

Consolidated financial statements of Rebecca HoldCo GmbH, Munich (meanwhile RENK Holding GmbH, Munich/Augsburg; now: RENK Group AG, Augsburg) (prepared in accordance with IFRS) as of and for the short fiscal year ended December 31, 2020

Consolidated Income Statement

€ thousand	Note	2020 02.01.-31.12.
Revenue	[6]	154,974
Cost of sales		(119,661)
Gross profit		35,313
Other operating income	[7]	1,852
Net allowances on financial assets	[18]	(833)
Distribution expenses		(9,160)
General administrative expenses		(6,875)
Other operating expenses	[8]	(20,793)
Operating profit		(496)
Interest expense	[9]	(13,368)
Other financial result	[9]	378
Financial result		(12,990)
Profit before taxes		(13,486)
Income tax expense	[10]	(10,704)
Profit after tax		(24,190)
<i>thereof attributable to shareholders of the parent company</i>		(22,147)
<i>thereof attributable to non-controlling interest</i>		(2,043)

Consolidated Statement of Comprehensive Income

€ thousand	Note	2020 02.01.-31.12.
Profit after tax		(24,190)
Items not reclassified to profit or loss		
Remeasurements from defined benefit plans	[21]	1,321
Deferred taxes	[10]	1,428
		2,749
Items reclassified to profit or loss in the future		
Currency translation differences		(104)
		(104)
Other comprehensive income for the period		2,645
Total comprehensive income		(21,545)
<i>thereof attributable to shareholders of the parent company</i>		(19,767)
<i>thereof attributable to non-controlling interest</i>		(1,779)

Consolidated Statement of Financial Position

Assets

€ thousand	Note	Dec. 31, 2020
Intangible assets	[13] [14]	246,689
Property, plant and equipment	[13] [15]	295,983
Other and financial investments	[28]	23,708
Deferred tax assets	[10]	3,861
Other non-current financial assets	[19] [28]	5,592
Other non-current receivables	[19]	4,732
Non-current assets		580,565
Inventories	[16]	248,604
Trade receivables	[18] [28]	122,781
Contract assets	[17] [28]	2,565
Current income tax receivables		13,385
Other current financial assets	[19] [28]	25,141
Other current receivables	[19]	7,449
Cash and cash equivalents	[28]	186,881
Current assets		606,806
		1,187,371

Equity and liabilities

€ thousand	Note	Dec. 31, 2020
Subscribed capital		25
Capital reserves		221,903
Retained earnings		(24,190)
Cumulative other equity		2,645
Equity	[20]	200,383
Non-current financial liabilities	[23] [28]	407,239
Pension provisions	[21]	16,023
Deferred tax liabilities	[10]	83,382
Contract liabilities, non-current	[24]	78,544
Other non-current provisions	[22]	11,480
Other non-current financial liabilities	[25] [28]	232
Non-current liabilities and provisions		596,900
Current financial liabilities	[23] [28]	97,759
Income tax liabilities		652
Trade payables	[28]	49,383
Contract liabilities, current	[24]	106,380
Current income tax payables		496
Other current provisions	[22]	53,825
Other current financial liabilities	[25] [28]	53,014
Other current liabilities	[25]	28,578
Current liabilities and provisions		390,087
		1,187,371

Consolidated Statement of Changes in Equity

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Revaluation from defined benefit plans	Currency translation	Total equity of majority shareholders	Non-controlling interests	Total equity
As of Jan. 2, 2020	–	–	–	–	–	–	–	–
Profit after tax	–	–	(22,147)	–	–	(22,147)	(2,043)	(24,190)
Cumulative other equity	–	–	–	2,485	(104)	2,381	264	2,645
Other comprehensive income after tax	–	–	(22,147)	2,485	(104)	(19,766)	(1,779)	(21,545)
Contribution Foundation RENK Holding GmbH	25	–	–	–	–	25	–	25
Contributions shareholders	–	221,903	–	–	–	221,903	–	221,903
Addition to basis of consolidation	–	–	–	–	–	–	51,553	51,553
Squeeze-out of non-controlling interests	–	–	(2,043)	264	–	(1,779)	(49,774)	(51,553)
As of Dec. 31, 2020	25	221,903	(24,190)	2,749	(104)	200,383	–	200,383

Consolidated Statement of Cash Flows

€ thousand	Note	2020 02.01.-31.12.
Cash and cash equivalents at beginning of period		-
Profit before taxes		(13,486)
Income taxes paid	[10]	(5,366)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	[13] [14] [15]	12,477
Write-downs / reversals other and financial investments		690
Change in provisions for pension obligations	[21]	(75)
Gains/losses from asset disposals	[14] [15]	(42)
Other non-cash expenses and income	[10]	(1,407)
Change in inventories	[16]	14,626
Change in receivables and contract assets	[17] [18] [19]	(7,110)
Change in (contract) liabilities	[24] [25]	6,336
Change in other provisions	[22]	(3,090)
Financial expenses	[9]	13,368
Cash flows from operating activities ¹⁾		16,922
Payments to acquire property, plant and equipment and intangible assets	[14] [15]	(15,564)
Acquisition of subsidiaries	[13]	(503,366)
Proceeds from asset disposals		404
Cash flows from loans payable	[19]	(18,392)
Cash flows from investing activities		(536,918)
Equity contributions,		221,928
Borrowing of financial liabilities	[23]	487,964
Lease payments	[15] [23]	(384)
Interest cash outflows	[9]	(2,235)
Cash flows from financing activities		707,273
Effect of exchange rate changes on cash and cash equivalents		(395)
Change in cash and cash equivalents		186,881
Cash and cash equivalents at end of period	[23]	186,881
Cash flows from loans payable	[19]	18,392
Gross liquidity at end of period		205,273
Financial liabilities	[23]	(500,268)
Net liquidity at end of period		(294,995)

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

RENK Holding GmbH (formerly: Rebecca HoldCo GmbH, founded as SCUR-Alpha 1136 GmbH) domiciled in Munich (Germany) is registered with Munich Local Court under HRB 253885. The business address is Große Gallusstraße 18, c/o Triton Beratungsgesellschaft GmbH, 60312 Frankfurt am Main. The company operates as a holding in the RENK Group. RENK develops, produces and distributes high-quality drive technology worldwide. Its divisions are Special Gear Units, Vehicle Transmissions, Standard Gear Units and Slide Bearings.

In the following, the RENK Holding GmbH Group is referred to as RENK or the RENK Group.

RENK Holding GmbH, which is owned by the financial investor Triton, was founded in fiscal year 2020 on the basis of the direct 100 % interest in RENK FinCo GmbH (formerly: Rebecca FinCo GmbH, founded as SCUR-Alpha 1137 GmbH), which in turn has a 100 % interest in RENK AG (formerly: Rebecca BidCo AG) in line with section 290 (1) and (2) HGB is obliged to prepare consolidated financial statements for the first time. After the acquisition of the shares from Volkswagen Vermögensverwaltungs-GmbH, RENK AG with its subsidiaries has been included in the consolidated financial statements since October 2020. Due to the founding of the RENK Holding GmbH in the fiscal year, these consolidated financial statements do not include any prior-year disclosures.

