liabilities***	15,619	1,894	43	0
As of Dec. 31, 2020**/***	327,939	177,612	5,828	0
As of Jan. 1, 2021**/***	327,939	177,612	5,828	0
Addition to basis of consolidation			2,250	–
Proceeds from issuing bonds	200,000		–	–
Transaction costs	-2,545		–	–
Premium	6,000			
Repayment of loan liabilities**		-40,606	–	–
Interest payments**	-18,981	-947		
Cash outflows from leases**			-2,002	
Cash change in liabilities from cash pool**			–	275
Cash flows from financing activities**	184,474	-41,554	-2,002	275
Effects of changes in foreign exchange rates		-73	160	0
Debt-for-equity swap**		-48,852		
Offsetting of IAS 24 receivables**		-6,866		
Addition to lease liabilities**			984	
Interest expense**/***	17,833	5,888	-152	–
Bifurcation embedded derivative***	6,132			
Non-cash changes in financial liabilities**/***	23,966	-49,904	992	0
As of Dec. 31, 2021**/***	536,378	86,154	7,068	275

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"



(26) Contract liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Contract liabilities, non-current	39,398	78,544
Contract liabilities, current	117,202	100,296
Liabilities from customer prepayment receivables	4,411	6,084
	161,010	184,924

Contract liabilities developed as follows in fiscal year 2021:

EUR thousand	2021	2020
As of Jan. 1	184,924	–
Additions and disposals	-36,483	627
Addition to basis of consolidation	11,796	184,521
Currency changes	774	-224
As of Dec. 31	161,010	184,924

(27) Other non-current and current liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Derivative financial instruments	2,002	311
Liabilities from the acquisition of outstanding shares	–	51,553
Miscellaneous other financial liabilities	1,542	1,359
Other financial liabilities**	3,544	53,246
of which non-current**	639	–
Employee-related liabilities	25,410	26,108
Liabilities from other taxes	259	1,651
Deferred income	–	23
Miscellaneous other liabilities	1,837	819
Other liabilities	27,506	28,579
of which long-term	30	–
**	31,050	81,824

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Liabilities from the acquisition of outstanding shares as of December 31, 2020 include the liability to non-controlling interests from the squeeze-out of the former RENK AG under merger law. This liability was repaid in 2021.

Employee-related liabilities mainly include deferred vacation 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

### (28) Contingent liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Obligations from guarantees**	168	329
Other contingent liabilities	820	1,104
<b>**</b>	<b>988</b>	<b>1,432</b>

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Obligations from guarantees relates to guarantees under trade obligations of equity investments.

Other contingent liabilities comprise other obligations that are not likely to be required to be settled.

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

### (29) 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 EUR 470 thousand (previous year: EUR 271 thousand).

The capitalized leases create potential future payments of EUR 4,277 thousand (previous year: EUR 4,092 thousand) resulting from extension options not yet taken into account and termination options of EUR 1 thousand (previous year: EUR 1 thousand).

As of the end of the reporting period, the purchase commitment for the acquisition of intangible assets and property, plant and equipment was EUR 5,935 thousand (previous year: EUR 3,697 thousand). The commitment value for the acquisition of inventories and services was EUR 180,049 thousand (previous year: EUR 133,973 thousand).

(30) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2021, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories:

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2021
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount
Non-current assets					
Other and financial investments**	2,975	–	–	–	20,692
Other non-current financial assets**	–	–	2,165	2,165	–
Embedded derivatives***		19,968			
Current assets					
Trade receivables**	–	–	117,497	117,497	–
Contract assets**	–	–	–	–	60,068
Other current financial assets**	–	8	10,083	10,083	–
Cash and cash equivalents	–	–	97,546	97,546	–
Non-current liabilities					
Non-current financial liabilities***	–	–	608,744	646,590	5,373
of which bonds***	–	–	522,590	559,910 <sup>1)</sup>	–
of which loan liabilities	–	–	86,154	86,680	–
of which lease liabilities	–	–	–	–	5,373
Other non-current financial liabilities	–	632	7	7	–
Current liabilities					
Current financial liabilities***	–	–	14,062	14,062	1,695
Trade payables	–	–	65,816	65,816	–
Other current financial liabilities	–	1,370	1,534	1,534	–

<sup>1)</sup> Fair Value is based on listing price (clean price) without accrued interest.

