Prospectus dated February 6, 2024

Prospectus

for the admission to trading

on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

100,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) (existing share capital),

each such share with a notional value of €1.00 and full dividend rights since January 1, 2023

of

RENK Group AG
Augsburg

International Securities Identification Number (ISIN): DE000RENK730

German Securities Code (*Wertpapierkennnummer, WKN*): RENK73

Ticker Symbol: R3NK

Joint Global Coordinators

Citigroup	**Deutsche Bank**
Goldman Sachs Bank Europe SE	**J.P. Morgan**

Joint Bookrunners

COMMERZBANK	**Landesbank Baden-Württemberg**	**UniCredit Bank**

Co-Lead Managers

Crédit Agricole CIB	**Mizuho**	**SEB**

The validity of this Prospectus will expire with the beginning of the trading of the Company's shares on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), which is expected to occur on or about February 7, 2024. Accordingly, the validity of the prospectus is expected to expire at the end of the day on February 7, 2024, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

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SUMMARY OF THE PROSPECTUS

A. Introduction, containing Warnings

This prospectus (the "**Prospectus**") relates to the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) of the shares of RENK Group AG (the "**Company**"), Gögginger Straße 73, 86159 Augsburg, Federal Republic of Germany, each such share having the International Securities Identification Number ("**ISIN**") DE000RENK730 (each share of the Company, a "**Share**").

In this Prospectus, references to "**we**", "**us**", "**our**", "**RENK**", "**RENK Group**" or the "**Group**" are references to the Company (formerly RENK Holding GmbH and formerly Rebecca HoldCo GmbH) and its subsidiaries. The Company was incorporated in January 2020 and, following consummation of the acquisition of 76% of the shares in the former Renk Aktiengesellschaft by Rebecca BidCo GmbH from Volkswagen Vermögensverwaltungs-GmbH, became the parent company of the Group in October 2020. For the time prior to October 2020 before the acquisition, the terms "**we**", "**us**", "**our**", "**RENK**", "**Former RENK AG Group**" or the "**Group**" refer to the former Renk Aktiengesellschaft (now RENK GmbH), together with its subsidiaries.

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**")), on February 6, 2024 in accordance with Article 20 (2) of Regulation (EU) 2017/1129. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

B. Key information on the issuer

Who is the issuer of the securities?

The Company is a German stock corporation (*Aktiengesellschaft*) with its registered seat at Gögginger Straße 73, 86159 Augsburg, Germany and is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg under docket number HRB 39189. The Company's legal entity identifier ("**LEI**") is 894500H8CNSZ53EI6K63.

We hold market leading positions for mission-critical drive solutions across diverse civil end markets (*source: Roland Berger GmbH*) and defense end markets (*source: Renaissance Strategic Advisors Ltd.*). We provide systems that set vehicles, vessels, and machinery in motion. Customers and end-users across the global defense, energy and industrial sectors trust our engineered solutions for their performance and endurance in mission-critical applications. Our product offering integrates design, engineering, production, testing and long-lasting services of and for flexible, customized drive systems that convert power into action. In particular, we manufacture, sell and service mission-critical applications such as gear units, transmissions, power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches and test systems. We have a diverse range of customers in defense and industrial markets, with a particular focus on customers active in industries for military vehicles, naval and civil marine, cement and plastics production as well as oil & gas. In addition, we serve customers in the energy generation industry, including those in the hydrogen, carbon capture, utilization and storage sectors and those active in industrial heat pump applications. We hold global market-leading positions in several product categories (*source: Roland Berger GmbH for industrial applications / Renaissance Strategic Advisors Ltd.*). In the fiscal year ended December 31, 2022, approximately 70% of our revenue was generated from the defense market and 30% of our revenue was generated from the civil market, both based on the end-market application of our products. We believe we are a trusted partner for our customers and are involved in critical stages of their value chain – from engineering to commissioning and aftermarket services. Long-term contracts, together with recurring streams of revenue from our successor and aftermarket services, provide us with a high degree of revenue visibility. Our product and service offering is complemented by our digital solutions. We believe we have well-invested operations in Europe and North America, a global footprint of locations and are well-positioned for future growth.

Since January 1, 2023, we operate our business through the three segments Vehicle Mobility Solutions ("**VMS Segment**"), Marine & Industry ("**M&I Segment**") and Slide Bearings ("**Slide Bearings Segment**"). Prior to January 1, 2023, our test systems were operated through a stand-alone division which has since been integrated into the VMS Segment.

VMS Segment. With our product and service offering in the VMS Segment, we are one of the global innovation and technology leaders for transmissions for military tracked vehicles comprising main battle tanks and tracked infantry fighting vehicles by installed base in 2022 with an estimated global market share of over 30% (*source: Renaissance Strategic Advisors Ltd.*). Apart from transmissions for military tracked vehicles, our product portfolio in this segment comprises engines, suspensions, electric drives and power-packs for military vehicles. Through our VMS Segment, we supply parts for more than 80 types of tracked and wheeled military vehicles across over 70 armed forces worldwide, with a strong focus on the European Union ("**EU**"), members of the North Atlantic Treaty Organization ("**NATO**"), NATO-equivalent (*gleichgestellte*) and other countries such as South Korea, India and Israel. In addition, we are a leading manufacturer of test systems (*e.g.*, for load, torque and durability tests) for various industrial markets (*source: Roland Berger GmbH*) and defense markets. We offer our customers turnkey test systems to support

their respective R&D activities as well as their production and quality assurance processes in the automotive, railway, aviation, wind, and military vehicle industries.

M&I Segment. Our M&I Segment provides technology leading gear units and coupling & clutches solutions for commercial marine and industrial applications (*source: Roland Berger GmbH*) as well as naval applications (*source: Renaissance Strategic Advisors Ltd.*). In the marine sector, our products are in particular used in naval surface combatants, such as frigates and destroyers, for navies and government customers as well as fast ferries, cargo ships and super yachts for civil customers. Our marine gear units for naval vessels are used by more than 40 of the world's navies and coast guards. In the industrial sector, the segment serves customers in the areas of plastic, steel and cement production in addition to those active in the sectors oil & gas, hydrogen, carbon capture, utilization and storage and industrial heat pumps and in the energy generation industry. Our M&I Segment serves markets across the globe and in particular has a strong presence in key markets, such as Germany, the United States, South America, and the Middle East as well as China, where we provide products to industrial customers. Our global network of sales and service centers enables us to provide customers with fast support around the globe. Our tailored solutions allow us to provide customers with applications meeting their special requirements.

Slide Bearings Segment. Our Slide Bearings Segment is the global leader in standardized slide bearings (e-bearings) (*source: Roland Berger GmbH*). We provide custom-made slide bearings for most applications of large electric drives, including applications used for energy generation (for conventional, hydro-, wind and nuclear energy generation), industrial applications as well as naval and civil marine applications. Our slide bearings are used, for example, in electric motors, generators, pumps, blowers, water turbines and conveyors. The Slide Bearings Segment offers innovative products, in particular for complex special bearings. We have assembly, maintenance, repair and operation hubs in several regions and a global network of representatives.

Registration and Applicable Laws – The Company has its registered seat in Augsburg, Germany. The Company is a German stock corporation (*Aktiengesellschaft*) and subject to German law.

Major Shareholders – As of the date of this Prospectus, Rebecca BidCo S.à r.l., registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B241575 (the "**Selling Shareholder**"), directly holds 100% of the Company's share capital and voting rights.

Controlling Shareholders – The Selling Shareholder controls the Company.

Management Board – At the date of this Prospectus, the members of the Company's management board (*Vorstand*) are Susanne Wiegand (Chief Executive Officer) and Christian Schulz (Chief Financial Officer).

Statutory Auditors – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (now EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft), Flughafenstraße 61, 70629 Stuttgart, Germany ("**EY**") has audited as independent auditor the German language consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2020, and 2021. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, acting through its Munich office, Bernhard-Wicki-Straße 8, 80636 Munich, Germany ("**PwC**"), has audited as independent auditor the German language consolidated and annual financial statements of the Company as of and for the fiscal year ended December 31, 2022. The combined financial statements for the combat propulsion systems business of L3Harris Technologies, Inc., including L3 Magnet Motor GmbH (now RENK Magnet-Motor GmbH) as of and for the fiscal years ended January 1, 2021 and January 3, 2020 have been audited by Ernst & Young LLP, Suite 2800, 200 South Orange Avenue, Orlando, Florida 32801, United States.

What is the key financial information regarding the issuer?

The financial information contained in the following tables is taken or derived from the Company's audited consolidated financial statements as of and for the short fiscal year ended December 31, 2020 (the "**2020 Audited Consolidated Financial Statements**"), the Company's audited consolidated financial statements as of and for the fiscal year ended December 31, 2021, as amended (the "**2021 Audited Consolidated Financial Statements**"), the Company's audited consolidated financial statements as of and for the fiscal year ended December 31, 2022, as amended (the "**2022 Audited Consolidated Financial Statements**" and, together with the 2020 Audited Consolidated Financial Statements and the 2021 Audited Consolidated Financial Statement, the "**Audited Consolidated Financial Statements**"), and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine months ended September 30, 2023 (the "**Unaudited Consolidated Interim Financial Statements**" and, together with the Audited Consolidated Financial Statements, the "**Consolidated Financial Statements**")), as well as the Company's accounting records or internal reporting systems. The Audited Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**"). The Unaudited Consolidated Interim Financial Statements of the Company have been prepared in accordance with the IFRS as applicable for interim financial reporting (the International Accounting Standard 34 "*Interim Financial Reporting*" (IAS 34)). The 2021 Audited Consolidated Financial Statements, including the prior-year comparative financial information as of and for the short fiscal year ended December 31, 2020, and the 2022 Audited Consolidated Financial Statements, including the prior-year comparative financial information as of and for the fiscal year ended December 31, 2021, have been amended. The respective amendments to the 2021 Audited Consolidated Financial Statements and 2022 Audited Consolidated Financial Statements have been subject to supplementary audits.

The 2020 Audited Consolidated Financial Statements include the operations of the Former RENK AG Group only from the date of the consummation of the acquisition of the Former RENK AG Group by Rebecca BidCo GmbH (now RENK GmbH) (the "**Triton Acquisition**") in October 2020 and on the basis of a provisional purchase price allocation according to IFRS 3 "*Business Combinations*". Prior to that date, the Company was a holding company without revenue-generating activities. The consolidated

financial information of the Company for the short fiscal year ended December 31, 2020 included in this Prospectus is therefore not comparable to the consolidated financial information of the Company for the fiscal years ended December 31, 2021 and 2022.

For better comparability, we present unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020. On February 15, 2021, the former Renk Aktiengesellschaft was merged into RENK GmbH as the surviving entity with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the Former RENK AG Group as of and for the short fiscal year ended December 31, 2020 is available. The unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group included in the following section is therefore presented as if the former Renk Aktiengesellschaft had not been merged into RENK GmbH (previously Rebecca BidCo GmbH) with retrospective effect as of January 1, 2020 and had existed during the twelve-month period ended December 31, 2020, and is derived from the Company's accounting records and internal reporting systems based on Former RENK AG Group's applicable IFRS accounting policies. The unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group does not take into account the effects of the Triton Acquisition (including the related financing) on the Group.

Where financial information in the following tables is labeled "audited", this means that it has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements but has been taken or derived from the Unaudited Consolidated Interim Financial Statements or the Company's accounting records or internal reporting systems or has been calculated on the basis of financial information from the above-mentioned sources.

Key financial information from the consolidated income statement

	For the twelve months ended December 31,	**For the fiscal year ended December 31,**		**For the nine months ended September 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	***as if* Former RENK AG Group**	**RENK Group**			
	(unaudited)	**in € thousands (audited)**		**(unaudited)**	
Revenue	550,207	697,660	848,967	593,965	652,683
Gross profit	128,879	124,536	164,801	115,260	148,613
Operating profit	61,488	25,322	65,172	44,756	57,029
Financial result	(965)	(15,090)	(50,420)	(15,928)	(29,347)
Profit (+) / loss (-) before tax	60,523	10,232	14,752	28,828	27,682
Profit (+) / loss (-) after tax	38,282	(878)	16,118	28,293	18,889

Key financial information from the consolidated statement of financial position

	As of December 31,			**As of September 30,**
	2020*	**2021**	**2022**	**2023**
		in € thousands (audited)		**(unaudited)**
Non-current assets	585,557	818,800	751,949	743,008
Current assets	606,807	552,928	690,730	679,742
Total assets	1,192,364	1,371,728	1,442,680	1,422,750
Equity	202,263	308,294	324,506	392,451
Non-current liabilities and provisions	591,427	761,392	781,377	694,034
Current liabilities and provisions	398,674	302,042	336,797	336,265
Total equity and liabilities	1,192,364	1,371,728	1,442,680	1,422,750

(*) The financial information as of December 31, 2020 has been taken from the amended prior-year comparative financial information in the 2021 Audited Consolidated Financial Statements.

Key financial information from the consolidated statement of cash flows

	As of and for the twelve months ended December 31,	As of and for the fiscal year ended December 31,		As of and for the nine months ended September 30,	
	2020	2021	2022	2022	2023
	as if Former RENK AG Group	RENK Group			
	(unaudited)	in € thousands (audited)		(unaudited)	
Cash flows from operating activities	91,072	98,075	115,848	45,800	35,626
Cash flows from investing activities	(52,300)	(319,254)	(22,522)	(15,975)	(50,144)
Cash flows from financing activities	(15,513)	130,748	(34,262)	(31,102)	(79,411)
Change in cash and cash equivalents	22,216	(89,335)	61,132	2,630	(88,938)
Cash and cash equivalents at end of period	124,692	97,546	158,678	100,176	69,740

Selected Key Performance Indicators and Alternative Performance Measures

	As of and for the twelve months ended December 31,	As of and for the fiscal year ended December 31,		As of and for the nine months ended September 30,	
	2020	2021	2022	2022	2023
	as if Former RENK AG Group (unless indicated otherwise)	RENK Group			
		in € millions unless indicated otherwise (unaudited unless indicated otherwise)			
Alternative Performance Measures					
EBIT[(1)]	61.5	25.3*	65.2*	44.8	57.0
EBIT Margin (in %)[(1)]	11.2	3.6	7.7	7.5	8.7
Adjusted EBIT[(1)]	n.a.**	90.6	144.3	98.1	104.0
Adjusted EBIT Margin (in %)[(1)]	n.a.**	13.0	17.0	16.5	15.9
EBITDA[(2)]	87.6	101.6	161.3	116.0	115.4
Adjusted EBITDA[(2)]	n.a.**	117.6	174.3	119.9	127.2
Adjusted Net Income[(3)]	n.a.**	47.8	75.2	68.4	54.3
Adjusted Gross Profit[(4)]	n.a.**	173.9	235.5	166.2	185.7
Adjusted Distribution Expenses[(5)]	n.a.**	(46.9)	(46.7)	(35.1)	(39.0)
Adjusted General and Administrative Expenses[(6)]	n.a.**	(32.8)	(46.4)	(34.1)	(43.3)
Order Intake[(7)]	767.0	675.6	986.6	736.5	911.4
Fixed Order Backlog[(8)]	1,030.3	1,276.8	1,406.6	1,433.9	1,712.3
Free Cash Flow[(9)]	n.a.***	59.3	63.5	2.7	(4.6)
Adjusted Cash Conversion (in %)[(10)]	n.a.**	72.1	85.1	87.3	88.3
Capital Expenditure[(11)]	15.6[(12)]	32.8	26.0	15.2	14.8
Net Working Capital[(13)]	145.7[(12)]	200.8	221.0	n.a.	261.0
Net Debt[(14)]	146.8[(12)]	446.0	382.9	n.a.	465.9

* Audited.

** Not presented for the twelve months ended December 31, 2020. This is because the majority of the adjustments that are relevant for these alternative performance measures relate to the Triton Acquisition and the acquisition of the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH (now RENK Magnet-Motor GmbH) from L3Harris Technologies, Inc. and L-3 Communications Holding GmbH in July 2021 (the "**RENK America Acquisition**"), as well as other non-recurring effects such as payment obligations or expenses for inflation compensation premium and are therefore only relevant for the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022 and 2023. Moreover, the adjustments for the twelve months ended December 31, 2020 would not have been significant in total.

*** Not presented for the twelve months ended December 31, 2020 because the *as if* consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020 does not include certain of the adjustment items used to calculate Free Cash Flow.

(1) EBIT is defined as operating profit. Adjusted EBIT is defined as operating profit before the effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature. EBIT Margin and Adjusted EBIT Margin are defined as EBIT or Adjusted EBIT, as applicable, divided by revenue.

(2) EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment. Adjusted EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment and adjusted for certain items which management considers to be exceptional or non-recurring in nature.
(3) Adjusted Net Income is defined as profit (+) / loss (-) after tax before the effects from purchase price allocations and loan interest related to liabilities to Rebecca BidCo S.à r.l. and adjusted for certain items which management considers to be exceptional or non-recurring in nature, in each case also reflecting the respective tax adjustment effect for such items.
(4) Adjusted Gross Profit is defined as revenue minus cost of sales before the depreciation and amortization effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature.
(5) Adjusted Distribution Expenses is defined as distribution expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature.
(6) Adjusted General and Administrative Expenses is defined as general and administrative expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature.
(7) Order Intake refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price.
(8) Fixed Order Backlog represents, with respect to binding customer contracts and purchase orders concluded and/or received, the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS.
(9) Free Cash Flow is defined as EBITDA minus income taxes paid, change in working capital (comprising change in inventories and change in receivables and contract assets), change in other working capital (comprising change in provisions for pension obligations, change in other provisions and change in (contract) liabilities), Capital Expenditure, other changes in cash flows (comprising write-downs/reversals other and financial investments, gains/losses from asset disposals, other non-cash expenses and income, proceeds from asset disposals, cash flows from loans receivable, cash flows from restricted cash, cash flows from cash deposits, lease payments/lease payments and interest payments on leases, effect of exchange rate changes on cash and cash equivalents, effect of changes in basis of consolidation on cash and cash equivalents and cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023) as well as interest payments.
(10) Adjusted Cash Conversion is defined as Adjusted EBITDA minus Capital Expenditure divided by Adjusted EBITDA.
(11) Capital Expenditure is defined as payments to acquire property, plant and equipment and intangible assets.
(12) Capital Expenditure, Net Working Capital and Net Debt of RENK Group derived from the comparative financial information included in the 2021 Audited Consolidated Financial Statements.
(13) Net Working Capital is defined as the total of inventories and customer receivables (comprising trade receivables, excluding customer prepayment receivables, and contract assets) less trade payables and prepayments (received) (comprising contract liabilities, non-current and current, excluding liabilities from customer prepayment receivables).
(14) Net Debt is defined as the sum of the carrying amounts of bonds (for the reporting dates presented relating to our senior secured notes) and lease liabilities less cash and cash equivalents.

With respect to Adjusted EBIT, Adjusted EBITDA and Adjusted Net Income, the adjusted items which management considers to be exceptional or non-recurring in nature in the reporting periods presented represent transaction expenses and income for the Triton Acquisition and subsequent merger squeeze out, transaction expenses for the RENK America Acquisition, other M&A related expenses, inflation compensation premium, severance expenses, capital market readiness expenses, and other adjustments.

With respect to Adjusted Gross Profit, the adjusted items which management considers to be exceptional or non-recurring in nature in the reporting periods presented represent inflation compensation premium and other adjustments.

With respect to Adjusted Distribution Expenses and Adjusted General and Administrative Expenses, the adjusted items which management considers to be exceptional or non-recurring in nature in the reporting periods presented represent inflation compensation premium, other M&A related expenses and other adjustments.

What are the key risks that are specific to the issuer?

- We are exposed to the performance of the global economy, macroeconomic trends, political uncertainty, and the performance of the economy in the markets in which we are active. In particular, a slowdown in the global economy may cause the demand for our products to decline. Our defense business ultimately depends on defense spending by governments and public authorities which may be impacted by adverse macroeconomic or political developments.
- Export controls, tariffs and other trade barriers may adversely affect our ability to produce, market and sell our products as well as our supply chains.
- Diplomatic tensions and increasing protectionist measures in countries or major regions in which we or our customers operate could have a material adverse impact on our business and results of operations.
- Many of our customers depend on government spending. Reductions in government spending could adversely affect our business, results of operations and financial condition.
- If we are not able to maintain the high quality of our products and processes and the punctual delivery of ordered goods, this could adversely affect our business, results of operations and financial condition.
- A disruption in our supply or delivery chain may cause us or one or more of our suppliers or customers to halt production.
- We may be subject to new laws and regulations and may be adversely affected by changes to the general regulatory environment and implementation of these changes may prove time-consuming and may cause us to adjust internal procedures, which could also affect our business operations.
- We distribute and manufacture our products globally and our operations are subject to a wide variety of laws and regulations. We may fail to comply with applicable laws and regulations, or changes in such laws and regulations.
- We may not be able to successfully protect our intellectual property and technical expertise.
- We may be unable to extend or refinance our debt on favorable terms, or at all.
- We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.
- Our debt agreements and those of our subsidiaries contain customary financial and restrictive covenants that limit our operating flexibility.

C. Key information on the securities

What are the main features of the securities?

This Prospectus relates to the admission to trading of 100,000,000 existing ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00 and with full dividend rights from January 1, 2023.

Number and Nature of Shares – As of date of this Prospectus, 100,000,000 shares are outstanding. All Shares are bearer shares with no par value (*Stückaktien*), each such Share representing a notional value of €1.00.

ISIN and Denomination – The ISIN of the Shares is DE000RENK730 and the Shares are denominated in Euro.

Rights Attached to the Shares and Transferability – All Shares carry full dividend rights since January 1, 2023. Each Share carries one vote at the Company's shareholders' meeting. The Shares are subordinated to all other securities and claims in case of an insolvency of the Company and freely transferable in accordance with the legal requirements for bearer shares.

Dividend Policy – The Company intends to start paying dividends in 2024 for the fiscal year ended December 31, 2023. Subject to the availability of distributable profit (*Bilanzgewinn*) and distributable funds, the Company targets to distribute up to approximately 40% of its Adjusted Net Income for the fiscal year ended December 31, 2023 and approximately 40-50% per fiscal year for the following years.

Where will the securities be traded?

All Shares are expected to be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Admission to Trading**").

What are the key risks that are specific to the securities?

- The Selling Shareholder continues to exercise significant influence over us, and the interests of the Selling Shareholder may conflict with the interests of our other shareholders.
- The Company's shares have not previously been publicly traded, and there can be no assurance that a liquid trading market will develop. The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investment.
- Any future sales of the shares in the Company by the Company's shareholders or the Selling Shareholder could depress the market price of the shares.

D. Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

Admission to Trading and Closing – The Shares can be bought and sold on the Frankfurt Stock Exchange following the commencement of trading on the Frankfurt Stock Exchange. Approval for the Admission to Trading is expected to be granted on February 6, 2024 and trading is expected to commence on February 7, 2024.

Greenshoe Option – In connection with the placement of the Placement Shares (as defined below) and as far as permissible under Art. 5 para. 4 Regulation (EU) no. 596/2014 (Market Abuse Regulation), Citigroup, acting for the account of the Underwriters, will act as stabilization manager and may, acting in accordance with legal requirements take stabilization measures on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in order to support the market price of the Company's shares during the stabilization period and thereby counteract any selling pressure. With regard to possible stabilization measures, investors may be allocated the Over-Allotment Shares (as defined below) as part of the allocation of the Placement Shares (as defined below). To cover a possible over-allotment, the Selling Shareholder has granted the Joint Global Coordinators (as defined below) an option to acquire up to 3,043,478 Shares at the Placement Price (as defined below).

Private Placement – On February 5, 2024, in anticipation of the expected Admission to Trading, the Company, together with Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**"), J.P. Morgan SE, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**" and, together with Citigroup, Deutsche Bank and Goldman Sachs, the "**Joint Global Coordinators**") and COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK"**), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**) and UniCredit Bank GmbH, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit** and, together with COMMERZBANK and LBBW, the "**Joint Bookrunners**") as well as Crédit Agricole Corporate and Investment Bank, 12, Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53 ("**Mizuho**") and Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, Stephanstraße 14–16, 60313 Frankfurt am Main, Germany, LEI F3JS33DEI6XQ4ZBPTN86 ("**SEB**", and together with Crédit Agricole CIB and Mizuho, the "**Co-Lead Managers**" and, together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**") initiated a private placement for 30,000,000 ordinary bearer shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of €1.00 and carrying full dividend rights from January 1, 2023 (the "**Private Placement**"), consisting of:

- 26,956,522 existing ordinary bearer shares with no-par value (*Stückaktien*) from the holdings of the Selling Shareholder in a base deal (the "**Existing Shares**"),
- 3,043,478 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder in connection with a possible over allotment (the "**Over Allotment Shares**" and, together with the Existing Shares, the "**Placement Shares**"), with the total number of Over-Allotment Shares not exceeding 15% of the final number of Existing Shares actually placed in the Private Placement, excluding any shares placed with KNDS N.V. under the cornerstone investor agreement with KNDS N.V.

The final number of Placement Shares placed in the course of the Private Placement is expected to be determined on February 6, 2024 and is expected to be published on or about February 6, 2024 on the Company's website and by means of a press release on an electronic information dissemination system. The placement price for the Placement Shares has been set at €15.00 (the "**Placement Price**").

Cornerstone Investments – Subject to certain termination rights and closing of the Private Placement, KNDS N.V. and Wellington Management Company LLP (together, the "**Cornerstone Investors**") have agreed to purchase Placement Shares with an aggregate value of €100 million and €50 million, respectively, at the Placement Price. The Cornerstone Investors have been guaranteed full allocation of such number of Placement Shares for which they have provided their respective purchase commitments.

Dilution of New Shareholders – €11.08 per Share, or 73.8%.

Who is the person asking for admission to trading?

Admission to Trading – The Company, together with Deutsche Bank, will apply for the Admission to Trading.

Why is this Prospectus being produced?

Reasons for the Admission to Trading – The Company intends to pursue the Admission to Trading to gain access to the capital markets. The Company believes that this access will benefit its future growth and expand its financing options.

Material Conflicts of Interest – Claus von Hermann, Cécile Dutheil and Johannes Meier, who are members of the supervisory board of the Company, hold functions at affiliates of the Selling Shareholder. Accordingly, their interests with respect to the Admission to Trading, may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest. Other than that, there are no conflicting interests with respect to the Admission to Trading.

ZUSAMMENFASSUNG DES PROSPEKTS

A. Einleitung mit Warnhinweisen

Dieser Prospekt (der „**Prospekt**“) bezieht sich auf die Zulassung der Aktien der RENK Group AG (die „**Gesellschaft**“), Gögginger Straße 73, 86159 Augsburg, Bundesrepublik Deutschland, zum Handel am regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard), wobei jede dieser Aktien die internationale Wertpapier-Identifikationsnummer („**ISIN**“) DE000RENK730 hat (jede Aktie der Gesellschaft eine “**Aktie**“).

In diesem Prospekt beziehen sich die Begriffe „**wir**“, „**uns**“, „**unser**“, „**RENK**“, „**RENK Gruppe**“ oder die „**Gruppe**“ auf die Gesellschaft (ehemals RENK Holding GmbH und ehemals Rebecca HoldCo GmbH) und ihre Tochtergesellschaften. Die Gesellschaft wurde im Januar 2020 gegründet und nach Vollzug des Erwerbs von 76% der Anteile an der ehemaligen Renk Aktiengesellschaft durch Rebecca BidCo GmbH von der Volkswagen Vermögensverwaltungs-GmbH im Oktober 2020 die Muttergesellschaft der Gruppe. Für die Zeit vor Oktober 2020 vor dieser Akquisition beziehen sich die Begriffe „**wir**“, „**uns**“, „**unser**“, „**RENK**“, die „**Vormalige RENK AG Gruppe**“ oder die „**Gruppe**“ auf die frühere Renk Aktiengesellschaft (jetzt RENK GmbH) und ihre Tochtergesellschaften.

Dieser Prospekt wurde von der Bundesanstalt für Finanzdienstleistungsaufsicht („**BaFin**“) am 6. Februar 2024 gemäß Art. 20 Abs. 2 der Verordnung (EU) 2017/1129 gebilligt. Die BaFin ist unter der Anschrift Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch +49 228 4108-0 oder über ihre Website: www.bafin.de erreichbar.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Bei jeder Entscheidung, in die Wertpapiere der Gesellschaft zu investieren, sollte sich der Anleger auf den Prospekt als Ganzes stützen. Der Anleger könnte das investierte Kapital ganz oder teilweise verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung des Prospekts zu tragen haben, bevor das Gerichtsverfahren eingeleitet wird. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über den Emittenten

Wer ist der Emittent der Wertpapiere?

Die Gesellschaft ist eine deutsche Aktiengesellschaft mit Sitz in der Gögginger Straße 73, 86159 Augsburg, Deutschland und ist eingetragen im Handelsregister des Amtsgerichts Augsburg unter der Handelsregisternummer HRB 39189. Rechtsträgerkennung („**LEI**“) der Gesellschaft ist 894500H8CNSZ53EI6K63.

Wir haben marktführende Positionen für einsatzkritische Antriebstechniken in verschiedenen zivilen Endmärkten (*Quelle: Roland Berger GmbH*) und militärischen Endmärkten (*Quelle: Renaissance Strategic Advisors Ltd.*). Wir bieten Systeme an, die Fahrzeuge, Schiffe und Maschinen in Bewegung setzen. Kunden sowie Endnutzer unserer Produkte in den globalen Verteidigungs-, Energie- und unterschiedlichen Industriesektoren vertrauen unseren technischen Lösungen wegen ihrer Leistung und Lebensdauer in einsatzkritischen Anwendungen. Unser Produktangebot umfasst Design, Maschinenbau, Produktion, Prüfung durch unsere Prüfsysteme sowie ein andauerndes Serviceangebot für flexible, kundenspezifische Antriebssysteme, welche Energie in Bewegung umsetzen. Insbesondere fertigen, verkaufen und warten wir einsatzkritische Anwendungen wie Getriebe, Fahrzeugantriebe, sog. Powerpacks, hybride Antriebe, Federungssysteme, Gleitlager, Kupplungen und Prüfsysteme. Wir verfügen über ein breites Spektrum an Kunden in den Bereichen Verteidigung und Industrie, mit einem besonderen Schwerpunkt auf Kunden, aus den Branchen für Militärfahrzeuge, Marine, zivile Seefahrt, Zement- und Kunststoffproduktion sowie Öl und Gas. Darüber hinaus beliefern wir Kunden aus der Energieerzeugungsbranche, und dort unter anderem solche, die in den Bereichen Wasserstoff und der CO2-Abscheidung und Verwendung (*carbon capture, utilization and storage*) tätig sind sowie solche tätig in dem Bereich der industriellen Wärmepumpenanwendungen. Wir verfügen weltweit über marktführende Positionen in mehreren Produktkategorien (*Quelle: Roland Berger GmbH bezüglich industrieller Anwendungen / Renaissance Strategic Advisors Ltd.*). In dem zum 31. Dezember 2022 endenden Geschäftsjahr wurden etwa 70% unserer Umsatzerlöse im Verteidigungsmarkt und etwa 30% unserer Umsatzerlöse in zivilen Industriemärkten generiert auf der Grundlage der Verwendung unserer Produkte in den jeweiligen Endmärkten. Wir glauben, dass wir ein verlässlicher Partner für unsere Kunden sind und in entscheidenden Phasen – von der technischen Planung bis zur Inbetriebnahme und dem Angebot von Wartungs- und ähnlichen Dienstleistungen – an der Wertschöpfungskette unserer Kunden beteiligt sind. Langfristige Verträge zusammen mit wiederkehrenden Umsatzerlösen aus Nachfolgeaufträgen sowie aus Wartungs- und ähnlichen Dienstleistungen, bieten uns ein hohes Maß an Planungssicherheit hinsichtlich zukünftiger Umsatzerlöse. Unser Produkt- und Dienstleistungsangebot wird durch unsere digitalen Lösungen ergänzt. Wir sind der Auffassung, dass wir in Europa und Nord Amerika gut ausgestattete Betriebe haben, über ein globales Netzwerk von Standorten verfügen und für zukünftiges Wachstum gut aufgestellt sind.

Seit dem 1. Januar 2023 betreiben wir unsere Geschäftsaktivitäten in den drei Segmenten Vehicle Mobility Solutions („**VMS Segment**“), Marine & Industry („**M&I Segment**“) und Slide Bearings („**Slide Bearings Segment**“). Vor dem 1. Januar

2023 wurde unsere Produktgruppe Prüfsysteme in einer eigenständigen Geschäftseinheit betrieben, welche zwischenzeitlich in das VMS Segment integriert worden ist.

VMS Segment. Mit unserem Produkt- und Dienstleistungsangebot im VMS Segment sind wir einer der globalen Innovations- und Technologieführer für Fahrzeuggetriebe in militärischen Kettenfahrzeugen, wie Kampfpanzern und Infanteriekettenfahrzeugen basierend auf der Anzahl installierter Produkte im Jahr 2022, mit einem geschätzten globalen Marktanteil von über 30 % (*Quelle: Renaissance Strategic Advisors Ltd.*). Neben Getrieben für militärische Fahrzeuge umfasst unser Produktportfolio in diesem Segment Motoren, Federungen, elektrische Antriebe und sog. Powerpacks für militärische Fahrzeuge. Über unser VMS Segment liefern wir Teile für mehr als 80 Typen von militärischen Ketten- und Radfahrzeugen an über 70 Streitkräfte weltweit, mit einem starken Fokus auf die Europäische Union („**EU**"), Mitgliedsstaaten des nordatlantischen Verteidigungsbündnisses der *North Atlantic Treaty Organization* („**NATO**"), NATO-gleichgestellten und anderen Ländern wie Südkorea, Indien und Israel. Darüber hinaus sind wir ein führender Hersteller von Prüfsystemen (z.B. für Belastungs-, Drehmoment- und Lebensdauerüberprüfungen) in verschiedenen Industrie- (*Quelle: Roland Berger GmbH*) und Verteidigungsmärkten. Wir bieten unseren Kunden schlüsselfertige Prüfsysteme zur Unterstützung ihrer jeweiligen Forschungs- und Entwicklungsaktivitäten sowie ihrer Produktions- und Qualitätssicherungsprozesse an, beispielsweise in der Automobil-, Bahn-, Luftfahrt-, Wind- und Militärfahrzeugindustrie.

M&I Segment. Unser M&I Segment bietet technologieführende Antriebs- und Kupplungslösungen für die kommerzielle Schifffahrt und Industrieanwendungen (*Quelle: Roland Berger GmbH*) sowie für die Marine (*Quelle: Renaissance Strategic Advisors Ltd.*) an. Im Schifffahrtssektor werden unsere Produkte insbesondere in Überwasserschiffen der Marine, wie Fregatten und Zerstörern, für Marine- und Regierungskunden sowie in Schnellfähren, Frachtern und Superyachten für zivile Kunden eingesetzt. Unsere Schiffsgetriebe für Marineschiffe werden von mehr als 40 der Marinen und Küstenwachen weltweit eingesetzt. Im Industriesektor gehören Unternehmen aus den Bereichen der Kunststoff-, Stahl- und Zementproduktion zu unseren Kunden, ebenso wie Unternehmen aus den Bereichen Öl und Gas, Wasserstoff, CO2-Abscheidung und Verwendung (*carbon capture, utilization and storage*) und aus dem Bereich der industriellen Wärmepumpen sowie aus der Energieerzeugungsbranche. Unser M&I Segment bedient Märkte auf der ganzen Welt, insbesondere solche in den wichtigen Märkten Deutschland, den Vereinigten Staaten von Amerika, Südamerika und dem Nahen Osten sowie China, wo wir Geschäftsbeziehungen zu Kunden aus verschiedenen Industriemärkten haben. Unser globales Netzwerk von Vertriebs- und Servicezentren ermöglicht es uns, Kunden in aller Welt schnell zu unterstützen. Unsere maßgeschneiderten Lösungen erlauben es uns, Kunden Produkte bereitzustellen, die ihren speziellen Anforderungen entsprechen.

Slide Bearings Segment. Unser Slide Bearings Segment ist der globale Marktführer im Bereich standardisierter Gleitlager (E-Gleitlager) (*Quelle: Roland Berger GmbH*). Wir bieten Gleitlager für verschiedene industrielle Anwendungsbereiche großer elektrischer Antriebe an, wie im Bereich der Energieerzeugung (für die konventionelle Energieerzeugung ebenso wie für die Energieerzeugung mit Wasser- und Windkraft sowie der nuklearen Energieerzeugung), sonstiger industrieller Anwendungsbereiche sowie im Bereich der Marine und zivilen Schifffahrt. Unsere Gleitlager werden zum Beispiel für Elektromotoren, Generatoren, Pumpen, Gebläse, Wasserturbinen und Förderbänder verwendet. In unserem Slide Bearings Segment bieten wir innovative Produkte an, wie komplexe Spezialgleitlager. Wir verfügen über Montage- und Wartungs-, Reparatur- und Betriebszentren in mehreren Regionen sowie über ein globales Netzwerk von Vertretern.

Sitz und geltendes Recht – Die Gesellschaft hat ihren eingetragenen Sitz in Augsburg, Deutschland. Die Gesellschaft ist eine deutsche Aktiengesellschaft und unterliegt deutschem Recht.

Hauptanteilseigner – Zum Datum dieses Prospekts hält Rebecca BidCo S.à r.l., eingetragen im Luxemburger Handels- und Gesellschaftsregister (*Registre de Commerce et des Sociétés*) unter der Nummer B241575 (der „**Veräußernde Aktionär**") 100% des Grundkapitals direkt sowie sämtliche Stimmrechte der Gesellschaft.

Beherrschende Anteilseigner – Der Veräußernde Aktionär kontrolliert die Gesellschaft.

Vorstand – Zum Zeitpunkt dieses Prospekts sind Mitglieder des Vorstands der Gesellschaft Susanne Wiegand (Vorstandsvorsitzende) und Christian Schulz (Finanzvorstand).

Abschlussprüfer – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (jetzt EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft), Flughafenstraße 61, 70629 Stuttgart, Deutschland („**EY**") hat als unabhängiger Abschlussprüfer die deutschsprachigen Konzernabschlüsse der Gesellschaft für die zum 31. Dezember 2021 und 31. Dezember 2020 endenden Geschäftsjahre geprüft. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, handelnd durch die Niederlassung in München, Bernhard-Wicki-Straße 8, 80636 München, Deutschland („**PwC**"), hat als unabhängiger Abschlussprüfer den deutschsprachigen Konzernabschluss und den Jahresabschluss der Gesellschaft für das zum 31. Dezember 2022 endenden Geschäftsjahr geprüft. Der kombinierte Abschluss für das Kampfantriebsgeschäft von L3Harris Technologies, Inc., einschließlich L3 Magnet Motor GmbH (jetzt RENK Magnet-Motor GmbH) für die zum 1. Januar 2020 und 3. Januar 2021 endenden Geschäftsjahre wurden von Ernst & Young LLP, Suite 2800, 200 South Orange Avenue, Orlando, Florida 32801, Vereinigte Staaten von Amerika geprüft.

Welches sind die wesentlichen Finanzinformationen über den Emittenten?

Die in den folgenden Tabellen enthaltenen Finanzinformationen sind dem geprüften Konzernabschluss der Gesellschaft für das zum 31. Dezember 2020 endende Rumpfgeschäftsjahr („**2020 Geprüfter Konzernabschluss**"), dem geprüften geänderten Konzernabschluss der Gesellschaft für das zum 31. Dezember 2021 endende Geschäftsjahr („**2021 Geprüfter Konzernabschluss**"), dem geprüften geänderten Konzernabschluss der Gesellschaft für das zum 31. Dezember 2022 endende Geschäftsjahr („**2022 Geprüfter Konzernabschluss**" und zusammen mit dem 2020 Geprüften Konzernabschluss sowie dem 2021 Geprüften

Konzernabschluss, die „**Geprüften Konzernabschlüsse**“) und dem ungeprüften Konzernzwischenabschluss der Gesellschaft für den zum 30. September 2023 endenden Neunmonatszeitraum („**Ungeprüfter Konzernzwischenabschluss**“ und zusammen mit den Geprüften Konzernabschlüssen, die „**Konzernabschlüsse**“) sowie der Buchführung oder den internen Berichtssystemen der Gesellschaft entnommen oder daraus abgeleitet. Die Geprüften Konzernabschlüsse der Gesellschaft wurden in Übereinstimmung mit den *International Financial Reporting Standards*, wie sie in der EU anzuwenden sind („**IFRS**”), und den ergänzend nach § 315e Absatz 1 des Handelsgesetzbuchs (*HGB*) anzuwendenden deutschen gesetzlichen Vorschriften aufgestellt. Der Ungeprüfte Konzernzwischenabschluss wurde in Übereinstimmung mit den IFRS Vorschriften anwendbar auf Zwischenberichte (dem International Accounting Standard 34 „*Zwischenberichterstattung*“ (IAS 34)) aufgestellt. Der 2021 Geprüfte Konzernabschluss, einschließlich der Vorjahresvergleichsfinanzinformationen für das zum 31. Dezember 2020 endende Rumpfgeschäftsjahr, und der 2022 Geprüfte Konzernabschluss, einschließlich der Vorjahresvergleichsfinanzinformationen für das zum 31. Dezember 2021 endende Geschäftsjahr, wurden geändert. Die jeweiligen Änderungen in dem 2021 Geprüften Konzernabschluss und dem 2022 Geprüften Konzernabschluss waren Gegenstand von Nachtragsprüfungen.

Der 2020 Geprüfte Konzernabschluss beinhaltet die operativen Geschäftstätigkeiten der Vormaligen RENK AG Gruppe erst ab dem Zeitpunkt des Vollzugs des Erwerbs der Vormaligen RENK AG Gruppe durch die Rebecca BidCo GmbH (jetzt RENK GmbH) (die „**Triton Akquisition**“) im Oktober 2020 und auf Basis einer vorläufigen Kaufpreisallokation gemäß IFRS 3 „*Unternehmenszusammenschlüsse*”. Vor diesem Zeitpunkt war die Gesellschaft eine Holdinggesellschaft ohne umsatzgenerierende Tätigkeiten. Die in diesem Prospekt enthaltenen Konzernfinanzinformationen der Gesellschaft für das zum 31. Dezember 2020 endende Rumpfgeschäftsjahr sind daher nicht mit den Konzernfinanzinformationen der Gesellschaft für die zum 31. Dezember 2021 und 2022 endenden Geschäftsjahre vergleichbar.

Zur besseren Vergleichbarkeit enthält dieser Prospekt ungeprüfte *als ob*-Finanzinformationen der Konzern Gewinn- und Verlustrechnung und der Konzern Kapitalflussrechnung der Vormaligen RENK AG Gruppe für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum. Am 15. Februar 2021 wurde die vormalige Renk Aktiengesellschaft mit Rückwirkung zum 1. Januar 2020 auf die RENK GmbH (vormals die Rebecca BidCo GmbH) als übernehmenden Rechtsträger verschmolzen. Daher sind keine historischen Finanzinformationen für die Vormalige RENK AG Gruppe für das zum 31. Dezember 2020 endende Rumpfgeschäftsjahr verfügbar. Die nachstehenden, ungeprüften *als ob*-Finanzinformationen der Konzern Gewinn- und Verlustrechnung und Konzern Kapitalflussrechnung für die Vormalige RENK AG Gruppe werden daher so dargestellt, als ob die vormalige Renk Aktiengesellschaft nicht rückwirkend zum 1. Januar 2020 auf die RENK GmbH (ehemalige Rebecca BidCo GmbH) verschmolzen worden wäre und während des zum 31. Dezember 2020 endenden Zwölfmonatszeitraums bestanden hätte, und wurden aus der Buchführung oder den internen Berichtssystemen der Gesellschaft abgeleitet basierend auf den maßgeblichen IFRS Rechnungslegungsgrundsätzen der Vormaligen RENK AG Gruppe. Die ungeprüften *als ob*-Finanzinformationen der Konzern Gewinn- und Verlustrechnung und der Konzern Kapitalflussrechnung für die Vormalige RENK AG Gruppe berücksichtigen nicht die Effekte der Triton Akquisition (einschließlich ihrer Finanzierung) auf die Gruppe.

Sofern Finanzinformationen in den folgenden Tabellen mit „geprüft“ gekennzeichnet sind, bedeutet dies, dass sie den oben genannten Geprüften Konzernabschlüssen entnommen worden sind. Die Bezeichnung „ungeprüft“ wird in den folgenden Tabellen verwendet, um Finanzinformationen zu kennzeichnen, die nicht aus den Geprüften Konzernabschlüssen entnommen worden sind, sondern die entweder dem Ungeprüften Konzernzwischenabschluss oder der Buchführung oder internen Berichtssystemen der Gesellschaft entnommen oder daraus abgeleitet oder auf der Grundlage von Zahlen aus den vorgenannten Quellen berechnet worden sind.

Wesentliche Finanzinformationen aus der Konzern Gewinn- und Verlustrechnung

	Für den zum 31. Dezember endenden Zwölfmonatszeitraum	**Für das zum 31. Dezember endende Geschäftsjahr**		**Für den zum 30. September endenden Neunmonatszeitraum**	
	2020	**2021**	**2022**	**2022**	**2023**
	***als ob* Vormalige RENK AG Gruppe**	**RENK Gruppe**			
	in Tausend €				
	(ungeprüft)	**(geprüft)**		**(ungeprüft)**	
Umsatzerlöse	550.207	697.660	848.967	593.965	652.683
Bruttoergebnis vom Umsatz	128.879	124.536	164.801	115.260	148.613
Operatives Ergebnis	61.488	25.322	65.172	44.756	57.029
Finanzergebnis	(965)	(15.090)	(50.420)	(15.928)	(29.347)
Ergebnis vor Steuern	60.523	10.232	14.752	28.828	27.682
Ergebnis nach Steuern	38.282	(878)	16.118	28.293	18.889

Wesentliche Finanzinformationen aus der Konzern Bilanz

	Zum 31. Dezember			Zum 30. September
	2020*	2021	2022	2023
	in Tausend €			
		(geprüft)		(ungeprüft)
Langfristige Vermögenswerte	585.557	818.800	751.949	743.008
Kurzfristige Vermögenswerte	606.807	552.928	690.730	679.742
Aktiva	1.192.364	1.371.728	1.442.680	1.422.750
Eigenkapital	202.263	308.294	324.506	392.451
Langfristige Verbindlichkeiten und Rückstellungen	591.427	761.392	781.377	694.034
Kurzfristige Verbindlichkeiten und Rückstellungen	398.674	302.042	336.797	336.265
Passiva	1.192.364	1.371.728	1.442.680	1.422.750

(*) Die Finanzinformationen zum 31. Dezember 2020 wurden den angepassten Vorjahresvergleichsfinanzinformationen in dem 2021 Geprüften Konzernabschluss entnommen.

Wesentliche Finanzinformationen aus der Konzern Kapitalflussrechnung

	Für den zum 31. Dezember endenden Zwölfmonatszeitraum	Für das zum 31. Dezember endende Geschäftsjahr		Für den zum 30. September endenden Neunmonatszeitraum	
	2020	2021	2022	2022	2023
	als ob Vormalige RENK AG Gruppe	RENK Gruppe			
	in Tausend €				
	(ungeprüft)	(geprüft)		(ungeprüft)	
Cashflow aus der operativen Geschäftstätigkeit	91.072	98.075	115.848	45.800	35.626
Cashflow aus der Investitionstätigkeit	(52.300)	(319.254)	(22.522)	(15.975)	(50.144)
Cashflow aus der Finanzierungstätigkeit	(15.513)	130.748	(34.262)	(31.102)	(79.411)
Veränderung der Flüssigen Mittel	22.216	(89.335)	61.132	2.630	(88.938)
Flüssige Mittel am Ende des Geschäftsjahres/der Berichtsperiode	124.692	97.546	158.678	100.176	69.740

Ausgewählte Wesentliche Leistungskennzahlen und alternative Leistungskennzahlen

	Für den zum 31. Dezember endenden Zwölfmonatszeitraum	Für das zum 31. Dezember endende Geschäftsjahr		Für den zum 30. September endenden Neunmonatszeitraum	
	2020	2021	2022	2022	2023
	als ob Vormalige RENK AG Gruppe	RENK Gruppe			
	in Millionen € sofern nicht anders angegeben (ungeprüft sofern nicht anders angegeben)				
Alternative Leistungskennzahlen					
EBIT[(1)]	61,5	25,3*	65,2*	44,8	57,0
EBIT Marge (in %)[(1)]	11,2	3,6	7,7	7,5	8,7
Bereinigtes EBIT[(1)]	n.a.**	90,6	144,3	98,1	104,0
Bereinigte EBIT Marge (in %)[(1)]	n.a.**	13,0	17,0	16,5	15,9
EBITDA[(2)]	87,6	101,6	161,3	116,0	115,4
Bereinigtes EBITDA[(2)]	n.a.**	117,6	174,3	119,9	127,2
Bereinigtes Ergebnis nach Steuern[(3)]	n.a.**	47,8	75,2	68,4	54,3
Bereinigtes Bruttoergebnis vom Umsatz[(4)]	n.a.**	173,9	235,5	166,2	185,7
Bereinigte Vertriebskosten[(5)]	n.a.**	(46,9)	(46,7)	(35,1)	(39,0)
Bereinigte allgemeine Verwaltungskosten[(6)]	n.a.**	(32,8)	(46,4)	(34,1)	(43,3)
Auftragseingang[(7)]	767,0	675,6	986,6	736,5	911,4
Auftragsbestand[(8)]	1.030,3	1.276,8	1.406,6	1.433,9	1.712,3
Free Cash Flow[(9)]	n.a.***	59,3	63,5	2,7	(4,6)
Bereinigte Cash Conversion (in %)[(10)]	n.a.**	72,1	85,1	87,3	88,3
Investitionen[(11)]	15.6[(12)]	32,8	26,0	15,2	14,8
Nettoumlaufvermögen[(13)]	145,7[(12)]	200,8	221,0	n.a.	261,0
Nettoverschuldung[(14)]	146,8[(12)]	446,0	382,9	n.a.	465,9

* Geprüft.

** Für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum nicht aufgenommen. Die Mehrheit der relevanten Bereinigungen, die für diese Alternativen Leistungskennzahlen relevant sind, stehen in Verbindung mit der Triton Akquisition und der Akquisition des Kampfantriebsgeschäfts von L3Harris

Technologies, Inc., einschließlich L3 Magnet Motor GmbH (jetzt RENK Magnet-Motor GmbH) im Juli 2021 von L3Harris Technologies, Inc. und L-3 Communications Holding GmbH (die „**RENK Amerika Akquisition**“) sowie anderen Einmaleffekten, wie Aufwendungen im Zusammenhang mit der Zahlung einer Inflationsausgleichsprämie, und sind daher nur für die zum 31. Dezember 2021 und 2022 endenden Geschäftsjahre sowie für die zum 30. September 2022 und 2023 endenden Neunmonatszeiträume relevant. Darüber hinaus wären die Bereinigungen für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum in Summe nicht wesentlich gewesen.

*** Für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum nicht aufgenommen, da die *als ob*-Finanzinformationen der Konzern Kapitalflussrechnung der Vormaligen RENK AG Gruppe für den zum 31. Dezember 2020 endenden Zwölfmonatszeitraum bestimmte Bereinigungen, die für zur Berechnung des Free Cash Flow verwendet werden, nicht enthält.

(1) EBIT ist definiert als operatives Ergebnis. Bereinigtes EBIT ist definiert als operatives Ergebnis vor Effekten aus Kaufpreisallokationen und bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht. EBIT Marge und bereinigte EBIT Marge sind definiert als EBIT bzw. bereinigtes EBIT geteilt durch die Umsatzerlöse.

(2) EBITDA ist definiert als operatives Ergebnis vor Abschreibungen und Wertminderungen auf immaterielle Vermögenswerte und Sachanlagen. Bereinigtes EBITDA ist definiert als operatives Ergebnis vor Abschreibungen und Wertminderungen auf immaterielle Vermögenswerte und Sachanlagen bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht.

(3) Bereinigtes Ergebnis nach Steuern ist definiert als Ergebnis nach Steuern vor Effekten aus Kaufpreisallokationen und Zinsen aus Darlehensforderungen der Rebecca BidCo S.à r.l., bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht, jeweils unter Berücksichtigung der Steueranpassungseffekte.

(4) Bereinigtes Bruttoergebnis ist definiert als Umsatzerlöse abzüglich Umsatzkosten vor Abschreibungs- und Wertminderungseffekten aus Kaufpreisallokationen bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht.

(5) Bereinigte Vertriebskosten sind definiert als Vertriebskosten bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht.

(6) Bereinigte allgemeine Verwaltungskosten sind definiert als allgemeine Verwaltungskosten bereinigt um bestimmte Posten, die der Vorstand als außergewöhnlich oder nicht wiederkehrend ansieht.

(7) Auftragseingang bezieht sich auf verbindliche Kundenverträge und Bestellungen, die im jeweiligen Berichtszeitraum abgeschlossen und/oder zum jeweiligen Preis erhalten wurden.

(8) Auftragsbestand stellt in Bezug auf abgeschlossene und/oder erhaltene verbindliche Kundenverträge und Bestellungen den Teil des zugehörigen Transaktionspreises dar, für den Umsatzerlöse gemäß IFRS noch nicht realisiert wurden.

(9) Free Cash Flow ist definiert als EBITDA abzüglich Ertragsteuerzahlungen, Veränderungen im Umlaufvermögen (bestehend aus Veränderung der Vorräte und Veränderung der Forderungen und der vertraglichen Vermögenswerte, Veränderungen im sonstigen Umlaufvermögen (bestehend aus Veränderung der Rückstellung für Pensionen, Veränderung der sonstigen Rückstellungen und Veränderung der (vertraglichen) Verbindlichkeiten, Investitionen, andere Veränderungen im Cash Flow (bestehend aus Abschreibungen/Zuschreibungen sonstige und Finanzbeteiligungen, Ergebnis aus Anlagenabgängen, sonstige zahlungsunwirksame Aufwendungen und Erträge, Erlösen aus Anlagenabgängen, Zahlungsmittelflüsse aus Darlehensforderungen, Zahlungsmittelflüsse aus verfügungsbeschränkten Zahlungsmitteln, Zahlungsmittelzuflüsse aus Barmittelhinterlegung, Leasingzahlungen/Leasingzahlungen und Leasingzinszahlungen, wechselkursbedingte Veränderung der flüssigen Mittel, konsolidierungskreisbedingte Veränderung der flüssigen Mittel und Zahlungsmittel und Zahlungsmitteläquivalente im Zusammenhang mit der Übernahme von General Kinetics im Geschäftsjahr 2023) sowie Zinszahlungen.

(10) Bereinigte Cash Conversion ist definiert als bereinigtes EBITDA abzüglich Investitionen geteilt durch bereinigtes EBITDA.

(11) Investitionen sind definiert als Auszahlungen zum Erwerb von Sachanlagen und immateriellen Vermögenswerten.

(12) Investitionen, Nettoumlaufvermögen und Nettoverschuldung der RENK Gruppe sind aus den Vorjahresvergleichsfinanzinformationen in dem 2021 Geprüften Konzernabschluss abgeleitet.

(13) Nettoumlaufvermögen ist definiert als die Summe der Vorräte und der Kundenforderungen (bestehend aus Forderungen aus Lieferungen und Leistungen, ohne Forderungen auf Kundenanzahlungen, und vertraglichen Vermögenswerten) abzüglich der Verbindlichkeiten aus Lieferungen und Leistungen und der (erhaltenen) Anzahlungen (bestehend aus lang- und kurzfristigen vertraglichen Verbindlichkeiten, ohne Verbindlichkeiten aus Forderungen auf Kundenanzahlungen).

(14) Nettoverschuldung ist definiert als die Summe des Buchwerts aus Anleihen (für die dargestellten Berichtsstichtage hinsichtlich unserer Anleihen (*senior secured notes*)) und des Buchwerts der Leasingverbindlichkeiten abzüglich flüssiger Mittel.

Hinsichtlich des bereinigten EBIT, des bereinigten EBITDA und des bereinigten Ergebnisses nach Steuern betreffen die Bereinigungen, die der Vorstand für die dargestellten Perioden als außergewöhnlich oder nicht wiederkehrend ansieht die Transaktionskosten und -erträge im Zusammenhang mit der Triton Akquisition und darauffolgendem Squeeze-out, die Transaktionskosten im Zusammenhang mit der RENK Amerika Akquisition, andere M&A-bezogene Aufwendungen, die Inflationsausgleichsprämien, Aufwendungen für Abfindungen, Aufwendungen für Kapitalmarkt-Readiness Aktivitäten und anderen Bereinigungen.

Hinsichtlich des bereinigten Bruttoergebnisses vom Umsatz betreffen die Bereinigungen, die der Vorstand für die dargestellten Perioden als außergewöhnlich oder nicht wiederkehrend ansieht die Inflationsausgleichsprämien und andere Bereinigungen.

Hinsichtlich der bereinigten Vertriebskosten und der bereinigten allgemeinen Verwaltungskosten betreffen die Bereinigungen, die der Vorstand für die dargestellten Perioden als außergewöhnlich oder nicht wiederkehrend ansieht die Inflationsausgleichsprämien, andere M&A-bezogene Aufwendungen, und andere Bereinigungen.

Welches sind die zentralen Risiken, die für den Emittenten spezifisch sind?

- Wir sind Entwicklungen in der Weltwirtschaft, makroökonomischen Trends, politischen Unsicherheiten und den Entwicklungen in den Märkten, in denen wir tätig sind, ausgesetzt. Insbesondere eine Schwächung der Weltwirtschaft kann zu einem Rückgang der Nachfrage unserer Produkte führen. Unser Geschäft im Bereich Verteidigung ist letztlich von Verteidigungsausgaben von Regierungen und öffentlichen Einrichtungen abhängig, die von negativen makroökonomischen Trends oder politischen Unsicherheiten betroffen sein können.
- Unsere Fähigkeit unsere Produkte produzieren, vermarkten und verkaufen zu können, könnte durch Exportkontrollen, Zölle und Handelshemmnisse beeinträchtigt werden, ebenso wie unsere Lieferkette.
- Diplomatische Spannungen sowie zunehmende protektionistische Maßnahmen in Ländern oder Regionen, in denen wir oder unsere Kunden tätig sind, könnten sich nachteilig auf unsere Geschäftstätigkeit und Ertragslage auswirken.
- Eine Vielzahl unserer Kunden ist von Staatsausgaben abhängig. Ein Rückgang von Staatsausgaben könnte sich negativ auf unsere Geschäftstätigkeit sowie unsere Ertrags- und Finanzlage auswirken.
- Sollten wir nicht in der Lage sein, die hohe Qualität unserer Produkte und Prozesse sowie die pünktliche Lieferung bestellter Waren aufrechtzuerhalten, könnte sich dies nachteilig auf unsere Geschäftstätigkeit, Ertrags- und Finanzlage auswirken.
- Eine Unterbrechung unserer Versorgungs- und Lieferkette könnte zu einer Unterbrechung unserer Produktion sowie der Produktion unserer Lieferanten oder unseren Kunden führen.

- Wir könnten neuen Gesetzen und Vorschriften unterliegen und Veränderungen im allgemeinen regulatorischen Umfeld könnten uns negativ beeinflussen, zudem kann die Umsetzung dieser Änderungen sich als zeitaufwändig erweisen und die Anpassung interner Verfahren notwendig machen, was sich auf unsere Geschäftstätigkeit auswirken könnte.
- Wir verkaufen und fertigen unsere Produkte weltweit und unterliegen einer Vielzahl von Gesetzen und Vorschriften. Wir könnten es versäumen, in Einklang mit anwendbaren Gesetzen und Vorschriften oder Änderungen solcher Gesetze und Vorschriften zu handeln.
- Wir könnten scheitern unser geistiges Eigentum sowie unser technisches Fachwissen ausreichend zu schützen.
- Wir könnten Schwierigkeiten haben unsere Fremdfinanzierungen zu günstigen Bedingungen oder überhaupt zu verlängern oder zur refinanzieren.
- Wir benötigen einen erheblichen Betrag an Barmitteln, um unsere Schulden zu bedienen, und unsere Fähigkeit ausreichend Barmittel zu generieren kann von Faktoren außerhalb unserer Kontrolle abhängig sein.
- Unsere Kreditverträge sowie die Kreditverträge unserer Tochtergesellschaften enthalten übliche finanzielle und andere Auflagen, die unsere operative Flexibilität einschränken können.

C. Basisinformationen über die Wertpapiere

Welches sind die wichtigsten Merkmale der Wertpapiere?

Dieser Prospekt bezieht sich auf die Zulassung von 100.000.000 bestehende Inhaber-Stammaktien der Gesellschaft ohne Nennbetrag (Stückaktien), wobei jede dieser Aktien einen rechnerischen Anteil am Grundkapital von €1,00 repräsentiert, mit voller Dividendenberechtigung ab dem 1. Januar 2023.

Anzahl und Art der Aktien – Zum Zeitpunkt dieses Prospekts sind 100.000.000 Aktien ausgegeben. Alle Aktien sind Inhaberaktien ohne Nennwert (Stückaktien) mit einem rechnerischen Anteil am Grundkapital von je €1,00.

ISIN und Währung – Die ISIN der Aktien lautet DE000RENK730 und die Aktien sind in Euro denominiert.

Mit den Aktien verbundene Rechte und Übertragbarkeit – Alle Aktien sind voll dividendenberechtigt seit dem 1. Januar 2023. Jede Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Die Aktien sind gegenüber allen anderen Wertpapieren und Forderungen nachrangig im Falle einer Insolvenz der Gesellschaft und nach den gesetzlichen Bestimmungen für Inhaberaktien frei übertragbar.

Dividendenpolitik – Die Gesellschaft beabsichtigt, mit der Zahlung von Dividenden im Jahr 2024 für das am 31. Dezember 2023 endende Geschäftsjahr zu beginnen. Vorbehaltlich der Verfügbarkeit eines ausschüttbaren Bilanzgewinns und ausschüttungsfähiger Mittel strebt die Gesellschaft an, bis zu etwa 40% des Bereinigtes Ergebnis nach Steuern für das am 31. Dezember 2023 endende Geschäftsjahr und etwa 40-50% je Geschäftsjahr für die folgenden Jahre auszuschütten.

Wo werden die Wertpapiere gehandelt?

Es wird erwartet, dass alle Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse und zugleich zum Teilbereich des regulierten Marktes mit zusätzlichen Zulassungsfolgepflichten (Prime Standard) zugelassen werden (die „**Börsennotierung**“).

Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Der Veräußernde Aktionär übt weiterhin einen erheblichen Einfluss auf uns aus, und die Interessen des Veräußernden Aktionärs könnten mit den Interessen unserer anderen Aktionäre kollidieren.
- Die Aktien der Gesellschaft wurden zuvor nicht öffentlich gehandelt und es kann nicht garantiert werden, dass sich ein liquider Handelsmarkt entwickeln wird. Der Preis und das Handelsvolumen der Aktien der Gesellschaft könnten erheblich schwanken und Anleger könnten ihre gesamte oder einen Teil ihrer Investition verlieren.
- Der zukünftige Verkauf von Aktien der Gesellschaft durch die Anteilseigner der Gesellschaft oder den Veräußernden Aktionär könnten den Marktpreis der Anteile herabsetzen.

D. Basisinformationen über die Zulassung zum Handel an einem geregelten Markt

Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Zulassung zum Handel und Vollzug – Die Aktien können nach der Zulassung zum Handel an der Frankfurter Wertpapierbörse gekauft und verkauft werden. Die Zulassung zum Handel wird voraussichtlich am 6. Februar 2024 erteilt und der Handel wird voraussichtlich am 7. Februar 2024 aufgenommen.

Greenshoe-Option – Im Zusammenhang mit der Platzierung der Platzierungsaktien (wie nachstehend definiert) und soweit dies nach Art. 5 Abs. 4 der Verordnung (EU) Nr. 596/2014 (Marktmissbrauchsverordnung) zulässig ist, wird die Citigroup, handelnd auf Rechnung der Konsortialbanken, als Stabilisierungsmanager fungieren und kann im Rahmen der gesetzlichen Vorgaben Stabilisierungsmaßnahmen an der Frankfurter Wertpapierbörse ergreifen, um den Marktpreis der Aktien der Gesellschaft während des Stabilisierungszeitraums zu stützen und damit einem etwaigen Verkaufsdruck entgegenzuwirken. Im Hinblick auf mögliche Stabilisierungsmaßnahmen können den Anlegern die Mehrzuteilungsaktien (wie untenstehend definiert) zugeteilt werden. Um eine mögliche Mehrzuteilung abzudecken, hat der Veräußernde Aktionär den Joint Global Coordinators (wie untenstehend definiert) eine Option zum Erwerb von bis zu 3.043.478 Aktien zum Platzierungspreis (wie unten definiert) eingeräumt.

Privatplatzierung – Am 5. Februar 2024, im Hinblick auf die erwartete Zulassung zum Handel, hat die Gesellschaft zusammen mit Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Deutschland, LEI 6TJCK1B7E7UTXP528Y04 („**Citigroup**”), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main,

Deutschland, LEI 7LTWFZYICNSX8D621K86 („**Deutsche Bank**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**"), J.P. Morgan SE, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Deutschland, LEI 549300ZK53CNGEEI6A29 („**J.P. Morgan**" und gemeinsam mit Citigroup, Deutsche Bank und Goldman Sachs die „**Joint Global Coordinators**") und COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK"**), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland, LEI B81CK4ESI35472RHJ606 ("**LBBW**") und UniCredit Bank GmbH, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit** und gemeinsam mit COMMERZBANK und LBBW die „**Joint Global Bookrunners**") sowie Crédit Agricole Corporate and Investment Bank, 12, Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, Frankreich, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Deutschland, LEI 213800G8QEXN34A2YG53 ("**Mizuho**"), Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, Stephanstraße 14–16, 60313 Frankfurt am Main, Deutschland, LEI F3JS33DEI6XQ4ZBPTN86 ("**SEB**" und gemeinsam mit Crédit Agricole CIB und Mizuho, die "**Co-Lead Managers**" und gemeinsam mit den Joint Global Coordinators und den Joint Bookrunners die „**Underwriters**") eine Privatplatzierung von 30.000.000 auf den Inhaber lautenden Stammaktien der Gesellschaft ohne Nennwert (Stückaktien) mit einem rechnerischen Wert von €1,00 je Aktie und voller Dividendenberechtigung ab dem 1. Januar 2023 initiiert (die „**Privatplatzierung**"), bestehend aus:

- 26.956.522 bestehende auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) aus dem Bestand des Veräußernden Aktionärs im Rahmen eines Basisgeschäfts (die „**Bestehenden Aktien**"),
- 3.043.478 bestehende auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) aus dem Bestand des Veräußernden Aktionärs im Zusammenhang mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**" und zusammen mit den Bestehenden Aktien die „**Platzierungsaktien**"), wobei die Gesamtzahl der Mehrzuteilungsaktien 15% der endgültigen Anzahl der im Rahmen der Privatplatzierung tatsächlich platzierten Bestehenden Aktien, ohne die Aktien, die im Rahmen der Cornerstone Investor Vereinbarung mit KNDS N.V. platziert wurden, nicht übersteigen soll.

Die endgültige Anzahl der im Rahmen der Privatplatzierung platzierten Aktien wird voraussichtlich am 6. Februar 2024 festgelegt und voraussichtlich am oder um den 6. Februar 2024 auf der Website der Gesellschaft und mittels einer Pressemitteilung in einem elektronischen Informationsverbreitungssystem veröffentlicht. Der Platzierungspreis für die Platzierungsaktien wurde auf €15,00 festgesetzt (der „**Platzierungspreis**").

Cornerstone Investitionen – Vorbehaltlich bestimmter Kündigungsrechte und abhängig vom Vollzug der Privatplatzierung haben KNDS N.V. und Wellington Management Company LLP (die „**Cornerstone Investoren**") vereinbart, dass sie Platzierungsaktien mit einem Gesamtwert von jeweils €100 Millionen und €50 Millionen zum Platzierungspreis erwerben werden. Den Cornerstone Investoren ist die vollständige Zuteilung einer solchen jeweiligen Anzahl von Angebotsaktien, für die sie ihre Kaufzusage abgegeben haben, garantiert worden.

Verwässerung neuer Aktionäre – €11,08 je Aktie oder 73,8%.

Wer ist die die Zulassung zum Handel beantragende Person?

Zulassung zum Handel – Die Gesellschaft wird zusammen mit der Deutschen Bank die Zulassung zum Handel beantragen.

Weshalb wird dieser Prospekt erstellt?

Gründe für die Börsennotierung – Die Gesellschaft beabsichtigt, die Börsennotierung zu verfolgen, um Zugang zu den Kapitalmärkten zu erhalten. Die Gesellschaft ist der Ansicht, dass dieser Zugang ihr zukünftiges Wachstum begünstigen und ihre Finanzierungsmöglichkeiten erweitern wird.

Wesentliche Interessenkonflikte – Claus von Hermann, Cécile Dutheil und Johannes Meier, die Mitglieder des Aufsichtsrats der Gesellschaft sind, nehmen Funktionen bei verbundenen Unternehmen des Veräußernden Aktionärs wahr. Dementsprechend könnten ihre Interessen im Hinblick auf die Zulassung zum Handel nicht mit denen der Gesellschaft oder der anderen Aktionäre der Gesellschaft übereinstimmen, was einen potentiellen Interessenkonflikt darstellt. Darüber hinaus bestehen keine Interessenkonflikte in Bezug auf die Zulassung zum Handel.

1. RISK FACTORS

*In considering whether to invest in the shares (the "**Shares**") of RENK Group AG (hereinafter the "**Company**"), investors should carefully consider the following risks in this prospectus (the "**Prospectus**"). In this Prospectus, references to "**RENK**", the "**RENK Group**", the "**Group**", "**we**", "**us**" or "**our**" are references to the group of entities and business activities comprising the RENK business, with the Company acting as the ultimate holding company. The Company was incorporated in January 2020 and, following consummation of the acquisition of 76% of the shares in the former Renk Aktiengesellschaft by Rebecca BidCo GmbH from Volkswagen Vermögensverwaltungs-GmbH, became the parent company of the Group in October 2020. For the time prior to October 2020 before the acquisition, the terms "**we**", "**us**", "**our**", "**RENK**", "**Former RENK AG Group**" or the "**Group**" refer to the former Renk Aktiengesellschaft (now RENK GmbH), together with its subsidiaries. The risk factors featured in the Prospectus are limited to risks which are specific to the Company or the Shares in the Company and which are material for taking an informed investment decision. The materiality of the risk factors has been assessed by the Company based on the probability of their occurrence and the expected magnitude of their negative impact. The risk factors are presented in categories depending on their nature. In each category the two most material risk factors are mentioned first according to the assessment based on the probability of their occurrence and the expected magnitude of their negative impact. The risks mentioned may materialize individually or cumulatively.*

1.1 Risks Related to Our Industry and Market

1.1.1 We are exposed to the performance of the global economy, macroeconomic trends, political uncertainty, and the performance of the economy in the markets in which we are active.

As a global manufacturer of gear units, so-called power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches, and test systems, we are exposed to the fluctuations in the global economy. We operate our business through three segments: Vehicle Mobility Solutions Segment ("**VMS Segment**"), Marine & Industry Segment ("**M&I Segment**") and Slide Bearings Segment ("**Slide Bearings Segment**") (together the "**Segments**") serving a diverse range of customers in defense and industrial markets.

Generally, a slowdown in the global economy and elevated levels of private and public debt in various countries may cause demand to decline in many of our key markets. The situation may be exacerbated by protectionist tendencies, uncertainties regarding future monetary policy, armed conflicts that remain unresolved and related migration trends as well as the spread of infectious diseases (such as the coronavirus disease 2019, which is caused by the novel coronavirus SARS-CoV-2 ("**COVID-19**")).

Our defense businesses ultimately depend on defense spending by governments and public authorities and, therefore, on the financial stability and budgetary constraints of those organizations, which may be impacted by macroeconomic or political developments adverse to defense spending. With respect to our industrial markets, we are also exposed to fluctuations in the overall investment climate given that our industrial products are part of the capital goods industry. Fluctuations in growth rates or forecasts, or alterations in government investment subsidies, can result in significant changes in demand for capital goods in our markets, cancellations of orders already booked or the reorganization of longer-term business relationships. Therefore, our revenue and results of operations have been influenced, and will continue to be influenced, by macroeconomic trends and the general state and performance of the global economy. Such macroeconomic trends may have a bigger impact on certain of our markets, such as the oil & gas sector, than others. Additionally, existing macroeconomic trends may be amplified by certain new macroeconomic developments, such as the global shift from fossil-based systems of energy production and consumption to renewable energy sources (the "**Energy Transition**") that has, among other factors, been intensified by the military conflict in the Ukraine.

The outlook for the world economy remains subject to uncertainty, particularly in light of developments in the last few years, which have had a significant impact on global macroeconomic conditions, including among other things, the COVID-19 pandemic, the Russian invasion in the Ukraine (the "**Russia-Ukraine Conflict**"), persistently high inflation and interest rates as well as interruptions in supply chains. The COVID-19 pandemic led to significant adverse economic consequences in 2020 and subsequent years, including declining economic growth, severe disruptions of commercial activity and material market distortions due to comprehensive fiscal and monetary intervention and stimulus, ultimately resulting in elevated public indebtedness and central bank countermeasures intended to normalize economies and markets. At the same time, the geopolitical environment has created additional challenges for global economies and global private enterprises such as the Group. The Russia-Ukraine Conflict and the sanctions and export-control measures instituted by the European Union ("**EU**"), the United Kingdom, the United States of America ("**United States**" or "**US**"), Canada and Japan, among others,

against Russian and Belarusian persons and entities in response have contributed and may continue to contribute to increased inflationary pressures (including elevated prices for oil and natural gas), energy supply shortages, supply chain disruptions, market volatility and economic uncertainty, particularly in Europe.

In addition, on October 7, 2023, an armed conflict between Israel and the Hamas terrorist organization commenced and has since escalated, leading to a series of extended hostilities in, and along the Israeli border with the Gaza Strip (the "**Israel-Hamas Conflict**"). Many multinational companies have research and manufacturing facilities situated in Israel. Moreover, Israel is one of our partner countries and we have a long-term customer relationship with the Israeli Ministry of Defense. The intensity, duration and outcome of the ongoing Israel-Hamas Conflict is uncertain and its continuation or further escalation may have a material adverse effect on our customers and ultimately on our business and operations.

The occurrence of a risk described above could have a material adverse effect on our business, financial condition, and results of operations.

1.1.2 Export controls, tariffs and other trade barriers may adversely affect our ability to produce, market and sell our products as well as our supply chains.

As a global manufacturer of gear units, power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches, and test systems, we source our production inputs from across the world, occasionally relying on global supply chains, and maintain production and sales operations in a large number of markets globally. This requires an established and efficiently connected infrastructure in order to allow for the cross-border transport of supplies, parts, and products. This is even more important as we seek to further internationalize our operations. At the same time, our customers are active across the globe, making it necessary for us to transport our products or parts of our products into different jurisdictions.

Both our supply chain as well as our sales are affected by laws and regulations regarding export controls. These laws may originate nationally, bilaterally, or even multilaterally between or among participating jurisdictions with a differing reach as to national or even extraterritorial application and relevance. Typically, export controls will apply to the transfer of pre-identified, listed products or categories of sensitive goods through the requirements of permits or licenses, limitations, or prohibitions of sale. Export control regulations cause an increasing need for compliance measures, including the identification of critical goods, geographical sensitivities, and contractual protections, as well as the adaptation of existing agreements and local sales practices and the ability to take short-term measures should events, trends or restrictions arise or increase in a way that affect our business practices. Consequently, we face potential further increases in costs associated with preparing for adverse developments of this type and for ongoing compliance with export controls relating to our business.

Further, the refusal of licenses or the tightening of export regulations could have a material adverse effect on our business. Our business requires that we maintain the resources and means necessary to assume compliance obligations. Failure to comply with laws and regulations may expose us to reputational harm as well as significant penalties, including criminal fines, civil fines, disgorgement of profits, denial of export privileges, injunctions, and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive. Despite our compliance efforts and activities, we cannot assure compliance by our employees or representatives with respect to export control laws for which we may be held responsible, and any such violation could materially adversely affect our reputation, business, financial condition, and results of operations.

For example, some products in our portfolio qualify as military or dual-use goods (usable for both civil and military purposes) under applicable export control regulations and as such may be subject to various sales and export restrictions. Sales and export restrictions pose challenges (such as additional costs and compliance requirements) and, in some cases, limit or prevent our access to certain markets or end-customers. Restrictions include, in particular, export controls and license requirements. Also, our supply chain may be subject to export control regulations. As a result, cross-border deliveries of subcomponents by our suppliers have been, and may continue to be, delayed or become more expensive because required approvals or licenses could not be obtained in time or at all.

Applicable export control regulations include, among others, the German Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*), the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) and the United States Export Administration Regulation. Certain of our products are also subject to restrictions promulgated by the Office of Foreign Assets Control of the US Department of the Treasury, and other trade protection regulations and measures, including the International Traffic in Arms Regulations ("**ITAR**"), which is

administered and enforced by the US Department of State's Directorate of Defense Trade Controls ("**DDTC**"). Although our other products, in particular those in industrial markets generally do not fall under the scope of ITAR, we are subject to risks associated with the broad interpretation of the term "export" under ITAR, which is defined to include not only physical exports from the United States but also domestic transfers of technical data to non-US persons. As a result, compliance with these regulations might in some cases affect certain of our operating decisions.