RENK FinCo and RENK AG exercise the exemption provided by section 291 of the Handelsgesetzbuch (HGB - German Commercial Code) and do not prepare its own consolidated financial statements or Group management report. Furthermore, the companies have made use of the exemption provision pursuant to Section 264 (3) of the German Commercial Code (HGB) and have therefore waived the disclosure of the annual financial statements and the preparation of the notes and management report.

These consolidated financial statements of RENK Holding GmbH for the short fiscal year from January 02 to December 31, 2020 were prepared in line with section 315e (3) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association on April 26, 2021 and approved for submission to the shareholder by resolution of the management.

The consolidated financial statements have been prepared in Euro, the functional currency of the RENK Group. Unless stated otherwise, all figures are in thousands of Euro (€ thousand). Minor differences in totals or percentages can occur as a result of the commercial rounding of amounts.

(2) Consolidation and measurement of equity investments

(a) Equity investments

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

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

(b) Basis of consolidation

Companies included

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

- RENK FinCo GmbH, Munich,
- RENK AG, Munich,
- RENK France S.A.S., Saint-Ouen-l'Aumône, France,
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

Companies not included

The subsidiaries not included in the consolidated financial statements are insignificant overall to the net assets, financial position and results of operations of the RENK Group. These subsidiaries are recognized in the consolidated financial statements at their respective cost, taking into account any impairment losses required.

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

(c) Financial investments

Financial investments are measured at fair value through profit or loss. For financial investments in equity instruments that are not held for trading and do not represent contingent consideration in a business combination, RENK exercises the option for measurement at fair value through other comprehensive income. Gains and losses from cumulative changes in value recognized in other comprehensive income are not reclassified to profit or loss on subsequent derecognition, e.g. when the equity investment is sold. Dividends from financial investments are recognized in profit or loss unless they represent a repayment of the cost.

(d) Currency translation

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

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

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

Overview of key exchange rates

	Middle rate	Average price	Middle rate	Average price
	Sep. 30, 2020	2020 01.01.-30.09.	Dec. 31, 2020	2020 01.01.-31.12.
US dollar	1.17100	1.17943	1.22710	1.21700
Swiss franc	1.07965	1.07844	1.08020	1.08140
Pound sterling	0.91275	0.90888	0.89903	0.90624
Chinese yuan	7.97095	8.03253	8.02250	7.96020
Japanese yen	123.79000	124.50568	126.49000	126.28000

(3) Accounting principles

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

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

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

(a) Revenue recognition

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

Performance obligations are recognized over time in the following cases:

- The services rendered that benefit the customer are consumed by the customer at the same time that the services are rendered.
- The assets created or processed are controlled by the customer during performance by the entity.
- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If the expected costs exceed the expected revenue, the expected loss is immediately recognized in full as an expense by writing down capitalized assets and recognizing provisions if necessary.

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

allocated to the individual, distinct performance obligations relative to the stand-alone selling prices.

(b) Operating expenses

Operating expenses are recognized when the service is utilized, expenses for advertising and sales promotion and other sales-related expenses are recognized at the time they are incurred. The cost of sales consists of costs of the products and merchandise sold. In addition to the direct material and manufacturing costs, production costs also comprise production-related overheads, including depreciation of production equipment.

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

(c) Intangible assets

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

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

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

There is no amortization if the useful life cannot be determined. Instead, the intangible assets are tested for impairment basically at least once a year and impairment losses are recognized if necessary. This goodwill was assigned to the cash-generating units to test it for impairment. It is assigned to the place expected to benefit from the business combination from which the goodwill arose. In the fiscal year 2020, the goodwill was not tested for impairment as it is only based on a preliminary purchase price allocation. On the basis of these preliminary values, it is not possible to make a sufficiently precise allocation to the cash-generating units, which is mandatory for carrying out an impairment test. Beyond this, there were no indications of impairment as of the reporting date.

Expenses for the development of new products or series are capitalized when the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized on a straight-line basis from the date of launch, typically over five to seven years. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually.

(d) Property, plant and equipment

Property, plant and equipment are measured at historic cost less depreciation and impairment losses. Investment grants are deducted from cost. The cost of internally generated assets includes directly attributable production costs and pro rata production overheads. Where property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized and depreciated separately.

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

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

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

(e) Leases

Under lessee accounting, the RENK Group'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. 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 reported in the balance sheet are shown in the positions where the lease related assets would have been shown if the RENK Group had owned them. The right-of-use assets are therefore reported under non-current assets in property, plant and equipment as of the end of the reporting period.

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed € 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 of the RENK Group is used in line with the currency area and the contract term. 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 3.13 % and 3.84 %.

Lessors distinguish between finance and operating leases on the basis of the distribution of the risks and opportunities from the asset. Assets from operating leases are carried at cost and depreciated to their residual value on a straight-line basis over the lease term. Impairment is recognized in the form of write-downs and adjustments to the lease installments. Lease payments received in the period are recognized as income in the income statement.

(f) Impairment

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

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

The value in use is the present value of the expected cash flows determined on the basis of current planning by the management. This planning is based on expectations regarding future development of the various individual markets. Appropriate assumptions about macroeconomic trends (development of currency, interest and commodities prices) and historical developments are taken into account. The planning period covers a five-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 up to 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 takes into account the specific peer group information for the beta factors and the debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary.

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

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

The impairment tests at RENK are based on planning adjusted for the COVID-19-pandemic. For fiscal year 2020, impairment of € 690 thousand was taken on the carrying amount of investments in a non-consolidated subsidiary.

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

(g) Inventories

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

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

(h) Contract assets and liabilities

When either party to a contract has satisfied its performance obligations, the entity must recognize a contract asset or a contract liability, depending on whether the entity has satisfied its performance obligation or the customer has paid. Unconditional rights to consideration must also be taken into account.

In the RENK Group, contract assets result from the satisfaction over time of performance obligations accounted for deploying input-based methods on the basis of costs incurred. Under this method, pro rata revenue and the cost of sales are reported in accordance with the progress achieved by the end of the reporting period. This is calculated based on the transaction price agreed with the customer and the expected contract costs. The percentage of completion is calculated as the proportion of the costs incurred by the end of the reporting period in the total forecast contract.

If the result of a performance obligation cannot be reliably determined, revenue is recognized only in the amount of the contract costs incurred. In the balance sheet, the revenues recognized under the percentage of completion method are shown in the contractual assets net of the prepayments received and the prepayments receivable.

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

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

(i) Primary financial instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. Regular way purchases and sales of financial instruments are recognized at the settlement date, i.e. the date on which the asset is delivered.

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

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

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

Financial liabilities are assigned to the following categories:

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

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

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

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

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

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

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

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

Level 1:

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

Level 2:

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

Level 3:

If there is objective evidence of impairment since the last reporting date, the financial assets are stage 3 and loss allowances are recognized on the basis of expected losses for their entire remaining term.