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

The table below shows the carrying amounts, measurement categories by class, the fair values and the fair value hierarchy within the scope of IFRS 9 as of December 31, 2020:

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost	Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31 , 2020
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount
Non-current assets					
Other and financial investments	2,975	–	–	–	20,008
Other non-current financial assets	–	37	5,555	5,555	–
Embedded derivatives***		8,386			
Current assets					
Trade receivables**	–	–	131,626	131,626	–
Contract assets	–	–	–	–	2,565
Other current financial assets**	–	545	15,751	15,751	–
Cash and cash equivalents	–	–	186,881	186,881	–
Non-current liabilities					
Non-current financial liabilities***	–	–	400,639	425,305	4,394
<i>of which bonds***</i>	–	–	319,352	344,018 <sup>1)</sup>	–
<i>of which loan liabilities</i>	–	–	81,287	81,287	–
<i>of which lease liabilities</i>	–	–	–	–	4,394
Other non-current financial liabilities	–	225	7	7	–
Current liabilities					
Current financial liabilities***	–	–	104,911	104,911	1,434
Trade payables	–	–	49,383	49,383	–
Other current financial liabilities	–	85	52,929	52,929	–

<sup>1)</sup> Fair Value is based on listing price (clean price) without accrued interest.

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

The cumulative carrying amounts of financial instruments as of December 31, 2021, broken down by IFRS 9 measurement category, are as follows:

EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
Measurement category in accordance with IFRS 9	Assets	Equity and liabilities	Assets	Equity and liabilities
Financial instruments at amortized cost**/**	227,291	690,163	339,814	607,869
Financial assets at fair value through other comprehensive income	2,975	—	2,975	—
Financial instruments at fair value through profit or loss***	19,976	2,002	8,968	311

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party.

Cash and cash equivalents, trade receivables, other financial assets, current financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include equity shares of EUR 2,975 thousand (previous year: EUR 2,975 thousand) in the company RENK UAE LLC, Abu Dhabi, United Arab Emirates, for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

Total dividends of EUR 1,621 thousand (previous year: EUR 605 thousand) were received in the reporting period. Of this amount, EUR 1,026 thousand (previous year: EUR 605 thousand) was from Cofical RNK Mancais do Brasil Ltda. and EUR 594 thousand (previous year: EUR 0 thousand) was from RENK U.A.E. LLC.

For derivative financial instruments without option components, in particular currency forwards, future cash flows are calculated by discounting the forward cash flows on the basis of the FX spot and swap rates (calculation using the interest difference method). The fair value of these instruments is the total of the discounted cash flows.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy.

With the exception of cash and cash equivalents and the bond (the fair value of the bond being presented net of the fair value of the embedded derivative and accrued interest), which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy: For level 3 receivables, the fair value is determined taking into account individual loss expectations that are essentially based on assumptions by the company regarding the counterparty's credit.

Additionally, the compound embedded derivative is classified as level 3 of fair value hierarchy. The fair value is calculated using a trinomial tree approach based on the Hull White 1 Factor Model. The primary inputs of the model include the interest rate and credit spread volatility, the market price at the valuation date, the credit spread and market interest rate, as well as the probability of the occurrence of a triggering event until the bonds maturity. The credit spread, its volatility, and the probability of any triggering event are not observable in the market and hence judgmental. The following sensitivity analysis shows the effect of reasonable changes of the unobservable input parameters on the fair value as well as financial result loss\*\*\*:

EUR thousand	Dec 31, 2021	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of triggering event	+1 percentage point	19,936	-33
	-1 percentage point	20,001	33
Shift in credit spread	+10%	17,801	-2,167
	-10%	22,365	2,396
Shift in volatility	+10%	20,902	933
	-10%	19,044	-924

EUR thousand	Dec 31, 2020	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of triggering event	+1 percentage point	8,352	-33
	-1 percentage point	8,419	33
Shift in credit spread	+10%	7,158	-1,227

	-10%	9,862	1,477
Shift in volatility	+10%	8,987	602
	-10%	7,793	-592

The movements in level 3 fair values are as follows\*\*\*:

EUR thousand	Embedded derivative
<b>January 1, 2020</b>	<b>0</b>
Initial Recognition	7,058
Changes from fair value measurement	1,328
<b>December 31, 2020</b>	<b>8,386</b>
Initial Recognition	6,132
Changes from fair value measurement	5,451
<b>December 31, 2021</b>	<b>19,968</b>

#### Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

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



EUR thousand	2021	2020
Interest expense***	33,313	12,608
Interest income	423	353

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

### Offsetting financial assets and financial liabilities

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.