The markets for products in the defense and government environment are dependent on political decision-making. We are therefore constrained by opinions on export control law, the stipulations made by supplier countries such as Germany, France, the United Kingdom and the United States and the respective political environment in target countries. In recent years, political distress, warfare, terrorist attacks, changing attitudes regarding globalization and other economic and geopolitical developments have led to the introduction of new export controls or stricter application of existing export controls in a number of jurisdictions around the world. Export controls may change, be newly introduced on short notice, be difficult to interpret or be applied in an unexpected manner. There can be no assurances that our internal controls and compliance systems are adequate to address all applicable risks.

In the United States, a recent reorientation to a more protectionist policy resulted in the introduction of, and may result in the introduction of further, regional or international trade barriers, including anti-dumping customs duties such as those imposed by the previous US administration for imported steel and aluminum, changes in taxation which have similar effects, or withdrawal from or renegotiation of multilateral trade agreements by the former administration. These actions could adversely impact our business operations and results of operations through less favorable conditions for the import of our products. Moreover, any countermeasures by regional or global trading partners, including the EU and China, could slow down global economic growth and also have an adverse impact on the export of our products manufactured in the United States and elsewhere.

Following a national referendum and subsequent legislation, the United Kingdom formally withdrew from the EU, commonly referred to as "Brexit", and ratified a trade and cooperation agreement governing its future relationship with the EU. Among other things, the agreement, which became effective in 2021, addresses trade, economic arrangements, law enforcement, judicial cooperation, and governance. Because the agreement merely sets forth a framework in many respects that requires complex additional bilateral negotiations between the United Kingdom and the EU, significant uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal. Brexit has led to legal uncertainty and divergent national laws and regulations as the United Kingdom continues to determine which EU laws to replace or replicate, which could increase the difficulty and cost of compliance with such laws.

Current or new export controls, tariffs and other trade barriers could therefore affect our ability to produce, market and sell our products across global markets and affect our supply chains, which could have a material adverse effect on our business, financial condition and results of operations.

1.1.3 Diplomatic tensions and increasing protectionist measures in countries or major regions in which we or our customers operate could have a material adverse impact on our business and results of operations.

Diplomatic tensions and protectionist measures between countries, such as the aggravation of trade relations between the United States and China or the conflicts between China and Taiwan as well as armed conflicts such as the Russia-Ukraine Conflict and the Israel-Hamas Conflict, can lead to volatile financial markets as well as unfavorable developments for global trade and industry. In addition, if diplomatic tensions or military conflicts were to escalate further, or new tensions and conflicts were to emerge it cannot be ruled out that we would be directly and adversely impacted. Limitations impacting international trade or the decoupling of international trade relations or supply chains in anticipation of future limitations or conflicts may have a negative impact on the export economy in general, and on our revenue and results of operations in particular. We particularly see the risk that individual countries might take increasingly protectionist measures to improve their competitiveness in the global market, and other countries may institute corresponding countermeasures. As a result, we may have to restructure certain aspects of our business, in order to comply with such protectionist measures, for example through local subsidiaries, such as our US subsidiaries. These actions may require us to incur additional costs and may not be adequate or even possible. In addition, protectionist trends might result in market access barriers, such as higher import duties or more complicated certification processes in order to reduce imports, up to an international trade war.

There are also uncertainties due to budgetary constraints of public sectors in many countries and resulting demands for local content and technology transfer. Especially in volatile times, countries are seeking to localize their spending (across the value chain) in sectors such as defense to support their own economies and reduce reliance on foreign imports and manufacturers. This trend can especially be observed in the aftermarket services business. We also see some customers ordering separate parts and components for assembly on the territory of the end-customer rather than on our production sites. Such trends can impact the decision-making and spending of potential new and existing customers and in turn impact our order intake as well as our revenue. Furthermore, such trends may impact our compliance and export control processes and increase the burden and cost for complying with the relevant laws and regulations. Although we are a manufacturer with a global footprint, we may need to engage and cooperate with third-party contractors or establish subsidiaries in other countries to address such localization requirements, to win contracts and remain competitive. The establishment of reliable partnerships and/or subsidiaries may incur additional expenses that cannot be passed on to customers and the set-up of this may take an extended period of time and/or result in additional complexity. Also, such measures may not be successful to counteract localization trends.

Diplomatic tensions and increasing protectionist measures in countries or major regions in which we or our customers operate could therefore have a material adverse effect on our business, financial condition, and results of operations.

1.1.4 We operate in competitive markets.

Some of the markets in which we operate are competitive and characterized by changes in market penetration, price competition, and the development and introduction of new products, product designs and technologies. In these markets, we compete primarily on the basis of quality, innovation, timeliness of delivery and design, as well as the ability to provide engineering support, repair know-how and service globally. Should we fail to secure the quality and reliability of our products as well as the reliability of our supply chain in the future, our customers may decide to procure products from our competitors. Further, we have observed that certain competitors are seeking to increase their market share by offering customers highly competitive prices. Accordingly, this increases the pressure faced by our segments to make production more cost efficient so that we can remain competitive without the erosion of our margins and can continue to secure customer orders in the future.

We face substantial competitive pressure, including with respect to localization requirements and export controls in many markets, also comprising our core sales markets, such as Germany or the United States. For example, in the defense sector, the market accessible to us with respect to military vehicles is characterized by relatively few, large procurement projects, which require long implementation periods and frequently feature only a limited number of product units. Governments increasingly require localized production and servicing capabilities before awarding contracts or favor local competitors in order to help ensure continuous supply. Furthermore, export controls in our home markets increasingly affect the decision-making of potential customers. Lengthy processes at the responsible German authorities may result in permits not being granted for deliveries of spare parts in a timely manner, which may result in customers seeking alternative suppliers (see also *"1.1.3 Diplomatic tensions and increasing protectionist measures in countries or major regions in which we or our customers operate could have a material adverse impact on our business and results of operations."*).

With respect to our industrial markets, new or existing competitors with new innovative products may enter the markets we serve or expand their market position. Further, new customers may bring new, specific requirements and demands to which we may be unable to adapt. This, in particular, pertains to markets related to and impacted by the Energy Transition, because it may offer our competitors new opportunities. Expansion of existing competitors, consolidation among competitors and entry of new players in any of our markets may make it difficult for us to increase our market share, retain existing competitive positions or access new markets at all. Regulatory frameworks in different geographic markets are often still evolving and uncertain and may lead to various different innovation requirements at different paces in these markets. In addition, some of the industries and markets in which we are active are characterized by the establishment of new (local) competitors, particularly for the more time-sensitive aftermarket business, which has reduced and may continue to reduce the dependence on foreign suppliers. Increasing pricing-pressure in a more competitive market environment, combined with increased requirements concerning product performance and enhanced functionalities, may create a challenge for us to offset effects from a pricing and cost perspective. If we are unable to offset price reductions through improved operating efficiencies and the realization of synergies, such price reductions could negatively impact our profit margins.

Some of our competitors may have greater financial resources than we do and may have more extensive or more specialized engineering, manufacturing, and marketing capabilities than we do in some areas. We may not be able to continue to win competitively awarded contracts or to obtain orders under multi-award contracts.

In our industrial markets, we continue to be faced with international competitors who are exerting pressure on market prices. In the past years, we have observed a rise in competitive and price pressure, including from new Asian players. Our customers continue to be faced with competitive pressures, which are often passed on to their suppliers, including us. This has led and may in the future lead some competitors to shift their production to lower-cost countries, which typically requires us to follow with respect to our production capabilities. Furthermore, competitive pressure requires us to apply stringent design-to-cost principles on existing and new products.

If we are unable to offer our products and services on favorable terms as compared to our competitors, this could have a material adverse effect on our business, financial condition, and results of operations.

1.1.5 We are exposed to market trends and technological developments, and we may not be able to adapt sufficiently or in a timely manner.

Our success depends on our ability to recognize and predict market trends and technological changes and to develop and bring new and improved products to the market in a timely manner. Our business requires a high level of technical expertise for the design, development, and manufacture of our products. The need for new developments and improvements is therefore particularly challenging given that we consider many of our products to be at the cutting edge of existing technologies. As a result, we are required to develop technological innovations that break new ground and consequently bear a certain risk of malfunction. Although we invest in technology, new materials, and innovation which we believe will be critical to our long-term growth and our needs to continually adapt our expertise in response to emerging technological innovations, industry standards and customer requirements or preferences, there can be no assurance that our predictions as to market trends and technological changes will later prove to have been accurate or that our investments will prove successful within the expected time schedule or at all.

Many of our products also require extensive and costly development and manufacturing processes. Due to the complex and advanced nature of our technology and products, we face technological challenges that arise in the development and manufacture of new products, which may lead to, for example, cost increases, quality issues, or delivery delays.

The industrial markets in which we are active are characterized by trends, such as electrification, power efficiency, automation, renewable energies in the context of the ongoing Energy Transition, and hybridization. As a result, we may face additional costs and challenges in developing new products or adapting our current products to respond to the additional demands and regulatory requirements that our customers and regulators impose on us, in particular in connection with the Energy Transition. In addition, our products are also being used in certain industries, such as the oil & gas as well as the cement industries that could be negatively influenced by these market trends, which in turn could impact our order intake and revenue from customers active in these industries. For example, we estimate that in the fiscal year ended December 31, 2022, our revenue generated with customers active in the traditional oil and gas business was in the mid- to upper double-digit million range. Furthermore, we may be confronted with new competitors who seek to penetrate the new Energy Transition markets by leveraging their expertise with respect to Energy Transition technology or by achieving an incumbent position in the same markets that we are targeting.

In addition, digitalization is progressing rapidly and has already transformed certain sectors. The pace at which we implement digital technologies and adapt to these trends represents an important success factor. If we are unable to keep pace with these trends, this might pose a risk to our market position.

There can be no assurance that we will be successful in developing new products or systems or in bringing them to market in a timely manner, including due to an inability to effectively implement our business strategy. Further, products or technologies developed by others may render our offerings obsolete or non-competitive or our customers may substitute competing products for our products or adopt alternative technologies to ours. There can be no assurance that the market will accept our innovations, or that our competitors will not be able to produce our non-patented products more inexpensively from other sources. We may not be able to anticipate our customers' needs and provide products to meet those needs and may not be able to adjust our cost structure in the event of contraction of demand. Should we fail to develop appropriate strategies as a response to these or similar market trends or fail to enhance existing products, develop new products, or keep pace with developing

technology, growth opportunities or existing customers could be lost. Furthermore, if we devote resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable, all or part of the associated costs may be lost, and our business may suffer.

1.2 Risks Related to Our Business and Products

1.2.1 Many of our customers depend on government spending. Reductions in government spending could adversely affect our business, results of operations and financial condition.

Approximately 70% of our revenue in the fiscal year ended December 31, 2022, was generated in defense markets based on the end-market application of our products, in particular by sales of vehicle transmissions, engines and suspension systems and naval gear units in our close partner countries, which include the EU, members of the North Atlantic Treaty Organization ("**NATO**"), NATO-equivalent (*gleichgestellte*) and other countries such as South Korea, India and Israel. Our customers include governments, government agencies, international organizations as well as companies that rely on government spending to purchase our products and services. We expect that defense spending, in particular, by these customers, will continue to make up a significant part of our revenue in the future. However, government programs may be cancelled, delayed, or amended based on many factors over which we have no control, including socio-political considerations, general macroeconomic conditions or changes in government or administrative policy. For example, in the fiscal years ended December 31, 2020, and 2021, we experienced delays in the award of government contracts due to the COVID-19 pandemic. Accordingly, we may face uncertainties in planning and managing our resources. In addition, government spending programs, even if previously approved, are typically subject to anti-deficiency rules and annual reviews and adjustments and may, therefore, be cancelled at any time. Further, the scope and amount of government spending programs is oftentimes heavily influenced by the current general political climate and administration as well as changes in political or public support for security and defense programs and is subject to change based on public opinion. Especially in the context of elections, government spending on defense may be subject to scrutiny. Budget and appropriations decisions made by governments are outside of our control and have long-term consequences for our business. Spending priorities and levels remain uncertain and difficult to predict and are affected by numerous factors, including sequestration in the US, government shutdowns, political developments, and potential alternative funding arrangements. A change in governmental spending priorities or an increase in non-procurement spending at the expense of programs relevant to us, could have material adverse consequences on our current or future business.

Moreover, the budgetary decision-making processes of governments tend to be time-consuming, and depending on policies, defense-related appropriations in particular may rank lower than other areas in terms of priority. Even when a budgetary decision regarding a certain defense program or project has been made, it may take substantial time (sometimes exceeding a year) until specific contracts are awarded. Additionally, changes in governments' compositions, elections, financial, economic, or diplomatic crises or court decisions may lead to policy overturns and defense budget cuts which might reduce the funding of current or future projects in which we participate or might participate, or may delay or terminate such projects altogether. For example, we cannot currently predict whether the recent decision of the German Federal Constitutional Court to void certain budgetary laws will have an impact on the German defense budget in the future. In addition, the prioritization and allocation of existing defense budgets, whether in connection with budget cuts or independently from such, might not favor our product offering, for example, because budgets might be spent on personnel rather than equipment, or because governments might decide to purchase existing or future platforms developed and produced without our involvement, rather than to invest in platforms in which we might have participated.

Global government spending on defense, including military personnel, operations and maintenance, procurement, research, development, test and evaluation appropriations, military construction, family housing, revolving and management funds, trust, receipts and other, is expected to increase from €1,343 billion in 2011 to €2,106 billion in 2027 (excluding Afghanistan, Belarus, Benin, China, Central African Republic, Cuba, North Korea, Democratic Republic of the Congo, Eritrea, Iran, Iraq, Libya, Myanmar, Russia, Somalia, South Sudan, Syria, Venezuela, Yemen and Zimbabwe) (*source*: *Renaissance Strategic Advisors Ltd.*). In addition, the German government announced in December 2022, that additional funds in an aggregate amount of up to €100 billion would be made available for defense spending in the coming years to complement the regular annual defense budget. However, allocation of these additional funds has only partially been implemented and it remains uncertain if and when funds will be used. There can be no assurance that the high levels of funds allocated to defense will be maintained in the upcoming years, and they may not be increased as announced.

In addition, any significant disruption or deterioration of our relationship with governments, government agencies or international organizations would significantly reduce our revenue and have an adverse impact on our business, financial condition, and results of operations. We operate in competitive markets, and governments, government agencies or international organizations may choose to use contractors other than us, for example as part of competitive bidding processes, or otherwise due to our competitors' ongoing efforts to expand their business relationships with these customers.

Lower government spending could have a material adverse effect on our business, financial condition, and results of operations.

1.2.2 Our future business success depends on our ability to maintain the high quality of our products and processes and the punctual delivery of ordered goods.

Our products are often mission-critical for the vehicles, ships, or other applications in which they are used. We produce technologically complex products which must meet high quality standards and low tolerance ranges on account of their applications and the markets in which they are used. Products that have already been introduced in the market are subject to risks related to the product quality expected by customers. A decline in the actual or perceived quality of our products and processes could damage our image and reputation, including due to an inability to effectively implement our business strategy. This can occur due to a variety of factors including problems in contract design, faulty integration of our products in platforms, the miscalculation of orders, changes in economic and technical conditions, flaws in project management or inadequate performance by subcontractors. In addition, defective products could result in loss of sales, compensation claims, loss of customers and loss of market acceptance or could damage our reputation and market perception, which, in turn, could have an adverse effect on our sales and results of operations. Moreover, product or design defects or quality issues could result in costs to remedy or repair such defects or issues, which are typically not covered by our insurance policies and may require us to establish provisions. These costs may increase if any defects in or issues with our products are only detected after they have been installed in a platform and may therefore require complex re-works. Furthermore, our customers could potentially bring claims for damages, even if the cause of the defect is remedied at a later point in time. As a manufacturer, we are currently and may, in the future, also be subject to regulatory inquiries and consequent proceedings, if necessary, specifications and quality assurances in respect of our products are not met.

In some countries, certain product certifications with regard to specifications and quality standards are necessary or preferred in order for these products to be accepted by customers and markets. As such, we need to be able to obtain and maintain the relevant certifications so that our customers are able to sell products which include components that are manufactured by us in such countries. In addition, some customers also require us to maintain certain standards and conduct inspections at regular intervals to ensure we maintain these standards. Any failure to meet or maintain the requirements needed to secure or renew such certifications could result in a material adverse effect on our business, financial condition, and results of operations.

In addition, delivery capabilities and delivery performance represent a key competitive factor. Our products usually have a long implementation period. A failure by us to meet contractual delivery dates could result in contractual penalties, expose us to damage claims from our clients, lead to a loss of customers or negatively impact our reputation.

If we are not able to maintain the high quality of our products and processes and the punctual delivery of ordered goods, this could have a material adverse effect on our reputation as well as our business, financial condition, and results of operations.

1.2.3 A disruption in our supply or delivery chain may cause us or one or more of our suppliers or customers to halt production.

The logistics processes in our industries and end-markets are exposed to potential disruption in our supply and delivery chains. From time to time, we experience supply chain disruptions, for example regarding the delivery of certain components that are used for our transmissions. In particular in our VMS Segment, such disruptions could significantly delay our production due to the tight production schedule or force us to maintain inventory at levels that are higher than the optimal level of inventory. Such disruptions may occur for various reasons, which, both individually and in the aggregate, can increase pressure on the supply and delivery chain and lead to production delays as well as delayed acceptance by our customers. Reasons for such disruptions include the closure of supplier facilities or critical manufacturing facilities due to strikes, insolvencies or other financial instability, mechanical breakdowns, electrical outages, fire, explosions and public health crises such as during the

COVID-19 pandemic. We may also face interruptions in supply and delivery chains if the quality of the subcomponents or raw materials delivered to us by our suppliers does not meet our requirements. Disruptions may further result from a lack of qualified labor or shortages of raw materials, subcomponents or energy. In turn, closure or disruptions along the supply chain may lead to additional pressure on other suppliers and the transportation infrastructure due to higher-than-expected order volumes, which suppliers or logistics companies may be unable to process due to *e.g.,* an unavailability of skilled labor or production facilities. Furthermore, extreme weather conditions, in particular periods of drought and heat, have repeatedly impeded business and industrial activity during the last years, resulting in regional shortages of water and power as well as difficult transport conditions and scarcity of certain goods and resources. Additional relevant factors may be logistical complications resulting from other natural disasters, mechanical failures, and delayed customs processing as well as the ongoing Russia-Ukraine Conflict and the Israel-Hamas Conflict.

The lack of subcomponents, also due to long delivery times, or raw materials necessary to manufacture one of our products could require us to prolong our production period. Missing subcomponents or raw materials have caused us to experience from time to time and may further cause us to experience a backlog in our production, assembly and testing operations as well as assembly interruptions. In such cases we may not always be able to identify supply and delivery alternatives in a timely manner or at all. Due to supply chain disruptions, inventory levels have increased in the past, which has had and continues to have a negative effect on our working capital and therefore our cash flow.

Risks may also arise in the course of significant projects. These may include problems in contract design, the miscalculation of orders or costs, changes in economic and technical conditions, flaws in project management or inadequate performance by subcontractors. Even when products are ready to be shipped, or have been shipped, delays may arise before they reach our customer. When we cease timely deliveries, we have to absorb our own costs for identifying and solving the cause of the problem, as well as expeditiously producing and shipping replacement products. In addition, any such disruption in our supply and delivery chains may result in a delay and trigger penalty payments under our existing customer contracts.

Any disruption in our supply and delivery chains could have a material adverse effect on our business, financial condition, and results of operations.

1.2.4 We depend on our ability to attract and retain qualified executives, key employees and skilled and qualified personnel.

Our success and growth ambition depend on attracting and retaining directors, executive officers, senior management, key employees (including employees with requisite security clearances from the governments we contract with) and other skilled and unskilled personnel. As of September 30, 2023, we had the need for a total of about 300 additional skilled workers. We rely on our skilled and unskilled personnel to perform our contractual and anticipated future obligations, which may already be reflected in our fixed order backlog, which represents, with respect to binding customer contracts and purchase orders concluded and/or received, the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS ("**Fixed Order Backlog**"). Therefore, the loss of executives, key employees and other personnel or the failure to hire the additional skilled personnel that we require could have a material adverse effect on our market and financial position. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. Considerable expertise could be lost, or access thereto gained by competitors.

There is no assurance that we will be successful in retaining our executives and the employees in key positions or in attracting new employees with corresponding qualifications, for example through performance-based remuneration systems. There is a risk that any such individuals will leave us, including as a result of negotiations of collective bargaining agreement on terms that may be regarded as below market standard by employees.

The success of our operations and growth strategy will also depend on attracting and retaining skilled and unskilled personnel (including the need to identify, recruit, train and integrate additional employees) while also maintaining our high-quality standards and implementing our standardized processes and quality management globally. The labor markets for production staff in some of the countries in which we are active, such as Germany, France, Switzerland, the United Kingdom and the United States, are characterized by low unemployment rates, resulting in intense competition for qualified personnel and an increased turnover-rate.

In addition, we are a US federal contractor for the purposes of affirmative action plan requirements, which could impose elevated staffing burdens on us, including restrictions on our recruiting, hiring, promoting, terminating, and compensating employees. We are further subject to annual audits by the US Office of Federal Contract Compliance Programs that is part of the US Department of Labor, and there is a risk of attendant exposure to potential damages for discrimination or other non-compliance with plan requirements imposed in connection with these audits.

If we are not able to attract and retain executives, key employees, and qualified personnel, this could hinder our growth, undermine our competitive position and have a material and adverse effect on our business, financial condition, and results of operations.

1.2.5 We generate a significant amount of our revenue from a limited number of large customers.

Particularly in our VMS Segment and certain of our industrial markets, we depend on certain large customers for a significant proportion of our revenue. The loss of all or a substantial portion of our sales to any of our large customers could have a material adverse impact on our business, financial condition, and results of operations. We may make fewer sales to these customers for a number of reasons, including, but not limited to:

- reduced demand for our or our customers' products, including, in the event of changes in decision-making individuals and, in particular, as a result of cyclical downturns that disproportionately affect our customers' industries;
- loss of awarded business;
- failure to deliver the relevant applications to end users in a timely and cost-efficient manner or at satisfactory quality levels;
- strikes or other work stoppages affecting production by our customers;
- reduced or delayed customer requirements; or
- bankruptcy or insolvency of a customer.

Furthermore, our customers may consolidate or merge from time to time. Consolidation among our customers, or mergers of our customers with entities that are not our customers, could result in an increasingly concentrated client base of large customers which could, among others, increase the bargaining power of our current and future customers. In case of a consolidation or merger with one of our competitors, customers may no longer demand our products. Any significant changes in the ownership or operation of our customers, as a result of consolidation, merger or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

1.2.6 Our operations rely on complex IT systems and networks, which may be breached, attacked, or impaired.

We rely on centralized, standardized information technology ("**IT**") systems and networks to support business processes, as well as internal and external communications, including heightened security requirements due to our operations in the defense business, including the ISO27001/BSI *Grundschutz Certificate*. Any failure in the operation or breach of these IT systems could result in material adverse consequences, including disruption of operations, loss of information or an unanticipated increase in costs.

Moreover, there is the risk of unauthorized access, theft and destruction or misuse of business data and information. As a business that is predominantly active in the defense industry, we are a target of interest for governmental and non-governmental individuals and organizations. We have in the past experienced, and continue to experience, attempts to compromise our IT systems with a view to accessing our data or otherwise interfering with our operations, including through the use of malware, ransomware and social engineering. While we have not suffered any material loss of data or significant interruptions to our business operations to this date, such failure of our IT systems or failure by us to prevent the compromising of our IT systems could cause economic loss for which we could be liable and may expose us to governmental investigations, disciplinary actions, and fines. A malfunction of our data security measures, or a cyber-attack could enable unauthorized persons access to sensitive business or personal data, including information to our intellectual property or business strategy or those

of our customers. This is an evolving risk due to increasing global cyber-crime activity. At the same time, increasing dependence on digital sales and customer care increases our exposure and susceptibility to cyber-attacks. The risk of cyber-attacks may also be heightened as a result of the ongoing Russia-Ukraine Conflict and the Israel-Hamas Conflict. We cannot assure that the security measures we have put in place will continue to successfully defend us against these attacks.

Further, our ability to keep our business operating depends on the proper and efficient operating and functioning of various IT systems, which are susceptible to malfunctions and interruptions. Parts of our IT infrastructure could malfunction as a result of accidents, disasters, technical disruption, human error, internet attacks, sabotage and a range of other hardware, software or network problems, thereby impairing or completely shutting down business processes. The measures we apply and regularly review to mitigate digital threats may be insufficient to prevent certain types of security vulnerabilities. Future actual or perceived security vulnerabilities could cause us to incur significant additional costs to alleviate problems caused by any such vulnerabilities. A failure of our IT systems could also cause damage to our reputation which could harm our business.

In addition, from time to time, we may be required to make investments to maintain and/or upgrade our IT systems and networks and such investments may be significant, take longer than expected or cause interruptions to our existing systems. For example, we are currently in the process of moving to SAP S/4 HANA, an enterprise resource planning software used to manage various business functions, which could present issues such as delays or system interruptions.

Any breach of our IT system or network disruptions could have a material adverse effect on our business, financial condition, and results of operations.

1.2.7 We may not be able to realize revenue presented in our Order Intake and Fixed Order Backlog.

We present order intake and Fixed Order Backlog as operational key performance indicators in this Prospectus. Our order intake refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price ("**Order Intake**"). There can be no assurance that these contractual terms will not change, or that the Order Intake or Fixed Order Backlog will result in an actual recognition of the expected revenue and growth rates within the period initially anticipated, or at all. We may experience variances in the realization of our estimated Order Intake and Fixed Order Backlog due to, among other things, delays or cancellations, scope adjustments, external market factors and economic factors beyond our control (see "*1.2.3 A disruption in our supply or delivery chain may cause us or one or more of our suppliers or customers to halt production.*" and "*1.2.4 We depend on our ability to attract and retain qualified executives, key employees and skilled and qualified personnel.*"). If the estimated Order Intake or Fixed Order Backlog fails to materialize as anticipated, our business, financial condition or results of operations would be materially and adversely affected. Our Order Intake and Fixed Order Backlog do not provide a precise indication of the time period over which we are contractually entitled to generate such revenue and there is no assurance that such revenue will be actually generated in the time frames anticipated, or at all. Our Order Intake and Fixed Order Backlog are computed based on facts known and assumptions deemed appropriate at the computation date. Furthermore, there can be no assurance that we will win any or all of the additional orders we expect within the period initially anticipated, or at all.

Our definition of Order Intake and Fixed Order Backlog may not necessarily be the same as that used by other companies engaged in activities similar to ours. As a result, the amount of Order Intake and Fixed Order Backlog reported by us may not be comparable to similar metrics reported by such other companies.

1.2.8 We are dependent on certain third-party suppliers and component producers who may not be willing or able to supply us with certain components.

We purchase certain standard components, such as pumps, couplings & clutches, bearings and measurement and control technology, from third-party suppliers. In addition, we outsource production of some of these products and may face significant price increases due to the recent and ongoing inflation and contracts with such third-party suppliers may no longer be profitable. Particularly for such customer contracts for which we are unable to pass on increasing prices, as is the case for most of our contracts, we may need to re-negotiate prices with third-party suppliers or switch suppliers. For certain products, such as transmissions, we depend on a limited number of suppliers, or in some cases a single supplier and may thus be dependent on these suppliers for the required components and supplies. Usually, we do not enter into contracts which would guarantee minimum quantities available. In addition, we cannot assure you that such suppliers would be able or willing to continue

providing us with an adequate quantity of components of the required quality in a timely manner or at all. We may have difficulties to find other suppliers with an adequate quantity and appropriate quality supply of components in a timely and economic manner, if at all. For example, due to the long lifetime of our products, we face risks regarding obsolescence. Some suppliers may decide to no longer produce certain subcomponents, such as electronic components, and we may be required to enter into special agreements with them that may be more costly or stock up our inventories if we are not able to identify alternatives in a timely manner or at all. In addition, some suppliers may be affected by scarcity of materials or energy, for example due to increased prices or less availability of natural gas and other energy sources, for example due to geopolitical issues due to the Russia-Ukraine Conflict and the Israel-Hamas Conflict. Our inability to obtain suitable sources of supply for necessary components used in our manufacturing and assembly processes, or to obtain these supplies on price terms favorable to us, could have a material adverse effect on our financial condition and results of operations.

1.2.9 We are subject to risks related to our global operations.

Our business is subject to certain risks associated with doing business internationally. Most of our operations are in the EU and the US, but we also have manufacturing facilities in Canada, the United Kingdom and Switzerland, as well as subsidiaries in China, Brazil, India, South Korea, Turkey, and the United Arab Emirates. As we intend to continue to pursue growth opportunities for our business in new markets, in particular in growth markets such as Asia, the risks set forth below could be exacerbated.

Our global operations and our expansion in growth markets are subject to various exposures that could have a material adverse effect on those operations and our business as a whole, including:

- the burden of complying with multiple and possibly conflicting laws (*e.g.*, data protection or sanction laws) and unexpected changes in regulatory requirements;
- foreign currency exchange controls, sanctions, import and export restrictions and tariffs, including restrictions promulgated by the Office of Foreign Assets Control of the US Department of the Treasury, and other trade protection regulations and measures;
- political risks, including increased trade protectionism and risks of loss due to civil disturbances, acts of terrorism, acts of war or insurrection;
- interference by governments, including government-sponsored competitors, confiscation of assets, implementation of profitability caps or special taxes, levies or duties;
- underdeveloped infrastructure;
- unstable political economic, financial and market conditions;
- currency exchange rate and interest rate fluctuations and high inflation;
- difficulties in enforcement of third-party contractual obligations and intellectual property rights and collecting receivables through foreign legal systems;
- difficulty in staffing and managing international operations and the application of foreign labor regulations;
- difficulties in attracting and retaining qualified management or adequately trained personnel;
- differing local product preferences and product requirements;
- potentially adverse tax consequences from changes in tax laws, requirements relating to withholding taxes on remittances and other payments by subsidiaries and restrictions on our ability to repatriate dividends from our subsidiaries;
- difficulties ensuring the integrity and compliance of business partners, as well as business environments in which fraud, bribery or corruption are common, condoned or encouraged by private or official actors; and

- exposure to liabilities under anti-corruption and anti-money laundering laws, including the US Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions.

Any of these factors could have a material adverse effect on our business, financial condition, and results of operation.

1.2.10 Environmental, social and governance matters may impact our business and reputation.

There has been an increased focus by customers, investors, employees, and other stakeholders, as well as by governmental and non-governmental organizations on environmental, social and governance (together, "**ESG**") matters. For example, a rising number of our customers and business partners, including our financing banks, may put an increased focus on sustainability, most prominently environmental, factors in awarding business, or through sustainability-linked financing conditions. In addition, a variety of organizations measure the performance of companies on ESG topics, including in the form of ratings, and the results of these assessments are often widely published. Furthermore, investment funds that invest in companies that perform well in such assessments are increasingly popular and major institutional investors have publicly emphasized the importance of ESG measures to their investment decisions. The adoption or further refinement of ESG investment principles by investors (for example, so-called green funds) might also lead to a divestment of shares of companies in the defense industry, including the Company. Topics taken into account in such assessments include, among other factors, a company's efforts and impact on climate change, the transition to green energy, social issues, occupational health and safety, diversity and inclusion, human rights, ethics, compliance with law and the role of a company's management in supervising various sustainability issues.

Furthermore, the passing of legislation or regulations for the finance sector could cause institutional investors to restructure their portfolios and reduce or eliminate their exposures in companies that operate in industries classified as inadequate. Possible sector exclusions (*e.g.*, for the weapons and defense industry) could also limit our options to raise capital. Changes to the qualification criteria for being admitted to or remaining included in certain stock indices could also harbor risks.

There can be no certainty that we will manage such issues successfully, or that we will meet society's or investors' ESG expectations or any future ESG reporting requirements such as the new requirements under the EU Directive (EU) 2022/2464 as regards corporate sustainability reporting ("**EU Corporate Sustainability Reporting Directive**"), which will apply to us for the first time for the fiscal year 2024 as a listed company. As part of our commitment to ESG matters, we have made ESG an important and integral part of our strategy, which bears significant challenges and risks. For the fiscal year December 31, 2022, we have published and for the following years plan to publish an annual sustainability report in accordance with the widely used global standards for sustainability reporting issued by the Global Reporting Initiative including our core ESG targets. If, among other aspects, we fail to meet our core ESG targets or those of other ESG performance categories, become the subject of negative public perception or adverse publicity, lose credibility, or are unable to meet expectations on the part of our customers, investors, employees, business partners, and other stakeholders relating to our ESG strategy, or our ESG rating is downgraded, this could negatively impact our reputation and brands, our relationships, employee engagement and retention and the demand for our solutions. These impacts could be difficult and costly to overcome, if possible, at all. For example, we may not be able to reduce our scope 1 (primarily natural gas and diesel fuel) and scope 2 (primarily electric energy) (both as defined by the greenhouse gas protocol ("**GHG Protocol**")) emissions in order to reach carbon net-neutrality relating to scope 1 and scope 2 emissions by 2030 in our European sites and offices and by 2040 in our sites and offices in the rest of the world, including via the use of compensation measures from offsets, such as CO2 certificates, or even at all due to factors beyond our control, such as availability of renewable energy and energy prices. If we were unable to meet our targets or investors' expectations related to ESG, we could become subject to claims or allegations by such investors. In addition, we may be subject to concerns that do not directly relate to us but rather to the industries that are adjacent to ours, for example, the conventional fuel, energy, or transport industries, or are based on inaccurate or misleading information.

In addition, ESG ratings may vary among the different ESG rating organizations and are subject to differing methodologies, assumptions and priorities used by such organizations to assess ESG performance and risks. Each rating by an ESG rating provider should be evaluated independently of the rating by any other ESG rating provider. There is no guarantee that the methodology used by any particular ESG rating provider will conform to the expectations or requirements of any investor or any present or future applicable standards, recommendations, criteria, laws, regulations, guidelines or listing rules. As a result, our ESG ratings, including our ESG risk rating with Sustainalytics, are not necessarily indicative of our current or future operating or financial

performance or our commitment to ESG standards and principles and are only current as of the dates on which they were issued. Any ESG rating obtained by the Company provides no guarantee as to the actual environmental and/or social impacts of the Company. In addition, individual company ratings may be based on only publicly available information and in other cases may be based on information supplied by the relevant companies. As such, the quality of information in respect of each company included in our rankings may not be comparable and there may therefore be limitations on the utility of these rankings. No assurance can be given that any rating will remain constant for any given period of time or that the rating will not be lowered or withdrawn entirely if, in the judgment of the respective ESG rating provider, circumstances so warrant. The past or future issuance of any ESG ratings which reflect low performance on ESG matters or high ESG-related risk or are not consistent with our own views or commitments may negatively impact our business and reputation.

In addition, trying to achieve our ESG goals may result in increased costs. Standards regarding ESG could change and become more onerous and costly for us to meet. Evolving data, methods, research and reporting requirements, including science-based assessments, could undermine or refute claims and beliefs that we have made in reliance on current data, research and reporting requirements, for example, relating to our corporate carbon footprint, which could result in additional costs or negative market perception.

If we are not able to address the ESG matters successfully, this could have a material adverse effect on our reputation, business, financial condition, and results of operation.

1.2.11 Our business, financial condition and results of operations may be adversely affected by government contracting risks.

We are subject to various laws and regulations applicable to parties' doing business with governments and government agencies and entities, including laws and regulations governing the performance of German, US and other government contracts and security clearance of our facilities and employees. The laws and regulations to which we are subject differ materially depending on the contracting government and conflicting rules or blocking statutes in such laws and regulations may prevent us from taking on contracts with other governments. For example, in Germany, applicable laws and regulation include, but are not limited to the German Security Clearance Act (*Sicherheitsüberprüfungsgesetz*) and the German Secret Protection Manual (*Geheimschutzhandbuch*) of the Federal Ministry for Economic Affairs and Climate Action (*Bundesministerium für Wirtschaft und Klimaschutz*). In addition, specific public pricing law is applicable for procurement processes of public institutions in addition to public procurement regulations in Germany. Similarly, in the United States, our federal government contracts are subject to, for example, the Competition in Contracting Act, the Procurement Integrity Act, the False Claims Act, the National Industrial Security Program, the Federal Acquisition Regulation and agency supplemental regulations, in addition to a myriad of other procurement-related laws, rules and regulations. We are also strictly bound by contractual obligations to comply with these laws and regulations.

If we are found to have violated such laws or regulations, we may be subject to civil or criminal proceedings and penalties as well as administrative sanctions or fines. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. As a result of the need to comply with these laws and regulations, we are subject to increased risks of governmental investigations, civil fraud actions, criminal prosecutions, whistleblower lawsuits and other enforcement actions. Moreover, responding to investigations of alleged violations can be expensive and disruptive regardless of the merit of any allegations.

We also derive significant revenue from cost reimbursable defense contracts, where the consideration for the goods to be delivered or services to be rendered are based upon the cost incurred by us in manufacturing and delivering them. We are therefore exposed to an enhanced risk of audit by government auditors to ensure that representations of cost are accurate in all material respects and comply with applicable regulatory requirements. Misrepresentations of cost could subject us to the risk noted above.

In conjunction with defense procurements, we may also be required to enter into industrial participation, industrial development or localization agreements, sometimes referred to as offset agreements or contracts, as a condition to obtaining orders for our products and services in certain countries. These offset agreements or contracts generally extend over several years and obligate us as contractor to perform commitments, which may include in-country purchases, technology transfers, local manufacturing support, consulting support to in-country projects, investments in joint ventures and financial support projects, and preference local suppliers or subcontractors. The customers' expectations in respect of the scope of offset commitments can be substantial, including high-value content, and may exceed existing local technical capability. Failure to meet these commitments, which can also be subjective or outside of our control, may result in significant penalties, and could

lead to a reduction in sales to a country. In addition, due to government contracts being procured through a competitive bidding process, they are much more prone to delays.

Requirements under agreements with governments or any violation of applicable laws or regulations could therefore have a material adverse effect on our business, financial condition, and results of operation.

1.2.12 Our business, financial condition and results of operations may be adversely affected by increased costs, particularly under our fixed price contracts without price adjustment clauses.

We require various raw materials, subcomponents and components as well as energy in our production processes and are exposed to the risk of increased costs for such raw materials, subcomponents or components or energy. This risk is particularly relevant in relation to our fixed price contracts without price adjustment clauses where the consideration for the goods or services delivered or provided are fixed at the time of contract award. In our VMS Segment, such contracts are typically re-negotiated in two-year cycles. We are therefore exposed to the risk that the actual costs incurred in connection with performing our obligations under such firm fixed price contracts are higher than assumed at the time of the contract. This could be due to inflation or supply chain disruptions or other reasons, and such higher actual costs could adversely impact our margins. Although new contracts in the defense sector tend to include price adjustment clauses in some countries, such as Germany, there can be no assurance that such clauses will be included in all of our contracts or that such clauses will prove to be sufficient to allow us to pass on additional incurred expenses. We may miscalculate prices for fixed price contracts or the costs of meeting our obligations may rise after the date of the relevant contract, including for reasons that are beyond our control, such as increases in material costs, unexpected technical difficulties, or delays. In particular, the inflationary environment in recent years and related intensified general price increases (in particular rising energy costs) may lead to greater than anticipated costs. In 2022 for example, due largely to the Russia-Ukraine Conflict and disruptions in supply from Russian gas producers, natural gas prices increased for non-household consumers in Europe by 104% compared to 2021, to an average of €0.0732 per kWh, amid extreme volatility in some cases, while electricity prices for non-household consumers increased by 43% compared to 2021 (*source: Eurostat, European Commission, Natural gas prices statistics, April 2023 and Eurostat, European Commission, Electricity prices statistics, April 2023*). Although such costs have since normalized to some extent, such spikes may occur again in the future. While we have in the past and further expect to address a part of increased energy costs by the electricity, gas and heating price caps introduced by the German government, there can be no assurance that these measures will continue to be available and be sufficient to cover our increased energy costs. Our suppliers may also try to pass on increased energy costs. Any failure by us to correctly estimate or control the costs incurred by us in connection with fixed price contracts without price adjustment clauses may have a material adverse effect on our profitability. In addition, where our contracts include price adjustment clauses and such clauses are inadequate to reflect the actual increase in expenses, our profitability could also be materially adversely impacted.

An increase of our costs, in particular under our fixed price contracts without price adjustment clauses, could therefore have a material adverse effect on our business, financial condition, and results of operations.

1.2.13 We are exposed to fluctuations in currency exchange rates.

We operate worldwide and are therefore exposed to financial risks that arise from fluctuations in currency exchange rates. We are exposed to foreign currency risks, if a Group company performs transactions and incurs future cash flows in a currency other than our functional currency (euro). Our primary foreign currency exchange exposure is to the US dollar, the Swiss franc, the Chinese renminbi and the British pound. Fluctuations in foreign exchange rates could increase or reduce the euro-equivalent value of our income, costs, assets and/or liabilities, if denominated in foreign currency. As a result of these factors, fluctuations in exchange rates and, in particular a significant appreciation of the euro against other major currencies such as the US dollar, could affect our results of operations.

Material risks, *e.g.*, resulting from significant customer and/or supplier contracts in foreign currency where related cash flows are not realized immediately, are hedged using currency forwards. However, there can be no assurance that hedging will continue to be available on commercially reasonable terms or that it will always be effective in managing our currency risks. Equity investments or equity-type loans to subsidiaries in foreign currencies are not hedged. As a result, we may be unable to use derivative financial instruments in the future, to the extent necessary, and our hedging strategy could therefore ultimately be adversely affected. Furthermore, hedging transactions create an inherent risk that a counterparty may default on its obligations.

Fluctuations in currency exchange rates could therefore have a material adverse effect on our business, financial condition, and results of operations.

1.2.14 If we fail to maintain an effective system of internal controls, we may be unable to accurately report financial results or prevent fraud.

Our international operations require complex administrative, financial, and operational processes at entities with heterogeneous levels of maturity in terms of internal controls, evolving in a variety of legal environments and running different information systems. This also includes internal controls in relation to defense exports where significant fines can be imposed if not pre-approved by relevant governmental authorities. Following the admission to trading of the Company's shares, the Company will be subject to the legal requirements of German companies listed on a regulated market. This will involve changes in ownership structure, corporate governance, management culture, financial and non-financial reporting practices, as well as new and increased regulatory requirements, in particular with regard to internal controls, risk management and reporting.

Our management periodically evaluates the effectiveness of the design and operation of our internal controls. Based on these evaluations, we may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. However, these controls and measures may not always be effective. There are inherent limitations on the effectiveness of internal controls, including fraud, collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks and are generally oriented to detect systemic issues, rather than individual misbehavior. If we fail to maintain an effective system of internal controls, we may be subject to sanctions or investigation by regulatory authorities.

1.2.15 We are routinely subject to audits by our customers on government contracts and the results of such audits could have an adverse effect on our business, reputation, and results of operations.

We are subject to routine audits by government agencies and contractors. These agencies frequently review a contractor's performance under our contracts, our cost structure, our business systems and compliance with applicable laws, regulations, and standards with a special focus on applicable pricing laws. Government agencies have the ability to decrease or withhold certain payments if they deem systems subject to its review to be inadequate or not in compliance with the governmental contract. Additionally, any costs found to be misclassified may be subject to repayment.

If an audit were to identify improper or illegal activities, we may be subject to civil or criminal proceedings and penalties as well as administrative sanctions or fines, including reductions in the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, contractual penalties, suspension, or prohibition from doing business with the respective government (*e.g.*, prohibited from participating in future public procurement procedures). In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

1.2.16 We, our suppliers, or our customers may be unable to obtain or maintain sufficient financing, including working capital financing, and credit insurance.

Our working capital requirements can vary, depending in part on the level, variability and timing of our customers' production, and the payment terms with our customers and suppliers. Our liquidity could be adversely impacted if our suppliers were to suspend normal trade credit terms and require payment in advance or on delivery. If our available cash flows from operating activities are not sufficient to fund our ongoing cash needs, we would be required to look to our cash balances and availability for borrowings to satisfy those needs, as well as potential additional sources of capital, which may not be available on satisfactory terms, in sufficient amount or at all. Interest rates have already increased significantly and may increase further, thereby increasing our interest expenses associated with such borrowing and reducing future cash flow available for other purposes. There can be no assurance that we, our suppliers, or our customers will continue to have the ability to obtain financing on acceptable terms when required. This may increase the risk that we cannot produce our products or will have to pay higher prices for our inputs. These higher prices may not be recovered in our selling prices. Any significant change in our needs for or the availability of working capital financing or credit insurance may have a material adverse effect on our liquidity, which could in turn materially adversely affect our business, financial condition, and results of operations.

1.2.17 Certain of our end customers operate in industries that are sensitive to cyclical changes in the economic environment, which can result in significant fluctuations in demand for our products.

Some of the markets in which we operate, including energy generation, oil & gas, cement and steel, are sensitive to cyclical changes in the economic environment. Decisions to purchase our products are largely a result of the performance of these and other markets we serve. If demand for output in these industries decreases, investments in new machinery decreases and subsequently the demand for our products is also likely to decrease. Demand in these industries is impacted by numerous factors, including prices of commodities, interest rates, fuel costs, energy demands as well as economic growth. Increases or decreases in these variables globally may significantly impact the demand for our products. This risk mainly affects our products for industrial markets, whereas the defense market is partly dependent on government spending, which may or may not develop in line with the economic environment (see "*1.2.1 Many of our customers depend on government spending. Reductions in government spending could adversely affect our business, results of operations and financial condition.*").

Our business is characterized by high fixed costs. We risk underutilization of our facilities if the markets in which we operate decline. An underutilization of our facilities could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sale prices. Furthermore, falling production volumes cause declines in revenue and earnings.

An inability to predict the cyclicality in certain industries and failure to plan for such cyclicality could have a material adverse effect on our business, financial condition and results of operations.

1.2.18 We could be adversely affected by property loss and unforeseen business interruption.

Damage and loss caused by fire, accidents, natural disasters, terrorism, political unrest, enhanced national security measures, conflicts, strained international relations, severe weather, or other disruptions of our production process at our manufacturing facilities or within our supply chain, with respect to customers and with suppliers, can be severe. For example, activists may oppose our defense business and demonstrate or take other actions against us. In particular, we see an increased risk of such demonstrations or sabotage, revenge and espionage actions arising from our products being used by platforms that are involved in combat, such as in the Israel-Hamas Conflict. Such risks arising from business interruption and loss of production are insured at levels considered economically reasonable by us, but our insurance coverage for our facilities could prove insufficient in individual cases. Furthermore, such events could injure or result in the death of individuals or damage or destroy third party property or the environment, which could, among other things, lead to considerable financial costs for us. In addition, our manufacturing processes are dependent on critical pieces of manufacturing equipment that may, on occasion, be out of service as a result of unanticipated failures, which may result in production bottlenecks and breakdowns.

Our inability to predict or protect against property loss and unforeseen business interruption could have a material adverse effect on our business, financial condition, and results of operations.

1.2.19 Our R&D activities may not lead to the development of commercially successful products.

Developing new and improved products requires a substantial amount of capital funding and entails considerable uncertainty. Due to the complexities and uncertainties associated with research and development ("**R&D**"), products that we are currently developing may not complete the development process or we may take longer than expected to develop or market these products. If we devote resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to become commercially viable, all or part of these R&D costs may be lost. Furthermore, should we be unable to secure sufficient funding to finance our R&D activities, we could lose our competitive position in a number of important and rapidly growing sub-markets. We incurred €18.3 million in research and development costs ("**R&D Costs**") in the fiscal year ended December 31, 2022, for the development of new and existing products and technology. In addition, we conduct similar research and development activities on an order-specific basis depending on our customers' demands and needs. These costs are recognized within our cost of sales and are assigned to the respective customer order.

In 2023, we entered into definitive agreements with American Rheinmetall Vehicles and Huta Stalowa Wola to develop advance mobility system solutions for combat vehicles in the U.S. and Poland as well as international markets. As we have no or limited control over our cooperation partners, we may not be able to realize the expected benefits of these arrangements. Hence, our ability to fully exploit the strategic potential of the products that we offer through these cooperations could be impaired if we cease to agree with our partners on

strategy and implementation, if our strategic partners no longer provide their services at competitive prices or with the desired quality or if they have financial difficulty or violate contractual obligations.

An inability to obtain funding for R&D activities, develop new products and offer newly developed products on commercially reasonable terms could have a material adverse effect on our business, financial condition and results of operations.

1.2.20 Any investment or acquisitions may disrupt and materially harm our business, and we may not be able to successfully integrate or realize expected benefits from such acquisitions or investments.

We have pursued investments and acquisitions, such as the acquisition of the combat propulsion systems business of L3Harris Technologies, Inc., L3 Magnet-Motor GmbH in 2021 and the acquisition of General Kinetics Inc. in 2023. We may make investments or acquisitions in the future that we believe present opportunities for growth and strengthening of our business, including by adding technological capabilities, improving our operational efficiencies, including through the reorganization of us, entering into joint venture or similar agreements, increasing the extent of our vertical integration, or enhancing our geographical presence or customer relationships. Such investments and acquisitions may be costly and time consuming and could divert the attention of our management from other business concerns. Acquisitions as well as the integration of a business involves a number of challenges and may result in unforeseen operating difficulties in assimilating or integrating the technologies, products, personnel or operations of the acquired business. Moreover, although we perform a due diligence review of an acquisition target, this review may fail to adequately uncover all contingent, undisclosed, or previously unknown risks or liabilities. We cannot ensure that we will be able to successfully integrate acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our business and results of operations. This could cause us to not realize the benefits anticipated from an acquisition and could have a material adverse effect on our business, financial condition, and results of operations.

1.2.21 In some regions, we work with sales agents and could therefore be exposed to commercial agents' compensation payments.

Due to local peculiarities of specific regions where we operate, we work with intermediaries, usually sales agents, which are tasked with maintaining our local market presence or the local dealer network. These sales agents have written contracts with us, for example in the Netherlands. If these sales agents and intermediaries are deemed commercial agents (*Handelsvertreter*) under Section 84 of the German Commercial Code (*Handelsgesetzbuch*, "**HGB**") or similar regulations in other jurisdictions we may be obligated to pay commercial agent's compensation pursuant to Section 89b HGB or similar regulations in other jurisdictions upon the end of the contractual relationship, in particular if we were to terminate the relationship. The amount of these payments depends on applicable law, jurisprudence and/or case law, which consider a multitude of factors to determine whether commercial agent's compensation should be paid, including the length of and terms of the relationships, as well as the revenue earned by the commercial agent. As a result, it is difficult to predict whether we will be liable to make such payments, the amount of which could be substantial. If a commercial agent were to successfully claim such compensation, this could have a material adverse effect on our business, results of operations and financial condition.

1.2.22 The assumptions made in preparing the profit estimate and the profit forecast and business outlook included in this Prospectus may prove incomplete or inaccurate.

The profit estimate for the fiscal year 2023 and the profit forecast for the fiscal year 2024 as well as the business outlook included in this Prospectus reflect numerous assumptions made by our management. These assumptions relate to commercial expectations and other external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, regulations, or rules, all of which are difficult to predict and are beyond our control. Accordingly, the assumptions made in preparing the profit estimate, profit forecast and business outlook could prove incomplete or inaccurate and there may be differences between our actual and projected results, which could be material. Should this occur, we may have to publish such information by way of ad-hoc notification, which could adversely impact the price of the Shares, negatively impact our reputation, and make it more difficult for us to access capital markets in the future, any of which could have a material adverse effect on our business, results of operations and financial condition.

1.2.23 The German and French governments have certain rights to protect their security interests in our business.

The Company and RENK France S.A.S. are subject to agreements with the Federal Republic of Germany and the French Republic, respectively, to protect the security interests of the Federal Republic of Germany and the French Republic with respect to certain of our products (the "**Security Agreements**").

The Security Agreements grant the Federal Republic of Germany and the French Republic certain information and consultation rights and imposes restrictions on us with respect to our corporate structure and management and certain business activities. In particular, we are required to deliver certain products and services that are directly and indirectly attributable to the German Armed Forces (*Bundeswehr*) and, in case we do not enter into a subsequent contract with regard to such products and services, we are required to provide the necessary information and technical know-how to a third party in order to ensure the implementation of a subsequent contract with such third party. Furthermore, we are required to maintain certain sensitive activities and industrial capacities on the French territory and are restricted with regard to the substitution of certain products and the use of products that are subject to the export control regulations of a foreign country (war equipment or dual-use goods), requiring the fulfilment of certain requirements to be exported to and from France, or whose importation in France is subject to prior authorization under French law.

Due to these rights and restrictions, we may have to consider the interests of the Federal Republic of Germany and the French Republic and must adhere to the rights and restrictions, and thus may not be able to take certain strategic and management decisions in a timely manner or at all that we might otherwise consider beneficial to our business, and we may lose business opportunities or incur costs or experience other disadvantages.

1.3 Risks Related to Laws, Regulation and Taxation

1.3.1 We may be adversely affected by changes to the general regulatory environment.

We are subject to a wide variety of laws and regulations, including regulations on data protection, environmental protection, competition, tax, and employment matters. In addition, we are subject to the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official in each of the jurisdictions in which we operate or may operate in the future. The implementation of these changes may prove time-consuming and may cause us to adjust internal procedures, which could also affect our business operations.

Since January 1, 2023, the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*, "**LkSG**") requires companies with a minimum of 3,000 employees based in Germany to, among others, conduct an appropriate risk analysis to identify human rights and environment-related risks in their supply chains and take respective preventive measures and remedial action. Although we will only become subject to the LkSG as of January 1, 2024, the additional screening processes required under the new law may have an impact on our business and divert attention of the relevant departments. Any changes to the general regulatory environment could have a material adverse effect on our business, financial condition, and results of operations.

Further, EU Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**"), which entered into force on July 12, 2020, has been applicable since January 1, 2022, with respect to the environmental objectives "climate change mitigation" and "climate change adaptation" and will be applicable in respect of four additional environmental objectives from January 1, 2023. The EU Taxonomy Regulation requires that companies which are subject to non-financial reporting under Directive (EU) 2014/95 amending Directive (EU) 2013/34 on non-financial and diversity information (the "**Non-Financial Reporting Directive**") include information in their non-financial statements on how and to what extent the company's activities are environmentally sustainable. Once the Company's shares are publicly listed, these requirements will apply to the Group. The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Implementing internal reporting system and complying with these regulations may incur additional cost and bind management attention. Realization of this risk could have a material adverse effect on our business and operations.

1.3.2 We may fail to comply with applicable laws and regulations, or changes in such laws and regulations.

We distribute our products across 70 countries and manufacture our products at 11 sites located in 7 countries. Therefore, we are subject to various laws and regulations in the different jurisdictions in which we are active. Due to the market in which we operate, these laws and regulations impose comprehensive compliance obligations on us and restrict our offering and operating activities. These obligations and restrictions, in turn, can be difficult to administer because of their scope, dynamic nature and varied requirements and, as such, our global operations expose us to the risk of violating, or being accused of violating, such laws and regulations. For example, in selected recent incidents, certain products have not been correctly classified under applicable export control regulations. In addition, rapidly changing export control rules and regulations may lead to a risk of inadvertently violating specific countries' export control regulations and laws. Our failure or alleged failure to comply with these laws and regulations may expose us to reputational harm as well as significant penalties.

We handle sensitive customer data and are subject to increasingly stringent data protection and privacy requirements, such as the Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**"), which became effective in all EU member states on May 25, 2018. The GDPR imposed stricter conditions and limitations in relation to the processing, use and transmission of personal data.

The GDPR introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. We may not have prepared for these changes to the extent necessary and our preparations may not yield the expected results. Additionally, it is possible that applicable laws, regulations, and other obligations relating to data usage and data protection may be interpreted and applied in a manner that is inconsistent with our practices. Furthermore, there can be no assurance that our practices have complied, comply, or will comply fully with all such laws, regulations, and other legal obligations. For example, we may have saved data from our customers that we should not have saved pursuant to applicable data protection laws. Our process of developing and advancing our data protection standards and procedures may take longer and require more resources than originally planned. Furthermore, measures taken to prevent incidents of data loss might prove insufficient, and we may be vulnerable as a result of human error and misbehavior. Any non-compliance by us with the applicable regulations could lead to fines and other sanctions. For example, the GDPR provides that violations can be fined, depending on the circumstances, by up to the higher of €20 million and 4% of the annual global turnover of the non-compliant company.

Should we be in violation of existing laws and regulation or fail to comply with changing laws and regulations, this could have a material adverse effect on our business, financial condition, or operations.

1.3.3 We may not be able to successfully protect our intellectual property and technical expertise.

Our products and services are highly dependent upon our technological know-how and the scope and limitations of our proprietary rights therein. We regularly apply for and have been granted intellectual property rights with respect to our innovations. The process of seeking patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or a commercial advantage. In addition, while there is a presumption that patents are valid, the granting of a patent does not necessarily imply that it is effective or that possible patent claims can be enforced to the degree necessary or desired. Certain of our existing patents convey a narrow scope of protection, including in terms of geographic reach and goods and services covered. Additionally, our patents might have lapsed or expired. Further, our competitors, suppliers, customers and other third parties also submit a large number of intellectual property protection applications. Such other parties could hold effective and enforceable intellectual property rights to certain processes, methods or applications and consequently could assert infringement claims (including illegitimate ones) against us.

A part of our know-how and industrial secrets is not patented and cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, will copy our know-how without incurring any expenses of their own.

Should we be unable to protect our intellectual property and technical expertise, this could have a material and adverse effect on our business, financial condition, and results of operations.

1.3.4 We are exposed to warranty and product liability claims.

As a manufacturer, we have in the past and are currently subject to product liability lawsuits and other proceedings alleging violations of due care, violation of warranty obligations (implied or expressed), treatment errors, safety provisions and claims arising from breaches of contract, recall actions or fines imposed by government or regulatory authorities. Any such lawsuits, proceedings and other claims could result in increased costs for us. In addition, defective products could result in loss of revenue, loss of customers, and could lead to cost of repair and replacement. Defective products could also result in loss of market acceptance and cause damage to the reputation of our products or our customers' end-products. While we maintain insurance covering the risks arising from such product liability lawsuits, proceedings and other claims, the insurance coverage obtained by could prove insufficient.

In addition, vehicle, vessel, and industrial machine manufacturers increasingly require a contribution from their suppliers for potential product liability, warranty and recall claims, and we have as a result been subject to continuing efforts by our customers to change contract terms and conditions concerning warranty and recall participation.

Furthermore, our customers could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of our other products and our market reputation in various market segments.

1.3.5 We are subject to risks from legal, administrative and arbitration proceedings.

Our companies are involved in legal, administrative and arbitration proceedings from time to time, and may become involved in such proceedings in the future. These proceedings or potential proceedings could involve, in particular in the United States, substantial claims for damages or other payments. The materiality of any future proceedings as well as the outcome of individual proceedings cannot be predicted due to the uncertainties that are always associated with legal disputes. For example, we are currently engaged in a dispute with a large original equipment manufacturer ("**OEM**"), who has a contractual relationship with a government customer to manufacture and supply vessels. Based on contracts concluded in 2011, we have supplied gear units to this customer, which were integrated in the OEM's products. In April 2023, following an analysis of potential causes for the defect in the OEM's products also including the governmental customer, the OEM filed a request for arbitration asking for a declaratory relief requiring us, among others, to pay the full costs for repair or replacement of products previously supplied by us and asking to be indemnified from any follow-on damages asserted by the governmental end customer, with the amount to be determined in the arbitration proceedings. The arbitral tribunal was constituted and arbitration proceedings are ongoing. The outcome of the proceedings is unclear. We have previously been a party to an arbitration proceeding with the OEM related to the same contracts, which has been completed in 2021 and is separate from the current proceedings.

In the event of adverse judgments or settlement agreements, we could be subject to injunctive relief and removal and be obliged to make substantial payments and damages, including payment of the opponent's litigation costs, which could also be significant. Our litigation costs and those of third parties could also be significant. Any adverse legal, administrative or arbitration proceedings could have a material adverse effect on our business, financial condition, and results of operations. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management and may result in significant monetary damages or other penalties, any of which could have a material adverse effect on our business, financial condition, or results of operations.

From time to time, we form joint ventures, enter into R&D or licensing agreements or form other cooperations with partners as well as undertake acquisitions. In some of the markets in which we operate, such as the market for military vehicles, we only compete with a few other manufacturers. Acquisitions we undertake or joint ventures or other cooperations we enter into in these markets may be subject to requirements under antitrust and competition laws (at both national and European levels). Merger control filings or required governmental approvals could block, impose conditions on, or delay our projects which could result in a failure on our part to proceed with such projects in a timely manner or at all. Past acquisitions or cooperation may become subject to investigations by competition authorities within the relevant jurisdictions. Such competition authorities may take the position that merger control filings would have been required in the past. If we did not meet such requests or requirements at the time of the acquisition or cooperation, the relevant governmental authority may impose fines

and, if in connection with a merger transaction, may require corrective measures, such as mandatory disposition of assets or divestiture of operations.

Any requirements under antitrust and competition laws with regard to past or future acquisitions or cooperations or arising from adverse judgments or settlement agreements from legal proceedings could have a significant negative impact on our business, financial condition and results of operations.

1.3.6 We may face risks relating to climate change that could have an adverse impact on our business.

Greenhouse gas emissions have increasingly become the subject of substantial international, national, regional, state, and local attention. Greenhouse gas emission laws and regulations have been promulgated in certain of the jurisdictions in which we operate, and additional greenhouse gas requirements are in various stages of development. Such laws and regulations are complex to implement and may lead to additional costs for us.

In the EU, regulations attempt to both reduce greenhouse gas emissions and to establish a mechanism for trading in carbon dioxide emission allowances. For example, the EU Emission Trading System ("EU ETS") imposes an EU-wide emissions cap applying to the total amount of greenhouse gas emissions that can be emitted by in-scope operations and provides for the trade with allowances for such emissions for certain sectors and companies. As a result of the EU ETS, we are and may in the future further be affected by increasing energy costs related to the lowering of allowances for greenhouse gas emissions. The EU ETS was comprehensively revised in 2023 and the corresponding legal acts came into force in May and June 2023. The revision provides for the previous carbon leakage protection measures, in particular free allocation, to be gradually phased out. Instead, the respective sectors will be subject to the so-called Carbon Border Adjustment Mechanism. As a result, EU manufacturers will need to buy allowances for their emissions and importers from outside the EU will likewise need to buy carbon certificates, corresponding to the carbon price that they would have paid if they had manufactured the products in the EU. Under the currently applicable EU ETS, the EU-wide emissions cap is lowered annually by a linear factor of 2.2% of the average annual total quantity of emission allowances issued in the EU between 2021 and 2023. This linear factor will be raised to 4.3% from 2024 to 2027 and to 4.4% from 2028 to 2030. The revision also includes a one-off reduction of the EU-wide quantity of emissions allowances by 90 million in 2024 and by 27 million in 2026.

Further, the United States Congress has considered legislation that would establish a nationwide limit on greenhouse gases. In addition, the US Environmental Protection Agency ("**EPA**") has issued regulations limiting greenhouse gas emissions from mobile and stationary sources pursuant to the US Clean Air Act. The Carbon Pollution Standards for New, Modified and Reconstructed Power Plants apply to brand new sources built in the future or to an existing unit that meets certain, specific conditions. They reflect the degree of emission limitation achievable through the application of the best system of emission reduction for which the EPA has determined that emission reduction has been adequately demonstrated for each type of unit. While we are currently not subject to such CO2 emissions regulations, our plant in Muskegon, Michigan, United States is considered a so-called stationary source under the US Clean Air Act. In case of changes to current legislation, we could in the future be subject to limitations in this regard.

When effective, such measures could require us to modify existing permits or obtain new permits, implement additional pollution control technology, curtail operations, or increase our operating costs. Thus, any additional regulation of greenhouse gas emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business, financial condition, and results of operations. In addition, this could also have an impact on our suppliers or end-markets (particularly oil & gas).

1.3.7 Our risk management and internal control systems and our material compliance management system may fail to prevent or detect corruption, fraud, other criminal or unauthorized behavior or violation of the law.

We have a risk management and internal control system that is aimed at, among other things, preventing corruption, fraud and other criminal or unauthorized behavior by our managers, employees, consultants, agents, and business partners. Although our risk management and internal control system organization continuously seeks to improve the effectiveness and efficiency of this system, the system may fail to prevent or detect willful or illegal, in particular collusive, behavior circumventing existing safeguards and controls. Similarly, our risk management function may fail to identify, mitigate, or manage relevant risk exposures. Furthermore, it is possible that violations of existing law occur or have occurred despite careful observance of such legal requirements. As

we grow, we also see an increased need for qualified personnel in order to support our growth and related increased compliance requirements, such as pre-employment screening and monitoring of compliance of our existing employees.

If our managers, employees, consultants, agents, or business partners engage in corruption, fraud or other criminal or unauthorized behavior, we could be subject to administrative, civil, or criminal fines or other sanctions, such as the loss of business licenses or permits or other restrictions. Potential wrongdoing by our managers, employees, consultants, agents, or business partners could also damage our reputation and have an adverse impact on our ability to compete for business.

We also use a material compliance management system to help us use only components and raw materials that comply with the applicable laws and regulations and to provide products that meet all customer specifications. However, there is a risk that changes in requirements relating to materials are not identified in time, that products are distributed in the market in violation of the applicable laws or that products are delivered to customers that do not meet the customers' specifications. In case of violations of laws and regulations, we could be subject to administrative or criminal fines or other sanctions. We could also be exposed to civil damage claims from direct or indirect purchasers of the affected products. Finally, potential violations could also damage our reputation or negatively impact the perception of our products. The materialization of any of these risks could have a material adverse effect on our business, financial condition, and results of operations.

A failure of our management and internal control systems could have a material adverse effect on our business, financial condition, and results of operations.

1.3.8 We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic and trade sanction programs.

Doing business on a global basis requires us to comply with the laws and regulations of various jurisdictions. Our international operations are subject to applicable anti-corruption laws, such as the US Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act 2010, and economic and trade sanction programs, including, without limitation, those administered by the United Nations, the EU, and United States (including without limitation by the Office of Foreign Asset Control) (collectively, "**Sanctions Laws**"). Sanctions Laws may restrict our business dealings with certain countries, territories, governments, and persons. As a result of doing business in a variety of jurisdictions, we are exposed to a risk of violating anti-corruption laws and Sanctions Laws applicable in those countries where we, our partners or agents operate. Our worldwide operations as well as our business with governments increase the risk of violations of anti-corruption laws, Sanctions Laws, or similar laws. Some of the countries in which we operate lack as developed a legal system as other locations and are perceived to have high levels of corruption.

Furthermore, if a public sector entity were to violate applicable procurement laws or regulations in connection with contracts entered into with us or our marketing activities, the relevant authorities or a competitor could seek enforcement action against us. Violations of anti-corruption laws and Sanctions Laws are punishable by civil penalties, including fines, disgorgement of profits or gains, denial of export privileges, injunctions, asset seizures, suspension, or debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant material adverse impact on our reputation and consequently on our ability to win future business and on our business, financial condition, or results of operations.

While we have policies and procedures in place that are designed to promote compliance with applicable anti-corruption laws and Sanctions Laws, there can be no assurance that our policies and procedures have been followed, are followed or will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners. Given the increasingly strict legal landscape, we are also facing a higher risk that some of our customers or other third parties seek to circumvent Sanctions Laws by selling and delivering our products to end-customers that are subject to Sanctions Laws. Certain employees or intermediaries (such as consultants or sales agents) as well as suppliers or customers and other third parties may still engage in illegal practices or corruption to win business or conspire in order to circumvent our compliance controls. In particular, a key anti-corruption risk in our industry results from dealings with sales agents and other third parties providing sales and marketing support services to us or on our behalf, or are otherwise involved in such activities. Such violation of ethical business practices or laws could attract negative publicity, diminish our brand image and reduce demand for our products.

If we fail to succeed in managing the above risks, we could become subject to penalties including civil and criminal fines, injunctions, asset seizures as well as suspension or debarment from government contracts and face material adverse consequences on our business, financial condition or results of operations.

1.3.9 Our operations are subject to stringent environmental laws and regulations, which are subject to change.

The nature of our business subjects us to significant government regulation, including, but not limited to, increasingly stringent environmental laws and regulations, chemicals, and hazardous materials, as well as health and safety regulations in most jurisdictions where we operate. This applies also to air, water, and soil pollution regulations and to waste legislation and regulation, all of which have recently become more stringent through new laws, in particular, but not limited to, in the EU and the United States. Such laws and regulations also require permits, licenses and/or authorizations to be obtained and reports and forms to be completed and delivered, among others, to the competent authorities in connection with the operations of our business. For example, for our manufacturing facilities and operations, we require various permits and have to comply with the requirements specified therein. This regulatory framework imposes on us significant day-to-day compliance burdens, costs, and risks. In the past, adjusting to new requirements has required significant investments and we assume that further significant investments in this regard will be required in the future.

For instance, we are subject to Regulation (EC) No. 1907/2006 (Registration, Evaluation, Authorization and Restriction of Chemicals) ("**REACH Regulation**") and similar regulations under other applicable law which govern the production and use of chemicals, such as the Toxic Substances Control Act. Several of the chemicals we use are or may be classified as substances of very high concern and are or could become subject to restrictions on use or become prohibited. For example, per- and polyfluoroalkyl substances ("**PFAS**") and lead which are used for our products have been proposed by the European Chemicals Agency to be included in annex XVII of the REACH Regulation (restriction list) and annex XIV of the REACH Regulation (authorization list), respectively. If chemicals we use become subject to further restrictions on use or prohibited, we must replace these substances, which may have a financial impact on our business operations.

Furthermore, our operations are subject to laws and regulations designed to limit emissions. This is particularly relevant for our sites that are located, mostly for historic reasons, in mixed-use areas with nearby residential properties, such as our site in Augsburg. In Germany, the construction and operation of coating facilities may, depending on the production capacities, require a permit under the Federal Emission Control Act (*Bundes-Immissionsschutzgesetz*, "**BImSchG**"), as well as certain test rigs for or with internal combustion engines. Such permits encompass various approvals necessary for the construction and operation of facilities pursuant to other laws, including public-law approvals, registrations, and consents and may therefore require a complex approval process. The operation of the relevant facility cannot generally be challenged or contested by third parties as long as the respective facility operates in compliance with our permit. However, third parties can require certain measures to mitigate any negative impact of a facility on the environment. To the extent such measures are impossible or uneconomical to implement based on state-of-the-art technology, the relevant third parties may claim damages.

Permits and additional administrative orders under the BImSchG may impose certain limitations (*e.g.,* stricter requirements with regard to permissible emissions or the use of the relevant facilities), as well as monitoring and reporting duties, with which we have to comply. Our German sites are subject to inspection requirements under the BImSchG and require certain permits under the BImSchG.

Many of our products are subject to comprehensive and constantly changing regulatory requirements that are not always homogeneous worldwide. These national and international regulations can impact the design, manufacture, marketing and sale of our products and services and are subject to increasing governmental scrutiny and enforcement. In particular, violation of such laws and regulations (including, but not limited to, failure to timely renew our licenses or comply with the conditions imposed by environmental authorities for the licenses to be valid and effective) may give rise to significant liability, including, but not limited to, fines and penalties, monetary and reputational damages, third party liabilities and limitations on our business operations and site closures. There can be no assurance that we have previously been and will continue to be in material compliance with all applicable laws and regulations governing the protection of the environment and human health, including but not limited to laws and regulations concerning occupational and employee health and safety.

Should we be in violation of environmental laws and regulation or fail to comply with changing laws and regulations, this could have a material adverse effect on our business, financial condition, and results of operations.

1.3.10 We may incur additional costs as a result of industry-wide collective bargaining agreements applicable to our employees.

Many of our employees in Germany and the United States are subject to collective bargaining agreements. If collective bargaining agreements which apply to us are amended to provide for greater benefits for employees in the future, this may lead to higher employment costs and higher social security contributions.

With more than three thousand employees around the world, our relationships with employees, local works councils, trade unions and other employee representatives are important to our business. We cannot assure that the relationships with our employees and their trade unions and representatives will continue to be amicable or that we will not be affected by strikes, work stoppages, sick-outs, unionization efforts, or other types of conflict with labor representatives, trade unions or employees.

Increased costs due to amendments to collective bargaining agreements or a deterioration of the relationship with our employees or their representatives or trade unions could have a material adverse effect on our business, financial condition, and results of operation.

1.3.11 We are exposed to risks in connection with our pension provisions, which may lead to unexpected funding obligations.

We have defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pay obligatory post-employment benefits in France and elsewhere in accordance with applicable local statutory provisions. As of December 31, 2022, the present value of our defined benefit obligations amounted to €163.2 million, and the fair value of plan assets amounted to €173.9 million. As of December 31, 2022, this was reflected in our consolidated statement of financial position as pension provisions amounting to €1.5 million and receivables from surplus of plan assets of €2.0 million.

We are also subject to risks associated with longevity, inflation changes in interest rates and salary increases in connection with our defined benefit pension plans as increases in life expectancy, lower than expected rate increase or higher than expected salary increases would increase our benefit obligations. Changes to local legislation and regulations relating to defined benefit plan funding requirements may also result in significant deviations in the timing and size of the expected cash contributions under such plans.

Any increase in our pension provisions could have a material adverse effect on our business, financial condition, and results of operation.

1.3.12 The international scope of our operations and our corporate and financing structure may expose us to adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, results of operations and financial condition.

We may for example be impacted by the implementation of Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the member states of the European Union in which we are active, which may subject any ultimate entity preparing consolidated financial statements, which include Group companies as constituents, that generates consolidated revenue of €750.0 million or more to new requirements on minimum taxation. In this case, we may incur significant cost to establish processes for, and share information with, such entity.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including, *e.g.*, the application of various value-added tax exemptions or characterization of our indebtedness, including senior secured notes, existing and future intercompany loans and guarantees, the deduction of interest expenses or the existence of foreign permanent establishments. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable

tax authorities were to successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions, it could result in the disallowance of deductions, a limitation on our ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could have a material adverse effect on our business, financial condition and results of operations.

1.3.13 Our operations are subject to the risk of health and safety liabilities.

The nature of our operations, in particular on our production sites, subjects us to various statutory and regulatory compliance and litigation risks under health, safety, and employment ("**HSE**") laws. There can be no assurance that there will be no accidents, even fatal accidents, or incidents suffered by our employees, contractors or other third parties on our sites. If any accidents or incidents occur, we could be subject to prosecution and litigation, which could result in fines, penalties and other sanctions imposed on us and could cause damage to our reputation. The realization of any of this could have a material adverse effect on our business, financial condition, and results of operations.

1.3.14 Pending and future tax audits and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities in the countries in which we operate, for example in France and Germany. For example, the former Renk Aktiengesellschaft and RENK Test System GmbH were subject to a general tax audit in Germany for the years 2011 to 2013 and a wage tax audit covering the years 2010 to 2018. Further, the German tax authorities have started the subsequent general tax audits for the years 2014 to 2016 as well as 2017 to 2020, which are currently ongoing, and a wage tax audit for the years 2019 to 2020. We were also subject to a tax audit for L3 Magnet-Motor GmbH for the years 2016 to 2019 that was completed in 2021. The general tax audit for the years 2017 to 2020 is currently ongoing. However, subsequent tax assessment periods of the German companies as well as several tax assessment periods of other subsidiaries have not yet been subject to an audit. While we believe that we have paid all material tax liabilities and filed all material tax returns as of the date of this prospectus, and made provisions that we believe to be adequate with respect to material tax risks resulting from current or past tax audits, there can be no assurance that tax deficiencies will not be asserted against us or that the taxes assessed by the competent authorities pursuant to such tax audits will not exceed such provisions. In particular, a future tax audit could result in an interpretation of the tax laws or relevant facts in a manner that deviates from our interpretation. While we attempt to assess in advance the likelihood of any adverse judgments or outcomes to tax proceedings or claims, it is difficult to predict final outcomes with any degree of certainty. All of the tax assessments issued for periods which were not yet finally audited may be subject to review and future tax audits may result in additional tax and interest payments, which would negatively affect our financial condition and results of operation.

Future tax audits may result in additional tax and interest payments, which would negatively affect our financial condition and results of operation.

1.3.15 Due to restrictions on the deduction of interest expense or forfeiture of interest carry forwards under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments may not be fully deductible for tax purposes, which could adversely affect our financial condition and results of operation. Subject to certain requirements, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules (*Zinsschranke*) in general have disallowed the deduction of net interest expense exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Such consolidation is, among others, relevant for the calculation of the tax adjusted EBITDA. Any net interest expenses exceeding 30% of our tax adjusted EBITDA in any given year might not be deductible. We may, therefore, not be able to deduct the excess in our net interest expenses in calculating our taxable earnings for the relevant year. This may have a material adverse effect on our liquidity and financial condition.

1.3.16 We may inadvertently infringe the intellectual property rights of third parties.

Our competitors, suppliers and customers submit a large number of inventions for intellectual property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-

party intellectual property rights to certain processes, methods, or applications. In addition, where we incorporate an individual customer's input to create a product that responds to a particular need, we face the risk that such customer will claim ownership rights in the associated intellectual property.

Therefore, third parties could assert infringement claims (including illegitimate ones) against us. As a result, we could be required to cease manufacturing, using, or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes or products. In addition, we could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties. This could have a material adverse effect on our business, financial condition, and results of operations.

1.3.17 We could be held liable for soil, surface water or groundwater contamination or for risks related to hazardous wastes, substances and/or materials, including clean up obligations and third-party claims (e.g., for bodily injury or property damage).

Many of the sites at which we operate have been used for industrial purposes for many years, leading to risks of contamination and resulting site restoration obligations for us. In addition, under federal and state environmental laws and regulations (including state property transfer laws), we could be held responsible for the remediation of offsite areas impacted by our sites and operations, natural resource damages, and/or third-party claims (*e.g.*, for bodily injury or property damage). Regulatory authorities could assert claims against us, as the current or former owner or tenant (operator) of the affected sites or as the party that caused or contributed to the contamination, for the investigation or remediation or containment of such soil or groundwater contamination or other environmental media (*e.g.*, surface waters), including related to our use of non-owned treatment, storage and disposal sites or order us to dispose of or treat contaminated soil excavated or water encountered in the course of construction. We could also be liable to the owners or occupants of sites leased by us, sites we sell, or other impacted properties. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become a subject of public discussion, there is a risk that our reputation or relations with our customers could be harmed.