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

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

Loss allowances on trade receivables and contract assets are recognized in accordance with the simplified approach of IFRS 9. Under this method, the expected credit losses over the total remaining term of receivables and contract assets are calculated on the basis of a provision matrix with rates graded depending on the number of days that a receivable is past due. These rates are based on historical loss rates and forward-looking factors.

The following impairment table was used to calculate the risk provisions under the simplified impairment model:

	Overdue			
	not overdue	1-30 days	31-90 days	> 91 days
Loss allowance rate	0.05 %	0.75 %	1.75 %	3.40 %

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

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

Financial assets at fair value through other comprehensive income include financial investments (equity instruments) for which the RENK Group 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. Any dividends are recognized in profit or loss unless they represent a repayment of the cost.

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

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

Central finance management across the RENK Group is performed by RENK AG.

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

(j) Derivative financial instruments

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

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

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

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

(k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. Provisions 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 five 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 reported in functional expenses. Net interest income and expenses are calculated by multiplying the net asset or net liability by the discount rate and are included in interest expense.

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

Payments for defined contribution plans are recognized in functional expenses.

(m) Other provisions

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

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

Provisions for warranties are recognized at the time of sale of the products concerned or the performance of the relevant service. Their measurement is primarily based on historical experience. Individual provisions are also recognized for known losses. Provisions for

restructuring measures are recognized when the Group has produced a detailed, formal plan of measures containing information on the division affected, the estimated number of employees and a cost estimate and the parties concerned or their representatives have been informed accordingly. Provisions for outstanding costs and other commitments are measured on the basis of services yet to be performed, usually in the amount of the production costs expected to be incurred. Provisions for anticipated losses from onerous contracts are recognized when the expected benefit resulting from the contract is less than the unavoidable costs to fulfill the contract.

(n) Contingent liabilities

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

(o) 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) 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 adequately reflected in valuations, although future events can still differ from these estimates and have a material effect on the net assets, financial position and results of operations of the RENK Group. Estimates and judgments are reviewed on an ongoing basis.

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

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

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

Individual performance obligations are accounted for over time using the percentage of completion method. Revenue is accounted for using the percentage of completion method. This method places considerable importance on accurate estimates of the percentage of completion. Depending on which method is used to determine the percentage of completion, significant estimates include contract revenue, total contract costs, the remaining costs to completion, contract risks and other assessments. The management of the operating units is continuously reviewing the estimates for such performance obligations and adjusts them as necessary.

Estimates, especially for variable remuneration components, are required to calculate the transaction price as the expected consideration in exchange for the transfer of goods and services. The variability relates to the claim actually arising and to the amount of the claim. The single most likely amount in a range of possible contractual consideration amounts is selected as the most likely amount. In addition, some or all of the variable consideration component is only included in the transaction price to the extent that it is highly probable that a significant reversal of the revenue recognized will not occur. This assessment of probabilities and the restriction of variable remuneration components is based on management estimates.

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

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

As the 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.

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.

With the approval of the extraordinary stockholders' meeting for the squeeze-out under merger law and the filing of the merger in the commercial register on December 22, 2020, the conditions are met for accounting the merger of the former RENK AG, Augsburg, and the former Rebecca BidCo AG, Munich, and the squeeze-out. As a result, as of this date, a financial liability to the minority stockholders in the amount stipulated in the squeeze-out opinion is recognized instead of the minority interest. The merger of former RENK AG into former Rebecca BidCo AG triggers real estate transfer tax for RENK AG's real property. Due to the registration in the commercial register in 2020, the merger is unstoppable and thus the real estate transfer tax has to be expensed in the reporting year. The amount currently recognized represents the best estimate as of the reporting date. The financial liability recognized may still change as a result of the court proceedings.

(4) Statement of cash flows

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

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

Besides additions to tangible assets, intangible assets and to business acquisitions, the cash flow from investing activities also includes deposits of financial investments. Proceeds from these items are offset against each other.

The cash flow from financing activities consist of the following cash transactions: equity contributions, lease payments, proceeds from and payments for securities, the borrowing and repayment of financial liabilities.

The cash and cash equivalents shown in the cash flow statement correspond to the "Cash and cash equivalents" item in the balance sheet.

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

RENK has implemented all accounting standards endorsed by the EU and effective for financial periods from January 1, 2020.

(b) 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 2020 consolidated financial statements.

Standard/Interpretation	Published by IASB	Mandatory application	Endorsed by	Expected impact
IFRS 3 Amendments to Business Combinations	May 14, 2020	Jan. 1, 2022	No	No impact
IFRS 4 Amendments to Insurance Contracts	August 27, 2020	Jan. 1, 2021	Yes	No impact
IFRS 17 Insurance Contracts; including amendments to IFRS 17	May 18, 2017 June 25, 2020	Jan. 1, 2023	No	No impact
IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16 Interest Rate Benchmark Reform (Phase 2)	August 27, 2020	Jan. 1, 2021	Yes	No impact
IAS 1 Change to assessment criteria for classification of liabilities as current or non-current	January 23, 2020 July 15, 2020	Jan. 1, 2023	No	No impact
IAS 16 Amendments to Property, Plant and Equipment	May 14, 2020	Jan. 1, 2022	No	No material impact
IAS 37 Amendments to Provisions, Contingent Liabilities and Contingent Assets	May 14, 2020	Jan. 1, 2022	No	No material impact
Improvements to International Financial Reporting Standards 2018 - 2020	May 14, 2020	Jan. 1, 2022	No	No impact

Notes to the Consolidated Income Statement

(6) Revenue

€ thousand	2020 02.01.-31.12.
Germany	41,698
Other EU countries	45,048
Asia	44,647
Americas	14,112
Other European countries	7,723
Australia and Oceania	548
Africa	1,199
	154,974

All recognized revenue results from contracts with customers. The performance obligations extend to all products in the RENK Group's product range. The RENK Group typically recognizes revenue at a point in time. The Vehicle Transmissions segment includes revenue recognized over a period of time of € 9,166 thousand.

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

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

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of € 1,030,254 thousand as of December 31, 2020. The recognition of the corresponding revenue is expected in the following fiscal years:

€ thousand	Dec. 31, 2020		
	2021	2022 to 2027	>2027
Transaction price of remaining performance obligations	487,022	479,551	63,681

(7) Other operating income

€ thousand	2020 02.01.-31.12.
Income from exchange rate changes and derivatives	1,349
Prior-period income	161
Income from reversal of provisions	131
Income from asset disposals	47
Other income	165
	1,852

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

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

(8) Other operating expenses

€ thousand	2020 02.01.-31.12.
Incidental costs of business combination	16,271
Personnel expenses	1,621
Addition to miscellaneous other provisions	740
Expenses from exchange rate changes and derivatives	346
Bank fees	93
Other expenses	1,722
	20,793

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

The cost of business combination comprises consulting expenses and costs for export opinions, insurance fees and other taxes in connection with the acquisition of the interest in RENK AG.

