RENK

RENK Holding GmbH

Consolidated Financial Statements for the Fiscal Year from January 1 to December 31, 2022

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

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Consolidated Financial Statements of RENK Holding GmbH for the Fiscal Year from January 1 to December 31, 2022

Consolidated Income Statement

EUR thousand	Note	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Revenue	[7]	848,967	697,660
Cost of sales		(684,166)	(573,124)
Gross profit		164,801	124,536
Other operating income	[8]	11,333	5,927
Net allowances on financial assets		2,275	(3,281)
Distribution expenses		(48,139)	(47,030)
General and administrative expenses		(49,766)	(34,353)
Other operating expenses	[9]	(15,333)	(20,477)
Operating profit		65,172	25,322
Interest expense	[10]	(41,683)*	(33,600)*
Other financial result	[10]	(8,736)*	18,511*
Financial result		(50,420)	(15,090)
Profit (+) / loss (-) before tax		14,752	10,232
Income taxes	[11]	1,365*	(11,111)*
Profit (+) / loss (-) after tax		16,118	(878)

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond (Senior Secured Note)”

Consolidated Statement of Comprehensive Income

EUR thousand	Note	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Profit (+) / loss (-) after tax		16,118*	(878)*
Items not reclassified to profit or loss			
Remeasurement of defined benefit liability	[11]	2,664	14,340
Deferred taxes	[11]	(5,030)	(3,322)
		(2,367)	11,017
Items reclassified to profit or loss in the future			
Currency translation differences		6,176	5,486
		6,176	5,486
Other comprehensive income for the period		3,809	16,504
Total comprehensive income		19,927	15,626

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Consolidated Statement of Financial Position

Assets

EUR thousand	Note	Dec. 31, 2022	Dec. 31, 2021
Intangible assets	[14]	388,955	435,570
Property, plant and equipment	[15]	322,981	332,378
Other and financial investments	[4]	21,924	23,667
Deferred tax assets	[11]	13,718*	1,492
Other non-current financial assets	[4] [19]	1,957*	22,133*
Other non-current receivables	[19]	2,415	3,561
Non-current assets		751,949	818,800
Inventories	[16]	275,595	250,040
Trade receivables	[7] [17]	144,654	117,497
Contract assets	[4] [18]	83,534	60,068
Current income tax receivables		5,596	9,588
Other current financial assets	[4] [19]	10,663	10,091
Other current receivables	[19]	12,010	8,098
Cash and cash equivalents		158,678	97,546
Current assets		690,730	552,928
		1,442,680	1,371,728

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Equity and liabilities

EUR thousand	Note	Dec. 31, 2022	Dec. 31, 2021
Subscribed capital		25	25
Capital reserves		308,594	312,309
Retained earnings		(7,070)*	(23,189)*
Cumulative other comprehensive income		22,958	19,149
Equity	[20]	324,506	308,294
Non-current financial liabilities	[4] [23]	617,694*	614,117*
Pension provisions	[21]	1,457	6,411
Deferred tax liabilities	[11]	77,854*	87,261*
Contract liabilities, non-current	[24]	72,792	39,398
Other non-current provisions	[22]	11,267	13,536
Other non-current financial liabilities	[4] [25]	265	639
Other non-current liabilities		48	30
Non-current liabilities and provisions		781,377	761,392
Current financial liabilities	[4] [23]	17,713*	15,757*
Income tax liabilities		2,345	599
Trade payables	[4]	66,631	65,816
Contract liabilities, current	[24]	141,270	121,612
Current income tax payables		7,174	1,256
Other current provisions	[22]	65,196	66,621
Other current financial liabilities	[4] [25]	2,630	2,904
Other current liabilities	[25]	33,837	27,476
Current liabilities and provisions		336,797	302,042
		1,442,680	1,371,728

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Consolidated Statement of Changes in Equity[1)]

EUR thousand	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit liability	Currency translation	Total equity
As of Jan. 1, 2021	25	221,903	(22,310)*	2,749	(104)	202,263*
Profit (+) / loss (-) after tax	–	–	(878)*	–	–	(878)*
Cumulative other comprehensive income	–	–		11,017	5,486	16,504
Shareholder contributions	–	90,406	–	–	–	90,406
As of Dec. 31, 2021	25	312,309	(23,189)*	13,766	5,382	308,294*
Profit (+) / loss (-) after tax	–	–	16,118*	–	–	16,118*
Cumulative other comprehensive income	–	–		(2,367)	6,176	3,809
Other changes		(3,715)				(3,715)
Shareholder contributions	–		–	–	–	0
As of Dec. 31, 2022	25	308,594	(7,070)*	11,399	11,558	324,506*

1) Please refer to Note “Equity”.

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Consolidated Statement of Cash Flows

EUR thousand	Note	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Cash and cash equivalents at beginning of period		97,546	186,881
Profit (+) / loss (-) before tax		14,752*	10,232*
Income taxes paid	[11]	(10,699)	(8,861)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[13] [14]	96,150	76,294
Write-downs / reversals other and financial investments		1,743	1,528
Change in provisions for pension obligations	[21]	(4,181)	4,776
Gains/losses from asset disposals	[13] [14]	573	(363)
Other non-cash expenses and income		(14,916)	(1,006)
Change in inventories	[15]	(23,910)	6,991
Change in receivables and contract assets	[16] [17] [19]	(45,987)	8,621
Change in (contract) liabilities	[23] [24]	57,821	(31,381)
Change in other provisions	[22]	(4,070)	17,775
Financial result (except for income from dividends)	[10]	48,573*	13,469*
Cash flows from operating activities		115,848	98,075
Payment to aquire property, plant and equipment and intangible assets	[14] [15]	(25,983)	(32,806)
Acquisition of subsidiaries	[13]	–	(301,509)
Proceeds from asset disposals		682	2,593
Cash flows from loans receivable		942	7,441
Cash flows from restricted cash	[19]	(10)	3,406
Income from dividends		1,847	1,621
Cash flows from investing activities		(22,522)	(319,254)
Equity contributions		–	41,554
Proceeds from bond		–	203,455
Repayment of IC loans		–	(40,607)
Change in cash-pool		2,122	275
Other change in financial liabilities	[23]	–	(213)
Acquisition of non-controlling interests		(4,525)	(51,553)
Lease payments	[14] [23]	(2,067)	(2,003)
Interest payments	[10]	(29,792)	(20,160)
Cash flows from financing activities		(34,262)	130,748
Effect of exchange rate changes on cash and cash equivalents		2,068	1,094
Change in cash and cash equivalents		61,132	(89,335)
Cash and cash equivalents at end of period		158,678	97,546
Cash flows from loans receivable		1,814	–
Restricted cash	[19]	7,861	9,944
Gross liquidity at end of period		168,353	107,490
Financial liabilities (excluding liabilities from cash pool)	[23]	(633,010)*	(629,600)*
Net liquidity at end of period		(464,657)*	(522,110)*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Holding GmbH (as of September 13, 2023: RENK Group AG), domiciled in Augsburg, Germany, is registered with Augsburg Local Court under HRB 37339. The company's registered office was relocated to Augsburg with an entry dated April 5, 2022, as this is the headquarters for the main operating activities. The company operates as a holding in the RENK Group. RENK develops, produces and distributes high-quality drive technology. Since the current fiscal year, it has been divided into the four divisions Vehicle Mobility Solutions, Marine & Industry, Slide Bearings and Test Systems, which were established based on the former Special Gear Units, Vehicles Transmissions, Standard Gear Units and Slide Bearings businesses. The new structure is described in further detail in the Group Management Report.

The Group of Renk Holding GmbH is referred hereafter as RENK. RENK, together with non-consolidated equity investments are referred to as the RENK Group.

In accordance with section 290 para. 1 and 2 Handelsgesetzbuch (HGB – German Commercial Code), 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 and RENK Magnet-Motor GmbH exercise the exemption provided by section 291 of the HGB and do not prepare their own consolidated financial statements or management report. In addition, the entities applied the exemption provision in accordance with section 264 para. 3 HGB and therefore did not publish their annual financial statements or prepare notes or a management report.

These consolidated financial statements of RENK Holding GmbH (smallest group) for the fiscal year from January 1 to December 31, 2022 were prepared in line with section 315e para. 3 of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as adopted by the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. The consolidated financial statements were prepared on March 10, 2023 and approved for submission to the shareholders by resolution of the management.

The consolidated financial statements have been prepared in euro, the functional currency of RENK. 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 “–”.

Correction of a material misstatement in the accounting treatment of a bond (Senior Secured Note)

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. 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 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 accrued interest on the bond was reclassified from non-current to current financial liabilities and also corrected in 2020 and 2021.

As a result of the incorrect accounting of the derivatives and the bond in the fiscal years 2021 and 2020, the effects of this correction on the periods presented are presented in the following tables.

This concerns the consolidated income statement as follows:

EUR thousand	2022 as reported	Adjustment	**2022 adjusted**	2021 as reported	Adjustment	**2021 adjusted**
Interest expense	(43,003)	1,320	**(41,683)**	(40,943)	7,343	**(33,600)**
Other financial result	9,823	(18,559)	**(8,736)**	13,060	5,451	**18,511**
Financial result	(33,181)	(17,239)	**(50,420)**	(27,883)	12,793	**(15,090)**
Profit before tax	**31,991**	**(17,239)**	**14,752**	**(2,561)**	**12,793**	**10,232**
Income taxes	(4,152)	5,517	**1,365**	(7,015)	(4,096)	**(11,111)**
Profit after tax	**27,840**	**(11,722)**	**16,118**	**(9,576)**	**8,698**	**(878)**

This concerns the consolidated statement of financial position as follows:

EUR thousand	2022 as reported	Adjustment	**2022 adjusted**	2021 as reported	Adjustment	**2021 adjusted**
Other non-current financial assets	548	1,409	**1,957**	2,165	19,968	**22,133**
Non-current financial liabilities	627,631	(9,937)	**617,694**	622,735	(8,618)	**614,117**
Deferred tax liabilities	78,635	(781)	**77,854**	82,525	4,736	**87,261**
Current financial liabilities	3,926	13,787	**17,713**	1,970	13,787	**15,757**
Net assets	**331,576**	**–**	**331,576**	**331,483**	**–**	**331,483**
Retained earnings	(5,411)	(1,659)	**(7,070)**	(33,252)	10,063	**(23,189)**
Total Equity	**326,165**	(1,659)	**324,506**	**298,231**	**10,063**	**308,294**

In accordance with the corrections presented, some of the amounts shown in Note 3(j), 4(a), 5, 10, 11, 19, 20, 23 also had to be adjusted.