For example, in June 2019, the City of Augsburg requested remediation measures regarding a contamination of soil in the area of former oil and waste liquids tank. While the contamination of soil and groundwater on our Augsburg plant has largely been remediated as of the date of this Prospectus, we expect to be subject to ongoing remediation measures imposed on us by the City of Augsburg. Further, certain areas of our real property in Muskegon, Michigan, United States are subject to restrictive covenants under a consent decree (the "**Consent Decree**") with the State of Michigan (former Michigan Department of Environmental Quality ("and now the Michigan Department of Environment, Great Lakes, and Energy ("**EGLE"**)) that requires extensive remedial and investigative activities of various contaminants in soil and ground water, which have been divided into several tasks. These covenants, among other things, require certain precautions to be taken in case of construction activity on the affected areas (*e.g.*, with respect to the disposal of excavated soil) and limit the permitted use of the affected areas. While the previous owner of the real estate is responsible for completion of these tasks, we are also a party to such Consent Decree in our capacity as the current owner of the real property. The Consent Decree requires us to grant to the previous owners and EGLE access to the site and prescribe per diem monetary damages if the requisite access is not granted. In addition, we may under certain circumstances be held responsible for the clean-up of existing contaminations and the Consent Decree does not exclude the potential for future clean-up obligations on the part of us for other contamination caused by us or otherwise not covered by the Consent Decree. Although recent sampling did no longer indicate elevated levels of PFAS, there is a risk that this or other contaminations will result in clean-up obligations which may not be covered the Consent Decree or in respect of which the previous owner takes the position that they are not covered by the Consent Decree. Activities under the Consent Decree are ongoing and progressing as planned. While we have sought indemnification from L3Harris Technologies, Inc. for environmental damages under the acquisition agreement with regard to the acquisition of the combat propulsion system business of L3Harris Technologies, Inc., this indemnification is subject to certain prerequisites and limits (including with respect to the overall amount of indemnification) and may therefore not be available to cover our costs and expenses in full or at all.

Several of the chemicals we use are or may be classified as substances of very high concern and are or could become subject to restrictions on use or become prohibited. If chemicals we use become subject to further restrictions on use or prohibited, we must replace these substances, which may have a financial impact on our business operations.

Should we be held liable for soil, surface water or groundwater contaminations this could have a material adverse effect on our business, financial condition, and results of operations.

1.4 Risks Related to Our Financial Profile

1.4.1 We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.

Our ability to service and refinance our debt and to fund future operations and capital expenditure is highly dependent on our future operating performance and our ability to generate sufficient cash flows. To a significant degree, our future operating performance and ability to generate cash flows is, in turn, dependent on various general economic, financial, competitive, market, legislative, regulatory, and other factors that are outside our control. Due to any of these factors, we may be unable to generate sufficient cash flows from our operating activities, anticipated sales growth, cost savings or operational efficiency improvements, and any future debt or equity financing may not be available to us in amounts, which would enable us to service our debt.

To the extent that our cash flows from operating activities are insufficient to meet our liquidity needs and service our debt, we would have to seek additional debt or equity financing. If our future cash flows from operating activities and other capital resources are insufficient to pay our various obligations as they mature or to fund our ongoing liquidity needs, we and our subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditure, sell assets, or forego opportunities such as acquisitions of other businesses. There can be no assurance that any of these alternative means of financing can be accomplished on a timely basis or on satisfactory terms, if at all. Further, we may be compelled to restructure or refinance all or a portion of our debt. We may face the additional risk that in order to refinance any of our debt instruments, we could be required to agree to onerous covenants, which would further restrict our business operations.

We maintain a significant part of our cash as deposits at major Europe-based multi-national financial institutions, and the amounts of such deposits at certain institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of default of any of the financial institutions where we maintain cash in significant amounts, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

The occurrence of any event described above may have a materially adverse effect on our margins and results of operations and financial condition.

1.4.2 Our debt agreements and those of our subsidiaries contain customary financial and restrictive covenants that limit our operating flexibility.

We are currently party to a super senior facilities agreement dated July 9, 2020 as amended and supplemented from time to time that provides for aggregate borrowings of (i) up to €50.0 million under a multi-currency revolving credit facility as well as ancillary facilities and (ii) up to €262.5 million under a multi-currency guarantee facility (the "**Existing Senior Facilities Agreement**"). We have further issued €320 million aggregate principal amount of 5.75% senior secured notes due 2025 (the "**Original Senior Secured Notes**") in connection with the acquisition by Triton in the short fiscal year ended December 31, 2020 and €200 million aggregate principal amount of additional 5.75% senior secured notes due 2025 in the fiscal year ended December 31, 2021 in connection with the RENK America Acquisition (as defined below) (the "**Additional Senior Secured Notes**" and, together with the Original Senior Secured Notes, the "**Senior Secured Notes**") which are governed by an indenture dated July 13, 2020, as amended and supplemented from time to time. Following completion of the Private Placement, we expect that the Existing Senior Facilities Agreement and the Senior Secured Notes will be refinanced through a new facilities agreement initially comprising a €525 million term loan facility, a €75 million multi-currency revolving credit facility and a €450 million multi-currency guarantee facility (the "**New Senior Facilities Agreement**").

All of these debt agreements include covenants significantly restricting our and our subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur liens;

- prepay or redeem subordinated debt or equity;
- repurchase our shares and make certain investments or sell or transfer certain assets;
- engage in certain transactions with affiliates or subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans, or advances to, and on the disposal, transfer, or lease of assets by subsidiaries;
- sell, lease, or transfer certain assets, including capital stock of subsidiaries;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the creditors under these debt agreements.

In addition, the Existing Senior Facilities Agreement and the New Senior Facilities Agreement contain, certain financial covenants.

Any future debt agreements that we or any of our subsidiaries enter into may have covenants that are even more restrictive. The requirement that we and our subsidiaries comply with these, and any future provisions may materially adversely affect our ability to react to changes in market conditions, to take advantage of business opportunities that we believe to be desirable, to obtain future financing, to fund needed capital expenditure, or to withstand a continuing or future downturn in our business.

As a result of cross-acceleration or cross-default provisions in the instruments discussed above or under any other outstanding debt instruments, any breach of any covenant under those instruments could result in all amounts outstanding under any such instrument being accelerated and becoming due and payable. We may be unable to pay these debts in such circumstances.

1.4.3 We may need to recognize impairment charges related to goodwill and intangible assets.

As of December 31, 2022, we recognized €79.2 million of goodwill, €80.0 million of licenses, software and similar rights and €229.7 million of other intangible assets on our consolidated statement of financial position. We are required to test goodwill and similar intangible assets in regular intervals (at least annually) and on an interim basis if there are indicators of a possible impairment. There is significant judgment required in the analysis of a potential impairment of goodwill or other intangible assets. If, as a result of a general economic slowdown, deterioration of one or more of the markets in which we operate or impairment of our financial performance, the estimated value of our long-lived assets decreases, we may determine that our goodwill or other intangible assets are impaired. An impairment charge could have a material adverse effect on our results of operations and financial condition.

1.4.4 The historical combined financial information included in this Prospectus may not be indicative of the performance of our Group.

In July 2021, we acquired the combat propulsion systems business of L3Harris Technologies, Inc, including L3 Magnet Motor GmbH (now RENK Magnet-Motor GmbH) ("**CPS**") from L3Harris Technologies, Inc. and L-3 Communications Holding GmbH (the "**RENK America Acquisition**"). This Prospectus includes historical combined financial statements for CPS as of and for the fiscal years ended January 1, 2021 and January 3, 2020 (the "**2020 CPS Audited Combined Financial Statements**"), which have been prepared from the historical consolidated financial statements and accounting records of L3Harris Technologies, Inc. and L-3 Communications Holding GmbH in accordance with generally accepted accounting principles in the United States ("**US GAAP**"). The applied accounting policies in preparing the 2020 CPS Audited Combined Financial Statements are different in some instances from the accounting policies as applied with respect to the consolidated financial statements of the Group included in this Prospectus, which have been prepared in accordance with IFRS.

The 2020 CPS Audited Combined Financial Statements may not necessarily reflect the results of operations, financial condition and cash flows for CPS if they had been operated as a separate, stand-alone company or reporting segment during the periods presented therein. The historical costs and expenses reflected in the 2020 CPS Audited Combined Financial Statements include an allocation for certain corporate functions historically provided by L3Harris Technologies, Inc. and L-3 Communications Holding GmbH, including legal,

finance, human resources and other administrative functions. These allocations are based on what CPS, L3Harris Technologies, Inc. and L-3 Communications Holding GmbH considered to be reasonable reflections of the historical utilization levels of these functions required in support of CPS at the time of the preparation of the 2020 CPS Audited Combined Financial Statements.

Moreover, the 2020 CPS Audited Combined Financial Statements do not reflect the costs of borrowing funds as a separate entity. The balance sheet information in the 2020 CPS Audited Combined Financial Statements included in this Prospectus was derived from the L3Harris Technologies, Inc.'s centralized financial information. It includes items that are directly attributable and/or separately identifiable to CPS together with an allocation of relevant balances from L3Harris Technologies, Inc. to CPS for those items that were not directly attributable or separately identifiable. A number of estimates, judgements and assumptions were made for the purpose of allocating those items that were not directly attributable and/or separately identifiable.

The 2020 CPS Audited Combined Financial Statements and the other historical financial information included in this Prospectus do not necessarily indicate the results of operations, financial condition, cash flows or costs and expenses as if CPS had been part of the Group during the relevant periods.

1.5 Risks Related to the Shares and the Admission to Trading

1.5.1 The Selling Shareholder continues to exercise significant influence over us, and the interests of the Selling Shareholder may conflict with the interests of our other shareholders.

On February 5, 2024, in anticipation of the expected Admission to Trading, the Company, together with the Underwriters, initiated a private placement for 30,000,000 ordinary bearer shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of €1.00 and carrying full dividend rights from January 1, 2023 (the "**Private Placement**"). Upon completion of the Private Placement, Rebecca BidCo S.à r.l. (the "**Selling Shareholder**") will continue to hold at least 65.3% of the Company's share capital (assuming placement of the maximum number of existing shares and full exercise by the banks to acquire additional shares in the Company from the Selling Shareholder). As a result of such shareholding, the rules governing factual domination as set out in Sections 311 et seqq. AktG will continue to apply to the relationship between the Selling Shareholder and the Company. Under these rules, the management of the Company may also take the group interest of the Selling Shareholder into consideration. The interests of the Selling Shareholder (and any affiliated companies) could conflict with the interests of the other shareholders. In light of expected attendance at the shareholders' meetings, the size of its stake means that the Selling Shareholder will likely be in a position to pass resolutions at our general shareholders' meeting regardless of how other shareholders vote. In particular, it can determine the allocation of profit and hence our dividend policy. In addition, the Selling Shareholder can determine the future composition of the Company's supervisory board, and therefore, indirectly, of the Company's management board, and also adopt certain resolutions on other significant matters such as major capital measures or, depending on attendance at the shareholders' meetings, the conclusion of a domination and profit/loss transfer agreement, regardless of how other shareholders vote. Furthermore, the Selling Shareholder and KNDS N.V. (the "**KNDS**") have entered into an option and preemption right agreement conferring certain additional rights, including an option of KNDS (the "**Call Option**") to acquire up to such a number of Shares from the Selling Shareholder that its total shareholding in the Company, taking into account the Shares already held by KNDS when exercising the Call Option and the additional Shares to be acquired as a result of exercising the Call Option, amounts to 25% of the voting rights from all Shares then issued by the Company plus one vote (blocking minority). An exercise of the Call Option following trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) could have a significant impact on the Company's shareholding structure.

Claus von Hermann, Cécile Dutheil and Johannes Meier, who are members of the Company's supervisory board, also hold functions at affiliates of the Selling Shareholder. Accordingly, their interests with respect to the Private Placement and admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), may not be aligned with those of the Company or the Company's other shareholders. In addition, the Selling Shareholder and KNDS agreed that KNDS reserves the right to designate a person as member of the Supervisory Board of the Company as well as a substitute member (*Ersatzmitglied*) for such member. KNDS must procure that such member and substitute member of the Supervisory Board resign if KNDS holds less than five percent of the shares in the Company.

German company law requires the approval of at least three quarters of the share capital represented at the time a vote is taken to pass resolutions on certain matters, such as creating authorized or conditional capital, changing the corporate purpose (*Unternehmensgegenstand*), mergers, spin offs and conversions to a different form of legal entity. If due to low participation by other shareholders at a general shareholders' meeting at least three quarters of the share capital represented at the time a vote is taken belong to the Selling Shareholder, it will be able to pass with its own votes resolutions which require a qualified majority of votes cast or of the share capital represented. The Selling Shareholder will also be able to block resolutions at the general shareholders' meeting, including resolutions requiring a qualified majority of votes cast or share capital represented.

The mere potential for the Selling Shareholder to exert influence and especially actual voting at the general shareholders' meeting or the exertion of influence in any other way that conflicts with the interests of our other shareholders may have a significant adverse impact on the Company's share price and may, in turn, make it more difficult for us to raise further capital or only allow us to do so on unfavorable terms. Even if the Selling Shareholder does not participate in a future capital increase, it could become more difficult for us to raise new capital.

1.5.2 The Company's shares have not previously been publicly traded, and there can be no assurance that a liquid trading market will develop. The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investment.

Prior to January 2020, the shares of Renk Aktiengesellschaft, a predecessor company of RENK GmbH, were listed on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). However, there was no public market for the Company's shares. Investors may not be in a position to sell their shares in the Company quickly or at the market price if there is no active trading in the Company's shares. If an active market for the shares does not develop after the listing, the liquidity and market price of the shares may be adversely affected.

The trading volume and price of the shares in the Company may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities and other markets in Germany and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Germany that have listed their securities on the Frankfurt Stock Exchange may affect the volatility in the price of and trading volumes for the shares in the Company. In addition, the Company's share price may be affected by general stock market plunges, such as in 2023 as a reaction of the insolvency of Silicon Valley Bank or in 2020 as a reaction to new developments in relation to the COVID-19 pandemic, and other factors. These broad market and industry factors may significantly affect the market price and volatility of the shares in the Company, regardless of our actual operating performance, and could cause the price of the shares in the Company to fall, in which case investors could lose some or all of their investment.

1.5.3 Any future sales of the shares in the Company by the Company's shareholders or the Selling Shareholder could depress the market price of the shares.

Sales of a substantial number of the Company's shares in the public market following the listing of the Company's shares, or the perception that such sales might occur, could depress the market price of the Company's shares, and could impair the Company's ability to raise capital through the sale of additional equity securities.

Upon completion of the Private Placement, the Selling Shareholder will continue to hold at least 65.3% of the Company's share capital (assuming placement of the maximum number of existing shares and full exercise by the banks to acquire additional shares from the Selling Shareholder). The shares owned by the Selling Shareholder are subject to a customary lock-up period following the listing of the Company's shares, subject to certain exemptions (including the right to pledge Company shares in connection with a potential margin loan facility). The Selling Shareholder, whose interests may not be aligned with those of other shareholders of the Company, may dispose of its shares of the Company under such exemptions, including as a result of an enforcement of the security pursuant to a potential margin loan facility or upon expiration of the lock-up period. There may be a significant adverse effect on the market price of the shares in the Company if the Selling Shareholder or any other major shareholder were to sell substantial amounts of the shares on the public exchange or if market participants were to become convinced that such sales might occur.

Any future sales of the shares in the Company by the Company's shareholders or the Selling Shareholder could depress the market price of the shares.

1.5.4 The acquisition of a substantial interest in the Company by foreign investors requires government approval, which may restrict certain investments and limit demand for the Company's shares.

Some products in our portfolio qualify as military goods or services or as dual-use goods (usable for both civil and military purposes) under the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*). Therefore, under German foreign trade law and potentially other jurisdictions, the acquisition of a certain shareholding in the Company is subject to government approval requirements. The Federal Ministry for Economic Affairs and Climate Action (*Bundesministerium für Wirtschaft und Klimaschutz* – "**BMWi**") may in specific cases review the direct or indirect acquisition of the Company's shares by a foreign acquirer, if the acquirer directly or indirectly will control 10% or more of the voting rights of the Company following the acquisition. Sections 55 et seqq. of the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) provide for a BMWi clearance within the cross-sectoral examination. The contemplated acquisition must be notified in writing to the BMWi, which only clears the acquisition if there are no objections to the acquisition in terms of essential security interests of the Federal Republic of Germany.

The BMWi may prohibit or restrict an acquisition if it endangers the public order or security in Germany (cross-sectoral examination). Within two months of the receipt of the notification, the BMWi can issue a clearance (*Freigabe*) with respect to an acquisition within the meaning of Section 55 of the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) if there is no objection to the acquisition in terms of public order or security in Germany. Otherwise, the BMWi can open an in-depth review of the acquisition with a review period of four months. If an objection is found, the BMWi can prohibit the direct acquirer from making an acquisition within the meaning of Section 55 of the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*), or issue instructions in order to ensure the public order or security in Germany.

Furthermore, our subsidiary in France, RENK France S.A.S., carries out activities which may fall within the scope of the French foreign investment regime. Under French law, certain foreign investments in business sectors deemed to be sensitive (which means posing a potential risk to public order, public safety, or national defense interests) require prior authorization from the Minister for the Economy. The prior authorization procedure is set out in the French Monetary and Financial Code (*Code Monétaire et Financier*). Its scope varies depending on the nationality of the investor, the nature of the investment.

Any acquisition of more than 10% of the voting rights of the Company or any investment that is not solely for the purpose of passive investment under the Code of Federal Regulations could also be subject to a filing requirement with the Committee on Foreign Investment in the United States.

These restrictions on and approval requirements for the acquisition of a substantial shareholding in the Company's shares may restrict certain investments and limit demand for the Company's shares.

1.5.5 We may not be able to pay dividends in the foreseeable future or ever.

The Company intends to pay dividends beginning in the fiscal year 2024 for the fiscal year ended December 31, 2023. Subject to the availability of distributable profit (*Bilanzgewinn*) and distributable funds, the Company targets to distribute up to approximately 40% of its adjusted net income for the fiscal year ended December 31, 2023 and approximately 40-50% per fiscal year for the following years. Dividends may only be distributed from distributable profit (*Bilanzgewinn*) of the Company. Consequently, the Company will only be able to make dividend payments in the envisaged amount if sufficient net retained profits are available to the Company. The net retained profit is calculated based on the Company's annual individual financial statements prepared in accordance with the accounting principles of the HGB. Accounting principles set forth in the German Commercial Code (*Handelsgesetzbuch*) differ from International Financial Reporting Standards as adopted by the EU ("**IFRS**") in material respects. The Company may not be able to generate sufficient unappropriated retained earnings to be able to distribute dividends under the requirements of German corporate law in the future.

Furthermore, the Company is a holding company with no material business operations of its own. The principal assets of the Company are its direct and indirect equity interests in its operating subsidiaries. As a result, the Company is dependent on these subsidiaries in order to generate the funds required to meet the Company's financial obligations and make dividend payments, if any. The ability of the Company's subsidiaries to make distributions and other payments to the Company depends on the subsidiaries' earnings and is subject to various contractual and statutory limitations.

In addition, our debt financing arrangements, including the indentures governing the Senior Secured Notes, contain, and future debt financing arrangements may contain, covenants that impose restrictions on the Company's ability to pay dividends under certain circumstances.

Any determination to pay dividends in the future will be at the discretion of the Company's management board and will depend upon the Company's results of operations, financial condition, contractual restrictions, restrictions imposed by applicable laws and other factors management deems relevant. Consequently, the Company may not be able to pay dividends in the foreseeable future or at all. The materialization of the risk described above could cause the price of the shares in the Company to fall, in which case investors could lose some or all of their investment.

1.5.6 Future capitalization measures may lead to substantial dilution, i.e., a reduction in the value of the shares in the Company and the control rights of existing shareholders' interests in us. Future offerings of debt or equity securities may adversely affect the market price of the shares.

We may require additional capital in the future to finance our business operations and growth. The raising of additional equity through the issuance of new shares, the potential exercise of conversion or option rights by holders of convertible bonds or bonds with warrants or the fulfillment of conversion obligations relating to such bonds, which may be issued in the future, and the exercise of stock option rights which may be granted to the Management Board members and certain other employees, may dilute shareholder interests. The Company's articles of association currently provide for the issuance of up to 50,000,000 additional shares as authorized capital and up to 50,000,000 additional shares as conditional capital. We may issue all of these shares without any action or approval by the shareholders, and under certain limited conditions, for example in the event of a capital increase against contributions in kind, without reserving any preemptive subscription rights for the shareholders. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of future offerings. Thus, holders of shares in the Company bear the risk that future offerings might reduce the market price of the shares and dilute their shareholdings in us, which could cause the price of the shares in the Company to fall, in which case investors could lose some or all of their investment.

1.5.7 Shareholders of the Company in jurisdictions outside Germany may not be able to participate in future issues of Company's shares unless the Company decides to take additional steps to comply with applicable local laws and regulations of such jurisdictions.

In the case of certain increases in the Company's issued share capital, the Company's existing shareholders are generally entitled to subscribe to the new shares issued unless such subscription rights are specifically excluded. Shareholders outside Germany may not be able to exercise their subscription rights unless the Company decides to comply with applicable local laws and regulations. The Company cannot assure any shareholders outside Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

1.5.8 Future sales of the shares in the Company by the Selling Shareholder or a capital increase carried out by us in which the Selling Shareholder does not participate could trigger change of control provisions in our contracts.

Various agreements to which companies of the Company are party specify particular legal consequences if certain companies in the Group cease to be indirectly controlled by the Selling Shareholder (these are known as change of control clauses). In most of our operational agreements, change of control is generally assumed to have taken place if the Selling Shareholder ceases to hold an indirect majority of share capital or voting rights in the relevant company. Other agreements, such as certain of our finance agreements, define a change of control as only occurring if further events take place (*e.g.*, a shareholder other than the Selling Shareholder or certain of its affiliates obtains a significant shareholding in the Company). Depending on the underlying agreements, the companies of the Group are subject to various legal consequences in the event of a change of control, such as obligations to buy out the shares of other shareholders, obligations to sell certain holdings owned by companies in the Group, termination rights of other parties to the contract and/or obligations to repay creditors.

We generally have no ability to influence the actions of the Selling Shareholder in respect of the disposal of its shares in the Company or nonparticipation in a capital increase by us which could result in the Selling Shareholder holding a smaller stake in us, possibly triggering change of control provisions in our contracts.

Future sales of the shares in the Company by the Selling Shareholder or a capital increase carried out by us in which the Selling Shareholder does not participate could trigger change of control provisions in our contracts and could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

2. GENERAL INFORMATION

2.1 Responsibility Statement

RENK Group AG with its registered office at Gögginger Straße 73, 86159 Augsburg, Germany, and registered with the commercial register of the local court (*Amtsgericht*) of Augsburg, Germany, under docket number HRB 39189, legal entity identifier ("**LEI**") 894500H8CNSZ53EI6K63, telephone +49 821 5700 0 (the "**Company**" and, together with its subsidiaries, "**RENK**", "**RENK Group**", the "**Group**", "**we**", "**us**" or "**our**"). The Company was incorporated in January 2020 and, following consummation of the acquisition of 76% of the shares in the former Renk Aktiengesellschaft by Rebecca BidCo GmbH from Volkswagen Vermögensverwaltungs-GmbH, became the parent company of the Group in October 2020. For the time prior to October 2020 before the acquisition, the terms "**we**", "**us**", "**our**", "**RENK**", "**Former RENK AG Group**" or the "**Group**" refer to the former Renk Aktiengesellschaft (now RENK GmbH), together with its subsidiaries. The Company together with Citigroup Global Markets Europe AG, a stock corporation (*Aktiengesellschaft*) operating under the laws of Germany, with its registered seat at Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04 ("**Citigroup**"), Deutsche Bank Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) operating under the laws of Germany, with its registered seat at Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**"), Goldman Sachs Bank Europe SE, a European company (*Societas Europaea*), operating under the laws of Germany, with its registered seat at Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**"), J.P. Morgan SE, a European company (*Societas Europaea*), operating under the laws of Germany, with its registered seat at Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**" and, together with Citigroup, Deutsche Bank and Goldman Sachs, the "**Joint Global Coordinators**"), COMMERZBANK Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) operating under the laws of Germany, with its registered seat at Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK"**), Landesbank Baden-Württemberg, an institution under public law (*rechtsfähige Anstalt des öffentlichen Rechts*), operating under the laws of Germany, with its registered seat at Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**") and UniCredit Bank GmbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung*) operating under the laws of Germany, with its registered seat at Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170 ("**UniCredit**" and together with COMMERZBANK and LBBW, the "**Joint Bookrunners**") as well as Crédit Agricole Corporate and Investment Bank, a stock corporation (*société anonyme*) operating under the laws of France, with its registered seat at 12, Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208 ("**Crédit Agricole CIB**"), Mizuho Securities Europe GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*), operating under the laws of Germany, with its registered seat at Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53 ("**Mizuho**"), Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, a stock corporation (*publikt aktiebolag*) acting through its branch office with its registered office at Stephanstraße 14–16, 60313 Frankfurt am Main, Germany LEI F3JS33DEI6XQ4ZBPTN86 ("**SEB**", and together with Crédit Agricole CIB and Mizuho, the "**Co-Lead Managers**" and, together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**") have assumed responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in conjunction with Article 11 (1) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

Neither the Company nor the Underwriters are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates, among other things, that every significant new factor, material mistake or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted after approval of the prospectus and before closing of the offer period or when trading on a regulated market begins, whichever occurs later, shall be disclosed in a supplement to the prospectus without undue delay.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

2.2 Purpose of the Prospectus

For the purpose of admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the "**Admission to Trading**"), the Prospectus relates to 100,000,000 existing ordinary bearer shares (being the entire subscribed capital of the Company) (the "**Shares**").

This Prospectus constitutes a prospectus for the purposes of Article 3 (3) of the Prospectus Regulation. This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), as competent authority under Regulation (EU) 2017/1129, on February 6, 2024. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

2.3 Validity of this Prospectus

The validity of this Prospectus will expire with the beginning of the trading of the Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on or about February 7, 2024. Accordingly, the validity of the prospectus is expected to expire at the end of the day on February 7, 2024, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

2.4 The Private Placement

The Placement Shares will be offered in private placements in certain jurisdictions. The Private Placement is exclusively addressed to qualified investors and fewer than 150 non-qualified investors in any member state of the EEA, including in Germany, or the United Kingdom and to institutional investors in certain other jurisdictions. In the United States, the Placement Shares will only be offered and sold to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the United States Securities Act of 1933, as amended (the "**Securities Act**"). Outside the United States, the Placement Shares will be offered and sold only in offshore transactions in compliance with Regulation S.

The Placement Shares have not been, and will not be, registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

Book-entry delivery of the Placement Shares sold in the Private Placement against payment of the share price is expected to occur on February 9, 2024.

2.4.1 Background to the Private Placement

On February 5, 2024, in anticipation of the expected Admission to Trading, the Company, together with the Underwriters initiated a private placement for 30,000,000 ordinary bearer shares of the Company with no-par value (*Stückaktien*), each such share representing a notional value of €1.00 and carrying full dividend rights from January 1, 2023 (the "**Private Placement**"), consisting of:

- 26,956,522 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of Rebecca BidCo S.à r.l., registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B241575 (LEI 5493000IGCIKOGALHN97) (the "**Selling Shareholder**") (the "**Existing Shares**"), and

- 3,043,478 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Existing Shares, the "**Placement Shares**").

The placement price (the "**Placement Price**") has been set at €15.00 per Placement Share.

Subject to certain termination rights and closing of the Private Placement, Placement Shares with an aggregate value of €100 million are expected to be allocated to KNDS N.V. ("**KNDS**") and Placement Shares with an aggregate value of €50 million are expected to be allocated to Wellington Management Company LLP ("**Wellington Management**" and, together with KNDS, the "**Cornerstone Investors**"). See "*2.5 Cornerstone Investments*".

The period during which investors may submit purchase orders for the Placement Shares commenced on February 5, 2024, and is expected to expire on February 6, 2024 at 16.00 CET. The number of Existing Shares to be actually placed with investors at the Placement Price will be decided by the Selling Shareholder in consultation with the Joint Global Coordinators, based on the order book prepared during the bookbuilding process. The final number of Placement Shares placed in the course of the Private Placement is expected to be determined on February 6, 2024 and is expected to be published on or about February 6, 2024 on the Company's website and by means of a press release on an electronic information dissemination system.

The Selling Shareholder will make up to 3,043,478 Over-Allotment Shares available to Citigroup as stabilization manager (the "**Stabilization Manager**"), acting for the account of the Underwriters, in the form of a securities loan to cover potential over-allotments (the "**Over-Allotment**"). The results of the Private Placement will be published by the Company through an electronic information dissemination system and on the Company's website on or about February 6, 2024.

The total number of Over-Allotment Shares will not exceed 15% of the final number of Existing Shares actually placed in the Private Placement, excluding any shares placed with KNDS under the KNDS Cornerstone Investor Agreement (as defined below). The Selling Shareholder will grant the Underwriters an option to acquire all or a portion of the shares borrowed under the securities loan at the Placement Price less agreed fees and commissions (the "**Greenshoe Option**").

Citigroup, Deutsche Bank, Goldman Sachs and J.P. Morgan are acting as Joint Global Coordinators. COMMERZBANK, LBBW and UniCredit, together with the Joint Global Coordinators are acting as Joint Bookrunners. Crédit Agricole CIB, Mizuho and SEB are acting as Co-Lead Managers and together with the Joint Global Coordinators and the Joint Bookrunners as Underwriters. The Company, together with Citigroup, Deutsche Bank, COMMERZBANK, all stock corporations (*Aktiengesellschaften*), and Goldman Sachs and J.P. Morgan, each a European company (*Societas Europaea*), UniCredit and Mizuho, each a German limited liability company (*Gesellschaft mit beschränkter Haftung*), LBBW an institution under public law (*rechtsfähige Anstalt des öffentlichen Rechts*) all incorporated and with their registered seat in, and operating under the laws of, Germany, Crédit Agricole CIB, a stock corporation (*société anonyme*) incorporated and with its registered seat in, and operating under the laws of, France, SEB, a stock corporation (*publikt aktiebolag*), acting through its branch office with its registered office in Germany, are acting as offerors.

The Underwriters are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Private Placement. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Private Placement and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Private Placement or any transaction or arrangement referred to herein.

In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Private Placement, including the merits and risks involved. None of the Company, the Selling Shareholder, or the Underwriters, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Placement Shares regarding the legality of an investment in the Shares by such offeree or purchaser. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Placement Shares.

2.4.2 Allotment Criteria

The allotment of Placement Shares to private investors and institutional investors will be determined by the Company and the Selling Shareholder after consultation with the Joint Global Coordinators. The decision ultimately rests with the Selling Shareholder and the Company. Allotments will be made on the basis of the quality of individual investors (*e.g.*, the expected investment horizon and trading behavior) as well as individual orders and other important allotment criteria to be determined by the Company and the Selling Shareholder after consultation with the Joint Global Coordinators.

Notwithstanding the above, Placement Shares with an aggregate value of €100 million will be allocated to KNDS at the Placement Price pursuant to an investment agreement entered into with KNDS and Placement Shares with an aggregate value of €50 million will be allocated to Wellington Management at the Placement Price pursuant to an investment agreement entered into with Wellington Management (each a "**Cornerstone Investment**"). For a description of the guaranteed allocation to the Cornerstone Investors, see "*2.5 Cornerstone Investments*". The Cornerstone Investors may, at their sole discretion, submit additional orders to purchase Placement Shares. Consequently, the Cornerstone Investors may be allocated additional Placement Shares on a non-guaranteed basis.

No investor will be allotted Placement Shares corresponding to 10% or more of the voting rights in the Company following implementation of the Private Placement; for further background, see "*10.9 German Foreign Investment Regime*" and "*10.10 French Foreign Investment Regime*". To comply with such restriction, or if the placement volume proves insufficient to satisfy all orders placed at the Placement Price, the Company, and the Selling Shareholder, after consultation with the Joint Global Coordinators, reserve the right to reject orders or to accept them in part only.

As part of the Private Placement, certain members of the Management Board and Supervisory Board, selected employees of RENK Group as well as certain affiliates of the Selling Shareholder intend to purchase Placement Shares at the Placement Price and will receive a preferential allocation in connection with the Private Placement (the "**Preferential Allocation**"). As part of the Preferential Allocation, Christian Schulz intends to purchase 26,666 Placement Shares, Susanne Wiegand intends to purchase 46,666 Placement Shares, Cécile Dutheil intends to purchase 10,000 Placement Shares, Lothar Evers intends to purchase 333 Placement Shares, Johannes Meier intends to purchase 6,666 Placement Shares, Klaus Refle intends to purchase 333 Placement Shares and Claus von Hermann intends to purchase 26,666 Placement Shares.

2.4.3 Reasons for the Private Placement and Admission to Trading and Use of Proceeds

The Company intends to list its shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to achieve better access to the capital markets. The Company believes that this access will benefit its future growth and expand its financing options.

The Selling Shareholder intends to sell the Placement Shares to partially divest its shareholding in the Company in connection with the Private Placement. The Private Placement is intended to lay the foundation for the Company's further profitable growth and value creation.

The Selling Shareholder will receive the proceeds from the Private Placement. The Company will not receive any proceeds from the Private Placement resulting from the sale of the Placement Shares by the Selling Shareholder in the Private Placement.

The Placement Price has been set at €15.00.

Gross proceeds to the Selling Shareholder (assuming placement of the maximum number of Existing Shares and full exercise of the Greenshoe Option) will amount to approximately €450.0 million.

The estimated net proceeds to the Selling Shareholder (assuming placement of the maximum number of Existing Shares and full exercise of the Greenshoe Option and payment of the discretionary fee in full) will amount to approximately €369.3 million.

2.4.4 Cost of the Private Placement and Admission to Trading

Assuming a placement of the maximum number of Existing Shares and full exercise of the Greenshoe Option and payment of the discretionary fee in full, the costs related to the Private Placement and the listing of the Company's entire share capital, including underwriting and placement commissions payable to the Underwriters, are expected to total approximately €80.7 million.

The Selling Shareholder will bear all the private placement and listing costs as agreed separately between the Selling Shareholder and the Company. The Selling Shareholder will indemnify the Company for all related liability risk (see "*15.2.2 Indemnity Agreement*").

None of the Company, the Selling Shareholder or the Underwriters will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

2.4.5 Dilution

The net asset value of the Company is calculated as total assets less non-current liabilities and provisions and current liabilities and provisions (the "**Net Asset Value**"). As of September 30, 2023, the Net Asset Value amounted to €392.5 million. Based on 100,000,000 outstanding Shares of the Company immediately prior to the Private Placement, the Net Asset Value amounted to €3.925 per Share in the Company.

Thus, the Net Asset Value per Share amounts to 26.2% of the Placement Price, corresponding to a difference between the Placement Price and the Net Asset Value per Share of €11.08 (corresponding to an immediate dilution of 73.8%).

The Private Placement will not involve the issuance of new shares of the Company. It will not lead to any dilution of the Selling Shareholder in terms of the value of its Shares. Following completion of the Private Placement and assuming full exercise of the Greenshoe Option, the Selling Shareholder will continue to hold at least approximately 65.3% of the Company's share capital relating to approximately 65.3% of the voting rights of the Company.

2.4.6 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Placement Shares, Citigroup or its affiliates (the "**Stabilization Manager**"), acting for the account of the Underwriters, will act as stabilization manager and may, as stabilization manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of the MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the MAR.

Stabilizations measures may be taken on any trading venue where the Company's shares are traded. Such measures aim at supporting the market price of the Company's shares during the Stabilization Period (as defined below), thereby alleviating selling pressure generated by short-term investors and maintaining an orderly market in the Company's shares. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (the "**Stabilization Period**").

As a result of these stabilization measures, investors may, in addition to the Existing Shares be allocated up to 3,043,478 Over-Allotment Shares as part of the allocation of the Placement Shares. For the purpose of such potential Over-Allotment, the Stabilization Manager will be provided with up to 3,043,478 Over-Allotment Shares from the holdings of the Selling Shareholder in the form of a securities loan during a period of 30 calendar days following the commencement of the trading of the shares of the Company on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), expected to be on or about February 7, 2024. The total number of Over-Allotment Shares will not exceed 15% of the final number of Existing Shares placed in the Private

Placement, excluding any shares placed with KNDS under the KNDS Cornerstone Investor Agreement (as defined below).

The Selling Shareholder has granted the Stabilization Manager an option to acquire up to 3,043,478 shares of the Company at the Placement Price, less agreed commissions. The Greenshoe Option may only be exercised during the Stabilization Period and will terminate 30 calendar days after the commencement of trading of the Company's shares.

The Stabilization Manager may exercise the Greenshoe Option to the extent Over-Allotment Shares were allocated to investors in the Private Placement. The number of Over-Allotment Shares acquired under the Greenshoe Option is to be reduced by any shares of the Company held by the Stabilization Manager when the Greenshoe Option is exercised, if such shares were acquired by the Stabilization Manager in the context of stabilization measures.

Public announcements regarding stabilization measures will be made (i) prior to the start of the Private Placement, (ii) by the end of the seventh daily market session following the date any stabilization measures were taken, and (iii) within one week after the end of the Stabilization Period.

Within one week after the end of the Stabilization Period, the Stabilization Manager will ensure adequate public disclosure as to whether stabilization measures were taken, the date on which stabilization measures started and last occurred, and the price range within which stabilization measures were carried out, for each of the dates during which stabilization measures were carried out and the trading venue(s) on which the stabilization measures were carried out, where applicable.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 lit. (f) of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), as amended (the "**Market Abuse Regulation**" or "**MAR**").

2.4.7 Lock-up Agreement, Limitations on Disposal

2.4.7.1 Lock-up Agreements of the Company

The Company has agreed with each Underwriter that, for a period of six months after the Shares are first traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 7, 2024) without the prior written consent of the Joint Global Coordinators, the Company, its Management Board or its Supervisory Board will not:

- announce or effect an increase of its share capital from authorized capital or conditional capital; or
- propose to its shareholders' meeting an increase of its share capital; or
- announce, effect, or propose the issuance of securities with conversion or option rights on shares of the Company;
- or enter into a transaction or perform any action economically similar transactions.

The Company may, however, (i) issue or sell any shares or other securities (including actual or virtual options) under management participation plans to employees or members of executive bodies of the Company or its subsidiaries, and (ii) pursue any corporate actions undertaken for the purpose of entering into any joint venture, other forms of cooperation and the acquisition of any companies, provided that the parties to the joint venture or acquiring entity to which such shares will be issued, agree towards the Joint Global Coordinators to be bound by the same lock-up undertaking as the Selling Shareholder.

2.4.7.2 Lock-up Agreements of the Selling Shareholder

For the period of six months after the Shares are first traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 7, 2024), the Selling Shareholder

has undertaken to each Underwriter that it will not, without the prior written consent of the Joint Global Coordinators,

- offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company held by it or any of its subsidiaries; enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of any shares of the Company;

- make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;

- propose any increase in the share capital of the Company to convene a general shareholders' meeting or otherwise, vote in favor of any proposed increase of the share capital or otherwise make, support or vote in favor of any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

- enter into a transaction or perform any action economically similar to those described above.

The foregoing shall not apply to (i) the sale of any Placement Shares in the Private Placement, (ii) transfers to affiliates or direct or indirect shareholders or other securities holders of the Selling Shareholder or sales made to persons or entities who, in each case, themselves agree with the Joint Global Coordinators to the lock-up period of the Selling Shareholder; (iii) the pledging of securities by the Selling Shareholder or its affiliates as collateral for one or more margin loans (and the enforcement of such security/pledge and resulting transfer(s) of securities to one or more of the margin lenders or transfer(s) to third parties to whom the margin lender(s) seek to transfer the securities, provided in each case that the relevant margin lender or a subsequent third party (as applicable) agrees to sign equivalent lock-up undertakings); and (iv) to transfer to persons or entities who in connection with the settlement of certain obligations of the Selling Shareholder in connection with the management equity program (as defined below), and (v) the grant by the Company of options or other equity instruments as part of incentive programs for group directors, employees and consultants, and the honoring of any such options and equity instruments by the issuance or sale of shares of the Company.

*2.4.7.3 **Lock-up Agreements of the Management Equity Program Participants***

In addition, the individuals entitled to receive Shares in connection with a management equity program (the "**Management Equity Program**"), are subject to customary lock-up arrangements for a period of twelve months in relation to such Shares (see "*14.6 Management Equity Program*").

*2.4.7.4 **Lock-up Agreements of KNDS***

For the period of 360 days after the Shares are first traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 7, 2024), KNDS has undertaken to the Company, the Selling Shareholder and each Underwriter that it will not, without the prior written consent of the Company, the Selling Shareholder and the Joint Global Coordinators,

- offer, pledge, transfer, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or otherwise dispose of, directly or indirectly, any of the Placement Shares acquired by KNDS under the Cornerstone Investment; or

- enter into a transaction or perform any action economically equal or similar to those described above, in particular enter into any swap or other arrangement or transaction that transfers to another, in whole or in part, the economic risk of ownership of the Placement Shares acquired by KNDS under the Cornerstone Investment, whether any such transaction is to be settled by delivery of Placement Shares, in cash or otherwise.

KNDS intends to seek necessary regulatory clearance in relation to and as a condition precedent to certain further rights, which the Selling Shareholder undertakes to grant to KNDS. In case any such necessary clearance is denied by the competent authority, the lock-up period shall be reduced to 180 days after the first day of trading

of the shares in the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (see "*2.5 Cornerstone Investments*").

2.4.8 Selling Restrictions

The distribution of this Prospectus and the sale of the Placement Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder, or the Joint Global Coordinators to permit a public offering of the Placement Shares or the transmission or distribution of this Prospectus into any other jurisdiction, where additional actions for that purpose may be required.

Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

2.4.8.1 United States

The Company does not intend to register either the Private Placement or any portion of the Private Placement in the United States, or to conduct a public offering of shares in the United States. The Placement Shares are not and will not be registered pursuant to the provisions of the Securities Act or with securities regulators of individual states of the United States. The Placement Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration and reporting requirements of the United States securities laws and in compliance with all other applicable United States legal requirements. The Placement Shares may only be sold in or into the United States to persons who are QIBs as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or transactions not subject to, the registration requirements of the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other United States legal requirements, and no (i) "direct selling efforts" as defined in Regulation S or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Placement Shares may take place. Any offer or sale of Placement Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the Securities Act. Terms used above shall have the meanings ascribed to them by Regulation S and Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the Private Placement, an offer or sale of Placement Shares within the United States by any dealer, whether or not participating in the Private Placement, may violate the registration requirements of the Securities Act, if such offer or sale does not comply with Rule 144A or another exemption from registration under the Securities Act.

2.4.8.2 United Kingdom

In the United Kingdom, no offer of Placement Shares to the public has been or will be made, except:

- to qualified investors as defined under Article 2 of the UK Prospectus Regulation; or
- to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000, as amended ("**FSMA**"),

provided that no such offer of the Placement Shares shall require the Company or any Joint Bookrunner to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this paragraph, the expression "offer of Placement Shares to the public" in relation to the United Kingdom means a communication to persons in any form and by any means of sufficient information on the terms of the Private Placement and any Placement Shares, so as to enable an investor to decide to purchase or subscribe to Placement Shares, including any placing of Placement Shares through financial intermediaries,

and the expression "UK Prospectus Regulation" means the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In the United Kingdom, this Prospectus is only addressed and directed to investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) who are high net worth entities falling within Article 49(2)(a)-(d) of the Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, any investment or investment activity to which this Prospectus relates is available only to, and will only be engaged in with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person must not act or rely on this Prospectus or any of its contents.

2.4.8.3 European Economic Area

In the member states of the EEA (the "**Relevant States**"), no offer of Placement Shares to the public has been or will be made, and any offers of Placement Shares in any Relevant State in accordance with the following exceptions under the Prospectus Regulation:

- to qualified investors as defined in Article 2 lit. (e) of the Prospectus Regulation; or
- to fewer than 150 natural or legal persons per Relevant State (other than qualified investors as defined in Article 2 lit. (e) of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation.

For the purposes of this Prospectus, the expression "offer to the public" in relation to any Relevant State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Private Placement and the Placement Shares, so as to enable an investor to decide to purchase or subscribe to Placement Shares, including any placing of Placement Shares through financial intermediaries.

2.4.9 Interests of Parties Participating in the Private Placement

In connection with the Private Placement and Admission to Trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), the Underwriters have a contractual relationship with the Company and the Selling Shareholder. The Joint Global Coordinators are advising the Company on the transaction and are coordinating the structuring and execution of the transaction. In addition, Citigroup has been mandated to act as designated sponsor for the Company's shares and Deutsche Bank has been appointed to act as paying agent. Upon successful implementation of the Private Placement, the Underwriters will receive a commission. As a result of these contractual relationships, the Underwriters have a financial interest in the successful completion of the Private Placement.

Furthermore, in connection with the Private Placement, each of the Underwriters and any of their respective affiliates may take up a portion of the shares in the Private Placement as a principal position and in that capacity may retain, purchase, or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Private Placement.

Accordingly, references in the Prospectus to shares being placed should be read as including any placement of shares to any Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps, warrants, or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold, or dispose of shares of the Company, the Selling Shareholder, or their affiliates, for their own account or the account of customers. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Selling Shareholder will receive the proceeds from the sale of the Existing Shares and the Over-Allotment Shares (to the extent the Greenshoe Option is exercised), after deducting fees and commissions. Assuming a placement of 26,956,522 Existing Shares at the Placement Price, full exercise of the Greenshoe Option, and payment in full of a discretionary fee, net proceeds to the Selling Shareholder would amount to approximately €369.3 million. Accordingly, the Selling Shareholder, and also its shareholders have an interest in

the successful completion of the Private Placement. For an overview of the direct shareholders of the Selling Shareholder, see "*11 Major Shareholders*".

The Selling Shareholder may obtain margin loans or other financing facilities during the lock-up period (see "*2.4.7.2 Lock-up Agreements of the Selling Shareholder*") or anytime thereafter, including from lenders affiliated with one or more of the Underwriters. In such case, such Underwriters or their respective affiliates would receive shares of the Company as security for such financing and, in case of enforcement of such security interest, may transfer, sell and/or appropriate the relevant shares of the Company.

Further, in the context of the Private Placement, certain members of the management board and supervisory board participating in the Management Equity Program will receive cash and/or Company shares (see "*14.6 Management Equity Program*"). Christian Schulz, who is not a participant in the Management Equity Program, as well as Susanne Wiegand will receive a one-time cash bonus if the Private Placement is complete. In addition, the Selling Shareholder intends to pay a one-time bonus to all RENK Group employees (with some exceptions) if the Private Placement is complete. Certain members of the Management Board and Supervisory Board, Christian Schulz, Susanne Wiegand, Cécile Dutheil, Johannes Meier, Klaus Refle and Claus von Hermann, intend to purchase Placement Shares in the Private Placement as part of the Preferential Allocation.

Claus von Hermann, Cécile Dutheil and Johannes Meier, who are members of the Supervisory Board, hold functions at affiliates of the Selling Shareholder. Accordingly, their interests with respect to the Private Placement and admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations (including commercial banking, investment banking, advisory, and ancillary activities) with, and may perform services for RENK, the Selling Shareholder, or their affiliates, in the ordinary course of business and for which they may receive customary compensation, fees, and/or commissions. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In particular, the Underwriters are parties to the New Senior Facilities Agreement, see "*9.1 New Senior Facilities Agreement*".

None of the aforementioned interests in the Private Placement constitute a conflict of interest that is material to the Private Placement.

2.5 Cornerstone Investments

On January 23, 2024, the Company, the Selling Shareholder and KNDS entered into an investment agreement (the "**KNDS Cornerstone Investor Agreement**"), pursuant to which KNDS has committed to purchase Placement Shares with an aggregate value of €100 million in the Private Placement.

KNDS (formerly named KMW + Nexter Defense Systems N.V.), is a European defense company formed in 2015 through the merger of the German military vehicle manufacturer Krauss-Maffei Wegmann (KMW) and the French state-owned defense company Nexter Systems. The company specializes in the design, production, and support of land defense systems, including tanks, artillery, armored vehicles, and related munitions and protection systems for global military customers.

On February 4, 2024, the Company, the Selling Shareholder and Wellington Management entered into an investment agreement (the "**Wellington Management Cornerstone Investor Agreement**" and, together with the KNDS Cornerstone Investor Agreement, the "**Cornerstone Investor Agreements**"), pursuant to which Wellington Management has committed to purchase Placement Shares with an aggregate value of €50 million in the Private Placement on behalf of accounts for which Wellington Management and/or its affiliates act as investment advisor.

Based on the Placement Price, KNDS would acquire 6,666,666 Placement Shares, corresponding to approximately 22.2% of the Placement Shares and Wellington Management would acquire 3,333,333 Placement Shares, corresponding to approximately 11.1% of the Placement Shares (in each case assuming placement of the

maximum number of Existing Shares and full exercise of the Greenshoe Option). The placement of Placement Shares with the Cornerstone Investors will be made under and as part of the Private Placement at the Placement Price per Placement Share. In the Cornerstone Investor Agreements, the Company and the Selling Shareholder have guaranteed the Cornerstone Investors full allocation of such number of Placement Shares for which they have provided their respective purchase commitment. The obligation of the Cornerstone Investors to purchase and acquire the Placement Shares and the Company's and Selling Shareholder's obligation to facilitate delivery of such number of Placement Shares, are subject to conditions precedent including that (i) the admission to trading of the Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and (ii) the closing of the Private Placement occur. The settlement of the investment of the Cornerstone Investors will occur as part of the completion of the Private Placement.

Prior to the settlement of the Private Placement, the Cornerstone Investor Agreements may be terminated under certain circumstances (*e.g.*, by the Cornerstone Investors, including in case of a material adverse development at RENK (that may require the subsequent publication of a supplement to this Prospectus) or termination of the underwriting agreement by the Underwriters).

Furthermore, the Selling Shareholder and KNDS have entered into an option and preemption right agreement conferring certain additional rights, including an option of KNDS (the "**Call Option**") to acquire at a share price substantially above the Placement Price up to such a number of Shares that its total shareholding in the Company, taking into account the Shares already held by KNDS when exercising the Call Option and the additional Shares to be acquired as a result of exercising the Call Option, amounts to 25% of the voting rights from all Shares then issued by the Company plus one vote (blocking minority). The grant and exercise of the Call Option may be subject to regulatory clearances.

The Selling Shareholder and KNDS further agreed that KNDS reserves the right to designate a person as member of the Supervisory Board of the Company as well as a substitute member (*Ersatzmitglied*) for such member. The member to be designated by KNDS is then either to be court-appointed as member of the Supervisory Board or proposed to the general meeting of the Company as member of the Supervisory Board, whereas the substitute member is to be elected by the general meeting. The Selling Shareholder agreed to support such persons' appointment and to vote in favor of their respective appointment once in the Company's general meeting, provided that KNDS holds more than five percent of the shares in the Company at the time of such general meeting.

2.6 Information on the Shares

2.6.1 Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

2.6.2 Dividend, Paying Agent, and Liquidation Rights

Each share in the Company carries full dividend rights since January 1, 2023.

The paying agent of the Company is Deutsche Bank, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

In the event of the Company's liquidation, the German Stock Corporation Act (*Aktiengesetz*– "**AktG**") provides that any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings.

2.6.3 Form and Certification of the Shares

All of the Company's shares are ordinary bearer shares with no par value. The Company's current share capital in the amount of €100,000,000 is represented by one global share certificate, which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**").

Section 7 (2) of the Articles of Association excludes the shareholders' right to receive individual share certificates unless mandated by the rules of a stock exchange to which the shares are admitted. Pursuant to

Section 7 (3) of the Articles of Association, the Company's management board (the "**Management Board**"), subject to the approval of the Company's supervisory board (the "**Supervisory Board**"), determines the form of the share certificates. The Placement Shares provide holders thereof with the same rights as all of the other shares of the Company and do not provide any additional rights or advantages.

2.6.4 Currency of the Securities Issue

The Company's shares are denominated in Euro.

2.6.5 Delivery and Settlement

The delivery of the Placement Shares against payment of the Placement Price is expected to take place on February 9, 2024. The Placement Shares will be made available to the investors as co-ownership interests in the global share certificate.

The Placement Shares purchased in the Private Placement will be credited to a securities deposit account maintained by a German bank with Clearstream.

2.6.6 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN)	DE000RENK730
German Securities Code (*Wertpapierkennnummer*, WKN)	RENK73
Ticker Symbol	R3NK

2.6.7 Transferability of the Shares

The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in "*2.4.7 Lock-up Agreement, Limitations on Disposal*", "*2.4.8 Selling Restrictions*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares. With regard to any restrictions under the German and French foreign investment regime, see "*10.9 German Foreign Investment Regime*" and "*10.10 French Foreign Investment Regime*".

2.6.8 Selling Shareholder

Immediately prior to the Private Placement, the Selling Shareholder holds 100% of the Company's outstanding share capital. Following completion of the Private Placement and assuming full placement of the maximum number of Placement Shares and full exercise of the Greenshoe Option (see "*2.4.6 Stabilization Measures, Over-Allotments and Greenshoe Option*") and considering the roll-down of Rebecca Management S.C.A. at the Placement Price (see "*14.6 Management Equity Program*"), the Selling Shareholder will hold 65.3% of the Shares in the Company. For a discussion of the ownership structure of the Selling Shareholder, see "*11.1 Shareholder Structure (Before and After the Private Placement)*".

2.7 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company, together with Deutsche Bank, has applied for the Admission to Trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub segment thereof with additional post admission obligations (Prime Standard) on January 31, 2024. The listing approval (admission decision) for the Company's shares is expected to be granted on February 6, 2024. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 7, 2024.

The underwriters for an issuance often make purchase offers at the time of first trading in order to support the development of the initial share price. Such purchase offers, when made by the Stabilization Manager, may lead to the development of a higher initial share price than would have been the case in the absence of such measures.

2.8 Designated Sponsor

Citigroup has agreed to assume the function of a designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of at least two years. Pursuant to the designated sponsor agreement expected to be concluded among the designated sponsor and the Company, the

designated sponsor will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares. The designated sponsor may be authorized under the designated sponsor agreements to delegate their duties under the designated sponsor agreement to authorized third parties.

2.9 Forward-looking Statements

The Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies in particular to statements in the Prospectus containing information on our future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which we are exposed. Statements made using words such as "assumes", "anticipates", "could", "is likely", "will", "targets", "intends", "predicts", "forecasts", "plans", "endeavors" or "expects" may be an indication of forward-looking statements.

The forward-looking statements in the Prospectus are subject to assumptions and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause our actual results, including our financial condition and profitability, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in the Prospectus wherever information is contained in the Prospectus regarding our intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which we are subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in the Prospectus might not occur or, if they occur, may not have the impact that we expected. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in the Prospectus, see "*2.10 Sources of Market Data*").

Moreover, it should be noted that all forward-looking statements only speak as of the date of this Prospectus and that neither we nor any of the Underwriters assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. The foregoing may prevent us from achieving our financial and strategic objectives.

2.10 Sources of Market Data

Except as otherwise indicated, the information contained in the Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets and segments in which the Group operates or which are served by the Group are based on the Company's assessments. These assessments, in turn, are based in part on internal observations of the markets and on various market studies.

In April 2023, RENK commissioned an independent market study from Roland Berger GmbH ("**Roland Berger**") on certain markets relevant to RENK, which is dated May 16, 2023 (including back-up material and the underlying sources and data used for the preparation of such report, the "**Roland Berger Report**"), as well as a study prepared by Renaissance Strategic Advisors Ltd. ("**RSA**") dated June 30, 2023 (the "**Renaissance Report**"). Neither the Roland Berger Report nor the Renaissance Report is a report attributed to a person as an expert (within the meaning of Item 1.3 of Annex 1 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019). The Roland Berger Report was prepared in the context of the Company's proposed initial public offering in accordance with the instructions of the Company. The statements taken from the Roland Berger Report are utilized in the Prospectus, in the form and context in which they are included, with the consent of Roland Berger. Neither the Company nor the Underwriters have verified any of the market data or other information included in the Roland Berger Report, nor have they asked Roland Berger to modify or otherwise adjust the Roland Berger Report. In preparing the Prospectus, the following sources of third-party information were used:

- DefenseNews "Macron sends $438 billion military budget plan to French parliament", April 2023 available at https://www.defensenews.com/global/europe/2023/04/04/macron-sends-438-billion-military-budget-plan-to-french-parliament/ ("**DefenseNews 2023**");

- European Defence Agency "Annual Report 2022", May 2023 available at https://eda.europa.eu/docs/default-source/documents/eda-annual-report-2022_en-web.pdf ("**EDA**");

- His Majesty's Government, "Integrated Review Refresh 2023 – Responding to a more contested and volatile world", March 2023 available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1145586/11857435_NS_IR_Refresh_2023_Supply_AllPages_Revision_7_WEB_PDF.pdf ("**HM Government**");

- German Ministry of Defense "Policy Speech by Federal Minister of Defence on the National Security Strategy", available at https://www.bmvg.de/en/news/policy-speech-on-the-national-security-strategy-5497180, September 12, 2022 ("**Ministry of Defense**");

- NATO "Defence Expenditure of NATO Countries (2014-2022)", February 2023 available at https://www.nato.int/nato_static_fl2014/assets/pdf/2023/3/pdf/230321-def-exp-2022-en.pdf ("**NATO Report**");

- NATO "Information on defence expenditures", May 2023 available at https://www.nato.int/cps/en/natohq/topics_49198.htm ("**NATO Defence Expenditures**");

- Renaissance Strategic Advisors, June 30, 2023, RSA;

- Roland Berger Report, May 16, 2023, Roland Berger;

- SIPRI Military Expenditure Database "Military expenditure by country as percentage of gross domestic product" from 1949 to 2022 for Belgium, Denmark, France, Italy, Luxembourg, the Netherlands, Norway, Portugal, United Kingdom, Greece, Türkiye, Germany, Spain, Czechia, Hungary, Poland, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia, Albania, Croatia, North Macedonia, Montenegro, Canada and United States as retrieved in May 2023 available at https://milex.sipri.org/sipri ("**SIPRI**")

- Sustainalytics, "Company ESG Risk Ratings – RENK GmbH", June 2023 available at https://www.sustainalytics.com/esg-rating/renk-gmbh/2008824993;

- U.S. Congressional Budget Office "The Budget and Economic Outlook: 2023 to 2033", February 2023 available at https://www.cbo.gov/publication/58946 ("**U.S. Congressional Budget Office**"); and

- Worldbank "World Development Indicators (GDP (current US$)" from 1960 to 2021 for Belgium, Denmark, France, Italy, Luxembourg, the Netherlands, Norway, Portugal, United Kingdom, Greece, Türkiye, Germany, Spain, Czechia, Hungary, Poland, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia, Albania, Croatia, North Macedonia, Montenegro, Canada and United States as retrieved in May 2023 available at https://databank.worldbank.org/source/world-development-indicators ("**Worldbank Development Indicators**").

Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see "*2.1 Responsibility Statement*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies, publications and financial information, or the external sources on which the Company's estimates are based. The Company and the Underwriters make no representation or warranty as to the accuracy of any such information from third-party studies included in the Prospectus.

Prospective investors are advised to consider the industry and market data sourced from market studies with caution. Market studies are usually based on certain assumptions and expectations at the time of preparation of the relevant studies which may turn out not be accurate or appropriate, and their methodology is inherently predictive and speculative. The market data and other information included in market studies is typically based on other industry publications as well as market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Accordingly, market studies such as the Roland Berger Report generally state that the information contained therein is believed to be accurate but that no representation or warranty is made by the market study provider as to the accuracy or completeness of such information or that any projections or estimates will be realized. The fact that information from the aforementioned third-party sources has been included in the Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase, or take any other action with respect to, shares in the Company, and prospective investors should not place undue reliance on such information.

The Prospectus also contains certain estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on the Company's own market observations, the evaluation of industry information (from conferences, sector events, *etc.*) or internal assessments. The Company's management believes that its estimates of market and other data and the information it has derived from such data assists investors in gaining a better understanding of the industry in which companies of the Group operate in and the Group's position therein. The Company's own estimates with respect to market data have not been checked or verified externally. The Company nevertheless assumes that its own market observations are reliable, whereby the internal assessments regarding future developments and trends in the markets described in this Prospectus are subject to additional uncertainties among other things relating to the impact of the ongoing military conflict in Ukraine, a major disruptive factor, and their various related effects. In addition, prospective investors should note that the Company's own estimates and statements of opinion and belief in that regard are not always based on studies of third parties. They may differ from estimates made by competitors of the Group or from future studies conducted by market research institutes or other independent sources.

2.11 Documents Available for Inspection

For the period during which the Prospectus is valid, the following documents will be available for inspection on the Company's website www.ir.renk.com:

- the Company's articles of association (the "**Articles of Association**");
- the audited consolidated financial statements of the Company (under the corporate name Rebecca HoldCo GmbH, Munich, meanwhile RENK Holding GmbH, Munich) as of and for the short fiscal year ended December 31, 2020 (January 2, 2020 to December 31, 2020), prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*) (the "**2020 Audited Consolidated Financial Statements**");
- the audited combined financial statements of the combat propulsion systems business of L3Harris Technologies, Inc., including L3 Magnet Motor GmbH (now RENK Magnet-Motor GmbH) ("**CPS**") as of and for the fiscal years ended January 1, 2021 and January 3, 2020, which have been prepared by L3Harris Technologies, Inc. as if the CPS business was operated on a standalone basis during the periods presented in accordance with generally accepted accounting principles in the United States ("**US GAAP**") (the "**2020 CPS Audited Combined Financial Statements**");
- the audited consolidated financial statements of the Company (under the corporate name RENK Holding GmbH, Munich) as of and for the fiscal year ended December 31, 2021, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*), as amended (the "**2021 Audited Consolidated Financial Statements**");
- the audited consolidated financial statements of the Company (formerly RENK Holding GmbH, Augsburg) as of and for the fiscal year ended December 31, 2022, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the

German Commercial Code (*Handelsgesetzbuch*), as amended (the "**2022 Audited Consolidated Financial Statements**" and, together with the 2020 Audited Consolidated Financial Statements and the 2021 Audited Consolidated Financial Statement, the "**Audited Consolidated Financial Statements**");

- the unaudited condensed consolidated interim financial statements of the Company as of and for the nine months ended September 30, 2023, prepared in accordance with IFRS as applicable for interim financial reporting (the International Accounting Standard 34 (IAS 34)) (the "**Unaudited Consolidated Interim Financial Statements**"); and

- the audited annual financial statements of the Company (under the corporate name RENK Holding GmbH, Augsburg) for the fiscal year ended December 31, 2022, prepared in accordance with the German Generally Accepted Accounting Principles of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**") ("**German GAAP**") (the "**Audited Annual Financial Statements**" and together with the Audited Consolidated Financial Statements and Unaudited Consolidated Interim Financial Statements, the "**Financial Statements**").

The Company's future consolidated financial statements, annual financial statements and condensed consolidated interim financial statements will be available from the Company on its website after the Private Placement and Admission to Trading and from the paying agent designated in the Prospectus (see "*12.8 Announcements*"). The Company's future consolidated and annual financial statements will also be published in the German Company Register (*Unternehmensregister*).

Information on the Company's website www.ir.renk.com or any other website mentioned in this Prospectus and information accessible via these websites but not included in this Prospectus is neither part of, nor incorporated by reference into this Prospectus.

2.12 Presentation of Financial Information

2.12.1 General

The Audited Consolidated Financial Statements of the Company have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*). The Unaudited Consolidated Interim Financial Statements of the Company have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34). The CPS 2020 Audited Combined Financial Statements of CPS have been prepared in accordance with US GAAP. The Audited Annual Financial Statements have been prepared in accordance with German generally accepted accounting principles of the HGB.

The 2020 Audited Consolidated Financial Statements include the operations of the former Renk Aktiengesellschaft ("**RENK AG**") and its subsidiaries (the "**Former RENK AG Group**") only from the date of the consummation of the acquisition of the Former RENK AG Group by Rebecca BidCo GmbH (now RENK GmbH) (the "**Triton Acquisition**") on October 1, 2020 and on the basis of a provisional purchase price allocation according to IFRS 3 "*Business Combinations*". Prior to that date, the Company was a holding company without revenue generating activities. The consolidated financial information of the Company for the short fiscal year ended December 31, 2020 included elsewhere in this Prospectus is therefore not comparable to the consolidated financial information of the Company for the fiscal years ended December 31, 2021 and 2022.

For better comparability, we present unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020. On February 15, 2021, the former RENK AG was merged into RENK GmbH as the surviving entity with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the Former RENK AG Group as of and for the fiscal year ended December 31, 2020 is available. The unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group included in this Prospectus is therefore presented *as if* the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve-month period ended December 31, 2020, and is derived from the Company's accounting and internal reporting systems based on Former RENK AG Group's applicable IFRS accounting policies. The unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former

RENK AG Group does not take into account the effects of the Triton Acquisition (including the related financing) on the Group.

Where financial information in the tables is labeled "audited", this means that such financial information has been taken from the Audited Consolidated Financial Statements or 2020 CPS Audited Combined Financial Statements. The label "unaudited" is used in this Prospectus to indicate financial information that has not been taken from the Audited Consolidated Financial Statements or the 2020 CPS Audited Combined Financial Statements but has been taken or derived from the Unaudited Consolidated Interim Financial Statements or the Company's accounting records or internal reporting systems or has been calculated based on financial information from the above-mentioned sources.

2.12.2 Segmentation

We apply IFRS 8 Segment Reporting starting in the fiscal year 2023 and reported financial data for our three business segments "Vehicle Mobility Solutions", "Marine & Industry" and "Slide Bearings" for the nine months ended September 30, 2023. The segment data for the nine months ended September 30, 2022 and 2023 is taken from the Unaudited Consolidated Interim Financial Statements. The segment data for the nine months ended September 30, 2022 are presented in our business segment structure comprising our three segments as applied since January 1, 2023 for comparison reasons. We also present financial data for our three business segments for the fiscal year ended December 31, 2022 in this Prospectus for comparison reasons. The segment data for the fiscal year ended December 31, 2022 has been derived from the Company's accounting records or internal reporting systems. As we began applying IFRS 8 Segment Reporting for the first time in the fiscal year 2023, no information on segment level is available for the fiscal year ended December 31, 2021 and the short fiscal year ended December 31, 2020 and accordingly no such segment information is presented in this Prospectus.

2.12.3 Rounding

All of the financial information presented in the text and tables in this Prospectus below is shown in thousands of euro (in € thousand) or millions of euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the tables in this Prospectus has been rounded according to established commercial standards. As a result, the aggregate amounts in the tables in this Prospectus may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in the Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in the tables. Financial information presented in parentheses denotes the negative of such number presented. A dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

2.12.4 Amendments to the 2021 Audited Consolidated Financial Statements and 2022 Audited Consolidated Financial Statements and the Audited Annual Financial Statements

The 2021 Audited Consolidated Financial Statements have been amended and have been subject to supplementary audits. The amendments relate to

(i) the change of the information on exempted companies based on Section 264 para. 3 HGB,

(ii) netting of deferred taxes at Group level, reversal of deferred tax assets on shares in subsidiaries, deferred taxes as part of the purchase price allocation of the Triton Acquisition, tax treatment of pension plan assets, the allocation between cash and non-cash items, offsetting of loans and liabilities or capital contribution by affiliated companies as well as a presentation of the management participation program and in addition,

(iii) the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020 and the €200 million additional 5.75% senior secured notes due 2025 issued in connection with the RENK America Acquisition in the fiscal year ended December 31, 2021 under IFRS 9 and resulting deferred taxes as well as a significant modification in accordance with IFRS 9.

Some of these amendments had to be recorded retrospectively in the prior-year comparative financial information as of and for the short fiscal year ended December 31, 2020, in accordance with IAS 8 ("*Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors*"). The changes recorded retrospectively relate to deferred taxes as part of the purchase price allocation of the Triton Acquisition, the tax

treatment of pension plan assets and the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020, under IFRS 9 and resulting deferred taxes. As a result, the financial information as of December 31, 2020, and for the short fiscal year ended December 31, 2020, presented in this Prospectus has been taken or derived from the amended prior-year comparative financial information in the 2021 Audited Consolidated Financial Statements. For more information on the amendments, reference is made to the section "*Principles of financial reporting – (1) General principles – Changes in the consolidated financial statements for fiscal year 2021*" of the notes to the 2021 Audited Consolidated Financial Statements, which are included in this Prospectus under "*17. Financial Information*", on pages F-140 et seq. For information on the supplementary audits, see "*Note on supplementary audit*" of the independent auditor's report to the 2021 Audited Consolidated Financial Statements, which is included in this Prospectus under "*17. Financial Information*", on pages F-221 et seq.

As a consequence, the 2022 Audited Consolidated Financial Statements, including the prior-year comparative financial information for the fiscal year ended December 31, 2021, have been amended and have been subject to a supplementary audit. The amendments relate to the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020 and the €200 million additional 5.75% senior secured notes due 2025 issued in connection with the RENK America Acquisition in the fiscal year ended December 31, 2021 under IFRS 9 and resulting deferred taxes as well as a significant modification in accordance with IFRS 9. For more information on the amendments, reference is made to the section "*Principles of financial reporting – (1) General principles – Correction of a material misstatement in the accounting treatment of a bond (Senior Secured Note)*" of the notes to the 2022 Audited Consolidated Financial Statements, which are included in this Prospectus under "*17. Financial Information*", on pages F-52 et seq. For information on the supplementary audit, see "*Note on Supplementary Audit*" of the independent auditor's report to the 2022 Audited Consolidated Financial Statements, which is included in this Prospectus under "*17. Financial Information*", on page F-130.

As part of the preparation of the capital increase from own funds resolved by the Company's shareholders' meeting held on August 9, 2023, the Audited Annual Financial Statements have been amended and the sub-items "subscribed capital", "capital reserve", "accumulated loss carried forward from the previous year" as well as "net loss for the year/net income for the year" were added to the presentation of equity in the balance sheet. The respective amendment has been subject to a supplementary audit.

2.13 Non-IFRS Financial Measures (Alternative Performance Measures)

This Prospectus contains non-IFRS financial measures, including EBIT, EBIT Margin, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted Cash Conversion, Adjusted Net Income, Capital Expenditure, Net Working Capital, Adjusted Gross Profit, Adjusted Distribution Expenses, Adjusted General and Administrative Expenses, Unlevered Free Cash Flow, Free Cash Flow, Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan, Net Debt, Order Intake and Fixed Order Backlog (each as defined below), that are not required by, or presented in accordance with, IFRS. In accordance with the Commission Delegated Regulation (EU) 2016/301 and the European Securities and Markets Authority ("**ESMA**") Guidelines on alternative performance measures of October 5, 2015 (the "**ESMA Guidelines**"), the following sections set out information related to certain financial measures of the Company that are not defined by IFRS and which the Company regards as alternative performance measures ("**APMs**") within the meaning of the ESMA Guidelines.

We present these APMs because we use such measures in monitoring our business and because we believe that it is frequently used by analysts, investors, and other interested parties in evaluating companies in our industry and it may contribute to a more comprehensive understanding of our business. Certain of these APMs, such as Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted Net Income, Adjusted Gross Profit, Adjusted Distribution Expenses, Adjusted General and Administrative Expenses, Unlevered Free Cash Flow, Free Cash Flow, Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan and Adjusted Cash Conversion are not presented for the twelve months ended December 31, 2020 for *as if* Former RENK AG Group. This is because the majority of the adjustments that are relevant for Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted Net Income, Adjusted Gross Profit, Adjusted Distribution Expenses and Adjusted General and Administrative Expenses and Adjusted Cash Conversion relate to the Triton Acquisition (as defined below) and the RENK America Acquisition (as defined below) as well as other non-recurring effects such as the payment of an inflation compensation premium and are therefore only relevant for the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022 and 2023. Moreover, the adjustments for the twelve months ended December 31, 2020 would not have been significant in total. Unlevered Free Cash Flow, Free Cash Flow and Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder

Loan for the *as if* Former RENK AG Group for the twelve months ended December 31, 2020 is not presented because the *as if* consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020 does not include certain of the adjustment items used to calculate Unlevered Free Cash Flow, Free Cash Flow and Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan.

These APMs are not defined by IFRS or any other internationally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of our results of operations and financial position based on IFRS financial measures. In particular, they should not be considered as alternatives to the Group's profit/loss after tax as an indicator of the Group's performance and profitability, or as alternatives to cash flows from operating activities as an indicator of its financial strength. The APMs, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our APMs are calculated.

We have defined the alternative performance indicators as follows:

- ***EBIT*** means operating profit.
- ***Adjusted EBIT*** means operating profit before the effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- ***EBIT Margin*** and ***Adjusted EBIT Margin*** means EBIT or Adjusted EBIT, as applicable, divided by revenue.
- ***EBITDA*** means operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment.
- ***Adjusted EBITDA*** means operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment and adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- ***Adjusted Net Income*** means profit (+) / loss (-) after tax before the effects from purchase price allocations and loan interest related to liabilities to Rebecca BidCo S.à r.l. and adjusted for certain items which management considers to be exceptional or non-recurring in nature, in each case also reflecting the respective tax adjustment effect for such items.
- ***Adjusted Gross Profit*** means revenue minus cost of sales before the depreciation and amortization effects of purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- ***Adjusted Distribution Expenses*** means distribution expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- ***Adjusted General and Administrative Expenses*** means general and administrative expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature.
- ***Order Intake*** refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price.
- ***Fixed Order Backlog*** represents, with respect to binding customer contracts and purchase orders concluded and/or received, the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS.
- ***Free Cash Flow*** means EBITDA minus income taxes paid, change in working capital (comprising change in inventories and change in receivables and contract assets), change in other working capital (comprising change in provisions for pension obligations, change in other provisions and change in (contract) liabilities), Capital Expenditure, other changes in cash flows (comprising write-downs/reversals other and financial investments, gains/losses from asset

disposals, other non-cash expenses and income, proceeds from asset disposals, cash flows from loans receivable, cash flows from restricted cash, lease payments/lease payments and interest payments on leases, effect of exchange rate changes on cash and cash equivalents, effect of changes in basis of consolidation on cash and cash equivalents and cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023) (the "**Unlevered Free Cash Flow**") as well as interest payments. We further define "**Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan**" as Free Cash Flow less acquisition effects (comprising acquisition of subsidiaries and the acquisition of non-controlling interests less cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023) and, for the nine months period ended September 30, 2023, less the repayment of the loan outstanding under the Shareholder Loan in an amount of €50 million on August 11, 2023 (as presented under other changes in financial liabilities for the nine months period ended September 30, 2023).

- ***Adjusted Cash Conversion*** means Adjusted EBITDA minus Capital Expenditure divided by Adjusted EBITDA.

- ***Capital Expenditure*** means payments to acquire property, plant and equipment and intangible assets.

- ***Net Working Capital*** means the total of inventories and customer receivables (comprising trade receivables, excluding customer prepayment receivables, and contract assets) less trade payables and prepayments (received) (comprising contract liabilities, non-current and current, excluding liabilities from customer prepayment receivables).

- ***Net Debt*** represents the sum of the carrying amounts of bonds and lease liabilities less cash and cash equivalents.

For additional information on the adjustments, adjusted items which management considers to be exceptional or non-recurring in nature and reconciliations, see sections "*5.8.2 Net Working Capital*" and "*5.9 Non-IFRS Financial Measures (Alternative Performance Measures)*".

We present these APMs as (i) they are used by management to measure operating performance, including profitability and liquidity, in presentations to our board members, and as a basis for strategic planning and forecasting, and (ii) they represent similar measures that are widely used by certain investors, securities analysts and other parties as supplemental measures of performance. These measures enhance management's and investors' understanding of our financial performance, for example, by excluding items that are outside of ongoing operations such as non-recurring items, income taxes, costs of capital and non-cash expenses.

- We believe that EBIT, EBIT Margin, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted Cash Conversion and Adjusted Net Income, Adjusted Gross Profit, Adjusted Distribution Expenses and Adjusted General and Administrative Expenses are useful to evaluate our operating performance. In addition, we believe that Adjusted Cash Conversion is useful as an indicator of our ability to convert Adjusted EBITDA into available cash. EBIT, EBIT Margin, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted Cash Conversion and Adjusted Net Income, Adjusted Gross Profit, Adjusted Distribution Expenses and Adjusted General and Administrative Expenses can vary substantially from company to company depending on the accounting methods, book value of assets and capital structure or method by which assets were acquired. EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA eliminate potential differences in performance caused by variations in capital structures (affecting net interest income/expense and the effects from the purchase price allocations), tax positions (such as the availability of net operating losses against which to relieve taxable profits) and (in the case of EBITDA and Adjusted EBITDA only) the extent to which intangible assets are identifiable (affecting relative amortization expense) and by the cost and age of tangible assets (affecting relative depreciation expense). Adjusted Net Income also eliminates the interest expense on shareholder loan liabilities, which have been extinguished prior to consummation of the Private Placement.

- We present Capital Expenditure because we believe it is useful to assist investors to assess our investing activities.

- Net Working Capital is an indicator of our liquidity position.

- We present Free Cash Flow and Unlevered Free Cash Flow because we believe it is useful to evaluate our ability to generate cash from our operating activities and further present Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan because we believe it shows the impact of our acquisition activity on our ability to generate cash as well as the impact of our cash outflow from the repayment of the shareholder loan with the Selling Shareholder.

- We believe Net Debt is useful to assist investors to evaluate our financial position.