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can occur only given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/pledged in relation to the total amount of assets and liabilities.

EUR thousand	Carrying amount in statement of financial position	Financial instruments <sup>1)</sup>	Collateral received <sup>1)</sup>	Net amount
Dec. 31, 2021				
Assets from derivative financial instruments	8	-8	—	0
Liabilities from derivative financial instruments	2,002	-8	—	1,993
Dec. 31, 2020				
Assets from derivative financial instruments	582	-158	—	424
Liabilities from derivative financial instruments	311	-158	—	153

1) Amounts not offset in the statement of financial position.

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

EUR thousand	2021	2020
Financial assets at amortized cost**	-1,229	-126
Financial liabilities at amortized cost**/**	-30,427	-2,398
Assets and liabilities at fair value through profit or loss**/**	7,495	2,365
Net gain (+)/net loss (-)**/**	-24,161	-159

\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

\*\*\* Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances of EUR 3,160 thousand and currency translation in the amount of EUR -1,355 thousand.

The net gains or losses from financial liabilities at cost mainly result from interest expense of EUR 24,906 thousand\*\*\*.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include mainly result from fair value changes from the measurement of the compound embedded derivative\*\*\*.

### (31) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Corporation are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. Corporate Treasury at RENK GmbH is responsible for operating risk management and controlling for risks arising from financial instruments.

#### (a) Risk management

The companies hedge their currency risks at market conditions via the central Corporate Treasury of RENK GmbH. This uses primary and predominantly derivative financial instruments. Derivative financial instruments are recognized on the trade date.

The risk positions of the Corporation are hedged externally with banks within predetermined risk limits by Corporate Treasury. 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.

Liquidity management and investment in the RENK Corporation is centralized under corporation-wide cash management. When investing cash and cash equivalents, financial

institutions and investment vehicles are carefully selected and diversified. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The management of RENK GmbH is regularly informed about the market price risks of the RENK Group.

#### (b) Currency risk

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards.

In the RENK Corporation, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The RENK management is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, CNY 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 primary and 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 currency per currency pair as of December 31, 2021 are as follows:

EUR thousand	Dec. 31, 2021	
	Net profit/loss for the period	
Currency pair	+10%	-10%
EUR/AED	-1	1
EUR/CAD	-3	3
EUR/USD	-21,811	21,129
EUR/CHF	-56	56
EUR/CNY	-360	251
EUR/GBP	-1,056	1,056
EUR/JPY	-25	-3
EUR/NOK	-15	15
CHF/USD	-37	37
CHF/CNY	14	-14
CHF/GBP	1	-1
GBP/USD	-244	244
GBP/CAD	-19	19

EUR thousand	Dec. 31, 2020	
	Net profit/loss for the period	
Currency pair	+10%	-10%
Euro/US dollar	1,394	-1,237
Euro/Swiss franc	-1,083	1,083
Euro/Chinese yuan	290	-334
Euro/Pound sterling	-458	467
Euro/Japanese yen	126	-125
Euro/Norwegian krone	-1	1
Swiss franc/US dollar	-21	21

### (c) Commodity price risk

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2021.

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

#### (d) Credit risk

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial and contract assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, guarantees, warranties, retention of title and customer prepayments could be used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Risk class 1		Risk class 2		Risk class 3	
	Receivables without evidence of credit impairment <sup>1)</sup>		Receivables with a significant increase in credit risk <sup>2)</sup>		Receivables with evidence of credit impairment <sup>3)</sup>	
EUR thousand	2021	2020	2021	2020	2021	2020
Stage 1: 12-month expected credit loss	113,088	217,033	–	–	–	–
Stage 2: Lifetime expected credit losses (not impaired)	–	–	–	–	–	–
Stage 3: Lifetime expected credit losses (impaired)	–	–	–	–	–	–
Purchased or originated credit-impaired financial instruments	–	–	–	–	–	–
Simplified approach: Lifetime expected credit losses	158,886	105,455	4,893	11,231	11,743	9,370
	271,975	322,488	4,893	11,231	11,743	9,370

1) Receivables not past due or past due by up to 30 days.

2) Receivables past due by 31 to 90 days.

3) Receivables past due by more than 91 days.