(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 entities and financial investments are recognized under other and financial investments.

(b) Basis of consolidation

Entities included

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

- RENK FinCo GmbH, Augsburg,
- 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,
- Horstman Systems Inc., Woodbridge, Ontario, Canada,
- 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).

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

(c) Financial investments

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

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

(d) Currency translation

Transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In subsequent periods, monetary assets and liabilities are measured at the average 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 entities from countries outside the euro area are translated into euro using the functional currency concept. The functional currency is determined by the primary economic environment, it is the respective local currency of the entities consolidated.

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

Overview of key exchange rates

	Closing rate		Average exchange rate	
	Dec. 31, 2022	Dec. 31, 2021	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
US dollar	1.06660	1.13260	1.05890	1.13040
Swiss franc	0.98470	1.03310	0.98650	1.04080
British pound	0.88693	0.84028	0.86950	0.84875
Chinese yuan	7.35820	7.19470	7.38590	7.19930
Japanese yen	140.66000	130.38000	142.82000	128.80000

(3) Accounting principles

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

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

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

(a) Revenue recognition

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

At contract inception it is determined whether the performance obligation is satisfied over time. If the following IFRS 15.35 criterion is met, the performance obligations at RENK are recognized over a period of time:

- 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 expected costs exceed expected revenue, an impairment loss is initially recognized for assets used to fulfill the contract. Otherwise, corresponding provisions are recognized.

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").

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.

The breakdown in accordance with IFRS 15.114 into various categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors are shown under "revenue" in the notes to consolidated income statement.

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

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

(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 capitalized at acquisition cost and then amortized over the period of their finite useful life. Internally generated intangible assets at RENK are capitalized at production cost if 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 from the date of launch over the period of their finite useful life. 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 2022 due to currently uncertain marketing opportunities.

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

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

in years	
Software	3
Capitalized development costs	5 to 7
Licenses and similar rights	Contractual terms of use
Customer relationships	15 to 30
Technologies	10 to 30
Brand	30

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

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

Please see the information under “Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment”.

(d) Property, plant and equipment

Property, plant and equipment are capitalized at cost and then depreciated over their expected useful life. 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
Property facilities	5 to 33
Technical equipment and machinery	5 to 21
Other equipment, operating and office equipment	3 to 15

If there are indications that property, plant and equipment could be impaired, RENK performs an impairment test and recognizes an impairment loss where necessary. Please see the information under "Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment".

(e) Leases

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

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed 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 RENK is used with regard to the respective currency and the contract term. The incremental borrowing rate is used only if the interest rate implicit in the lease cannot be readily determined. In the reporting period, the lease liabilities from new leases, contract modifications and changes in determining the term of the lease were discounted at a Group interest rate in a range between 2.60% and 5.55% (previous year: between 2.60% and 2.75%). 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 losses on intangible assets and property, plant and equipment

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

This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned where the benefit from the business combination from which the goodwill arose. In fiscal year 2022, the goodwill resulting from the acquisition of the RENK Group in 2020 and from the acquisition of RENK America in 2021, which are allocated to the cash-generating units, was tested for impairment. Recoverability was confirmed.

The restructuring of the businesses into the four new divisions Vehicle Mobility Solutions, Marine & Industry, Slide Bearings and Test Systems does not require any reallocation of goodwill. For more information, see the “Intangible assets” section in the notes to the statement of financial position.

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

The value in use is the present value of the expected cash flows determined 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.

Please see “Financial Risk Management” 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.

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

At RENK, 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 presented in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total expected cost of the contract.

If the result of a performance obligation cannot be reliably determined, revenue is recognized only in the amount of the contract costs incurred. Under the percentage of completion method, the parts of the contract for which revenue has been 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.

Impairment losses on contract assets are described under "Financial Risk Management".

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

(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.

RENK's primary financial assets include trade receivables, financial investments, marketable securities, other financial assets, cash and cash equivalents. Primary financial liabilities include financial liabilities, trade payables and other financial liabilities.

Financial assets

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

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

- measured at amortized cost (trade receivables, other financial assets, cash and cash equivalent),
- measured at fair value through other comprehensive income (financial investments), and
- measured at fair value through profit or loss (derivatives).

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

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.

Additions are measured at fair value, including directly attributable transaction costs in the case of financial assets not measured at fair value. Fair value on initial measurement is generally the transaction price. As trade receivables do not include any significant financing components, these are recognized at the transaction price under IFRS 15.

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

Financial assets at fair value through other comprehensive income include financial investments for which RENK 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.

At the end of each reporting period, indications of impairment of individual financial assets are assessed. Assessing impairment risks is subject to uncertainty and is in some cases influenced by judgments made by management. Impairment losses are recognized in profit or loss. An impairment loss is recognized at an amount equal to lifetime expected credit losses. Further information can be found in section 4.

Financial liabilities

Financial liabilities are initially recognized at fair value including directly attributable transaction costs once RENK becomes a party to the contract. As all primary financial liabilities at RENK are, with the exception of derivative financial instruments, classified as measured at amortized cost, they are subsequently measured using the effective interest method.

The financial liabilities are derecognized when they are extinguished. The financial liability is also derecognized if the contractual terms are amended and the cash flows of the modified liability differ significantly. If this is the case, a new financial liability is recognized based on the amended terms. If a financial liability is derecognized, any difference between the carrying amount of the extinguished liability and the consideration paid is recognized in profit or loss.

Financial assets and liabilities are presented 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.

(j) Derivative financial instruments

RENK uses derivative financial instruments to hedge foreign currency, interest rate and other price risks that can mainly arise from operating activities. RENK mainly uses currency forwards for this purpose.

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 RENK, the hedging transactions of the subsidiaries are performed by RENK GmbH and charged on to the subsidiaries. See section 4 for more information on risk management at RENK.

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

(k) Income taxes

Tax liabilities include current income tax liabilities.

Deferred taxes are presented 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.

(l) Pensions and similar obligations

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

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

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

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

Payments for defined contribution plans are recognized in functional expenses.

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

(n) Contingent liabilities

If the criteria for recognition of a provision are not fulifilled, but the outflow of financial resources is not remote, then these obligations are disclosed 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) Business Combinations

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

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

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

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

(p) Material 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 Group. Any uncertainty is reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of 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:

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

Estimates of the useful 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.

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.

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.

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

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

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

In relation to the Russian war of aggression on Ukraine and climate change, the management of the RENK Holding GmbH has analyzed the resulting risks and effects on accounting in fiscal year 2022. In this context, the focus was on the recoverability of goodwill, other intangible assets and property, plant and equipment, deferred tax assets, inventories and contract assets, as well as the value of receivables. In addition, opportunities and risks are continuously monitored against the background of the issues of "changing era" and "climate change" and taken into account with regard to their impact on forward-looking assumptions and estimates in the measurement of assets and liabilities. In the fiscal year, there were no material effects on the assets and liabilities or the results of operations of RENK Group.

(4) Risk management and financial instruments

(a) Financial risk management

Basic details on financial risk management can be found in the Group Management Report in the “Risk and Opportunity Report” section under “Finances”.

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

Credit risk

Credit risks include direct counterparty risk and the risk of a deterioration in credit quality. RENK recognizes loss allowances for expected credit losses. RENK has three kinds of financial assets that are subject to the expected credit loss model:

- Trade receivables,
- contract assets and
- debt instruments at amortized cost.

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

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

Further information on credit risks generally can be found in the Group Management Report in the “Risk and Opportunity Report” section.

Trade receivables and contract assets

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of trade receivables and contract assets are calculated on the basis of a provision matrix. Rates are graded depending on the number of days that a trade receivable or contract asset is past due (risk classes). These rates are based on historical loss rates and forward-looking factors. To account for forward-looking information, historical loss rates were adjusted using scaling factors. RENK identified gross domestic product (GDP) in the customer regions in which it sells products and services as the most relevant factor affecting customers’ ability to settle receivables. The historical loss rates are adjusted on a weighted basis on the basis of expected changes in this factor.

Contract assets relate to work in progress that has not yet been invoiced and essentially have the same risk characteristics as trade receivables for the same types of contracts. RENK thus concluded that the expected loss rates for trade receivables not past due are a reasonable approximation of loss rates for contract assets.

An impairment is recognized on an individual basis if one or more events that have a detrimental impact on the debtor's credit rating have occurred. These events include defaults, pending insolvency or concessions granted to the debtor on account of payment difficulties.

Trade receivables and contract assets are directly derecognized if there is no longer a sufficient expectation of recovery. For example, this is the case if the debtor is found to be insolvent.