- We believe that Order Intake and Fixed Order Backlog are useful to assess our growth prospects.

Even though the APMs are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. For example, some of the limitations for the APMs include the following:

- they exclude certain tax payments that may represent a reduction in cash available to us;

- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;

- they do not reflect changes in, or cash requirements for, our working capital needs;

- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on our debts and

- they do not reflect our payments to make acquisitions of new subsidiaries or businesses or acquire non-controlling interests.

2.14 Currency Presentation

In the Prospectus, "**euro**", "**EUR**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union ("**EU**"), including the Federal Republic of Germany ("**Germany**"), whereas "**$**", "**US Dollar**" or "**USD**" refer to the legal currency of the United States of America and its territories.

The functional currency of the RENK Group is the euro, which is the presentation currency applied for the preparation of the Consolidated Financial Statements.

The following tables set forth, for the periods indicated, the exchange rate as of and for the fiscal years ended December 31, 2022, 2021 and the short fiscal year ended December 31, 2020 and as of and for the nine month periods ended September 30, 2023 and September 30, 2022, against the Euro (in relation to €1.00, in each case):

	As of and for the short fiscal year ended December 31,	As of and for the fiscal year ended December 31,		As of and for the nine months ended September 30,	
Closing rate	**2020**	**2021**	**2022**	**2022**	**2023**
US Dollar	1.2271	1.1326	1.0666	0.9748	1.0594
British Pounds	0.8990	0.8403	0.8869	0.8830	0.8646
Swiss Francs	1.0802	1.0331	0.9847	0.9561	0.9669
Chinese Renminbi Yuan	8.0225	7.1947	7.3582	6.9368	7.7352
Average exchange rate					
US Dollar	1.1414	1.1835	1.0539	1.0650	1.0835
British Pounds	0.8891	0.8600	0.8526	0.8469	0.8710
Swiss Francs	1.0703	1.0814	1.0052	1.0125	0.9776
Chinese Renminbi Yuan	7.8710	7.6340	7.0801	7.0210	7.6215

Average exchange rate based on information derived from vwd group.

The above rates may differ from the actual rates used in the presentation of the Consolidated Financial Statements and other financial information appearing in this Prospectus. The inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent US Dollar amounts or that these amounts could have been converted into US Dollars at any particular rate, if at all.

2.15 Identification of Target Market

Solely for the purpose of fulfilling the product governance requirements set forth in (i) Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 supplementing MiFID II and (iii) local implementing measures (together, the "**MiFID II Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, which a "manufacturer" (for the purposes of the MiFID II Requirements) may otherwise have with respect thereto, the Placement Shares have been subject to a product approval process. As a result of such process, it has been determined that the Placement Shares are (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the price of the Placement Shares may decline, and investors could lose all or part of their investment. The Placement Shares offer no guaranteed income and no capital protection, and an investment in the Placement Shares is only suitable for investors who:

- do not need a guaranteed income or capital protection;
- either alone or together with an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment; and
- who have sufficient resources to be able to bear any losses that may result from such an investment.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal, or regulatory selling restrictions with respect to the Private Placement and does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action with respect to, the Placement Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placement Shares and determining appropriate distribution channels.

3. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE; USE OF PROFITS

3.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a German stock corporation (*Aktiengesellschaft*) under the AktG, the distribution of dividends for a given fiscal year and the amount and payment date thereof are resolved by the general shareholders' meeting (*Hauptversammlung*). Such resolution is the responsibility of the general shareholders' meeting of the following fiscal year, which must take place in the first eight months of the fiscal year, and which decides on the proposal adopted by the Management Board and the Supervisory Board for the appropriation of profits.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's annual financial statements prepared in accordance with German GAAP as laid down in the HGB. German GAAP differs from IFRS in material respects.

When determining the amount available for distribution, net income for the fiscal year must be adjusted for profit/loss carry-forward from the prior fiscal year and release of or allocations to reserves. Certain reserves are required to be set up by law and must be deducted when calculating profit available for distribution. Certain additional limitations apply if self-created intangible assets or deferred tax assets have been capitalized or certain plan assets that exceed corresponding pension liabilities have been capitalized. The Management Board must prepare the annual financial statements (balance sheet, income statement and notes to the financial statements) and the management report for the previous fiscal year by the statutory deadline, and present these to the auditors and then the Supervisory Board after preparation. At the same time, the Management Board must present a proposal for the allocation of the Company's distributable profit pursuant to Section 170 AktG and present the proposal to the Supervisory Board which it intends to make to the general shareholders' meeting with regard to the distribution of profit. According to Section 171 AktG, the Supervisory Board must review the annual financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit, and report to the general shareholders' meeting in writing on the results. The Supervisory Board must submit its report to the Management Board within one month of the documents being received. If the Supervisory Board approves the annual financial statements after its review, these are deemed adopted unless the Management Board and Supervisory Board resolve to assign adoption of the annual financial statements to the general shareholders' meeting. If the Management Board and Supervisory Board choose to allow the general shareholders' meeting to adopt the annual financial statements, or if the Supervisory Board does not approve the annual financial statements, the Management Board must convene a general shareholders' meeting without delay.

The shareholders' meeting's resolution on the allocation of the distributable profit requires a simple majority of votes to be passed. The shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind, for example as a distribution of treasury shares if held by the Company at that time. Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless the dividend resolution provides otherwise, in compliance with the rules of the respective clearing system. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company. If dividend payment claims expire, the Company becomes the beneficiary of the dividends. Since all of the Company's dividend entitlements are evidenced by one global dividend coupon deposited with Clearstream, Clearstream transfers the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with German GAAP and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*16.1.1. Taxation of Dividend Income"*.

3.2 Dividend Policy and Earnings per Share

The Company has not paid dividends up to the date of the Prospectus. The Company intends to pay dividends beginning in the fiscal year 2024, which means for the fiscal year ended December 31, 2023. Subject to the availability of distributable profit (*Bilanzgewinn*) and distributable funds, the Company targets to distribute

up to approximately 40% of its Adjusted Net Income for the fiscal year ended December 31, 2023 and approximately 40-50% per fiscal year for the following years.

Any future decision to pay dividends will be made in accordance with applicable laws and will depend upon, among other things, our results of operations, financial condition, contractual restrictions and capital requirements and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval at a shareholders' meeting. As the Company does not conduct any operating business itself, its ability to pay dividends depends substantially on its current and future operating subsidiaries and affiliates making profits and distributing these to the Company or transferring them to the Company. Our ability to pay dividends may also be limited by the terms of our existing and future financial liabilities or preferred securities should the Company decide to issue such preferred securities in the future. We can make no predictions as to the size of future profits available for distribution, or whether distributable profit (*Bilanzgewinn*) will be available at all, and hence we cannot guarantee that dividends will be paid in the future. In addition, the Selling Shareholder may, on the basis of its remaining interest in the Company's share capital upon completion of the Private Placement, determine the Company's dividend policy.

4. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables show the Group's capitalization and indebtedness as of November 30, 2023. Investors should read these tables in conjunction with "*5 Management's Discussion and Analysts of Net Assets, Financial Condition, and Results of Operations*" and the Unaudited Consolidated Interim Financial Statements, including the notes thereto, contained in the Prospectus.

4.1 Capitalization

	As of November 30, 2023 (in € thousand) (unaudited)
Total current debt (including current portion of non-current debt)[(1)]	**339,957**
thereof guaranteed	–
thereof secured[(2)]	11,296
thereof unguaranteed/unsecured	328,661
Total non-current debt (excluding current portion of non-current debt)[(3)]	**714,504**
thereof guaranteed	–
thereof secured[(4)]	521,265
thereof unguaranteed/unsecured[(5)]	193,239
Shareholders' equity[(6)]	**393,537**
Share capital[(7)]	100,000
Legal reserves[(8)]	255,590
Other reserves[(9)]	37,947
Total[(10)]	**1,447,998**

(1) Total current debt reflects current liabilities and provisions as presented in the consolidated statement of financial position of the Company as of November 30, 2023.

(2) Secured current debt includes current portion of Senior Secured Notes as of November 30, 2023, which are secured by pledged bank accounts, receivables and shares of guarantors; the Senior Secured Notes are also guaranteed.

(3) Total non-current debt reflects non-current liabilities and provisions as presented in the consolidated statement of financial position of the Company as of November 30, 2023.

(4) Secured non-current debt includes the non-current portion of the Senior Secured Notes as of November 30, 2023, which are secured by pledged bank accounts, receivables and shares of guarantors; the Senior Secured Notes are also guaranteed.

(5) Non-current unguaranteed/unsecured debt includes non-current lease liabilities included in non-current financial liabilities, pension provisions, deferred tax liabilities, contract liabilities, non-current, other non-current provisions, other non-current financial liabilities and other non-current liabilities as presented in the consolidated statement of financial position of the Company as of November 30, 2023.

(6) Shareholders' equity reflects the equity as presented in the consolidated statement of financial position of the Company as of November 30, 2023.

(7) Share capital is referred to as subscribed capital in the Company's consolidated statement of financial position as of November 30, 2023.

(8) Legal reserves are referred to as capital reserves as presented in the Company's consolidated statement of financial position as of November 30, 2023.

(9) Other reserves comprise retained earnings and cumulative other comprehensive income as presented in the Unaudited Consolidated Interim Financial Statements (as of September 30, 2023) and have not been calculated separately as of November 30, 2023 for purposes of the capitalization table. The Company prepares its full statement of comprehensive income at the end of each quarter. As of November 30, 2023, there is therefore no full statement of comprehensive income. The actual accumulated gains and losses do, therefore, not include net profit/loss for October and November 2023.

(10) Total reflects the sum of total current debt (including current portion of non-current debt), total non-current debt (excluding current portion of non-current debt) and shareholders' equity.

4.2 Indebtedness

	As of November 30, 2023 (in € thousand) (unaudited)
A. Cash[(1)]	53,511
B. Cash equivalents[(2)]	–
C. Other current financial assets[(3)]	17,531
D. Liquidity (A + B + C)	**71,042**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[(4)]	2,597
F. Current portion of non-current financial debt[(5)]	13,554
G. Current financial indebtedness (E + F)	**16,151**
H. Net current financial indebtedness (G – D)	**(54,891)**
I. Non-current financial debt (excluding current portion of debt instruments)[(6)]	6,255
J. Debt instruments[(7)]	521,265
K. Non-current trade and other payables	–
L. Non-current financial indebtedness (I + J + K)	**527,520**
M. Total financial indebtedness (H +L)	**472,629**

(1) Cash includes cash at banks as well as cash on hand included in cash and cash equivalents as presented in the consolidated statement of financial position of the Company as of November 30, 2023.
(2) The Company had no cash equivalents as of November 30, 2023.
(3) Other current financial assets reflect other current financial assets as presented in the consolidated statement of financial position of the Company as of November 30, 2023, excluding derivative financial instruments.
(4) Current financial debt consists of liabilities from cash pool included in current financial liabilities as presented in the consolidated statement of financial position of the Company as of November 30, 2023.
(5) Current portion of non-current financial debt includes current lease liabilities and current portion of Senior Secured Notes (Bonds) included in current financial liabilities as presented in the consolidated statement of financial position of the Company as of November 30, 2023.
(6) Non-current financial debt includes non-current lease liabilities included in non-current financial liabilities as presented in the consolidated statement of financial position of the Company as of November 30, 2023.
(7) Debt instruments comprise the Senior Secured Notes (Bonds) as included within non-current financial liabilities in the consolidated statement of financial position of the Company as of November 30, 2023.

As of November 30, 2023, financial debt included liabilities related to leases. Current financial debt included lease liabilities in an amount of €2,258 thousand. Non-current financial debt included non-current lease liabilities in an amount of €6,255 thousand.

4.3 Contingent and Indirect Liabilities

As of November 30, 2023, the Group has contingent liabilities in an amount of €3,159 thousand related to penalties.

4.4 Statement on Working Capital

In the Company's opinion, its working capital is sufficient to meet RENK's present requirements over at least the next twelve months from the date of this Prospectus. The receipt of any proceeds from the Private Placement has not been taken into account by the Company in connection with the aforementioned statement as any proceeds from the Private Placement will be received by the Selling Shareholder only.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION, AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations in this section in conjunction with the sections "2.9 Forward-looking Statements", "2.12 Presentation of Financial Information", "2.12.4 Amendments to the 2021 Audited Consolidated Financial Statements and 2022 Audited Consolidated Financial Statements and the Audited Annual Financial Statements", "2.13 Non-IFRS Financial Measures (Alternative Performance Measures)","4 Capitalization and Indebtedness; Statement on Working Capital" and "8 Business" as well as the Company's Audited Consolidated Financial Statements as well as the Company's Unaudited Consolidated Interim Financial Statements, which are included in the Prospectus beginning on page F-1.

The financial information contained in the following text and tables is taken or derived from the Company's Audited Consolidated Financial Statements, the 2020 CPS Audited Combined Financial Statements, the Company's Unaudited Consolidated Interim Financial Statements and the Company's Audited Annual Financial Statements as well as the Company's accounting records or internal reporting systems.

The Company's Audited Consolidated Financial Statements have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (Handelsgesetzbuch). The Company's Unaudited Consolidated Interim Financial Statements have been prepared in accordance with IFRS as applicable for interim financial reporting (IAS 34). The Company's Audited Annual Financial Statements have been prepared in accordance with German generally accepted accounting principles of the HGB.

*The 2020 Audited Consolidated Financial Statements include the operations of the former RENK AG and its subsidiaries (the "**Former RENK AG Group**") only from the date of the consummation of the acquisition of the Former RENK AG Group by the Selling Shareholder (the "**Triton Acquisition**") on October 1, 2020 and on the basis of a provisional purchase price allocation according to IFRS 3 "Business Combinations". Prior to that date, the Company was a holding company without revenue generating activities. The consolidated financial information of the Company for the short fiscal year ended December 31, 2020 included elsewhere in this Prospectus is therefore not comparable to the consolidated financial information of the Company for the fiscal years ended December 31, 2021 and 2022.*

For better comparability, we present unaudited as if consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020. On February 15, 2021, the former RENK AG was merged into RENK GmbH as the surviving entity with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the Former RENK AG Group as of and for the fiscal year ended December 31, 2020 is available. The unaudited as if consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group included in the following section is therefore presented as if the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve-month period ended December 31, 2020, and is derived from the Company's accounting and internal reporting systems based on Former RENK AG Group's applicable IFRS accounting policies. The unaudited as if consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group does not take into account the effects of the Triton Acquisition (including the related financing) on the Group.

*The 2020 CPS Audited Combined Financial Statements, have been prepared in accordance with US GAAP. The 2020 CPS Audited Combined Financial Statements reflect the combat propulsion systems business of L3Harris Technologies, Inc., including L3 Magnet Motor GmbH (now RENK Magnet-Motor GmbH) ("**CPS**"), and have been prepared by aggregating the financial information for CPS, comprising the assets, revenue and expenses that management has determined are specifically attributable to the CPS business. At the time of the preparation of the financial statements, the CPS business did not constitute a separate legal entity or group. The 2020 CPS Audited Combined Financial Statements do not necessarily reflect the financial position, results of operations or cash flows of CPS if it had been a separate entity, or the future results of CPS as it exists since its acquisition by the Group.*

RENK applies IFRS 8 Segment Reporting starting in the fiscal year ended December 31, 2023 and reported financial data for the three business segments "VMS Segment", "M&I Segment" and "Slide Bearings Segment" (all as defined below) for the nine months ended September 30, 2023. The segment data for the nine months ended September 30, 2023 is taken from the Company's Unaudited Consolidated Interim Financial

Statements. The segment data for the fiscal year ended December 31, 2022 has been derived from the Company's accounting records or internal reporting systems. As we began applying IFRS 8 Segment Reporting for the first time in the fiscal year 2023, no information on segment level is available for the fiscal year ended December 31, 2021 and the short fiscal year ended December 31, 2020 and accordingly no such segment information is presented in this Prospectus.

The 2021 Audited Consolidated Financial Statements have been amended and have been subject to supplementary audits. The amendments relate to

(i). the change of the information on exempted companies based on Section 264 para. 3 HGB,

(ii). netting of deferred taxes at Group level, reversal of deferred tax assets on shares in subsidiaries, deferred taxes as part of the purchase price allocation of the Triton Acquisition, tax treatment of pension plan assets, the allocation between cash and non-cash items, offsetting of loans and liabilities or capital contribution by affiliated companies as well as a presentation of the management participation program and in addition,

(iii). the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020 and the €200 million additional 5.75% senior secured notes due 2025 issued in connection with the RENK America Acquisition in the fiscal year ended December 31, 2021 under IFRS 9 and resulting deferred taxes as well as a significant modification in accordance with IFRS 9.

Some of these amendments had to be recorded retrospectively in the prior-year comparative financial information as of and for the short fiscal year ended December 31, 2020, in accordance with IAS 8 ("Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"). The changes recorded retrospectively relate to deferred taxes as part of the purchase price allocation of the Triton Acquisition, the tax treatment of pension plan assets and the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020, under IFRS 9 and resulting deferred taxes. As a result, the financial information as of December 31, 2020, and for the short fiscal year ended December 31, 2020, presented in this Prospectus has been taken or derived from the amended prior-year comparative financial information in the 2021 Audited Consolidated Financial Statements. For more information on the amendments, reference is made to the section "Principles of financial reporting – (1) General principles – Changes in the consolidated financial statements for fiscal year 2021" of the notes to the 2021 Audited Consolidated Financial Statements, which are included in this Prospectus under "17. Financial Information", on pages F-140 et seq. For information on the supplementary audits, see "Note on supplementary audit" of the independent auditor's report to the 2021 Audited Consolidated Financial Statements, which is included in this Prospectus under "17. Financial Information", on pages F-221 et seq.

As a consequence, the 2022 Audited Consolidated Financial Statements, including the prior-year comparative financial information for the fiscal year ended December 31, 2021, have been amended and have been subject to a supplementary audit. The amendments relate to the accounting for the embedded derivatives with regard to the €320 million 5.75% senior secured notes due 2025 issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020 and the €200 million additional 5.75% senior secured notes due 2025 issued in connection with the RENK America Acquisition in the fiscal year ended December 31, 2021 under IFRS 9 and resulting deferred taxes as well as a significant modification in accordance with IFRS 9. For more information on the amendments, reference is made to the section "Principles of financial reporting – (1) General principles – Correction of a material misstatement in the accounting treatment of a bond (Senior Secured Note)" of the notes to the 2022 Audited Consolidated Financial Statements, which are included in this Prospectus under "17. Financial Information", on pages F-52 et seq. For information on the supplementary audit, see "Note on Supplementary Audit" of the independent auditor's report to the 2022 Audited Consolidated Financial Statements, which is included in this Prospectus under "17. Financial Information", on page F-130.

As part of the preparation of the capital increase from own funds resolved by the Company's shareholders' meeting held on August 9, 2023, the Audited Annual Financial Statements have been amended and the sub-items "subscribed capital", "capital reserve", "accumulated loss carried forward from the previous year" as well as "net loss for the year/net income for the year" were added to the presentation of equity in the balance sheet. The respective amendment has been subject to a supplementary audit.

Where financial information in the tables is labeled "audited", this means that such financial information has been taken from the Audited Consolidated Financial Statements or 2020 CPS Audited Combined Financial Statements. The label "unaudited" is used in this Prospectus to indicate financial information that has not been taken from the Audited Consolidated Financial Statements or the 2020 CPS Audited Combined Financial Statements but has been taken or derived from the Unaudited Consolidated Interim Financial Statements or the Company's accounting records or internal reporting systems or has been calculated based on financial information from the above-mentioned sources.

5.1 Overview

We hold market leading positions for mission-critical drive solutions across diverse civil end markets (*source: Roland Berger Report*) and defense end markets (*source: Renaissance Report*). We provide systems that set vehicles, vessels, and machinery in motion. Customers and end-users across the global defense, energy and industrial sectors trust our engineered solutions for their performance and endurance in mission-critical applications. Our offering integrates design, engineering, production, testing and long-lasting services of and for flexible, customized drive systems that convert power into action. In particular, we manufacture, sell and service mission-critical applications such as gear units, transmissions, power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches and test systems. As a global leader in mission-critical drive technologies (*source: Renaissance Report*), we believe we are well-positioned to provide our customers with solutions, which address global needs for peace and security and a carbon net zero world.

We have a diverse range of customers in the defense and industrial markets, with a particular focus on customers active in industries for military vehicles, naval and civil marine, cement and plastics production as well as oil & gas. In addition, we serve customers in the energy generation industry, including those in the sectors hydrogen, carbon capture, utilization and storage ("**CCUS**") sectors and those active in industrial heat pump applications. In the fiscal year ended December 31, 2022, approximately 70% of our revenue was generated from the defense market and 30% of our revenue was generated from the civil market, in each case based on the end-market application of our products. We believe we are a trusted partner for our customers and are involved in critical stages of our customers' value chain – from engineering to commissioning and aftermarket services. Long-term contracts, together with recurring streams of revenue from our successor and aftermarket services, provide us with a high degree of revenue visibility. Our product and service offering is complemented by our digital solutions. We continuously aim to improve our service offering in order to better meet the needs of our customers and are constantly seeking new ways to leverage technology to enhance our products and services, improve efficiency, and provide better value to our customers. We believe our continuing investments in technology and digitalization to be a key driver of our future success.

In the fiscal year ended December 31, 2022, we generated revenue of €849.0 million and Adjusted EBIT of €144.3 million. As of December 31, 2022, our Fixed Order Backlog amounted to €1,407 million.

We operate our business through three segments: Vehicle Mobility Solutions ("**VMS Segment**"), Marine & Industry ("**M&I Segment**") and Slide Bearings ("**Slide Bearings Segment**"). Prior to January 1, 2023, our test systems were operated through a stand-alone division which has since been integrated into the VMS Segment. In the fiscal year ended December 31, 2022, we generated revenue of €485,577 thousand in our VMS Segment (including test systems), €276,059 thousand in our M&I Segment and €90,889 thousand in our Slide Bearings Segment.

5.2 Key Factors Affecting Our Results of Operations

5.2.1 Trends in our primary markets and general macroeconomic conditions

Our business and results of operations are influenced by trends in our primary defense and civil end markets as well as general macroeconomic conditions.

In the years 2020 to 2022, the defense market has been positively influenced by increasing defense budgets which in turn have been driven by geopolitical developments and conflicts such as the Russian invasion of Ukraine (the "**Russia-Ukraine Conflict**") and geopolitical tensions such as between China and Taiwan and within the broader Asia-Pacific region. Defense budgets in Europe, North America, Asia Pacific, Middle East and North Africa (including Algeria, Bahrain, Egypt, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Tunisia, Turkey and United Arab Emirates, the "**MENA**"), South America and other African countries (excluding Afghanistan, Belarus, China, the Central African Republic, Cuba, the

Democratic Republic of Congo, Iran, Libya, Myanmar, North Korea, Sudan, Syria, Russia, Venezuela, Yemen and Zimbabwe, together the "**Embargo Countries**") (collectively, the "**Global Defense Budget**") have grown at a compound annual growth rate ("**CAGR**") of 4.1% between 2018 and 2021 and are estimated to further grow at a CAGR of 5.2% between 2022 and 2027 due to higher demand for defense applications, with defense spending in North America expected to contribute around 46% of the international defense budget between 2018 and 2027 (*source: Renaissance Report*). As a result, our land and naval defense addressable market, which we define as the global new build, upgrade and overhaul market for gear units and engines, that are critical for the mechanical operation of vehicles or naval platforms, excluding the market in Embargo Countries (the "**Total Defense Addressable Market**") has grown at a CAGR of 11.6% between 2018 and 2022 and is estimated to continue to grow at a CAGR of 12.9% between 2022 and 2027 (*source: Renaissance Report*). In particular, we expect our Total Defense Addressable Market for land applications to benefit from the commitments of various countries to donate land platforms to Ukraine and the accompanying necessity to recapitalize and replenish fleets in addition to an increase in budgets related to new platform procurement and upgrade programs. For naval application, we in particular expect a growing effort to modernize fleets due to a re-emphasis of the maritime domain as well as growing interest in so-called multi-mission maritime platforms, which can perform multiple tasks, including Anti-Submarine Warfare (ASW). We believe this trend has already had an impact on our Order Intake, which has increased from €767.0 million for the twelve months ended December 31, 2020 to €986.6 million for the fiscal year ended December 31, 2022.

In the civil market, our products are utilized across a wide range of equipment, including in tankers, liquified natural gas ("**LNG**") carriers, ferries, dredgers and heat pumps, and in different industries, including in the energy generation, cement, plastic, wind energy, and steel and minerals industries. We believe that we are not dependent on the development of a single industry and are exposed to different market trends across our civil markets. We believe that the developments in these markets have been and will continue to be driven in particular by changes to the regulatory environment, such as the global ambition to reduce emissions of greenhouse gases to net zero and supporting legislative actions as well as the desire to increase the resilience of supply chains in the wake of the COVID-19 induced disruptions and political tensions. Our total civil addressable market, which we define as the global market for commercial marine and industrial applications (including gear units, couplings & clutches, slide bearings, electric/hybrid systems and test systems) including new build and aftermarket, excluding Embargo Countries (the "**Total Civil Addressable Market**"), has grown at a CAGR of 8% between 2019 and 2022 and is expected to continue to grow at a CAGR of 5% between 2022 and 2027 (*source: Roland Berger Report*).

In particular in our civil end-markets, fluctuations in growth rates or growth forecasts can result in significant changes in demand for our products if our customer and end-customers in the relevant civil markets curtail their investment activity, for example, during economic downturns. Overall, our revenue and results of operations have been influenced, and will continue to be influenced, by macroeconomic conditions.

5.2.2 Acquisitions

Our growth in recent years has been significantly driven by acquisitions. During the years 2020 and 2021, we completed the acquisition of E-MS GmbH in 2020 and CPS from L3Harris Technologies, Inc. and L-3 Communications Holding GmbH (the "**RENK America Acquisition**" and with respect to the acquired business, the "**RENK America Business**"), which we purchased for an adjusted purchase price of $356 million (€301 million) in July 2021. Further, we acquired General Kinetics HoldCo Inc. (Canada) ("**General Kinetics**") including its subsidiaries in Canada and the U.S. in January 2023. Since the date of the acquisition, General Kinetics was merged with its subsidiary in Canada and subsequently merged with Horstman Systems Inc. and renamed Horstman Canada Inc. (the "**Horstman Canada Acquisition**"). The U.S. subsidiaries of General Kinetics have been integrated into Horstman Inc. and ceased to exist. From 2020 to 2022, our revenue increased at a CAGR of 24% from *as if* revenue for the Former RENK AG Group of €550.2 million for the twelve months ended December 31, 2020 to €849.0 million for the RENK Group for the fiscal year ended December 31, 2022. This growth was to a large degree driven by the RENK America Acquisition. Excluding the revenue contribution of the RENK America Business in an amount of €190.4 million in the fiscal year ended December 31, 2022, revenue would have grown at a CAGR of 9% from *as if* revenue for the Former RENK AG to revenue for RENK Group between the twelve months ended December 31, 2020 and the fiscal year ended December 31, 2022. In addition, we believe that these acquisitions had a positive impact on our profitability, contributing approximately two percentage points to the increase from the *as if* EBIT margin for the Former RENK AG for the twelve months ended December 31, 2020 compared to the Adjusted EBIT margin of the RENK Group for the fiscal year ended December 31, 2022. The RENK America Business is an established supplier of transmissions and engines, particularly for the US military vehicles market. Its products are almost exclusively used in the defense market.

RENK Magnet-Motor GmbH focuses on the development, design and manufacturing of high-performance electric power supplies and hybrid drive systems for armored vehicles and navy vessels. The RENK America Business has long-term relationships with many key customers, both end-users such as the US Army and the Israeli Ministry of Defense, as well as defense industry vehicle manufacturers such as BAE Systems and Thales. It operates from headquarters located in Muskegon, Michigan, United States with a 930,000 square feet vertically integrated production facility as well as two test tracks. In addition, RENK Magnet-Motor GmbH maintains a research, production and test facility in Starnberg, Germany. As of June 30, 2021, the RENK America Business had approximately 400 employees, of which approximately around 360 were located in the United States and approximately 50 were located in Germany.

The RENK America Acquisition was instrumental in increasing our exposure to the defense sector and gaining access to the large US market for military vehicles. Primarily through the RENK America Acquisition, the portion of our revenue generated from the defense market increased from approximately *as if* 50% for the Former RENK AG Group in the twelve months ended December 31, 2020 to approximately 70% for the RENK Group in the fiscal year ended December 31, 2022 based on the end-market application of our products. During the same period, the percentage of our revenue generated in the United States increased from approximately *as if* 12% for the Former RENK AG Group for the twelve months ended December 31, 2020 to approximately 27% for the RENK Group in the fiscal year ended December 31, 2022.

For a discussion of the impact of the RENK America Acquisition on our results of operations and how the RENK America Acquisition affects the comparability of our results of operations, see "*5.4.2 RENK America Acquisition*".

5.2.3 Volume of New Build Business and Aftermarket Business

Our revenue is primarily a function of two factors: (i) the volume of new product sales and replacement of products in defense- and civil-related applications ("**New Build Business**") and (ii) our ability to generate revenue from aftermarket services provided for such products. Our aftermarket business relates to the depot maintenance, repair and overhaul of products and platforms as well as the upgrade of mechanical products and platform elements, including spare parts and other aftermarket services in addition to replacements of installed products in defense-related applications ("**Aftermarket Business**"). The increase in the volume of our New Build Business was a significant driver of the increase in revenue between 2020 and 2022, in particular due to higher demand in the VMS Segment as a result of accelerating demand in underlying defense markets and significant orders for navy and coast guard vessel gear units in the M&I Segment, with around half of our revenue in this segment for the fiscal year ended December 31, 2022 being generated from the defense market based on the end-market application of our products. These developments had a positive impact on our profitability. In particular, we believe that these organic improvements, including higher contribution margins due to an absolute growth in high-margin Aftermarket Business and an increase in our strong-margin businesses in the M&I Segment, as well as an under-proportional increase in general and administrative expenses, contributed approximately four percentage points to the increase from the *as if* EBIT margin for the Former RENK AG for the twelve months ended December 31, 2020 compared to the Adjusted EBIT margin of the RENK Group for the fiscal year ended December 31, 2022. For the fiscal year ended December 31, 2023, we estimate the share of revenue generated in the M&I Segment and attributed to our New Build Business in the marine sector to decrease to approximately one third. The remaining two thirds are expected to be generated via our New Build Business in the industry sector as well as our Aftermarket Business in both marine and industry sectors. While the nature of our business is project based and revenue generated from our New Build Business and Aftermarket Business may fluctuate from year to year, we have been successful in maintaining a significant proportion of our total revenue generated from our Aftermarket Business. Despite a significant increase in our revenue, revenue from our Aftermarket Business as a percentage of overall revenue remained at approximately 32%, 31% and 31% in the twelve months ended December 31, 2020 and the fiscal years ended December 31, 2021 and 2022. The increase in revenue generated from our Aftermarket Business has been driven by aftermarket services offered through our VMS Segment in particular relating to our transmissions. This trend also had a positive impact on our profitability as Aftermarket Business typically generates higher margins. In addition, we believe that the sustainable high share of Aftermarket Business supports the resilience of our results of operations, as it generates recurring streams of revenue which can amount to several times the revenue generated from the original sale of the product.

While our New Build Business is to a large extent influenced by general market trends and macroeconomic developments, our Aftermarket Business primarily depends on our installed base and the ability to service this installed base efficiently. In our VMS Segment for example, the total installed base as of December 31, 2022 amounted to over 180,000 main battle tanks, self-propelled howitzers, infantry fighting vehicles, armored

personnel carriers support & specialized protected support and medium/heavy tactical support vehicles whereas our M&I segment's applications were used in over 200 navy vessels (*source: Renaissance Report*).

5.2.4 Improvement Initiatives

Our profitability is dependent on our ability to identify and implement productivity improvements. In order to offset increased input prices and to retain our ability to price our products competitively, we are continuously focused on various manufacturing and process improvement measures to enhance our operational efficiency. Through our RENK UP program, more than 160 cost savings projects since the beginning of 2023 have been implemented or are in the process of being implemented. We have achieved significant savings at our site in Augsburg related to the production of pipes for gear units for the M&I Segment, which are being manufactured based on computer-aided data. We aim to deploy welding robots in the near future to increase our productivity and plan to implement robotic handling on milling machines at our production site in Augsburg for certain products belonging to VMS Segment. In addition, we are currently planning the introduction of a line balancing on the final assembly line at our production site in Augsburg. Other measures include improving resources management to reduce overall materials consumption and scrap material, measures to further streamline our manufacturing processes, such as optimizing the layout of production steps and machinery. We believe that this focus on continuing improvement of our operating efficiency has contributed to the increase in our Adjusted EBIT margin to 17.0% in the fiscal year ended December 31, 2022. In the twelve months ended December 31, 2020, the EBIT Margin was *as if* 11.2% for the Former RENK AG Group.

We also remain focused on streamlining purchasing and procurement in order to achieve purchase savings by leveraging synergies across global sites, optimizing our supplier base and increasing the efficiency and automation of our purchasing processes and systems. For this, we have built-up a centralized global purchasing system over the last three years. We are also focused on enhancing the management of inventory and receivables.

5.2.5 Technological Innovation

Our success and profitability are driven by our ability to offer innovative and highly specialized products, such as our transmissions and gear units, which are used in various different end-products. We believe that our technological innovation allows us to maintain our market share of our business, which, in turn, generates higher margins through new product sales and aftermarket recurring revenue that can be reinvested into innovation and therefore renew the cycle. To maintain and strengthen our market position, we continue to invest into the development of innovative products through self-funded research and development ("**R&D**") and specific project related R&D activities, which are funded by our customers and therefore increase our revenue with the related costs recognized as part of our cost of sales.

While the technology used in many of our products is well established, the end markets in which we are active demands ongoing improvements and development of more specialized application-based products. We believe our commitment to the highest industry quality and technological standards are underscored by our continuous innovation and focused. The main focus areas of recent and ongoing R&D activities are (i) digitalization (in particular, our collaboration with Modest Tree Media Inc. ("**Modest Tree**") to offer virtual- and augmented reality solutions such as technical twins), (ii) hybridization (full hybrid power-packs for military vehicles) and (iii) new products (*e.g.*, test rig software and test systems for unmanned aerial vehicles). As of September 30, 2023, we had 545 employees dedicated to R&D, engineering and design, more than 340 of whom are located in Germany, and 60 employees active in software development. The Former RENK AG Group and RENK Group incurred a total of €51 million in R&D Costs in the twelve months ended December 31, 2020 and the fiscal years ended December 31, 2021 and 2022 (which were included in cost of sales and not capitalized). See also "*8.5 Research and Development*".

5.2.6 Financing Arrangements and Interest Expense

In connection with the Triton Acquisition and the RENK America Acquisition, we incurred a significant amount of additional financial indebtedness, which, in turn, resulted in a considerable increase in interest expense. Our interest expense amounted to €12,690 thousand, €33,600 thousand and €41,683 thousand in the fiscal years ended December 31, 2020, 2021 and 2022, respectively. This increase mainly reflects the issuance of €320 million aggregate principal amount of 5.75% senior secured notes due 2025 (the "**Original Senior Secured Notes**") in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020 and €200 million aggregate principal amount of additional 5.75% senior secured notes due 2025 in the fiscal year ended December 31, 2021 (the "**Additional Senior Secured Notes**" and, together with the Original Senior Secured

Notes, the "**Senior Secured Notes**") in connection with the RENK America Acquisition in the fiscal year ended December 31, 2021, as well as interest expense on a super senior facilities agreement (as amended, the "**Existing Senior Facilities Agreement**") and shareholder loans. Such interest expense had a significant adverse impact on our profitability in the fiscal year ended December 31, 2022 and is expected to continue to do so for the duration of the loans, including in relation to any refinancings thereof.

5.2.7 Revenue Generation through the Fiscal Quarters

Our revenue in the first two quarters of a fiscal year have historically been lower than our revenue in the third and fourth quarters of a fiscal year. As revenue is generally recognized at the time of delivery of the product, the timing of large contracts may cause our revenue to vary from quarter to quarter or half-year to half-year.

5.3 Explanation of Key Line Items

5.3.1 Revenue

Revenue is derived from the sale of vehicle transmissions, gear units, slide bearings, couplings & clutches, and test systems to component suppliers, gear manufacturers, service suppliers, original equipment manufacturers ("**OEMs**") and other customers. Revenue also includes revenue from services and sales of spare parts. All recognized revenue results from contracts with customers. We typically recognize revenue at a point in time upon full transfer of an asset to the customer. Revenue from performance obligations fulfilled over time (in particular based on contractual circumstances with defined milestones at RENK America LLC and RENK Test Systems GmbH) is accounted for using the percentage of completion method. The performance obligations extend to all products in the Group's product range.

5.3.2 Cost of Sales

Cost of sales consists of costs of the products and merchandise sold. In addition to the direct material, manufacturing and construction costs, direct personnel costs and overhead personnel costs based on normal use for capacity, as well as warranty costs and production costs, which comprise production-related overheads, including depreciation on production equipment, and R&D Costs, are included.

5.3.3 Other Operating Income

Other operating income consists primarily of income from exchange rate changes and realized and unrealized gains on derivatives and income from reversals of provisions, income from asset disposals and, in fiscal year ended December 31, 2022, it also included income related to derecognition of debtor overpayments. In the nine months period ended September 30, 2023, other operating income also comprised reimbursement of staff costs. Derivatives are used to hedge material exchange rate risks of future cash flows in currencies others than the functional currency.

5.3.4 Distribution Expenses

Distribution expenses are primarily related to sales, service, marketing, shipping and order processing departments.

5.3.5 General and Administrative Expenses

General and administrative expenses primarily comprise expenses related to the executive board or managing directors, human resources, finance, strategy and international IT departments.

5.3.6 Other Operating Expenses

Other operating expenses primarily comprise expenses from exchange rate changes and realized and unrealized losses on derivatives, personnel expenses and expenses from additions to miscellaneous other provisions in the short fiscal year ended December 31, 2020 and the fiscal years ended December 31, 2021 and 2022 as well as for the nine months ended September 30, 2023. Expenses from exchange rate changes include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currencies and realized and unrealized price losses from the measurement of derivatives. Among these above-mentioned items, in the short fiscal year ended December 31, 2020 as well as the fiscal year ended

December 31, 2021, other operating expenses further included incidental costs of business combinations, in the fiscal years ended December 31, 2021 and 2022 included losses from asset disposals and in the fiscal year ended December 31, 2022 included expenses related to commissions and non-refundable expenses.

5.3.7 Interest Expense

Interest expense consists of interest expenses on bonds, loan interest, guarantee commissions, interest cost on provisions and liabilities and other interest and similar expenses.

5.3.8 Other Financial Result

Other financial result consists of income from dividends, income from measurement effects (mainly relating to effects from the measurement of foreign currency loans), other interest and similar income and income from securities, income or expenses from fair value changes of embedded derivatives, together with expenses from write-downs of non-consolidated entities.

5.3.9 Income Tax Expense/Income Taxes

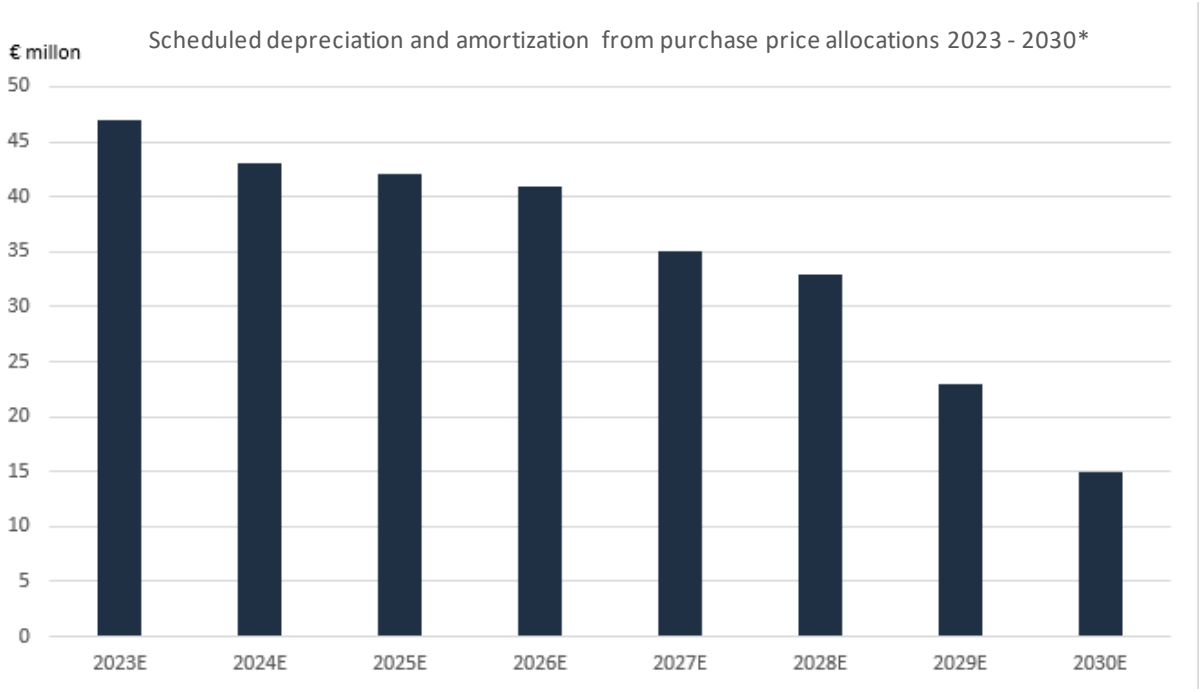
Income tax expenses/income taxes consist of current taxes and deferred taxes.

5.4 Factors Affecting Comparability

The comparability of the financial information of the Group is affected by acquisitions, in particular the Triton Acquisition in 2020 and the RENK America Acquisition in 2021. These acquisitions have increased the Group's overall revenue, cost and asset base. Furthermore, in order to finance the acquisitions, the Group incurred a significant amount of debt, which increased the Group's financing expenses as well as non-current liabilities on its statement of financial position. In addition, acquisitions have corresponding effects on the Group's consolidated statement of cash flows, causing a cash inflow from the issuance of the new debt, a cash outflow for investing and financing purposes in order to fund the acquisition and service interest payments on the associated debt, and increasing cash inflow from operating activities as a result of the additional cash generation from the acquired businesses. Moreover, the Group incurred substantial transaction costs, as well as other M&A-related costs in connection with these transactions, which impacted RENK Group's operating profit in the short fiscal year ended December 31, 2020, the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2023 and which are adjusted for when calculating Adjusted EBIT and Adjusted EBITDA.

In particular, the Triton Acquisition, the RENK America Acquisition and – to a significantly lower extent – the acquisition of Horstman Holdings Ltd. (together with its subsidiaries, the "**Horstman Group**") in 2019 resulted and will continue to result in significant depreciation and amortization expenses due to the initial recognition of intangible assets and the revaluation of existing assets as part of the purchase price allocation accounting. Depreciation and amortization expenses from purchase price allocations, which are included in cost of sales, increased from *as if* €1,600 thousand for the Former RENK AG Group in the twelve months ended December 31, 2020 to €66,227 thousand for the fiscal year ended December 31, 2022. Going forward, subject to additional acquisitions and the purchase price allocations related thereto and/or any impairment charges, we expect the effect from the revaluation of assets in connection with purchase price allocations related to the

aforementioned acquisitions on the depreciation and amortization in the Group's consolidated income statement to develop approximately as indicated below:



* Includes acquisitions until December 31, 2022.

In addition, the financing of the Triton Acquisition and the RENK America Acquisition resulted in a significant increase in interest expense. *See "5.2.6 Financing Arrangements and Interest Expense".*

5.4.1 Acquisition of the Former RENK AG Group

The 2020 Audited Consolidated Financial Statements include the operations of the Former RENK AG Group only from the date of the consummation of the Triton Acquisition in October 2020 and on the basis of a provisional purchase price allocation according to IFRS 3 "*Business Combinations*". Prior to that date, the Company was a holding company without revenue generating activities. The consolidated financial information of the Company for the short fiscal year ended December 31, 2020 included elsewhere in this Prospectus is therefore not comparable to the consolidated financial information of the Company for the fiscal years ended December 31, 2021 and 2022.

For better comparability, we present unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020. On February 15, 2021, the former RENK AG was merged into RENK GmbH as the surviving entity with retrospective effect as of January 1, 2020. Therefore, no historical consolidated financial information for the former RENK AG as of and for the fiscal year ended December 31, 2020 is available. The unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group included in this Prospectus is therefore presented as if the former RENK AG had not been merged into RENK GmbH with retrospective effect as of January 1, 2020 and had existed during the twelve-month period ended December 31, 2020.

However, the unaudited *as if* consolidated income statement and consolidated statement of cash flows financial information for the Former RENK AG Group does not take into account the effects of the Triton Acquisition on the Group's financial performance.

5.4.2 RENK America Acquisition

We completed the RENK America Acquisition on July 2, 2021 and since that date CPS have been integrated into our Group and included in the Company's consolidated financial statements. Accordingly, the results of operations of CPS are not included in the 2020 Audited Consolidated Financial Statements and are

included in the 2021 Audited Consolidated Financial Statements only since the date of the completion of the RENK America Acquisition. The 2020 Audited Consolidated Financial Statements and the 2021 Audited Consolidated Financial Statements included elsewhere in this Prospectus are therefore not fully comparable to the 2022 Audited Consolidated Financial Statements. In order to provide a better understanding of the impact of the RENK America Acquisition, we present below certain financial information for CPS for the fiscal year ended January 1, 2021 as well as certain financial information that illustrates the impact that the RENK America Acquisition had on our results of operations in the fiscal year ended December 31, 2021 and would have had if it had closed on January 1, 2021, respectively.

The following financial information for CPS has been taken or derived from the 2020 CPS Audited Combined Financial Statements. The 2020 CPS Audited Combined Financial Statements have been prepared in U.S. dollars and in accordance with US GAAP. The applied accounting policies in preparing the 2020 CPS Audited Combined Financial Statements differ in some instances from the accounting policies as applied with respect to the Consolidated Financial Statements of the Company included in this Prospectus, which have been prepared in accordance with IFRS.

	Fiscal year ended January 1, 2021	
US GAAP	**in USD thousands**	**in € thousands***
	(audited)	**(unaudited)**
Revenue from product sales and services	236,433	207,148
Income before income taxes	62,877	55,089
Net income	46,659	40,880
Capital Expenditure(1)	3,497	3,064

* Converted into euro for illustrative purposes only and using an exchange rate of USD 1.14137 to €1.00.

(1) Capital Expenditure is defined as additions to property, plant and equipment as set forth in CPS's combined statement of cash flows.

The following financial information has been taken from the 2021 Audited Consolidated Financial Statements of the Company, which have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*): From July 2, 2021 to December 31, 2021, RENK America LLC and RENK Magnet-Motor GmbH contributed €103,358 thousand to our revenue, €15,484 thousand to our operating profit and €17,169 thousand to our profit after tax. If the RENK America Acquisition had taken place on January 1, 2021, we would have recognized additional revenue of €109,732 thousand, additional operating profit of €37,989 thousand and additional profit after tax of €28,012 thousand for the fiscal year ended December 31, 2021. Taking into account the depreciation and amortization and deferred taxes from the purchase price allocation, there was an additional negative impact on earnings of €21,649 thousand for the period from July to December 2021.

5.5 Results of Operations

5.5.1 Comparison of the Nine Months ended September 30, 2022 and 2023

The following table shows our results of operations for the periods indicated:

	For the nine months ended September 30,	
	2022	**2023**
	in € thousands (unaudited)	
Revenue	593,965	652,683
Cost of sales	(478,705)	(504,070)
Gross profit	**115,260**	**148,613**
Other operating income	9,376	9,110
Net allowances on financial assets	2,249	(162)
Distribution expenses	(35,218)	(41,484)
General and administrative expenses	(35,446)	(49,233)
Other operating expenses	(11,465)	(9,815)
Operating profit	**44,756**	**57,029**
Interest expense	(29,631)	(30,213)
Other financial result	13,703	866
Financial result	**(15,928)**	**(29,347)**
Profit (+) / loss (-) before tax	**28,828**	**27,682**
Income taxes	(535)	(8,793)
Profit (+) / loss (-) after tax	**28,293**	**18,889**

5.5.1.1 Revenue

Our revenue increased by €58,718 thousand, or 9.9%, from €593,965 thousand in the nine months ended September 30, 2022 to €652,683 thousand in the nine months ended September 30, 2023. The increase was driven by growth in all segments.

Our revenue in the VMS Segment increased by €24,084 thousand, or 7.2%, from €336,384 thousand in the nine months ended September 30, 2022 to €360,468 thousand in the nine months ended September 30, 2023. Approximately 67% of the revenue growth in the VMS Segment was attributable to the acquisition of General Kinetics in January 2023. The remaining growth was mainly driven by an increase of our Aftermarket Business, whereas growth in the New Build business was more subdued due to supply chain challenges.

In the M&I Segment, our revenue increased by €18,273 thousand, or 9.4%, from €193,660 thousand in the nine months ended September 30, 2022 to €211,933 thousand in the nine months ended September 30, 2023. The increase in revenue was driven by several large deliveries in the industry business in the nine months ended September 30, 2023 and significant growth of our New Build Business and our Aftermarket Business.

Our revenue in the Slide Bearings Segment increased by €16,590 thousand, or 24.9%, from €66,672 thousand in the nine months ended September 30, 2022 to €83,262 thousand in the nine months ended September 30, 2023. The increase was primarily due to higher demand for e-bearings, high-speed bearings and strong Aftermarket Business.

The following table provides a breakdown of revenue by geographic region for the periods indicated:

	For the nine months ended September 30,	
	2022	2023
	in € thousands (unaudited)	
Germany	134,571	174,661
Other EU countries	134,437	154,265
Americas	172,615	153,717
Asia	88,467	120,366
Other European countries	59,345	44,925
Australia and Oceania	1,795	2,641
Africa	2,735	2,109
Total	**593,965**	**652,683**

5.5.1.2 Cost of Sales

Our cost of sales increased by €25,365 thousand, or 5.3%, from €478,705 thousand in the nine months ended September 30, 2022 to €504,070 thousand in the nine months ended September 30, 2023. The increase was mainly due to higher production volume. Cost of sales as a percentage of revenue decreased in the nine months ended September 30, 2023 to 77.2% (nine months ended September 30, 2022: 80.6%), due to higher operating leverage as a result of volume growth, a decrease in the depreciation and amortization effect from purchase price allocations and due to a release for warranty provisions as well as ongoing efficiency improvements across all segments.

5.5.1.3 Gross Profit

Our gross profit increased by €33,353 thousand, or 28.9%, from €115,260 thousand in the nine months ended September 30, 2022 to €148,613 thousand in the nine months ended September 30, 2023. The increase was mainly due to the factors discussed above. Gross profit as a percentage of revenue increased from 19.4% for the nine months ended September 30, 2022 to 22.8% for the nine months ended September 30, 2023 also due to the factors discussed above.

5.5.1.4 Other Operating Income

Our other operating income decreased by €266 thousand, or 2.8%, from €9,376 thousand in the nine months ended September 30, 2022 to €9,110 thousand in the nine months ended September 30, 2023. The decrease was due to a decrease in income from exchange rate changes from €7,490 thousand in the nine months ended September 30, 2022 to €3,672 thousand in the nine months ended September 30, 2023 due to unfavorable currency exchange rate changes which was only partly offset by an increase in income from reversal of provisions from €1,051 thousand in the nine months ended September 30, 2022 to €2,655 thousand in the nine months ended September 30, 2023, income from derivatives in the amount of €1,252 thousand as well as additional income related to reimbursement of staff costs in the amount of €900 thousand related to COVID-19 subsidies in the U.S. in the nine months ended September 30, 2023.

5.5.1.5 Distribution Expenses

Our distribution expenses increased by €6,266 thousand, or 17.8%, from €35,218 thousand in the nine months ended September 30, 2022 to €41,484 thousand in the nine months ended September 30, 2023. The distribution expenses as percentage of revenue increased from 5.9% in the nine months ended September 30, 2022 to 6.4% in the nine months ended September 30, 2023 in particular as a result of one-off expenses for the 150-year celebration of the Group.

5.5.1.6 General and Administrative Expenses

Our general and administrative expenses increased by €13,787 thousand, or 38.9%, from €35,446 thousand in the nine months ended September 30, 2022 to €49,233 thousand in the nine months ended September 30, 2023. The general and administrative expenses as percentage of revenue increased from 6.0% in the nine months ended September 30, 2022 to 7.5% in the nine months ended September 30, 2023. The increase was

primarily attributable to higher costs of central functions, which included onboarding costs for new employees, as well as one-off expenses for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects and M&A activities as well as capital market readiness activities.

5.5.1.7 Other Operating Expenses

Our other operating expenses decreased by €1,650 thousand, or 14.4%, from €11,465 thousand in the nine months ended September 30, 2022 to €9,815 thousand in the nine months ended September 30, 2023. The decrease was mainly due to lower expenses from currency translation differences, lower personnel expenses mainly resulting from changes in the provisions for severance payment in the respective period, which was partly offset by a higher addition to miscellaneous other provisions mainly related to provisions for outstanding invoices. Expenses from currency translation differences and personnel expenses decreased by €895 thousand and €675 thousand, respectively.

The table below provides an overview of our other operating expenses for the periods indicated:

	For the nine months ended September 30,	
	2022	**2023**
	in € thousands (unaudited)	
Expenses from currency translation differences	5,900	5,005
Addition to miscellaneous other provisions	1,976	2,121
Personnel expenses	1,353	678
Bank fees	123	144
Miscellaneous other expenses	2,113	1,867
Total	**11,465**	**9,815**

5.5.1.8 Interest Expense

Our interest expense increased by €582 thousand, or 2.0%, from €29,631 thousand in the nine months ended September 30, 2022 to €30,213 thousand in the nine months ended September 30, 2023. The increase was mainly due to an increase in commitment fees due to higher interest rate levels and an increase in guarantee commissions due to higher guarantee volumes.

5.5.1.9 Other Financial Result

Our other financial result decreased by €12,837 thousand from an income of €13,703 thousand in the nine months ended September 30, 2022 to an income of €866 thousand in the nine months ended September 30, 2023. The decrease was mainly due to effects of exchange rate fluctuations and effects from measurement of financial instruments.

5.5.1.10 Income Taxes

Our income taxes increased by €8,258 thousand, from €535 thousand in the nine months ended September 30, 2022 to €8,793 thousand in the nine months ended September 30, 2023. The increase was driven by an increase in the weighted total tax rate from 9.3% for the nine months ended September 30, 2022 to 26.1% for the nine months ended September 30, 2023. This change was due to tax free income as well as differences in between tax and accounting recognition of certain items in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2023. Furthermore, income taxes in the nine months ended September 30, 2023, were impacted due to the recognition of discrete items, adjustments of deferred taxes recognized within other comprehensive income and a notice of a tax audit.

5.5.1.11 Profit (+) / loss (-) After Tax

Our profit (+) / loss (-) after tax decreased by €9,404 thousand, or 33.2%, from €28,293 thousand in the nine months ended September 30, 2022 to €18,889 thousand in the nine months ended September 30, 2023 due to the factors discussed above.

5.5.2 Comparison of the Fiscal Year Ended December 31, 2021 and 2022

The following table shows our results of operations for the periods indicated:

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

5.5.2.1 Revenue

Our revenue increased by €151,307 thousand, or 21.7%, from €697,660 thousand in the fiscal year ended December 31, 2021 to €848,967 thousand in the fiscal year ended December 31, 2022. The increase was primarily attributable to the full year effect of the RENK America Acquisition, which only contributed to revenue in the second half of the fiscal year ended December 31, 2021. If the RENK America Acquisition had occurred on January 1, 2021, we would have recognized additional revenue of €109,732 thousand for the fiscal year ended December 31, 2021, which would have resulted in revenue growth of 5.1% in the fiscal year ended December 31, 2022. In addition to the full year effect of the RENK America Acquisition, the increase in our revenue was driven by the completion of large projects, in particular in the M&I Segment.

Between the date of the consummation of the RENK America Acquisition and December 31, 2021 and in the fiscal year ended December 31, 2022, the RENK America Business contributed €103,358 thousand and €190,378 thousand, respectively, to our revenue. Excluding the revenue contributed by the RENK America Business for the fiscal years ended December 31, 2021 and 2022, our revenue would have increased by €64,287 thousand or 10.8% in the fiscal year ended December 31, 2022 compared to the fiscal year ended December 31, 2021.

The following table provides a breakdown of revenue by geographic region for the periods indicated:

	For the fiscal year ended December 31,	
	2021	2022
	in € thousands (audited)	
Americas	190,723	244,625
Germany	153,004	188,565
Other EU countries	163,697	184,913
Asia	128,419	125,357
Other European countries	54,266	100,422
Africa	2,536	3,053
Australia and Oceania	5,015	2,032
Total	**697,660**	**848,967**

5.5.2.2 Cost of Sales

Our cost of sales increased by €111,042 thousand, or 19.4%, from €573,124 thousand in the fiscal year ended December 31, 2021 to €684,166 thousand in the fiscal year ended December 31, 2022. The increase was mainly due to higher production volumes as well as an increase in the depreciation and amortization effect from purchase price allocations following the RENK America Acquisition in July 2021. Despite the higher depreciation and amortization effect from purchase price allocations, cost of sales as a percentage of revenue decreased slightly in the fiscal year ended December 31, 2022 to 80.6% (fiscal year ended December 31, 2021: 82.1%) due to a disproportionally smaller increase in variable manufacturing costs and direct personnel costs.

5.5.2.3 Gross Profit

Our gross profit increased by €40,265 thousand, or 32.3%, from €124,536 thousand in the fiscal year ended December 31, 2021 to €164,801 thousand in the fiscal year ended December 31, 2022 due to the factors discussed above. Gross profit as a percentage of revenue increased from 17.9% for the fiscal year ended December 31, 2021 to 19.4% for the fiscal year ended December 31, 2022 also due to the factors discussed above.

5.5.2.4 Other Operating Income

Our other operating income increased by €5,406 thousand, or 91.2%, from €5,927 thousand in the fiscal year ended December 31, 2021 to €11,333 thousand in the fiscal year ended December 31, 2022. The increase was primarily attributable to higher income from exchange rate changes and derivatives, higher income from reversal of provisions due to changes in estimates as well as income from derecognition of debtor overpayment in an amount of €770 thousand in the fiscal year ended December 31, 2022, which was only partially offset by lower income from asset disposals. Income from exchange rate changes and derivatives increased from €3,816 thousand in the fiscal year ended December 31, 2021 to €6,218 thousand in the fiscal year ended December 31, 2022 due to gains from exchange rate fluctuations between the origination date any payment date of receivables and liabilities and price gains from the measurement of derivatives. Income from reversal of provisions amounted to €3,190 thousand in the fiscal year ended December 31, 2022 (fiscal year ended December 31, 2021: €1,224 thousand) and mainly related to reversal of claims provisions.

5.5.2.5 Distribution Expenses

Our distribution expenses increased by €1,109 thousand, or 2.4%, from €47,030 thousand in the fiscal year ended December 31, 2021 to €48,139 thousand in the fiscal year ended December 31, 2022. The increase was mainly due to the full year effect of the RENK America Acquisition.

5.5.2.6 General and Administrative Expenses

Our general and administrative expenses increased by €15,413 thousand, or 44.9%, from €34,353 thousand in the fiscal year ended December 31, 2021 to €49,766 thousand in the fiscal year ended December 31, 2022. The increase was mainly attributable to due to the full year effect of the RENK America Acquisition and an increase in central services costs at the Company.

5.5.2.7 Other Operating Expenses

Our other operating expenses decreased by €5,144 thousand, or 25.1%, from €20,477 thousand in the fiscal year ended December 31, 2021 to €15,333 thousand in the fiscal year ended December 31, 2022. The table below provides an overview of our other operating expenses for the periods indicated:

	For the fiscal year ended December 31,	
	2021	**2022**
	in € thousands (audited)	
Expenses from currency translation differences	5,127	5,473
Personnel expenses	3,340	3,142
Commission expenses	—	1,800
Addition to miscellaneous other provisions	1,458	1,398

	For the fiscal year ended December 31,	
	2021	2022
	in € thousands (audited)	
Losses from asset disposals	167	600
Non-refundable expenses	—	468
Bank fees	160	122
Incidental costs of business combinations	7,968	—
Miscellaneous other expenses	2,256	2,330
Total	**20,477**	**15,333**

The decrease in other operating expenses in the fiscal year ended December 31, 2022 was primarily driven by incidental costs of business combinations in the fiscal year ended December 31, 2021 that did not recur in the fiscal year ended December 31, 2022. Incidental costs of business combinations in the fiscal year ended December 31, 2021 relate to the RENK America Acquisition and the Triton Acquisition, whereas no business combination occurred in the fiscal year ended December 31, 2022. This was only partially offset by higher commission expenses as well as higher losses from asset disposals and non-refundable expenses.

5.5.2.8 Interest Expense

Our interest expense increased by €8,083 thousand, or 24.1%, from €33,600 thousand for the fiscal year ended December 31, 2021 to €41,683 thousand for the fiscal year ended December 31, 2022. Interest expense increased due to the issuance of €200 million aggregate principal amount of additional Senior Secured Notes in connection with the RENK America Acquisition in July 2021, other interest and similar expenses included in interest expense increased by €1,358 thousand due to additional compensation payments to minority shareholders of RENK AG as well as higher financing costs under the Existing Senior Facilities Agreement.

5.5.2.9 Other Financial Result

Our other financial result decreased by €27,247 thousand, from an income of €18,511 thousand for the fiscal year ended December 31, 2021 to an expense of €8,736 thousand for the fiscal year ended December 31, 2022. The decrease was primarily driven by a decrease in income from fair value changes of derivatives, lower income from measurement effects and an increase in expenses from write-downs on non-consolidated entities, which were only partially offset by higher income from securities. Regarding fair value changes of embedded derivatives, there was a change from an income of €5,451 thousand in the fiscal year ended December 31, 2021 to an expense of €18,559 thousand in the fiscal year ended December 31, 2022. Income from measurement effects mainly represents translation effects related to loans denominated in currencies other than euro and decreased from €12,105 thousand in the fiscal year ended December 31, 2021 to €8,846 thousand in the fiscal year ended December 31, 2022 due to unfavorable changes in foreign exchange rates. Expenses from write-downs on non-consolidated entities increased from €1,528 thousand in the fiscal year ended December 31, 2021 to €2,433 thousand in the fiscal year ended December 31, 2022. Other financial results included dividends in an amount of €1,847 thousand in the fiscal year ended December 31, 2022 (fiscal year ended December 31, 2021: €1,621 thousand).

5.5.2.10 Income Taxes

Our income taxes changed by €12,476 thousand from an expense of €11,111 thousand for the fiscal year ended December 31, 2021 to an income of €1,365 thousand for the fiscal year ended December 31, 2022. This change reflects higher deferred tax income. This was only partially offset by higher current taxes due to the higher profit before tax despite a lower tax rate (fiscal year ended December 31, 2022: 30% compared to 31.6% for the fiscal year ended December 31, 2021). The lower tax rate was due to the higher share of profit before tax in the United States following the RENK America Acquisition.

5.5.2.11 Profit (+) / loss (-) After Tax

Our profit (+) / loss (-) after tax increased by €16,996 thousand from a loss after tax of €878 thousand in the fiscal year ended December 31, 2021 to a profit after tax of €16,118 thousand in the fiscal year ended December 31, 2022 due to the factors discussed above.

5.5.3 Comparison of the Twelve Months Ended December 31, 2020 as if Former RENK AG Group and Fiscal Year Ended December 31, 2021 RENK Group

The following table shows the *as if* Former RENK AG Group's and RENK Group's results of operations for the periods indicated:

	For the twelve months ended December 31, 2020	For the fiscal year ended December 31, 2021
	as if Former RENK AG Group	RENK Group
	in € thousands	
	(unaudited)	(audited)
Revenue	550,207	697,660
Cost of sales	(421,328)	(573,124)
Gross profit	**128,879**	**124,536**
Other operating income	7,158	5,927
Net allowances on financial assets	1,349	(3,281)
Distribution expenses	(38,338)	(47,030)
General and administrative expenses	(28,795)	(34,353)
Other operating expenses	(8,766)	(20,477)
Operating profit	**61,488**	**25,322**
Interest expense	(1,422)	(33,600)
Other financial result	457	18,511
Financial result	**(965)**	**(15,090)**
Profit (+) / loss (-) before tax	**60,523**	**10,232**
Income tax expense	(22,241)	(11,111)
Profit (+) / loss (-) after tax	**38,282**	**(878)**

5.5.3.1 Revenue

Our revenue increased by €147,453 thousand, or 26.8%, from *as if* €550,207 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €697,660 thousand for the RENK Group in the fiscal year ended December 31, 2021. The increase was primarily attributable to the additional revenue contributed by RENK America LLC and RENK Magnet-Motor GmbH following completion of the RENK America Acquisition on July 1, 2021 of €103,358 thousand in the fiscal year ended December 31, 2021. Excluding the revenue contributed by the RENK America Business, our revenue would have increased by €44,095 thousand or 8.0% in the fiscal year ended December 31, 2021 compared to the twelve months ended December 31, 2020. In addition to the effect of the RENK America Acquisition, the increase in our revenue was driven by various projects, including a project in Korea in the VMS Segment, which off-set the negative effects of the COVID-19 pandemic in the M&I Segment in China.

5.5.3.2 Cost of Sales

Our cost of sales increased by €151,796 thousand, or 36.0%, from *as if* €421,328 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €573,124 thousand for the RENK Group in the fiscal year ended December 31, 2021. The increase was mainly due to higher production volumes as well as an increase in depreciation and amortization effect from purchase price allocations. Depreciation and amortization effect from purchase price allocations for the Former RENK Group AG amounted to *as if* €1,600 thousand and does not reflect the impact of the Triton Acquisition in the twelve months ended December 31, 2020. On the level of RENK Group, depreciation and amortization effect from purchase price allocations amounted to €49,353 thousand in the fiscal year ended December 31, 2021 mainly reflecting the impact of the Triton Acquisition as well as the RENK America Acquisition. As a result, cost of sales as a percentage of revenue increased from *as if* 76.6% for the Former RENK AG Group for the twelve months ended December 31, 2020 to 82.1% for the RENK Group in the fiscal year ended December 31, 2021.

5.5.3.3 Gross Profit

Our gross profit decreased by €4,343 thousand, or 3.4%, from *as if* €128,879 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €124,536 thousand for the RENK Group in the fiscal year ended December 31, 2021 due to the factors discussed above. Gross profit as a percentage of revenue decreased from *as if* 23.4% for the Former RENK AG Group for the twelve months ended December 31,

2020 to 17.9% for the RENK Group for the fiscal year ended December 31, 2021 also due to the factors discussed above.

5.5.3.4 Other Operating Income

Our other operating income decreased by €1,231 thousand, or 17.2%, from *as if* €7,158 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €5,927 thousand for the RENK Group in the fiscal year ended December 31, 2021. The decrease was primarily attributable to lower income from expenses passed on to the former owner in the twelve months ended December 31, 2020. In connection with the Triton Acquisition, the Former RENK AG Group incurred certain costs that were passed on to Volkswagen Vermögensverwaltungs-GmbH, while no such expenses incurred in the fiscal year ended December 31, 2021. This effect was partially offset by higher income from the release of other provisions.

5.5.3.5 Distribution Expenses

Our distribution expenses increased by €8,692 thousand, or 22.7%, from *as if* €38,338 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €47,030 thousand for the RENK Group in the fiscal year ended December 31, 2021. The increase was mainly due to higher production volumes.

5.5.3.6 General and Administrative Expenses

Our general and administrative expenses increased by €5,558 thousand, or 19.3%, from *as if* €28,795 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €34,353 thousand for the RENK Group in the fiscal year ended December 31, 2021. The increase was mainly attributable to transaction expenses incurred in connection with the RENK America Acquisition.

5.5.3.7 Other Operating Expenses

Our other operating expenses increased by €11,711 thousand from *as if* €8,766 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €20,477 thousand for the RENK Group in the fiscal year ended December 31, 2021. Other operating expenses of the RENK Group for the fiscal year ended December 31, 2021 included incidental costs of business combinations of €7,968 thousand for the RENK America Acquisition and the Triton Acquisition as well as €5,127 thousand of expenses from currency translation differences (for the Former RENK AG Group for the twelve months ended December 31, 2020 *as if* €2,830 thousand). *As if* other operating expenses for the Former RENK AG Group do not include costs and expenses in connection with the Triton Acquisition. On the level of the RENK Group, incidental costs of business combinations related to the Triton Acquisition in an amount of €16,271 thousand were recorded in the short fiscal year ended December 31, 2020.

Our expenses from exchange rate changes include losses from exchange rate changes between the origination and payment date of receivables and liabilities in foreign currencies and realized and unrealized price losses from the measurement of derivatives and mainly related to changes in the exchange rate of the euro compared to the US dollar in the fiscal year ended December 31, 2021.

5.5.3.8 Interest Expense

Our interest expense increased by €32,178 thousand from *as if* €1,422 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €33,600 thousand for the RENK Group in the fiscal year ended December 31, 2021. *As if* interest expense for the Former RENK AG Group for the twelve months ended December 31, 2020 mainly comprised fees for letter of guarantees and did not include interest on the Senior Secured Notes or the Existing Senior Facilities Agreement. Interest expense of the RENK Group in the short fiscal year ended December 31, 2020 amounted to €12,690 thousand and included interest expense on bonds related to the Senior Secured Notes of €8,561 thousand (fiscal year ended December 31, 2021: €17,833 thousand) and, loan interest on the Existing Facilities Agreement of €1,820 thousand (fiscal year ended December 31, 2021: €5,888 thousand). In the fiscal year ended December 31, 2021 interest expense of the RENK Group includes in addition interest on bridge funding of €4,060 thousand.

5.5.3.9 Other Financial Result

Our other financial result increased by €18,054 thousand from *as if* €457 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €18,511 thousand for the RENK Group in the fiscal year ended December 31, 2021. The increase primarily relates to higher income from measurement effects from foreign currency loans. Other financial result of the RENK Group in the short fiscal year ended December 31, 2020 amounted to €1,706 thousand and included income from measurement effects, income from fair value changes of embedded derivatives, income from dividends, income from securities and expenses from write-downs on non-consolidated companies. Changes in income from fair value changes of embedded derivatives mainly resulted from changes in fair value of compound embedded of €5,451 thousand in the fiscal year ended December 31, 2021, compared to €1,328 thousand in the short fiscal year ended December 31, 2020.

5.5.3.10 Income Tax Expense

Our income tax expense decreased by €11,130 thousand, or 50.0%, from *as if* €22,241 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €11,111 thousand for the RENK Group in the fiscal year ended December 31, 2021. This decrease reflects lower current tax, due to a lower income before tax.

5.5.3.11 Profit (+) / loss (-) After Tax

Our profit (+) / loss (-) after tax decreased by €39,160 thousand from an *as if* profit of €38,282 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to a loss of €878 thousand for the RENK Group in the fiscal year ended December 31, 2021 due to the factors discussed above.

5.6 Segment Reporting

We apply IFRS 8 Segment Reporting starting in the fiscal year ended December 31, 2023 and reported financial data for our three business segments VMS Segment, M&I Segment and Slide Bearings Segment for the nine months ended September 30, 2023. We implemented the current organizational and reporting structure as of January 1, 2023 (among other things by hiring additional divisional managers at the level of our current three business segments). The segment data for the nine months ended September 30, 2022 and 2023 is taken from the Unaudited Consolidated Interim Financial Statements. The segment data for the nine months ended September 30, 2022 are presented in our business segment structure comprising our three segments as applied since January 1, 2023 for comparison reasons. We also present financial data for our three business segments for the fiscal year ended December 31, 2022 in this Prospectus for comparison reasons. The segment data for the fiscal year ended December 31, 2022 has been derived from the Company's accounting records or internal reporting systems. As we began applying IFRS 8 Segment Reporting for the first time in the fiscal year 2023, no information on segment level is available for the fiscal year ended December 31, 2021 and the short fiscal year ended December 31, 2020 and accordingly no such segment information is presented in this Prospectus.

The following table provides certain financial information for each of our Segments for the periods indicated, including certain financial information included under "Others/Reconciliation" which relates to transactions between the segments and central functions:

	For the fiscal year ended December 31, 2022	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
		(€ thousands) (unaudited)	
VMS Segment			
Revenue	485,577	336,384	360,468
Adjusted EBIT	113,403	73,212	72,383
M&I Segment			
Revenue	276,059	193,660	211,933
Adjusted EBIT	20,643	15,918	16,997

	For the fiscal year ended December 31, 2022	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
		(€ thousands) (unaudited)	
Slide Bearings Segment			
Revenue	90,889	66,672	83,262
Adjusted EBIT	13,378	9,649	12,544
Others/Reconciliation			
Revenue	(3,557)	(2,751)	(2,980)
Adjusted EBIT	(3,097)	(667)	2,034
Group			
Revenue	848,967	593,965	652,683
Adjusted EBIT	144,327	98,112	103,957

5.7 Financial Position

The table below sets forth our consolidated statements of financial position as of the reporting dates indicated:

	As of December 31,			As of September 30,
	2020*	2021	2022	2023
	in € thousands (audited)			(unaudited)
Assets				
Intangible assets	239,662	435,570	388,955	401,087
Property, plant and equipment	300,340	332,378	322,981	316,640
Other and financial investments	22,983	23,667	21,924	10,326
Deferred tax assets	3,861	1,492	13,718	13,054
Other non-current financial assets	13,978	22,133	1,957	325
Other non-current receivables	4,732	3,561	2,415	1,576
Non-current assets	**585,557**	**818,800**	**751,949**	**743,008**
Inventories	248,604	250,040	275,595	324,278
Trade receivables	131,626	117,497	144,654	133,224
Contract assets	2,565	60,068	83,534	105,565
Current income tax receivables	13,386	9,588	5,596	12,378
Other current financial assets	16,296	10,091	10,663	13,867
Other current receivables	7,449	8,098	12,010	20,690
Cash and cash equivalents	186,881	97,546	158,678	69,740
Current assets	**606,807**	**552,928**	**690,730**	**679,742**
Total assets	**1,192,364**	**1,371,728**	**1,442,680**	**1,422,750**
Equity and Liabilities				
Subscribed capital	25	25	25	100,000
Capital reserves	221,903	312,309	308,594	254,504
Retained earnings	(22,310)	(23,189)	(7,070)	12,420
Cumulative other comprehensive income	2,645	19,149	22,958	25,527
Equity	**202,263**	**308,294**	**324,506**	**392,451**
Non-current financial liabilities	405,033	614,117	617,694	527,036
Pension provisions	16,023	6,411	1,457	1,695
Deferred tax liabilities	80,115	87,261	77,854	71,399
Contract liabilities, non-current	78,544	39,398	72,792	75,388
Other non-current provisions	11,480	13,536	11,267	12,083
Other non-current financial liabilities	232	639	265	6,430
Other non-current liabilities	—	30	48	3
Non-current liabilities and provisions	**591,427**	**761,392**	**781,377**	**694,034**
Current financial liabilities	106,345	15,757	17,713	11,243

	As of December 31,			As of September 30,
	2020*	2021	2022	2023
	in € thousands (audited)			(unaudited)
Income tax liabilities	652	599	2,345	13,490
Trade payables	49,383	65,816	66,631	82,171
Contract liabilities, current	106,380	121,612	141,270	143,972
Current income tax payables	496	1,256	7,174	–
Other current provisions	53,825	66,621	65,196	42,375
Other current financial liabilities	53,014	2,904	2,630	1,087
Other current liabilities	28,579	27,476	33,837	41,928
Current liabilities and provisions	**398,674**	**302,042**	**336,797**	**336,265**
Total equity and liabilities	**1,192,364**	**1,371,728**	**1,442,680**	**1,422,750**

* The financial information as of December 31, 2020 has been taken from the amended prior-year comparative financial information in the 2021 Audited Consolidated Financial Statements.

5.7.1 Non-current Assets

Our non-current assets comprise intangible assets such as trademarks and other intellectual property rights, customer relationships and goodwill from business combinations, property plant and equipment and, to a much lower degree, other and financial investments, other non-current financial assets, deferred tax assets as well as other non-current receivables.

Our non-current assets decreased by €8,941 thousand, or 1.2%, from €751,949 thousand as of December 31, 2022 to €743,008 thousand as of September 30, 2023. The decrease was primarily attributable to a decrease in property, plant and equipment and other and financial investments, partly offset by an increase of intangible assets due to the acquisition of General Kinetics in January 2023.

Our non-current assets decreased by €66,851 thousand, or 8.2%, from €818,800 thousand as of December 31, 2021 to €751,949 thousand as of December 31, 2022. The decrease was mainly due to lower intangible assets as a result of higher scheduled amortizations due to the RENK America Acquisition compared to fiscal year 2021.

Our non-current assets increased by €233,243 thousand, or 39.8%, from €585,557 thousand as of December 31, 2020 to €818,800 thousand as of December 31, 2021. The increase was primarily attributable to the first-time consolidation of the assets acquired pursuant to the RENK America Acquisition, which were only partially offset by scheduled amortizations.

5.7.2 Current Assets

Our current assets mainly consist of inventories, trade receivables, contract assets and cash and cash equivalents. See also "*5.8.2 Net Working Capital*".

Our current assets slightly decreased by €10,988 thousand, or 1.6%, from €690,730 thousand as of December 31, 2022 to €679,742 thousand as of September 30, 2023. The decrease was primarily attributable to a decrease of cash and cash equivalents resulting from the partial repayment of €50 million of a shareholder loan in the amount of €80 million, entered into on September 10, 2020 between the Selling Shareholder as lender and RENK GmbH as borrower (the "**Shareholder Loan**"). The effect of the repayment of the Shareholder Loan was only partly offset by higher inventories, and higher contract assets. The increases in inventories and contract assets mainly related to the VMS Segment and were driven by a temporary build-up of stockpiles of raw material and externally sourced components to mitigate and reduce supply chain risks as well as delayed deliveries due to bottlenecks in production and final testing.