Level 1 essentially comprises cash and cash equivalents for which no loss allowances are formed because they are due on demand and have low default risk.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

#### (e) Liquidity risk

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

Solvency and the provision of liquidity in the RENK Corporation are assured at all times on the basis of rolling liquidity planning of the RENK companies. To limit the liquidity risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash and cash equivalents of the RENK companies are 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 EUR 50,000 thousand for the companies of the RENK Group at normal market conditions 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, the RENK Corporation also has a guarantee credit line at normal market conditions with a term to January 13, 2025 and an extension option. The amount of the guarantee credit line is unchanged year-on-year at EUR 175,000 thousand and has been utilized in the amount of EUR 119,642 thousand (previous year: EUR 120,889 thousand). Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of EUR 22,771 thousand (previous year: EUR 23,988 thousand), of which EUR 18,871 thousand (previous year: EUR 21,981 thousand) had been utilized on the reporting date. Cash collateral of EUR 7,848 thousand (previous year: EUR 11,257 thousand) was provided for the bilateral guarantee credit lines as of the reporting date.

To finance part of the acquisition of shares in the former RENK AG, Rebecca BidCo AG issued a bond of EUR 320 million with a term of five years and a coupon of 5.75% p.a. on the TISE regulated market in Guernsey in the previous year. The bond is collateralized under an intercreditor agreement by pledging account balances, interests in companies, and receivables from intercompany loans. No covenants are agreed in the bond.

In addition, a long-term loan of EUR 80 million with a term of more than five years, but at most until the full release from liability under the intercreditor agreement, was taken out by Rebecca BidCo SARL in the previous year. Two short-term loans totaling EUR 96 million have also been taken out by Rebecca BidCo SARL. The interest rates for the loans are in a range between 0% and 6%.

To finance the acquisition of the Combat Propulsion Systems (CPS) business and Magnet-Motor GmbH (MM) from L3Harris Technologies Inc. (L3Harris), the existing bond was increased by EUR 200 million in the current fiscal year. No changes were made to the term of five years or the coupon of 5.75% p.a. The bond increase was recognized plus a premium of EUR 6,000 thousand and less the transaction costs of EUR 2,545 thousand. This was done using the effective interest method. The EUR 4,060 thousand incurred to secure the financing for the transaction is reported in interest expense.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of RENK GmbH.

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

#### Maturities<sup>1)</sup>

EUR thousand	Dec. 31, 2021			Dec. 31, 2020		
	2022	2023 to 2026	> 2026	2021	2022 to 2025	> 2025
Cash outflows from primary financial liabilities	98,957	701,155	245	218,573	397,735	104,132
<i>of which from bonds<sup>3)</sup></i>	29,900	609,700	–	18,502	393,600	–
<i>of which from loan liabilities</i>	–	86,154	–	96,332	73	103,793
<i>of which trade payables</i>	65,816	–	–	49,383	–	–
<i>of which other financial liabilities</i>	1,546	7	–	52,922	7	–
<i>of which from lease liabilities</i>	1,695	5,294	245	1,435	4,055	339
Cash outflows from liability derivative financial instruments and gross fulfillment <sup>2)</sup>	-26,089	-17,370	-211	-7,147	-580	-8,375
Associated cash inflows	24,576	16,488	173	7,007	518	8,075
Potential cash outflows from contingent liabilities	10,927	–	–	1,432	–	–
<i>of which for repayment obligations</i>	10,927	–	–	1,432	–	–

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) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

3) This includes both tranches of EUR 320,000 thousand and EUR 200,000 thousand within the bond.



## (32) List of shareholdings of RENK Holding GmbH as of December 31, 2021

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Earnings (1,000 LC)
RENK GmbH, Munich	100	EUR	1	764,674	63,415
RENK FinCo GmbH, Munich	100	EUR	1	312,132	129
RENK Test System GmbH, Augsburg	100	EUR	1	11,852	0
E-MS GmbH, Hamburg	100	EUR	1	-92	-1,028
RENK Magnet-Motor GmbH, Starnberg <sup>1)</sup>	100	EUR	1	2,762	897
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	24,800	1,772
Schelde Gears B.V., Vlissingen, Netherlands	100	EUR	1	2,902	408
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Horstman Defence Systems Ltd., Bath, UK	100	GBP	0.8403	16,802	1,747
Horstman Holdings Ltd., Bath, UK	100	GBP	0.8403	12,945	-1,447
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.0331	10,888	3,557
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55	TRY	15.2335	19,954	1,257
RENK UAE LLC, Abu Dhabi, United Arab Emirates	49	AED	4.1781	29,070	9,368
RENK America LLC, Muskegon, USA	100	USD	1.1326	363,119	19,732
RENK Holdings Inc., Muskegon, USA	100	USD	1.1326	149,910	-15,071
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1326	14,361	1,735
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1326	8,155	2,870
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	1.1326	1,329	-9
Horstman Systems Inc., Woodbridge, Ontario, Canada	100	CAD	1.4393	574	-356
RENK Holding Canada Inc., Toronto, Ontario, Canada	100	CAD	1.4393	6,288	12
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil	98	BRL	6.3101	26,886	9,966
Modest Tree Media Inc., Halifax, Nova Scotia, Canada	28.89	CAD	1.4277	1,467	-2,052
Renk Gears Private Ltd., Bangalore, India	100	INR	84.2292	140,568	41,645
Renk Korea Co., Ltd., Busan, South Korea	100	KRW	1,346.380	959,811	279,266
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China	100	CNY	7.1947	7,983	945