(9) Interest expense and other financial result

Interest expense

€ thousand	2020 02.01.-31.12.
Interest expenses on bonds	10,331
Loan interest	1,820
Guarantee commissions	929
Interest cost on provisions and liabilities	69
Other interest and similar expenses	219
	13,368

The effect of changes in the discount rate for liabilities and other provisions resulted in an expense of € 8 thousand in fiscal year 2020 and is included in interest expense.

The interest cost on provisions and liabilities includes interest expenses from lease liabilities in the amount of € 43 thousand.

Other financial result

€ thousand	2020 02.01.-31.12.
Income	
Income from dividends	605
Income from measurement effects	106
Other interest and similar income	357
Expenses	
Expenses from write-downs on equity investments	(690)
	378

(10) Income tax expense

€ thousand	2020 02.01.-31.12.
Current taxes	
Germany	(1,021)
Outside Germany	1,030
Deferred taxes	
Germany	10,957
Outside Germany	(260)
	10,704

The tax expense forecast for fiscal year 2020 results from applying the domestic tax rate of 31.85 % for the 2020 assessment period to the profit before tax. This tax rate takes into account German municipal trade tax of 16.02 %, the German corporate income tax of 15.00 % and the solidarity surcharge of 5.50 % of corporate income tax.

For the RENK Group, a weighted Group tax rate was calculated on the basis of the earning amounts and tax rates of the individual Group companies. The Group tax rate as of December 31, 2020 was 30.00 %. Local tax rates for foreign companies range from 19.00 % to 28.00 %.

Reconciliation of forecast to current income taxes:

€ thousand	2020	
	02.01.-31.12.	%
Profit before taxes	(13,486)	100
Forecast tax expense	(4,050)	30.0
Difference due to changes in tax rates	40	0
Tax-exempt income	(357)	3
Non-deductible expenses	186	(1)
Effects from permanent accounting deviations	8,891	(66)
Effects from incidental costs of business combination	5,553	(41)
Taxes for previous years and other	442	(3)
Current tax expense	10,704	(79)

Current tax income includes prior-period income tax of € 221 thousand.

The deferred tax assets on the remeasurement of pension plans are recognized directly in the other comprehensive income. Higher deferred tax expense relates to the reclassification of unrealized gains and losses from pension assets from the "taxable" category to the "tax-exempt" category. In the reconciliation calculation, this effect is shown in the permanent accounting deviations.

Deferred taxes are attributable to the following items:

€ thousand	Dec. 31, 2020
Deferred tax assets	
Intangible assets	20
Other equity investments and financial investments	185
Inventories	12,271
Receivables and other assets	537
Pensions and similar obligations	11,291
Liabilities and other provisions	7,447
Loss carryforwards	523
Gross amount	32,275
Offset	(28,413)
Carrying amount in statement of financial position	3,861

In the financial year, deferred tax assets were recognized on unused tax losses in the amount of € 523 thousand. Based on the expected future business development at the time of preparation of the consolidated financial statements and based on the tax planning, it is assumed that this tax claim will be realized within the corresponding period in which the losses can be utilized. There are no other tax loss carryforwards for which deferred tax assets could be recognized.

€ thousand	Dec. 31, 2020
Deferred tax liabilities	
Intangible assets	61,498
Property, plant and equipment	28,986
Other equity investments and financial investments	2,581
Inventories	263
Receivables and other assets	3,812
Liabilities and other provisions	14,654
Gross amount	111,794
Offset	(28,413)
Carrying amount in statement of financial position	83,382

In connection with investments in subsidiaries there are temporary differences for which deferred tax liabilities are recognized in the amount of € 245 thousand.

Deferred taxes on retained earnings of foreign subsidiaries amounting to € 69,450 thousand are not calculated, as these earnings are largely to be used in the companies. Distributions would generally result in additional tax expense.

(11) Other income statement disclosures

The cost of sales includes research and development costs of € 5,152 thousand.

Staff costs break down as follows:

€ thousand	2020 02.01.-31.12.
Wages and salaries	42,136
Social security and post-employment expenses	10,382
	52,518

Personnel expenses in the amount of € 42,109 thousand are included in the cost of sales, € 6,414 thousand in the selling expenses, and €3,995 thousand in the administrative expenses.

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

Short-term leases of € 56 thousand and low-value leases of € 59 thousand were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

(12) Total remuneration for work by the auditor

On December 17, 2020 the shareholder's meeting of RENK Holding GmbH selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (EY) as statutory auditor for the 2020 consolidated financial statements.

The table below shows the fees charged for the work of the auditor EY GmbH network in fiscal year 2020:

€ thousand	2020 02.01.-31.12.
Audit of the financial statements	133
Other assurance services	2
Tax advisory services	150
Other services	7
Auditor remuneration	292

Audit services comprise the audit of the consolidated financial statement of the RENK Holding GmbH and the IFRS-Audit and IFRS-Review of individual subsidiaries as well as the initial audit of the Treasury systems at RENK AG.

Notes to the Consolidated Statement of Financial Position

(13) Business combination

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

The purchase price for RENK AG, which consists of the acquisition from Volkswagen Vermögensverwaltungs-GmbH and the takeover bid in connection with the merger, amounts to € 625 million. Using the full goodwill method, i.e., recognizing the full goodwill by projecting the price per share according to the squeeze-out opinion, the entire preliminary goodwill from the acquisition of the former RENK AG and the non-controlling interests of € 52 million (€ 105.72 price per share multiplying with 487,636 shares) were balanced as of the acquisition date. The amount of the non-controlling interests equals the Fair Value. After the Extraordinary Stockholders' Meeting approved the squeeze-out under merger law and after this was filed with the Commercial Register, the non-controlling interests were recognized in the other financial liabilities.

At the time of the acquisition, the former RENK Group comprised the following companies:

- RENK AG, Munich,
- RENK France S.A.S., Saint-Ouen-l'Aumône, France,
- RENK Corporation, Duncan (SC)/USA,
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland

- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA

In addition, the following company shares were acquired, but are not included in the basis of consolidation and will also not be included in the future as they are insignificant to the RENK Group's assets, financial position and results of operations:

- RENK Transmisyon Sanayi A.S., Istanbul, Turkey,
- COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil,
- RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China,
- RENK Gears Private Ltd., Bangalore, India,
- Schelde Gears B.V., Vlissingen, Netherlands,
- Horstman Systems Inc., Woodbridge, Ontario, Canada,
- RENK Holding Canada Inc., Toronto, Ontario, Canada,
- RENK (UK) Ltd., London, UK.

For a complete presentation of the shares, please see the full list of shareholdings.

The acquisition was carried out as part of a share deal with a subsequent merger with the acquiring Group-Company. The following fair values of the assets and liabilities acquired have been included in these consolidated financial statements by taking into account a preliminary purchase price allocation. At the time of preparation, the purchase price allocation process had not yet been completed due to the high complexity, the specific features of the business model of the acquired companies and the more difficult conditions resulting from the COVID-19-Pandemic.