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

2022 in EUR thousand	Carrying amount before impairment	Default-weighted average loss rate	Impairment
Receivables not due	111,470	0.07%	78
Trade receivables past due			
of which 1–30 days	10,496	1.75%	184
of which 31–90 days	7,767	3.14%	244
of which more than 90 days	6,449	4.83%	311
Contract assets	83,543	0.07%	58
Total	219,725		876

The following table shows expected credit losses on trade receivables and contract assets as of December 31, 2021:

2021 in EUR thousand	Carrying amount before impairment	Default-weighted average loss rate	Impairment
Receivables not due	86,798	0.17%	148
Trade receivables past due			
of which 1–30 days	12,451	3.80%	473
of which 31–90 days	4,893	6.75%	330
of which more than 90 days	11,215	10.19%	1,143
Contract assets	60,165	0.17%	102
Total	175,522		2,196

The following table reconciles impairment losses on trade receivables and contract assets as of January 1 to impairment losses as of December 31, 2022:

EUR thousand	Contract assets		Trade receivables	
	2022	**2021**	**2022**	**2021**
Impairment losses as of Jan. 1	102	1	2,094	709
Expenses (+) / income (–) from the remeasurement of impairment losses (addition/reversal)	(44)	101	(1,277)	1,385
Impairment loss as of Dec. 31	58	102	817	2,094

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

Debt instruments at amortized cost

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

Impairment losses for expected credit losses for these financial assets are determined on the basis of the general approach in IFRS 9. RENK uses credit ratings for contractual partners that were determined for RENK by external parties (S&P). The credit ratings are reviewed each year. All debt instruments measured at amortized cost are considered "low risk". The impairment recognized in the period was thus limited to the 12-month expected credit losses. RENK assumes a significant increase in the default risk if the credit risk deteriorates by two rating grades within one fiscal year. In this case, the lifetime expected credit losses are recognized.

The approaches for individual impairment and for derecognizing other financial assets are comparable to the approaches for trade receivables and contract assets.

The calculation did not result in any material impairment losses.

Liquidity risk

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

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

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash of the RENK entities 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 entities of 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, RENK 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 syndicated guarantee credit lines was increased to EUR 245,000 thousand in 2022 (previous year: EUR 175,000 thousand) and utilized in the amount of EUR 154,464 thousand (previous year: EUR 119,642 thousand). Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of EUR 28,690 thousand (previous year: EUR 22,771 thousand), of which EUR 12,061 thousand (previous year: EUR 18,871 thousand) had been utilized on the reporting date. Cash collateral of EUR 7,845 thousand (previous year: EUR 7,848 thousand) was provided for the bilateral guarantee credit lines as of the reporting date.

To finance the acquisition of RENK America in the previous year, the existing bond from 2020 from the acquisition of the RENK Group was increased by EUR 200 million in 2021. No changes were made to the term of five years or the coupon of 5.75% p.a. A modification test resulted in a non-substantial modification. The bond increase was recognized considering a present value adjustment of EUR 5,995 thousand in 2021 (which is mainly explained by the premium of EUR 6,000 thousand). Additionally, embedded derivatives resulting from the additional tranche were bifurcated with an initial fair value of EUR 6,132 thousand. Further transaction costs of EUR 2,545 thousand were deducted from the loan proceeds in fiscal year 2021. This was done using the effective interest method.

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

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

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

Maturities[1] in EUR thousand		Dec. 31, 2022			Dec. 31, 2021	
	2023	2024 to 2027	> 2027	2022	2023 to 2026	> 2026
Cash outflows from primary financial liabilities	99,073	675,356	242	98,957	701,155	245
of which from bonds[2]	29,900	579,800	–	29,900	609,700	–
of which from loan liabilities	–	91,395	–	–	86,154	–
of which trade payables	66,631	–	–	65,816	–	–
of which other financial liabilities	1,013	28	–	1,546	7	–
of which from lease liabilities	1,528	4,133	242	1,695	5,294	245
Cash outflows from derivative financial instrument with negative market value and gross fulfillment[3]	(24,860)	(3,971)	–	(26,089)	(17,370)	(211)
Associated cash inflows	22,860	3,571	–	24,576	16,488	173

1) The procedure for calculating the amounts was as follows:
- If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
- Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

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

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

Foreign currency risk – derivatives

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

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

At RENK, all firm, long-term customer contracts in foreign currency are hedged. Currencies with a high correlation to the euro, 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. There is no hedging with regard to purchasing. Transactions are generally conducted in the respective functional currency on the spot market.

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 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, 2022 and December 31, 2021 are as follows:

EUR thousand	Dec. 31, 2022	
	Net profit/loss for the period	
Currency pair	+10%	(10%)
EUR/AED	(1)	1
EUR/CAD	4	(4)
EUR/CHF	(634)	634
EUR/CNY	(179)	66
EUR/GBP	(613)	613
EUR/JPY	(65)	49
EUR/NOK	(13)	13
EUR/PLN	(5)	5
EUR/USD	(2,799)	2,159
EUR/SEK	0	0
CAD/USD	2	(2)
CHF/EUR	102	(102)
CHF/GBP	1	(1)
CHF/USD	(335)	335
EUR/SEK	0	0
GBP/USD	33	(33)
EUR/USD (non-current receivables)	(21,175)	21,175
EUR/CNY (non-current receivables)	(1,240)	1,240
EUR/GBP (non-current receivables)	(212)	212

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

Interest Rate Risk

For all of RENK's financial liabilities, fixed interest rates were agreed. Further, RENK had no significant investments that are exposed to a variable interest rate. However, the fair value of the prepayment options embedded into the bond is affected by changes of the market interest rate. As this embedded derivative is measured at fair value through profit or loss, the other financial result of RENK would be affected by interest rate changes. A hypothetical increase (decrease) of the market interest rate by 100 basis points would have an effect on other financial result in the amount of EUR -2,897 thousand (EUR 5,130 thousand). In 2021, a hypothetical increase (decrease) of the market interest rate by 100 basis points would have an effect on other financial result in the amount of EUR - 5 thousand (EUR 423 thousand).

(b) Financial instruments: Classification and fair value

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

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

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

Level 3:

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

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

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

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, 2022
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975				18,949	21,924
Other non-current financial assets		1,452*	506	289		1,957*
of which embedded derivatives		1,409*				1,409*
of which miscellaneous non-current financial assets		43	506	289		548
Current assets						
Trade receivables			144,654	144,654		144,654
Contract assets					83,534	83,534
Other current financial assets		175	10,489	10,489		10,663
Cash and cash equivalents			158,678	158,678		158,678
Total assets	2,975	1,627	314,327	314,110	102,483	421,411
Non-current liabilities						
Non-current financial liabilities			613,319*	571,618*	4,374	617,694*
of which bonds			521,925*	483,735*[1)]		521,925*
of which loan liabilities			91,395	87,883		91,395
of which lease liabilities					4,374	4,374
Other non-current financial liabilities		237	28	28		265
Current liabilities						
Current financial liabilities			16,185*	16,185*	1,528	17,713*
Trade payables			66,631	66,631		66,631
Other current financial liabilities		1,678	952	952		2,630
Total equity and liabilities	–	1,915	697,115	655,414	5,903	704,933

1) Fair Value is based on listing price (clean price) without accrued interest.

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the "General principles" section of the notes to the consolidated financial statements under "Correction of a material misstatement in the accounting treatment of a bond"

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	23,667
Other non-current financial assets	–	19,968*	2,165	2,165	–	22,133*
of which embedded derivatives	–	19,968*	–	–	–	19,968*
of which miscellaneous non-current financial assets	–	–	2,165	2,165	–	2,165
Current assets						
Trade receivables	–	–	117,497	117,497	–	117,497
Contract assets	–	–	–	–	60,068	60,068
Other current financial assets	–	8	10,083	10,083	–	10,091
Cash and cash equivalents	–	–	97,546	97,546	–	97,546
Total assets	2,975	19,976	227,291	227,291	80,760	331,002
Non-current liabilities						
Non-current financial liabilities	–	–	608,744*	646,590*	5,373	614,117*
of which bonds	–	–	522,590*	559,910*[1]	–	522,590*
of which loan liabilities	–	–	86,154	86,680	–	86,154
of which lease liabilities	–	–	–	–	5,373	5,373
Other non-current financial liabilities	–	632	7	7	–	639
Current liabilities						
Current financial liabilities	–	–	14,062*	14,062*	1,695	15,757*
Trade payables	–	–	65,816	65,816	–	65,816
Other current financial liabilities	–	1,370	1,534	1,534	–	2,904
Total equity and liabilities	–	2,002	690,163	728,009	7,068	699,233

[1] Fair Value is based on listing price (clean price) without accrued interest.

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the "General principles" section of the notes to the consolidated financial statements under "Correction of a material misstatement in the accounting treatment of a bond"

All other current financial assets and other current and non-current financial liabilities measured at fair value through profit or loss are currency derivatives (current forwards). To measure fair value, 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). Accordingly, they are allocated to level 2 of the fair value hierarchy.

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

Other non-current financial assets measured at amortized cost include loans to affiliated entities and cash collateral. The loans are allocated to level 2 of the fair value hierarchy. Cash collateral is assigned to level 2.

The bond is listed on the TISE in Guernsey. The fair value of the separated embedded derivatives is deducted from this listed price. Therefore, the fair value of the bond is allocated to level 2 of the valuation hierarchy. 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 model uses the following input variables which are observable in the market: The market price of the bond, the market interest rate, the market implied volatility of interest rate swaptions and credit derivatives (CDS options); as well as the following unobservable input variables: the estimated probability of change of control.

The volatility of the underlying Hull White process is calibrated by the weighted average of volatility of interest rate swaptions and credit derivatives, the level of the required market interest rate is calibrated to the bond price. The Hull White Process models the evolution of the required interest rate over time and the exercise of the options is checked in the trinomial tree. The model uses a stochastic process to evolve the market yield curve of RENK. The volatility of the process is calibrated to the volatilities of the CDS options and swaptions (weighted average). The credit spread over the risk-free rate is calibrated to match the bond price in the model to the market price of the bond. At each time step in the trinomial tree, the potential development of the market required interest rate is modeled. For each node based on the point in time and development of the interest rate in the model, it is checked whether an exercise of the option or a continuation of the option is beneficial. The corresponding value of the option is backpropagated through the tree until the valuation date.