(33) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK Holding GmbH that can significantly influence RENK Holding GmbH or that are influenced by another related party of RENK Holding GmbH.

Rebecca MidCo SARL, Luxembourg, holds the shares in Rebecca BidCo SARL, Luxembourg. Rebecca BidCo SARL holds the shares in RENK Holding GmbH and therefore it, and its affiliated companies, are related parties of the RENK Corporation. Rebecca MidCo SARL and Rebecca BidCo SARL 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 as at arm's length.

Loan transactions were processed in the following amounts with Rebecca MidCo SARL and Rebecca BidCo SARL in the current fiscal year:

EUR thousand	2021		2020	
	Jan. 1 - Dec. 31		Jan. 2 - Dec. 31	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Services rendered (income)	5	90	–	80
Services received (expense)	5,888	–	1,820	–
EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Receivables (Dec. 31)	222	–	–	6,776
Liabilities (Dec. 31)	86,154	–	177,538	–

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH, such as the members of the management of RENK Holding GmbH, the members of the management of Rebecca BidCo SARL and the management of RENK GmbH. Mr. Christian Hammel resigned from the Executive Board of the former RENK AG with effect from January 31, 2021. He was succeeded by Mr. Winfried Vogl with effect from February 1, 2021. Ms. Susanne Wiegand succeeded Mr. Florian Hofbauer as CEO of the RENK Group effective May 1, 2021. Mr. Winfried Vogl left the management of RENK GmbH as of December 31, 2021.

In the fiscal year, management remuneration amounted to EUR 7,707 thousand (previous year: EUR 1,693 thousand), consisting of EUR 580 thousand (previous year: EUR 411 thousand) from short-term benefits and EUR 7,127 thousand (previous year: EUR 1,282 thousand) from post-employment benefits and termination benefits. There are no other long-term employee benefits or share-based payments.

#### **Management participation program\*\***

Key management personnel have invested in Rebecca MidCo SARL, a parent company of RENK Holding GmbH, at market value indirectly and at their own risk by making self-financed purchases of shares in Rebecca Management S.C.A. and thus share in the business opportunities and risks of the RENK Group. 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 end of the reporting period, the participating parties indirectly hold a share of around 1.2% in the RENK Group.

The participating management personnel bear the underlying risk of this investment as self-financed co-investors. Realization takes place in connection with the exit of the current main shareholder. In the event that the participating party chooses to or is required to dispose of his/her investment early for whatever reason, Rebecca LuxCo SARL, the majority shareholder of Rebecca Management S.C.A., has the option to acquire the participating party's shares in exchange for the payment of a purchase price. The underlying terms and conditions depend on the reason for the withdrawal but do not affect the value of the investment under IFRS 2. At no time is RENK Holding GmbH or any of its subsidiaries obligated to make a payment to the parties involved.

According to IFRS 2, these investments are share-based payments. At the time of acquisition of the investments (in Q4/2021 and Q1/2022), the purchase price to be paid was at least equal to the fair value of the investment received. The fair value was determined by further developing the business valuation carried out in connection with the acquisition by Triton. As the fair value of the investment was paid by the parties at the time of acquisition, no monetary benefit was granted. As a result, no personnel expense is to be recognized at the level of the Renk Group over the entire period of the plan.

No other business relationships were maintained with the related parties in the reporting period.

(34) Events After the End of the Reporting Period

By way of the shareholder resolution on December 16, 2021, the appointments of Mr. Claus von Hermann and Mr. Volker Stumpf as directors of RENK Holding GmbH were revoked as of the end of December 31, 2021. In addition, Ms. Susanne Wiegand and Mr. Niklas Beyes were appointed as directors of RENK Holding GmbH with effect from January 1, 2022.