Mio €	
Purchase price	625
Non-controlling interests	52
Intangible Assets	212
Property, plant and equipment	290
Other purchased net assets	135
Preliminary Goodwill	39

The values balanced in the intangible and tangible assets include the following identifiable assets (the ranges within which the fair values are expected to lie after finalization of the purchase price allocation based on current knowledge are shown in parentheses): Technology (€ 65 million to € 85 million), trademark rights (€ 30 million to € 40 million), customer base (€ 30 million to € 55 million), order backlog (€ 30 million to € 55 million) and tangible assets (€ 280 million to € 330 million). The recognition of the preliminary goodwill reflects the know-how of the workforce and future sales potential.

Other net assets acquired include mainly the following assets and liabilities: Inventories € 260 million, Trade accounts receivable € 104 million, cash and cash equivalents € 122

million, contractual liabilities € 185 million, pension provision € 17 million and other provisions € 68 million.

The acquired trade accounts receivable (€ 104 million) and the contractual assets (€ 3 million) include risk provisions totaling € 1 million. At the acquisition date, both the trade accounts receivable and the contractual liabilities were classified as fully collectible.

In the period from October to December 2020, the former RENK Group contributed € 155 million to the Group-sales and € 4 million to the earnings after taxes. If the acquisition had already taken place on January 1, 2020, additional sales of € 395 million and additional earnings after taxes of € 32 million would have had to be taken into account. Taking into account the depreciation and deferred taxes from the preliminary purchase price allocation, this results in an additional charge of € 3 million to the earnings for the months October to December, if the acquisition had already taken place at the beginning of 2020, further € 10 million would have had to be recognized as a reduction to the earnings. The Group incurred costs of € 16 million for legal and due diligence services in connection with the business combination. These costs are recognized in full in the other operating expenses.

(14) Intangible assets

€ thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
As of Jan. 2, 2020	–	–	–	–
Additions	415	–	–	415
Reclassifications	114	–	–	114
Disposals	(38)	–	–	(38)
Depreciation/amortization	(874)	–	(4,269)	(5,143)
Cumulative depreciation/amortization on disposals	38	–	–	38
Addition to basis of consolidation	39,818	39,018	172,500	251,336
Currency adjustment	(35)	–	1	(34)
As of Dec. 31, 2020	39,438	39,018	168,232	246,689
Gross carrying amount on Dec. 31, 2020	40,257	38,018	172,500	250,775
Cumulative depreciation/amortization and impairment losses	(819)	–	(4,268)	(5,087)

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

The addition to the basis of consolidation relates to the initial consolidation of the former RENK Group. Due to the fact that the purchase price allocation has not yet been completed, the addition to the basis of consolidation includes preliminary values. As a result of the preliminary purchase price allocation, impairments of € 4.731 thousand are included in the intangible assets. Please refer to the section "Business combination".

(15) Property, plant and equipment

€ thousand	Land and buildings	Right-of-use assets on land and buildings
As of Jan. 2, 2020	–	–
Additions	1,516	231
Reclassifications	1,188	–
Disposals	(19)	(157)
Depreciation/amortization	(1,075)	(331)
Impairment losses	–	–
Reclassifications depreciation and amortization	124	–
Cumulative depreciation/amortization on disposals	4	–
Addition to basis of consolidation	106,572	5,750
Currency adjustment	(8)	(20)
As of Dec. 31, 2020	108,302	5,473
Gross carrying amount on Dec. 31, 2020	109,185	5,788
Cumulative depreciation/amortization and impairment losses	(882)	(316)

	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
	–	–	–	–	–
	3,119	3,005	68	7,479	15,418
	4,730	(1,975)	–	(3,998)	(55)
	(1,174)	(909)	(60)	(212)	(2,531)
	(4,450)	(1,226)	(73)	–	(7,155)
	(178)	–	–	–	(178)
	(4)	(119)	–	–	1
	1,131	1,085	57	–	2,277
	139,047	14,479	299	22,081	288,228
	3	(8)	–	11	(22)
	142,224	14,332	291	25,361	295,983
	145,698	14,580	307	25,361	300,917
	(3,473)	(248)	(15)	–	(4,934)

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

Property, plant and equipment from the acquisition of the old RENK Group are recognized under addition to basis of consolidation. Due to the fact that the purchase price allocation has not yet been completed, the addition to the basis of consolidation includes preliminary values. As a result of this preliminary purchase price allocation, depreciation and amortization of € 597 thousand is included in property, plant and equipment. Please refer to the section "Business combination".

The leases recognized as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets amount to € 384 thousand in the current fiscal year.

(16) Inventories

€ thousand	Dec. 31, 2020
Raw materials, consumables and supplies	38,925
Finished goods and work in progress	207,307
Prepayments for inventories	2,372
	248,604

Consumption of inventories of € 99 million was recognized in the cost of sales in the reporting period.

(17) Contract assets

Contract assets developed as follows:

€ thousand	2020
As of Jan. 2	–
Addition to basis of consolidation	2,721
Additions and disposals	(155)
Currency changes	(1)
As of Dec. 31	2,565

(18) Loss allowances

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

€ thousand	2020
As of Jan. 2	–
Addition	180
Utilization	(117)
Currency changes	(2)
As of Dec. 31	61

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

€ thousand	2020
As of Jan. 2	–
Addition to basis of consolidation	113,256
Additions and disposals	12,234
Currency changes	(84)
As of Dec. 31	125,406

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

€ thousand	Dec. 31, 2020
Restricted cash	11,257
Receivables from loans	9,117
Customer prepayment receivables	8,845
Derivative financial instruments	582
Miscellaneous other financial assets	932
Other financial assets	30,733
Prepaid expenses	3,777
Commission claims	1,952
Other tax assets	1,644
Miscellaneous other receivables	4,808
Other receivables	12,181
	42,914

The restricted cash includes cash collateral for bilateral guarantee credit lines.

The miscellaneous other receivables include the recognised transaction costs of the syndicated loan agreement in amount to € 4.731 thousand.

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

(20) Equity

Subscribed capital at RENK Holding GmbH amounts to € 25 thousand.

The capital reserves originate exclusively from capital contributions made by the Rebecca BidCo SARL, Luxemburg, to the RENK Holding GmbH.

Negative retained earnings result from the loss in fiscal year 2020, due primarily to the incidental costs of business combination.

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 basis of its Articles of Association.

(21) Pensions and similar obligations

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

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

Current contributions are recognized as an expense in the respective year; in 2020 they amounted to a total of € 3,194 thousand in the RENK Group.

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

€ thousand	2020
Present value of externally financed obligations	195,356
Plan assets at fair value	(179,942)
Funding status on December 31	15,414
Present value of unfunded obligations	609
Carrying amount on December 31	16,023
of which provisions for pension obligations	16,023

(a) Pension plans in Germany

As one of the essential elements of its remuneration policy, the RENK Group provides its domestic employees with benefits under a modern and attractive 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.