Our current assets increased by €137,802 thousand, or 24.9%, from €552,928 thousand as of December 31, 2021 to €690,730 thousand as of December 31, 2022. The increase was primarily attributable to higher cash and cash equivalents, higher trade receivables and higher inventories.

Our current assets decreased by €53,879 thousand, or 8.9%, from €606,807 thousand as of December 31, 2020 to €552,928 thousand as of December 31, 2021. The decrease was primarily attributable to lower cash and

cash equivalents and, to a lesser degree, lower trade receivables and lower other current financial assets, which was only partially offset by higher contract assets.

5.7.3 Non-current Liabilities and Provisions

Our non-current liabilities and provisions comprise non-current financial liabilities as well as, to a much lower degree, deferred tax liabilities, non-current contract liabilities, other non-current provisions, pension provisions, other non-current financial liabilities and other non-current liabilities.

Our non-current liabilities and provisions decreased by €87,343 thousand, or 11.2%, from €781,377 thousand as of December 31, 2022 to €694,034 thousand as of September 30, 2023. The decrease was primarily attributable to a decrease in non-current financial liabilities due to the partial repayment of the Shareholder Loan and the contribution by the Selling Shareholder of the remaining balance of the Shareholder Loan in an amount of €30 million as well as €15 million of accrued interest to the Company's capital reserves. As a result of the contribution of the remaining Shareholder Loan balance and accrued interest, the respective liabilities of the Company were extinguished on a cashless basis, which also resulted in a corresponding increase in the Company's capital reserves.

Our non-current liabilities and provisions increased by €19,985 thousand, or 2.6%, from €761,392 thousand as of December 31, 2021 to €781,377 thousand as of December 31, 2022. The increase was mainly due to an increase of non-current contract liabilities and non-current financial liabilities and partly offset by a decrease of pension provisions, deferred tax liabilities and other non-current provisions.

Our non-current liabilities and provisions increased by €169,965 thousand, or 28.7%, from €591,427 thousand as of December 31, 2020 to €761,392 thousand as of December 31, 2021. The increase mainly reflects higher non-current financial liabilities following the issuance of an additional €200 million aggregate principal amount of Senior Secured Notes in July 2021 in connection with the financing of the RENK America Acquisition.

5.7.4 Current Liabilities and Provisions

Our current liabilities and provisions mainly comprise trade payables, current contract liabilities and other current provisions as well as, to a much lower degree, current financial liabilities, current income tax payables, other current financial liabilities and other current liabilities.

Our current liabilities and provisions decreased slightly by €532 thousand, or 0.2%, from €336,797 thousand as of December 31, 2022 to €336,265 thousand as of September 30, 2023. The slight decrease was primarily attributable to lower provisions, especially provisions for warranties as well as a decrease in current income tax payables. The decrease was offset by higher trade payables, an increase in other current liabilities due to higher liabilities from wages and salaries, an increase in current contract liabilities due to an increase in advance payments received from contractual liabilities.

Our current liabilities and provisions increased by €34,755 thousand, or 11.5%, from €302,042 thousand as of December 31, 2021 to €336,797 thousand as of December 31, 2022. The increase was primarily driven by higher current contract liabilities as a result of higher advanced payments received and higher other current liabilities.

Our current liabilities and provisions decreased by €96,632 thousand, or 24.2%, from €398,674 thousand as of December 31, 2020 to €302,042 thousand as of December 31, 2021. The decrease mainly reflects lower current financial liabilities as a result of the repayment of certain shareholder loans as well as the contribution to the Company's equity of other shareholder loans.

5.8 Liquidity and Capital Reserves

Liquidity describes the availability of sufficient financial resources to meet our respective payment obligations when they become due.

The Group's principal sources of funds have been cash generated from the Group's operating activities, the proceeds from the issuance of the Senior Secured Notes, equity contributions from Triton, and cash equivalents and prepayments from customers. The Group's principal uses of cash are funding the daily business, working capital and capital expenditure and debt service. The Group's ability to arrange financing and its cost of capital

depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and the capital markets, restrictions on instruments governing the Group's debt and its general financial performance.

5.8.1 Cash Flows

The following table shows the principal components of the Company's or, with respect to the twelve month period ended December 31, 2020, *as if* Former RENK AG Group's, consolidated statement of cash flows for the periods indicated:

	For the twelve months ended December 31,	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2020	2021	2022	2022	2023
	as if Former RENK AG Group	RENK Group			
		(€ thousand)			
	(unaudited)	(audited)		(unaudited)	
Cash flows from operating activities	91,072	98,075	115,848	45,800	35,626
Cash flows from investing activities	(52,300)	(319,254)	(22,522)	(15,975)	(50,144)
Cash flows from financing activities	(15,513)	130,748	(34,262)	(31,102)	(79,411)
Change in cash and cash equivalents	22,216	(89,335)	61,132	2,630	(88,938)
Cash and cash equivalents at end of period	124,692	97,546	158,678	100,176	69,740

5.8.1.1 Cash Flows From Operating Activities

Our cash flows from operating activities decreased by €10,174 thousand from cash inflows of €45,800 thousand in the nine months ended September 30, 2022 to cash inflows of €35,626 thousand in the nine months ended September 30, 2023. The decrease was primarily attributable to a lower profit before tax, higher income taxes paid, an increase in change in receivables and contract assets, a decrease in change in (contract) liabilities, a decrease in change in other provisions, partially compensated by an increase in financial result (except for income from dividends).

Our cash flows from operating activities increased by €17,773 thousand, or 18.1%, from €98,075 thousand in the fiscal year ended December 31, 2021 to €115,848 thousand in the fiscal year ended December 31, 2022. The increase was due to higher profit before tax, which was only partially offset by an increase in Net Working Capital due to higher order intake.

Cash flows from operating activities increased by €7,003 thousand, or 7.7%, from *as if* €91,072 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to €98,075 thousand for the RENK Group in the fiscal year ended December 31, 2021. Despite lower profit before tax in the fiscal year ended December 31, 2021, cash flows from operating activities increased in the fiscal year ended December 31, 2021 as the decrease in profit before tax was significantly affected by non-cash effects related to the depreciation and amortization expenses attributable to the revaluation of acquired assets in connection with the purchase price allocations for past acquisitions as well as an increase in provisions.

5.8.1.2 Cash Flows From Investing Activities

Our cash flows from investing activities decreased by €34,169 thousand from cash outflow of €15,975 thousand in the nine months ended September 30, 2022 to a cash outflow of €50,144 thousand in the nine months ended September 30, 2023. Cash outflows from investing activities in the nine months ended September 30, 2023 were driven by the payment of the purchase price for the acquisition of General Kinetics in January 2023.

Our cash flows from investing activities increased by €296,732 thousand, or 92.9%, from cash outflows of €319,254 thousand in the fiscal year ended December 31, 2021 to cash outflows of €22,522 thousand in the fiscal year ended December 31, 2022. Cash outflows from investing activities in the fiscal year ended December 31, 2021 was driven by the payment of the purchase price for the RENK America Acquisition. Cash outflows from investing activities in the fiscal year ended December 31, 2022 mainly related to continued investments in the vehicle transmission business at our Augsburg site as well as ordinary course capital expenditure.

Our cash flows from investing activities decreased by €266,954 thousand from *as if* cash outflows of €52,300 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to cash outflows of €319,254 thousand for the RENK Group in the fiscal year ended December 31, 2021. *As if* cash flows from investing activities for the Former RENK AG Group in the twelve-month period ended December 31, 2020 does not include the consideration paid in connection with the Triton Acquisition. Cash flows from investing activities of the RENK Group in the short fiscal year ended December 31, 2020 amounted to cash outflows of €536,918 thousand reflecting primarily the consideration paid in connection with the Triton Acquisition.

5.8.1.3 Cash Flows From Financing Activities

Our cash flows from financing activities decreased by €48,309 thousand from cash outflows of €31,102 thousand in the nine months ended September 30, 2022 to a cash outflow of €79,411 thousand in the nine months ended September 30, 2023. Cash flows from financing activities in the nine months ended September 30, 2023 were mainly related to the repayment of the Shareholder Loan as well as interest expense, in particular relating to the Senior Secured Notes and the Existing Senior Facilities Agreement.

Our cash flows from financing activities decreased by €165,010 thousand from cash inflows of €130,748 thousand in the fiscal year ended December 31, 2021 to cash outflows of €34,262 thousand in the fiscal year ended December 31, 2022. Cash inflows from financing activities in the fiscal year ended December 31, 2021 mainly comprised the proceeds from the issuance of €200 million in aggregate principal amount of additional Senior Secured Notes in connection with the RENK America Acquisition as well as the contribution of certain shareholder loans to the Company's equity. These cash inflows in the fiscal year ended December 31, 2021 were only partially offset by the repayment of certain shareholder loans, cash outflows from acquisitions of non-controlling interests of €51,553 thousand associated with the squeeze out of the remaining minority shareholders of RENK AG following the Triton Acquisition and interest payments. In the fiscal year ended December 31, 2022, the Group did not raise significant new financial indebtedness and cash flows from financing activities were driven by interest expense, in particular relating to the Senior Secured Notes and the Existing Senior Facilities Agreement.

Cash flows from financing activities increased by €146,261 thousand from *as if* cash outflows of €15,513 thousand for the Former RENK AG Group for the twelve months ended December 31, 2020 to a cash inflow of €130,748 thousand for the RENK Group in the fiscal year ended December 31, 2021. *As if* cash flows from financing activities for the Former RENK AG Group for twelve months ended December 31, 2020 do not include the cash inflows from the issuance of the original Senior Secured Notes in an aggregate principal amount of €320 million and the other financing transaction entered into in connection with the Triton Acquisition because it presents the *as if* cash flows of the Former RENK AG Group. Cash flows from financing activities of the RENK Group in the short fiscal year ended December 31, 2020 amounted to cash inflows of €707,273 thousand reflecting the cash inflows from the issuance of the original Senior Secured Notes and the Triton's equity contribution in connection with the Triton Acquisition.

5.8.2 Net Working Capital

We calculate Net Working Capital as the total of inventories and customer receivables (comprising trade receivables, excluding customer prepayment receivables, and contract assets) less trade payables and prepayments (received) (comprising contract liabilities, non-current and current, excluding liabilities from customer prepayment receivables). The table below sets forth a calculation of our Net Working Capital as of the reporting dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(€ thousand)			
	(audited, unless indicated otherwise)			(unaudited)
Inventories	248,604	250,040	275,595	324,278
Customer receivables (unaudited)*	125,346	173,131	219,056	233,261
Trade payables	(49,383)	(65,816)	(66,631)	(82,171)
Prepayments (received) (unaudited)**	(178,840)	(156,599)	(206,984)	(214,371)
Net Working Capital (unaudited)	**145,727**	**200,756**	**221,036**	**260,997**

* Comprises trade receivables (€131,626 thousand, €117,497 thousand, €144,654 thousand and €133,224 thousand as of December 31, 2020, December 31, 2021, December 31, 2022 and September 30, 2023, respectively), excluding customer prepayment receivables

(€8,845 thousand, €4,434 thousand, €9,132 thousand and €5,528 thousand as of December 31, 2020, December 31, 2021, December 31, 2022 and September 30, 2023, respectively), and contract assets (€2,565 thousand, €60,068 thousand, €83,534 thousand and €105,565 thousand as of December 31, 2020, December 31, 2021, December 31, 2022 and September 30, 2023, respectively).

** Comprises contract liabilities, non-current and current (€184,924 thousand, €161,010 thousand, €214,062 thousand and €219,360 thousand as of December 31, 2020, December 31, 2021, December 31, 2022 and September 30, 2023, respectively) excluding liabilities from customer prepayment receivables (€6,084 thousand, €4,411 thousand, €7,078 thousand and €4,989 thousand as of December 31, 2020, December 31, 2021, December 31, 2022 and September 30, 2023, respectively).

Since the Triton Acquisition, working capital management has been a priority for us. With the support of an external advisor, we have in particular focused on improving the management of our trade creditors, which has contributed to an under-proportionate increase in trade payables compared to our revenue growth. However, as a result of strong order intake and related prepayments as well as strategic stockpiling of inventories to safeguard against supply chain disruptions in addition to an increase in customer advance payments, total Net Working Capital increased significantly since December 31, 2020. Net Working Capital as a percentage of revenue remained relatively stable between December 31, 2020 and December 31, 2022.

Net Working Capital as of September 30, 2023 amounted to €260,997 thousand compared to €221,036 thousand as of December 31, 2022. The increase was primarily driven by the increase in inventories, including raw material and externally sourced components, mainly in the VMS Segment, due to increased business activity, stock-building as reaction to global supply chain shortages as well as delayed deliveries due to challenges in production related to final testing in the first half of 2023.

Net Working Capital as of December 31, 2022 amounted to €221,036 thousand compared to €200,756 thousand as of December 31, 2021. The increase was primarily due to higher inventories as a result of strategic stockpiling to safeguard against supply chain disruptions as well as higher customer receivables as a result of higher contract assets which in turn reflect increased production volume. These effects were only partially offset by higher prepayments received, reflecting strong Order Intake.

Net Working Capital as of December 31, 2021 amounted to €200,756 thousand compared to €145,727 thousand as of December 31, 2020. The increase was primarily due to an increase in contracts assets following the RENK America Acquisition as well as lower contract liabilities.

5.8.3 Capital Expenditure

Our Capital Expenditure primarily relates to investments in our production facilities and office buildings as well as the acquisition of new machinery and manufacturing equipment. Capital Expenditure are defined as payments to acquire property, plant and equipment and intangible assets as shown in the consolidated statement of cash flows. We distinguish between maintenance capital expenditure and growth capital expenditure. Growth capital expenditure is defined as capital expenditure for specifically dedicated growth or expansion projects or projects related to environmental, social and governance matters, while maintenance capital expenditure is defined as the aggregate amount of capital expenditure minus growth capital expenditure.

For the nine months ended September 30, 2023, Capital Expenditure amounted to €14,820 thousand and related mainly to the purchase of machine centers for our production facilities in Augsburg and Muskegon, Michigan, United States, in particular computer numerical control machines in Augsburg and Muskegon, Michigan, United States, and a washing and spray booth for our production facility in Augsburg, in order to expand and upgrade these production facilities. Further, we invested in a new vehicle transmission test bench for our production facility in Augsburg. Between September 30, 2023 and the date of this Prospectus, our Capital Expenditure amounted to approximately €15 million, mainly relating to the purchase of machinery for our VMS production facilities, in particular a machine center for our production facilities in Muskegon, Michigan, as well as to a lesser extent to the purchase of machinery for our M&I production facilities in Rheine and investments into additional capacity for our Slide Bearings segment and Renk America.

For the fiscal year ended December 31, 2022, Capital Expenditure amounted to €25,983 thousand and related mainly to continued investments in the vehicle transmission business at our Augsburg site, in particular the expansion and upgrade of our production facilities in Augsburg, as well as investments in bending equipment and surface technology optimization at our production site in Augsburg as well as various smaller investments for our RENK America Business.

For the fiscal year ended December 31, 2021, Capital Expenditure amounted to €32,806 thousand and related mainly to continued investment in the vehicle transmission business at the Augsburg site, in particular the

expansion and upgrade of our production facilities in Augsburg in addition to modernization programs at our production facilities in the US.

For the short fiscal year ended December 31, 2020, Capital Expenditure amounted to €15,564 thousand. Capital Expenditure of RENK Group for the short fiscal year ended December 31, 2020 includes Capital Expenditure of the Former RENK AG Group only from the date of the consummation of the Triton Acquisition in October 2020. Capital Expenditure of the Former RENK AG Group for the twelve month period ended December 31, 2020 mainly related to investments at the Augsburg site. Further investments were made in machinery and test rigs. Investments in the special gear business related to new production equipment. In the slide bearings business in Hanover, investment activities focused on new coating equipment. In the standard gear business in Rheine, capital expenditure related primarily to milling and turning equipment and completion of the new customer center featuring modern meeting and seminar rooms. Our French subsidiary focused its capital expenditure on testing facilities, whereas RENK–MAAG GmbH and the Horstman Group primarily invested in the refurbishment of mechanical production equipment.

We have funded our Capital Expenditures in the last fiscal years as well as in the nine months ended September 30, 2023 through cash and cash equivalents.

5.8.4 Cash Pooling and Cash Management

Prior to March 31, 2020, cash for the operating units of the Former RENK AG Group was essentially managed centrally as part of the MAN Group's cash pooling arrangement. Since March 31, 2020, we are no longer part of the cash pooling arrangements of the MAN Group. Currently, RENK GmbH centrally controls the Group's liquidity position and manages the cash pooling within the Group. RENK GmbH has implemented its own treasury management system and payment system including implementing cash pooling for larger members of the Group in Europe and the United States and daily monitoring of cash flows and liquidity within all countries which the Group operates in.

5.8.5 Contractual Obligations and Commitments

Our other financial obligations result from short-term and low-value rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These financial obligations represent future rental and lease payments until the end of their contractual minimum term (€325 thousand as of December 31, 2022). These rental agreements primarily relate to renting work clothes and office printers.

As of December 31, 2022, regarding our capitalized leases, our potential future payments resulting from extension options not yet taken into account amounted to €4,766 thousand and from termination option amounted to €49 thousand.

Our other commitments in the amount of €12,796 thousand as of December 31, 2022 relate to commitments regarding the purchase of intangible assets and property, plant and equipment. Our purchase commitments for inventories and services amounted to €267,753 thousand as of December 31, 2022.

5.8.6 Maturity of Liabilities

The following table shows our expected future cash outflows for liabilities, derivative financial instruments and contingent liabilities as of December 31, 2022[(1)]:

	2023	2024 – 2027	> 2027
		(€ thousand) (audited)	
Cash outflows from primary financial liabilities	99,073	675,356	242
of which from bonds[2]	29,900	579,800	—
of which from loan liabilities	—	91,395	—
of which trade payables	66,631	—	—
of which other financial liabilities	1,013	28	—
of which from lease liabilities	1,528	4,133	242
Cash outflows from derivative financial instrument with negative market value and gross fulfillment [3]	(24,860)	(3,971)	—
Associated cash inflows	22,860	3,571	—

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

(2) This includes both tranches of €320,000 thousand and €200,000 thousand within the Senior Secured Notes.

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

5.8.7 Contingent Liabilities

The following table shows our contingent liabilities as of the reporting dates indicated:

	As of December 31, 2022	As of September 30, 2023
	(€ thousand) (audited)	(unaudited)
Obligations from guarantees	130	—
Other contingent liabilities	2,181	328
Total	**2,311**	**328**

The obligations under guarantees relate to guarantees under trade obligations of equity investments. Other contingent liabilities relate to contractual penalties. Contingent liabilities are usually measured in the amount of the maximum claims on the Group. Any rights of recourse are not deducted. Contingent liabilities decreased compared to December 31, 2022 due to declining contract penalties in the civil business.

5.8.8 Pension provisions

We have defined benefit pension plans in Germany, defined contribution pension plans in Switzerland and pay obligatory post-employment benefits in France. We provide employees in Germany with benefits under an occupational pension system. Under the current pension plans, active employees in Germany 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). 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. In the US, the contributions paid to the pension plan are made only by the employer.

As of December 31, 2022, the present value of our defined benefit obligations amounted to €163,211 thousand and the fair value of our plan assets amounted to €173,897 thousand. As of December 31, 2022, our provisions for pension obligations amounted to €1,457 thousand and to €1,695 thousand as of September 30, 2023.

5.8.9 Off-Balance Sheet Arrangements

As of September 30, 2023, we had no off-balance sheet arrangements.

5.9 Non-IFRS Financial Measures (Alternative Performance Measures)

In addition to our IFRS reporting, we use certain non-IFRS financial measures (alternative performance measures ("**APMs**")) to track our operating performance and liquidity position. These include EBIT, EBIT

Margin, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted Gross Profit, Adjusted Distribution Expenses, Adjusted General and Administrative Expenses, Order Intake, Fixed Order Backlog, Unlevered Free Cash Flow, Free Cash Flow, Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan, Adjusted Cash Conversion, Capital Expenditure, Net Working Capital and Net Debt. These APMs are not required by, or presented in accordance with, IFRS or any other generally accepted accounting principles. We present these APMs because we use such information in monitoring our business and because we believe that it is frequently used by analysts, investors and other interested parties in evaluating companies in our industry and it may contribute to a more comprehensive understanding of our business. See also "*2.13 Non-IFRS Financial Measures (Alternative Performance Measures)*".

The table below sets forth an overview of certain *as if* Former RENK AG Group's and RENK Group's APMs for the periods and reporting dates indicated:

	As of and for the twelve months ended December 31,	**As of and for the fiscal year ended December 31,**		**As of and for the nine months ended September 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	***as if* Former RENK AG Group (unless indicated otherwise)**	**RENK Group**			
	in € millions unless indicated otherwise (unaudited unless indicated otherwise)				
Alternative Performance Measures					
EBIT	61.5	25.3*	65.2*	44.8	57.0
EBIT Margin (in %)	11.2	3.6	7.7	7.5	8.7
Adjusted EBIT	n.a.**	90.6	144.3	98.1	104.0
Adjusted EBIT Margin (in %)	n.a.**	13.0	17.0	16.5	15.9
EBITDA	87.6	101.6	161.3	116.0	115.4
Adjusted EBITDA	n.a.**	117.6	174.3	119.9	127.2
Adjusted Net Income	n.a.**	47.8	75.2	68.4	54.3
Adjusted Gross Profit	n.a.**	173.9	235.5	166.2	185.7
Adjusted Distribution Expenses	n.a.**	(46.9)	(46.7)	(35.1)	(39.0)
Adjusted General and Administrative Expenses	n.a.**	(32.8)	(46.4)	(34.1)	(43.3)
Order Intake	767.0	675.6	986.6	736.5	911.4
Fixed Order Backlog	1,030.3	1,276.8	1,406.6	1,433.9	1,712.3
Free Cash Flow	n.a.***	59.3	63.5	2.7	(4.6)
Adjusted Cash Conversion (in %)	n.a.**	72.1	85.1	87.3	88.3
Capital Expenditure	15.6(1)	32.8	26.0	15.2	14.8
Net Working Capital	145.7(1)	200.8	221.0	n.a.	261.0
Net Debt	146.8(1)	446.0	382.9	n.a.	465.9

* Audited.

** Not presented for the twelve months ended December 31, 2020. This is because the majority of the adjustments that are relevant for these APMs relate to the Triton Acquisition and the RENK America Acquisition as well as other non-recurring effects such as the payment of an inflation compensation premium and are therefore only relevant for the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022 and 2023. Moreover, the adjustments for the twelve months ended December 31, 2020 would not have been significant in total.

*** Not presented for the twelve months ended December 31, 2020 because the *as if* consolidated statement of cash flows financial information for the Former RENK AG Group for the twelve-month period ended December 31, 2020 does not include certain of the adjustment items used to calculate Free Cash Flow.

(1) Capital Expenditure, Net Working Capital and Net Debt of RENK Group derived from the 2021 Audited Consolidated Financial Statements.

5.9.1 Adjusted EBIT and Adjusted EBIT Margin

We define Adjusted EBIT as operating profit before the effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as transaction expenses and income for the Triton Acquisition and subsequent merger squeeze out, transaction expenses for the RENK America Acquisition, other M&A related expenses, inflation compensation premium, severance expenses, capital market readiness expenses and other adjustments. We define Adjusted EBIT Margin as Adjusted EBIT divided by revenue.

We present Adjusted EBIT and Adjusted EBIT Margin as a supplemental financial measure of our operating performance. We believe that Adjusted EBIT and Adjusted EBIT Margin are useful to investors in evaluating our operating performance. Other companies may calculate Adjusted EBIT and Adjusted EBIT Margin differently than we do. Therefore, you should exercise caution in comparing Adjusted EBIT and Adjusted EBIT Margin as reported by us to Adjusted EBIT and Adjusted EBIT Margin of other companies. Adjusted EBIT and Adjusted EBIT Margin are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The following table provides a reconciliation of RENK Group's operating profit to Adjusted EBIT for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	**2022**	**2022**	**2023**
	RENK Group			
	in € millions (unless indicated otherwise) (unaudited, unless indicated otherwise)			
Operating profit	**25.3***	**65.2***	**44.8**	**57.0**
Effects from purchase price allocations[(1)]	49.5	66.4	49.6	35.1
Transaction expenses and income from the Triton Acquisition and subsequent merger squeeze out[(2)]	2.3	(0.2)	(0.3)	0.1
Transaction expenses for RENK America Acquisition[(3)]	6.0	–	–	–
Other M&A related expenses[(4)]	–	0.3	–	1.9
Inflation compensation premium[(5)]	–	3.3	0.0	2.5
Severance expenses[(6)]	5.7	4.8	1.1	1.3
Capital market readiness[(7)]	–	–	–	1.6
Other adjustments[(8)]	1.7	4.5	2.9	4.3
Adjusted EBIT	**90.6**	**144.3**	**98.1**	**104.0**
Divided by revenue	697.7*	849.0*	594.0	652.7
Adjusted EBIT Margin (in %)	**13.0**	**17.0**	**16.5**	**15.9**

* Audited.

(1) Represents the additional depreciation and amortization expense as well as income/losses from asset disposals attributable to the revaluation of acquired assets in connection with the purchase price allocations for past acquisitions. The effects from purchase price allocations relate to the acquisition of the Horstman Group, the Triton Acquisition and the RENK America Acquisition in the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022, respectively, and relate to the acquisition of the Horstman Group, the Triton Acquisition, the RENK America Acquisition and the Horstman Canada Acquisition in the nine months ended September 30, 2023.

(2) Represents costs and expenses or income incurred in connection with the acquisition of shares in RENK AG from the Volkswagen Group, the related mandatory takeover offer as well as the subsequent squeeze out of the remaining minority shareholders by Triton, including professional advisory fees in the fiscal years ended December 31, 2021 and December 31, 2022. For the nine months period ended September 30, 2022, it included also translation income from the conversion of receivables in foreign currencies and expenses for insurance coverage. For the nine months period ended September 30, 2023, it represents expenses for insurance coverage.

(3) Represents costs and expenses incurred in connection with the RENK America Acquisition, including professional advisory fees and costs incurred in connection with the preparation of the 2020 CPS Audited Combined Financial Statements, as well as costs incurred in connection with the integration of the RENK America Business in the fiscal year ended December 31, 2021.

(4) Represents costs and expenses incurred in connection with the acquisition of General Kinetics as well as other potential acquisitions in the fiscal year ended December 31, 2022 and the nine months period ended September 30, 2023.

(5) Represents expenses in connection with a one-off inflation compensation premium paid to our employees. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(6) Represents severance expenses related to severance payments to, former board members and other members of our senior management in the fiscal years ended December 31, 2021 and 2022 and for the nine months ended September 30, 2022 and 2023, respectively as well as compensation payments for termination to a sales agent of €1.8 million in the fiscal year ended December 31, 2022.

(7) Represents expenses incurred in the context of achieving capital market readiness of the Company, which mainly included advisory costs relating to the proposed offering and listing of the Company's shares and the respective reimbursements by the Selling Shareholder as well as accounting, tax, ESG and risk management advice and support and costs related to the supplementary audit for the fiscal year 2021 in the nine months period ended September 30, 2023.

(8) In the fiscal year ended December 31, 2021, other adjustments include costs for the implementation of efficiency programs as well as a consolidation system following the separation from the VW AG Group, professional advisory fees in connection with accounting services and costs in connection with a restructuring in the US. In the fiscal year ended December 31, 2022, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, as well as the income from the reversal of a provision for a restructuring program at our Rheine site (€1.1 million). For the nine months ended September 30, 2022, other adjustments represent costs for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects. For the nine months ended September 30, 2023, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the Group, costs relating to rebranding of the Group, exceptional audit fees for the fiscal year 2022 as well as costs relating to professional advisory fees regarding the financing of the Group.

5.9.2 EBITDA and Adjusted EBITDA

We define EBITDA as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment. We define Adjusted EBITDA as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment and adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as transaction expenses and income for the Triton Acquisition and subsequent merger squeeze out, transaction expenses for the RENK America Acquisition, other M&A related expenses, inflation compensation premium, severance expenses, capital market readiness expenses and other adjustments.

We present EBITDA and Adjusted EBITDA as supplemental financial measures of our operating performance. We believe that EBITDA and Adjusted EBITDA are useful to investors in evaluating our operating performance. Other companies may calculate EBITDA and Adjusted EBITDA differently than we do. Therefore, you should exercise caution in comparing EBITDA and Adjusted EBITDA as reported by us to EBITDA and Adjusted EBITDA of other companies. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The following table provides a reconciliation of *as if* Former RENK AG Group's and RENK Group's operating profit to EBITDA and Adjusted EBITDA for the periods indicated:

	Twelve months ended December 31,	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2020	2021	2022	2022	2023
	as if Former RENK AG Group	RENK Group			
	in € millions (unaudited, unless indicated otherwise)				
Operating profit	**61.5**	**25.3***	**65.2***	**44.8**	**57.0**
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	26.1	76.3*	96.1*	71.2	58.3
EBITDA	**87.6**	**101.6**	**161.3**	**116.0**	**115.4**
Transaction expenses and income from the Triton Acquisition and subsequent merger squeeze out[(1)]	n.a.**	2.3	(0.2)	(0.3)	0.1
Transaction expenses for RENK America Acquisition[(2)]	n.a.**	6.0	–	–	–
Other M&A related expenses[(3)]	n.a.**	–	0.3	–	1.9
Inflation compensation premium[(4)]	n.a.**	–	3.3	0.0	2.5
Severance expenses[(5)]	n.a.**	5.7	4.8	1.1	1.3
Capital market readiness[(6)]	n.a.**	–	–	–	1.6
Other adjustments[(7)]	n.a.**	1.9	4.7	3.0	4.3
Adjusted EBITDA	**n.a.****	**117.6**	**174.3**	**119.9**	**127.2**

* Audited.

** Not presented for the twelve months ended December 31, 2020. This is because the majority of the adjustments that are relevant for these APMs relate to the Triton Acquisition and the RENK America Acquisition as well as other non-recurring effects such as the payment of an inflation compensation premium and are therefore only relevant for the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022 and 2023. Moreover, the adjustments for the twelve months ended December 31, 2020 would not have been significant in total.

(1) Represents costs and expenses or income incurred in connection with the acquisition of shares in RENK AG from the Volkswagen Group, the related mandatory takeover offer as well as the subsequent squeeze out of the remaining minority shareholders by Triton, including professional advisory fees in the fiscal years ended December 31, 2021 and December 31, 2022. For the nine months period ended September 30, 2022, it included also translation income from the conversion of receivables in foreign currencies and expenses for insurance coverage. For the nine months period ended September 30, 2023, it represents expenses for insurance coverage.

(2) Represents costs and expenses incurred in connection with the RENK America Acquisition, including professional advisory fees and costs incurred in connection with the preparation of the 2020 CPS Audited Combined Financial Statements, as well as costs incurred in connection with the integration of the RENK America Business in the fiscal year ended December 31, 2021.

(3) Represents costs and expenses incurred in connection with the acquisition of General Kinetics as well as other potential acquisitions in the fiscal year ended December 31, 2022 and the nine months period ended September 30, 2023.

(4) Represents expenses in connection with a one-off inflation compensation premium paid to our employees. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(5) Represents severance expenses related to severance payments to, a former board member and other members of our senior management in the fiscal years ended December 31, 2021 and 2022 and for the nine months ended September 30, 2022 and 2023, respectively, as well as compensation payments for termination to a sales agent of €1.8 million in the fiscal year ended December 31, 2022.

(6) Represents expenses incurred in the context of achieving capital market readiness of the Company, which mainly included advisory costs relating to the proposed offering and listing of the Company's shares and the respective reimbursements by the Selling Shareholder as well as accounting, tax, ESG and risk management advice and support and costs related to the supplementary audit for the fiscal year 2021 in the nine months period ended September 30, 2023.

(7) In the fiscal year ended December 31, 2021, other adjustments include costs for the implementation of efficiency programs as well as a consolidation system following the separation from the VW AG Group, professional advisory fees in connection with accounting services and costs in connection with a restructuring in the US as well as income/losses from asset disposals attributable to the revaluation of acquired assets in connection with the purchase price allocations for past acquisitions. In the fiscal year ended December 31, 2022, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees related to strategic projects, as well as the income from the reversal of a provision for a restructuring program at our Rheine site (€1.1 million). For the nine months ended September 30, 2022, other adjustments represent costs for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects. For the nine months ended September 30, 2023, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the Group, costs relating to rebranding of the Group, exceptional audit fees for the fiscal year 2022 as well as costs relating to professional advisory fees regarding the financing of the Group.

5.9.3 Adjusted Net Income

We define Adjusted Net Income as profit (+) / loss (-) after tax before the effects from purchase price allocations and loan interest related to liabilities to Rebecca BidCo S.à r.l. and adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as transaction expenses and income for the Triton Acquisition and subsequent merger squeeze out, transaction expenses for the RENK America Acquisition, other M&A related expenses, inflation compensation premium, severance expenses, capital market readiness expenses and other adjustments, in each case also reflecting the respective tax adjustment effect for such items.

We present Adjusted Net Income as a supplemental financial measure of our operating performance and because it eliminates the interest expense on shareholder loan liabilities, which have been repaid prior to consummation of the Private Placement. We believe that Adjusted Net Income is useful to investors in evaluating our operating performance. Other companies may calculate Adjusted Net Income differently than we do. Therefore, you should exercise caution in comparing Adjusted Net Income as reported by us to Adjusted Net Income of other companies. Adjusted Net Income is not a measure of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The following table provides a reconciliation of RENK Group's operating profit to Adjusted Net Income for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
	RENK Group			
	in € millions (unaudited, unless indicated otherwise)			
Profit (+) / loss (-) after tax	**(0.9)***	**16.1***	**28.3**	**18.9**
Effects from purchase price allocations[(1)]	49.5	66.4	49.6	35.1
Loan interest[(2)]	5.9	5.2	3.9	3.7
Transaction expenses and income from the Triton Acquisition and subsequent merger squeeze out[(3)]	2.3	(0.2)	(0.3)	0.1
Transaction expenses for RENK America Acquisition[(4)]	6.0	–	–	–
Other M&A related expenses[(5)]	–	0.3	–	1.9
Inflation compensation premium[(6)]	–	3.3	0.0	2.5
Severance expenses[(7)]	5.7	4.8	1.1	1.3
Capital market readiness[(8)]	–	–	–	1.6
Other adjustments[(9)]	1.7	4.5	2.9	4.3
Tax adjustment[(10)]	(22.5)	(25.3)	(17.2)	(15.2)
Adjusted Net Income	**47.8**	**75.2**	**68.4**	**54.3**

* Audited.

(1) Represents the additional depreciation and amortization expense as well as income/losses from asset disposals attributable to the revaluation of acquired assets in connection with the purchase price allocations for past acquisitions. The effects from purchase price allocations relate to the acquisition of the Horstman Group, the Triton Acquisition and the RENK America Acquisition in the fiscal years ended December 31, 2021 and 2022 as well as the nine months

ended September 30, 2022, respectively, and relate to the acquisition of the Horstman Group, the Triton Acquisition, the RENK America Acquisition and the Horstman Canada Acquisition in the nine months ended September 30, 2023.

(2) Represents the interest expense on shareholder loans originally granted by the Selling Shareholder to Rebecca BidCo.

(3) Represents costs and expenses or income incurred in connection with the acquisition of shares in RENK AG from the Volkswagen Group, the related mandatory takeover offer as well as the subsequent squeeze out of the remaining minority shareholders by Triton, including professional advisory fees in the fiscal years ended December 31, 2021 and December 31, 2022. For the nine months period ended September 30, 2022, it included also translation income from the conversion of receivables in foreign currencies and expenses for insurance coverage. For the nine months period ended September 30, 2023, it represents expenses for insurance coverage.

(4) Represents costs and expenses incurred in connection with the RENK America Acquisition, including professional advisory fees and costs incurred in connection with the preparation of the 2020 CPS Audited Combined Financial Statements, as well as costs incurred in connection with the integration of the RENK America Business in the fiscal year ended December 31, 2021.

(5) Represents costs and expenses incurred in connection with the acquisition of General Kinetics as well as other potential acquisitions in the fiscal year ended December 31, 2022 and the nine months period ended September 30, 2023.

(6) Represents expenses in connection with a one-off inflation compensation premium paid to our employees. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(7) Represents severance expenses related to severance payments to, former board members and other members of our senior management in the fiscal years ended December 31, 2021 and 2022 and for the nine months ended September 30, 2023 as well as compensation payments for termination to a sales agent of €1.8 million in the fiscal year ended December 31, 2022.

(8) Represents expenses incurred in the context of achieving capital market readiness of the Company, which mainly included advisory costs relating to the proposed offering and listing of the Company's shares and the respective reimbursements by the Selling Shareholder as well as accounting, tax, ESG and risk management advice and support and costs related to the supplementary audit for the fiscal year 2021 in the nine months period ended September 30, 2023.

(9) In the fiscal year ended December 31, 2021, other adjustments include costs for the implementation of efficiency programs as well as a consolidation system following the separation from the VW AG Group, professional advisory fees in connection with accounting services and costs in connection with a restructuring in the US. In the fiscal year ended December 31, 2022, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees, as well as the income from the reversal of a provision for a restructuring program at our Rheine site (€1.1 million). For the nine months ended September 30, 2022, other adjustments represent costs for restructuring programs, the implementation of efficiency programs and professional advisory fees mainly related to strategic projects. For the nine months ended September 30, 2023, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the Group, costs relating to rebranding of the Group, exceptional audit fees for the fiscal year 2022 as well as costs relating to professional advisory fees regarding the financing of the Group.

(10) For the purposes of the tax adjustments, we have assumed that the effects from purchase price allocations, loan interest related to liabilities to Rebecca BidCo S.à r.l. as well as the exceptional or non-recurring effects are fully tax deductible or taxable. The tax adjustments represent the sum of the effects from purchase price allocations, the interest expense on loans to affiliated parties as well as the exceptional or non-recurring effects multiplied by the applicable group tax rate (31.6% for the fiscal year ended December 31, 2021, 30% for the fiscal year ended December 31, 2022 and 30% for the nine months ended September 30, 2022 and 30.0% the nine months ended September 30, 2023). The tax adjustment is presented for illustrative purposes only.

5.9.4 Adjusted Gross Profit

We define Adjusted Gross Profit as revenue minus cost of sales before the depreciation and amortization effects of purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as inflation compensation premium and other adjustments. We believe that Adjusted Gross Profit is useful to evaluate our operating performance.

The following table provides a calculation of RENK Group's Adjusted Gross Profit for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
	RENK Group			
	in € millions (unaudited, unless indicated otherwise)			
Revenue	697.7*	849.0*	594.0	652.7
Cost of sales	(573.1)*	(684.2)*	(478.7)	(504.1)
Gross profit	**124.5***	**164.8***	**115.3**	**148.6**
Effects from purchase price allocations[(1)]	49.3	66.2	49.5	35.1
Inflation compensation premium[(2)]	–	2.7	0.0	2.0
Other adjustments[(3)]	–	1.8	1.5	–
Adjusted Gross Profit	**173.9**	**235.5**	**166.2**	**185.7**

* Audited.

(1) Represents the additional depreciation and amortization expense in connection with the purchase price allocations for past acquisitions. The effects from purchase price allocations relate to the acquisition of the Horstman Group, the Triton Acquisition and the RENK America Acquisition in the fiscal years ended December 31, 2021 and 2022 as well as the nine months ended September 30, 2022, respectively, and relate to the acquisition of the Horstman Group, the Triton Acquisition, the RENK America Acquisition and the Horstman Canada Acquisition in the nine months ended September 30, 2023.

(2) Represents a portion of the aggregate expenses in connection with a one-off inflation compensation premium paid to our employees, calculated based on number of employees allocated to the respective functional area by cost center. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(3) In the fiscal year ended December 31, 2022 and the nine months ended September 30, 2022, other adjustments represent costs for professional advisory fees related to strategic projects.

5.9.5 Adjusted Distribution Expenses

We define Adjusted Distribution Expenses as distribution expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as inflation compensation premium, other M&A related expenses and other adjustments. We believe that Adjusted Distribution Expenses is useful to evaluate our operating performance.

The following table provides a calculation of RENK Group's Adjusted Distribution Expenses for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
	RENK Group			
	in € millions (unaudited, unless indicated otherwise)			
Distribution expenses	(47.0)*	(48.1)*	(35.2)	(41.5)
Inflation compensation premium[(1)]	–	0.4	0.0	0.3
Other M&A related expenses[(2)]	–	0.3	–	0.5
Other adjustments[(3)]	0.1	0.7	0.1	1.7
Adjusted Distribution Expenses	**(46.9)**	**(46.7)**	**(35.1)**	**(39.0)**

* Audited.

(1) Represents a portion of the aggregate expenses in connection with a one-off inflation compensation premium paid to our employees, calculated based on number of employees allocated to the respective functional area by cost center. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(2) Represents costs and expenses incurred in connection with the acquisition of General Kinetics in the fiscal year ended December 31, 2022 and the nine months period ended September 30, 2023.

(3) In the fiscal year ended December 31, 2021, other adjustments include costs in connection with a restructuring in the US. In the fiscal year ended December 31, 2022 and the nine months ended September 30, 2022, other adjustments represent costs in connection with a restructuring in the US and professional advisory fees mainly related to strategic projects as well as marketing activities. In the nine months ended September 30, 2023, other adjustments represent costs related to the 150-year celebration of the Group as well as costs relating to the rebranding of the Group.

5.9.6 Adjusted General and Administrative Expenses

We define Adjusted General and Administrative Expenses as general and administrative expenses adjusted for certain items which management considers to be exceptional or non-recurring in nature, such as inflation compensation premium, other M&A related expenses and other adjustments. We believe that Adjusted General and Administrative Expenses is useful to evaluate our operating performance.

The following table provides a calculation of RENK Group's Adjusted General and Administrative Expenses for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	**2022**	**2022**	**2023**
	RENK Group			
	in € millions (unaudited, unless indicated otherwise)			
General and administrative expenses	(34.4)*	(49.8)*	(35.4)	(49.2)
Inflation compensation premium[(1)]	–	0.2	0.0	0.2
Other M&A related expenses[(2)]	–	–	–	1.4
Other adjustments[(3)]	1.6	3.2	1.3	4.4
Adjusted General and Administrative Expenses	**(32.8)**	**(46.4)**	**(34.1)**	**(43.3)**

* Audited.

(1) Represents a portion of the aggregate expenses in connection with a one-off inflation compensation premium paid to our employees, calculated based on number of employees allocated to the respective functional area by cost center. The first installment of the inflation compensation premium was charged in the fiscal year ended December 31, 2022 but paid in the fiscal year ended December 31, 2023. For the second installment payable in 2024, expenses have been accrued in the nine months ended September 30, 2023.

(2) Represents costs and expenses incurred in connection with other potential acquisitions in the nine months period ended September 30, 2023.

(3) In the fiscal year ended December 31, 2021, other adjustments include costs for the implementation of efficiency programs as well as a consolidation system following the separation from the VW AG Group and professional advisory fees in connection with accounting services. In the fiscal year ended December 31, 2022 and the nine months ended September 30, 2022, other adjustments represent costs for the implementation of efficiency programs as well as professional advisory fees mainly related to strategic projects. In the nine months ended September 30, 2023, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, exceptional audit fees for the fiscal year 2022 as well as expenses incurred in the context of achieving capital market readiness of the Company. Expenses for capital market readiness mainly included advisory costs relating to the proposed offering and listing of the Company's shares and the respective reimbursements by the Selling Shareholder as well as accounting, tax, ESG and risk management advice and support and costs related to the supplementary audit for the fiscal year 2021.

5.9.7 Unlevered Free Cash Flow, Free Cash Flow and Free Cash Flow Post-Acquisition Effects and Repayment of the Shareholder Loan

We define Free Cash Flow as EBITDA minus income taxes paid, change in working capital (comprising change in inventories and change in receivables and contract assets), change in other working capital (comprising change in provisions for pension obligations, change in other provisions and change in (contract) liabilities), Capital Expenditure, other changes in cash flows (comprising write-downs/reversals other and financial investments, gains/losses from asset disposals, other non-cash expenses and income, proceeds from asset disposals, cash flows from loans receivable, cash flows from restricted cash, cash flows from cash deposits, lease payments/lease payments and interest payments on leases, effect of exchange rate changes on cash and cash equivalents, effect of changes in basis of consolidation on cash and cash equivalents and cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023) (the Unlevered Free Cash Flow) as well as interest payments. We present Unlevered Free Cash Flow and Free Cash Flow because we believe they are useful to assist investors to evaluate our ability to generate cash from our operating activities. We define Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan as EBITDA minus income taxes paid, change in working capital, change in other working capital, Capital Expenditure, other changes in cash flows, interest payments and acquisition effects (comprising acquisition of subsidiaries and acquisition of non-controlling interests less cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023) and, for the nine months period ended September 30, 2023, less the repayment of the loan outstanding under the Shareholder Loan in an amount of €50 million on August 11, 2023 (as presented under other changes in financial liabilities for the nine months period ended September 30, 2023). We present Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan because it shows the impact of our cash outflow from acquisitions of subsidiaries and acquisition of non-controlling interests as well as the impact of our cash outflow from the repayment of the Shareholder Loan.

The following table provides a calculation of RENK Group's Unlevered Free Cash Flow, Free Cash Flow and Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
	RENK Group			
	in € millions (unaudited, unless indicated otherwise)			
EBITDA	101.6	161.3	116.0	115.4
Income taxes paid	(8.9)*	(10.7)*	(6.5)	(22.3)
Change in working capital[(1)]	15.6	(69.9)	(104.3)	(48.1)
Change in other working capital[(2)]	(8.8)	49.6	48.2	(7.5)
Capital Expenditure	(32.8)	(26.0)	(15.2)	(14.8)
Other changes in cash flows[(3)]	12.7	(11.0)	(5.5)	2.1
Unlevered Free Cash Flow	**79.4**	**93.3**	**32.7**	**24.8**
Interest payments	(20.2)*	(29.8)*	(30.0)	(29.4)
Free Cash Flow	**59.3**	**63.5**	**2.7**	**(4.6)**
Acquisition effects[(4)]	(353.1)	(4.5)	–	(34.5)
Repayment of Shareholder Loan (other changes in financial liabilities)[(5)]	–	–	–	(50.0)
Free Cash Flow Post-Acquisition Effects and Repayment of Shareholder Loan	**(293.8)**	**59.0**	**2.7**	**(89.2)**

* Audited.

(1) Calculated as the sum of change in inventories (fiscal year ended December 31, 2021: €7.0 million, fiscal year ended December 31, 2022: €(23.9) million; nine months ended September 30, 2022: €(43.4) million and nine months ended September 30, 2023: €(38.6) million) and change in receivables and contract assets (fiscal year ended December 31, 2021: €8.6 million; fiscal year ended December 31, 2022: €(46.0) million; nine months ended September 30, 2022: €(60.8) million and nine months ended September 30, 2023: €(9.4) million).

(2) Calculated as the sum of change in provisions for pension obligations (fiscal year ended December 31, 2021: €4.8 million; fiscal year ended December 31, 2022: €(4.2) million; nine months ended September 30, 2022: €(5.2) million and nine months ended September 30, 2023: €(3.4) million), change in other provisions (fiscal year ended

December 31, 2021: €17.8 million; fiscal year ended December 31, 2022: €(4.1) million; nine months ended September 30, 2022: €(3.9) million and nine months ended September 30, 2023: €(22.7) million) and change in (contract) liabilities (fiscal year ended December 31, 2021: €(31.4) million; fiscal year ended December 31, 2022: €57.8 million; nine months ended September 30, 2022: €57.3 million and nine months ended September 30, 2023: €18.7 million).

(3) Calculated as the sum of write-downs/reversals other and financial investments (fiscal year ended December 31, 2021: €1.5 million, fiscal year ended December 31, 2022: €1.7 million; nine months ended September 30, 2022: €nil and nine months ended September 30, 2023: €nil), gains/losses from asset disposals (fiscal year ended December 31, 2021: €(0.4) million, fiscal year ended December 31, 2022: €0.6 million; nine months ended September 30, 2022: €0.1 million and nine months ended September 30, 2023: €(0.1) million), other non-cash expenses and income (fiscal year ended December 31, 2021: €(1.0) million, fiscal year ended December 31, 2022: €(14.9) million; nine months ended September 30, 2022: €(7.8) million and nine months ended September 30, 2023: €(1.8) million), proceeds from asset disposals (fiscal year ended December 31, 2021: €2.6 million, fiscal year ended December 31, 2022: €0.7 million; nine months ended September 30, 2022: €0.1 million and nine months ended September 30, 2023: €0.1 million), cash flows from loans receivable (fiscal year ended December 31, 2021: €7.4 million, fiscal year ended December 31, 2022: €0.9 million; nine months ended September 30, 2022: €nil million and nine months ended September 30, 2023: €nil million), cash flows from restricted cash (fiscal year ended December 31, 2021: €3.4 million, fiscal year ended December 31, 2022: €(0.0) million; nine months ended September 30, 2022: €nil million and nine months ended September 30, 2023: €nil million), cash flows from cash deposits (fiscal year ended December 31, 2021: €nil million, fiscal year ended December 31, 2022: €nil million; nine months ended September 30, 2022: €(0.8) million and nine months ended September 30, 2023: €(1.1) million), lease payments/lease payments and interest payments on leases (fiscal year ended December 31, 2021: €(2.0) million, fiscal year ended December 31, 2022: €(2.1) million; nine months ended September 30, 2022: €(1.0) million and nine months ended September 30, 2023: €(0.2) million), effect of exchange rate changes on cash and cash equivalents (fiscal year ended December 31, 2021: €1.1 million, fiscal year ended December 31, 2022: €2.1 million; nine months ended September 30, 2022: €3.9 million and nine months ended September 30, 2023: €0.1 million), effect of changes in basis of consolidation on cash and cash equivalents (fiscal year ended December 31, 2021: €nil million, fiscal year ended December 31, 2022: €nil million; nine months ended September 30, 2022: €nil million and nine months ended September 30, 2023: €4.9 million) and cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023 for the nine months ended September 30, 2023: €0.2 million.

(4) Calculated as the sum of acquisition of subsidiaries (fiscal year ended December 31, 2021: €(301.5) million; fiscal year ended December 31, 2022: €nil million, nine months ended September 30, 2022: €nil million and nine months ended September 30, 2023: €(34.3) million) and acquisition of non-controlling interests (fiscal year ended December 31, 2021: €(51.6) million; fiscal year ended December 31, 2022: €(4.5) million, nine months ended September 30, 2022: €nil million and nine months ended September 30, 2023: €nil million) less cash and cash equivalents related to the acquisition of General Kinetics in the fiscal year 2023 for the nine months ended September 30, 2023: €0.2 million.

(5) For the nine months ended September 30, 2023, relates to the repayment of the loan outstanding under the Shareholder Loan in an amount of €50 million on August 11, 2023.

5.9.8 Adjusted Cash Conversion

We define Adjusted Cash Conversion as Adjusted EBITDA minus Capital Expenditure divided by Adjusted EBITDA. We believe that Adjusted Cash Conversion is useful to evaluate our operating performance. In addition, we believe that Adjusted Cash Conversion is useful as an indicator of our ability to convert Adjusted EBITDA into available cash.

The following table provides a calculation of RENK Group's Adjusted Cash Conversion for the periods indicated:

	For the fiscal year ended December 31,		For the nine months ended September 30,	
	2021	**2022**	**2022**	**2023**
	RENK Group			
	in € millions unless indicated otherwise (unaudited)			
Adjusted EBITDA	117.6	174.3	119.9	127.2
less Capital Expenditure	32.8	26.0	15.2	14.8
divided by Adjusted EBITDA	117.6	174.3	119.9	127.2
Adjusted Cash Conversion (in %)	**72.1**	**85.1**	**87.3**	**88.3**

5.9.9 Net Debt

We define Net Debt as the sum of the carrying amounts of bonds (the Senior Secured Notes) and lease liabilities less cash and cash equivalents. We believe that Net Debt is useful to evaluate our financial position.

The following table provides a calculation of RENK Group's Net Debt for the reporting dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	in € millions (unaudited, unless indicated otherwise)			
Bonds (Senior Secured Notes)	327.9	536.4	535.7	527.7
Lease liabilities	5.8*	7.1*	5.9*	8.0
Cash and cash equivalents	(186.9)*	(97.5)*	(158.7)*	(69.7)
Net Debt	**146.8**	**446.0**	**382.9**	**465.9**

* Audited.

5.10 Quantitative and Qualitative Disclosures About Financial Risks

In the ordinary course of business, we are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. We monitor and manage these risks as part of our overall risk management. Risk management is an essential aspect of our corporate governance and business processes. It comprises the core elements of corporate planning, including the intra-year review process, risk and opportunity management, the internal control system and the compliance management system. The following section briefly describes the significant financial risks to which we are exposed. This description does not address other risks to which we are exposed in the ordinary course of business, such as operational risks. See "*1. Risk Factors.*"

5.10.1 Credit risk

Credit risks include direct counterparty risk and the risk of a deterioration in credit quality. We recognize loss allowances for expected credit losses. We have three kinds of financial assets that are subject to the expected credit loss model: trade receivables, contract assets and debt instruments at amortized costs. Cash is also subject to the impairment requirements set out in IFRS 9. The maximum credit risk is limited to the carrying amounts of financial and contract assets presented in the statement of financial position.

5.10.1.1 Trade receivables and contract assets

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

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

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

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

5.10.1.2 Debt instruments at amortized costs

Debt instruments at amortized costs include loans to related parties, advances to employees and other receivables. Impairment losses for expected credit losses for these financial assets are determined on the basis of

the general approach in IFRS 9. We use credit ratings for contractual partners that were determined for us by external partners. The credit ratings are reviewed each year. We assume a significant increase in the default risk if the credit risk deteriorates by two rating grades within one fiscal year. In this case, the lifetime expected credit losses are recognized.

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

5.10.2 Liquidity risk

Liquidity risk describes the risk that we are unable to adequately meet our payment obligations or can raise liquidity only at a higher price. Solvency and the provision of liquidity are regularly monitored on the basis of rolling liquidity planning of the entities of the Group. Financing requirements are covered by both operating cash flow and external financing.

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash 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.

Cash is essentially used to finance working capital and short-term obligations.

5.10.3 Foreign currency risk – derivatives

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

The majority of operating activities are conducted in the functional currency. Currency risks of the remaining transactions are quantified by the entities of the Group on an ongoing basis. Taking account of predetermined risk limits by group treasury, this remaining risk is hedged decentral at banks using currency forwards.

We hedge all firm, long-term customer contracts in foreign currency. Currencies with a high correlation to the euro are only hedged in individual cases. In addition, there is hedging for planned revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. There is no hedging with regard to purchasing. Transactions are generally conducted in the respective functional currency on the spot market.

As of December 31, 2022, our foreign exchange exposure was primarily from transactions in U.S. dollars, Swiss francs, Chinese renminbi and British pound.

5.11 Significant Accounting Policies

For a description of our significant accounting policies, see note 3 of the 2022 Audited Consolidated Financial Statements and note 2 of the Unaudited Consolidated Interim Financial Statements.

For a description of the significant accounting policies accounting principles followed in preparing the 2020 CPS Audited Combined Financial Statements, please see note 1 of the 2020 CPS Audited Combined Financial Statements.

5.12 Additional Information from the Annual Financial Statements Prepared in Accordance with German GAAP for the Fiscal year Ended December 31, 2022

Certain information from the audited annual financial statements of the Company prepared in accordance with German GAAP for the year ended December 31, 2022 is presented below. Accounting principles under German GAAP differ from IFRS in material respects. For the period from January 1, 2022 to December 31, 2022 the Company's net loss was €179.6 thousand and total assets of the Company amounted to €312,351 thousand as of December 31, 2022. For further information on the Company's Audited Annual Financial Statements, see pages F-311 et seq. of the Prospectus.

5.13 Additional Information from the 2020 CPS Combined Financial Statements Prepared in Accordance with US GAAP

Certain information from the 2020 CPS Audited Combined Financial Statements prepared in accordance with US GAAP as of and for the year ended January 1, 2021 is presented above. Accounting principles under US GAAP differ from IFRS in material respects.

The preparation of 2020 CPS Audited Combined Financial Statements in accordance with US GAAP required the L3Harris Technologies, Inc. to make estimates and assumptions that affect the amounts reported in the 2020 CPS Audited Combined Financial Statements included elsewhere in this Prospectus. These estimates and assumptions are based on experience and other information available prior to the preparation and publication of these 2020 CPS Audited Combined Financial Statements. Materially different results can occur as circumstances change and additional information becomes know. For a summary of the accounting policies requiring estimates and assumptions, please see note 1 to the 2020 CPS Audited Combined Financial Statements which are set forth on pages F-289 et seq of the Prospectus.

6. MARKETS AND COMPETITION

The market and industry data and forecasts and statements regarding our position in the relevant market or market segments in this section are based on various market research and other publicly available information, as well as reports by independent industry sources, see "2.10 Sources of Market Data". Certain statements below are based on our own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as we "believe", "expect", "consider" or "estimate", and as such do not purport to cite or summarize any third-party or independent source and should not be read this way.

6.1 End-Markets Overview

In the defense product end-market, in which we generated around 70% of our revenue in the fiscal year ended December 31, 2022 based on the end-market application of our products, we serve military tracked and wheeled vehicles as well as naval vessels with long-term platform life. In the civil end-market, in which we generated around 30% of our revenue in the fiscal year ended December 31, 2022 based on the end-market application of our products, we serve commercial marine and broader industrial end-markets such as oil and gas, energy, plastics, and steel production. We offer new build and aftermarket services, which include spare parts supply. Aftermarket revenue is recurring in nature throughout the product lifecycle with a typical platform useful life ranging from approximately 20 years for industrial heavy-duty applications (*e.g.*, cement grinding) to over 40 years for land vehicles and naval vessels or platforms (*source: Renaissance Report*).

Our Aftermarket Business relates to the depot maintenance, repair and overhaul of products and platforms as well as the upgrade of mechanical products and platform elements, including spare parts and other aftermarket services in addition to replacements of installed products in defense-related applications. Our New Build Business relates to new build and new product sales in addition to replacement of products in defense- and civil-related applications.

6.2 Defense Market Overview

In the defense value chain, we are a supplier of components and complete integrated sub-systems for drivetrains to OEMs and companies that specialize in assembling components and subsystems into a single product ("**System Integrators**"), who then provide complete platforms and systems to end-customers. Our land offerings include transmissions, engines, suspensions, test systems and electric drives for military tracked and wheeled vehicles. Our naval vessel offerings include electric drives, gear units, couplings & clutches, slide bearings, and test systems.

We have long-standing relationships with EU, NATO, NATO-equivalent (*gleichgestellte Länder*) and other countries such as South Korea, India and Israel with defense customers being split into two distinct groups. The first group is comprised of armies and navies of countries including the US Army, the US Navy, the US Coast Guard, the German Army and Navy, the French Army, the UK Army, the Australian Army, the Norwegian Army, the Swedish Army and Navy, the South Korean Army and Navy, the Indian Army and Navy, and the Israeli Army and Navy as well as the NATO Maintenance and Supply Agency. We are also positioned on vehicles that have been transferred to Ukraine since the beginning of the conflict in 2022. The second group is comprised of private companies that operate as OEMs or System Integrators, such as Thales, Rheinmetall, BAE Systems, KNDS, General Dynamics, Hyundai Rotem Defence, and Hanwha Defence, Fincantieri, Naval Vessels Lürssen, thyssenkrupp Marine Systems, Austal.

6.2.1 Global Trends and Market Drivers

6.2.1.1 Increasing Global Uncertainty

Increasing uncertainty in the global security landscape, driven by the Russia-Ukraine Conflict, escalating geopolitical tensions between China and the US, ongoing terrorism threats and regional instability in the MENA region as well as parts of Asia, is expected to continue in the coming years. In addition, on October 7, 2023, an armed conflict between Israel and the Hamas terrorist organization commenced and has since escalated, leading to a series of extended hostilities in, and along the Israeli border with the Gaza Strip (the "**Israel-Hamas Conflict**").

NATO allies are refocusing on Russia and China as conventional threats, with both countries influencing regional security dynamics and presenting serious nuclear and conventional threats to NATO allies. China has

increased its military presence in the South China Sea and Taiwan Strait, and made strides in military modernization and technology development, integrating space, cyber, electronic and information warfare into their military capabilities.

Concerns about Chinese incursions in the Asia-Pacific region (including Armenia, Australia, Azerbaijan, Bangladesh, Bhutan, Brunei, Cambodia, Fiji, India, Indonesia, Japan, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Nepal, New Zealand, North Korea, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Tajikistan, Thailand, Kiribati, Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, Turkmenistan, Uzbekistan and Vietnam, "**APAC**") have led countries in the region to increase acquisition of new naval vessels (*source: Renaissance Report*). Regional players, such as Japan and South Korea, also announced increases in their respective military budgets in response to heightened regional tensions (*source: Renaissance Report*).

*6.2.1.2 **Defense Super-Cycle***

Industry experts are expecting an extended period of growth ("**Super-Cycle**") in defense procurements. Following the withdrawal of US troops from Iraq in 2011, global defense budget experienced a decline, especially driven by Western countries, which continued until the annexation of Crimea by Russia in 2014. The annexation of Crimea, coupled with active rearmament announcements by Russia, lead the US and NATO to re-focus on military spending and increase their defense budgets, starting the new so-called Defense Super-Cycle. Since 2014, global defense spending has grown considerably, largely driven by the US. Since 2022, the Russia-Ukraine Conflict has accelerated the pace of this growth (*source: Renaissance Report*).

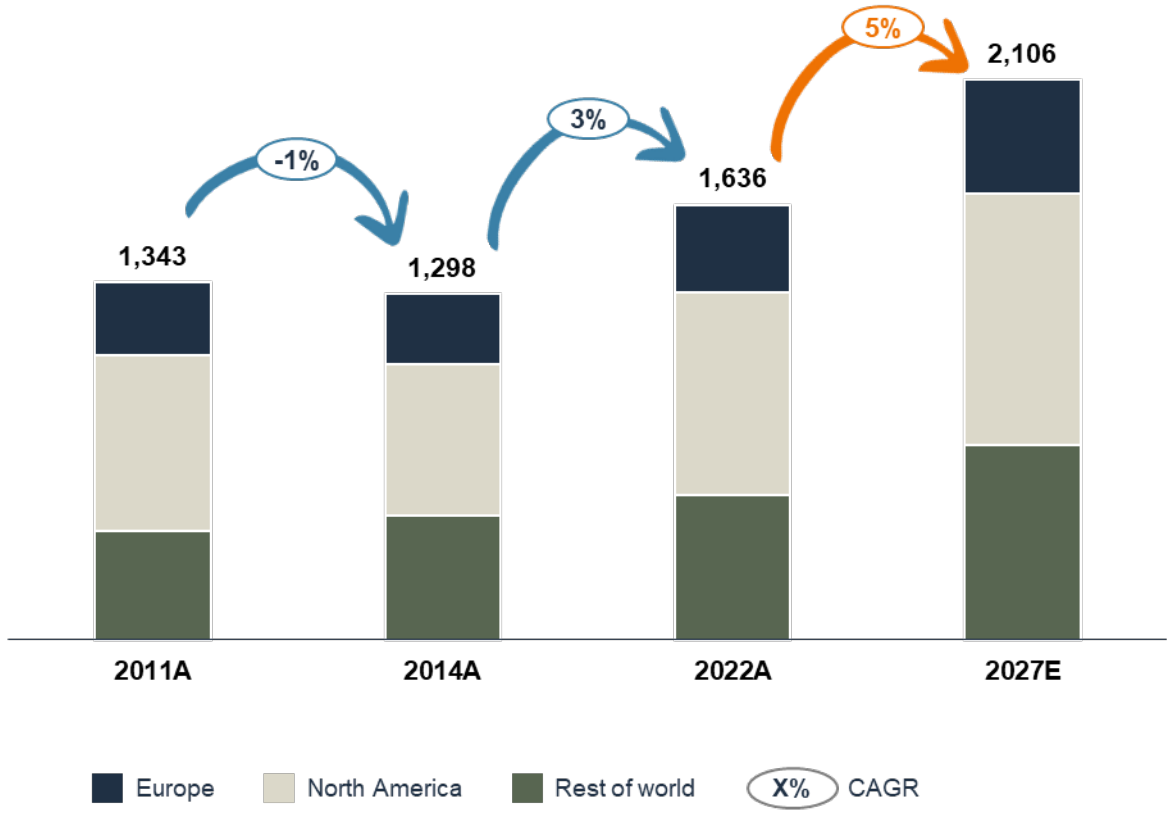
Following the beginning of the Russia-Ukraine Conflict, NATO members have been committing additional funds for defense spending, in some cases exceeding NATO's goal of 2% of the gross domestic product ("**GDP**") allocation to defense spending (*source: Renaissance Report*).

In North America (including Canada, Mexico and USA, "**North America**"), sustained US defense spending is driving the increase in demand for both land and naval applications. The US is the largest contributor of global defense spending, accounting for almost half of the global defense market (including North America, Europe, MENA, APAC and Angola, Argentina, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Chile, Colombia, Cote D'Ivoire, Democratic Republic Of Congo, Djibouti, Ecuador, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Paraguay, Peru, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Suriname, Tanzania, El Salvador, Panama, Trinidad And Tobago, Guyana, Cook Islands, Marshall Islands, Barbados, Timor-Leste, Togo, Uganda, Uruguay and Zambia and excluding Embargo Countries, "**Global Defense Market**"). Total military spending of the US accounted for 3% of its GDP in 2021 (*source: U.S. Congressional Budget Office*). Following military support to Ukraine through donations of platforms, the US is expected to rebuild its defense inventory, shifting US defense budget outlook from modest to robust growth with a potential to reach €900 billion by 2027 (*source: Renaissance Report*).

After the Russia-Ukraine Conflict started, EU member states have announced increases in their defense budget as well as their commitment to 2% of GDP in defense spending, in line with NATO guidance. European defense spending is expected to grow at a CAGR of 5% between 2022 and 2027 (*source: Renaissance Report*). In 2022, Germany, the UK, and France account for around 60% of all European defense spending (Europe including Albania, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Moldova, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Malta, UK and Ukraine) (*source: EDA, NATO Report*). In 2022, Germany announced a €100 billion modernization fund in addition to its defense spending commitment of 2% of its GDP (*source: Ministry of Defense*). The UK announced in 2023 that it is providing an additional GBP 5 billion budget for the Ministry of Defense in the next two years with a goal of increasing its defense spending to 2.5% of GDP by 2030 (*source: HM Government*). In France, President Macron pledged to invest more in defense and plans to increase the spending between 2024 and 2030 by 30% (*source: DefenseNews 2023*). Including such announced annual spending increases for equipment from 2022 to 2028, returning to defense budget levels similar to those seen during the cold war (around 3.7% of GDP) would add an additional incremental $1.6 trillion of potential equipment spending, and only reaching the current NATO defense budget targets of 2% of GDP would still add an additional $0.3 trillion of increment equipment spending (*source: Company analysis based in NATO Defence Expenditures, SIPRI and Worldbank Development Indicators*).

Global defense spending grew at a CAGR of 5% between 2019 and 2022 and reached €1.6 trillion in 2022. The Global Defense Market is projected to grow at a CAGR of 5% between 2022 and 2027 and surpass €2.1 trillion in 2027. North America is expected to remain the largest contributor, with European and APAC budgets projected to exceed €400 billion each by 2027 (*source: Renaissance Report*).

Global defense budget by region (2011-2027, EUR billion)



source: Renaissance Report

*6.2.1.3 **Increased Demand for Land Vehicles and Naval Vessels***

In addition to requirements driven by the Russia-Ukraine Conflict, we expect an increased demand for military tracked and wheeled vehicles. The Russia-Ukraine Conflict has re-emphasized the importance of securing national and alliance (NATO) borders and this refocus on land-based conventional nature of the conflict drives demand for new vehicles as well as increasing the use of existing vehicles, thus in-turn increasing required maintenance, repair and overhaul ("**MRO**"). Following multiple decades of underinvestment, donations to Ukraine have depleted military armored vehicle stockpiles in Europe. This is driving a need for replacement of transferred military vehicles as well as expanding and recapitalizing fleets more widely through acquisition of new vehicles. In addition, the refocus to conventional warfare after the end of the wars in Iraq and Afghanistan requires investments in new vehicles and overhaul capabilities. An uptick in budgets is expected to flow through to new vehicle programs such as the *Optionally Manned Fighting Vehicle* in the United States, or ongoing upgrades and refurbishment to platforms such as the M2 Bradley in the United States, or the Leopard 2 Main Battle Tank globally. The development of next-generation platforms (including potentially with new types of hybrids and all-electric propulsion) is expected to replace existing technologies in the long-term and to drive a continued demand for new vehicles.

In 2022, the military vehicle market size of the Global Defense Market was estimated at €25.4 billion, forecast to grow at a CAGR of 8% between 2022 and 2027 and reach €38.1 billion in 2027. Throughout the forecast period, growth in new deliveries is primarily driven by accelerated spending in Europe and MENA (*source: Renaissance Report*).

With respect to the naval market, a re-emphasis on the maritime domain has prompted renewed interest in shipbuilding with growing interest in multi-mission maritime platforms to recapitalize a range of capabilities driven by:

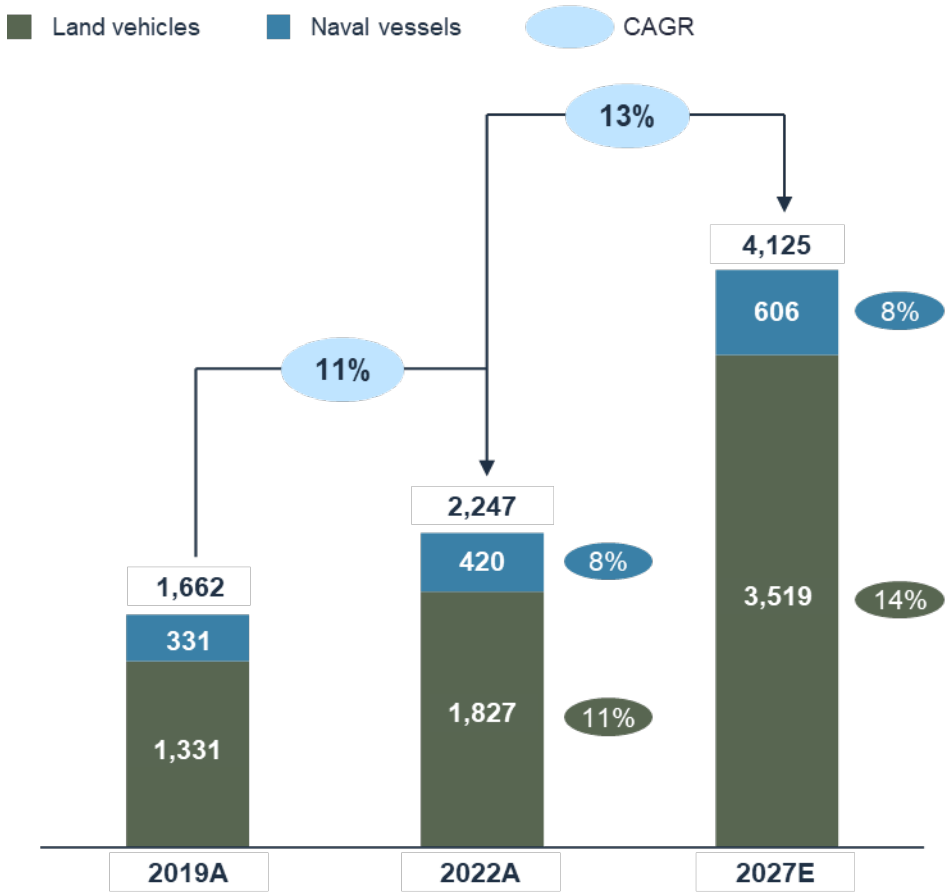
- Fleet modernization efforts that are central to boosting readiness, capabilities, and operational effectiveness;
- Flexible surface and subsurface platform designs, which enhance ability to perform multiple tasks;
- Growth of both surface (*e.g.*, Chinese and Russian warships) and sub-surface threats (*e.g.*, submarines) increasing need for Anti-Surface Warfare and Anti-Submarine Warfare ; and
- Investment into next generation weaponry, such as high energy laser and directed energy weapons.

In 2022, the global naval market (including North America, Europe, MENA, APAC and Angola, Argentina, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Chile, Colombia, Cote D'Ivoire, Democratic Republic Of Congo, Djibouti, Ecuador, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Paraguay, Peru, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Suriname, Tanzania, El Salvador, Panama, Trinidad And Tobago, Guyana, Cook Islands, Marshall Islands, Barbados, Timor-Leste, Togo, Uganda, Uruguay and Zambia and excluding Embargo Countries) size was estimated at €67.0 billion, forecast to grow at a CAGR of 6% between 2022 and 2027 and reach €88.7 billion in 2027 (*source: Renaissance Report*). Throughout the forecast period, APAC is expected to drive significant growth from high volume of platform deliveries in Japan, South Korea, and India. Small surface combatants have the highest number of deliveries due to their popularity among users seeking a platform capable of combined patrol and combat missions (*source: Renaissance Report*).

6.2.2 RENK Addressable Market Size and Outlook

In 2022, our Total Defense Addressable Market for military vehicles and naval vessels (excluding Embargo Countries) was €2.2 billion, expected to grow at a CAGR of 13% between 2022 and 2027 and reach €4.1 billion in 2027:

Global[1] addressable land and naval equipment market size (2019-2027, EUR million)



source: *Renaissance Report*

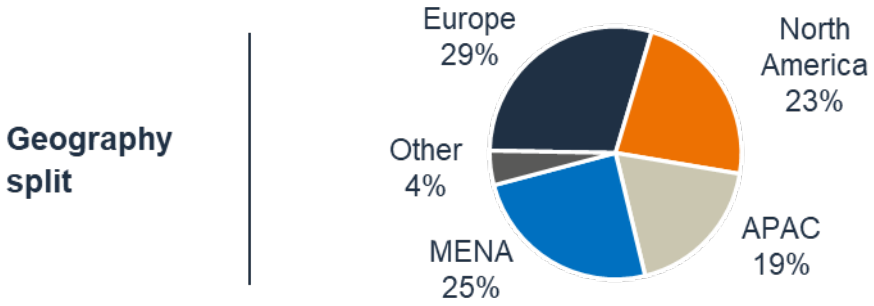
Our Total Defense Addressable Market is expected to grow faster than the land and naval equipment market driven by:

- Our strong market presence in military vehicles leading to high probability of MRO in our Aftermarket business;
- Our good platform positioning in current vehicle platforms, expected to lead to future business of a growing market;
- High and ongoing investment in large surface combatants in Europe and APAC, particularly frigates and destroyers.

[1] Including North America, Europe, MENA, APAC and Angola, Argentina, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Chile, Colombia, Cote D'Ivoire, Democratic Republic Of Congo, Djibouti, Ecuador, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Paraguay, Peru, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Suriname, Tanzania, El Salvador, Panama, Trinidad And Tobago, Guyana, Cook Islands, Marshall Islands, Barbados, Timor-Leste, Togo, Uganda, Uruguay and Zambia and excluding Embargoed Countries.

In 2022, our global Total Defense Addressable Market mainly comprised Europe, MENA, North America and APAC:

Total Defense Addressable Market by geography (2022)



source: Renaissance Report

Note: Other including Africa and South America

*6.2.2.1 **Military Vehicles***

Our total addressable market for military vehicles (excluding Embargo Countries) includes transmissions, engines, suspensions, electric drives on tracked and wheeled vehicles for new build platforms (both platforms wherein we are already positioned, platforms where the product provider is unknown, and new programs wherein provider is to be determined), overhaul for platforms (wherein we are already positioned, and new programs wherein provider is to be determined), and platform upgrades (for platforms wherein we are already positioned, and new programs wherein provider is to be determined) ("**Military Vehicles TAM**").

In 2022, the Military Vehicles TAM was €1.8 billion, forecasted to grow at a CAGR of 14% between 2022 and 2027 and reach €3.5 billion in 2027 (*source: Renaissance Report*). Within the Military Vehicles TAM, the total addressable market for tracked vehicles is expected to grow from €1.2 billion in 2022 to €2.9 billion in 2027 at a CAGR of 20% (*source: Renaissance Report*). Europe is the largest and fastest growing region for our Military Vehicles TAM, corresponding to around 33% of the Military Vehicles TAM in 2022 and expected to grow at a CAGR of 23% between 2022 and 2027 (*source: Renaissance Report*). We expect the growth in Europe to be driven by newer platforms entering into service, both in domestic markets, such as Germany, as well as export markets, such as Poland. We expect the North American market to grow more slowly compared to the other regions as the market is dominated by key platforms with high installed base, including M1 Abrams (US MBT) and M113 (US APC). We are positioned to supply suspensions for the M113 (US APC) via Horstman as well as the successor platform (AMPV) thereto, which is currently being introduced in the US Army. APAC is expected to grow at a CAGR of 13% between 2022 and 2027, with growth largely driven by the acquisition of new platforms, including K2 (South Korean MBT) in South Korea, and the K9 (South Korean SPH) in Australia, as well as the refit of M1A2 Abrams (MBT) in Australia (*source: Renaissance Report*).