EUR thousand	Dec 31, 2022	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of change of control	+1 percentage point	926	(484)
	-1 percentage point	1,893	484
Shift in credit spread	+10%	618	(791)
	-10%	2,261	851
Shift in volatility	+10%	2,012	603
	-10%	859	(551)

EUR thousand	Dec 31, 2021	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of change of control	+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)

In the calculation of the sensitivities shown above, the other parameters remained constant for the calculation. A market change influencing one input may be correlated to other inputs as well, e.g. an increase of the credit spread may correlate to an increase of the volatility. Those effects may increase the changes or offset each other, depending on the respective movements. The model does take the implicit assumption of the correlation being constant over time.

The movements in level 3 fair values are as follows:

EUR thousand	Embedded derivative
January 1, 2021 (recognized in other non-current financial assets)	**8,386**
Issuance additonal tranche	6,132
Changes from fair value measurement (recognized in other financial result)	5,451
December 31. 2021 (recognized in other non-current financial assets)	**19,968**
Issuance additonal tranche	0
Changes from fair value measurement (recognized in other financial result)	(18,559)
December 31. 2022 (recognized in other non-current financial assets)	**1,409**

The fair value of loan liabilities is measured based on the relationship between the interest rate in question and the performance of the bond from the acquisition of the RENK Group and RENK America. It is thus allocated to level 2 of the fair value hierarchy.

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

(c) Financial instruments: Expenses and income

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

EUR thousand	2022	2021
Financial assets at amortized cost	5,009	(1,229)
Financial liabilities at amortized cost	(32,176)*	(30,427)*
Assets and liabilities at fair value through profit or loss	(22,262)*	7,495*
Net gain (+)/net loss (–)	(49,429)*	(24,161)*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “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 2,299 thousand (previous year: EUR 3,160 thousand) and currency translation in the amount of EUR 970 thousand (previous year: EUR (1,355) thousand).

Net gains or losses from financial liabilities at cost mainly result from interest expense of EUR (38,273) thousand (previous year: EUR (24,906) thousand) and gains from currency translation of EUR 12,232 thousand (previous year: EUR 9,622 thousand).

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

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

EUR thousand	2022	2021
Interest expense	41,358*	33,313*
Interest income	113	423

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

(d) Financial instruments: Offsetting

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

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 only occur 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	Collateral	Net amount
Dec. 31, 2022				
Assets from derivative financial instruments	217	(174)	–	43
Liabilities from derivative financial instruments	1,915	(174)	–	1,741
Dec. 31, 2021				
Assets from derivative financial instruments	8	(8)	–	0
Liabilities from derivative financial instruments	2,002	(8)	–	1,993

(5) Statement of cash flows

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

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

Besides additions to property, plant and equipment, intangible assets and the 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.

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

(6) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2022.

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2022 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 3	Amendments to IFRS 3: Reference to the conceptual framework	Jan. 1, 2022	Minor amendments were made to IFRS 3 to update the reference to the revised conceptual framework and add a requirement in IFRS 3 that an acquirer must apply the regulations of IAS 37 or IFRIC 21 instead of the conceptual framework when identifying assumed obligations that are covered by the scope of IAS 37 or IFRIC 21. Without this new regulation, in the case of a business combination an entity would have recognized some liabilities where recognition is not permitted under IAS 37/IFRIC 21 and that would therefore have had to be derecognized through profit or loss immediately after acquisition. IFRS 3 was also expanded to include an explicit recognition prohibition for acquired contingent assets.
IAS 16	Amendments to IAS 16: Proceeds Before Intended Use	Jan. 1, 2022	The amendment to IAS 16 prohibits an entity from deducting proceeds from the cost of an item of property, plant and equipment generated from selling items produced while bringing the asset to that location and condition (such as proceeds from the sale of samples produced when testing equipment). The amendment also clarifies what is meant by “costs of testing”. These include costs to ascertain whether the technical and physical performance of the asset is such that it is capable of being used for its intended purpose. On the other hand, achievement of specified financial performance (e.g. a target operating profit margin chosen by management) is irrelevant. The amendment requires entities to separately present proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities and to disclose the item of the statement of comprehensive income in which these proceeds are recognized.
IAS 37	Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract	Jan. 1, 2022	The amendment to IAS 37 clarifies that the costs of fulfilling a contract include all costs directly attributable to the contract. These include incremental costs of fulfilling the contract (such as direct labor and materials costs) and an allocation of other costs directly attributable to fulfilling a contract. It also clarifies that any priority impairment loss extends to the assets used to fulfill the contract (previously: dedicated to the contract).

Standard/Interpretation	Mandatory application	Explanation
Annual improvements to IFRS (2018–2020 Cycle)	Jan. 1, 2022	The following improvements to standards were published in May: • IFRS 9 – clarifies which fees are to be included in the 10% test for derecognition of financial liabilities. • IFRS 16 – amendment to the illustrative example 13 in IFRS 16, which contained statements on payments made by lessors to lessees to reimburse expenditure for leasehold improvements that were often misunderstood. • IFRS 1 – the provision whereby subsidiaries that become first-time adopters after their parent have the option to measure assets and liabilities at the carrying amounts recognized in the parent's consolidated financial statements (without adjustments for consolidation and for the effects of the business combination) (exception: investment entities) was extended to include the subsidiary's cumulative translation differences. The amendment also applies to associates and joint ventures that apply the IFRS 1 regulation. • IAS 41 – removal of requirement to exclude tax flows from taxation when measuring biological assets at fair value under IAS 41. This aligns the requirements of IAS 41 with the regulations of IFRS 13 and brings them into line with an amendment to IAS 41 in 2008, which removed the requirement to use a pre-tax rate for discounting when measuring fair value.

In December 2021, the OECD published model rules for a new global framework for effective minimum taxation to ensure that the profits of multinational groups with a total annual turnover of at least EUR 750 million are taxed at a minimum rate of 15% per country. The EU unanimously agreed in Decem-ber 2022 to implement this framework in the form of a directive, which will also apply to purely domestic entities with a certain minimum turnover. The EU directive must be transposed into the national law of the member states by Dec. 31, 2023, so that it applies to fiscal years beginning after that date. Some countries have already published draft legislation on the framework, but the German legislation has not yet been drafted or entered into force.

For the RENK Holding GmbH Group, the new legal framework is expected to apply from fiscal year 2024. RENK Holding GmbH is therefore currently examining the potential future impact of the regulations on the Group, including the effects on current and deferred taxes and tax payments.

(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 2022 consolidated financial statements.

Standard/Interpretation		Published by IASB	Mandatory application	Endorsed by EU	Expected 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

Notes to the Consolidated Income Statement

The figures from the income statement are comparable only to a limited extent due to the acquisition of RENK America during the previous fiscal year.

(7) Revenue

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Americas	244,625	190,723
Germany	188,565	153,004
Other EU countries	184,913	163,697
Asia	125,357	128,419
Other European countries	100,422	54,266
Africa	3,053	2,536
Australia and Oceania	2,032	5,015
	848,967	697,660

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

At contract inception it is determined whether one or more performance obligation is satisfied point in time or over time. If the following IFRS 15.35 criterion is met, the performance obligations at RENK are recognized over a period of time.

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.

In the case of over time fulfillment of performance obligations, sales are recognized according to the stage of completion. RENK determines the percentage of completion using the input-based method to estimate the costs incurred in relation to the expected total costs. The contract costs incurred represent the best benchmark for measuring the degree of fulfillment of the performance obligations. If the expected costs exceed the expected revenues, an impairment loss is initially recognized for assets used to fulfill the contract. Otherwise, appropriate provisions are set aside. RENK Test Systeme is engaged in customer-specific plant engineering in the area of propulsion technology and realizes sales mainly over time. In addition, RENK America in particular performs customer-specific contracts which are also recognized over time.

If the criteria are not met, the performance obligation is settled at a specific point in time based on the criterion of control, essentially when opportunities and risks are transferred, and the payment claim arises.

25.8% of revenue was recognized over a period of time in fiscal year 2022 (EUR 219,286 thousand, previous year: 17.6%, EUR 123,106 thousand).

Contracts with customers resulted in the following contract balances:

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Trade receivables	144,654	117,497
Contract assets	83,534	60,068
Contract liabilities	214,062	161,010

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 1,406,541 thousand (previous year: EUR 1,276,845 thousand) as of December 31, 2022. The recognition of the corresponding revenue is expected in the following fiscal years:

EUR thousand			
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
Dec. 31, 2022	2023	2024 to 2029	> 2029
Transaction price of remaining performance obligations as of Dec. 31, 2022	757,852	596,944	51,744

(8) Other operating income

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Income from exchange rate changes and derivatives	6,218	3,816
Income from reversal of provisions	3,190	1,224
Income from derecognition of debtor overpayment	770	
Income from disposal of assets	27	531
Income from prior-period	13	79
Miscellaneous other income	1,115	277
	11,333	5,927

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.

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

(9) Other operating expenses

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Expenses from currency translation differences	5,473	5,127
Personnel expenses	3,142	3,340
Commission expenses	1,800	
Addition to miscellaneous other provisions	1,398	1,458
Losses from asset disposals	600	167
Non-refundable expenses	468	
Bank fees	122	160
Incidental costs of business combinations		7,968
Miscellaneous other expenses	2,330	2,256
	15,333	20,477

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.

Personnel expenses include severance payments for former employees. Other operating expenses comprise the expenses not allocated to functional expenses, in particular the cost of sales.

In the previous year, incidental costs of the business combination resulted from costs in connection with the acquisition of RENK America.