Due to 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 AG Investment Committee, supported by Willis Towers Watson Investments GmbH, is now responsible for investments.

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

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

(b) Pension plans outside Germany

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

Obligatory post-employment benefits are paid in France.

(c) Funding status

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

in %	Germany	Outside Germany ¹⁾
	2020	2020
Discount rate as of Dec. 31	0.40	0.33
Salary trend	3.00	2.00
Pension trend	1.50	0.00
Fluctuation rate	2.57	5.14

1) Weighted average rates

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to RENK and therefore better reflect mortality than the current RT2018 G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

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

The present value of defined benefit obligations developed as follows:

€ thousand	2020
Defined benefit obligation on January 2	–
Addition to basis of consolidation	188,617
Current service cost	1,483
Interest expense	332
Actuarial gains (-)/losses (+) due to changes in financial assumptions	3,796
Actuarial gains (-)/losses (+) due to experience adjustments	2,066
Employee contributions to funds	312
Pension payments from company assets	(332)
Pension payments from fund	(763)
Other changes	629
Currency differences from plans abroad	(174)
Defined benefit obligation on December 31	195,965

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

Dec. 31, 2020			
Defined benefit obligation		€ thousand	%
Discount rate	+0.5 % points	186,041	(5.33)
	(0.5) % points	206,767	5.22
Salary trend	+0.5 % points	202,649	3.30
	(0.5) % points	191,584	(2.29)
Pension trend	+0.5 % points	196,403	0.22
	(0.5) % points	195,551	(0.21)
Longevity	+ 1 year	201,509	2.75

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

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

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

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

€ thousand	2020
Active members	110,761
Former members	9,477
Beneficiaries	75,727
Defined benefit obligation	195,965

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

€ thousand	2020
Payment due	
Within one year	6,273
Between one and five years	37,273
More than five years	152,419
Defined benefit obligation	195,965

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

€ thousand	2020
Plan assets as of January 2	–
Addition to basis of consolidation	171,151
Interest income from plan assets – in amount of interest rate	294
Actuarial gains	7,183
Employer contributions to funds	1,277
Employee contributions to funds	185
Pension payments from fund	(763)
Other changes	629
Currency differences from plans abroad	(14)
Plan assets on December 31	179,942

The investment of plan assets resulted in income of € 7,472 thousand, € 5,992 thousand of which relates to Germany and € 1,479 thousand to other countries.

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

In the next fiscal year employer contributions to plan assets are expected to amount to € 4,554 thousand.

The plan assets are invested in the following categories:

€ thousand	Dec. 31, 2020		
	Quoted price on an active market	No quoted price on an active market	Total
Cash and cash equivalents	2,973	–	2,973
Equity instruments	9,220	6,654	15,874
Debt instruments	13,719	–	13,719
Direct investments in real estate	–	12,270	12,270
Real estate funds	1,154	–	1,154
Other funds	128,474	–	128,474
Other	2,732	2,745	5,477
Plan assets at fair value	164,927	15,015	179,942

The other funds include the trust assets of the domestic companies which are invested in the mixed special funds.

The plan assets are 75 % invested in domestic assets, 25 % in other European assets and 0 % in assets from other regions.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

€ thousand	2020
Current service cost	1,483
Net interest expense (+)/income (-)	27
	1,511

(22) Other non-current and current provisions

€ thousand	Warranties	Obligations to employees	Outstanding costs	Miscellaneous other provisions	Total
As of Jan. 2, 2020	–	–	–	–	–
Utilization	(1,927)	(3,390)	(165)	(265)	(5,747)
Addition to basis of consolidation	44,291	10,994	5,422	7,691	68,398
Addition	2,525	4,577	48	1,110	8,260
Reversal	(4,631)	(29)	(599)	(328)	(5,587)
Interest cost	–	(64)	–	48	(16)
Currency translation differences	–	–	(2)	(1)	(3)
As of Dec. 31, 2020	40,258	12,088	4,704	8,255	65,305

Other provisions break down according to maturity as follows:

€ thousand	Dec. 31, 2020	
	Non-current	Current
Warranties	2,952	37,306
Obligations to employees	7,602	4,486
Outstanding costs	–	4,704
Miscellaneous other provisions	926	7,329
	11,480	53,825

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Provisions for outstanding costs comprise risks from customer contracts recognized over a period of time and outstanding services for invoiced customer contracts.

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

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

(23) Financial liabilities

€ thousand	Dec. 31, 2020
Bonds	321,558
Loan liabilities	81,287
Lease liabilities	4,394
Non-current financial liabilities	407,239
Loan liabilities	96,325
Lease liabilities	1,434
Current financial liabilities	97,759
	504,998

The following table shows the changes in liabilities from financing activities for the 2020 financial year:

€ thousand	Bonds	Loan liabilities	Lease liability
As of Jan. 2	–	–	–
Addition to basis of consolidation			6,098
Cash inflows from issuance of bonds	320,000	–	–
Cash inflows from borrowing loan liabilities	–	175,658	–
Changes of the lease liabilities	–	–	(289)
Total change in cash flow from financing activities	320,000	175,658	(289)
Effects of changes in exchange rates	0	60	(24)
Transaction costs	(7,680)	–	–
Interest expenses	9,239	1,894	43
Total other changes, related to debt	1,559	1,894	43
As of Dec. 31	321,558	177,612	5,828

(24) Contract liabilities

€ thousand	Dec. 31, 2020
Contract liabilities, non-current	78,544
Contract liabilities, current	100,296
Liabilities from customer prepayment receivables	6,084
	184,924

Contract liabilities developed as follows in the fiscal year 2020:

€ thousand	2020
As of Jan. 2	–
Additions and disposals	627
Addition to basis of consolidation	184,521
Currency changes	(224)
As of Dec. 31	184,924

(25) Other non-current and current liabilities

€ thousand	Dec. 31, 2020
Liabilities from the acquisition of outstanding shares	51,553
Derivative financial instruments	311
Deferred income	23
Miscellaneous other financial liabilities	1,359
Other financial liabilities	53,246
Employee-related liabilities	26,108
Liabilities from other taxes	1,651
Miscellaneous other liabilities	819
Other liabilities	28,578
	81,824

The liabilities from the acquisition of outstanding shares include the liability to minority stockholders from the squeeze-out of RENK AG under merger law. Please refer to the section "Estimates and judgments".

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

€ thousand	Dec. 31, 2020
Obligations from guarantees	329
Other contingent liabilities	1,104
	1,432

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

Other contingent liabilities include possible charges from contractual 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 € 271 thousand:

The capitalized leases create potential future payments of € 4,092 thousand resulting from extension options not yet taken into account and termination options of € 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 € 3,697 thousand. The commitment value for the acquisition of inventories and services was € 133,973 thousand.

(28) Additional information on financial instruments

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

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2020, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories.