Russia's military action in Ukraine began on February 24, 2022. The conflict does not result in any material financial consequences for the RENK Group. Business relationships with the countries involved account for less than 1% of the RENK Group's total activities in terms of revenue and order backlog. Other than this, there are no significant connections with regard to purchasing. Likewise, no further effects on the RENK Group are anticipated from the further development of the COVID-19 pandemic or from foreseeable effects of climate change.

With the entry in the Commercial Register dated April 5, 2022, the company's registered office was moved from Munich to Augsburg.

Augsburg, January 26, 2024

RENK Group AG

(sgd.)  
Susanne Wiegand  
CEO

(sgd.)  
Christian Schulz  
CFO

*The following independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) has been issued in accordance with Section 322 of the German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of RENK Holding GmbH, Augsburg (now: RENK Group AG, Augsburg) as of and for the fiscal year ended December 31, 2021. The English-language independent auditor's report is a translation of the respective German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers). The group management report is neither included nor incorporated by reference in this document.*

## B.     Reproduction of the auditor's report

We issued the following auditor's report on the amended group management report and the amended consolidated financial statements:

"Independent auditor's report

To RENK Holding GmbH

### Opinions

We audited the consolidated financial statements of RENK Holding GmbH, Munich (now: RENK Group AG, Augsburg), and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2021, the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including the recognition and measurement principles presented therein. In addition, we audited the group management report of RENK Holding GmbH for the fiscal year from 1 January to 31 December 2021.

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 Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] 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 2021 and of its financial performance for the fiscal year from 1 January to 31 December 2021, 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 Sec. 322 (3) 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 opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and 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 opinions on the consolidated financial statements and on the group management report.

#### Responsibilities of the executive directors 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 Sec. 315e (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 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.

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 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 Sec. 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 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 control.

- 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 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 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 Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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.

## Note on supplementary audit

We issue this auditor's report on the amended consolidated financial statements and amended group management report based on our audit, which we duly completed on 27 April 2022, our first supplementary audit, which we completed on 12 August 2022, our second supplementary audit, which we completed on 25 May 2023, and our third supplementary audit, which we completed on 26 January 2024.

Our first supplementary audit completed on 12 August related to the amendment made on 10 August 2022 to the disclosure in the notes to the consolidated financial statements of subsidiaries exempted under Sec. 264 (3) HGB. The disclosure was expanded to include RENK Magnet-Motor GmbH, Starnberg. Reference is made to the presentation of the amendments by the executive directors to the notes to the consolidated financial statements, in the section "Principles of financial reporting", subsection "(1) General principles", paragraph "Changes in the consolidated financial statements for fiscal year 2021", "1. Correction of the information on exempted companies based on § 264 (3) HGB."

Our second supplementary audit, which was completed on 25 May 2023, related to the changes in deferred tax assets and liabilities, goodwill, equity, income taxes, profit after tax and related adjustments to the statement of comprehensive income, the statement of changes in equity, the notes to the consolidated financial statements and the group management report as of 24 May 2023; furthermore, the changes in the statement of cash flows, the supplementary presentation of the management participation program in the notes to the consolidated financial statements, which qualify as share-based payment in accordance with IFRS 2, and other adjustments to the notes to the consolidated financial statements (notes 14, 23(d), 24, 27, 28, 30).

Reference is made to the presentation of the amendments by the executive directors to the amended notes to the consolidated financial statements, in the section "Principles of financial reporting", subsection "(1) General principles", paragraph "Changes in the consolidated financial statements for fiscal year 2021", "2. Correction of a material misstatement" and in the amended group management report, in the section "Business activities and management of the RENK Group" under "Changes in the group management report for fiscal year 2021."

Our third supplementary audit completed on 26 January 2024 related to the amendments made on 26 January 2024 in connection with the accounting treatment of a bond. The amendments made relate to other non-current financial assets, current and non-current financial liabilities, deferred tax liabilities, interest expenses, other financial result, financial result, profit before tax, income taxes and profit after tax and related adjustments to the statement of comprehensive income, the statement of changes in equity, the notes to the consolidated financial statements and the group management report.

Reference is made to the presentation of the amendments by the executive directors to the amended notes to the consolidated financial statements, in the section “Principles of financial reporting”, subsection “(1) General principles”, paragraph “Changes in the consolidated financial statements for fiscal year 2021”, “3. Correction of a material misstatement in the accounting treatment of a bond” and in the amended group management report, in the section “Business activities and management of the RENK Group” under “Changes in the group management report for fiscal year 2021.”