(10) Interest expense and other financial result

Interest expense

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Interest expenses on bonds	29,233*	17,833*
Loan interest	5,241	5,888
Interest on bridge fundings	–	4,060
Guarantee commissions	3,114	3,165
Interest cost on provisions and liabilities	335	252
Other interest and similar expenses	3,760	2,402
	41,683*	33,600*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

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

Other financial result

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Income		
Income from currency translation	8,846	12,105
Income from fair value changes of derivatives	–	5,451*
Income from dividends	1,847	1,621
Income from securities	1,393	426
Other interest and similar income	170	436
Expenses		
Expenses from fair value changes of derivatives	(18,559)*	–
Expenses from write-downs on non-consolidated entities	(2,433)	(1,528)
	(8,736)*	18,511*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

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

Total dividends of EUR 1,847 thousand (previous year: EUR 1,621 thousand) were received in the reporting period. This was distributed by Cofical RENK Mancais do Brasil Ltda. (previous year: EUR 1,026 thousand Cofical, EUR 594 thousand RENK U.A.E. LLC.).

(11) Income taxes

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Current taxes		
Germany	17,590	8,342
Outside Germany	7,388	4,998
Deferred taxes		
Germany	(17,070)*	2,930*
Outside Germany	(9,274)	(5,158)
	(1,365)*	11,111*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

The expected tax expense for fiscal year 2022 reflects the weighted tax rate calculated for RENK based on the earnings contributions and tax rates of the individual Group entities. The tax rate for the Group as of December 31, 2022 was 30% (previous year: 31.6%). The change in the tax rate for the Group is attributable to the change in the Group’s structure due to the acquisition of RENK America.

The tax rate for the Group is based on the domestic tax rate of 32.04% applicable for the 2022 assessment period (previous year: 32.0%) on profit before tax. This tax rate takes into account German municipal trade tax of 16.21% (previous year: 16.1%) 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 entities at various locations.

Local tax rates for foreign entities range from 20.12% to 25.64% (previous year: from 19.0% to 26.13%).

Reconciliation of expected current income taxes:

EUR thousand	2022		2021	
	Jan. 1 - Dec. 31	%	Jan. 1 - Dec. 31	%
Profit (+) / loss (-) before tax	14,752*	100	10,232*	100
Expected tax expense	4,425*	30.0*	3,232*	31.6*
Difference due to changes in tax rates	(546)*	(4)*	212*	2*
Tax-free income	(986)	(7)*	(394)	(4)*
Non-deductible expenses	1,228	8*	311	3*
Effects from permanent accounting deviations	(1,485)	(10)*	2,769	27*
Effects from change in recognition of deferred tax assets	125	1*	0*	0*
Effects from use of tax credits not capitalized in the previous year	(635)	(4)*	0*	0*
Effects from ineligible foreign taxes	164	1	0*	0*
Effects from write-downs of hidden reserves	–		6,819	67*
Taxes for previous years and other	(5,058)	(34)*	(1,838)*	(18)*
Other effects	1,402*	10*	0*	0*
Current tax expense	(1,365)*	(9)*	11,111*	109*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

To better present the net assets, financial position and results of operations, the tax reconciliation was expanded in the fiscal year to include reconciliation items. As a result of the acquisition of RENK America and intragroup restructuring in the previous year, figures for expenses and income are comparable only to a limited extent.

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

Non-deductible expenses in particular are related to effects from taxes with different tax bases.

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

Other effects include tax-free effects from squeeze-outs and mergers amounting to EUR 1,239 thousand.

Deferred taxes are attributable to the following items:

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Deferred tax assets		
Intangible assets	10,475	4,215
Property, plant and equipment	767	610
Other equity investments and financial investments	–	–
Inventories	8,785	10,065
Receivables and other assets	93	1,996
Pensions and similar obligations	12,270	8,682
Liabilities and other provisions	20,809*	27,476*
Loss carryforwards	148	678
Gross amount	53,347*	53,722*
Offset	(39,629)*	(52,231)*
Carrying amount in statement of financial position	13,718*	1,492*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

Deferred tax assets on unused tax losses were recognized in the amount of EUR 148 thousand in the fiscal year (previous year: EUR 678 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. No deferred tax assets were recognized for tax loss carryforwards of EUR 8,418 thousand for German corporate income tax and EUR 7,027 thousand for trade tax as it is not sufficiently probable that they can be used to offset tax gains.

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Deferred tax liabilities		
Intangible assets	53,491	60,617
Property, plant and equipment	31,038	34,207
Other equity investments and financial investments	561*	6,757*
Inventories	416	454
Receivables and other assets	14,253	8,978
Liabilities and other provisions	17,724	28,479
Gross amount	117,483*	139,492*
Offset	(39,629)*	(52,231)*
Carrying amount in statement of financial position	77,854*	87,261*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

The recognition of actuarial gains and losses for pension obligations and plan assets through other comprehensive income leads to deferred tax of EUR 6,925 thousand (previous year: EUR 5,070 thousand). In addition, all other changes with the exception of changes due to initial consolidations were recognized through profit or loss.

No deferred taxes were recognized for taxable temporary difference from retained profits in connection with interests in affiliated entities (outside basis differences) of EUR 10,534 thousand (previous year: EUR 27,042 thousand) as no reversal of these differences is expected in the foreseeable future.

(12) Other income statement disclosures

The cost of sales includes research and development costs of EUR 18,290 thousand (previous year: EUR 18,195 thousand).

Personnel expenses break down as follows:

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Wages and salaries	223,933	188,619
Social security contribution	41,984	41,210
thereof post-employment expenses	*8,220*	*10,516*
	265,917	229,829

Personnel expenses are included in the cost of sales in the amount of EUR 209,475 thousand (previous year: EUR 183,611 thousand), in distribution expenses in the amount of EUR 31,490 thousand (previous year: EUR 27,947 thousand) and in administrative expenses in the amount of EUR 24,952 thousand (previous year: EUR 18,271 thousand).

Short-term leases of EUR 455 thousand (previous year: EUR 280 thousand) and low-value leases of EUR 195 thousand (previous year: EUR 115 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.

(13) Business combination

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

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

In the course of the integration, various measures under reorganization law are planned or have already been implemented to optimize the structure under company law.

General Kinetics was acquired for a provisional purchase price of EUR 34.8 million. The provisional nature relates to individual purchase price elements estimated at the acquisition date and the fair values of the assets acquired. The company will be fully consolidated with effect from January 27, 2023. The non-current assets from the acquisition amount to EUR 1,720 thousand and mainly consist of property, plant and equipment. Current assets amounting to EUR 10,042 thousand were mainly composed of inventories (EUR 6,162 thousand), trade receivables (EUR 3,480 thousand) and other assets (EUR 400 thousand). The cash and cash equivalents taken over amount to EUR 203 thousand. This is offset by non-current liabilities of EUR 4,297 thousand, of which EUR 1,021 thousand relates to lease liabilities and EUR 3,276 thousand to other non-current liabilities. Current liabilities amount to EUR 2,635 thousand. These mainly comprise trade accounts payable (EUR 1,556 thousand), lease liabilities (EUR 423 thousand) and other liabilities (EUR 656 thousand).

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

The fair value measurement of acquired assets and liabilities at the acquisition date is currently being prepared. Given the proximity of the acquisition date to the date at which these financial statements were prepared, no more detailed information can be provided for the time being.

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 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 presented 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 in the previous year on March 5, 2021. CMS was renamed RENK America LLC. On completion of the acquisition, RENK America acquired the assets of CPS in an asset deal.

RENK America LLC and RENK Magnet-Motor GmbH were 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

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 former Vehicles Transmissions business. This goodwill was 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 Group's revenue, EUR 15,484 thousand to operating profit and EUR 17,169 thousand to profit after tax. This includes depreciation and amortization (excluding 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 (at an income tax rate of 26% applicable in the jurisdiction) would have been taken into account. Additional depreciation and amortization (excluding 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 Group 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 Group entities transferred.

(14) Intangible assets

EUR thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
As of Jan. 1, 2021	39,438	27,352	172,872	239,663
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 scope 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
Additions	2,121	323	85	2,529
Reclassifications	155	0	231	387
Disposals	(731)	0	0	(731)
Depreciation/amortization	(9,873)	0	(51,572)	(61,445)
Cumulative depreciation/amortization on disposals	168	0	0	168
Addition to scope of consolidation	0	0	0	0
Currency adjustment	3,044	1,972	7,460	12,476
As of Dec. 31, 2022	79,963	79,247	229,744	388,954
Gross carrying amount on Dec. 31, 2022	106,330	79,247	323,728	509,306
Cumulative depreciation/amortization and impairment losses	(26,367)		(93,984)	(120,352)

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

The addition to the scope of consolidation in the previous year relates to the initial consolidation in connection with acquiring RENK America.

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

Goodwill acquired through business combinations has been allocated to the Divisons Vehicle Mobility Solutions, Test Systems and Slide Bearings. Impairment testing is performed at the level of these (groups of) cash-generating units.

The goodwill resulting from the acquisition of RENK in 2020 was allocated to the Vehicle Transmissions (previous year: EUR 19,419 thousand) and Slide Bearings (previous year: 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 reorganization completed in fiscal year 2022 will lead to a partial reallocation of goodwill. There are no changes for the Slide Bearings division, as its content is analogous to that of the former Slide Bearings division. The content of the Vehicle Mobility Solutions division has changed slightly compared to the Vehicle Transmissions division, as the Test Systems business has been spun off. Goodwill of EUR 4,016 thousand was allocated to the Test Systems division as a cash-generating unit. This was still allocated to the Vehicle Transmissions division in 2021. Goodwill of EUR 65,005 thousand is attributable to Vehicle Mobility Solutions as a cash-generating unit in 2022.

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 Mobility Solutions	Test Systems	Slide Bearings	Vehicle transmission	Slide Bearings
in %	2022	2022	2022	2021	2021
Discount rate	8.5	8.5	9.0	7.5	7.5
Sustainable growth rate	1.0	1.0	1.0	1.0	1.0
Planned EBIT growth rate (average for next three years)	10.1	11.8	21.2	2.6	7.6

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

In determining the pretax discount rate (weighted average cost of capital (WACC)), the cost of equity and debt was based on a segment-specific peer group. These entities have similar business and product portfolios to those of RENK and thus comprise the most important national and international competitors. The weighting of the cost of equity and debt was based per CGU on the peer group's average debt/equity ratios. A market interest rate of 1.5% (previous year: 0.1%) was applied.