€ thousand	Measured at fair value through other comprehensive income	Measured at fair value through Profit & loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2020
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets						
Other and financial investments	2,975	–	–	–	20,733	23,708
Other non-current financial assets	–	37	5,555	5,555	–	5,592
Current assets						
Trade receivables	–	–	122,781	122,781	–	122,781
Contract assets	–	–	–	–	2,565	2,565
Other current financial assets	–	545	24,596	24,596	–	25,141
Cash and cash equivalents	–	–	186,881	186,881	–	186,881
Non-current liabilities						
Noncurrent financial liabilities	–	–	402,845	416,919	4,394	407,239
<i>thereof bonds</i>	–	–	321,558	335,632	–	
<i>thereof loans payable</i>	–	–	81,287	81,287	–	
<i>thereof lease liabilities</i>	–	–	–	–	4,394	
Other noncurrent financial liabilities	–	225	7	7	–	232
Current liabilities						
Current financial liabilities	–	–	97,759	97,759	–	97,759
Trade payables	–	–	49,383	49,383	–	49,383
Other current financial liabilities	–	85	52,929	52,929	–	53,014

The cumulative carrying amounts of financial instruments as of December 31, 2020, broken down by IFRS 9 measurement category, are as follows:

€ thousand	Dec. 31, 2020	
Measurement category in accordance with IFRS 9	Assets	Equity and liabilities
Financial instruments at amortized cost	339,814	1,005,768
Financial assets at fair value through other comprehensive income	2,975	–
Financial instruments at fair value through profit or loss	582	311

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

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

Financial assets at fair value through other comprehensive income include equity shares in the entity RENK UAE LLC, Abu Dhabi, United Arab Emirates of € 2,975 thousand for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

In particular, the respective corporate planning and the company-specific discount rates are used to measure the equity instruments at fair value (level 3). As of December 31, 2020, the weighted average cost of capital before taxes for calculating the fair value is 7.65 %. A change in the significant, unobservable inputs has no significant effect on equity or profit after tax, either in isolation or combination.

Total dividends of € 605 thousand were received in the reporting period.

For derivative financial instruments without option components, in particular currency forwards, future cash flows are calculated by discounting the forward cash flows on the basis of the FX spot and swap rates (calculation using the interest difference method). The fair value of these instruments is the total of the discounted cash flows. The options on currency pairs are measured on the basis of standard option pricing models, i.e. generalized Black-Scholes formulas.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy with the exception of other equity investments, which are level 3.

With the exception of cash and cash equivalents and the interests, which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy. For the Level 3 receivables, the fair value is determined by taking into account individual loss expectations, which are based to a significant extent on the company's assumptions regarding the credit rating of the counterparty.

Fair value hierarchy:

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

Level 1:

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

Level 2:

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

Level 3:

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

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

€ thousand	2020
Interest expense	13,286
Interest income	353

Offsetting financial assets and financial liabilities

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

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can 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.

€ thousand	Carrying amount in statement of financial position	Financial instruments ¹⁾	Collateral received ¹⁾	Net amount
Dec. 31, 2020				
Assets from derivative financial instruments	582	(158)	–	424
Liabilities from derivative financial instruments	311	(158)	–	153

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

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

€ thousand	2020
Financial assets at amortized cost	(126)
Financial liabilities at amortized cost	(3,076)
Assets and liabilities at fair value through profit or loss	1,037
Net gain (+)/net loss (–)	(2,165)

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

The net gains or losses from financial liabilities at cost mainly result from currency translation.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments not used in hedge accounting.

(29) Derivative financial instruments and hedging strategies

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

(a) Risk management

The companies hedge their currency risks at market conditions via the central Group Treasury of RENK AG. This uses primary and predominantly derivative financial instruments. In countries where exchange control regulations or regulatory provisions do not allow RENK AG to hedge its risks, foreign currency interest and money market transactions are entered into by RENK AG in the name and on behalf of the respective Group company. Derivative financial instruments are recognized on the trade date.

The risk positions of the Group are hedged externally with banks within predetermined risk limits by Group Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by a strict separation of functions on the basis of the dual control principle.

Liquidity management and investment in the RENK Group is centralized under group-wide cash management. When investing cash and cash equivalents, financial institutions and investment vehicles are carefully selected and diversified. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The Executive Board of RENK AG is regularly informed about the market price risks of the RENK Group.

(b) Currency risk

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

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

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

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10 % appreciation/depreciation of a currency per currency pair as of December 31, 2020 are as follows:

€ thousand	Dec. 31, 2020			
	Equity		Net profit/loss for the period	
Currency pair	+10%	(10)%	+10%	(10)%
Euro/US dollar	–	–	1,152	(1,310)
Euro/Swiss franc	–	–	(1,083)	1,083
Euro/Chinese yuan	–	–	332	(293)
Euro/Pound sterling	–	–	(461)	464
Euro/Japanese yen	–	–	102	(149)
Euro/Norwegian krone	–	–	(1)	1
Swiss franc/US dollar	–	–	(21)	21

(c) Commodity price risk

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

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2020.

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

(d) Credit risk

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

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

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

used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

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

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

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

	Risk class 1	Risk class 2	Risk class 3
	Receivables without evidence of credit impairment ¹⁾	Receivables with a significant increase in credit risk ²⁾	Receivables without evidence of credit impairment ³⁾
€ thousand	2020	2020	2020
Stage 1: 12-month expected credit loss	217,033	–	–
Stage 2: Lifetime expected credit losses (not impaired)	–	–	–
Stage 3: Lifetime expected credit losses (impaired)	–	–	–
Purchased or originated credit-impaired financial instruments	–	–	–
Simplified approach: Lifetime expected credit losses	105,455	11,231	9,370
	322,488	11,231	9,370

1) Receivables not overdue and up to 30 days overdue

2) Receivables 31 to 90 days overdue

3) Receivables more than 91 days overdue

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

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

(e) Liquidity risk

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

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

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash and cash equivalents of the RENK companies are combined on a daily basis. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In certain countries (such as Brazil and China), the Group can only dispose over local cash and cash equivalents internationally in compliance with the applicable foreign exchange restrictions. Other than this there are no significant restrictions.

In the context of a syndicated loan agreement, the companies of the RENK Group agreed with banks cash credit lines for € 50,000 thousand at normal market conditions with a term to January 13, 2025 and an extension option. Deutsche Bank acts as the syndicated loan manager (agent) The base interest rate is determined depending on the debt-equity ratio. The credit lines had not been utilized at the end of the reporting period.

In addition, in the framework of a syndicated loan agreement, the RENK Group has a guarantee credit line of € 175,000 thousand, € 120,889 thousand of which was utilized. Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of € 23,988 thousand, € 21,981 thousand of which were utilized on the reporting date. Cash collateral of € 11,257 thousand was provided for the bilateral guarantee credit lines as of the reporting date.

To partially finance the acquisition of the shares in the former RENK AG, Rebecca BidCo AG issued a € 320 million bond on the regulated market of TISE in Guernsey in the current fiscal year with a term of five years and with an interest coupon of 5.75 % p.a.. In addition, a long-term loan of € 80 million with a term of more than five years and two short-term loans totaling € 96 million were taken out from Rebecca BidCo SARL. The interest rates for the loans range between 0 % and 6 %.