We have four military vehicle product groups, namely transmission, engines, suspension and electric drives. Transmissions have the largest share in our Military Vehicles TAM, comprising approximately 50% of the Military Vehicles TAM in 2022, expected to grow at a CAGR of 14%, in line with the overall market growth, between 2022 and 2027 and maintaining its position as the largest product group (*source: Renaissance Report*). Engines have the third largest share in the Military Vehicles TAM in 2022 and are expected to outperform other product groups during the forecast period and grow at a CAGR of 16% between 2022 and 2027 (*source: Renaissance Report*). Our current engine offering is aging, limiting the potential in the new build market, though strong growth is expected to be driven by platform upgrade and aftermarket opportunities in coming years, including for the platform M88, one of the largest armored recovery vehicles. In the global suspension market, we believe we are positioned strongly on key platforms across geographies for our suspension offerings, *e.g.*, Stryker in the US and K9 Thunder from South Korea, covering a high number of addressable new build and upgrade platforms. Overall, following the acquisition of Horstman Group, we believe to be well positioned on both tracked and wheeled military vehicles.

*6.2.2.2 **RENK Addressable Military Naval Market***

Our total addressable market for naval vessels (excluding Embargoed Countries) includes products on surface combatants and diesel electric submarines for platforms wherein we are already positioned, and platforms in development wherein the provider is unknown or yet to be determined ("**RENK Addressable Military Naval Market**").

In 2022, our RENK Addressable Military Naval Market size was estimated at €420 million (*source: Renaissance Report*). The 'RENK Addressable Military Naval Market is expected to grow at a CAGR of 8% between 2022 and 2027 and reach €606 million in 2027 (*source: Renaissance Report*). We believe that our market growth will be heavily driven by expansion of the European and APAC markets. Europe is expected to be the fastest growing market with a CAGR of 27% between 2022 and 2027, primarily driven by a variety of surface and sub-surface programs in Germany, France, and the Nordics (*source: Renaissance Report*). APAC is the largest market comprising around 35% of our RENK Addressable Military Naval Market in 2022 and is expected to grow at a CAGR of 16% between 2022 and 2027, driven by consistently high investment across various platforms, particularly in South Korea, Australia and Japan, concentrated in large surface combatants, including frigates, destroyers and submarines (*source: Renaissance Report*). The RENK Addressable Military Naval Market in the MENA region is expected to shrink, driven by the end of several procurement programs during the forecast period. Growth outside Europe, North America and APAC is less pronounced due to ongoing, stable programs in South America and Brazil, but without many new start programs in the period, especially in South America and Africa (*source: Renaissance Report*).

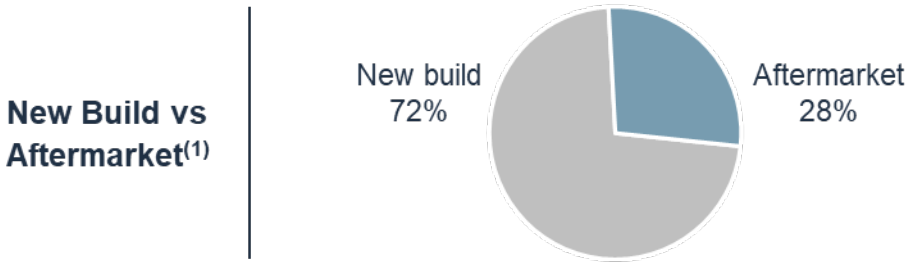
Main platform types in the RENK Addressable Military Naval Market include large surface combatants, submarines and small surface combatants. We expect our RENK Addressable Military Naval Market growth to be driven primarily by consistently high and growing investments into large surface combatants. Large surface combatants represent 58% of RENK Addressable Military Naval Market in 2022 and are expected to grow at a CAGR of 9% between 2022 and 2027 (*source: Renaissance Report*). Frigates, a sub-segment of large surface combatants, form a large part of the forecasted growth due to ongoing spending in Europe, North America, and APAC regions and the US. Destroyers, a sub-segment of large surface combatants, are a niche platform with a concentrated market in the APAC region and in the US. Small surface combatants are the second largest product group representing 17% of RENK Addressable Military Naval Market in 2022 and are expected to grow at a CAGR of 2% between 2022 and 2027 (*source: Renaissance Report*).

*6.2.2.3 **New Build and Aftermarket Sales***

72% of our Military Vehicles TAM and RENK Addressable Military Naval Market in 2022 related to new build sales, which include new-builds for military vehicles and naval vessels (*source: Renaissance Report*). Naval applications only require limited aftermarket services given the nature of vessels and difficulty to conduct aftermarket services on products that are integrated so deeply with the vessel. We expect growth in New Build sales to be driven by overall market trends and significant tracked projects across NATO countries.

The remaining 28% of our Military Vehicles TAM and RENK Addressable Military Naval Market in 2022 relate to aftermarket and upgrade sales (*source: Renaissance Report*). Growth is primarily expected to be driven by tracked platforms, especially after the donation to Ukraine, given further investments in, and maintenance of, existing platforms are required to maintain capability while slower new-build vehicle programs ramp production and vehicles enter service (*source: Renaissance Report*).

Total Defense Addressable Market by new build and aftermarket (2022)



source: Renaissance Report

(1) Naval applications are classified under new build given limited service and maintenance offerings due to the nature of vessels and difficulty in overhauling RENK products that are deeply integrated within the vessel.

6.2.3 Competitive Environment

In the Military Vehicles TAM, we are a leader in mission critical drive technologies (referring to systems/subsystems, such as transmissions, gear units and suspensions, which are critical for the mechanical operation of military vehicles) (*source: Renaissance Report*). In 2022, we were positioned on approximately 75% of tracked military vehicles globally, excluding all platforms in Embargo Countries as well as Russian and Chinese-origin platforms in second party nations (*source: Renaissance Report*). We are well placed in several growing NATO platforms, in some cases serving as sole supplier of both transmissions, such as for the PUMA or M2 Bradley, and suspensions.

In the Military Vehicles TAM, we believe we face limited competition from a select number of players given the mission criticality of the products. Our competitors are drivetrain and transmissions manufacturers. Competitors for our transmissions include Allison Transmission, DB Santasalo, ZF, SAPA, SNT Dynamics, Ashot, ST Engineering, KDS and QinetiQ. For our suspension systems competitors include Hemscheidt, Motrol, Supashock, Piedrafita, Hyundai Rotem, Loc Performance, Koni, Kaller, IMI, MHI, Oshkosh. Our engine offering competes with the likes of Rolls Royce (MTU), Perkins, Caterpillar, Liebherr, Cummins, Iveco, Scania, Detroit Diesel. Main competitors are Allison Transmission, and SNT Dynamics.

In the RENK Addressable Military Naval Market, we are the largest supplier of gear units in terms of product placement on large surface combatants. In 2022, we were positioned on approximately 32% in-service large surface combatants (including platforms with one or more gear unit products (excluding slip rings) that have been supplied by RENK on large surface combatants, globally, excluding Embargo Countries) (*source: Renaissance Report*). In the RENK Addressable Military Naval Market, many competitors are local companies. Our direct competitors in the market are Philadelphia Gear, DB Santasalo and Naval Group. Philadelphia Gear is strong in gear solutions for US platforms, but has a limited geographic footprint compared to us in other regions. Naval Group's core offering comprises the design and construction of vessels, its recent focus on gear units for large surface combatants may present competition in coming years. DB Santasalo is particularly active in complex mechanical gear unit solutions but lacks integrated electric and hybrid propulsion solutions for future platforms.

6.2.4 Technology and Energy Transition Trends

6.2.4.1 Sustainable Propulsion / Platform Electrification (Hybrid Electric)

Increased integration of technologically advanced payloads, sensors and weapons demands greater power usage, increasing the adoption of hybrid and electric propulsion in response. Next generation effectors are anticipated to consume increasing amounts of electricity. For example, the power requirements of Directed Energy Weapons ("**DEWs**"), particularly laser DEWs, will likely drive change in vehicle power architectures, including hybrid electric or all-electric. Electrification of platforms can also prolong a platform's useful life via reduced emissions and sound pollution. Interest in hybrid and electric propulsion systems is growing rapidly in defense applications driven by climate change, new regulations, and rising fuel costs. Hybrid electric is being actively considered for many platforms whereas fully electrical tactical vehicles are expected to emerge only for specific applications, and likely on smaller platforms (*source: Renaissance Report*).

The majority of military vehicles rely on carbon-based fuels for propulsion and electric power generation since the US and NATO standardized many vehicles to run on jet fuel variants to maximize supply chain efficiency. However, hybrid-electric propulsion and alternative fuels can offer significant environmental and tactical advantages given potential future fuel supply chain vulnerabilities as well as additional power requirements of advanced weapon systems.

Modernization of existing fleets to keep platforms in service is the current priority in naval applications. Retrofits of legacy platforms with hybrid-electric systems is expected to appeal to users seeking efficient propulsion without negatively impacting the operational capability of vessels. Proliferation of fully electric vessels remains restricted by limitations around availability of portside charging infrastructure. Ultimately, for both land and naval applications a mix of energy resources will be needed on the future of battlefield, depending on the mission and various limitations/advantages of each application.

*6.2.4.2 **Advanced Protection***

Propulsion and structural elements are expected to utilize new materials to save weight while maintaining strength due to increased electronics weight in platforms. Sensors that were until recently only seen on higher value-add platforms, are now being used more commonly in ground vehicle protection systems, including auto repositioning of vehicles, requiring control of propulsion and other systems. Propulsion, suspension, and structure need to compensate for additional weight of weapons.

Lightweight design of armor materials is likely to be a core focus area in all future designs given the reduced agility, versality and payload capabilities of heavy armor. Advances in composite and ceramic materials is likely to have increased applications while propulsion and suspension will also need to explore advanced materials to save weight.

*6.2.4.3 **Digitalization of Systems & Interfaces (Digital Twins)***

Digitalization provides more situational awareness to operators driven by open system architectures ("**OSAs**"), allowing cheaper and faster upgrades. Increased integration of electronics will require more power generation, while still meeting tight size and weight restraints. Suspensions and other structural components will need to be designed with new sensors built-in. Propulsion systems will need to communicate with other platform electronics and conform to OSAs.

Digital twins are digital representations of the lifecycle of a real object, system, or process, which harnesses real-time data to create simulations which will then be used to predict the machine performance, leveraging machine learning to create a virtual environment to study the machinery. Digital twins can help to understand the effect of changes in several factors on performance, troubleshoot problems and determine peak operating efficiency. Digital twins are increasingly used by both end-users and OEMs to enable fast, reliable, and cost-effective designs and upgrades. The need for expensive and lengthy physical prototypes is being avoided with an increased reliability to predict future problems. It also provides the option to bring modern designs and changes to market faster, with a significantly better insight on performance. Our investment in digital twins is aligned with digitalization trends across the market and provides us with an opportunity to bring cost and time savings while developing and updating products.

*6.2.4.4 **Increased Autonomy and Agility (Sensors, Remote operation)***

Platform autonomy is another key technology driver of future platforms, given the significant advantages of platforms that can run unmanned operations. Uncrewed platforms can help conduct tasks in a stealthy and efficient manner without placing personnel in danger. In naval, an uptick in uncrewed surface assets is expected to start from the middle of the decade. A shift of naval battlefield architectures to include crewed/uncrewed teaming and mothership set-ups is also expected in coming years. Artificial intelligence is becoming prevalent across new platforms and systems as a building block technology to facilitate autonomous operations. Artificial intelligence and machine learning can detect threats earlier, provide combat identification, prioritize, and even select and aim weapons (*source: Renaissance Report*).

6.3 Civil Market Overview

Our total addressable civil market is split into two main sub-categories (i) gear units used in commercial marine, industrial and new energy markets (collectively referred as "**Gear Units and Associates Aftermarket**"),

and (ii) couplings & clutches, slide bearings and test systems (collectively referred as "**Components & Test Systems Market**").

The Gear Units and Associates Aftermarket has two core end markets: the commercial marine and industrials, as well as new energy market. We believe that the new energy market represents a significant future potential end market. The Total Civil Addressable Market with regard to Gear Units and Associates Aftermarket includes new equipment sales, aftermarket and service of commercial marine gear units (includes diesel 4-stroke engines, diesel 2-stroke power take-off ("**PTOs**") and diesel electric gear units in marine applications such as ferries, dredgers, general cargo vessels, containers, tankers, liquefied natural gas and liquefied petroleum gas carriers and bulkers), industrial gear units (includes engineer-to-order and configure-to-order gear units with capacities of more than 1 MW for plastics, oil & gas, power generation, cement and steel & minerals industries) and gear units for new energy (includes gear units used in carbon capture utilization and storage, hydrogen and heat pump non-captive new energy applications).

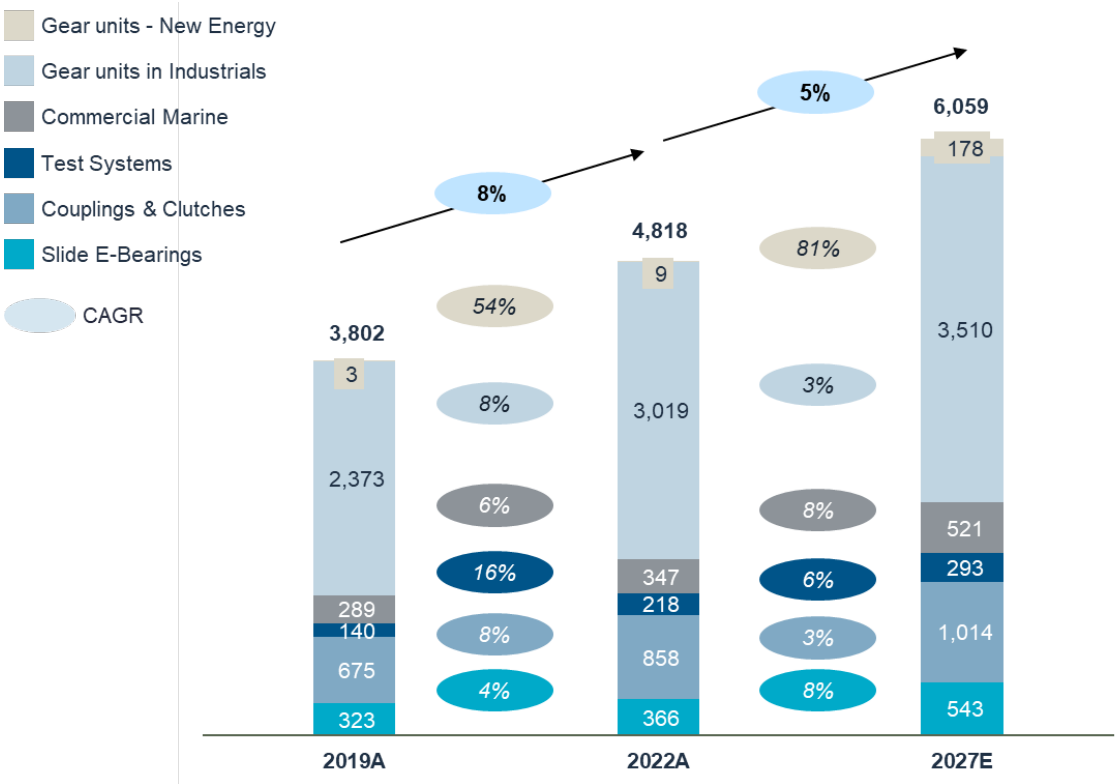
Commercial marine gear units are comprised of 4-stroke engine gear units and 2-stroke PTOs, which are sold to engine OEMs. Industrial gear units are high torque and high-speed gear units and variable-speed propulsion systems for plant engineers (*e.g.*, Primetal) and turbo/compressor OEMs (*e.g.,* MAN ES). We believe that we are well positioned in the emerging market for gear units for new energy applications, such as CCUS, hydrogen and heat pumps. In 2022, our total addressable market of Gear Units and Associates Aftermarket had an estimated size of €3.4 billion (*source: Roland Berger Report*).

The Components & Test Systems Market includes slide bearings, couplings & clutches and test systems. The Components & Test Systems Market includes potential for new equipment sales, aftermarket and service of slide bearings (includes hydro-dynamic bearings for industrial applications in high-torque and high-speed applications in steel, wind, power generation and marine industries), couplings & clutches (includes couplings & clutches for high-torque and high-speed applications used in rail, paper, marine, oil and gas, power generation, steel, cement and mining industries), and test systems (includes propulsion and rotation testing in defense, aviation, energy, rail and off-highway industries).

Slide bearings are either used internally for gear units and propulsion system applications or sold directly to wind turbine OEMs or electric drive/propeller OEMs. Couplings & clutches are either used internally for gear units and propulsion system applications or sold to engine OEMs. Test systems are directly sold to end-customers such as wind turbine and aviation OEMs. In 2022, our total addressable for the Components & Test Systems Market had an estimated size of €1.4 billion (*source: Roland Berger Report*).

In 2022, our Total Civil Addressable Market was estimated at €4.8 billion, expected to grow at a CAGR of 5% between 2022 and 2027 and to reach €6.1 billion in 2027 (*source: Roland Berger Report*). Growth in 2022 is largely driven by inflation of approximately 15% globally in 2022 (*source: Roland Berger Report*).

Total Civil Addressable Market by product (2019-2027, EUR million)



source: *Roland Berger Report*

6.3.1 Global Trends and Market Drivers

6.3.1.1 Increased Capital Investments Across End-Markets

Capital investment is a crucial driver of gear units demand from the underlying end markets perspective and serves as a primary indicator of the market growth potential. Although tightening monetary policies in recent years have had an adverse impact on the investment climate, capital investments in the commercial marine and industrial applications markets are expected to increase, as monetary tightening eases and the after-effects of the COVID-19 pandemic subside.

6.3.1.2 Geopolitical Tensions

Recent geopolitical tensions, such as the Russia-Ukraine Conflict, the Israel-Hamas Conflict and the ongoing dispute between China and Taiwan, have led to an increased focus of both governments and companies on supply chain resilience and nearshoring of critical goods production, leading to an increased demand for production equipment, including gear units. Examples of these efforts include the European Raw Material Alliance or the US REEshore Act, which aim to localize the mining of critical minerals to reduce the reliance on Chinese supply (*source: Roland Berger Report*).

6.3.1.3 Regulatory Development

The global ambition to create a carbon net zero future by 2050 will require industries to massively decarbonize operations. Today, a significant portion of the global carbon budget to limit global warming by 1.5°C has already been exhausted. Global and European regulations, such as the EU ETS and FuelEU Maritime initiatives, which require ship owners to reduce their fleets' greenhouse gas emissions, and the EU Green Deal and the US Inflation Reduction Act ("**IRA**") are providing both the regulatory requirements and monetary incentives to significantly reduce carbon emissions across industries. Such regulations facilitate the emergence of new energy markets and applications, *e.g.*, production of new and innovative gear unit solutions, such as our 2-stroke PTO gear unit solutions for the commercial marine market.

6.3.1.4 Energy Transition

Electrification and hybridization of industries is one of the key drivers for new investment in the existing industrial markets/application and expected to drive demand for gear units, couplings & clutches, and slide bearings:

- Electrification of equipment, such as oil and gas compressors, is expected to increase demand for electric motors, resulting in increased demand for gear units;
- In 4-stroke engine propulsion, hybridization is gaining adoption significantly to achieve increased energy efficiency; and
- Increased demand for more couplings & clutches in fully electric solutions such as electric turbines.

6.3.1.5 Digitalization

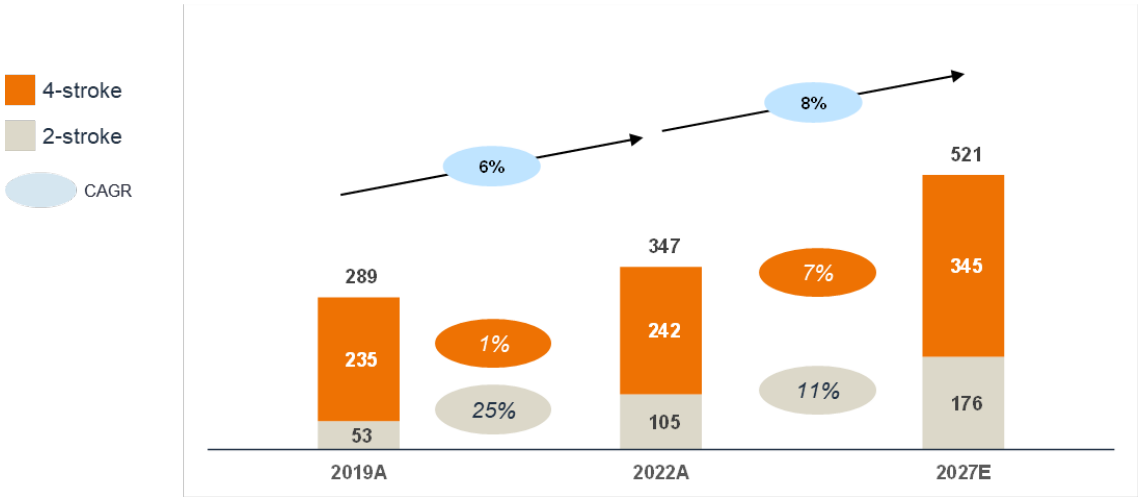
The impact of digitalization in the gear unit market has been significant, particularly in the commercial marine industry. Digital solutions, such as condition monitoring and predictive maintenance, have become increasingly important in reducing operating costs and increasing efficiency. By utilizing these tools, end-users can effectively order spare parts through predictive maintenance schedule and avoid unforeseen downtimes. Moreover, the implementation of digitalization throughout the entire value chain can lead to a higher efficiency, providing OEMs with the opportunity to collect valuable data and continuously improve their product design.

6.3.2 Gear Units and Associates Aftermarket

6.3.2.1 Commercial Marine Gear Units

The global market for commercial marine gear units (the "**Commercial Marine Gear Units TAM**") that is relevant for us can be split into two distinct engine technologies: 4-stroke engines and 2-stroke PTOs. In 2022, the Commercial Marine Gear Units TAM was €347 million, expected to grow at a CAGR of 8% between 2022 and 2027 and reach €521 million by 2027 (*source: Roland Berger Report*).

Commercial Marine Gear Units TAM by product (2019-2027, EUR million)



source: Roland Berger Report

The 4-stroke gear units represented 70% of the Commercial Marine Gear Units TAM in 2022 (*source: Roland Berger Report*). Following a decline of the Commercial Marine Gear Units TAM in 2020 due to COVID-19-related restrictions on production activities, the market has recovered and reached €242 million in 2022 (*source: Roland Berger Report*). The Commercial Marine Gear Units TAM is expected to grow at a CAGR of 7% between 2022 and 2027 and to reach €345 million by 2027 (*source: Roland Berger Report*).

While in 2019, the overall market for 4-stroke gear units consisted equally of gear units and aftermarket sales, aftermarket sales have recovered more quickly after the COVID-19 pandemic, as new projects were postponed or delayed due to market uncertainty and restrictions. Between 2019 and 2022, the relevant aftermarket grew at a CAGR of 6%, comprising 40% of the Commercial Marine Gear Units TAM in 2022 with 2-stroke

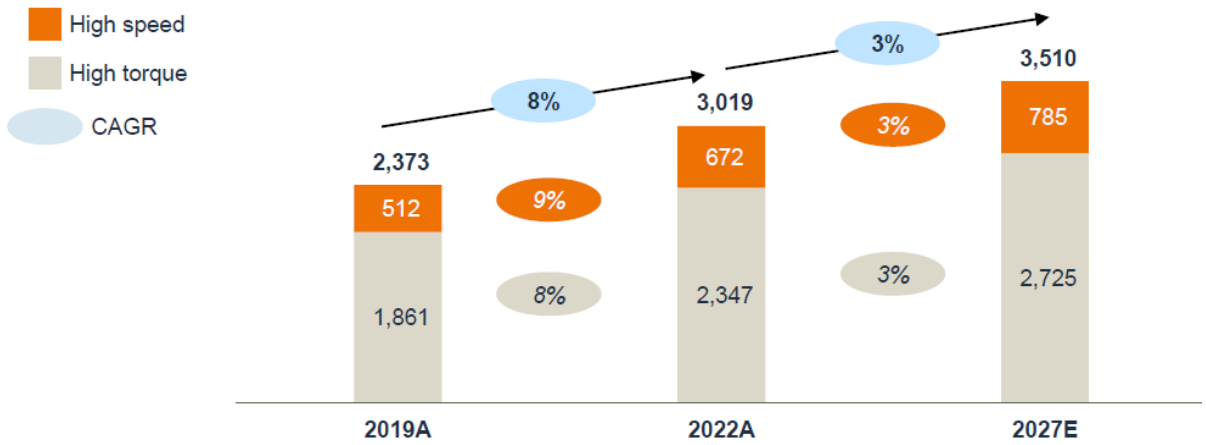
engine gear units being entirely considered as part of the new build market (*source: Roland Berger Report*). Over the same period, the market for new build grew at a CAGR of 6%, comprising 60% of the Commercial Marine Gear Units TAM in 2022 with 2-stroke engine gear units being entirely considered as part of the new build market (*source: Roland Berger Report*). Between 2022 and 2027, the aftermarket is expected to remain flat, as the size of the fleet in operation is expected to stay constant, representing 26% of the Commercial Marine Gear Units TAM in 2027 (*source: Roland Berger Report*). In contrast, the new build market is expected to grow at a CAGR of 13% in the same period, comprising 74% of the Commercial Marine Gear Units TAM in 2027 (*source: Roland Berger Report*). Growth of gear units demand is expected to be mainly driven by an increasing number of contracted vessels, intensifying regional trade and increased hybridization to increase efficiency and reduce emissions (*source: Roland Berger Report*).

The market for 2-stroke PTOs systems in new built vessels has witnessed a surge in growth, nearly doubling between 2019 and 2022 and reaching €105 million in 2022 (*source: Roland Berger Report*). Representing a niche yet highly energy-efficient application, 2-stroke PTOs currently account for 30% of the Commercial Marine Gear Units TAM and are projected to grow at a CAGR of 11% between 2022 and 2027 (*source: Roland Berger Report*). We believe that this expansion will be driven by the enhanced efficiency which is enabled by simpler design while generating greater power output relative to its size.

*6.3.2.2 **Industrial Gear Units***

In 2022, the market for industrial gear units that is relevant to us (the "**Industrial Gear Units TAM**") reached €3.0 billion (*source: Roland Berger Report*). The market grew at a CAGR of 8% between 2019 and 2022, largely driven by the inflationary global impact in 2022 of approximately 15% (*source: Roland Berger Report*). The Industrial Gear Units TAM is expected to grow at a CAGR of 3% between 2022 and 2027 and reach €3.5 billion by 2027 (*source: Roland Berger Report*).

Industrial Gear Units TAM (2019-2027, EUR million)



source: Roland Berger Report

The Industrial Gear Units TAM is divided into two product groups: high torque and high-speed. The high-speed market (including oil and gas and power generation applications) is expected to experience a slightly higher growth rate compared to high-torque applications due to recent high profits in the oil and gas industry being reinvested as well as an increase in power generation demand, driven by increased renewable energy projects, (*source: Roland Berger Report*). High-torque applications include steel and minerals, cement and plastics applications. A key market driver is expected to be the continued growth of gear units demand for mining activities due to declining ore concentrations and complex operations, as well as demand for rare elements required for energy transition globally (*source: Roland Berger Report*). Between 2022 and 2027, the aftermarket is expected to grow at a CAGR of 5%, representing 35% of the Industrial Gear Units TAM (including replacement gear units) in 2027 (*source: Roland Berger Report*). In the same period, the new build market is expected to grow at a CAGR of 2%, comprising 65% of the Industrial Gear Units TAM (including replacement gear units) in 2027 (*source: Roland Berger Report*).

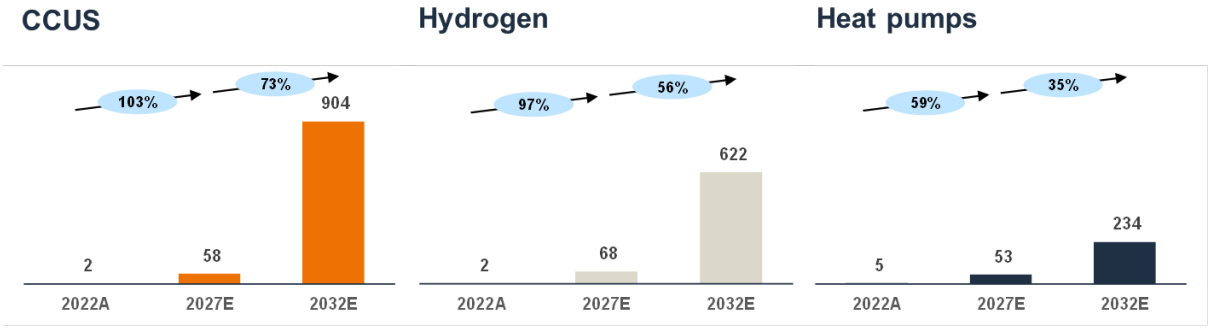
6.3.2.3 Gear Units for New Energy

As the world aims towards a carbon net zero future, radical climate initiatives and massive decarbonization across all industries will be required. Consequently, regulators are increasingly incentivizing the expansion of green energy and green industries, such as the EU Green Deal and the IRA. Gear units in new energy applications include, inter alia, three distinct use cases for our gear units, specifically for CCUS, hydrogen production and heat generation using heat pumps required for district heating or industrial processes heating.

While the market for gear units used for new energy is relatively small today, it is expected to reach €178 million by 2027, implying a CAGR of 81% between 2022 and 2027 (*source: Roland Berger Report*). We expect the market to further grow at a CAGR of 58% between 2027 and 2032 and to reach €1.8 billion by 2032 (*source: Company information based on Roland Berger Report*).

We believe that we are well positioned to succeed in the fast-growing market for gear units that can be used for new energy applications, given our significant experience in high-speed gear unit applications, our capabilities in custom-to-order development often in conjuncture with compressor OEMs (*e.g.*, MAN Energy Solutions), and our experience of providing equipment for reference hydrogen projects in Germany and the United States as well as industrial heat pump projects in Finland.

Gear units for new energy market size by application (2022-2032, EUR million)



source: Company information based on Roland Berger Report

(i) ***Carbon Capture, Utilization and Storage (CCUS)***

CCUS involves the capture of CO2 from large point sources, including power generation or industrial facilities that use either fossil fuels or biomass for fuel. If not being used on-site, the captured CO2 is compressed and transported by pipeline, ship, rail, or truck to be used in a range of applications or injected into deep geological formations (including depleted oil and gas reservoirs or saline formations) which trap the CO2 for permanent storage. The market for gear units that can be used for CCUS applications is expected to grow at a CAGR of 103% between 2022 and 2027 (*source: Roland Berger Report*) and we expect it to further grow at a CAGR of 73% between 2027 and 2032, and to reach €904 million by 2032 (*source: Company information based on Roland Berger Report*).

(ii) ***Hydrogen***

Hydrogen is a clean fuel, which when consumed in a fuel cell produces only water. Hydrogen can be produced using energy from a variety of power sources such as natural gas, nuclear power, biomass, and renewable power, *e.g.*, solar and wind. In the hydrogen value chain, the areas that provide the highest market potential for gear units are compression, transport, and storage. The market for gear units used for hydrogen application is expected to grow at a CAGR of 97% between 2022 and 2027 (*source: Roland Berger Report*) and we expect it to further grow at a CAGR of 56% between 2027 and 2032 and reach €622 million by 2032 (*source: Company information based on Roland Berger Report*).

(iii) ***Heat Pumps***

Heat pumps extract heat from a source, such as surrounding air or geothermal energy stored in the ground, and transfer it to where it is needed, such as buildings or factories. The technology is sustainable, with low or no CO2 emissions if the electricity required for the process is from renewable sources. The market size for gear units used for heat pump applications is expected to grow at a CAGR of 59% between 2022 and 2027 (*source: Roland*

Berger Report) and we expect it to further grow at a CAGR of 35% between 2027 and 2032, to reach €234 million by 2032 (so*urce: Company information based on Roland Berger Report*).

6.3.3 Competitive Environment

The competitive landscape in commercial marine and industrial gear units is highly fragmented and players can be segmented into four clusters:

- Specific focus players with specific industry focus and lower customization capabilities (*e.g.*, Baker Hughes, Voith, ZF, Reintjes, Masson, Cincinnati Gearing Systems and Philadelphia Gear);
- Standard gear unit players with a gear unit offering available for broader range of applications with limited customization capabilities (*e.g.*, Regal Rexnord, Sew Eurodrive, FLSmidth (Maag Gear) and Sumitomo);
- Global customization generalists with international presence and a broad product portfolio for diverse end-industries with high customization capabilities (RENK and Flender); and
- Emerging APAC players with a strong presence in select APAC regions (*e.g.*, NGC and Elecon).

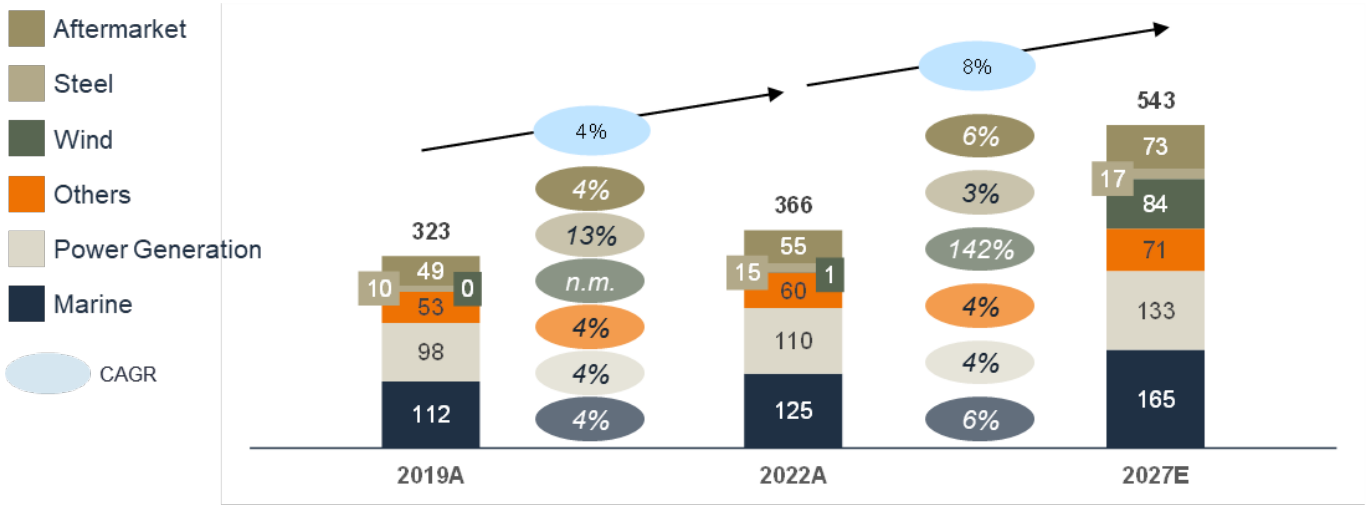
We are a prominent leader in the highly fragmented Gear Units and Associates Aftermarket, with a leading position in commercial marine, a top five position in high-torque industrial gear units and a leading position in high-speed industrial gear units (*source: Roland Berger Report*).

6.3.4 Components & Test Systems Market

6.3.4.1 Slide Bearings

We offer a range of products including e-bearings, vertical bearings, and horizontal bearings, which cater to various industries such as commercial marine, power generation, and steel. In 2022, our addressable market for slide bearings (the "**Slide Bearings TAM**") was €366 million, expected to grow at a CAGR of 8% between 2022 and 2027 and reach €543 million by 2027 (*source: Roland Berger Report*). In 2022, horizontal and e-bearings account for approximately 60% of the Slide Bearings TAM and are mainly used in power generation and commercial marine applications (*source: Roland Berger Report*). The fastest growing product group is main shaft bearings that are used in wind turbines, which is expected to grow at a CAGR of more than 140% from €5 million 2023 to €84 million in 2027, supported by the growing demand for renewable energy (*source: Roland Berger Report*).

Slide Bearings TAM by end-market (2019-2027, EUR million)



source: Roland Berger Report

Commercial marine is the largest end market, accounting for 34% of the Slide Bearings TAM in 2022, expected grow at a CAGR of 6% between 2022 and 2027 driven by the recovery in commercial marine and new built market expansion (*source: Roland Berger Report*). Power generation, which accounted for approximately 30% of the Slide Bearings TAM in 2022, is expected to steadily grow at a CAGR of 4% between 2022 and 2027,

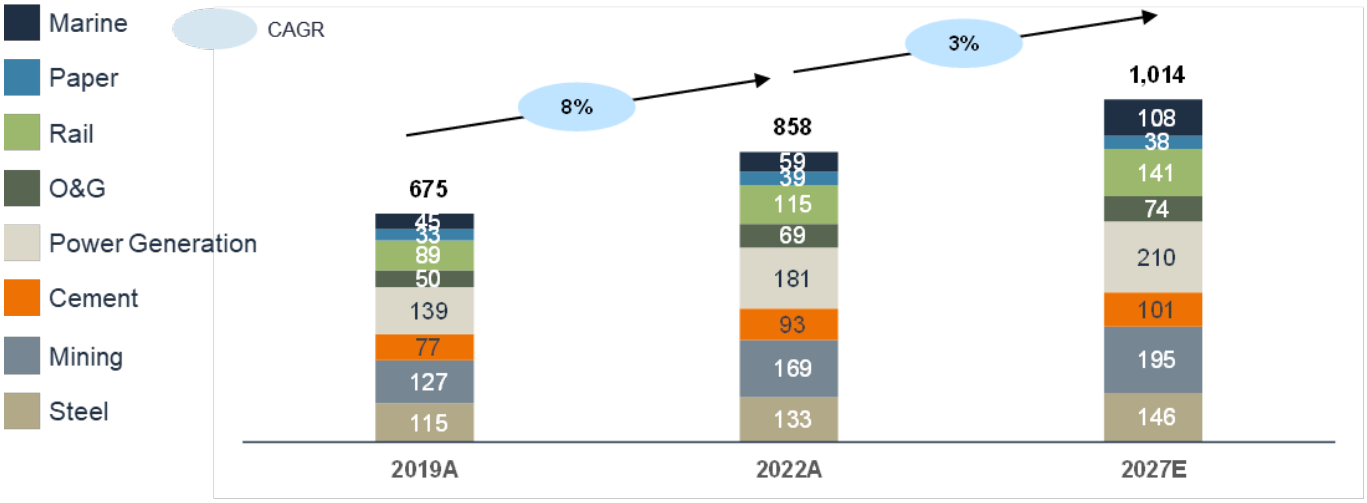
driven by the expansion in renewables (*source: Roland Berger Report*). Between 2019 and 2022, the relevant aftermarket and new build market each grew at a CAGR of 4%, comprising 15% and 85% of the Slide Bearings TAM in 2022 (*source: Roland Berger Report*). Between 2022 and 2027, the aftermarket is expected to grow at a CAGR of 6%, representing 13% of the Slide Bearings TAM in 2027 (*source: Roland Berger Report*). In the same period, the new build market is expected to grow at a CAGR of 8%, comprising 87% of the Slide Bearings TAM in 2027 (*source: Roland Berger Report*).

Global e-bearings market is less fragmented compared to the gear unit market. We are the market leader for slide e-bearings[2] (*source: Roland Berger Report*), other competitors include GTW, Kingsbury, Waukesha Bearings, Blohm + Voss and British Engines Group. The competitive landscape for industrial slide bearings is more fragmented compared to e-bearings and we believe that market leaders do not have a dominating position due to the diverse range of applications and varying performances of market players.

*6.3.4.2 **Couplings and Clutches***

Couplings & clutches are essential components used in various commercial marine and industrial applications, such as power generation, oil and gas and mining. Our product portfolio includes gear couplings, synchronous clutch couplings, hydraulic safety coupling, maintenance free couplings and clutches. In 2022, our addressable market for couplings and clutches (the "**Couplings and Clutches TAM**") was €858 million, expected to grow at a CAGR of 3% between 2022 and 2027 and reach €1,014 million by 2027 (*source: Roland Berger Report*).

Couplings and Clutches TAM by end-market (2019-2027, EUR million)



source: Roland Berger Report

Similar to the market for gear units, the Couplings and Clutches TAM has also experienced a significant growth from 2021 to 2022, primarily due to global inflation in 2022 of approximately 15% (*source: Roland Berger Report*). The Asia-Pacific region (including Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Korea, South, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam) currently dominates the market, accounting for approximately 57% of the Couplings and Clutches TAM and is expected to outpace other regions in terms of growth, largely driven by increasing demand for cement, mining and steel applications in the region (*source: Roland Berger Report*). Between 2022 and 2027, both the aftermarket and the new build market are expected to grow at a CAGR of 3%, representing 40% and 60% of the Couplings and Clutches TAM in 2027, respectively (*source: Roland Berger Report*). However, due to phasing out of technology and thus fading away of an existing market, the demand for couplings & clutches will likely not increase.

The Couplings and Clutches TAM is highly fragmented with medium level of competition intensity (*source: Roland Berger Report*). The competitive landscape can be divided into two distinct groups: gear unit manufacturers with couplings & clutches in their portfolio (such as RENK and Flender) and players with specific

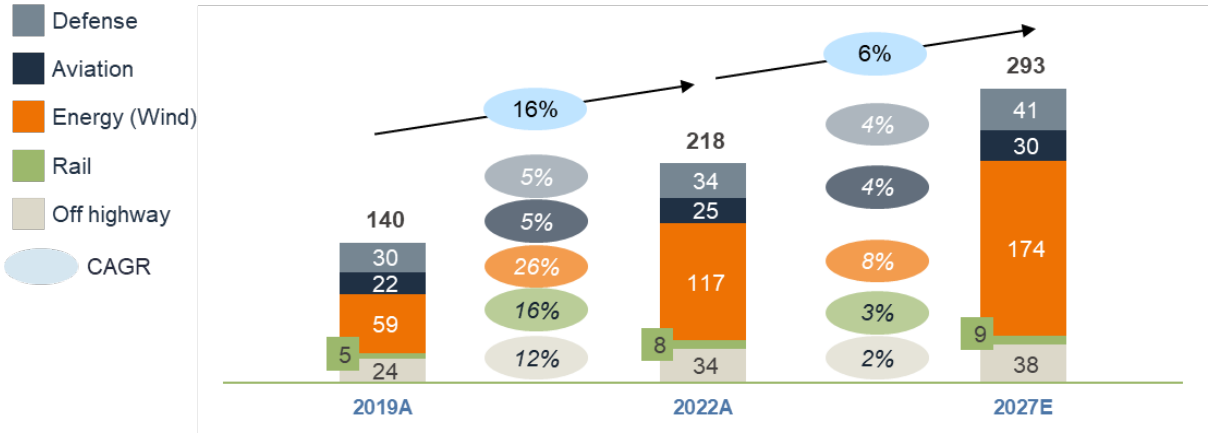
[2] Based on 2022 market share of our total addressable market by value in standardized slide bearings (e-bearings) globally.

focus on coupling & clutches (such as Regal Rexnord, and Timken). We believe that we are a prominent player with a top five position (*source: Roland Berger Report*).

*6.3.4.3 **Test Systems***

Test systems include customized solutions used in development, production, and quality assurance. Our main offerings comprise test rig systems, software and services. With our test systems offerings, we serve customers in off-highway, aviation, railway, defense and wind power industries. In addition to hardware components and rest rigs, we also provide aftermarket services and maintenance to our customers. In 2022, our addressable market for test systems (the "**Test Systems TAM**") size was €218 million, expected to grow at a CAGR of 6% between 2022 and 2027 and to reach €293 million by 2027 (*source: Roland Berger Report*). The growth is expected to be mainly driven by an ongoing effort to develop larger and more efficient wind turbines which require updated or new testing hardware (*source: Roland Berger Report*).

Test Systems TAM by end-market (2019-2027, EUR million)



source: Roland Berger

The Test Systems TAM is moderately fragmented, where we are a prominent player with a leading position (*source: Roland Berger Report*). Our key competitors include MTS, Horiba, Red Viking, R&D Test Systems and AVL. The competition is defined by few large players that are active in multiple end-markets (such as RENK, MTS and Horiba) and other players that are more focused on specific applications (such as AVL).

7. PROFIT ESTIMATE AND PROFIT FORECAST

7.1 Profit Estimate of Adjusted EBIT Margin for the period from January 1, 2023 to December 31, 2023 and Profit Forecast of Adjusted EBIT Margin for the period from January 1, 2024 to December 31, 2024, prepared by RENK Group AG

The estimate of Adjusted EBIT Margin (as defined below) prepared by RENK Group AG (the "**Company**") and, together with its consolidated subsidiaries (the "**RENK Group**" or "**Group**") for the period from January 1, 2023 to December 31, 2023 ("**Fiscal Year 2023**") as well as the forecast of Adjusted EBIT Margin for the period from January 1, 2024 to December 31, 2024 ("**Fiscal Year 2024**"), (and, each together with the respective explanatory notes referred to as the "**Profit Estimate 2023**" and the "**Profit Forecast 2024**") are not a representation of facts and should therefore not be interpreted as such by prospective investors. Rather, the Profit Estimate 2023 and the Profit Forecast 2024 reflect the expectations of the Company's management with respect to the Adjusted EBIT Margin for Fiscal Year 2023 and Fiscal Year 2024, respectively.

The Company is in the process of preparing its consolidated financial statements as of and for the Fiscal Year 2023. The Profit Estimate 2023 is based on the Company's unaudited condensed consolidated interim financial statements of RENK Group as of and for the nine-month period ended September 30, 2023 as issued on February 1, 2024 (the "**Unaudited Consolidated Interim Financial Statements**"), and supplemented by the remaining three months of Fiscal Year 2023 as follows: Financial information regarding October and November 2023 is based on the actual unaudited results of these months. Financial information for December 2023 is based on preliminary results neither approved by the Company's management board (*Vorstand*, "**Management Board**") nor audited.

The Group's activities are divided into three segments: Vehicle Mobility Solutions ("**VMS Segment**"), Marine & Industry ("**M&I Segment**") and Slide Bearings ("**Slide Bearings Segment**"). The VMS Segment relates to transmissions, engines, suspensions, and electric drives for military tracked and wheeled vehicles including but not limited to main battle tanks, and electric drive tracked infantry fighting vehicles, tracked self-propelled howitzers, tracked armored personnel carriers, and specialized support vehicles. It also provides test systems for military and civil applications. The M&I Segment provides technology leading gear units and coupling & clutches solutions for commercial marine and industrial applications as well as naval applications. The Slide Bearings Segment covers standardized slide bearings (e-bearings) for electrical machines and hydro-dynamically lubricated standard and custom-made slide bearings for applications of electric drives.

The Profit Estimate 2023 and the Profit Forecast 2024 are based on the factors and assumptions about events and actions made by the Management Board with respect to the development of factors influencing the Adjusted EBIT Margin of the Group, as set out below. These factors and assumptions also relate to factors (i) that the Company cannot influence or (ii) that can be influenced by the Company. Even if the Company considers these factors and assumptions to be reasonable on the dates on which the Profit Estimate 2023 as well as the Profit Forecast 2024 are prepared, they may retrospectively prove to be inappropriate or incorrect in the future. If one or more of these factors and assumptions prove to be unjustified or incorrect, the actual Adjusted EBIT Margins of the Group for the Fiscal Year 2023 and Fiscal Year 2024 may deviate materially from the Profit Estimate 2023 and Profit Forecast 2024, respectively. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Profit Estimate 2023 and Profit Forecast 2024.

The Profit Estimate 2023 is necessarily based on a number of assumptions and estimates about past events and actions whereas the Profit Forecast 2024 contains forward-looking statements about future uncertain events and actions, both including management's assessment of opportunities and risks. Such assumptions and estimates are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond the Group's control, and upon assumptions with respect to future business decisions that are subject to change. For purposes of the Profit Forecast 2024, the occurrence or non-occurrence of these assumptions, estimates, contingencies, uncertainties and other factors could cause the Group's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. It is also possible that the future events mentioned in the Profit Forecast 2024 might not occur. The Group's business is subject to a number of substantial risks and uncertainties that could result in a forward-looking statement later proving to be incorrect.

7.2 Definition of Adjusted EBIT Margin

The Company believes that Adjusted EBIT Margin is a meaningful financial measure in assessing the underlying operational and financial performance of the Group. Adjusted EBIT Margin is defined as the ratio of Adjusted EBIT to revenue. Adjusted EBIT is calculated as operating profit before the effects of purchase price allocations ("**PPA**") and adjustments for certain items which management considers to be exceptional or non-recurring in nature.

The measure Adjusted EBIT Margin is an alternative performance measure, or APM, as defined in the guidelines issued by the European Securities and Markets Authority (ESMA) on October 5, 2015, on alternative performance measures. It is not recognized as a generally accepted accounting principle measure under International Financial Reporting Standard as issued by the International Accounting Standards Board and adopted by the European Union ("**IFRS**"). It is not a financial measure based on, or presented in accordance with, IFRS and should not be considered as an alternative to the financial results or other indicators of the Group's performance based on IFRS financial measures. In particular, Adjusted EBIT Margin should not be considered as an alternative to earnings before income taxes, cash flow from operating activities or any other performance indicator as an indicator of the Groups' performance or profitability as determined or defined by IFRS. Adjusted EBIT Margin may not be comparable to similarly titled financial measures as presented by other companies due to differences in the way Adjusted EBIT Margin is calculated. Even though Adjusted EBIT Margin is used by the Management Board to assess ongoing operating performance as well as earnings and liquidity potential and despite it being commonly used by investors, it has significant limitations as an analytical tool, and it should not be considered in isolation, or as a substitute for, analysis of the Group's results as reported under IFRS.

The following table provides a reconciliation of operating profit to Adjusted EBIT Margin:

=	**Operating profit**
+/-	Non-recurring items
	Effects from purchase price allocations
	Transaction expenses and income from the Triton Acquisition and merger squeeze out[1]
	Other M&A related expenses
	Inflation compensation premium[1]
	Severance expenses[1]
	Capital market readiness
	Other adjustments[2]
=	**Adjusted EBIT**
/	Revenue
=	**Adjusted EBIT Margin**

1 These costs incurred in Fiscal Year 2023 and therefore are included and adjusted within the Profit Estimate 2023. For the purpose of the Profit Forecast 2024, the Group does not assume that such costs will incur and therefore are not included in the derivation of the Adjusted EBIT Margin forecast for Fiscal Year 2024.

2 For purpose of the Profit Estimate 2023, other adjustments represent costs for the implementation of efficiency programs, professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the Group, costs relating to a rebranding of the Group, exceptional audit fees for the Fiscal Year 2022 (as defined below) as well as certain advisory fees regarding the financing of the Group that have a net impact on the operating profit. For the purpose of the Profit Forecast 2024, other adjustments represent professional advisory fees. Further, the Group assumes no costs related to severance payments, inflation compensation payments and the 150-year celebration of the Group in Fiscal Year 2024.

7.3 Profit Estimate 2023 of Adjusted EBIT Margin

Based on the data recorded in the accounting systems of RENK Group and on the current knowledge of management about the business development of RENK Group for the Fiscal Year 2023 as well as the assumptions of management with respect to past events and actions, the Company estimates that the Adjusted EBIT Margin of RENK Group for the Fiscal Year 2023 is in a range of 16.0% to 16.4%.

7.4 Profit Forecast 2024 of Adjusted EBIT Margin

Based on the development of the Fiscal Year 2023 and the current development of Fiscal Year 2024, the Company expects Adjusted EBIT Margin of the Group for the Fiscal Year 2024 to be in a range of 16.0% to 18.0 %.

7.5 Explanatory Notes to the Profit Estimate 2023 and Profit Forecast 2024 of Adjusted EBIT Margin

7.5.1 Basis of Preparation

The Profit Estimate 2023 and the Profit Forecast 2024 were prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.,* "**IDW**") IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (*IDW Rechnungslegungshinweis: Erstellung von*

Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung (IDW RH HFA 2.003)) (IDW AcPS AAB 2.003) issued by the IDW. Although the Adjusted EBIT margin is not an IFRS measure of operating income, operating performance or liquidity, the Profit Estimate 2023 and Profit Forecast 2024 were derived using IFRS accounting principles.

With respect to the accounting principles applied, reference is made to the selected notes to the Unaudited Consolidated Interim Financial Statements and to the notes to the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2022, prepared in accordance with IFRS (the "**2022 Audited Consolidated Financial Statements**"). The Profit Estimate 2023 and the Profit Forecast 2024 have been compiled based on the factors and assumptions stated below and prepared on a basis which is both (i) comparable with the historical financial information included in the Prospectus, and (ii) consistent with the Group's accounting policies.

The Profit Estimate 2023 reflects all facts and circumstances and adjusting events up to and including February 1, 2024. Adjusting events are events that are relevant to the closing of accounts, which occurred on or before the balance sheet date (*i.e.*, December 31, 2023), but which only become known after the balance sheet date until the date the consolidated financial statements are prepared. Such events are not within our control. Adjusting events between February 1, 2024 and the date of preparation of the consolidated financial statements of the Company for the fiscal year ended December 31, 2023 may therefore affect the accuracy of the Profit Estimate 2023.

The Profit Estimate 2023 is based on the following assumptions made by the Management Board about transactions and events that have already taken place and have not yet been finally recorded in the Company's accounting records. The Company is in the process of preparing its consolidated financial statements for the Fiscal Year 2023. In the course of preparing such consolidated financial statements, changes may still occur with regard to matters that have not yet been processed, but also with regard to matters that have already been processed.

The respective financial information for the fiscal year from January 1, 2022, to December 31, 2022 ("**Fiscal Year 2022**") presented for comparative reasons is based on the 2022 Audited Consolidated Financial Statements. Further, financial information for the period from January 1, 2023, to September 30, 2023 ("**Q3 2023**") is presented for comparative reasons.

The Profit Estimate 2023 as well as the Profit Forecast 2024 have been prepared solely for the inclusion in the Prospectus and represent the best estimates of the Management Board as at February 1, 2024 and are still valid as of the date of the Prospectus.

In preparing the Profit Estimate 2023 and Profit Forecast 2024, the Company has considered several factors relating to the operational and financial performance of the Group. The development of these factors is based on specific assumptions made by the Management Board, which are set forth below.

7.6 Factors and Assumptions

7.6.1 Factors Beyond the Company's Control and Related Assumptions

The Profit Estimate 2023 and the Profit Forecast 2024 are subject to factors beyond the Company's control. These factors and the assumptions regarding their development and impact are described below:

Factor 1: Unforeseen Events

Unforeseen events could occur that result in material or lasting constraints on the ongoing operations of the Group, such as, but not limited to, force majeure, including natural disasters (*e.g.*, fires, floods, hurricanes, storms, and earthquakes), war or terrorist attacks, extraordinary macroeconomic events (except for supply chain disruptions and price increases) (refer to Factor 8: "*Availability of Components, Supply Chain Constraints, Disruptions and Supplier Dependency*" and Factor 9: "*Price Increases (for Raw Materials and Components)*") or cyber-attacks, maintenance outages, power or equipment failure, social unrest, work stoppages and public health concerns (including COVID-19). This explicitly includes the geopolitical tension between China and Taiwan as well as the armed conflict between Israel and the Hamas terrorist organization and excludes the conflict between Russia and Ukraine (the "**Russia-Ukraine Conflict**") (refer to Factor 4: *"The Russia-Ukraine Conflict").*

For the purpose of the Profit Estimate 2023, the Group concludes that no unforeseen events occurred that resulted in material or lasting constraints on the operations of the Group.

For the purpose of the Profit Forecast 2024, the Group assumes no unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the Group.

Factor 2: Legal & Regulatory Framework

As a global manufacturer of drive solutions across diverse civil and defense applications and end markets, the Group operates in accordance with a range of laws and regulations. These regulations encompass areas as data protection, environmental protection, competition, taxation, and employment. These laws and regulations may originate nationally, bilaterally, or even multilaterally between or among participating jurisdictions with a differing reach as to national or even extraterritorial application and relevance.

For the purpose of the Profit Estimate 2023, the Group currently estimates that it was in accordance with all material applicable laws, regulations and standards in the countries it operated in. Additionally, for the purpose of the Profit Estimate 2023, the Group estimates that accounting estimates and management judgments made in connection with legal proceedings as reported in the Unaudited Consolidated Interim Financial Statements remained unchanged and valid for Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes a stable legal and regulatory framework and thus, no material impact from changes in the applicable legal and regulatory framework in Fiscal Year 2024.

Factor 3: Increasing Global Uncertainty and Defense Budget

Global uncertainty in the global security landscape further grew in the Fiscal Year 2023 and is expected to continue, driven by escalating geopolitical tensions between China and Taiwan, ongoing terrorism threats and regional instability in the Middle East, *e.g.*, the armed conflict between Israel and the Hamas terrorist organization, and Northern Africa, as well as parts of Asia. Moreover, the Russia-Ukraine conflict (refer to Factor 4: "*The Russia-Ukraine Conflict*"), has heightened diplomatic tensions and led to further implementation of protectionist measures.

The new so-called "Defense Super-Cycle" ("**Super-Cycle**"), which started with the annexation of Crimea by Russia in 2014, lead the US and NATO to re-focus on military spending and increase their defense budgets. Global defense spending has grown considerably since then. Since 2022, the Russia-Ukraine Conflict has accelerated the pace of this growth. The Group's business significantly relies on defense spending (refer to Factor 12: *"Revenue"*) by its customer, including governments, government agencies, international organizations as well as companies that depend on government spending to purchase the Group's products and services. Therefore, the Group is dependent on decisions in government programs due to, amongst others, socio-political considerations, general macroeconomic conditions or changes in government or administrative policy. As a result of the Super-Cycle, the Group expects an extended period of growth in defense spending and procurement activities.

However, for the purpose of the Profit Estimate 2023, the Group concludes that global uncertainty, especially geopolitical tensions between China and Taiwan, the armed conflict between Israel and Hamas terrorist organization as well as the Russia-Ukraine conflict, and its impact on defense budgets did not have a significant impact on the Group's Profit Estimate 2023 beyond already contracted customer purchase orders and related production expenses in Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes no significant impact from global uncertainty on the Group's Profit Forecast 2024 beyond contracted customer purchase orders and related production expenses in Fiscal Year 2024.

Factor 4: The Russia-Ukraine Conflict

Besides the impact on the defense budget (refer to Factor 3: "*Increasing Global Uncertainty and Defense Budget*") the Russia-Ukraine Conflict, along with the sanctions and export-control measures imposed by the European Union ("**EU**"), the United Kingdom ("**UK**"), the United States ("**US**"), Canada, Japan, and other nations against Russian and Belarusian individuals and entities as well as counter-measures by Russia, have played a role

in and could further contribute to inflationary pressures, such as higher prices for oil and natural gas, shortages in gas supply, disruptions in supply chains, market volatility, and economic uncertainty, particularly in Europe.

Additionally, the Russia-Ukraine Conflict continues to impact the global economy, global capital markets, and international trade, especially resulting in, *e.g.*, constraints within supply chains, logistical challenges, volatility in energy prices and supplies, as well as the availability and cost of raw materials, parts, and components (refer to Factor 8: "*Availability of Components, Supply Chain Constraints, Disruptions and Supplier Dependency"* and Factor 9: "*Price Increases (for Raw Materials and Components)"*.

For the purpose of the Profit Estimate 2023, the Group concludes that the effects of the Russia-Ukraine Conflict did not directly negatively impact the Group's operations in Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes the continuing effects of the Russia-Ukraine Conflict on the Group's operations to remain unchanged compared to Fiscal Year 2023.

Factor 5: Political Environment

The defense-related applications and end markets with government customers are subject to political decision-making, which directly impacts the Group's operations, especially its solutions for military applications. Political developments such as changes in governments, sanctions, and trade policies in addressable markets such as the EU, the UK and the US may impact the Group's ability to conduct business in those countries. In the EU and Germany, the foreign trade of commodities of strategic importance, mainly weapons, armaments and dual-use items, is subject to restrictive control regimes and permit requirements. In addition, new export controls, stricter enforcement of existing controls and opinions on export control laws, regulations set by supplier countries such as Germany, France, the United Kingdom, and the United States may have a significant influence on the Group's operations. Thus, laws and regulations concerning export controls may have had or will have an impact on both the supply chain (refer to Factor 8: "*Availability of Components, Supply Chain Constraints, Disruptions and Supplier Dependency"*) and revenue (refer to Factor 12: "*Revenue"*). Further, some of the Group's defense operations are subject to audits on government contracts (*e.g.*, price audits).

For the purpose of the Profit Estimate 2023, the Group concludes that the political development in the countries most relevant to the operations did not have a negative impact on the Group's operations in Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes that changes in the political development in the countries most relevant to the operations compared to Fiscal Year 2023 will not have a negative impact on the Profit Forecast 2024. Further, the Group assumes that government programs will not be canceled, delayed, or amended. Moreover, the Groups assumes no negative impact on the Profit Forecast 2024 due to audits on government contracts.

Factor 6: Economic Environment

As a global manufacturer of drive solutions across diverse civil and defense end markets, the Group's operations are subject to fluctuations in the global economy, especially its civil solutions. Further, some of the Group's markets, including energy generation, oil & gas, cement, and steel, are sensitive to cyclical changes in the economic environment. In this context, decisions to purchase the Group's products are largely a result of the performance of these industries and others. Demand in these industries is impacted by changes in several factors, including prices of commodities, interest rates, fuel costs, energy demands as well as economic growth, mainly affecting the Group's products for industrial markets.

However, changes in the economic environment are not expected to have a significant impact on the Group's operations in short-term, as the Group's main operations in the VMS and M&I Segments are exposed to long-term rather than short-term risk from the economic environment.

Thus, for the purpose of the Profit Estimate 2023, the Group concludes that effects from economic conditions remained unchanged compared to Fiscal Year 2022 and therefore had no material impact on the Group's financial performance in Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes that effects from economic conditions will remain unchanged compared to Fiscal Year 2023. Thus, the Group assumes that no orders with significant impact on the Group's operations in Fiscal Year 2024 will be cancelled or delayed.

Factor 7: Competitive Environment

Some of the Group's operations are in competitive markets such as Germany and the US as well as South America, Middle East and China that are impacted by changes in market penetration, price competition, and the development and introduction of new products, product designs and technologies. Within these markets, the Group's competitiveness is primarily based on quality, innovation, timeliness of delivery and design as well as the ability to provide engineering support, repair know-how and service on a global basis.

For the purpose of the Profit Estimate 2023, the Group concludes that the competitive environment had no further material impact on the Group's operations in Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes that the competitive environment will remain unchanged compared to Fiscal Year 2023 and thus, has no further material impact in Fiscal Year 2024 as the Group's operations to a large extent consist of already contracted orders. Further, the Group's main operations in the VMS and M&I segments are exposed to long-term rather than short-term risk from the competitive environment due to the long project lead times within these segments.

Factor 8: Availability of Components, Supply Chain Constraints, Disruptions and Supplier Dependency

The Group's operations are highly dependent on the timely delivery as well as the appropriate quality and quantity of purchased standard components (*e.g.*, pumps, couplings, bearings and measurement and control technology) from third-party suppliers and is partially dependent on single sources or a limited number of suppliers for certain products, such as transmissions. As such, the exposure of supply chain disruptions may be increased. Therefore, the Group's logistics processes depend on availability of components and an uninterrupted supply chain as well as an adequate quality of these individual components to ensure compliance with production schedules and therefore to perform its contractual and anticipated future obligations in particular the processing of its order backlog (refer to Factor 12: "*Revenue*").

Further, the availability of raw materials and components was affected by the COVID-19 pandemic due to supply chain disruptions in Fiscal Year 2023. The aftermaths of the COVID-19 pandemic still have an impact on the global economy, capital markets, and international trade, directly affecting the availability of raw materials, parts, and components.

For the purpose of the Profit Estimate 2023, the Group concludes that supply chain constraints did not have a negative impact on the Group's operations in Fiscal Year 2023 as raw materials and components were available as necessary to process the orders and the supply of raw materials and components was in time and of adequate quality as well as its relationships with its suppliers have remained unchanged.

For the purpose of the Profit Forecast 2024, the Group assumes that supply chain constraints will not have a negative impact on the Group's operations in Fiscal Year 2024 as the Group assumes raw materials and components to be available as necessary to process the orders and the supply of raw materials and components to be in time and adequate quality as well as its relationships with its suppliers to remain unchanged. Thus, no negative impact is assumed on the Profit Forecast 2024.

Factor 9: Price Increases (for Raw Materials and Components)

The Group's production processes are dependent on various raw materials such as steel, aluminum and tin, as well as sub-components, and components. In the past, the prices of different raw materials and components have increased significantly due to inflation, supply chain disruptions and other reasons. This risk is passed on to customers in some but not in all instances based on agreed contract clauses, especially in the Group's VMS Segment. In this context, the Group is exposed to the risk that the actual costs incurred in connection with performing its obligations under fixed price contracts are higher than assumed at the time of contract signing.

For the purpose of the Profit Estimate 2023, the Group concludes that price increases did not have a negative impact on the Group's operations as the overall development of prices for the most relevant raw materials and components was stable.

For the purpose of the Profit Forecast 2024, the Group assumes the impact from price increases of the most relevant raw materials and components to remain unchanged compared to Fiscal Year 2023. Thus, no negative impact is assumed on the Profit Forecast 2024.

Factor 10: Exchange Rate Fluctuation

The Group conducts business worldwide and is therefore exposed to risks arising from fluctuations in currency exchange rates. Further, the Group is exposed to the risk associated with currency conversion in the context of consolidation from entity currency to group currency. The Group generates a significant portion of its revenues, and incurs substantial portion of its costs, in currencies other than euro ("**EUR**"). The Group's primary foreign currency exposure is to the U.S. dollar ("**USD**"), the Swiss franc ("**CHF**"), the Chinese Renminbi Yuan ("**CNY**"), the British pound ("**GBP**") and the Canadian Dollar ("**CAD**").

To limit the impact of exchange rate variation on net income, the Group uses hedging instruments.

For the purpose of the Profit Estimate 2023, the Group applied the following currency rates for its primary foreign currency exposure in Fiscal Year 2023:

Currency rate	**For the Fiscal Year ended December 31, 2023**
USD/EUR	1.07
CHF/EUR	0.95
CNY/EUR	7.86
GBP/EUR	0.86
CAD/EUR	1.46

For the purpose of the Profit Forecast 2024, the Group assumes the following currency rates for its primary foreign currency exposure in Fiscal Year 2024:

Currency rate	**For the Fiscal Year ending December 31, 2024**
USD/EUR	1.10
CHF/EUR	0.90
CNY/EUR	7.98
GBP/EUR	0.91
CAD/EUR	1.51

For the purpose of the Profit Forecast 2024, the Group assumes USD/EUR to be the most relevant to the Group's operations.

Factor 11: Workforce

The Group relies on hiring and retaining highly qualified personnel to perform its contractual and anticipated future obligations, in particular the processing of its order backlog without capacity constraints.

For the purpose of the Profit Estimate 2023, the Group concludes that it hired and retained a sufficient number of highly qualified personnel for its operations to perform its contractual obligations and to process its order backlog.

For the purpose of the Profit Forecast 2024, the Group assumes no impact from capacity constraints related to its workforce to perform its contractual obligations and that the Group will hire and retain a sufficient number of highly qualified personnel for its operations.

7.6.2 Factors That Can Be Influenced by the Company and Related Assumptions

In addition to the factors and assumptions that are beyond the Company's control, the Profit Estimate 2023 and the Profit Forecast 2024 are subject to factors that can be influenced by the Company. These factors, and the assumptions taken about their impact, are described below:

Factor 12: Revenue

Revenue of the Group consists of the sale of vehicle transmissions, gear units, slide bearings, couplings & clutches, and test systems to component suppliers, gear manufacturers, service suppliers, original equipment manufacturers ("**OEMs**") and other customers. Revenue also includes revenue from services and sales of spare parts.

Revenue is mainly derived from the Group's fixed order backlog supplemented by the expected order intake. The fixed order backlog represents, with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS ("**Fixed Order Backlog**"). The order intake refers to binding customer contracts and purchase orders concluded and/or received in the respective reporting period at the respective price ("**Order Intake**").

Revenue for the Fiscal Year 2023 is based on the Company's Unaudited Consolidated Interim Financial Statements as of and for the nine-month period ended September 30, 2023 in the amount of €653 million and supplemented by the remaining three months of Fiscal Year 2023. Revenue for October and November 2023 is based on the actual unaudited results of these months. Revenue for December 2023 is based on preliminary results.

Revenue of the Group is based on revenue of the Group's segments VMS, M&I and Slide Bearings for Fiscal Year 2023 and Fiscal Year 2024, respectively (see below).

VMS Segment

Revenue of the VMS Segment comprises sales of transmissions, engines, suspensions, and electric drives for military tracked and wheeled vehicles including but not limited to main battle tanks and electric drive tracked infantry fighting vehicles, tracked self-propelled howitzers, tracked armored personal carries, and specialized support vehicles. Further, the VMS Segment also provides test systems for military and civil applications.

In Fiscal Year 2023, the Group concludes that revenue in the VMS Segment increased considerably compared to Fiscal Year 2022, due to the unrestricted availability of raw materials components in sufficient quantity and quality. Additionally, revenue in the VMS Segment was positively influenced by the acquisition of General Kinetics in January 2023 and a strong aftermarket business in Fiscal Year 2023 compared to Fiscal Year 2022.

In Fiscal Year 2024, the Group assumes revenue in the VMS Segment to increase significantly compared to Fiscal Year 2023 based on the planned production volume and contractually agreed prices. Regarding the planned production volume, the Group assumes – in addition to the assumptions disclosed for Factor 8: *"Availability of Components, Supply Chain Constraints, Disruptions and Supplier Dependency"* and Factor 11: *"Workforce"* – that the production capacity can be increased accordingly, and the assumed effects of process optimizations applied in Fiscal Year 2023 and Fiscal Year 2024 are fully incorporated in Fiscal Year 2024.

M&I Segment

Revenue of the M&I Segment mainly comprises sales of technology leading gear units and coupling solutions for naval, commercial marine and industrial applications. In the naval sector, the products are in particular used in surface combatants, offshore patrol vessels, aircraft carries, submarines and support vessels in use by navies and coast guards as well as fast ferries and super yachts for civil customers.

In Fiscal Year 2023, the Group concludes that revenue in the M&I Segment increased considerably compared to Fiscal Year 2022, due to the unrestricted availability of raw materials components in sufficient quantity and quality. Further, the Group concludes that the fixed order backlog and the thereof resulting revenue of the M&I Segment for the Fiscal Year 2023 was recognized without any significant project delays or project postponements in Fiscal Year 2023.

In Fiscal Year 2024, the Group's operations in the M&I Segment largely, but not entirely, consist of already contracted orders. The Group assumes that the orders not already contracted will be fully secured within Fiscal Year 2024 as anticipated.

In Fiscal Year 2024, the Group assumes revenue in the M&I Segment to increase considerably compared to Fiscal Year 2023 under the assumption, that availability of raw materials and components in sufficient quantity and quality is not restricted and no significant project delays or project postponements occur.

Slide Bearings Segment

Revenue of the Slide Bearings Segment mainly comprises sales of e-bearings for electrical machines and hydro-dynamically lubricated standard and custom-made slide bearings for most applications of large electric drives, including energy generation (for conventional, hydro-, wind and nuclear energy generation), industrial applications as well as naval and civil marine applications.

In Fiscal Year 2023, the Group concludes that revenue in the Slide Bearings Segment increased significantly compared to Fiscal Year 2022 due to stable supply chains with adequate availability of raw materials and components in sufficient quantity and quality.

In Fiscal Year 2024, the Group's operations in the Slide Bearings Segment are exposed to growth in demand, timing of market entry of certain new products and/or geographies as well as competitive pressure for certain product types which may impact revenues in the Slide Bearings Segment (see Factor 6: *"Economic Environment"* and Factor 7: *"Competitive Environment"*. The Group assumes that the orders not already contracted will be fully secured within Fiscal Year 2024 as anticipated.

In Fiscal Year 2024, the Group assumes revenue in the Slide Bearings Segment to increase considerably compared to Fiscal Year 2023 under the assumption of stable supply chains in the meaning of adequate availability of raw materials and components in sufficient quantity and quality.

Group

Overall, for the purpose of the Profit Estimate 2023, the Group estimates revenue of the Group of around €925 million based on the segment-specific estimates described above.

Overall, for the purpose of the Profit Forecast 2024, the Group assumes revenue of the Group to be in a range of €1,000 million to €1,100 million based on the segment-specific assumptions described above.

Factor 13: Cost of Sales

Cost of sales primarily consists of costs related to the production of the Group's products and expenses the Group incurs in providing its services. In addition to the direct material and manufacturing costs, production costs also comprise production-related overhead costs, including depreciation of production equipment, expenses for warranties (refer to Factor 17: "*Warranties*"), as well as research and development expenses (refer to Factor 18: "*Research and Development Expenses"*). Thus, cost of sales primarily relates to cost of materials, variable manufacturing costs as well as fixed indirect materials and fixed manufacturing costs. In this context, cost of sales explicitly includes non-recurring items, especially PPA effects as well as inflation compensation payments which are adjusted (see Factor 19: "*Non-recurring Items*").

As of and for the nine-month period ended September 30, 2023, cost of sales as a percentage of revenue amounted to 77.2%. For the Fiscal Year 2023, the Group estimates that cost of sales as a percentage of revenue slightly increased compared to the ratio for Q3 2023.

Overall, for the purpose of the Profit Estimate 2023, the Group estimates that cost of sales increased moderately compared to Fiscal Year 2022, mainly due to higher production volumes partially offset by a more favorable product mix. As a percentage of revenue, the Group estimates that cost of sales decreased significantly compared to Fiscal Year 2022, due to a significant increase in the more profitable aftermarket business, particularly with spare parts compared to Fiscal Year 2022 and due to a decrease in the depreciation and amortization effect from purchase price allocations.

For the purpose of the Profit Forecast 2024, the Group assumes cost of sales to increase considerably compared to Fiscal Year 2023, mainly due to further higher production volumes partially offset by a further shift towards higher-margin projects within the product mix as well as the assumed effects of projects related to process optimizations applied in Fiscal Year 2023 and Fiscal Year 2024. As a percentage of revenue, the Group assumes cost of sales to decrease significantly compared to Fiscal Year 2023, primarily due to the higher share of the more profitable aftermarket business.

Factor 14: Distribution Expenses

Distribution expenses are primarily related to sales, service, marketing, shipping, and order processing departments. Thus, distribution expenses primarily relate to personnel expenses which comprise mainly wages and salaries of distribution employees as well as non-personnel expenses which comprise mainly marketing costs, travel expenses, consulting costs as well as other costs related to the sales department. In this context, distribution expenses explicitly include non-recurring items, especially the 150-year celebration of the Group, other consulting costs as well as inflation compensation payments for distribution employees which are adjusted (see Factor 19: "*Non-recurring Items*").

As of and for the nine-month period ended September 30, 2023, distribution expenses as a percentage of revenue amounted to 6.4%. For the Fiscal Year 2023, the Group estimates that distribution expenses as a percentage of revenue moderately decreased compared to the ratio for Q3 2023.

For the purpose of the Profit Estimate 2023, the Group estimates that distribution expenses increased considerably compared to Fiscal Year 2022, mainly due to newly hired employees, increased travel expenses and marketing costs for exhibitions, partially offset by provision releases based on current management assessment that are related to sales commissions. As a percentage of revenue, the Group estimates that distribution expenses remain stable compared to Fiscal Year 2022.

For the purpose of the Profit Forecast 2024, the Group assumes distribution expenses to increase significantly compared to Fiscal Year 2023, primarily due to newly hired employees to perform its contractual obligations. As a percentage of revenue, the Group assumes distribution expenses to increase slighly compared to Fiscal Year 2023.

Factor 15: General and Administrative Expenses

General and administrative expenses primarily comprise expenses related to the executive board or managing directors, Human Resources, Finance, Strategy, Governance, Legal, Compliance and Treasury. Thus, general and administrative expenses primarily relate to personnel expenses which comprise mainly wages and salaries of administration employees as well as non-personnel expenses which comprise mainly consulting costs, travel expenses, insurance costs as well as other costs related to administration. In this context, general and administrative expenses explicitly include non-recurring items, especially the consulting fees related to the envisaged equity transaction and the respective reimbursement by the Selling Shareholder, certain related advisory costs for which the reimbursement by the Selling Shareholder has been contributed to equity, costs related to M&A activities and other consulting costs which are adjusted (see Factor 19: *"Non-recurring Items"*). As of and for the nine-month period ended September 30, 2023, general and administrative expenses as a percentage of revenue amounted to 7.5%. For the Fiscal Year 2023, the Group estimates that general and administrative expenses as a percentage of revenue slightly decreased compared to the ratio for Q3 2023.

For the purpose of the Profit Estimate 2023, the Group estimates that general and administrative expenses increased significantly compared to Fiscal Year 2022, mainly due to higher central service costs of the Group from organic and inorganic growth of the Group, tariff increases and newly hired employees.

For the purpose of the Profit Forecast 2024, the Group assumes general and administrative expenses to increase considerably compared to Fiscal Year 2023, mainly due to higher central service costs and newly hired employees.

Factor 16: Other Operating Income Less Other Operating Expenses

Other operating income consists primarily of income from exchange rates fluctuations, realized and unrealized gains on derivatives and income from reversals of provisions based on changes in accounting estimates, and income from asset disposals. Other operating expenses primarily comprise expenses from exchange rate

fluctuations and realized and unrealized losses on derivatives, severance payments and expenses from additions to other provisions. Thus, other operating expenses primarily relate to expenses from exchange rate effects and hedging transactions, severance payments as well as other costs. Other operating income primarily relate to income from exchange rate effects and hedging transactions, income from the reversal of allowances based on changes in accounting estimates for trade receivables as well as other income. In this context, other operating income less other operating expenses primarily include non-recurring items, especially severance payments as well as additional reimbursements relating to the envisaged equity transaction which are adjusted (see Factor 19 "*Non-recurring Items*").

As of and for the nine-month period ended September 30, 2023, other operating income less other operating expenses (net expenses) as a percentage of revenue amounted to 0.1%. For the Fiscal Year 2023, the Group estimates that other operating income less other operating expenses (net expenses) as a percentage of revenue remained stable compared to the ratio for Q3 2023.