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

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.

- Increase in the discount rate by 2.5%-point
- Decrease in the growth rate in the perpetuity to 0%.

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

Goodwill developed as follows:

EUR thousand	Vehicle Mobility Solutions	Test Systems	Slide Bearings	Total
Carrying amount as of Jan. 1, 2021	19,419		7,933	27,352
Additions	47,857			47,857
Currency translation differences	1,744			1,744
Carrying amount of goodwill as of Dec. 31, 2021	69,021		7,933	76,953
Reallocation	(4,016)	4,016		0
Additions	323			323
Currency translation differences	1,972		–	1,972
Carrying amount of goodwill as of Dec. 31, 2022	67,300	4,016	7,933	79,247

The addition to goodwill in the Vehicle Mobility Solutions division relates to the consolidation of the previously non-consolidated subsidiary Horstman Systems Inc., Canada.

(15) Property, plant and equipment

EUR thousand	Land and buildings	Right-of-use assets on land and buildings
As of Jan. 1, 2021	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 scope of consolidation	17,377	2,247
Currency adjustment	556	149
As of Dec. 31, 2021	134,674	6,621
Additions	3,272	1,209
Reclassifications	9,597	0
Disposals	(41)	(1,645)
Depreciation/amortization	(5,547)	(1,397)
Write-downs	0	0
Reclassifications depreciation and amortization	0	0
Cumulative depreciation/amortization on disposals	3	358
Addition to scope of consolidation	0	0
Currency adjustment	895	125
As of Dec. 31, 2022	142,852	5,271
Gross carrying amount as of Dec. 31, 2022	205,741	9,943
Cumulative depreciation/amortization and impairment losses	(62,888)	(4,672)

Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment	Prepayments and assets under construction	Total
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
7,068	3,127	349	10,710	25,734
5,977	302	0	(16,194)	(318)
(888)	(3,141)	(213)	(49)	(13,036)
(22,554)	(5,212)	(203)	0	(34,913)
0	0	0	0	0
0	(69)	0	0	(69)
563	2,861	173	0	11,017
0	0	0	0	0
746	31	(6)	397	2,188
144,023	14,814	389	15,631	322,981
331,529	51,007	697	15,631	614,548
(187,506)	(36,193)	(308)	0	(291,567)

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 RENK America are recognized under addition to the scope of consolidation in the previous year.

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 2,068 thousand in the current fiscal year (previous year: EUR 2,002 thousand).

(16) Inventories

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Raw materials, consumables and supplies	47,871	41,062
Finished goods and work in progress	218,015	203,498
Prepayments for inventories	9,709	5,480
	275,595	250,040

Consumption of inventories of EUR 525,060 thousand (previous year: EUR 415,970 thousand) was recognized in the cost of sales in the reporting period.

Impairment losses on inventories of EUR 2,290 thousand (previous year: EUR 1,980 thousand) were recognized in the fiscal year.

(17) Trade receivables

Trade receivables break down as follows:

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Customer receivables	129,391	107,202
Receivables from affiliated, non-consolidated entities	6,131	5,860
Customer prepayment receivables	9,132	4,434
	144,654	117,497

All customer prepayment receivables are current.

(18) Contract assets

Contract assets developed as follows:

EUR thousand	2022	2021
As of Jan. 1	60,068	2,565
Addition to scope of consolidation		61,494
Additions and disposals	20,523	(3,677)
Change in loss allowance	87	(95)
Currency changes	2,855	(218)
As of Dec. 31	83,534	60,068

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

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Restricted cash	7,861	7,851
Receivables from loans	1,814	2,093
Embedded derivatives	1,409*	19,968*
Derivative financial instruments	217	8
Miscellaneous other financial assets	1,319	2,305
Other financial assets	**12,620***	**32,225***
Deferred assets	4,696	4,362
Other tax assets	3,839	2,157
Receivables from surplus of plan assets	1,960	0
Commission claims	1,566	1,411
Miscellaneous other receivables	2,365	3,729
Other receivables	**14,425**	**11,659**
	27,045*	43,883*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

Other financial assets include non-current financial assets of EUR 1,957 thousand (previous year: EUR 22,133 thousand) and other receivables include non-current receivables of EUR 2,415 thousand (previous year: EUR 3,561 thousand).

The restricted cash essentially 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). See further details in section (23).

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

Commission claims include prepaid commission for ongoing projects.

(20) 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 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 Group. 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 scope of its Articles of Association.

(21) Pensions and similar obligations

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 scope 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 2022 they amounted to a total of EUR 16,554 thousand (previous year: EUR 15,181 thousand) at RENK Group.

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

EUR thousand	2022	2021
Present value of externally financed obligations	162,721	195,791
Plan assets at fair value	(173,897)	(194,499)
Funding status on December 31	(11,176)	1,292
Present value of unfunded obligations	489	566
Total	(10,687)	1,858
of which provisions for pension obligations	1,457	6,411
of which over-collateralization IAS 19.64a	(12,144)	(4,554)
of which asset ceiling IAS 19.64b	*(10,184)*	*(4,554)*
of which recognized over-collateralization	*(1,960)*	*0*

The change in the asset ceiling (EUR 10,184 thousand) is recognized in full in cumulative other comprehensive income as the time value of money included here is immaterial.

The development of the present value of externally funded obligations and plan assets as of the period is shown in the following tables for fiscal years 2021 and 2022:

EUR thousand	Present value of the obligation	Fair value of plan assets	Delta	Impact of asset ceiling	Net carrying amount
Jan. 1, 2021	195,965	179,942	16,023		16,023
Service cost	9,654		9,654		9,654
Interest expense / (interest income)	672	610	62		62
Total income recognized in profit or loss	10,326	610	9,717	0	9,717
Revaluations			0		0
Actuarial gains (-)/losses (+) from changes in demographic assumptions	(1,194)	11,784	(12,978)		(12,978)
Actuarial gains (-)/losses (+) from changes in financial assumptions	(7,860)		(7,860)		(7,860)
Actuarial gains (-)/losses (+) from experience adjustments	1,922		1,922		1,922
Change in asset ceiling, excluding amounts included in interest expense			0	4,554	4,554
Total amount recognized in other comprehensive income	(7,132)	11,784	(18,916)	4,554	(14,362)
Foreign exchange rate differences	2,133	2,075	57		57
Contributions:			0		0
Employer		2,844	(2,844)		(2,844)
Beneficiary employees	1,653	787	866		866
Payments from the plan			0		0
Performance payments	(7,782)	(4,737)	(3,046)		(3,046)
Compensations	1,194	1,194	0		0
Effects of business combinations			0		0
	(2,803)	2,163	(4,966)	0	(4,966)
Dec. 31, 2021	196,356	194,499	1,857	4,554	6,411

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

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, 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 RENK Group. These assets are irrevocably unavailable to the RENK entities and must be used exclusively to fund current pension payments or for employee claims in the event of insolvency. The proper management and use of trust assets is monitored by independent trustees. WTW Pensionsfonds AG is also subject to the supervision of the German Federal Financial Supervisory Authority (BaFin).

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

(b) Pension plans outside Germany

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

(c) Funding status

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

in %	Germany		Outside Germany	
	2022	2021	2022	2021
Discount rate as of Dec. 31	3.70	1.00	2.32	1.35
Salary trend	3.20	3.00	2.51	1.17
Pension trend	2.20	1.70	0.00	0.00
Fluctuation rate	2.57	2.55	8.61	3.46

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 salary trends either correspond to contractual adjustments or are based on those found in the general regulations applicable. Salary trends comprise expected wage and salary increases that also take into account increases resulting from career development.

The present value of defined benefit obligations developed as follows:

EUR thousand	2022	2021
Defined benefit obligation at start of period	196,356	195,965
Addition to scope of consolidation		–
Current service cost	6,709	9,654
Interest expense	1,656	672
Actuarial gains (–)/losses (+) due to changes in demographic assumptions	1	(1,194)
Actuarial gains (–)/losses (+) due to changes in financial assumptions	(32,055)	(7,860)
Actuarial gains (–)/losses (+) due to experience adjustments	(1,594)	1,922
Employee contributions to funds	1,579	1,653
Pension payments from company assets	(7,537)	(3,046)
Pension payments from fund	(4,172)	(4,737)
Other changes	(49)	1,194
Currency differences from plans abroad	2,318	2,133
Defined benefit obligation on December 31	163,211	196,356

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

		Dec. 31, 2022		Dec. 31, 2021	
Present value of defined benefit obligation if		EUR thousand	%	EUR thousand	%
Discount rate	+ 0.5 percentage points	157,298	(3.76)%	187,667	(4.63)%
	(0.5) percentage points	169,797	3.88%	206,151	4.75%
Salary trend	+ 0.5 percentage points	164,803	0.97%	202,485	3.03%
	(0.5) percentage points	161,759	(0.90)%	191,829	(2.36)%
Pension trend	+ 0.5 percentage points	163,480	0.16%	196,732	0.19%
	(0.5) percentage points	162,952	(0.16)%	196,004	(0.18)%
Life expectancy	+ 1 year	166,703	2.09%	201,500	2.55%

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 obligations is eleven years.