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

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

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

Maturities¹⁾

€ thousand	Dec. 31, 2020		
	2021	2022 to 2025	> 2025
Cash outflows from primary financial liabilities	218,573	397,735	104,132
<i>of which from bonds</i>	18,502	393,600	–
<i>of which from loan liabilities</i>	96,332	73	103,793
<i>of which trade payables</i>	49,383	–	–
<i>of which other financial liabilities</i>	52,922	7	–
<i>of which from lease liabilities</i>	1,435	4,055	339
Cash outflows from liability derivative financial instruments and gross fulfillment ²⁾	(7,147)	(580)	(8,375)
Associated cash inflows	7,007	518	8,075
Potential cash outflows from contingent liabilities	1,432	–	–
<i>of which for repayment obligations</i>	1,432	–	–

1) The procedure for calculating the amounts was as follows:

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

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

(30)

List of shareholdings of RENK Holding GmbH as of December 31, 2020

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Result (1,000 LC)
RENK AG, München	100	EUR	1	(71,741)	(294,614)
RENK FinCo GmbH, München	100	EUR	1	221,854	(48)
RENK Test System GmbH, Augsburg	100	EUR	1	11,837	(632)
E-MS GmbH, Hamburg ¹⁾	100	EUR	1	25	-
RENK France S.A.S., Saint-Ouen-l'Aumône, Frankreich	100	EUR	1	24,829	1,609
Schelde Gears B.V., Vlissingen, Niederlande ²⁾	100	EUR	1	1,938	577
RENK (UK) Ltd., London, UK (inaktiv)	100	GBP	n/a	n/a	n/a
Horstman Defence Systems Ltd., Bath, UK	100	GBP	0.8990	15,055	3,119
Horstman Holdings Ltd., Bath, UK	100	GBP	0.8990	12,973	2,587
RENK-MAAG GmbH, Winterthur, Schweiz	100	CHF	1.0802	20,281	2,311
RENK Transmisyon Sanayi A.S., Istanbul, Türkei ²⁾	55	TRY	6.6805	10,234	1,215
RENK UAE LLC, Abu Dhabi, United Arab Emirates ²⁾	49	AED	4.1244	16,361	219
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.2271	14,823	971
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.2271	5,285	1,602
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	1.2271	1,338	(742)
Horstman Systems Inc., Woodbridge, Ontario, Kanada ³⁾	100	CAD	1.4621	(4,099)	(326)
RENK Holding Canada Inc., Toronto, Ontario, Kanada ²⁾	100	CAD	1.4621	3,000	-
COFICAL RENK MANCAIS DO BRASIL LTDA, Guararirim, Brasilien ³⁾	98	BRL	4.5135	20,848	3,930
Modest Tree Media Inc., Halifax, Nova Scotia, Kanada ⁴⁾	17.54	CAD	1.5332	2,397	(818)
Renk Gears Private Ltd., Bangalore, Indien ⁵⁾	100	INR	82.5540	98,923	33,148
Renk Korea Co., Ltd., Busan, Südkorea ²⁾	100	KRW	1,296.350	602,666	64,353
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China ²⁾	100	CNY	7.8147	6,805	1,082

1) On account of the acquisition, equity is recognized for the time of acquisition

2) As of: December 31, 2019

3) Short fiscal year (April 1– December 31, 2019)

4) As of: June 30, 2020 due to the different fiscal year

5) As of: March 31, 2020 due to the different fiscal year

(31) Related party disclosures

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

Rebecca BidCo SARL holds the shares of the RENK Holding GmbH and is thus, together with its affiliates, a related party with regard to the RENK Group. Rebecca BidCo SARL is held by the Triton V fund, which is advised by the financial investor Triton.

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

In the current fiscal year, loan transactions were concluded with Rebecca BidCo SARL and its related companies to the following extent:

€ thousand	2020 02.01.-31.12.
Services rendered (income)	80
Services received (expense)	1,820
Receivables (Dec. 31)	6,776
Liabilities (Dec. 31)	177,538

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH, such as the RENK Holding GmbH management, the management of Rebecca BidCo SARL and the Executive Board members of the RENK AG.

In the fiscal year 2020, the Management compensation amounts to € 1,693 thousand and consists of € 411 thousand from short-term benefits and € 1,282 thousand from post-employment benefits and termination benefits. There are no other long-term employee benefits or share-based payments.

There were no other business relationships with related parties in the reporting period.

(32) Events after the end of the reporting period

On March 1, 2021, RENK AG signed a contract on the acquisition of the Combat Propulsion Systems ("CPS") and the Magnet-Motor GmbH ("MM") from L3Harris Technologies Inc. ("L3Harris") for a purchase price of USD 400 million. The transaction is subject to regulatory approvals, with completion expected in the second half of 2021.

CPS is an established manufacturer of transmissions and engines for tracked vehicles on the American and international market. MM is leading in the development and construction of high-performance electric power supply and hybrid driven systems for military applications. After the acquisition, RENK will become a leading global provider of mobility solutions for armored vehicles with a focus on USA and Europe. The company will combine the state-of-the-art technologies of RENK, the recently acquired Horstman Group, CPS and MM.

After signing the contract, RENK established two new U.S. companies as vehicles for the purpose of realizing the acquisition of CPS. On March 5, 2021 RENK Holdings, Inc. was formed as a wholly owned subsidiary of RENK AG and Combat Mobility Solutions LLC ("CMS") as a wholly owned subsidiary of RENK Holdings, Inc. Upon closing of the acquisition, CMS will acquire the assets of CPS.

Augsburg, April 26, 2021

Management of the RENK Holding GmbH

Claus von Hermann-Spürck

Volker Stumpf

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 Rebecca HoldCo GmbH (meanwhile: RENK Holding GmbH, Munich/Augsburg, now RENK Group AG, Augsburg) for the short fiscal year from January 2, 2020 to December 31, 2020. 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 Prospectus.

Independent auditor's report

To Rebecca HoldCo GmbH (meanwhile: RENK Holding GmbH)

Opinions

We have audited the consolidated financial statements of Rebecca HoldCo GmbH, Munich (meanwhile: RENK Holding GmbH), and its subsidiaries (the Group), which comprise the consolidated income statement and reconciliation to total comprehensive income for the abbreviated fiscal year from 2 January 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the abbreviated fiscal year from 2 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Rebecca HoldCo GmbH (meanwhile: RENK Holding GmbH) for the abbreviated fiscal year from 2 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020, and of its financial performance for the abbreviated fiscal year from 2 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these re-

quirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of the executive directors for the consolidated financial statements and the group management report

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements that comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB give a true and fair view of the assets and liabilities, financial position and financial performance of the Group.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive

directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Stuttgart, 6 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heubach
Wirtschaftsprüfer
[German Public Auditor]

Difflipp
Wirtschaftsprüfer
[German Public Auditor]