For the purpose of the Profit Estimate 2023, the Group estimates that other operating income less other operating expenses (net expenses) increased considerably compared to the Fiscal Year 2022, mainly due to lower other operating income resulting from unfavorable exchange rate movements. in the first half of the year.

For the purpose of the Profit Forecast 2024, the Group assumes other operating income less other operating expenses (net expenses) to increase significantly compared to Fiscal Year 2023 due to the fact that no income from the reversal of allowances or provisions based on changes in accounting estimates and no material net income from exchange rate movements is expected.

Factor 17: Warranties

The Group has to provide product warranties to its customers and generally records warranty provisions in its accounts based on experience and known claims for products sold. These warranty provisions are part of cost of sales (refer to Factor 13: "*Cost of Sales*").

For the purpose of the Profit Estimate 2023, the Group estimates that accounting estimates and management judgments made in connection with warranties as reported in the Unaudited Consolidated Interim Financial Statements remained unchanged and continued to be valid for Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes accounting estimates and management judgments made in connection with warranties to remain unchanged compared to Fiscal Year 2023.

Factor 18: Research and Development Expenses

Research and development expenses primarily comprise expenses related to the development of new products and ongoing development of existing products and technology. These research and development expenses are part of cost of sales (refer to Factor 13: "*Cost of Sales*").

As of and for the nine-month period ended September 30, 2023, research and development expenses as a percentage of revenue amounted to 2.3%. For the Fiscal Year 2023, the Group estimates that research and development expenses as a percentage of revenue remained stable compared to the ratio for Q3 2023.

For the purpose of the Profit Estimate 2023, the Group estimates that research and development expenses increased considerably compared to Fiscal Year 2022, primarily due to new developments in the vehicle transmission area of the VMS Segment.

For the purpose of the Profit Forecast 2024, the Group assumes research and development expenses to increase significantly compared to Fiscal Year 2023 in line with the anticipated revenue development in Fiscal Year 2024.

Factor 19: Non-recurring Items

Non-recurring items primarily consist of expenses and reimbursement by the Selling Shareholder of consulting fees related to the envisaged equity transaction, certain related advisory costs for which the reimbursement by the Selling Shareholder has been contributed to equity , effects from purchase price allocation, professional advisory fees mainly related to strategic projects and acquisition activities, severance payments, as

well as other adjustments, *e.g.*, inflation compensation premium and other consulting fees. Thus, non-recurring items primarily relate to cost of sales (*e.g.*, PPA effects as well as inflation compensation payments for production employees), distribution expenses (*e.g.*, 150-year celebration of the Group, other consulting costs as well as inflation compensation payments for distribution employees), general and administrative expenses (*e.g.*, consulting fees related to the envisaged equity transaction and the respective reimbursement by the Selling Shareholder, certain related advisory costs for which the reimbursement by the Selling Shareholder has been contributed to equity, costs related to M&A activities and consulting costs), other operating expenses (*e.g.*, severance payments) and other operating income (*e.g.*, additional reimbursements relating to the envisaged equity transaction).

For the purpose of the Profit Estimate 2023, the Group estimates that non-recurring items decreased significantly compared to Fiscal Year 2022, mainly due to lower level of amortization of effects from purchase price allocations.

For the purpose of the Profit Forecast 2024, the Group assumes non-recurring items to decrease considerably compared to Fiscal Year 2023, mainly due to lower professional advisory fees as well as a lower level of amortization of effects from purchase price allocations. Further, the Group assumes no costs related to severance payments, inflation compensation payments and the 150-year celebration of the Group in Fiscal Year 2024.

Factor 20: M&A Activities

The Group may make acquisitions and disposals that the Group expects present opportunities for growth and strengthening of its business, including by adding technological capabilities as well as improving its operational efficiencies and localizing the Group's production facilities.

For the purpose of the Profit Estimate 2023, the Group concludes there was no further significant impact from M&A activities on revenue and Adjusted EBIT in the last quarter of Fiscal Year 2023.

For the purpose of the Profit Forecast 2024, the Group assumes there will be no significant impact from M&A activities on revenue and Adjusted EBIT in Fiscal Year 2024.

7.7 Other Explanatory Notes

The Profit Estimate 2023 and the Profit Forecast 2024 do not take into account any extraordinary events, or results from non-recurring activities within the meaning of IDW Accounting Practice Statement (*IDW AcPS AAB 2.003*), except where explicitly stated otherwise in the explanatory notes above.

As the Profit Estimate 2023 and the Profit Forecast 2024 are based on several assumptions and estimates about uncertain events and actions in the past and future, respectively, both inherently involve significant uncertainties. Because of these uncertainties, it is possible that the Group's actual Adjusted EBIT Margin for the Fiscal Year 2023 as well as Fiscal Year 2024 may deviate from the Profit Estimate 2023 and the Profit Forecast 2024, even substantially.

On September 20, 2023, the Company has prepared a profit forecast for the fiscal year ended December 31, 2023, which was published on the Company's website on September 25, 2023. This profit forecast remains valid as of February 1, 2024. At the date of this Prospectus, the fiscal year ended December 31, 2023 has already ended. Therefore, the Company has included a profit estimate that reconfirms the profit forecast, as included under "*7.3 Profit Estimate 2023 of Adjusted EBIT Margin*".

This Profit Estimate 2023 as well as this Profit Forecast 2024 were prepared solely for the inclusion in this Prospectus and represent the best estimates of the Management Board as of February 1, 2024 and are still valid as of the date of this Prospectus.

8. BUSINESS

We hold market leading positions for mission-critical drive solutions across diverse civil end markets (*source: Roland Berger Report*) and defense end markets (*source: Renaissance Report*). We provide systems that set vehicles, vessels, and machinery in motion. Customers and end-users across the global defense, energy and industrial sectors trust our engineered solutions for their performance and endurance in mission-critical applications. Our offering integrates design, engineering, production, testing and long-lasting services of and for flexible, customized drive systems that convert power into action. In particular, we manufacture, sell and service mission-critical applications such as gear units, transmissions, power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches and test systems. As a global leader in mission-critical drive technologies (*source: Renaissance Report*), we believe we are well-positioned to provide our customers with solutions which address global needs for peace and security and a carbon net zero world.

We have a diverse range of customers in the defense and industrial markets, with a particular focus on customers active in industries for military vehicles, naval and civil marine, cement and plastics production as well as oil & gas. In addition, we serve customers in the energy generation industry, including those in the hydrogen and CCUS sectors and those active in industrial heat pump applications. In the fiscal year ended December 31, 2022, approximately 70% of our revenue was generated from the defense market and 30% of our revenue was generated in the civil market, in each case based on the end-market application of our products. We believe we are a trusted partner for our customers and are involved in critical stages of our customers' value chain – from engineering to commissioning and aftermarket services. In addition, we offer digital solutions aimed at improving our service availability and reaction speed for our customers. Long-term contracts, together with recurring streams of revenue from our successor and aftermarket services, provide us with a high degree of revenue visibility. Our product and service offering is complemented by our digital solutions such as virtual multi-user training tools and condition monitoring systems (an intelligent status monitoring system for efficient and predictive maintenance planning). We continuously aim to improve our service offering in order to better meet the needs of our customers and are constantly seeking new ways to leverage technology to enhance our products and services, improve efficiency, and provide better value to our customers. We believe our continuing investments in technology and digitalization to be a key driver of our future success.

In the fiscal year ended December 31, 2022, we generated revenue of €849.0 million and Adjusted EBIT of €144.3 million. As of September 30, 2023, our Fixed Order Backlog amounted to €1.7 billion. In the fiscal year ended December 31, 2022, our revenue was split as follows: 29% in the Americas, 22% in Germany, 22% in other EU countries (excluding Germany), 15% in Asia, 12% in other European countries and under 1% in Africa, Australia and Oceania.

We operate our business through three segments: VMS Segment, M&I Segment and Slide Bearings Segment. Prior to January 1, 2023, our test systems were operated through a stand-alone division which has since been integrated into the VMS Segment. In the fiscal year ended December 31, 2022, we generated revenue of €485.6 million in our VMS Segment (including test systems), €276.1 million in our M&I Segment and €90.9 million in our Slide Bearings Segment.

VMS Segment. With our product and service offering in the VMS Segment, we are one of the global innovation and technology leaders for transmissions for military tracked vehicles comprising main battle tanks and tracked infantry fighting vehicles by installed base in 2022 with an estimated global market share of over 30% (*source: Renaissance Report*). Apart from transmissions for military tracked vehicles, our product portfolio in this segment comprises engines, suspensions, electric drives and power-packs for military vehicles. Through our VMS Segment, we supply parts for more than 80 types of tracked and wheeled military vehicles across over 70 armed forces worldwide, with a strong focus on EU, NATO, NATO-equivalent (*gleichgestellte*) and other countries such as South Korea, India and Israel. In addition, we are a leading manufacturer of test systems (*e.g.*, for load, torque and durability tests) for various industrial markets (*source: Roland Berger Report*) and defense markets. We offer our customers turnkey test systems to support their respective R&D activities as well as their production and quality assurance processes in the automotive, railway, aviation, wind, and military vehicle industries. We generated around 90% of the revenue attributed to our VMS Segment in the fiscal year ended December 31, 2022 in the defense end-market and around 10% in the civil end-market, in each case based on the end-market application of our products. In the fiscal year ended December 31, 2022, 57% our revenue was generated by our VMS Segment, which had an Adjusted EBIT Margin of 23.4% during the same period.

M&I Segment. Our M&I Segment provides technology leading gear units and coupling & clutches solutions for commercial marine and industrial applications (*source: Roland Berger Report*) as well as naval applications (*source: Renaissance Report*). In the marine sector, our products are in particular used in naval surface combatants such as frigates and destroyers for navies and government customers as well as fast ferries and super yachts for civil customers. Our marine gear units for naval vessels are used by more than 40 of the world's navies and coast guards. In the industrial sector, the segment serves customers in the areas of plastic, steel and cement production in addition to being active in the oil & gas, hydrogen, CCUS and industrial heat pump sector and in the energy generation industry. Our M&I Segment serves markets across the globe. In particular, the M&I Segment has a strong presence in key markets, such as Germany, the United States, South America, India and the Middle East as well as China, where we provide products to industrial customers. Our global network of sales and service centers enables us to provide customers with fast support around the globe. Our tailored solutions allow us to provide customers with applications meeting their special requirements. We generated around half of the revenue attributed to our M&I Segment in the fiscal year ended December 31, 2022 in the defense end-market and around half in the civil end-market, in each case based on the end-market application of our products. In the fiscal year ended December 31, 2022, 33% of our revenue was generated by our M&I Segment, which had an Adjusted EBIT Margin of 7.5% during the same period.

Slide Bearings Segment. Our Slide Bearings Segment is the global leader in standardized slide bearings (e-bearings) (*source: Roland Berger Report*). In addition, we provide custom-made slide bearings for most applications of large electric drives, including energy generation (for conventional, hydro-, wind and nuclear energy generation), industrial applications as well as naval and civil marine applications. Our slide bearings are for example used for electric motors, generators, pumps, blowers, water turbines and conveyors. The Slide Bearings Segment offers innovative products, in particular for complex special bearings. We have assembly and MRO hubs in several regions and a global network of representatives. We generated around 10% of the revenue attributed to our Slide Bearings Segment in the fiscal year ended December 31, 2022 in the defense end-market and around 90% in the civil end-market, in each case based on the end-market application of our products. In the fiscal year ended December 31, 2022, 11% of our revenue was generated by our Slide Bearings Segment, which had an Adjusted EBIT Margin of 14.7% during the same period.

8.1 Our Strengths

8.1.1 Well-positioned in high-growth markets driven by megatrends

We hold market leading positions for mission-critical drive solutions across diverse civil end markets (*source: Roland Berger Report*) and defense end markets (*source: Renaissance Report*). We offer mission-critical solutions across a broad product portfolio and across different end markets.

In the defense market, we develop, manufacture and service transmission, engines, suspensions, electric drives and power-packs for military vehicles and gear units for naval vessels. In the civil market, our products are utilized across a wide range of equipment, including in tankers, liquified natural gas ("**LNG**") carriers, ferries, dredgers and heat pumps, and in different industries, including in the energy generation, cement, plastic, wind energy, and steel and minerals industries. The defense and civil end-markets in which our products are used are high-growth markets driven by positive megatrends such as the so-called "defense super-cycle" and the megatrend with respect to Energy Transition (as defined below).

The global defense market is impacted by the so-called "defense super-cycle", which is mainly driven and is expected to continue to be driven by increases in the Global Defense Budget. Between 2022 and 2027, the Global Defense Budget is estimated to grow at a CAGR of 5.2% due to higher demand for defense applications in response to global political tensions as well as the need for technology improvements and upgrades of existing platforms thereby reversing a trend of governmental budget cuts for defense spending post-cold war (*source: Renaissance Report*). As a result, our Total Defense Addressable Market is estimated to grow at a CAGR of 12.9% between 2022 and 2027 (*source: Renaissance Report*). In particular, we expect our Total Defense Addressable Market for land applications to benefit from the commitments of various countries to donate land platforms to Ukraine and the accompanying necessity to recapitalize and replenish fleets in addition to an increase in budgets related to new platform procurement and upgrade programs. For naval applications, in particular, we expect a growing effort to modernize fleets due to a re-emphasis of the maritime domain as well as growing interest in so-called multi-mission maritime platforms that can perform multiple tasks.

Our Total Civil Addressable Market is estimated to grow at a CAGR of 5% between 2022 and 2027 (*source: Roland Berger Report*). In particular, our addressable market for gear units used for new energy, which

is relatively small today, is expected to grow at a CAGR of 81% between 2022 and 2027 (*source: Roland Berger Report*). This compares to an expected growth at a CAGR of 9% for our Commercial Marine Gear Units TAM between 2022 and 2027 (*source: Roland Berger Report*).

In the longer term, we believe we are well positioned to benefit from the expected growth of the markets for hydrogen, CCUS and heat pumps, which in turn is highly influenced by the ongoing global shift from fossil-based systems of energy production and consumption to renewable energy sources (the "**Energy Transition**"). The Energy Transition is essentially a switch from the traditional oil & gas applications to electricity produced from renewable power and the use of cleaner liquids and gases as energy carriers, which is supported by an increasing amount of emissions regulations. In particular our high-speed turbo gear solutions can be used in new energy application, including in the hydrogen, CCUS and industrial heat pumps sector. Our solutions are technology agnostic and are not dependent on future decisions on alternative fuels in commercial marine as well as transport or storage of hydrogen. This is because our solutions provide key technologies whenever gases are processed into different gases or gases are transformed into liquids or vice versa.

8.1.2 Global leader in mission-critical propulsion and drive technologies supported by engineering excellence and innovation

As of December 31, 2022, we maintained leading market positions across our various markets in highly specialized product categories such as:

- The leader in transmissions for tracked military vehicles comprising main battle tanks, tracked infantry fighting vehicles, tracked self-propelled howitzers, tracked military personnel carriers and specialized support vehicles[3] as evidenced by the presence of our products in around 75% of NATO allied tracked vehicles (*source: Renaissance Report*);

- The leader in gear units for large naval surface combatants comprising frigates, destroyers, corvettes and amphibious assault ships[4] (*source: Renaissance Report*);

- The leader in suspensions for tracked and wheeled military vehicles[5] (*source: Renaissance Report*);

- A leader in gear units for commercial marine gear units[6] (*source: Roland Berger Report*);

- A leader in turbo-gear solutions for industrial applications[7] (*source: Roland Berger Report*);

- A leader in couplings & clutches for industrial applications[8] (*source: Roland Berger Report*);

- The leading provider of slide e-bearings[9] (*source: Roland Berger Report*).

Our products are in most cases mission-critical to our customers' end products and require the highest degree of quality and reliability. As a result, superior product quality, engineering capabilities, innovation and customer integration (*i.e.*, establishing structures for customer orientation) are paramount to our business performance and we strive to position ourselves as an innovation leader and believe our strong innovation capabilities and technology leadership are key competitive strengths. Our commitment to the highest industry

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[3] By installed base in 2022 globally (excluding Embargo Countries) and excluding platforms of Russian and Chinese origin in-service outside of Russia), by number of installed base.

[4] By installed base of gear unit products (excluding slip rings) of large surface combatants (Frigates, destroyers, corvettes and amphibious assault ships) in 2022 globally (excluding Embargo Counties and excluding platforms of Russian and Chinese origin in-service outside of Russia), by number of installed base of gear unit products.

[5] Based on overall positioning for suspensions with a global share of 39% across tracked and wheeled vehicles by number of installed base of suspension products, excluding Embargo Countries and platforms of Russian and Chinese origin in service outside of Russia and China

[6] Based on 2022 market share for our total addressable market by value in gear unit solutions for commercial marine globally.

[7] Based on 2022 market share for our total addressable market by value in turbo-gear solutions in industrial application globally.

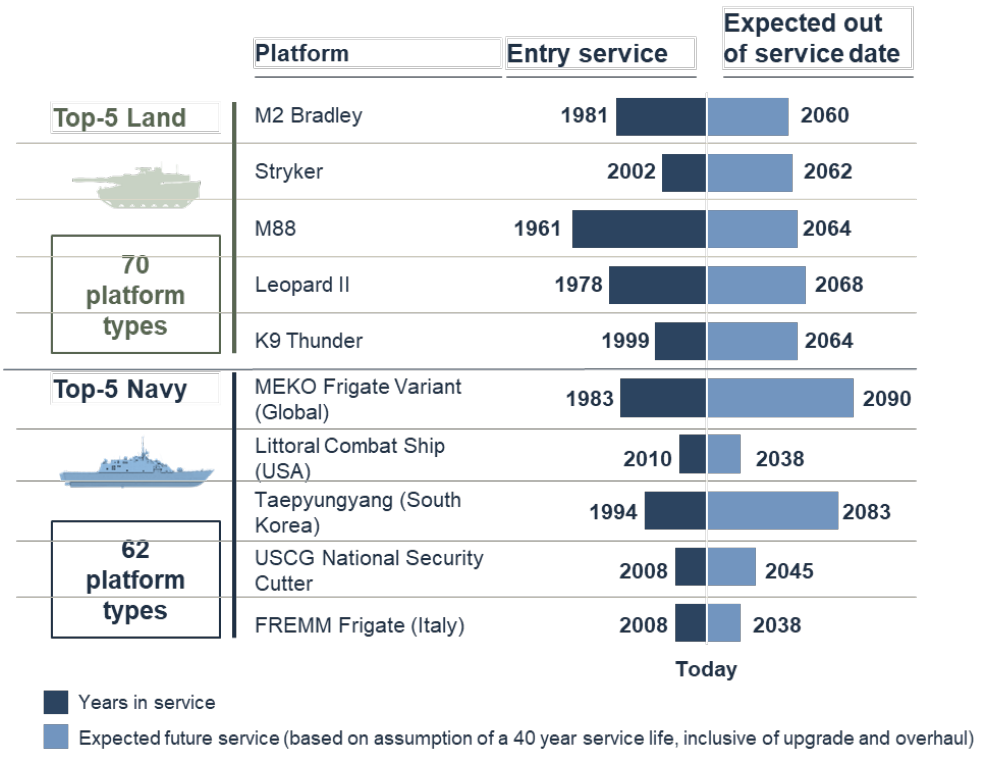
[8] Based on 2022 market share for our total addressable market by value in couplings & clutches in industrial applications globally.

[9] Based on 2022 market share for our total addressable market by value in standardized slides bearings (e-bearings) globally.

quality and technological standards are underscored by our continuous innovation and focused R&D efforts. The main focus areas of recent and ongoing R&D activities are (i) digitalization (in particular, our collaboration with Modest Tree, in which RENK GmbH holds a minority shareholding of 28.9%, to offer virtual- and augmented reality solutions to customers), (ii) hybridization (*e.g.*, fully hybrid power-packs for military vehicles) and (iii) new products (such as test solutions for unmanned aerial vehicles). As of September 30, 2023, we had 545 employees dedicated to R&D, engineering and design, more than 340 of whom are located in Germany, and 60 employees active in software development. We incurred a total of €51 million in business-sponsored R&D costs (which we recognize under cost of sales and do not capitalize) in the fiscal years ended December 31, 2020, 2021 and 2022.

8.1.3 Locked-in business models securing high recurring revenue

We believe we are a trusted partner to a diversified global customer base as evidenced by long-standing and deeply integrated relationships with customers who rely on the mission-critical products we supply. Long product lifetimes and corresponding long-term service relationships provide us with a high degree of revenue visibility as well as stability in recurring revenue. In particular, defense platforms typically have long lifecycles (with an estimated average product lifecycle for land and naval defense platforms of 30 or more years (*source: Renaissance Report*). The planning period before any procurement decision is made, can last for over 10 years. As defense platforms are typically also highly complex due to the integration of a variety of technologies and products and the need to customize these, products and suppliers are typically not replaced with alternative products or suppliers during the lifetime of a platform. Moreover, technological and other restrictions, as well as time and expenses related to replacing our products or technology on incumbent platforms effectively position us as a sole source supplier to our customers over long-term product and aftermarket service contracts due to platform lifecycles from start of production to the end of a platform of up to 50 years or longer (*source: Renaissance Report*). The following chart depicts the entry into service and expected out of service dates of selected platforms that we serve:



In the fiscal year ended December 31, 2022 approximately 37% of our revenue in the defense market was generated from platforms where we believe to be the sole supplier of. In addition, 42% of our revenue in the fiscal year ended December 31, 2022 was generated from follow-up orders for platforms on which we are already present. Furthermore, around 61% of the European and North American tracked vehicle platform (types) have been supplied by us in 2022 (*source: Renaissance Report*). We believe these strong collaborations and relationships also position us well for our customers' next generation platforms.

We have long-standing relationships with our customers. For the fiscal year ended December 31, 2022, based on revenue with our top ten customers, approximately 11% of our revenue was generated from customers with whom we had relationships of more than five years, approximately 5% of our revenue was generated from customers with whom we had relationships of more than ten years, approximately 10% of revenue was generated from customers with whom we had relationships of more than 20 years and approximately 74% of revenue was generated from customers with whom we had relationships of more than 40 years. At the same time, we believe that we are not dependent on a single customer. In the fiscal year ended December 31, 2022, our top ten customers by revenue represented approximately 47% of our total revenue with no single customer representing 10% or more of our revenue. Our diverse and loyal customer base includes blue-chip OEMs such as BAE Systems, General Dynamics, KNDS, Rheinmetall, Lockheed Martin, Patria, Thales, Hanwah Defense, Hyundai Rotem, Rolls Royce, SAAB Kockums, thyssenkrupp Marine Systems and Fincantieri. Customers in our industrial markets include Atlas Copco, Électricité de France, Siemens, General Electric and MAN Energy Solutions. In 2023, RENK America entered into a four-year prime contract with the United States Navy. The contract will ensure the support by RENK of the original equipment manufacturers Marionette Marine and Austal for the littoral combat ships Freedom and Independence variant combining gears, splitter gears, and main reduction gears. We consider this a lasting proof of our commitment and as an important milestone in the expansion of our naval and marine business in the United States. In addition, our subsidiary RENK Systems Corporation together with RENK America and RENK Test System GmbH entered into a firm-fixed-price contract with the United States Navy for the design and installation of test stands and equipment related to the Sikorsky CH-53K King Stallion Helicopter testing facility based at Cherry Point Naval Air Station in North Carolina.

Our long-standing leading market positions and customer relationships have allowed us to establish a large and growing installed base, which we serve through our Aftermarket Business. This generates stable and recurring streams of revenue and cash flow as well as typically higher margins than our New Build Business. In the nine months ended September 30, 2023, our New Build Business generated around 65% of our revenue and our Aftermarket Business contributed around 35% of our revenue. Our acquisitions of the Horstman Group and CPS of L3Harris Technologies, Inc. enabled us to gain access to the aftermarket service market for several key U.S. and international military vehicle platforms, which increased RENK's world-wide installed base with platforms such as the M2 Bradley, the M88 and the M109A7. This brings our total installed base to over 180,000 for main battle tanks, self-propelled howitzers, infantry fighting vehicles, armored personnel carriers, support & specialized protected support and medium/heavy tactical in addition to over 200 navy vessels with a global market share of roughly one third for in-service large surface combatants as of 2022 (*source: Renaissance Report*). An increased penetration of our installed base provides additional upside potential for our aftermarket business.

Our Aftermarket Business provides high quality products and services, is strategically located in close proximity to our core addressable customers, benefits from strong relationships with OEMs and end-customers and is supported by knowledgeable field service engineers with strong technical capabilities.

8.1.4 Strong financial profile built on high visibility, growth, profitability and cash generation

We benefit from a high revenue visibility with promising growth prospects due to our Fixed Order Backlog, our significant short- to medium-term business opportunities and the revenue potential from our Aftermarket Business.

Our Fixed Order Backlog has increased from €1.0 billion to €1.7 billion from December 31, 2020 to September 30, 2023 due to the recently announced projects for Taiwan Engine, THOR III, iClass Frigate, Wisent and KDX. As of September 30, 2023, approximately 88% of our Fixed Order Backlog was related to projects in the defense sector and approximately 12% to the civil sector. Our Order Intake has grown from €767.0 million in the short fiscal year ended December 31, 2020 to €911.4 million in the nine months ended September 30, 2023 due to significant new business order wins throughout our segments. For the nine months period ended September 30, 2023, we had an Order Intake in the VMS Segment of €610.6 million (September 30, 2022: €473.3 million), in the M&I Segment of €221.7 million (September 30, 2022: €187.9 million) and in the Slide Bearings Segment of €89.3 million (September 30, 2022: €81.9 million). Beyond our existing Fixed Order Backlog, in the short- to medium-term, we expect to receive further orders under existing frame contracts in an amount of around €0.6 billion (based on either fixed annual contract volumes or volume estimates based on customer information or historical purchase volumes over an entire contract period). Further, we believe we could win a number of key contracts in particular based on our position as sole supplier for some platforms. In particular, given ongoing contract negotiations as well as recent budget approvals, partial budget approvals or government endorsements, we believe we are well placed to receive additional expected orders for the platforms GTK BOXER (German wheeled military vehicle), Leopard 2 (German main battle tank), PUMA (German infantry fighting vehicle), M2

Bradley (US infantry fighting vehicle) as well as expected orders for the AMPV (Armored Multi-Purpose Vehicle) and PzH2000 (self-propelled howitzer). In the aggregate, the value of these expected orders, together with our Fixed Order Backlog as of September 30, 2023, amounts to approximately €4.6 billion, or approximately 5.1 times our revenue for the twelve months ended September 30, 2023. We expect that we will be able to convert approximately 50% of these orders to revenue within the next three years.

Revenue visibility is further supported by our recurring Aftermarket Business. In the fiscal year ended December 31, 2022 we generated around 31% of our revenue from our Aftermarket Business. Our Aftermarket Business is particularly driven by the long lifecycles of defense platforms, for many of which we are the sole supplier, that require ongoing maintenance and updates. Due to the complexity of such platforms, suppliers are only rarely changed, which provides us with high visibility on potential future revenue streams related to the maintenance, repair and upgrade of our products in such long lifecycle platforms. We believe that the high share of revenue of our Aftermarket Business combined with the high number of platforms and industries that we serve supports the resilience of our results of operations.

We have also demonstrated our ability to achieve strong growth and cash flow generation as well as higher margins and profitability. From 2020 to 2022, our revenue increased at a CAGR of 24% from *as if* revenue for the Former RENK AG Group of €550.2 million for the twelve months ended December 31, 2020 to €849.0 million for the RENK Group for the fiscal year ended December 31, 2022. This growth was to a large degree driven by the RENK America Acquisition. Excluding the revenue contribution of the RENK America Business in an amount of €190.4 million in the fiscal year ended December 31, 2022, revenue would have grown at a CAGR of 9% between the twelve months ended December 31, 2020 and the fiscal year ended December 31, 2022. Over the same period, operating profit grew from €61.5 million (*as if* for the Former RENK AG Group) to €65.2 million (for the RENK Group), resulting in an Adjusted EBIT of €144.3 million, and we reached an Adjusted EBIT Margin of 17.0%. In the twelve months ended December 31, 2020 our EBIT Margin was *as if* 11.2% for the Former RENK AG Group. Our organic growth is supported by current megatrends (*see 8.1.1 Well-positioned in high-growth markets driven by megatrends*) in addition to our strong execution focus across all segments to increase production output and mitigate supply chain challenges, as well as capacity expansion in our VMS Segment. During the last two years, we doubled our production capacity in certain areas. Further, our strategic acquisition of CPS of L3Harris Technologies Inc. in 2021 and the acquisition of General Kinetics through Horstman Inc. in January 2023 allowed us to increase our market share in the military vehicle market.

In the period from 2020 to 2022, we have invested approximately €97 million in Capital Expenditure in addition to acquisitions. For example, for the expansion of our production capacity at our site in Augsburg and various smaller investments at RENK America. Over the same period, we have also invested approximately €51 million in self-funded R&D to position us well for next generation platforms. We believe our significant investments in recent years will help us to further increase our competitive advantage. Our well-invested asset base means we benefit from low maintenance capital expenditure, which have amounted to approximately 3% of revenue during each of the last three fiscal years. Due to our revenue growth, limited capital expenditure requirements and focus on working capital management, Adjusted Cash Conversion improved from 72.1% for the fiscal year ended December 31, 2021 to 85.1% for the fiscal year ended December 31, 2022.

8.1.5 Well-invested platform positioned to deliver growth, supported by proven management team and highly skilled employees

Particularly during the past three years, we have accelerated our internationalization and now benefit from a global footprint including 14 production and MRO sites across nine countries and seven additional international sales, services and R&D subsidiaries, which are located in close proximity to our customers in order to allow for short lead times. Our production facilities are well-invested with modern machinery setups and fully integrated engineering and production capabilities.

In addition, we enjoy a strong senior management team that has extensive industry experience. The members of our senior management team each have more than 25 years of industry experience. Susanne Wiegand, our chief executive officer and chairwoman of the Management Board has joined the Group in 2021. She has held management positions at Rheinmetall AG, German Naval Yards and thyssenkrupp Marine Systems GmbH. Our chief financial officer, Christian Schulz, joined the Group in 2023 and previously acted as chief financial officer at Traton Group and worked at Mercedes-Benz AG, Mitsubishi Fuso Truck and Bus Corporation and Daimler Truck AG. Michael Masur is the chief executive officer of our VMS Segment. He has gained extensive industry and military experience in his previous roles outside the Group, among others, as head of marketing and sales at Diehl Defence Holding GmbH and during his time at the German Bundeswehr. Nadine Despineux is the chief

executive officer of our M&I Segment and previously acted as managing director and executive vice president of digital service solutions at KraussMaffei Technologies GmbH and as vice president at Rolls-Royce Power Systems. In November 2023, Mathias Rusch joined us as chief executive officer of our Slide Bearings Segment. He has gained significant experience at SKF Marine GmbH where he acted as chief operating officer and chief financial officer. In addition, we have recently appointed Dr.-Ing. Emmerich Schiller as Managing Director Production. He has gained significant experience at Mercedes Benz Group where he was chief executive officer for off-road vehicle products and previously managed various plants and Mercedes-AMG GmbH where he was chief operating officer.

We believe that the collective industry knowledge and experience of our senior management team will enable us to realize our strategy of strong, sustainable long-term growth.

Our senior management team is supported by management teams with extensive experience and approximately 3,650 employees globally, 24% of whom had a university degree as of September 30, 2023. We have a strong track-record of attracting talents and are in regular contact with high schools and universities especially in Germany to allow young talents to join us as apprentices or working students to gain industry experience, which we believe to be unique in Germany. As of September 30, 2023, the average period of employment was approximately 13 years.

8.2 Our Strategy

8.2.1 Continue to be a technological leader in innovation and development

We aim to continue our technological leadership by developing and bringing new, innovative products and solutions to the market, continuously improving our existing product and service offering and remaining committed to high industry quality and technological standards in our innovation and development activities. Our ambition is to continue following a focused approach to product development, targeted at opportunities in growth markets and customer demand. The focus areas of our product development activities are: (i) hybridization (*e.g.*, hybrid power-packs for military vehicles as well as, the AED (Advanced Electric Drive) and IFPS (Integrated Front-End Power Solution) for marine vessels), (ii) digitalization (*e.g.*, sensor enabled condition monitoring and data analytics and remote support), and (iii) new products (such as test solutions for unmanned aerial vehicles).

In our VMS Segment, we plan to continue our focus on longstanding cooperations with platform manufacturers to maintain our early involvement in their respective new vehicle developments. Due to our unique and long experience in designing, prototyping, testing and vehicle integration, we are the partner of choice in many relevant new vehicle developments from a very early stage. We also intend to further enhance and modernize our existing products. For example, we are currently in the final stage of increasing the performance of our AVDS engine to up to 1,500 horsepower as well as improving its functionality and sustainability. We are also developing a new transmission for tracked military vehicles with a weight of up to 20 tons to expand our portfolio to all weight classes. Moreover, we are introducing the (mild-) hybridized HSWL 256 transmission with drive-by-wire prepared for autonomous driving. We are also continuously upgrading our existing transmission portfolio.

A key focus of our M&I Segment is the development of products for energy efficiency and Energy Transition solutions and technologies, including new energy applications with regard to hydrogen, CCUS and heat pumps. In commercial marine, we focus on energy efficient solutions to reduce CO2 emissions and fuel costs. In addition, we continue to build on our strengths in naval propulsion systems, meeting the highest noise and vibration as well as magnetic signature requirements. We also focus on developing and implementing automated engineering development processes to improve our time to market and competitiveness.

In our Slide Bearings Segment, we continue to focus on process improvements for various coating technologies to increase the durability of our bearings while reducing production costs. In addition, we intend to further develop our products for new applications whose growth is driven by the Energy Transition, such as main rotor bearings for wind turbines.

8.2.2 Capitalize on international footprint

We have expanded our international presence in recent years and plan to capitalize on our global presence, comprising 14 production and MRO sites in nine countries, located near our customers to allow for short lead times. With our well-invested production facilities equipped with modern machinery and fully integrated engineering and production capabilities, we remain focused on growing with our customers and meeting their

needs wherever they are located. We believe that we have significant capacity to increase production and assembly volumes in line with our targeted growth, strengthening our ability to serve our customers around the world. In addition, we aim to leverage our segment-focused sales approach, supported by seven international sales, services and R&D subsidiaries, as well as our industry experience and expertise. We also continue to engage early with strategic partners to identify new opportunities for our products, solutions and aftermarket services.

8.2.3 Further penetrate aftermarket services market to drive margins

We believe that the growth trends in our end-markets combined with the long lifecycles of many of our products offer significant opportunities for us, and we aim to leverage our position as a leading global provider of highly efficient propulsion and drive train technology to capture an increasing share of the addressable aftermarket services market, with its generally higher margins than the new build market. With our ability to provide the required test benches by our own testing capabilities, we are able to provide the complete MRO infrastructure as well as the training required. We remain focused on the implementation of various measures to achieve greater penetration in this market, which include increased localization of production and MRO capabilities, to further drive proactive customer engagement, and to improve supply chain management. Furthermore, we are focused on optimizing our aftermarket services to customers by increasing and enhancing our digital solutions.

8.2.4 Maintain focus on operational excellence and efficiency

In order to offset increased costs and remain competitive in the market, we plan to continue our focus on design and productivity improvements as well as procurement savings to improve our operational excellence. Since the start of 2023, we are in the process of implementing over 160 cost saving projects and continuously monitor the progress we are making through a comprehensive framework and tracking of key performance indicators. For example, we are pursuing the optimization of our production set-up, in particular through improved machine set-ups as well as the use of advanced planning and scheduling software and a reduction of production steps through line balancing in assembly. Further we aim to increase the ratio of paid work hours our employees spend on value-add activities, such as manufacturing process improvements, for example the use of automatic loading/unloading of machines via robots, CAD/CAM coupling, and the deployment of virtual twins for training service and production technicians. Additional efficiency measures include design improvements and resource management measures aimed to reduce overall materials consumption and scrap materials. We also remain focused on streamlining purchasing and procurement functions, such as leveraging synergies across global sites, optimizing our supplier base and increasing the efficiency and automation of our purchasing processes and systems as well as enhancing the management of inventory and receivables. We are for example in the process of improving our sourcing logistics by agreeing delivery schedules with our suppliers and forming a dedicated expediting team to make our supply chain more resilient.

8.2.5 Commitment to sustainability

We are committed to a strategy of sustainable development in line with our broader mission to address the global ambition, and support our customers' ability, to achieve a carbon net zero future. We aim to facilitate the Energy Transition with our products. In 2022, we established a dedicated ESG team including members of our senior management with the goal of developing a sustainability strategy, addressing ESG topics across the various functions and segments and establishing a strong governance as well as ethics and compliance management function. Our sustainability strategy is constantly evolving, but we aim and will continue to consider its principles in company steering, such as during product and service design, business selection, capital investments, procurement and human resource related decisions. In addition, we are committed to the ten principles of the UN Global Compact, committed to pursue a verification of our decarbonization targets by the Science Based Target Initiative and have signed the Diversity Charter. We plan to use the United Nations Sustainable Development Goals ("**SDGs**") defined by the United Nations as part of its Agenda 2030, as strategic guidelines for our business. In particular, we are focused on contributing to the following goals: to ensure good health and promote well-being (SDG #3), promoting gender equality (SDG #5), building a resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation (SDG #9), reducing inequality within and among countries (SDG #10), ensuring sustainable consumption and production patterns (SDG #12) as well as taking action to combat climate change and its impacts (SDG #13). From 2023, we plan to publish an annual sustainability report in accordance with the global standards for sustainability reporting issued by the Global Reporting Initiative, including our core ESG targets.

8.2.6 Pursue growth opportunities through selective acquisitions

We intend to continue to grow our business through selective acquisitions in line with our disciplined approach and clearly defined investment criteria. Our acquisition strategy is primarily focused on regional expansion, product portfolio expansion and technological innovation. With respect to our product portfolio, we may pursue acquisitions to complement our product offering, enhance our portfolio diversification, strengthen our system integrator capabilities and enhance our technology expertise.

8.3 Our History

RENK was founded by Johann Julius Renk in 1873 in Augsburg, Germany, as a small workshop for the mechanical production of gear wheels. In 1879, the company moved to its current location, where the Group's headquarters remain until today. RENK was transformed into a stock corporation in 1897, and in 1923 RENK became part of the MAN Group. Following the majority takeover of MAN SE by Volkswagen Aktiengesellschaft in 2011, RENK also became a member of the Volkswagen Group.

Since the 1970s, RENK has continued to expand its global footprint, production capacities and international sales and services offering. For example, in 1986 RENK expanded its business and production capabilities via a partnership with the Franz Tacke KG with its production site in Rheine, Germany and in 2007 acquired the gear unit manufacturer RENK-MAAG GmbH based in Winterthur, Switzerland. We have further acquired, established and expanded operations around the world, including in Guaramirim (Brazil), Bengaluru (India), Busan (Korea), Abu Dhabi (United Arab Emirates), Shanghai (China), Vlissingen (the Netherlands), Saint-Ouen-l'Aumône (France), Istanbul (Turkey) as well Camby and Duncan (United States).

In April 2019, RENK acquired the military vehicle suspension systems provider Horstman Group, which added to our development and manufacturing capacity in the United Kingdom and the United States. It also provided us with a technology hub in Canada and improved the Group's access to new defense markets. RENK also acquired a minority stake in Modest Tree, a technology leader in developing virtual- and augmented reality applications and software without coding (*e.g.*, to create immersive training solutions), thereby strengthening its digital capabilities.

In January 2020, Triton entered into a definitive agreement to acquire a 76% shareholding in the former RENK AG from the Volkswagen Group. In connection with the acquisition, RENK GmbH also acquired shares in the former RENK AG representing approximately 15% of the entire outstanding share capital by way of a voluntary public takeover offer. Following consummation of the acquisition and voluntary public takeover offer in October 2020, RENK GmbH initiated a merger squeeze-out process, which was completed in February 2021.

In March 2021, RENK acquired CPS of L3Harris Technologies, Inc. for an adjusted purchase price of €301 million. Through this acquisition, RENK significantly strengthened its position in the large US market for military vehicles.

In January 2023, RENK, through its suspension systems specialist Horstman Inc., acquired General Kinetics including its subsidiaries in Canada and the U.S. General Kinetics is a provider of suspension and vibration mitigation solutions for wheeled and tracked military vehicles. Following its acquisition, the business of General Kinetics has become part of our VMS Segment.

Since the acquisition by Triton in 2020, and taking into account all acquisitions effected thereafter, we have invested more than €500 million into acquisitions, R&D and Capital Expenditure.

8.4 Our Product Offering and Segments

We manufacture, sell and service mission-critical gear units, transmissions, engines, power-packs, hybrid propulsion systems, suspension systems, slide bearings, couplings & clutches and test systems. We serve a diverse range of customers in defense and industrial markets with a particular focus on customers active in the markets for military vehicles, naval and civil marine, cement, steel and plastics production as well as customers in the oil & gas and energy generation (including new energy, such as hydrogen, CCUS and industrial heat pumps) industry. Through our defense-related product offering, our products are present in various major land-based and naval platforms, which typically have decades-long lifespans. In addition to the revenue generated from the initial sale of our-products, this provides us with the opportunity to generate additional revenue from aftermarket and

service activities. Products for our industrial end-customers are often characterized by a high degree of complexity as they are custom made to meet our customers' needs and expectations.

Since January 1, 2023, we operate our business through the three segments VMS, M&I and Slide Bearings. Products of our VMS Segment mainly serve the defense sector, whereas our test systems, which are included in our VMS Segment, serve a variety of markets based on the application of the individual test systems. The primary markets for our M&I Segment include naval and civil marine, energy generation, plastic and cement production, oil & gas, among others. The primary markets for the Slide Bearings Segment are marine, energy generation and mechanical/plant engineering.

Each of our segments manages its own business development, product development and core production processes, such as manufacturing, assembly, logistics and quality control. However, the segments collaborate with respect to certain functions, including manufacturing and testing facilities as well as customer support. Other functions, such as finance & controlling, human resources, information technology, R&D, supply chain management and governance, legal and compliance as well as information security, are centralized on Group level.

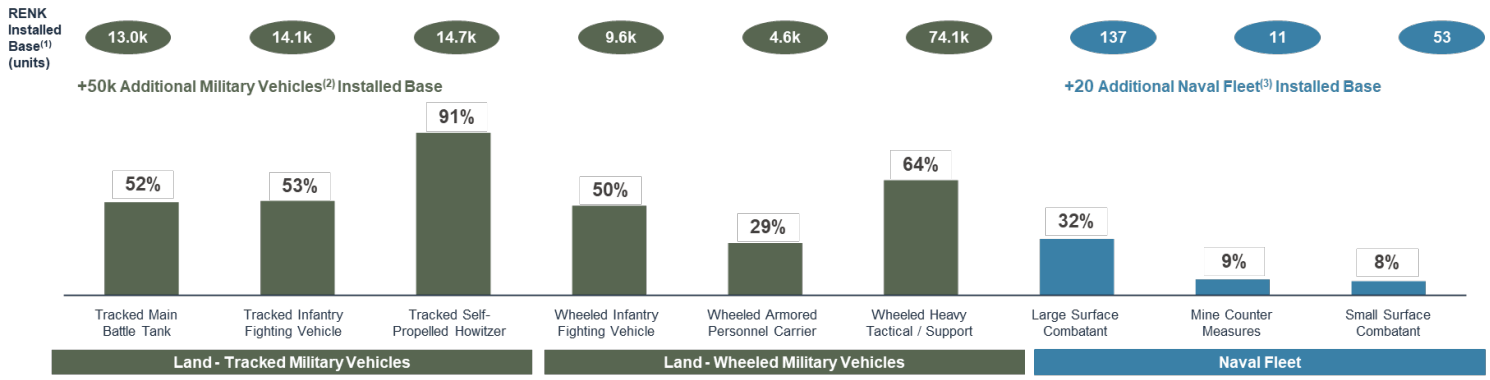
8.4.1 Vehicle Mobility Solutions (VMS)

The VMS Segment is a global innovation and technology leader in fully automatic transmissions, engines, electric drive systems, power-packs and suspension systems for tracked and wheeled vehicles (*source: Renaissance Report*). We also supply test systems (*e.g.*, load, torque and durability tests) to customers in a range of industrial markets, including the automotive, aviation, rail, tracked military vehicles and wind markets. These include turnkey test systems for R&D, production and quality assurance of products.

The VMS portfolio covers the complete mobility portfolio for military vehicles, including solutions for hybrid and electric drive capabilities. For many vehicles, such as the M2 Bradley and the M88A2 in the US, the K2 in Poland and South Korea, the M60 in Taiwan, the Arjun in India, the Firtina in Turkey and the Leopard II in Germany we believe we are well-positioned to win a successor tender for our products. We also believe that we are well positioned to place our products on various next generation platforms.

The acquisition of the Horstman Group in 2019 allowed us to expand the segment's portfolio and systems expertise as well as enhance our geographic presence in the United Kingdom, the United States and Canada. In addition, in 2021, we acquired CPS from L3 Harris Technologies Inc., an established manufacturer of transmissions and engines for tracked military vehicles in the United States and international markets. In connection with this acquisition, RENK Magnet-Motor GmbH (previously: L3 Magnet–Motor GmbH), located in Starnberg, Germany, and active in the development and manufacturing of high-performance electric power supply and hybrid drive systems for defense application, was also acquired. In January 2023, RENK, through its suspension systems specialist Horstman Inc., acquired General Kinetics, including its subsidiaries in Canada and the U.S. General Kinetics is a provider of suspension and vibration mitigation solutions for wheeled and tracked military vehicles. General Kinetics was merged with its subsidiary in Canada and subsequently merged with Horstman Systems Inc. and renamed Horstman Canada Inc. in July 2023. The U.S. subsidiaries of General Kinetics has been integrated into Horstman Inc. and ceased to exist.

In defense markets, products from our VMS Segment are integrated into platforms like main battle tanks, infantry fighting vehicles, self-propelled-howitzers, armored personnel carriers and wheeled military vehicles as shown below:



source: Renaissance Report, Company information

(1) Installed base is number of units (platforms) that are currently in use by customers, includes platforms that are in active service as well as those in storage, but excludes platforms that have been retired from service. RENK installed base is platforms with one or more RENK products; transmission, engine, suspension, hybridization for land; and gear unit products, excludes slip rings for naval; excludes embargoed countries and platforms of Russian & Chinese origin in service outside of Russia & China

(2) For tracked military vehicles includes APC, Support, Specialized Protected Support; for wheeled military vehicles includes medium/heavy tactical / support, specialized protected support, SPH, light and ultra-light tactical military vehicles

(3) Includes auxiliary & support, patrol vessels, landing platform docks, landing helicopter docks, aircraft carriers and submarines.

Defense platforms are typically highly complex due to the integration of a variety of technologies and products that a single manufacturer cannot deliver. Therefore, defense contractors either form a consortium or a defense contractor integrates the products and technologies of various suppliers into a single platform. For example, we estimate that our total addressable component value relative to the total value of a military vehicle we supply is typically approximately 15% for tracked vehicles, thereof approximately 50% from transmissions, approximately 35% from engines, and approximately 15% from suspensions. Our products are generally platform-agnostic, *i.e.*, they can be used in different platforms. This provides us with the opportunity to supply competing platforms in parallel. We supply products for more than 80 types of tracked vehicles across more than 70 armed forces worldwide in over 70 countries with a focus on EU, NATO, NATO-equivalent (*gleichgestellte*) and other countries such as South Korea, India and Israel. We are also positioned on vehicles that have been transferred to Ukraine since the beginning of the conflict in 2022. In October 2023 we signed a memorandum of understanding with Ukraine Defense Industry and became part of the newly created "Ukraine Defense Industry Compact". With this memorandum of understanding, we support Ukraine with regard to training, education, spare parts supplies and maintenance and repair services for the more than 1,000 vehicles using our products in Ukraine. We currently supply 25 NATO countries with our products. Platforms our products are used in include, but are not limited to, the M2 Bradley (US infantry fighting vehicle), the Leopard 2 (German main battle tank), the K2 (South Korean main battle tank), the PUMA (German infantry fighting vehicle), the Marder (German infantry fighting vehicle), the Merkava I-IV (Israeli main battle tank), the Leclerc (French main battle tank), the M88 (US recovery vehicle), AJAX (UK infantry fighting vehicle), the Challenger 2 (UK main battle tank), the Stryker (US wheeled military vehicle) and the BOXER (German wheeled military vehicle). Defense platforms typically have long lifecycles (with an estimated average product lifecycle for land and naval defense platforms of up to 40 or more years), with vehicle upgrades (through where the relevant product was originally produced by us) us being required after 20 to 30 years. Such platforms are often planned for over 10 years before a procurement decision is made and 20 years before we start production (*source: Renaissance Report*).

8.4.1.1 ***Products***

The following is an overview of our product offering in the VMS Segment.

(i) *Transmissions*

We offer a wide variety of transmissions for military tracked vehicles weighing between 15 and 70 tons and with up to 1,800 horsepower ("**hp**"). Our transmissions are compatible with front build and rear build vehicle designs. Currently, the most important transmissions to our business are the models HSWL 354, HSWL 295, HSWL 256, RK 325, HMPT 800 and ESM 500:

- The HSWL 354 transmission is used in the Leopard 2 main battle tank and its family of vehicles. The transmission has been in series production since 1983 and is in use in around 20 countries as of the date of this Prospectus.

- The HSWL 295 transmission is suited for integration into main battle tanks, such as the K2 or the LeClerc Tropical. Due to its transversely mounted engine and the U-configuration of the power-pack, it is a compact transmission with five forward and five reverse gears. It is especially suited for application in extreme operating conditions and can be installed in new vehicles or function as a combat upgrade.

- Our latest and most advanced transmission is the HSWL 256 transmissions, which is used in a number of different military infantry fighting vehicles, including the PUMA (German infantry fighting vehicle), the Ajax (UK infantry fighting vehicle) as well as the LYNX IFV family, with Hungary as its first end-customer. The transmission combines a compact design with weight-optimized individual components. It is designed to have a long service life and the ability to move, steer and brake vehicles safely over a wide weight range, in particular vehicles in the medium weight class. The HSWL 256 is our first transmission that has been equipped with hybrid drive capability, providing up to 300 kW of additional electric power.

- The RK 325 transmission is designed for front installation in main battle tanks, such as the Israeli Merkava. The transmission is designed to provide maximum mobility, performance and acceleration of the vehicle. It has an electronic automatic gearshift as well as a modern braking system.

- The HMPT 500/800 transmission has a lightweight package, which enables maneuverability and agility, which we expect will be needed for system survivability in military infantry fighting vehicles. This HTMP transmission has been in production in various countries for different vehicle types such as the M2 Bradley (infantry fighting vehicle), the M109A7 Paladin (self-propelled howitzer), the AMPV (Armored Multi-Purpose Vehicle) and MLRS 270 (Multiple Launch Rocket System).

- The ESM 500 model is a transmission best suited for main battle tanks, *e.g.*, the French Leclerc. It has five forward and two reverse gears. It is equipped with a high-performance braking system with a secondary retarder and carbon friction brakes.

We also offer comprehensive aftermarket services for all our transmission models.

(ii) *Engines*

Our engine business is located in Muskegon, Michigan, United States, and comprises the engineering, manufacture, overhaul and upgrade of engines, which can be used for medium- and heavy-weight tracked vehicles. Our engines are air cooled, have a V-engine configuration, use diesel and are supercharged (hence "**AVDS**" engines) and offer a power range from 750 to 1,500 hp. The use of aluminum components throughout the engine provides a high power-to-weight ratio.

The AVDS-1790 engine has been in use for over 60 years and more than 39,000 engines have been manufactured and overhauled in our plant in Muskegon, Michigan, United States. The AVDS-1790 engine is used in platforms, such as the M60 and the M88 Recovery Vehicle as well as the Merkava main battle tank.

(iii) *Final Drives*

Final drives are an important element of the overall drive train. Installed on the left and right sides, they transmit all drive, brake, and steering functions from the transmission to the track. We offer a range of high-tech final drives, designed to ensure vehicle safety and durability.

Our final drives are engineered for use in demanding terrain conditions. They are tailor-made for our customers' individual purpose and specifications, taking into account vehicle speed and weight as well as impact loads in difficult off-road driving conditions, including high levels of strain due to mud, water, sand and extreme temperatures.

(iv) *Power-packs*

We provide power-packs which comprise either a RENK transmission and a RENK engine or include one of our products together with third-party components, depending on specific vehicle and customer requirements. The power-pack concept allows for a unified maintenance schedule for the transmission and the engine, thereby extending the lifetime of the products and optimizing life-cycle costs. We are currently expanding our power-pack offering to include cooling- and other engine related systems. We currently provide power-packs to the Indian Arjun platform.

(v) *Products related to Hybridization & Electrification*

The growing demand for hybrid vehicles and the increased demand of electric power in vehicles offers new opportunities for our product offering. In combining an electric power generator with a transmission and a combustion engine, hybrid military vehicles offer a number of benefits over traditional diesel-powered vehicles. Besides reduced fuel consumption and silent drive, hybrid systems also can be used for power generation. This energy can be used *i.e.*, for the growing supply of on-board computer systems, in order to operate energy-intensive communication systems, sensors and other electronic energy intensive on-board applications, as well as for cooling systems of the main engines and ambient air control systems. Furthermore, while braking, the electric engine power generator, which then works as a generator, is able to recharge an energy storage system.

Most of our newer transmissions have a Power Take Out ("**PTO**") and Power Take In ("**PTI**"). A PTO allows the user to connect the vehicle to one of its generators to use excess power from the main engine. This is either needed to power auxiliary or external systems or to charge a battery system. A PTI allows users to connect an electric drive, which can drive the transmission. PTIs can be used either as a quick start when the engine is not running or to give an additional boost for fast forward movements.

Our starter generators are engineered to deliver a multiple of the output of conventional alternators. They can be positioned as a flat disc between the combustion engine and the transmission for the mechanical drive, thereby eliminating the need for mounted parts and the subsequent transmission of power from and to the engine. This reduces the level of complexity when compared to conventional starters. With the additional high-voltage output, vehicles can also supply electric power to external users as required (so called electric export power). We also offer different system solutions comprising electric machines as well as power and control electronics, such as our compact Magnet-Motor Integrated Starter Generator ("**MM ISG**") model. Contrary to conventional starters, the MM ISG does not require belts, brushes, bearings or lubricants and is therefore comparatively low in maintenance. The model ensures a continuous 30 kilowatt ("**kW**") power generation even at low engine speed.

In addition, we offer compact automotive power inverter units which feature insulated-gate bipolar transistor technology with a liquid cooling and dense packaging of the circuit boards and components. Our three-phase inverter model PE31 is especially suited as a power inverter of drive motors or generators in medium- to large-category hybrid vehicles. The embedded controller features high-speed digital field-orientation control, covers interfaces for various sensors and offers support for a variety of communication standards. It can be installed in particular in high torque as wells as high-speed drives of up to 800 volts of direct current ("**VDC**").

We are currently working to integrate hybrid systems into various platforms, *e.g.*, the AMPV and the OMFV/XM30 in the United States as well as the Boxer and MGCS in the European Union. Several Western countries are demanding hybrid solutions and we are able to provide hybridization upgrades for certain wheeled vehicles, *e.g.*, FENNEK (a light armored reconnaissance vehicle) in Germany and Hawkei vehicles in Australia.

(vi) *Suspension systems*

We offer various suspension products and technologies, mainly through the Horstman Group. Our suspension systems are available in standard configurations or tailored to the customer's requirements. The product range comprises linear dampers and shock absorbers, rotary dampers and hydro-pneumatic systems.

Our linear dampers are produced in various sizes and for different vehicle models. Our shock & coil solutions provide a simple, but value-orientated solution and have been tested in different terrains and weather conditions. Since its first production, we have further developed our linear dampers to enable computer controlled variable damping (semi-active) and force-inserting (fully active damping) suspension as well as ride height management systems.

Horstman Group's rotary dampers have been deployed worldwide and provide heightened damping performance over conventional linear dampers. Our so-called InArm damper is lower in weight and space claim in military vehicle suspension systems and provides a growth path to advanced variable damping, lock-out and ride height management systems.

Horstman Group's hydro-pneumatic dampers have been used by multiple armies and vehicles utilizing the hydro-pneumatic systems. The outer mounting of these dampers allows vehicle designers to overcome space constraints, vulnerability to mine blasts and crew exposure to the fragmentation. The technology behind the hydro-pneumatic dampers reduces shock loads on the crew and vehicle allowing vehicles to drive faster with lower vibrations.

(vii) *Test Systems*

We provide customized test systems used by our customers in development, production, and quality assurance. Based on our many years of experience, we develop innovative test rigs for many areas of application in drive train technology and have testing capabilities for vehicle transmissions, naval gear units, industrial gear units, vehicle engines, naval slide bearings, suspension arms, hydro-pneumatic suspension and shock absorbers. We have over 40 test benches within our production sites. Our expertise extends from targeted consultation, concept creation and validation, development and production up to the commissioning of the systems at the customer's location, with subsequent training of the operating personnel. Our test rigs allow for power recovery (electric as well as mechanic) within the test scenarios, *i.e.,* the energy needed to operate the test systems circulates in a closed circuit and only a small part of the energy required for the system has to be supplied from outside of the circuit.

We develop test systems for different industries, such as automotive (from passenger cars to commercial vehicles), agriculture (*e.g.,* tractors, harvesters), railway (*e.g.,* urban transport, freight transport, passenger trains), wind power (*e.g.*, offshore, onshore), aviation (*e.g.,* helicopters, aircrafts), defense (*e.g.*, wheeled vehicles, tracked vehicles).

Although our test systems are specifically designed to meet our customers' requirements, we can leverage our knowledge of test systems and of general requirements in specific industries (such as underlying safety standards), to produce multiple test systems for similar applications.

8.4.1.2 ***Customers***

Within the defense sector, we sell our products and services directly to governments and government agencies as well as to large defense OEMs or platform suppliers. Government customers include the German *Bundeswehr*, the US Army, the British Ministry of Defense, the French Armée de Terre, the Australian Army, the Israel Defense Force, the Indian Army as well as the South Korean Army. Other customers from the defense sector include Rheinmetall, KNDS, General Dynamics, Lockheed Martin, Singapore Technologies, Hyundai Rotem, Thales, Patria, Hanwha Systems as well as BAE Systems. Customers in our industrial markets include Atlas Copco, EDF, Siemens, General Electric and MAN Energy Solutions.

8.4.2 Marine & Industry (M&I)

Our M&I Segment is a global technology leader that provides innovative products and solutions for a wide range of applications, such as propulsion solutions for naval and civil marine, combining standard high-speed power sources, including diesel engines, gas turbines, and hybrid-electric combinations. The product range extends from

stationary high-torque gear units for a variety of industrial applications, including for the cement, steel and petrochemical sectors, to high-speed gear units for the energy and oil & gas sector and complex gear units for fast ferries and naval applications such as frigates, corvettes and patrol vessels with up to 100 megawatts ("**MW**") of transmission power. We believe we offer efficient and enduring tailored solutions to our customers, in particular for low-noise and low-vibrations requirements. A key focus of our M&I Segment is the development of products for new energy solutions and technologies that can drive the transition towards a more sustainable future. This includes the further development of propulsion systems for ships that can reduce emissions and improve fuel efficiency, more efficient solutions in traditional industries like plastic extrusion to save energy, as well as high speed turbo solutions for hydrogen, CCUS and industrial heat pumps. Our technology leading coupling solutions help to enable the integration of renewable energy sources into existing power grids and ensures grid code compliance.

Through our M&I Segment, we supply more than 221 different naval platforms across more than 40 navies and coast guards worldwide as of December 31, 2022 globally. Our marine gear units for naval vessels operate in various platforms, such as in vessels belonging to the MEKO family, Tae Pyung Yang patrol vessels of the South Korean coast guard, littoral combat ships of the US Navy, Samarth-class vessels of the Indian coast guard, Frankenthal class minesweepers of the German Navy, legend class ships of the US coast guard, the Bergamini class FREMM frigate of the Italian Navy as well as in INS Vikrant aircraft carriers by the Indian Navy.

8.4.2.1 ***Products***

The following is an overview of our product offering in the M&I Segment.

(i) *Navy Gear Units*

Our navy gear units are designed to meet the unique requirements of naval applications, such as low noise and vibration and high shock resilience. Our propulsion solutions for naval and civil vessels combine standard high-speed power sources, including diesel engines and gas turbines, and hybrid-electric combinations. The gear units are built to withstand demanding conditions of naval operations, including extreme temperatures, high loads, and harsh sea conditions. Our innovative marine propulsion systems are set to meet our customer's requirements for operational flexibility and low-noise signature. The units are also often tailor-made to our customer's specifications and needs, with us often being involved early on in the design process.

These gear units are integral to the propulsion and maneuverability of these vessels, ensuring that they are able to perform with maximum efficiency and reliability. In 2022, for example, we supplied nine combined propulsion systems for naval vessels with cruise speed using electric motors to five customers and further delivered our navy gear units to ten vessels of the Bergamini class FREMM frigate of the Italian Navy.

(ii) *Commercial Marine Gear Units*

Our commercial marine gear units are used in a variety of commercial vessels, including large cruise and container ships. The gear units are an integral part of the propulsion and influence the maneuverability of vessels in difficult conditions. They are engineered to meet the demanding regulatory and environmental requirements such as reduced emissions and improved fuel efficiency as well as the unique requirements of the commercial marine market such as low maintenance, maximum efficiency and reliability. One of our products in this sector is our integrated front-end power system ("**IFPS**"), which includes a PTO solution for 2-stroke engines as used in container ships, tankers, bulkers and liquid natural gas carriers, which we supplied six times in 2022.

(iii) *Industrial Gear Units*

Our industrial gear units are designed to provide power transmission for a wide range of industrial applications, including cement, steel and mining plants, power generation facilities, and new energy applications.

Our industrial gear units are used in a variety of industrial equipment, including grinding mills, compressors and turbines. These gear units are essential for the performance and productivity of these industrial

processes. Our industrial gear units are in particular suitable to be used in high torque and high-speed applications, whereby our products have been and continue to be developed to optimize energy efficiency.

(iii)(a) High-Torque Applications

Some of our industrial gear units are used in plastic extruder applications such as our gear unit Suprex. It is designed to handle high torque loads while operating at low speed. Our products are suited for application in cement mills, where they help grind and mix raw materials for cement production. Cement mills operate under extreme conditions, including high temperatures and heavy loads, which requires the gear units to be especially robust. Our high-torque products are also designed to meet the needs of customers in a variety of industries and sectors. Due to our extensive experience in designing and manufacturing high-performance gear units, we believe we are a trusted partner for customers who require high-torque products that can operate in challenging conditions.

(iii)(b) High-Speed Applications

Our high-speed gear units, or turbo gears, are used between the driving equipment (such as the gas turbine, steam turbine, expander, electric motor) and the driven equipment (such as the compressor, fan, pump, generator) to transfer power. Turbo gears need to operate at extremely high speeds while also providing smooth and reliable power transfer. We design our turbo gears to specifically meet such requirements, with features such as high-efficiency gear geometry and advanced lubrication systems. Our turbo gears are used in a variety of applications, such as for oil & gas applications and power generation plants as well as for new energy applications such as hydrogen, CCUS and industrial heat pumps. Our expertise in designing and manufacturing high-speed gear units allows us to provide customized solutions to meet the specific needs of our customers. This includes large integral gears for processing and storage of high-volume gases (*e.g.*, CCUS), highly durable fast-moving compressor gears for handling of low-density gases (*e.g.*, H2) or ultra-low friction gearboxes for increased plant efficiency.

(iv) *Couplings & clutches*

Couplings & clutches are used to transmit torque and absorb shocks and vibrations. We offer a wide range of different couplings & clutches suitable for industrial as well as marine applications. Our couplings & clutches are designed to be used in heavy-duty applications, such as high torque, variable speed and extreme operating conditions. Couplings & clutches are built to provide reliable and efficient power transmission, while also protecting equipment from damage and wear caused by shock and vibration. Our couplings & clutches are also used in a various industrial and marine equipment, including pumps, compressors, generators, and propeller shafts. These couplings & clutches are essential to the performance and reliability of these systems, ensuring that they are able to operate safely and efficiently with maximum uptime.

*8.4.2.2 **Customers***

Within the defense sector, we sell our products and services directly to governments and government agencies as well as to large defense OEMs or platform suppliers. Government customers include the US Navy and US Coast Guard as well as the German, UK Royal, Indian, Royal Netherlands, Italian, Royal Thai, Danish and Israeli Navy. Other customers from the defense sector include Austal, ThyssenKrupp, Lürssen, Lockheed Martin, STM, Fincantieri and BAE Systems. Customers in our industrial markets include Atlas Copco, EdF, Gebr. Pfeiffer, Siemens Energy, Exxon, Coperion, Loesche, Cryostar, General Electric and MAN.

8.4.3 Slide Bearings

The Slide Bearings Segment manufactures hydro-dynamic slide bearings designed for propeller thrust absorption, with heat dissipation, heavy-duty performance and electrical current protection. Slide e-bearings were originally invented by RENK. It is the leader for such slide e-bearings based on 2022 market share of our total addressable market by value in standardized slide bearings (e-bearings) globally[10] (*source: Roland Berger Report*). Our slide bearings are used for electric motors, generators, pumps, blowers, water turbines, conveyors and many more. The respective markets include marine, energy generation, and mechanical/plant engineering. We have produced around 16,000 slide bearings in 2022.

[10] Excluding Afghanistan, China, Central African Republic, Cuba, Democratic Republic of the Congo, Iran, Libya, Myanmar, North Korea, Russia, South Sudan, Syria, Venezuela, Yemen, Zimbabwe, Angola, Eritrea, Kosovo, Lebanon, Somalia and Venezuela.

8.4.3.1 ***Products***

The following is an overview of our product offering in the Slide Bearings Segment.

(i) *E-Bearings*

E-type bearings are a standardized bearing group according to ISO 11687-1/2/3, invented by us in the 1970`s and is still considered to be the global benchmark for slide bearings used in electrical machines. The product offering in our e-bearings business comprises various e-bearing models, including our EF, EG/ER and EM models. Our products are mainly used in electric generators for energy generation in the oil & gas industry, in electric drives as well as in blowers, hydro turbines, test benches and various other applications. In addition, our e-bearings are used in the renewable energy sector, due to their applications in phase shifters (used for grid stabilization) as well as in hydropower systems. The e-bearings are assembled in various assembly and MRO hubs, including subsidiaries in the United States and Brazil as well as third-party providers in Japan and China. These distribution hubs are supported by a global network of sales representatives.

In addition to our e-bearings product offering, we offer aftermarket services for our installed products thereby leveraging our installed base. Our e-bearings business makes up the majority of the Group's revenue in the Slide Bearings Segment.

(ii) *Vertical Bearings*

The product offering in our vertical bearings business comprises the EV and the V model. Vertical bearings in the EV range were developed especially for use in high-speed machines in vertical execution, such as pumps, fans, turbines, or electrical machines. They achieve high cooling values in critical and fast-running applications. Vertical bearings in the V range are mainly used in low- to medium-speed machines in vertical designs, such as pumps, fans, turbines, or electrical machines. Our vertical bearings are characterized by low noise and vibrations and allow for convenient monitoring of the bearing temperature. Our vertical bearings business has a strong focus on the renewable energy sector due to the application of our products in hydropower plants. Our products are also suited for the use in cooling pumps for power plants either fossil or nuclear applications.

(iii) *Marine Bearings*

We also manufacture marine bearings, which include thrust, shaft and motor bearings. These are able to absorb high axial and radial forces, including high additional shock forces, regardless of the rotation and load direction. Accordingly, marine bearings are used for a variety of military vessels and boats for specific civil applications such as cruise ships, ice-going vessels, dredgers, large container ships and heavy lift vessels. Products from our marine bearings business have been used by navies worldwide for many years in technology critical applications, including surface and sub-surface applications.

(iv) *Horizontal Bearings*

Horizontal bearings are special slide bearings for customized industrial applications in the field of power generation, in the rough and robust operation area of steel mills, in hydroelectric power plants, in mills (such as for cement and ore), test rigs, dredgers and many more.

(v) *Tilting Pad Bearings*

Our tilting pad bearings are mainly used for turbo-machinery applications as well as other high-speed applications with special demands in terms of speed, load and damping characteristics. Such applications include turbines (gas as well as steam), compressors, high-speed gear units, pumps and other similar use cases. Our tilting pad bearings business benefits from our general know-how in the field of high-speed applications. Combined with our e-bearings business, high-speed gear units and couplings & clutches, we offer a full range of products for all rotating parts, toothing and their bearing arrangements in turbine and compressor packages.

(vi) *Slide Bearings for Wind Power*

Wind turbines have in the recent past typically used roller bearings for their rotating parts such as the main rotor shaft, planetary gear unit shafts, pitch and slewing units. Driven by the need for higher power density, an increasing number of wind gear unit manufacturers, including us, have started to design more compact gear

units by using slide bearings for the planetary shafts. With growing turbine sizes, the change from roller bearings to slide bearings for the main rotor is expected to come soon.

*8.4.3.2 **Customers***

Our Slide Bearings Segment has around 800 customers globally, which include global OEMs for large electric machines, such as ABB, Siemens Energy, Nidec, GE, TMEIC, Teco, ATB Group, Jeumont, Indar and Gamesa.

8.4.4 Services

In each of our segments, we have aftermarket teams who are responsible for providing services to our customers after delivery of a product. These teams are also responsible for general communications with customers on aftermarket service-related issues and advise customers on required maintenance procedures and the supply of spare parts. In addition, we have dedicated field service engineers in each of our segments who perform maintenance work for our customers.

Our global presence allows us access to earn recurring revenue on the basis of predictable service intervals. Routine maintenance is typically conducted at fixed intervals varying by market and technology. Inspections are conducted on an annual or bi-annual basis while major overhauls are conducted at longer intervals of 5-10 years, which is often combined with the sale of new equipment. Based on our experience, during each cycle relating to MRO of a vehicle, we generate around 20-25% of revenue in such a cycle from the sale of new equipment. Cement mill and extruder gear units for example, are undergoing larger overhauls every 5-6 years including standard exchange of wear parts like roller bearings and replacement of non-wear parts in case of signs of fatigue.

Our service business benefits from a large installed base across our product portfolio. Based on the long lifecycle of our products and many of the platforms in which they are used, we estimate that the revenue generated from aftermarket services is up to 3.5x the revenue generated from the original sale of the same product. Our M&I Segment has an installed base of approximately 13,000 gear units with operational lifetime of up to 40 years and more plus a significantly higher number of couplings & clutches. This installed base is distributed across product types, with over half of the installed based being high-speed and high-torque gear units, followed by commercial marine units and the remaining installed gear units being navy gear units. In terms of revenue potential for planned inspections, maintenance and overhauls including spare parts the distribution is approximately High Speed (35%), High Torque (30%), Marine (25%), and Navy (10%).

Each of our segments has its individual aftermarket strengths. The VMS Segment has the technological expertise to service our installed base, and its footprint is in close proximity to our core addressable markets. Our M&I Segment offers remote monitoring and diagnostic services, which allow customers to monitor the performance of their equipment in real-time and identify potential issues via data analytics.

We have local networks in growth markets, such as the United States, South Korea and India as well as China, where we are active in the civil end-market. Our segments are supported by a global network of service hubslocated in close proximity to its core addressable markets and customers.

8.4.5 Digital Solutions

In addition to our traditional product and service portfolio, we offer a range of digital solutions to our customers. We are continuously seeking new opportunities to leverage technology to enhance our products and services, improve efficiency, and provide better value to our customers.

For gear units, we offer, for example, virtual multi-user training procedures that are designed to help our customers increase the efficiency and reliability of gear units as well as condition monitoring systems (an intelligent status monitoring system for efficient and predictive maintenance planning). Furthermore, our digital twin technology enables customers to simulate and optimize the performance of our products in real-world scenarios. This technology provides a comprehensive understanding of how our products will perform under different conditions and to advise the customer on the optimal operation of the products to the respective, necessary operation conditions.

For customers in industrial markets, in particular, we also offer predictive maintenance solutions which use data from sensors and other sources to identify potential issues before they become problems allowing

customers to schedule maintenance proactively, thus aiming to reduce downtime and improve the reliability of products. Also, our remote monitoring solutions enable customers to monitor the performance of their RENK products from anywhere in the world. This technology provides real-time data on performance and alerts customers to potential issues, allowing them to take action quickly.

We also offer digital platforms that combine the remote monitoring and diagnostics for our products and supporting the customer by remote and virtual solutions (*e.g.*, digital work cards). These enable us to identify issues and provide support and maintenance services in a timely manner, thereby reducing downtime and improving overall system performance.

We collaborate with Modest Tree for many of our virtual and augmented reality solutions, including the digital twin. Modest Tree is a data-centric digitalization company headquartered in Halifax, Canada. We acquired a 29% stake in Modest Tree to strengthen our close collaboration and further drive our digitalization strategy. See also "*9.5 Collaboration with Modest Tree*".

8.5 Research and Development

Research and development work is essential for us to maintain and, where possible expand, our technological positions. R&D plays an ever more prominent role in this. Many of our products have long lifecycles with up to 40 years. Therefore, in addition to new developments within and outside the existing product lines, our innovation efforts mainly focus on progress that benefits customers. In addition, collaboration with various universities and research institutes as well as industry partners represents a key of pillar of our research and development work. In the fiscal year ended December 31, 2022, R&D Costs (which we do not capitalize) amounted to €18.3 million in the development of new products and further development of existing products and technology. In addition, we conduct similar research and development activities on an order-specific basis depending on our customers' demands and needs, which are funded by our customers and therefore increase our revenue. These costs are recognized within the cost of sales and are assigned to the respective customer order. We also conduct government-backed research and development based on grants provided by governments. As of September 30, 2023, we had 545 employees dedicated to R&D, engineers and design, with more than 340 located in Germany, and 60 employees active in software development.

Continuous investments in R&D and technology are crucial for providing innovative solutions to our customers. We have identified the following technological trends and demands of our customers in various areas, including:

- **Unmanned vehicles and vessels:** In the field of army and marine systems, unmanned vehicles are an important long-term trend. We believe our transmissions are an enabler for this trend by providing drive, brake and steer by wire functionalities for vehicle mobility solutions. The development of such functions requires detailed software, system understanding and know how.

- **Additive manufacturing** (*i.e.*, the process of making three-dimensional solid objects from digital models through the successive addition of thin layers of material): To allow more flexibility in the design of components additive manufacturing has been introduced in various areas. First series applications have been introduced and successfully tested.

- **Hybridization:** Due to stringent regulations and changing customer behaviors, there is a growing demand for electric or hybrid solutions in all sectors. We have recognized this trend and have invested in the development of innovative electric and hybrid propulsion systems for marine applications. We offer a range of products, including electric motor gear unit combinations, hybrid propulsion systems and electric steering gears aligned with this trend. Our solutions aim to reduce emissions and to improve fuel efficiency. Further, with respect to the land defense market, we offer hybrid solutions that combine electric power generators with transmissions and a combustion engine with the aim to reduce fuel consumption and enable silent drive. These solutions can be used for power generation for the growing supply of on-board computer systems.

- **Digitalization:** In the industrial sector, there is a strong demand for digital solutions to utilize product and maintenance data in order to optimize engineering and production processes. To meet this demand, we have developed digital solutions, which provide customers in marine and industrial markets easy access to technical documentation, spare parts, and service information. Also, we have implemented Industry 4.0 solutions such as machine data logging systems and big data analytics to optimize processes and improve efficiency. As an enabler

for digital data sensors are necessary to measure and collect such data. Therefore, we are working on smart sensors as well as on AI software to analyze and interpret such data.

- **Alternative energy systems:** To support the Energy Transition, we are developing components and systems for alternative energy sources, *e.g.*, wind power mills. Wear-free slide bearings used to reduce downtimes. Additionally, we develop test systems for wind energy facilities for new power generation up to 20 MW power.

The primary R&D activities by segment during the fiscal year ended December 31, 2022, are summarized below:

VMS. In line with long-term projects in the vehicle transmission, engines and suspension systems businesses, R&D activities have been focused on cooperations with systems suppliers with the aim of becoming involved in as many vehicle concepts as possible. Further, we pursued the development of individual components, such as hybrid solutions for the Lynx platform. RENK America is currently developing an upgrade to the HMPT transmission, which is set to reach up to 1,000 hp whilst retaining the same interfaces as the HMPT 800 transmission. Overall, we strive to develop products that can be integrated into different platforms and systems.

In the test systems business, we closely align our development activities with the specific requirements of our customers. In 2022, the test systems business focused in particular on test rig software and test rig automation as well as application-specific solutions for the wind power and defense markets.

M&I. In the M&I Segment, we have focused on both improving competitiveness and expanding into new markets with innovative projects. In the naval marine business, we have been working on the further development and expansion of the Advanced Electric Drive module. This technology offers low-noise auxiliary and main drives. We have explored opportunities to apply this technology to new fields. We have also developed integrated front end power systems, which include gear units, generators and frequency converters for the maritime industry. In addition, we have optimized processes and reduced costs in order to maintain competitiveness in a challenging economic environment.

A key focus of our M&I Segment is the development of technologies for new energy solutions that can drive the transition towards a more sustainable future. This includes the further development of propulsion systems for ships intended to reduce emissions and improve fuel efficiency, as well as high speed turbo solutions for hydrogen, CCUS and industrial heat pumps. Our technology leading coupling solutions are intended to enable the integration of renewable energy sources into existing power grids whilst ensuring grid code compliance**.**

In the industry sector, we have also developed new products for a range of target applications. These efforts build on previous years' projects, with a focus on improving product performance and meeting customer needs. We have, *e.g.,* worked on clutches for new applications and optimizing costs while also standardizing existing product lines. In addition, we have been actively engaged in redesigning products of the plastics industry and have been working on projects to enhance the efficiency and performance of various applications, such as in cement mills. These initiatives are aimed at improving the cost structure and competitiveness of our products. Additionally, we have been working on applications to expand in additional markets by developing the new turbo gear solution RECOVAR for use in various industrial applications.