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

EUR thousand	2022	2021
Active members	81,678	105,625
Former members	8,904	17,481
Beneficiaries	72,629	73,251
Present value of defined benefit obligation	163,211	196,356

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	2022	2021
Payment due		
Within one year	7,567	7,383
Between one and five years	39,356	38,549
More than five years	116,287	150,425
Present value of defined benefit obligation	163,211	196,356

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

EUR thousand	2022	2021
Plan assets as of January 1	194,499	179,942
Addition to scope of consolidation		0
Interest income on plan assets – at the level of the actuarial interest rate	1,561	610
Actuarial gains/losses	(25,222)	11,784
Employer contributions to funds	3,888	2,844
Employee contributions to funds	854	787
Pension payments from fund	(4,175)	(4,737)
Other changes	(49)	1,194
Currency differences from plans abroad	2,542	2,075
Plan assets as of December 31	173,897	194,499

The investment of plan assets resulted in income of EUR 23,661 thousand (previous year: EUR 12,394 thousand), of which EUR 21,207 thousand (previous year: EUR 9,193 thousand) relates to plan assets in Germany and EUR 2,454 thousand (previous year: EUR 3,201 thousand) to plan assets in other countries.

The other cash flow resulting from a partial liquidation balance sheet of the Swiss pension institution was presented under "Other changes" in the previous year.

In the next fiscal year employer contributions to plan assets are expected to amount to EUR 5,391 thousand (previous year: EUR 5,493 thousand).

The plan assets are invested in the following categories:

EUR thousand	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
			Dec. 31, 2022			Dec. 31, 2021
Cash and cash equivalents	2,407		2,407	4,445		4,445
Equity instruments	10,926		10,926	11,718		11,718
Debt instruments	16,418		16,418	14,738		14,738
Direct investments in real estate		15,185	15,185		13,490	13,490
Real estate funds	1,809		1,809	1,313		1,313
Other funds	120,579		120,579	142,762		142,762
Other	3,209	3,364	6,573	2,923	3,111	6,034
Plan assets at fair value	155,348	18,549	173,897	177,899	16,600	194,499

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

The plan assets are 69% (previous year: 74%) invested in domestic assets, 30% (previous year: 26%) in other European assets and 1% (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 Group or in other assets that are leased to the Group.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

EUR thousand	2022	2021
Current service cost	6,709	9,654
Net interest expense (+)/income (–)	95	62
	6,804	9,716

(22) Other non-current and current provisions

EUR thousand	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of Jan. 1, 2022	48,777	5,340	15,701	10,339	80,157
Utilization	(7,830)	(1,910)	(7,587)	(1,825)	(19,151)
Addition	8,285	3,081	8,476	6,583	26,425
Addition to scope of consolidation					
Reversal	(5,010)	(1,116)	(1,243)	(4,276)	(11,644)
Interest cost	117	0	72	0	189
Currency translation differences	28	31	189	241	488
As of Dec. 31, 2022	44,368	5,426	15,609	11,061	76,464

Other provisions break down according to maturity as follows:

EUR thousand	Dec. 31, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
Warranties	3,894	40,474	4,948	43,829
Outstanding costs		5,426	–	5,340
Obligations to employees	6,219	9,390	7,478	8,223
Miscellaneous other provisions	1,154	9,907	1,110	9,229
	11,267	65,196	13,536	66,621

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

Provisions for outstanding costs comprise provisions for outstanding incoming invoices, 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 provisions for severance payments and leave.

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

(23) Financial liabilities

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Bonds	521,925*	522,590*
Loan liabilities	91,395	86,154
Lease liabilities	4,374	5,373
Non-current financial liabilities	617,694*	614,117*
Bonds (current portion)	13,787*	13,787*
Liabilities from cash pool	2,398	275
Lease liabilities	1,528	1,695
Current financial liabilities	17,713*	15,757*
	635,407*	629,874*

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”

On July 13, 2020 a bond with a principal amount of 320m€ has been issued. To finance the acquisition of RENK America in the previous year, the existing bond from 2020 was increased by EUR 200 million on June 30, 2021. No changes were made to the term of five years or the coupon of 5.75% p.a. The bond consists of multiple early redemption options which may be exercised at the discretion of the issuer or the bondholder. The early redemption options have been identified as a single compound embedded derivative instrument, which was bifurcated from the host contract as it is not closely related to the host contract.

The bond is listed on the TISE in Guernsey, bears interest of 5.75% p.a. and is collateralized by pledging bank accounts, receivables and shares of the guarantors. Financial liabilities from loans are not collateralized.

Please see the “Risk management and financial instruments” section for information on maturities.

The following tables show the changes in liabilities arising from financing activities for fiscal years 2021 and 2022:

EUR thousand	Bonds	Loan liabilities	Lease liabilities	Liabilities to investees
As of Jan. 1, 2021	327,939*	177,612	5,828	0
Addition to scope 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 leasing			(2,002)	
Change in liabilities from cash pool affecting cash			–	275
Cash flows from financing activities	184,474	(41,554)	(2,002)	275
Effects of changes in foreign exchange rates	0	(73)	160	0
Debt equity swap		(48,852)		
Offsetting IAS 24 receivables		(6,866)		
Addition of lease liabilities			984	
Interest expense**	17,833*	5,888	(152)	–
Embedded derivatives	6,132*			
Non-cash changes in financial liabilities	23,967*	(49,904)	992	0
As of Dec. 31, 2021	536,377*	86,154	7,068	275
As of Jan. 1, 2022	536,377*	86,154	7,068	275
Interest payments	(29,900)			
Cash outflows from leasing			(2,068)	
Change in liabilities from cash pool affecting cash and cash equivalents				2,123
Cash flows from financing activities	(29,900)	0	(2,068)	2,123
Effects of changes in foreign exchange rates			120	
Addition of lease liabilities			886	
Interest expense**	29,233*	5,241	(103)	–
Embedded derivatives	0*			
Non-cash changes in financial liabilities	29,233*	5,241	903	0
As of Dec. 31, 2022	535,712*	91,395	5,903	2,398

*Figures have been adjusted, explanations regarding changes in the figures in the consolidated financial statements for 2022 and the comparative period 2021 can be found in the “General principles” section of the notes to the consolidated financial statements under “Correction of a material misstatement in the accounting treatment of a bond”.

**Includes the effect of the premium in profit or loss (using the effective interest method).

(24) Contract liabilities

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Contract liabilities, non-current	72,792	39,398
Contract liabilities, current	134,192	117,202
Liabilities from customer prepayment receivables	7,078	4,411
	214,062	161,010

Contract liabilities developed as follows in fiscal year 2022:

EUR thousand	2022	2021
As of Jan. 1	161,011	184,924
Additions and disposals	52,386	(36,483)
Addition to scope of consolidation		11,796
Currency changes	665	774
As of Dec. 31	214,062	161,010

(25) Other non-current and current liabilities

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Derivative financial instruments	1,915	2,002
Miscellaneous other financial liabilities	980	1,542
Other financial liabilities	2,895	3,544
of which long-term	265	639
Employee-related liabilities	30,772	25,410
Liabilities from other taxes	389	259
Miscellaneous other liabilities	2,724	1,837
Other liabilities	33,884	27,506
of which long-term	48	30
	36,779	31,050

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

(26) Contingent liabilities

EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Obligations from guarantees	130	168
Other contingent liabilities	2,181	820
	2,311	988

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

Other contingent liabilities include contingent liabilities from penalties.

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

(27) 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 325 thousand (previous year: EUR 470 thousand).

The capitalized leases create potential future payments of EUR 4,766 thousand (previous year: EUR 4,277 thousand) resulting from extension options not yet taken into account and termination options of EUR 49 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 12,796 thousand (previous year: EUR 5,935 thousand). The commitment value for the acquisition of inventories and services was EUR 267,753 thousand (previous year: EUR 180,049 thousand).

(28) Additional disclosures in accordance with section 315e HGB

(a) Number of employees

RENK employed 3,079 persons (previous year: 2,639 persons) on average over the year. Of these, 1,721 (previous year: 1,470) worked directly and 1,358 (previous year: 1,169) indirectly in production. There were 45 (previous year: 38) employees in the non-active phase of early retirement. On average, 106 (previous year: 116) people were in vocational training.

(b) Total remuneration for work by the auditor

On September 19, 2022, the Annual General Meeting of RENK Holding GmbH selected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as statutory auditor for the 2022 consolidated financial statements.

The table below shows the fees charged for the work of the auditor Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft in fiscal year 2022 and EY GmbH Wirtschaftsprüfungsgesellschaft in fiscal year 2021:

EUR thousand	2022 Jan. 1 - Dec. 31	2021 Jan. 1 - Dec. 31
Audit of the financial statements	661	514
Other assurance services	111	542
Other services	53	169
Tax advisory services	31	18
Auditor remuneration	856	1,243

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

(c) List of shareholdings of RENK Holding GmbH as of December 31, 2022

Name and registered office of the company	Share of capital in %	Local currency (LC)	Equity (1,000 LC)	Earnings (1,000 LC)	Type of inclusion
RENK GmbH, Augsburg	100	EUR	78,111,992	9,398,277	consolidated
RENK FinCo GmbH, Augsburg	100	EUR	312,120,343	11,272	consolidated
RENK Test System GmbH, Augsburg	100	EUR	11,852,462	0	consolidated
RENK Magnet-Motor GmbH, Starnberg	100	EUR	2,761,859	0	consolidated
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	29,299,398	2,755,982	consolidated
Schelde Gears B.V., Vlissingen, Netherlands	100	EUR	3,111,680	216,303	at cost
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	at cost
Horstman Defence Systems Ltd., Bath, UK	100	GBP	20,506,842	3,631,274	consolidated
Horstman Holdings Ltd., Bath, UK	100	GBP	12,813,501	(131,315)	consolidated
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	10,398,148	2,310,095	consolidated
RENK Transmisyon Sanayi A.S., Istanbul, Turkey*	55	TRY	23,629,607	8,433,984	at cost
RENK UAE LLC, Abu Dhabi, United Arab Emirates	49	AED	32,513,408	3,443,200	FVOCI
RENK America LLC, Muskegon, USA	100	USD	411,555,319	48,726,389	consolidated
RENK Holdings Inc., Muskegon, USA	100	USD	148,831,071	(1,079,317)	consolidated
RENK Corporation, Duncan, South Carolina, USA	100	USD	9,393,813	2,532,944	consolidated
RENK Systems Corporation, Camby, Indiana, USA	100	USD	4,325,588	1,170,509	consolidated
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	2,603,457	1,273,961	consolidated
Horstman Systems Inc., Woodbridge, Ontario, Canada	100	CAD	152,638	(208,860)	consolidated since Jan. 1, 2022
RENK Holding Canada Inc., Toronto, Ontario, Canada	100	CAD	2,646,571	(25,139)	at cost
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil	98	BRL	24,860,162	7,940,162	at cost
Modest Tree Media Inc., Halifax, Nova Scotia, Canada*	28.89	CAD	1,466,853	(2,051,600)	at cost
Renk Gears Private Ltd., Bangalore, India	100	INR	206,601,953	26,056,577	at cost
Renk Korea Co., Ltd., Busan, South Korea	100	KRW	1,199,247,288	304,556,321	at cost
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China	100	CNY	(1,663,424)	(9,646,406)	at cost

*Figures from 2021.

(29) Related party disclosures

Related parties as defined by IAS 24 are natural persons and entities 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 entities, are related parties of RENK. 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	2022 Jan. 1 - Dec. 31		2021 Jan. 1 - Dec. 31	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Services rendered (income)	6	–	5	90
Services received (expense)	5,241	–	5,888	–

EUR thousand	Dec. 31, 2022		Dec. 31, 2021	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Receivables (Dec. 31)	329	–	222	–
Liabilities (Dec. 31)	91,395	–	86,154	–

The loan granted was contracted in 2020 and is repayable on July 15, 2026. The interest rate is 6%.

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH. These are members of the management of RENK Holding GmbH, Rebecca BidCo SARL and RENK GmbH and, since the change to the structural organization of the RENK Group in the fiscal year, the key management personnel. In addition to the Executive Board of RENK Holding GmbH, these include the heads from the administrative areas of Human Resources, Supply Chain Management, Governance/Legal/Compliance and Operations, as well as the heads of the divisions newly introduced in fiscal year 2022.

In the previous year, director remuneration amounted to EUR 7,707 thousand, consisting of EUR 580 thousand from short-term benefits and EUR 7,127 thousand from post-employment benefits and termination benefits. There were no other long-term employee benefits or share-based payments.

Key management personnel remuneration for fiscal year 2022 is broken down below:

EUR thousand	2022
Short-term benefits	3,409
Other long-term benefits	29
	3,438

In the course of the reorganization and introduction of the divisional structure, there was a change in the number of key management personnel. The number of persons in key management positions is thus larger than in fiscal year 2021. In fiscal year 2021, only the former Executive Board of RENK Holding GmbH belonged to key management.

Key management personnel receive a short-term bonus in addition to their regular salary, which is mainly determined on the basis of earnings and cash flow. Pension commitments were also issued, for which a liability of EUR 282 thousand was recognized as of the reporting date, which was expensed in the fiscal year 2022. For a description of pensions, please see the “Pensions and similar obligations” section in the notes to the consolidated statement of financial position. A liability of EUR 1,644 thousand was recognized for the short-term cash bonus.

Other long-term benefits comprise vacation accrual that are not settled in full within 12 months after the end of the period in which the related service was rendered. There was an obligation of EUR 29 thousand as of the reporting date.

Key management personnel have indirectly and at their own risk acquired an interest at market value in Rebecca MidCo SARL, a parent company of RENK Holding GmbH, through the self-financed purchase of shares from Rebecca Management S.C.A. and thus participate in the entrepreneurial risks and rewards 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 balance sheet date, the parties indirectly held around 1.2% of the RENK Group.

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

According to IFRS 2, these investments are share-based payments. At the time of acquisition of the investments (in 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 continuing the business valuation performed in connection with the acquisition by Triton. As the fair value of the investment at the time of acquisition was paid by the parties involved, no monetary benefit was granted. As a result, no personnel expenses are to be recognized at the level of the RENK Group over the entire period of the plan.

Pension payments to former members of the Board of Management or Executive Board and their surviving dependents amounted to EUR 5,160 thousand (previous year: EUR 276 thousand). A total of EUR 5,396 thousand (previous year: EUR 11,486 thousand) has been provided for pension obligations to former members of the Board of Management or Executive Board and their surviving dependents.

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

(30) Subsequent Events after the reporting period

On September 12, 2023, the extraordinary shareholders' meeting resolved to change the legal form of RENK Holding GmbH into a German stock corporation (Aktiengesellschaft) under the legal name RENK Group AG. The changes in legal form and name were registered with the commercial register (Handelsregister) of the local court (Amtsgericht) of Augsburg, Germany on September 13, 2023 under docket number HRB 39189. All changes were effected in accordance with the applicable provisions of the German Transformation Act (Umwandlungsgesetz).

The RENK Group was reorganized along three segments (Vehicly Mobility Solutions "VMS", Marine & Industry "M&I", and Slide Bearings), with implications on the respective key management personnel, as well as the reporting of RENK Group AG.

RENK GmbH received a loan from Rebecca BidCo SARL in the amount of EUR 80 million in 2020, which including interest as of June 30, 2023 amounted to EUR 95 million. EUR 50 million was repaid on August 11, 2023. The remaining EUR 45 million was contributed to the capital reserve.

On August 9, 2023, prior to the change of legal form, the sole shareholder of RENK Holding GmbH resolved to increase the capital stock of the company from EUR 25 thousand by EUR 99,975 thousand to an amount of EUR 100 million (now divided into a total of 100 million shares with the serial numbers 1 to 100 million with a notional par value of EUR 1.00 each). The capital increase from own funds was registered with the commercial register on August 23, 2023.

As of January 27, 2023 RENK acquired 100% of shares in General Kinetics Group ("GK") with effect from January 27, 2023. As of the acquisition date, GK comprised four companies. On the acquisition date, GK Holdco Inc., Brampton, Canada, was merged with General Kinetics Engineering Corporation, Brampton, Canada, following the acquisition of GK. This was followed by a merger of the company created by the first merger with the company Horstman Systems Inc, Woodbridge, Canada, which was already fully consolidated. The resulting legal entity has been trading as Horstman Canada Inc., Brampton, Canada, since May 1, 2023. With effect from July 18, 2023, the companies General Kinetics Inc., Bedford, USA, and General Kinetics LLC, Bedford, USA, were merged with Horstman Inc, Sterling Heights, USA, which was already fully consolidated.

On June 7, 2023 the supervisory board of RENK Holding GmbH named Christian Schulz as the new CFO, he succeeded Niklas Beyes who left the company at his own request.

A set of discussions on debt financing facility agreements were initiated with a consortium of financing banks to prepare for the maturation of the current bond used for debt Financing.

In the extraordinary shareholders meeting of RENK Group AG on September 18, 2023 the supervisory board authorized the management board to issue, with the agreement of the supervisory board, once or multiple times, convertible or warrant-linked bonds, as well as profit-sharing certificates with option or conversion rights up to the total amount of 50 Mio. € with limited or unlimited maturity and to grant to the holders or creditors of bonds warrants or conversion rights for up to 50 million new shares of the company with a partial amount of the share capital of up to 1,00 € according to the specifiable conditions, to be set by the management board, for options or convertible bonds and/or profit sharing rights.

In the extraordinary shareholders meeting of RENK Group AG on September 18, 2023 the supervisory board authorized the management board to acquire the company's own shares up to a total amount not exceeding 10% of the share capital, with the agreement of the supervisory board.

In the extraordinary shareholders meeting of RENK Group AG on September 18, 2023 the supervisory board resolved that the company's registered share capital is conditionally increased by up to 50 Mio. € by issuing up to 50 million new no-par-value bearer shares conferring profit-sharing rights from the beginning of the fiscal year in which they were issued.

The consolidated financial statements of RENK Group AG as of and for fiscal year ended December 31, 2021, were retrospectively amended and consequently subjected to a supplementary audit, which was completed as of May 25, 2023.

Due to this supplementary audit, the Company faced a delay in completing and publishing the Consolidated Financial Statements 2022 that resulted in a breach of contractual reporting requirements under RENK's senior secured notes and senior facilities agreement.

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

Augsburg, January 27, 2024

RENK Group AG

Susanne Wiegand CEO	Christian Schulz CFO

Important Disclaimer

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, 2022. 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.

INDEPENDENT AUDITOR'S REPORT

To RENK Group AG, Augsburg

Audit Opinions

We have audited the consolidated financial statements of RENK Holding GmbH (since September 13, 2023: RENK Group AG), Augsburg, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2022, and the Consolidated Statement of Comprehensive Income, Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the financial year from 1 January to 31 December 2022, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of RENK Holding GmbH for the financial year from 1 January to 31 December 2022.

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 § [Article] 315e Abs. [paragraph] 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group Management Report.

Basis for the Audit Opinions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note on Supplementary Audit

We issue this auditor's report on amended consolidated financial statements and amended group management report on the basis of our audit, duly completed as at 30th May 2023, and our supplementary audit completed as at 27th January 2024 related to the amendments of "Other non-current financial assets", "Deferred tax assets", "Non-current financial liabilities", "Current financial liabilities", "Retained earnings", "Deferred tax liabilities" as well as "Interest expense", "Other financial result" and "Income taxes" and of the related disclosures in the notes to the consolidated financial statements and the group management report and "Subsequent Events after the reporting period" in the notes to the consolidated financial statements and the "Forecast" in the group management report. We refer to the presentation of the amendments by the executive directors in the amended notes to the consolidated financial statements in "Generals principles" as well as the amended group management report in "Operating activities and Management of the RENK Group".

Munich/Germany, 30th May 2023 / limited to the changes mentioned in the Note on Supplementary Audit: Munich, 27 January 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Holger Graßnick	(sgd.) ppa. Dario Nikolic
Wirtschaftsprüfer	Wirtschaftsprüfer
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