Slide Bearings. Developments in the Slide Bearings Segment continued to focus on process improvements for various coating technologies. In addition, work was carried out on the design and realization of slide bearing applications for new fields of use such as wind energy gear units.

In 2023, we entered into two agreements with American Rheinmetall Vehicles and Huta Stalowa Wola ("**HWS**") regarding the development of mobility solutions. We intend to develop advance mobility system solutions for combat vehicles in the U.S. market together with American Rheinmetall Vehicles. The partnership will focus on next generation technologies applicable to current and future combat vehicle programs, and support a range of platforms including Infantry Fighting Vehicles. The cooperation with HWS aims at bilateral cooperation for tracked combat vehicles. The scope of collaboration will include providing reliable, battle proven technology, suspensions and power packs for HWS platforms and localize future manufacturing and testing for full rate production in Poland at HWS.

8.6 IT infrastructure

Information Technology ("**IT**") is an important part of our operations, in particular to support product development and manufacturing, procurement, sales, customer support and services, and administration, as well as internal and external communications. In addition, IT provides management with the financial and other information necessary to implement our strategy, is designed to ensure controls and compliance across the Group, and provides for uniform and timely reporting. To provide the necessary support for the business, IT pursues a strategy of harmonized applications and uniform global solutions based on the products of the software market leaders Microsoft, SAP and Siemens. The confidentiality and protection of all data requires exceptional attention and is the focus when selecting on-premises data centers or cloud offerings.

We believe that we are well protected against cyber-attacks and other threats to the integrity of our IT systems and secrecy of confidential data. We maintain a dedicated cyber-security system and organization with state-of-the-art measures and technologies to reduce the probability of cyber-security events and to minimize their potential impact, such as endpoint detection and response, intrusion prevention system, intrusion detection system, next generation firewalls, mail and download sandboxing, separated backups as well as cyber defense center.

8.7 Intellectual Property

Intellectual property ("**IP**") is an important part of our business, and IP assets are, in the aggregate, of material importance to our business. We apply for patents in appropriate jurisdictions to protect our IP, which is often the result of our R&D activities. As of December 2023, we held approximately 425 single patents and utility models, including approximately 306 granted patents or registered utility models in more than 30 jurisdictions. In addition, we own approximately 68 registered trademarks. While our patents and trademarks are important to our business, we do not believe any individual patent or trademark is material to our Group as a whole, except for our logo trademarks "RENK", "MAGNET-MOTOR" and "HORSTMAN". We also protect certain confidential information and know-how as trade secrets where we believe their use offers advantages over others in the market. Some of the technology we use is owned by others and used under license.

8.8 Operations and Production

Our products are frequently tailor-made to meet our customers' needs and requirements. This requires us to be involved at critical stages of our customers' value chain – from engineering to commissioning and aftermarket services. Key inhouse operation and production processes include the design, engineering, machining, assembly, surface treatments and testing of our products. Heavy industry activities such as forging, foundry and similar metal bashing are outsourced.

We manufacture our products at eleven sites located in seven countries. Our manufacturing facilities are well-invested and include versatile production capabilities. In particular our production sites in Augsburg, Rheine, Winterthur, and Muskegon, Michigan, United States can flexibly build various products. This allows us to effectively manage and optimize capacity utilization. Since the beginning of 2023, over 160 cost saving projects at our sites have been implemented or are in the process of being implemented and we aim to decrease our manufacturing costs for example by creating and implementing new designs. Our production productivity is in particular impacted by investments into automation machinery for manufacturing and production process and measured based on the time our workforce spends on added value activities such as manufacturing, excluding activities like cleaning, receiving instructions, paperwork or searching for material as a proportion of total paid hours. We are aiming to increase this rate in the future. In addition to our production sites, we have three sites that offer MRO services and seven international sales, services, and R&D locations, which are all located in close proximity to our global customer base.

Products from our VMS Segment are primarily manufactured in our facilities in Augsburg, Germany, Muskegon and Sterling Heights, both Michigan, United States, Brampton, Canada and Bath, UK. Our VMS Segment has a global footprint with international sales offices in Istanbul, Turkey, Busan, South Korea and Shanghai, China, with the latter being a sales office that only serves civil end market applications, such as test systems. In addition, our VMS Segment has international sales agents located in Argentina, Australia, Japan, Poland, Singapore, Spain and Turkey with additional MRO hubs located in Camby, Indiana, US, Bengaluru, India and Abu Dhabi, United Arab Emirates. The production processes in our VMS manufacturing sites include rough machining, heat treatment, final machining, manufacturing and testing. The final assembly of our products is localized and takes place near the respective customers. Our coverage of the value chain throughout our production

process allows us to cover roughly around 40% of the production value of our products[11]. In 2022, we expanded the production and assembly capacity for our vehicle transmissions in Augsburg. We aim to further improve our capacity at our sites in Augsburg, Muskegon (Michigan, United States), Saint-Ouen-l'Aumône and Bath.

Our core production sites for products belonging to the M&I Segment are Augsburg and Rheine, Germany and Winterthur, Switzerland. Production processes in these sites include machining, assembly and testing. Though we manufacture various products for various markets, including naval, marine and industrial, we are able to use the same production equipment for all of our M&I products allowing us to plan production capacity flexibly based on our current project pipeline. Overall, we have six sales, MRO and production sites for our M&I Segment with 96 sales employees globally as of September 30, 2023. Our local MRO and sales hub is located in Abu Dhabi.

Our slide bearings are produced in our site in Hanover, Germany, with MRO sites located in Duncan, South Carolina, US and Guaramirin, Brazil. Production processes at this site include machining, assembly and surface coating. Customizing and MRO also takes place at our facility in Duncan, South Carolina, US.

We may expand our production capabilities further in the future, in particular, by building-up our navy competence in the United States to strengthen our local presence in the US market, and to expand our production capabilities in France to increase capacity. We may also expand our Indian production operations to build up a full-line localized offering. We are therefore considering organic and inorganic growth opportunities, in particular in the United States and India.

8.9 Supply Chain Management

Our supplier base comprises approximately 5,500 suppliers worldwide, in particular in Europe, where approximately three quarters of our suppliers are based, North America and the United Kingdom. We have a very limited supplier concentration, with no single suppler providing more than 2.5% of our total supplies based on the costs for supplies in the fiscal year ended December 31, 2022 and our top 20 suppliers providing less than 20% of our total supplies based on the costs for supplies in the fiscal year ended December 31, 2022. We also only have very limited supply relationships with China. Chinese suppliers represented less than 1% of our supplies based on the costs for supplies in the fiscal year ended December 31, 2022.

Key components required for our operations include castings, weldings, bearings, forgings, turned, milled or toothed parts as well as electrics. We typically only buy a minor share of raw materials and in addition buy certain pre-processed materials, such as forged steel or tin. Our supply chain management, which is also responsible for global sourcing, is managed centrally. By leveraging procurement synergies across sites, implementing automated purchasing processes and systems as well as by consolidating our supply base across our segments and diversifying suppliers to counter-act a dependency on single suppliers, we aim to increase our procurement savings, which we define as the year-over-year decrease in procurement costs on a relative basis the future. In line with the introduction of the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*), which we will be subject to from January 1, 2024 onwards, we have implemented a global supplier management system (*see also 10.8 Supply Chain Compliance*).

8.10 Sales and Marketing

Our global sales force comprises more than 256 sales employees (thereof 53 in our VMS Segment, 96 in our M&I Segment). We have multiple points of contact with existing and potential customers via: (i) direct, long-standing business relationships with major OEMs, public authorities, end-users and packagers, (ii) a global network of agents for all products in order to benefit from their network and minimize sales costs, and (iii) OEMs and/or prime contractors, who, acting as general contractors, purchase components for an entire plant or end product.

In addition, we use digitalization to enhance our sales processes, *e.g.,* via digital product catalogs and online configurators. These tools enable customers to configure and customize products to their specific needs

[11] Calculated by dividing the sum of (i) variable manufacturing costs, (ii) direct labor costs, (iii) fixed indirect material costs and (iv) fixed manufacturing costs by total order related costs. Total order related costs comprise costs of materials, order-related outsourced products / services, variable manufacturing costs, direct labor costs, fixed indirect material costs and fixed manufacturing costs

and requirements in order to provide a more seamless and streamlined purchasing experience. The assistance and support to our customers based in person or remotely is key to ensuring fast and efficient troubleshooting on site.

8.11 Employees

As of the date of the Prospectus, the RENK Group had approximately 3,700 employees.

The table below shows our number of employees (headcount), by geography, as of the reporting dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
Germany	2,210	2,243	2,414	2,603
US	77	442	418	468
Rest of the World	306	317	465	574
Total	**2,593**	**3,002**	**3,297**	**3,645**

As of December 31, 2022, we had 113 apprentices and dual students (2021: 124, 2020: 119) and 99 temporary workers (2021: 100, 2020: 105). As of December 31, 2022 and September 30, 2023, 1,303 and 1,289 of our employees worked in the VMS Segment, respectively, 1,062 and 1,118 employees in the M&I Segment, respectively, and 374 and 399 employees in our Slide Bearings Segment, respectively. As of September 30, 2023, around 56% of our employees (2,041 employees) had functions within our production processes, around 15% (545 employees) had functions within the R&D sector of our operations, 11% of our employees (406 employees) were part of our sales force and 11% (403 employees) had roles within our administration with the remaining employees (250 employees) having functions with respect to our supply chain. Approximately 24% of our employees had a higher degree as of September 30, 2023 and 43% of our employees completed an apprenticeship. As of September 30, 2023, approximately 18% of our employees were younger than 30 years old and 10% were 60 years and older.

We believe that our employee relations are positive, and we have not experienced any material labor-related work stoppages in the past five years. Employee turnover was 9.8% in the fiscal year ended December 31, 2022, and the average period of employment was approximately 14 years as of December 31, 2022.

8.12 Real Property and Production Facilities

The table below lists the locations of our production facilities and the primary product focus:

Location	Product Focus	Owned/Leased
Augsburg, Germany	Vehicle transmissions, gear units (including naval, high-speed, extruder and mill gear units), test systems	Owned
Hanover, Germany	Slide bearings, couplings & clutches	Owned
Rheine, Germany	Gear units, couplings & clutches	Owned
Muskegon (Michigan), USA	Vehicle transmissions and engines	Owned
Brampton (Ontario), Canada	Suspension systems	Leased
Bath, United Kingdom	Suspension systems, vehicle transmissions	Owned
Winterthur, Switzerland	Gear units, couplings & clutches	Leased
Saint-Ouen-l'Aumône, France	Vehicle transmissions	Owned
Sterling Heights (Michigan), USA	Suspension systems	Leased
Starnberg, Germany	Electric drives	Leased
Bengaluru, India	Naval and marine gear units	Leased

Our core manufacturing plants are located in Germany (Augsburg, Rheine and Hanover), in the United States (Muskegon, Michigan), the United Kingdom (Bath), Switzerland (Winterthur) and Canada (Brampton). We believe our manufacturing plants are well-invested with little excess investment requirements and offer technicallystrong and versatile production capabilities as well as strong integration of ERP in

production. In addition, our production site in Muskegon, Michigan, United States includes two test tracks which meet US Army standards.

We have additional production facilities in Germany (Starnberg), Switzerland (Winterthur), France (Saint-Ouen-l'Aumône), the United States (Sterling Heights, Michigan) and India (Bengaluru). In addition, MRO services are provided in the United States (Duncan, South Carolina), Brazil (Guaramirim), and the United Arab Emirates (Abu Dhabi), while sales, services and / or R&D is also offered by our subsidiaries the Netherlands, United States, Turkey, China and South Korea.

8.13 Risk Management and Compliance

We have implemented a risk management system designed to identify, assess, control and monitor risks to our business, to ensure compliance with applicable laws and regulations and to enhance risk awareness within the Group. Our risk management system is documented in several Group policies that describe measures, processes and rules for identifying, assessing, reporting and managing risks. We have implemented an internal compliance management system ("**CMS**") that is summarized in internal policies and is intended to facilitate accurate and reliable internal and external, financial and non-financial reporting, effective and efficient business processes, and compliance with applicable laws and regulations, as well as with our internal guidelines. Our CMS is designed to counter the specific risks. Some of these measures are still in the phase of being fully implemented. There are defined compliance controls that are designed and are currently further developed to ensure that potential weaknesses in our CMS are identified, and the CMS is continuously adapted accordingly. Our CMS contains the areas of ethics, commercial (*e.g.*, antitrust) trade compliance (export control), information security, data protection (privacy) as well as corporate governance and focuses on prevention-, monitoring- and incident management measures. It is headed by our chief compliance officer ("**Chief Compliance Officer**"), who reports directly to our Chief Executive Officer and Supervisory Board. Together with the Management Board as well as our risk- and quality functions, the Chief Compliance Officer is part of our Risk, Governance and Compliance Board ("**GRC**"), in which the Group's overall risk status is regularly updated and discussed. Additionally we have further staffed our corporate compliance department by implementing the function of a Lead Compliance Officer who is responsible for the continuous development and operational robustness of the CMS processes.

Further, our corporate CMS organization ("**Corporate Compliance and Legal**") is responsible for central GRC functions in compliance and compliance risk management and includes, among other things, developing policies and regulations for the Group, designing and implementing employee training, conducting third-party assessments and regular risk analyses of potential compliance risks for the Group. Each Group company has a local compliance point of contact as well as a risk management point of contact and internal control system coordinators, who help to implement the compliance and risk management processes and furthermore to adjust these in alignment with Corporate Compliance and Legal to meet additional local national requirements in the Group' companies. We have strict compliance rules and a zero-tolerance policy for compliance violations. If compliance violations are identified by or notified to the compliance functions, these are investigated and reviewed internally by the designated incident manager with involvement of the Group incident response committee ("**ICR**"), and, where applicable, suitable and appropriate measures are devised and disciplinary actions as well as civil law consequences may be taken depending on the seriousness of the violation. In case of reports, notifications or alike information suggesting infringements of the law, our Chief Compliance Officer, assisted by the IRC, is responsible for ensuring that allegations are investigated by the responsible ethics and compliance specialists and that other information is handled by the appropriate unit within the Group. Employees can also report such information to internal contacts other than the Chief Compliance Officer via their line manager or the Compliance Organization as well as to an external ombudsman. Our digital, multi-language whistleblower system, the so-called RENK Integrity Line ("**RENK Integrity Line**") can be used by all employees, customers, suppliers and other third parties to anonymously report possible violations of laws or policies. RENK Integrity Line can be used in multiple languages.

Our Corporate Compliance and Legal organization regularly carries out risk analyses with the aim of identifying potential compliance risks related to ethics culture, the protection of human rights within supply chain, financial control, corruption, antitrust law, money-laundering, data protection/privacy, trade compliance, physical-/site- and information security. These risk analyses extend to all Group companies and take into account the number, location and size of individual Group companies (*e.g.*, number of employees and sales volume), the business model, the customer and sales structure, Transparency International's Corruption Perceptions Index ("**CPI**"), Government Defence Integrity Index ("**GDI**"), Defence Companies Index on Anti-Corruption and Corporate Transparency ("**DCI**"), Global Rights Index ("**GRI**") in our relevant target markets, and the respective local competition structure. Since September 2023, we have implemented the function of an internal corporate

audit headed by our Head of Corporate Audit and established a corporate audit policy and audit plan for 2024 and the following years. In addition, external auditors review the implementation of our compliance measures and the compliance controls within the Group subsidiaries. One of our focus areas is the prevention of corruption. We have assessed that in our product markets one of the key anti-corruption risks results from dealings with intermediaries, especially sales agents and distributors, representatives providing sales support services to us or on our behalf. The general purpose of the utilization of intermediaries is to access new markets where we do not have an own network yet or where we rely on country specific consultancy regarding complex national purchasing circumstances. When we or our competitors are awarded a contract, in some cases, intermediaries or local companies are proposed to be involved at an early stage of the project, and have a potential to improperly influence customers unless appropriate or proactive compliance measures are taken.

Every intermediary must be comprehensively assessed in regard to integrity and eligibility by the Corporate Compliance and Legal Organization before the conclusion of any performance-related contract. The systematic assessment approach is to be distinguished in modules: (i) personal screening of business partner along with acting key personnel, (ii) assessment of business model, national-specific requirements, contractual terms and evaluation of remuneration, (iii) re-assessment of business partner and pre-defined requirements upfront to later transaction of renumeration to business partner and (iv) contract lifetime controlling and monitoring including re-assessments in defined intervals and before any prolongation of contractual collaboration. Furthermore, agents, representatives, consultants and other business partners acting in a sales support capacity on our behalf are subject to an annual review with regard to compliance-related topics. In addition, we regularly capture how many of these business partners are active in our Segments and Group companies and how many inquiries were processed by the Corporate Compliance and Legal Organization. We have devoted substantial attention and resources to address these specific risks, including through the implementation of our policy regarding the engagement of business partners, the design of compliance awareness programs (*e.g.*, annual e-learning and on-site trainings of sales personnel) and the design of anti-bribery policies and procedures that strictly limits and controls the use of commissions/success fees, and comprehensive third-party assessments and background checks.

As part of our CMS, we have a code of conduct that forms the framework for all decisions made by us and our employees, in particular with regards to our business partner selection process. This process follows a risk-based approach: an initial review of the potential business partner and the specific business case in addition to system-related automatic follow-up checks, followed by repeat assessments prior to prolongation of a contract. The initial review of a potential partner starts with the assessment, whether or not this partner and the underlying business case falls within the assessment scope provided by our supplier code of conduct and as defined by the procurement department, quality management and trade compliance. Once this is confirmed, we conduct a risk assessment and determine potential risks related to the potential partner based on their function, the country in which they are active, proposed business volumes and the industry in which they are active. This initial risk assessment is followed by an in-depth compliance check tailored to the specific risks identified for the potential partner. Once this has been conducted, we review the results of the risk assessment and compliance check and are able to make an informed decision about the cooperation with a potential partner. This initial review process as well as the ongoing review and follow-up checks is flanked by potential contractual obligations and/or potential regulatory requirements, such as requirements due to the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*) or with regards to the International Traffic in Arms Regulations ("**ITAR**").

As part of our compliance awareness programs, compliance topics are featured regularly in our internal media publications, such as our newsletter, our employee app (myRENK) and our intranet. In addition, compliance rules are addressed in compliance training sessions. Further communication measures, for example the organization of internal information events and the development of an internal communication campaign on ethics and compliance, ensure that employees are comprehensively informed and sensitized on compliance, ethical and legally sensitive issues.

We have implemented a sanctions management system for the transaction screening of payment files and payees based on sanctions lists applicable on the relevant day. In addition, we screen our business relationships for sanctions and embargoes. Before we expand our business geographically or by new products or services, we make an assessment for applicable laws and regulations on sanctions and embargoes, and we monitor compliance with applicable sanctions and embargo requirements. Furthermore, we have implemented a business partner due diligence process that includes third-party assessments in sales and procurement environments as well as KYC-research that is currently being built-up to meet the requirements of the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*) and which will supply chain business partner and supplier risk categories.

8.14 Environmental, Social and Governance

Environmental, Social and Governance ("**ESG**") topics are of critical importance to us. We aim to support our customers in achieving carbon net neutrality and strive to facilitate our customers' Energy Transition needs with our products and provide them with new energy technologies to scale. Our products are used in traditional energy industries and support energy efficiency as well as in new energy industries, such as hydrogen. We continue to develop our products, services, processes and capabilities, including in the areas of hybridization and electrification in order to increase efficiency. Further, our products are used in the defense market by EU, NATO, NATO-equivalent (*gleichgestellte*) and other countries such as South Korea, India and Israel. We are also positioned on vehicles that have been transferred to Ukraine since the beginning of the conflict in 2022.

Sustainability is one of the foundations of our business development. In order to address ESG topics across the various functions and segments and to establish a strong governance and compliance function, we have established a dedicated ESG team in 2022, comprising, among others, our head of corporate development, chief human resources officer, chief compliance officer and head of quality, health, safety & environment ("**QHSE**") management as well as the head of procurement. This team is headed by the head of corporate development who reports directly to our head of treasury and is in close contact with our Chief Executive Officer and Chief Financial Officer. The team is supported by employees from the respective business areas. In this context also our chief executive officer and chief financial officer have taken on a sustainability responsibility. Together, we have developed our sustainability strategy based on our central corporate values. We are committed to the ten principles of the UN Global Compact, committed to pursue a verification of our decarbonization targets by the Science Based Target Initiative and signed the Diversity Charter. We use the United Nations SDGs defined by the United Nations as part of its Agenda 2030, as strategic guidelines for our business. In particular, we strive to contribute to the following goals: ensuring good health and promoting well-being (SDG #3), promoting gender equality (SDG #5), building a resilient infrastructure, promote inclusive and sustainable industrialization and fostering innovation (SDG #9), reducing inequality within and among countries (SDG #10), ensuring sustainable consumption and production patterns (SDG #12) as well as taking action to combat climate change and its impacts (SDG #13).

In 2023, we commissioned an ESG risk rating with Sustainalytics, a Morningstar company (ESG risk rating: 22.6, medium risk rating). Sustainalytics is an independent ESG and corporate governance research, ratings and analytics firm that supports clients around the world with the development and implementation of responsible investment strategies.

8.14.1 Environmental

8.14.1.1 Technology and Product Portfolio

We have a wide product and technology portfolio and some of our products aim to improve our customers' energy efficiency for example, by addressing certain trends such as hybridization.

In our VMS Segment, we offer complete hybrid system solutions with most of our newer transmissions having a PTO (see *8.4.1 Vehicle Mobility Solutions (VMS)*), which provides electrical drive power from storage and regenerates from negative acceleration thereby aiming to reduce fuel consumption and noise. Further, our test systems are oftentimes used for the assessment of high-power applications.

In our M&I Segment, the commercial marine sector is influenced by the trend for more efficient propulsion solutions to reduce CO2 emissions as well as alternative fuel solutions, including methanol and biofuel to reduce CO2 emissions. Our products aim to support both trends for example by providing retrofittable, low maintenance, efficient solution to allow hybridization of 2-stroke engine propulsion, such as our product IFPS, which allows for oil savings of up to around 5% depending on route and vessel type compared to auxiliary diesel engines and generators with the oil savings being determined under the assumption that both generators are running on heavy fuel oil with a density between 920 kilograms to 1010 kilograms per m3 at 15ºC and between 2.86 and 3.15 tons of CO2-emission per m3, resulting in 3.114 tons CO2 per ton of heavy fuel oil. In addition, the reduction of weight of our engine or gear units due to material savings, can lower fuel consumption and CO2 emissions. In addition, our gear units are also utilized by customers active in industries often connected with the ongoing Energy Transition, such as the hydrogen, CCUS and industrial heat pump industries. As an example, some of our products, such as our turbo vacuum gear units are specifically developed for use in energy recovery and to drive compressions. These have an increased efficiency of over 99% compared to conventional gear units built in 2000, that have an efficiency of over 98%. In addition, products from our Slide Bearings Segment are for

example used by customers to build-out wind, CCUS and hydrogen infrastructure. We aim to design our products to increase their efficiency and longevity and thereby strive to protect resources through maximized product life.

Via our digital support solutions and our intelligent monitoring of products, we target to reduce downtime of products while minimizing resource use. We also aim to foster a circular economy through our aftermarket services, including product overhaul, which can extend the life of RENK's product.

8.14.1.2 Operations

The protection of the environment and natural resources is an integral part of our sustainability management. In the previous year, we launched an environmental program with various initiatives to make our products, processes and supply chains more environmentally friendly and sustainable. The main goals of our environmental program are the reduction of CO2 emissions, energy and water consumption, hazardous and non-hazardous waste as well as the reduction and improvement of the efficiency of energy use at our sites. For example, we already use almost 100% renewable electricity at our sites in Germany in 2023. As part of our strategy, we aim to source 60% of the electricity acquired globally by the Group from renewable sources by 2025, also depending on the availability of renewable energy sources in the vicinity of our sites. We aim to achieve this goal by changing to specific green energy tariffs and by using own electricity production from solar energy.

With regards to our waste management, we recognize the importance of recycling and reduction of waste as part of our strategy, and are currently considering implementing changes to decrease our waste for recycling (*Abfall zur Verwertung*) from thermal recycling and to increase our waste for sorting in order to increase the proportion of recyclable waste. Until 2025, our focus will be on the expansion of recycling processes at our sites and on substituting potentially hazardous and environmentally harmful raw materials, for example lead, cadmium, PFAS, in our products. As a first step, we are currently implementing a project to develop a substitution process that can be used in the entire Group. In addition to the appropriate handling of hazardous materials, the responsible procurement of raw materials such as tin, tungsten, tantalum or gold is also an important concern of the Group. We use the Responsible Minerals Initiative ("**RMI**") approach to track the regions from which sub-tier suppliers source components with critical raw materials and to be able to initiate targeted measures in the supply chain if necessary.

We further aspire to reduce our scope 1 (primarily natural gas and diesel fuel) and scope 2 (primarily electric energy) emissions, both as defined by the greenhouse gas protocol ("**GHG Protocol**") by 2025 by 40% compared to 2021 and plan to reach carbon neutrality relating to scope 1 and scope 2 emissions by 2030 in our European sites and offices and by 2040 in our sites and offices in the rest of the world, including via the use of compensation measures from offsets, such as CO2 certificates, based on the relative indicator of 25.0 kg of CO2 per €1,000 revenue. In order to achieve these targets, our strategy includes the increased use of renewable energy, also via installation of solar panels at RENK sites, increasing building efficiency and installation of heat pumps in addition to the electrification of our truck fleet. Our ambition is subject to progress made in individual levers, such as availability of energy-efficient technologies, renewable energy generation equipment or renewable energy tariffs.

We are currently working on enhancing the transparency of our supply chain with regard to CO2 emissions, among other things through the use of software-supported determination of associated CO2 emissions. For our production sites, we need water for sanitary purposes, cooling of production machines and industrial applications. We aim to reduce our water consumption by up to 20% by 2030 compared to 2021 based on the relative indicator of 0.085 m³ of water per €1,000 revenue, which we aim to in particularly achieve via saving water-saving in the sanitary area by offering awareness training for employees.

To achieve our goals, most sites will have individual annual targets, will be regularly monitored. Also, the planning, evaluation and management of measures resulting from these site-specific annual targets are regularly discussed with the coordinators in the coordinators in the central department and the QHSE managers.

8.14.2 Social

We aim to create a modern, social and diverse work environment for our employees. In particular, it is our ambition to continue to promote an inclusive culture within our Group and our workforce, thereby also allowing us to continue to attract and retain talents and further improving our technological leadership. We currently offer our employees benefits including, flexible working hours, collective and special payments (*Tarif- und Sonderzahlungen*) as well as company pension plans. We believe we have a good working relationship with

our works council as well as trade unions. For us, diversity and equal opportunity in the workplace are critical to a productive and an inclusive work environment. In order to promote diversity, we aim to increase the number of female employees in management functions to 16% by 2025 and to 20% by 2030 from 11.0% in 2022. In 2022, 12.6% of our global workforce was female and currently half of the members of our Executive Board and one quarter of the members of our Supervisory Board are female. In addition to gender diversity, we strive to increase the share of persons with foreign origins in our management. Our diversity policy is integrated into our human resources processes, including our recruiting, salary classification and career opportunity development processes.

In order to establish a more transparent and standardized process for our human resources management, we are currently implementing a global workforce management system. This system is a cloud-based solution intended to streamline our recruiting, salary development, goal setting and succession planning efforts. In 2022 we also launched a global employee engagement survey.

We place particular importance on talent retention and in particular on in-house education. In 2022, we had around 100 apprentices across seven training professions in Germany, US, France and the United Kingdom. Our apprentices participate in tailored apprenticeship programs. In order to attract qualified personnel, we have partnerships with different universities and offer internships, support with students thesis' and traineeships. These initiatives are supplemented by some of our employees teaching at universities, which is encouraged by us. We also offer over 50 advanced training courses for our employees. Especially with regards to our employees with management functions, we aim that all such employees undergo our newly developed leadership training courses by 2025.

We are subject to certain local, national and regional laws and other requirements relating to the safety and health of personnel. If we do not comply with these health and safety requirements that apply to our operations, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities, as well as seek to curtail our operations. We aim to reduce our lost time injury frequency rate ("**LTIFR**") at our production, MRO sites and offices in Augsburg, Hanover, Rheine (all Germany), Shanghai (China), Guaramirim (Brazil), Bengaluru (India), Saint-Ouen-l'Aumône (France), Busan (South Korea), Abu Dhabi (United Arab Emirates), Vlissingen (the Netherlands), and our Horstman Group, RENK Magnet-Motor GmbH, and RENK America subsidiary RENK-MAAG GmbH per 200,000 working hours (according to the U.S. Occupational Safety and Health Administration) from around 2.4 in 2022 to 2.0 by 2025. To support a reduction in work accident rates, these are tracked and investigated in an ad-hoc incident report, which includes a brief accident description and definition of measures created in response. Any work accidents as well as near-misses are individually assessed and learnings from these are implemented. Our Augsburg location provides our employees with a medical center available on site. Also, our sites in Augsburg, Hanover, Rheine, Winterthur and Bath are ISO 45001 certified and additional ISO 9001 and 14001 certificates are in place.

8.14.3 Governance

We aspire towards meeting the highest governance, ethics and compliance standards. We believe that our governance structure and in particular our Compliance Organization enables open lines of communication and enhances implementation of our risk-mitigating compliance measures throughout the Group.

Our Management Board, overseen by of Supervisory Board, plays an integral role in our governance structure and is ultimately responsible for our sustainability management. Our sustainability management is governed by various policies, including our code of conduct and our supplier code of conduct. As part of our sustainability management, we also oversee our data protection measures and perform human rights due diligence on suppliers, where deemed necessary due to legal requirements or our internal policies. Our sustainability management is headed by our ESG team, which comprises our head of QHSE, responsible for environmental matters, our chief human resources officer, responsible for social matters, our chief compliance officer, responsible for our governance as well as our head of procurement, who is responsible for our supply chain and by our head of corporate development who oversees and coordinates our ESG-related activities. Our ESG team is assigned to drive and implement our sustainability agenda and ESG strategy. It conducts regular meetings in which current topics as well as the overall implementation of our ESG strategy are discussed. Our ESG team is headed by the head of corporate development who reports directly to our Chief Executive Officer and Chief Financial Officer.

An important pillar of governance structure and our Compliance Organization is our Governance, Risk and Compliance ("**GRC**") Board, which monitors and discusses our overall risk status. It oversees our compliance management system, our risk management systems as well as our internal controls and reporting system and has

a direct reporting line to our Management Board. For details on our risk management and compliance systems, see *8.13 Risk Management and Compliance*.

8.15 Insurance

As part of our ongoing business, we purchase insurance coverage for many categories of risk as required by applicable law or to the extent we consider appropriate, including general liability, marine cargo, property and D&O insurance. We may from time to time and as required enter into additional project related insurance agreements.

8.16 Legal Proceedings

From time to time, we are involved in legal proceedings arising in the ordinary course of business. These in particular relate to matters of employment law, in which we typically act as defendant, as well as matters relating to allegations of defects' liability in respect of our products.

We are currently involved in the following legal proceedings, which may have a material impact on our business, results of operations or financial condition.

We are currently engaged in a dispute with a large OEM, who has a contractual relationship with a government customer to manufacture and supply vessels. Based on several contracts concluded since 2011, we supplied gear units to this customer, which were integrated into the OEM's products. The OEM customer in 2020 revoked its acceptance of some of the already delivered products supplied by us and rejected acceptance of such products which had not been delivered by that date, alleging a class-wide design defect in a bearing installed in the products supplied by us. We are of the view that the products supplied by us were free of defects at the relevant point in time. In April 2023, following an analysis of potential causes for the defect in the OEM's products also including the governmental customer, the OEM filed a request for arbitration asking RENK GmbH for a declaratory relief requiring us, among others, to pay the full costs for repair or replacement of products previously supplied by us and asking to be indemnified from any follow-on damages asserted by the governmental end customer, with the amount to be determined in the arbitration proceedings. We understand that the governmental end customer, with whom we do not have a contractual relationship in this context, is also reviewing the case. In June 2023, the OEM extended the claim put forward in its request for arbitration. Based on this, the OEM customer has estimated the dispute value to amount to around USD 105 million. In August 2023 we filed a defense and counterclaim for compensation with an estimated dispute value in a USD low-double digit million amount based on expenses incurred *inter alia* in relation to the root cause analysis, the development of a novel design of the supplied gear units and the modification of certain gear units following the new design upon request of the OEM. The arbitration tribunal was constituted in 2023. We expect the OEM to file a detailed statement regarding its claim in the first quarter 2024 with a hearing in the second half of 2025. As the arbitration proceedings are ongoing, the outcome of the proceedings is unclear. We have previously been a party to an arbitration proceeding with the OEM related to the same contracts, which has been completed in 2021.

In September 2022, RENK GmbH received a third-party notice for a pending dispute before the courts of Israel between a user of RENK GmbH's products as plaintiff and an insurance company as defendant regarding compensation of incurred damages based on an insurance policy between the aforementioned parties, with the dispute value amounting to approximately €18 million. The insurance company claims, that for any damages incurred by the plaintiff, RENK GmbH is liable due to alleged faulty products supplied by it, which allegedly caused follow-on damages to third-party products. The Israeli court has admitted the third-party notice and RENK GmbH has requested the court to dismiss the claim. We are currently awaiting a decision on the jurisdiction of the Israeli court for RENK GmbH as German company.

In October 2021, a customer of RENK asserted a claim in connection with damages, including costs for a rectification, incurred by such customer in connection with allegedly defective propulsion components supplied to a European shipbuilding company. The products supplied by RENK had been integrated into vessels for a government end-customer. Following the integration, it was discovered that the friction linings of clutches supplied by us showed signs of wear. RENK has since provided improvements to the relevant products. There is a risk that the customer will seek compensation for incurred damages and costs. The Group has limited visibility on the amount of a potential dispute, but expects this not to exceed a very low teen double-digit million euro amount (below €15 million). No formal proceedings have been initiated with regard to this matter.

9. MATERIAL AGREEMENTS

9.1 New Senior Facilities Agreement

On September 22, 2023, RENK GmbH as borrower and the Company, RENK FinCo GmbH and RENK GmbH as guarantors (the "**Guarantors**") entered into a new senior facilities agreement (the "**New Senior Facilities Agreement**") with, among others, Crédit Agricole Corporate and Investment Bank, Citibank, N.A., London Branch, COMMERZBANK Aktiengesellschaft, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, Goldman Sachs Bank Europe SE, J.P. Morgan SE, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale, Mizuho Bank, Ltd., Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, Tokio Marine Europe S.A., Zweigniederlassung für Deutschland, UniCredit Bank GmbH (former UniCredit Bank AG) and Zurich Insurance plc Niederlassung für Deutschland, as mandated lead arrangers and certain financial institutions as original lenders and Deutsche Bank AG, London Branch as agent and as security agent. The New Senior Facilities Agreement comprises a €525 million term loan facility, a €75 million multi-currency revolving credit facility and a €450 million multi-currency guarantee facility.

The New Senior Facilities Agreement is guaranteed on a senior basis by the Guarantors and is secured on a first-priority basis over certain collateral, including the shares in the Guarantors (other than the Company), receivables under intercompany loan agreements as well as material bank accounts in Germany. The New Senior Facilities Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its restricted subsidiaries (*i.e.*, each subsidiary of the Company unless it is specifically designated as unrestricted in accordance with the terms of the New Senior Facilities Agreement) to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur liens;
- prepay or redeem subordinated debt or equity;
- repurchase our shares and make certain investments or sell or transfer certain assets;
- engage in certain transactions with affiliates or subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans, or advances to, and on the disposal, transfer, or lease of assets by subsidiaries;
- sell, lease, or transfer certain assets, including capital stock of subsidiaries, including a restriction on the Company and its restricted subsidiaries not to sell, lease, transfer or otherwise dispose any shares or voting rights in RENK GmbH except to another member of the Group;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the creditors under the New Senior Facilities Agreement.

The New Senior Facilities Agreement provides for a leverage-based financial covenant that is tested quarterly (subject to certain cure rights). The New Senior Facilities Agreement includes events of default, including failure to pay amounts under the New Senior Facilities Agreement when due, breach of the financial covenants, non-compliance with other obligations, misrepresentation, cessation of business, cross-default/cross-acceleration with other financial indebtedness (subject to an agreed threshold) as well as certain insolvency- and restructuring-related events. In case of a continuing event of default, the lenders under the New Senior Facilities Agreement may demand immediate repayment of all amounts outstanding under the New Senior Facilities Agreement by majority decision.

The rate of interest on term rate loans is the aggregate of EURIBOR (for loans in euro), Term SOFR (for loans in U.S. dollar) or the applicable reference rate for loans in other currencies, in each case plus the applicable margin and the rate of interest on compounded rate loans is the aggregate of the compounded reference rate for that day for sterling or any other compounded reference currency plus the applicable margin. The initial margin for term loans is 3.00% per annum. The margin applicable to the term loan facility is adjusted from time

to time, subject to certain leverage-based conditions within a range of 3.50% per annum to 2.25% per annum. The initial margin for revolving loans is 2.50% per annum. The margin applicable to the revolving credit facility is adjusted from time to time, subject to certain leverage-based conditions, to a percentage rate per annum determined within a range of 2.50% per annum to 1.50% per annum.

The New Senior Facilities Agreement provides for mandatory prepayment in case of a change of control, defined as either the Company ceasing to directly or indirectly own 100% of the total issued share capital or all of the voting rights of RENK FinCo GmbH or a person or group of persons (other than the Selling Shareholder) acting in concert to assume or gain direct or indirect control over the Company (*i.e.*, holding 30% or more of the issued share capital of the Company (excluding any part of that issued share capital that carries no voting rights or right to participate beyond a specified amount in a distribution of either profits or capital) or being able to cast, or control the casting of, 30% or more of the maximum number of votes that might be cast at a general meeting of the Company).

The New Senior Facilities Agreement matures on the date falling five years after the initial utilization thereunder. The New Senior Facilities Agreement allows for voluntary prepayments at any time.

9.2 The Senior Secured Notes

On July 13, 2020, RENK GmbH issued the Original Senior Secured Notes in an amount of €320,000,000. Furthermore, on June 30, 2021, RENK GmbH issued the Additional Senior Secured Notes in an amount of €200,000,000 in connection with the RENK America Acquisition. The Senior Secured Notes are senior debt of RENK GmbH and are guaranteed by RENK GmbH, Horstman Defence Systems Limited and Horstman Holdings Limited (together, the "**Original Notes Guarantors**") as well as RENK Holdings, Inc. and RENK America LLC (together with the Original Guarantors, the "**Notes Guarantors**").

The Senior Secured Notes and the guarantees thereof are secured by: (i) security over the receivables owing to RENK FinCo GmbH or any other indirect parent entity with respect to any structural loans made by it to RENK GmbH; (ii) a pledge over the shares in RENK GmbH; (iii) security with respect to RENK GmbH's material bank accounts (if any) in Germany and Luxembourg; (iv) a pledge over each Original Notes Guarantor's material bank accounts in certain covered jurisdictions; (v) security over any material structural intercompany receivable owed to RENK GmbH or such Original Notes Guarantor; (vi) pledges over the shares in each Notes Guarantor; and (vii) substantially all of the assets of each Notes Guarantor.

At any time on or after July 15, 2022, the Senior Secured Notes may be redeemed at the redemption prices set forth in the table below (plus accrued interest and additional amounts, if any), if redeemed during the 12-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2022	102.875%
2023	101.438%
2024 and thereafter	100.000%

If RENK GmbH experiences a change of control, each holder of Senior Secured Notes has the right to require RENK GmbH to make an offer to purchase all of such holder's Senior Secured Notes at a price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of repurchase. The relevant change of control triggering events are defined in the Senior Secured Notes indenture and subject to exceptions.

The Senior Secured Notes indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of RENK GmbH to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends, redeem capital stock, and make other distributions;
- make certain other restricted payments or restricted investments;
- prepay or redeem subordinated debt or equity;

- create or permit to exist certain liens;
- impose restrictions on the ability of the restricted subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- engage in certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Senior Secured Notes.

The Senior Secured Notes indenture also contain various events of default, including, among others, non-payment, breach of covenant, a cross default in relation to indebtedness in an amount of €20 million or more not being paid prior to the expiration of the grace period provided in such indebtedness or such indebtedness becoming due and payable prior to its stated maturity, failure to pay final judgments in excess of €20 million, any guarantee of the notes ceasing to be in full force and effect for 10 days and any security interest in excess of €10 million becoming void or unenforceable and certain insolvency, liquidation or winding-up events, in each case subject to certain grace periods.

The Senior Secured Notes are listed and admitted to dealing on the Official List of The International Stock Exchange Authority Limited. We intend to refinance the Senior Secured Notes following the completion of the Private Placement with the proceeds from borrowings under the term loan facility under the New Senior Facilities Agreement.

9.3 Existing Senior Facilities Agreement

On July 9, 2020, RENK GmbH as borrower entered into the Existing Senior Facilities Agreement with, among others, COMMERZBANK, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank GmbH (former UniCredit Bank AG), as mandated lead arrangers and COMMERZBANK, Credit Suisse (Switzerland) Ltd., Deutsche Bank AG, London Branch (in respect of the multi-currency revolving credit facility) and Deutsche Bank AG Filiale Deutschlandgeschäft (in respect of the multi-currency guarantee facility), Goldman Sachs International Bank and UniCredit Bank GmbH (former UniCredit Bank AG) as original lenders, Deutsche Bank AG, London Branch as agent and as security agent. The Existing Senior Facilities Agreement originally comprised a €50.0 million multi-currency revolving credit facility and a €167.5 million multi-currency guarantee facility. Following various increases and adjustments between December 2020 and November 2022, RENK GmbH obtained additional guarantee facility commitments under the Existing Senior Facilities Agreement so that the total available guarantee facilities under this agreement amounted to €245.0 million as of June 30, 2023. In July 2023, RENK GmbH agreed to increase these total available guarantee facilities by an incremental €17.5 million to €262.5 million.

The Existing Senior Facilities is guaranteed on a senior basis by the Notes Guarantors and is secured on a first-priority basis over the same collateral securing the Senior Secured Notes and certain hedging obligations. It contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Senior Secured Notes. In addition, it also contains certain affirmative and negative covenants, and a financial covenant for the benefit of lenders under the revolving credit facility only.

The interest rate on cash advances under the revolving credit facility is the rate per annum equal to the aggregate of the applicable margin and EURIBOR in relation to cash advances in euro, SONIA in relation to cash advances in British pound, Term SOFR on relation to cash advances in US dollar and in relation to cash advances in any other currency, LIBOR (each with a zero floor). The margin on the revolving credit facility is subject to reduction if certain "senior secured net leverage ratios" are met.

The Existing Senior Facilities Agreement matures on January 13, 2025. The Existing Senior Facilities Agreement allows for voluntary prepayments. We intend to refinance the Existing Senior Facilities Agreement following the completion of the Private Placement.

9.4 Agreements with Governments

9.4.1 German Security Agreement

On September 28, 2020, RENK GmbH (former Rebecca BidCo GmbH), Triton Managers V Limited and former Renk Aktiengesellschaft (that was merged into RENK GmbH) (the "**Acquirers**") and the Federal Republic of Germany represented by the Federal Ministry for Economic Affairs and Climate Action (*Bundesministerium für Wirtschaft und Klimaschutz*, "**BMWK**") entered into an agreement regarding significant national security interests of the Federal Republic of Germany (the "**German Security Agreement**").

Under the German Security Agreement, RENK undertakes that at least one member of the Management Board has German citizenship and a residence in Germany. Further, RENK undertakes to remain an independent company with its registered seat in Germany. RENK is further subject to strict obligations to protect certain information critical to German security.

RENK undertakes to maintain the production capacity for certain products. In addition, it undertakes to supply products and provide services that are the subject of existing and future contracts that are directly and indirectly attributable to the German Armed Forces (*Bundeswehr*). This shall be done essentially to the same extent and in the same manner and delivery capability, delivery times or quality shall not be knowingly compromised. In case we decide not to enter into a subsequent contract with regard to such products and services, we are required to provide the necessary information and technical know-how to a third-party in order to ensure the implementation of a subsequent contract with such third-party.

In order to monitor compliance with the obligations, the BMWK has the right to audit RENK. In case of a negligent violation of the obligations, the Acquirers are subject to a contractual fine.

The agreement has an indefinite term, subject to Triton Managers V Limited's direct or indirect shareholding falling below the relevant threshold under the AWV.

9.4.2 French Security Agreement

On September 10, 2020, Triton Fund V L.P. entered into a commitment letter with the French Republic (the "**French Security Agreement**").

In the French Security Agreement, Triton Fund V L.P. agreed to certain undertakings for as long as it (indirectly) controls RENK France S.A.S. ("**RENK France**"). The French Security Agreement includes undertakings

- relating to RENK France's corporate structure;
- relating to activities carried out in France by RENK France to the benefit of the French Republic, including the Ministry of the Armies (*ministère des armées*), its public establishments, and their entire chain of suppliers and subcontractors;
- relating to the design, research development, manufacture, production, testing, support, maintenance or trading of automatic transmissions and power packs to be incorporated in war equipment or similar and tangible and intangible assets necessary for the performance of the such activities, including industrialization means, research and development capacities, production and repair facilities, test, production, support, maintenance and service capacities, as well as intangible assets, including know-how and associated skills;
- relating to foreign export control regulations and French regulations relating to import control in the defense sector, in particular with regard to products that are subject to the export control regulations of a foreign country (war equipment or dual-use goods), requiring the fulfilment of certain requirements to be exported to and from France, or whose importation in France is subject to prior authorization under French law;
- relating to the use and protection of intellectual property;
- relating to information and consultation rights of the French Republic.

9.5 Collaboration with Modest Tree

In 2019, RENK Holding Canada Inc., Toronto, Canada ("**RENK Canada**") acquired 17.54% of the total share capital in Modest Tree. In 2021, RENK Canada increased its participation in Modest Tree to 28.9% by subscribing for additional newly issued shares. Modest Tree is a data-centric digitalization company headquartered in Halifax, Canada. The acquisition was aimed to strengthen our close collaboration and further drive our digitalization strategy. In the context of the acquisitions, RENK Canada entered into a shareholders agreement, dated August 19, 2019, as amended, among the shareholders of Modest Tree and certain principals of the shareholders. Based on the shareholders agreement, RENK Canada has certain approval and corporate rights.

10. REGULATORY ENVIRONMENT

10.1 Export Controls

Our business is subject to strict export control regulations. In the EU and Germany, the foreign trade of commodities of strategic importance, mainly weapons, armaments and dual-use items, is subject to restrictive control regimes and permit requirements. As a principle, export control regulations applicable in Germany cover three different types of security relevant products: the export of dual-use items (*Güter mit doppeltem Verwendungszweck*), the export of military equipment (*Rüstungsgüter*), and the export of war weapons (*Kriegswaffen*). Different licensing procedures apply to each of these products—depending on the applicable category of goods, which are specified in respective lists of goods (*Güterlisten*). Goods designed exclusively for civil use are in principle free of export control restrictions. In the United States, export control regulations related to defense-related items are mainly administered and enforced by the US Department of State, whereas export control regulations related to commercial, dual-use, and certain defense-related items are administered and enforced by the US Department of Commerce.

10.1.1 Dual-Use Export Control Regime

Dual-use items are goods, software and technology that can be used for both civilian and military applications. The EU export control regime for dual-use items is governed by Regulation (EU) 2021/821 of May 21, 2021 ("**Dual-Use Regulation**") entered into force on September 9, 2021 and repealed Council Regulation (EU) 428/2009 of May 5, 2009. The Dual-Use Regulation provides for common EU control rules, a common EU dual-use items list and harmonized policies for implementation. The objective of the revised Dual-Use Regulation is to modernize the EU system for the control of exports, brokering, technical assistance, transit, and transfer of dual-use items. The revised regulation applies to a wider range of emerging dual-use technologies, and it introduced due diligence obligations for producers. Furthermore, the revised regulation intends to strengthen coordination between the EU and partner countries through more convergent approaches to export controls at global level.

Under this EU regime, the export of dual-use items is subject to control and dual-use items may not leave the EU customs territory without an export authorization. The Dual-Use Regulation is binding and directly applicable throughout the EU. EU member states nevertheless took certain measures for implementing of some of its provisions, *e.g.*, in relation to breaches and applicable penalties.

In Germany, besides the Dual-Use Regulation, export control of dual-use items is governed by the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*, "**AWG**") and the Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*, "**AWV**"), among other provisions. Export authorizations are generally granted by the Federal Office of Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*, "**BAFA**").

10.1.2 German Control System for Military Equipment and War Weapons Exports

The AWG and AWV require the licensing of all military equipment exports. The military equipment is listed in full in Part I Section A of the so-called Export List (*Ausfuhrliste*) which is the first annex to the AWV. It is divided into 22 positions (No. 0001 to No. 0022) that have their own sub-divisions. In accordance with the principle of the freedom of external economic transactions, on which the systematic approach of the AWG is based, the applicant has a fundamental right to the issuance of an export license, unless a license may be denied because of a violation of interests protected under the AWG. The application of export regulations by the BAFA is subject to a broad and rather political discretion, which was redefined by the Federal Government in 2019 within the framework of the so-called Political Principles of the Federal Government for the Export of War Weapons and Other Military Equipment (*Politische Grundsätze der Bundesregierung für den Export von Kriegswaffen und sonstigen Rüstungsgütern*).

The German government is currently working on a new Arms Export Control Act (*Rüstungsexportkontrollgesetz*). The main objective of the planned new act is to standardize the criteria for the German government's arms export decisions and the associated procedural issues, and thus to create a legally binding basis for a restrictive and transparent arms export policy. On October 14, 2022, the German Ministry of Economics and Climate Protection (*Bundesministerium für Wirtschaft und Klimaschutz*) presented a proposal for cornerstones (*Eckpunkte*) for the new act, according to which, among others, compliance with human rights, the rule of law (*Rechtsstaatlichkeit*) and democracy are to be given greater weight in decisions on arms exports. The

intention is also to strengthen European cooperation in the field of defense. The legislation process is at an early stage and no draft of the new Act has been published so far.

Some of the military equipment articles falling under the Export List are also weapons intended for warfare (*zur Kriegsführung bestimmte Waffen*) as defined by Art. 26 para. 2 of the Basic Law (*Grundgesetz*) and by the War Weapons Control Act (*Kriegswaffenkontrollgesetz*, "**KrWaffKontrG**"). Pursuant to the KrWaffKontrG, war weapons are items, substances or organisms that are capable alone or in conjunction with each other or with other items, substances, or organisms of causing disruption or damage to persons or things and of being used as a means of violence in armed conflicts between states. They are listed in the 62 positions of the War Weapons List (*Kriegsgwaffenliste*) which is the annex to the KrWaffKontrG. For the export of these weapons, a license must be obtained under the KrWaffKontrG (transport authorization for the purpose of export), and additionally an export license pursuant to the AWG and AWV.

In the case of the movement of goods between EU member states, the movement (*Verbringung*) from Germany may be subject to licensing under both European and national foreign trade law. Furthermore, under European law, movements which require a license are subject to a documentation requirement, while shipments which do not require a license are subject to an information requirement. A license is required, among others, if (i) the goods are listed in Annex IV of the Dual-Use Regulation, (ii) the goods are listed in Part I Section A of the Export List, (iii) the goods are listed in Part I Section B of the Export List (which contains a list of additionally national covered dual-use items) and the final destination is outside the EU. Furthermore, a license may be required if the goods are or may be intended, in their entirety or in part, for the construction or operation of a plant or for incorporation into a plant for nuclear purposes.

10.1.3 US Export Controls

In the United States, the US Department of State's Directorate of Defense Trade Controls ("**DDTC**") administers and enforces ITAR. DDTC administers the ITAR pursuant to the Arms Export Control Act ("**AECA**"), a statute that authorizes the President of the United States to control the temporary import and the export of defense articles and related technical data and the provision of defense services. Accordingly, the ITAR define what it means for something to be a "defense article" or a "defense service", define what is "technical data", and regulate the export and re-export of covered articles, services, and technical data, including by imposing licensing requirements. An export license is required under the ITAR for the export or reexport of ITAR-controlled technical data or any defense article on the United States Munitions List ("**USML**", Part 121 of the ITAR) to any destination, with certain narrow exemptions. The term "export" under the ITAR is defined broadly to include not only physical exports from the United States but also domestic transfers of technical data to non-US persons. ITAR includes provisions to supply comprehensive data on persons working on certain projects. Similarly, prior licensing from DDTC is typically required to provide ITAR-controlled "defense services". As a German company, we need to comply with applicable European and national law, such as the general data protection regulation ("**GDPR**") and the Federal Data Protection Act (*Bundesdatenschutzgesetz*). In addition, we are subject to the German General Equal Treatment Act (*Allgemeines Gleichbehandlungsgesetz*).

Separately, the US Department of Commerce's Bureau of Industry and Security ("**BIS**") administers and enforces the Export Administration Regulations ("**EAR**"), which are export control regulations promulgated pursuant to the Export Control Reform Act of 2018. The EAR restrict the export, reexport, and in-country transfer of commodities, software, and technology (collectively, "**Items**") controlled under the EAR, including items enumerated on the Commerce Control List ("**CCL**", Part 774 of the EAR). Typically, an item is regulated under the EAR if it is located in the United States (regardless of its country of origin) or if it is of US-origin (regardless of its location). Also, an item located outside the United States may be regulated under the EAR if it incorporates more than a small amount of controlled US-origin content, or if it is the "direct product" of sensitive US-origin software or technology. In certain cases, parties must obtain prior licensing from BIS to export, reexport, or transfer (in-country) an EAR-regulated item. Whether such licensing is needed typically will depend on the item's export control classification, its country of destination, and the parties to the transaction.

10.2 Public Procurement

We generate a significant part of our revenue from governments' defense and security-related projects. The funding of such contracts is subject to procurement law, which is determined by international, US, European, and national rules, and legislations.

At the international level, we are bound by the public procurement provisions of the World Trade

Organization Agreement on Government Procurement (*Übereinkommen über das öffentliche Beschaffungswesen*). At the European level, we are subject to Directive 2009/43/EC and Directive 2009/81/EC implementing the so-called "defense package" of the European Union, as well as Directive 2014/24/EC on public procurement. The defense package is the first procurement law regime that was created particularly for the defense and security sectors and serves the purpose of enhancing transparency and openness in defense markets between EU countries.

Germany has implemented the international and European rules and regulations into national procurement law, particularly in form of the German Act against Restrictions of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*) and the German Defense Procurement Regulation (*Verteidigungsvergabeverordnung*). In addition, the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (*Bundesamt für Ausrüstung, Informationstechnik und Nutzung der Bundeswehr*; "**BAAINBw**") often applies supplemental terms and conditions to its contracts. In 2022, the Law on the Acceleration of Procurements Measures for the German Armed Forces (*Beschaffungsbeschleunigungsgesetz*) has been passed in Germany. This law is set to facilitate procurement processes for military equipment and also adjust provisions of the German Act against Restriction of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*).

The United States includes government procurement obligations in its free trade agreements with the aim of ensuring that US goods, services and suppliers will be given fair and non-discriminatory opportunities to compete in the government procurement of US trading partners. To implement US obligations under the international agreements that cover government procurement, the US waives discriminatory purchasing requirements that would otherwise be inconsistent with the international agreement. The Trade Agreements Act of 1979 ("**TAA**"), as amended, authorizes the president of the United States to exercise this waiver with respect to countries that become parties to the World Trade Organization Agreement on Government Procurement or another international agreement and will provide "appropriate reciprocal competitive government procurement opportunities to United States products and suppliers of such products". The US president, through the US Trade Representative has exercised this waiver. In addition, for certain procurements that would not otherwise be covered under the TAA, the US Department of Defense has determined to waive discriminatory purchasing requirements for acquisitions from certain qualifying countries, including Germany, Canada, and the United Kingdom, as a result of memoranda of understanding and other international agreements.

Public procurement law generally requires public entities, sectoral contracting entities, and concession grantors to award contracts and concessions in a transparent and non-discriminatory tender procedure, depending on certain thresholds, either on the national or on the European level. Tender obligations also apply to material amendments to existing contracts. In case of violations of public procurement law requirements, the underlying contract may be null and void and, depending on the jurisdiction, penalties or other measures may be imposed. In addition, competitors may claim damages in case of such violations, in particular against the public contracting entity.

10.3 Approvals and Pricing Regulations

Our sales to governments are generally subject to procurement approval requirements by the respective country's parliament or other stakeholders. While similar provisions also apply to our operations in other jurisdictions, the following paragraphs summarize the situation in Germany and the US, which are the most important markets for us.

In Germany, the BAAINBw is the competent authority for the equipment of the German Armed Forces (*Bundeswehr*) with efficient and safe materiel. This includes procurement of defense materiel and awarding corresponding contracts. Procurement projects of particular importance for the German security and defense strategy, as well as all procurements with a cost volume of €25 million or higher must be submitted to the parliamentary defense committee (*Verteidigungsausschuss*) for approval. In these cases, according to parliamentary practice, even procurement projects that have been included in the federal budget will not be executed without the approval of the parliamentary defense committee and other competent bodies.

In Germany, a specific public price law is applicable for procurement processes of public institutions in addition to public procurement regulations. Regulation PR No. 30/53 on Pricing in Public Contracts determines the permissible prices for goods and services supplied or to be supplied under public contracts. As a general rule, market prices (*Marktpreise*) shall be given preference over cost prices (*Selbstkostenpreise*).

Only if there is no sufficient competition and, thus, no market that could form a market price, cost prices apply that are based on our reasonable costs incurred or expected to be incurred, with details for the determination of cost prices being set out in the Guidelines for Pricing on the Basis of Costs (*Leitsätze für die Preisermittlung auf Grund von Selbstkosten*). However, even though cost prices generally allow to take into account only reasonable production costs (including administrative costs), there is room to negotiate a profit margin, which is calculated based on the so-called "Bonn formula" (*Bonner Formel*).

In the US, we are subject to the Truthful Cost or Pricing Data Act (formerly known as the Truth in Negotiations Act ("**TINA**"). Under this act, the US government may, in certain circumstances, obtain certified (or uncertified) cost or pricing data from contractors as a means of verifying that prices are reasonable. Furthermore, certain costs, including certain financing costs, portions of research and development costs, lobbying expenses, certain types of legal expenses and certain marketing expenses related to the preparation of bids and proposals and certain other costs, are not allowed for pricing purposes and calculation of contract reimbursement rates under cost-reimbursement contracts.

10.4 Secrecy Obligations

As we sell some of our products to government customers, we may have access to classified documents and thus are subject to special secrecy obligations. Furthermore, our sensitive defense products require special protection of our business and products against unauthorized interference from third parties, manipulation, and sabotage.

In Germany, in order to ensure a sufficient level of protection of secrecy and of our products, some of our officers and employees are regularly subject to a security screening process governed by the German Security Screening Act (*Sicherheitsüberprüfungsgesetz*). Upon completion of the security screening process, the German Federal Ministry of Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*, "**BMWi**") as the competent authority may issue a security clearance certificate (*Verschlusssachenermächtigung*) for those officers and employees. This certificate provides the legal basis for the employees' access to certain levels of classified information and regulates specific obligations with regard to secrecy protection and sabotage prevention.

Furthermore, we have been included in the security clearance scheme for companies (*Geheimschutzbetreuung*) of the BMWi. The security clearance scheme is a contractual relationship under public law between Germany, represented by the BMWi, and us, which concerns the support and control of the Group in all security issues and the necessary security measures. Under the security clearance scheme, we are required to comply with specific secrecy protection obligations as set out in a confidentiality manual (*Geheimschutzhandbuch*) of the BMWi and as further regulated by a security order (*Sicherheitsbescheid*). Specific secrecy protection obligations include, in particular, the obligation to appoint a security officer (*Sicherheitsbeauftragter*), whom the BMWi accepts and introduces to his duties. Furthermore, we are required to install and uphold a safe infrastructure to process and store classified documents. Non-compliance with our specific secrecy protection obligations could lead the BMWi to suspend or revoke the security clearance order (in whole or in part).

In the US, some of our contracts are subject to the National Industrial Security Program Operating Manual which specifies the requirements for the protection of classified information released or disclosed in connection with classified US government contracts.

10.5 Embargoes and Trade Sanctions

States like France, Germany, the United Kingdom, and the United States, as well as supranational organizations like the EU and the United Nations, impose sanctions or other restrictive measures against countries/territories, organizations, groups, non-state entities, and individuals who infringe upon internationally accepted behavior and norms or otherwise pose national security or foreign policy risks. This includes list-based sanctions against those who have, for example, been identified as being involved in weapons proliferation, as terrorists, as supporters of terrorist organizations, as violators of human rights, or as being involved in corruption and bribery. Such country/territory- and list-based measures are more commonly known as trade sanctions or embargoes.

Trade sanctions take the form of comprehensive embargoes (total embargoes), partial embargoes, such as arms, trade, or financial embargoes, or embargoes targeted against specific individuals, entities, groups,

and organizations contained in lists (list-based sanctions). Financial embargoes usually prohibit placing assets of any kind at the disposal of sanctioned parties or providing them with financial services of any kind.

EU trade sanctions have a broad scope. They apply (i) within the territory of EU member states, (ii) to any person inside or outside the territory of the EU who is a national of an EU member state, (iii) to any legal person, entity or body which is incorporated or constituted under the law of an EU member state whether acting inside or outside the EU, and (iv) to any legal person, entity, or body in respect of any business done in whole or in part within the EU.

Council Regulation (EC) No 2580/2001 is directed against certain persons and entities for the purpose of combating terrorism. It aims to prevent and prohibit the financing of terrorist acts by prohibiting that funds, other financial assets, and economic resources are made available, directly or indirectly, to, or for the benefit of, a natural or legal person, group, or entity included in the list of restricted parties, or by prohibiting financial or other related services from being rendered for the benefit of restricted parties. Besides the embargoes against certain persons and entities, there are a number of embargoes in place against countries, such as Iraq, Libya, Belarus, or Russia. The embargoes limit the freedom of foreign trade with the embargoed countries. They also prohibit making available funds, other financial assets, and economic resources, directly or indirectly, to, or for the benefit of, a natural or legal person, group or entity included in the list of restricted parties of that embargoed country, or by prohibiting financial or other related services from being rendered for the benefit of restricted parties of that embargoed country.

Following the beginning of the Russia-Ukraine Conflict, we assessed the feasibility of existing businesses involving Russia and Belarus as well as regions of the Ukraine subject to sanctions and, in full compliance with statutory provisions (including Council Regulation (EU) No 833/2014 of 31 July 2014, Council Regulation (EC) No 765/2006 of 18 May 2006 and Council Regulation (EU) No 269/2014 of 17 March 2014), either finished or terminated existing business cases. Compared to the Groups' overall business, the existing businesses involving Russia and Belarus were of minor extent, accounting for less than 1% of the RENK Group's total activities in terms of revenue and Order Backlog. Furthermore, we issued a general stop order for business involving Russia and Belarus in 2022 and we only conduct business with the non-sanctioned areas of Ukraine. We continuously assess the impact of changes in the geopolitical situation of our business and take steps to ensure compliance with developing sanctions and export controls. If needed, external legal advice is sought.

We are further required to comply with financial and trade sanctions against embargoed countries, sectoral sanctions (which, for example, target certain sectors of the Russian economy) and list-based sanctions against certain entities and individuals, including persons identified on the US Department of the Treasury's Office of Foreign Asset Control ("**OFAC**") List of Specially Designated Nationals and Blocked Persons (the "**SDN List**"). As a general matter, US sanctions prohibit only US persons from transacting or dealing with parties on the SDN List, absent OFAC authorization. The obligation to screen US sanctions lists may follow from contracts with suppliers, credit facilities, or loan agreements that require compliance with US sanctions or screening against US sanctions lists.

US economic and trade sanctions generally apply, as a jurisdictional matter, to the activities of primarily to "US persons", meaning (i) individual US citizens and lawful permanent residents, (ii) all companies and other legal entities organized under US law, including their branch offices located outside the United States, and (iii) persons located in the United States. In the case of the Cuba and Iran sanctions programs, the US sanctions also apply to the activities of non-US legal entities that are "owned or controlled" by US persons.

US sanctions may also have an extraterritorial effect and create risks for entirely non-"US persons" as defined above, if such entity or individual participates in certain activities for which such sanctions may be imposed (for instance, significant transactions with certain parties on the SDN List). These measures are known as "secondary sanctions" (in contrast to the "primary sanctions" described above). Unlike a violation of primary sanctions, violations of secondary sanctions do not result in civil or criminal penalties. Rather, a party that engages in conduct subject to secondary sanctions may lose access to the US market. The most severe consequence that could result from a violation of secondary sanctions would be for the US Government to place the non-US party on the SDN List.

10.6 Health, Safety and Environment

We are subject to health and safety laws, rules, and regulations, which are largely based on European and national legal standards. We review our work safety requirements on a regular basis and aim at improving the

relevant workplace conditions and operations to reduce the risks of injuries to a minimum. We are aware of the impact that work has on health, safety and the environment.

Our operations are subject to various obligations and requirements relating to the protection of the environment, depending on the location of our production facilities. In Germany, applicable laws include, for instance, the Water Resources Act (*Wasserhaushaltsgesetz*), the Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*) and the Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*) including its related ordinances.

We are subject to legislation regarding the identification and reduction of adverse health and safety consequences caused by chemicals or hazardous substances. For example, we undertake various measures to comply with Regulation (EC) No 1907/2006 ("**REACH Regulation**"), which result in numerous requirements with respect to the use of, chemicals required for our manufacturing processes.

In the US, the Occupational Safety and Health Act of 1970 is a US labor law governing occupational health and safety in the United States and is administered by the Occupational Safety and Health Administration (the "**OSHA**"), which is an agency of the United States Department of Labor that covers most private sector employers and their employees within the US, as well as individual states. Its primary goal is to ensure that employers provide employees with an environment free from recognized hazards, such as exposure to toxic chemicals, excessive noise levels, mechanical dangers, heat or cold stress, or unsanitary conditions. OSHA creates rules which are, together with all other rules created by federal regulatory agencies, collected into a multi-part document called the Code of Federal Regulations. Individual states also have established their own occupational health and safety standards, and these are in some cases more stringent than those promulgated by OSHA. Under the "General Duty Clause" found at Section 5(a)(1) of the Occupational Safety and Health Act of 1970, employers are required to provide their employees with a place of employment that is "free from recognized hazards that are causing or are likely to cause death or serious physical harm." Furthermore, we are subject to additional standards issued by the OSHA and other associations such as the Association for Advancing Automation and the National Fire Protection Association.

10.7 Customs Laws

Our business is also subject to international and national customs laws. Regulation (EU) No 952/2013 lays down the Union Customs Code ("**UCC**"). The UCC entered into force on May 1, 2016 and defines the legal framework for customs rules and procedures in the EU customs territory, adapted to modern trade models and communication tools. In parts, there remains room for national provisions. In Germany, these are predominantly based on the regulations for financial administration, in particular in the Fiscal Code (*Abgabenordnung*).

We hold several authorizations under the UCC which were granted by the German customs authorities (*e.g.*, status as Authorised Economic Operator—AEO, Approved Exporter—EA). As holder of the different authorizations, we will be deemed to meet supply chain security standards and will be entitled to access certain simplified customs procedures.

10.8 Supply Chain Compliance

From January 1, 2023, the German Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*, "**LkSG**") requires companies with a minimum of 3,000 employees based in Germany to: (i) conduct an appropriate risk analysis to identify human rights and environment-related risks in their supply chains; (ii) take respective preventive measures and remedial action; (iii) adopt a policy statement on human rights protection in their supply chains; (iv) implement grievance procedures to allow for the reporting of human rights violations and ensure appropriate follow-up measures; and (v) report on their compliance with the due diligence obligations. The Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) will enforce these obligations by means of information and discovery requests, remediation orders as well as financial penalties and exclusion from public procurement. Companies with less than 1,000 employees based in Germany, will be subject to the LkSG from January 1, 2024, onwards.

In addition, the European Commission adopted a Proposal for a Directive on Corporate Sustainability Due Diligence on February 23, 2022 ("**CSDD Proposal**"). Following the first reading of the CSDD Proposal by the European Parliament the CSDD Proposal is currently subject to inter-institutional negotiations. The CSDD Proposal would expand the scope of addressees of the affected companies and the list of protected goods, by extending the due diligence obligations to the entire value chain, and by introducing a new civil law liability

element for breaches of due diligence obligations. Furthermore, the CSDD Proposal introduces duties for the directors of the relevant EU companies, including setting up and overseeing the implementation of the due diligence processes and integrating due diligence into the corporate strategy. In addition, when fulfilling their duty to act in the best interest of the company, directors must take into account human rights, climate change and environmental consequences of their decisions. If adopted, EU member states will have two years to transpose the Directive into national law. This may lead to adjustments of the LkSG. To ensure compliance with future due diligence obligations, EU member states will have to establish penalties. It is envisaged that administrative fines will be set on the basis of a company's turnover to ensure a proportionate level of penalty.

10.9 German Foreign Investment Regime

German foreign trade law may require foreign investors to obtain government approval for the acquisition of shares of the Company if the acquirer directly or indirectly holds at least 10% of the voting rights of the Company following the acquisition. The BMWi may prohibit or restrict the acquisition by a foreign investor which is resident or based outside the European Union (*Unionsfremder*) if it endangers the public order or security of Germany (cross-sectoral examination, Section 55 AWV). The cross-sectoral examination applies to, for instance, the acquisition of at least 10% of the voting rights of target companies that manufacture or develop goods within the meaning of Part B of the War Weapons List, manufacture or develop specially designed engines or gears to drive battle tanks or other armored military tracked vehicles, or manufacture or develop certain enumerated goods subject to Part I Section A of the German Export List. Such acquisitions must be notified to the BMWi upon signing of a binding agreement.

In addition, the cross-sectoral examination applies to acquisitions of at least 25% of the voting rights of target companies if the relevant acquisition otherwise poses a threat to public order or security, which could, for example, be the case if the acquisition affects "fundamental interests of society"; the latter acquisitions are not subject to mandatory notification to the BMWi. In cases of cross-sectoral examination by the BMWi, the BMWi may initiate investigations within two months after becoming aware of the conclusion of the contract, but not later than five years after the conclusion of the respective contract (Section 55 para. 3 AWV). Accordingly, if the BMWi did not obtain knowledge of the transaction, namely because the acquirer did not notify the transaction and apply for a certificate of non-objection, legal certainty as to the successful completion of the acquisition could be obtained no earlier than five years after entering into the sale and purchase agreement. If an objection is found, the BMWi can prohibit the direct acquirer from making an acquisition within the meaning of Section 55 AWV within four months of the receipt of the complete application or issue instructions in order to ensure the public order or security of Germany (Section 59 para. 1 AWV).

10.10 French Foreign Investment Regime

French foreign trade law may require foreign investors to obtain authorizations from the Minister for the Economy for the acquisition of shares of the Company if the acquirer directly or indirectly holds at least 10% of the voting rights of the Company following the acquisition.

The prior authorization procedure is set out in the French Monetary and Financial Code (*Code Monétaire et Financier*). Its scope varies depending on the nationality of the investor, the nature of the investment. For EU and non-EU investors, prior authorization may be required if the investment results in the investor: (i) acquiring control, within the meaning of Article L. 233-3 of the French Commercial Code (*Code Monétaire et Financier*), of an entity located in France or (ii) acquiring all or part of a business division of a company which of an entity located in France. In addition, non-EU investors may be required to seek the prior authorization of the Minister for the Economy if the investment results in the acquisition of over 25% of the voting rights of a French entity or 10% of the voting rights of a French listed company. The list of sensitive sectors includes notably: (i) the production or trade of weapons, cryptology, interception of correspondence, activities performed by companies holding national defense secrets, gambling (except casinos) and processing, transmission or hosting of sensitive data, (ii) equipment, products or services essential to safeguarding the integrity and continuity of energy, water, transport services, space operations, networks and electronic communication services, public health, food safety, political or general press publication, and (iii) research and development activities intended to be implemented within the framework of the business sectors mentioned in (i) and (ii) and relating to critical technologies or dual-use items and technologies as listed in Annex I of the Dual-Use Regulation.

The completion of an investment without prior authorization, or the non-compliance with the commitments given by the investor in the context of the authorization, could give rise to the application of criminal sanctions such as imprisonment and penalties amounting to up to the highest amount between twice the value of

the irregular investment, 10% of the amount of the net annual turnover of the company that carries out the sensitive activities, and €5 million for legal entities or €1 million for individuals.

11. MAJOR SHAREHOLDERS

11.1 Shareholder Structure (Before and After the Private Placement)

Prior to the completion of the Private Placement the major shareholder of the Company is the Selling Shareholder, which has its registered office at 2, rue Edward Steichen, L-2540 Luxembourg and is registered with the Luxembourg commercial register (*Registre de Commerce et des Sociétés*) under number B241575. Due to its ownership of voting rights the Company is directly controlled by the Selling Shareholder. The voting rights held by the Selling Shareholder are ultimately attributed to Triton GP HoldCo S.à r.l., which is the controlling shareholder of the Selling Shareholder through various entities pursuant to Section 34 WpHG.

Rebecca MidCo S.à r.l. is the direct shareholder of the Selling Shareholder and held by Rebecca LuxCo S.à r.l. as well as the MEP Pooling Vehicle (as defined below) (see "*11.3 Indirect Shareholders and Management Equity Participation*"). Triton V S.à r.l SICAV-RAIF is the indirect shareholder of Rebecca LuxCo S.à r.l. through Triton Masterluxco 5 S.à r.l. and controlled by Triton Managers V Limited (through Triton Fund V L.P.). Triton Managers V Limited is ultimately controlled by Triton GP HoldCo S.à r.l. The shares in Triton GP HoldCo S.à r.l. are held by various natural and legal persons, each holding less than 25% in GP HoldCo S.à r.l.

It is currently envisaged that the MEP Pooling Vehicle (as defined below) will (i) become a direct shareholder of the Company and (ii) cease to be a shareholder of Rebecca MidCo S.à r.l. immediately prior to the commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (see "*11.3 Indirect Shareholders and Management Equity Participation*" and "*14.6 Management Equity Program*").

The limits imposed under German law, in particular by the German Stock Corporation Act (*Aktiengesetz*), on the ability of a controlling shareholder to unduly exercise its control have been observed by the Selling Shareholder and the Company.

The following table sets forth all major shareholders which directly or indirectly hold an interest of 3% or more (calculated pursuant to Sections 33 et seqq. WpHG) in the Company's capital and voting rights immediately prior to the Private Placement, and its expected shareholding, together with the expected shareholding of the public float, upon completion of the Private Placement.

		Actual (indirect) ownership in the Company (in %)		
Indirect Shareholder[(1)]	**Direct Shareholder**	**immediately prior to the Private Placement***	**upon completion of the Private Placement (assuming no exercise of Greenshoe Option and issuance of Offered Shares in full)**	**upon completion of the Private Placement (assuming full exercise of Greenshoe Option and issuance of Offered Shares in full)**
Triton GP HoldCo S.à r.l.[(2)]	Rebecca BidCo S.à r.l.	100	68.3	65.3
Rebecca Management S.C.A.[(3)].....		0	4.7	4.7
KNDS N.V.[(4)]		0	6.7	6.7
Wellington Management Company LLP[(5)]		0	3.3	3.3
Public float		0	17.0	17.0

* As of the date of this Prospectus.

(1) For indirect shareholdings of the current members of the Management Board and certain members of the Supervisory Board see "*14.4 Shareholdings of the Members of the Management Board and Supervisory Board*".

(2) Ultimate control of the voting rights held by the Selling Shareholder are attributed to Triton GP HoldCo S.à r.l. through the following entities pursuant to Section 34 WpHG (full chains of controlled undertakings; each chain attributed to Triton GP HoldCo S.à r.l. as the ultimately controlling legal entity): Triton GP HoldCo S.à r.l.; Triton GP HoldCo II S.à r.l. Triton Managers V Limited; Triton Fund V General Partner L.P.; Triton Fund V L.P.; Triton V S.à r.l. SICAV-RAIF; Triton Masterluxco 5 S.à r.l.; Rebecca LuxCo S.à r.l.; Rebecca MidCo S.à r.l.; Rebecca BidCo S.à r.l.

(3) Ownership in the Company following the Private Placement calculated based on the Placement Price and including MEP Participants that may exit the MEP Pooling Vehicle (as defined below) in connection with the roll down of Rebecca Management S.C.A. For a description of the Management Equity Program, see "*14.6 Management Equity Program*".

(4) On January 23, 2024, KNDS agreed to purchase 6,666,666 shares of the Company for a purchase price of €15.00 per share. For further information on the cornerstone investment by KNDS, see "*2.5 Cornerstone Investments*". The voting rights of the Selling Shareholder and KNDS are not attributed to each other, as the Selling Shareholder and KNDS will not align on the exercise of voting rights or

otherwise cooperate with the aim of permanently and significantly changing the Company's business strategy and therefore do not coordinate their behavior in relation to the company (no acting in concert). With regard to the appointment of a member and a substitute member of the Supervisory Board designated by KNDS, the exercise of voting rights is agreed for an individual case only.

(5) On February 4, 2024, Wellington Management agreed to purchase 3,333,333 shares of the Company for a purchase price of €15.00 per share on behalf of certain accounts for which it or its affiliates act as investment advisor, each such account acquiring less than 3% of the voting rights of the Company. For further information on the cornerstone investment by Wellington Management, see "*2.5 Cornerstone Investments*".

11.2 Controlling Interest

The Selling Shareholder holds 100% of the voting rights in the Company and therefore holds a controlling interest in the Company.

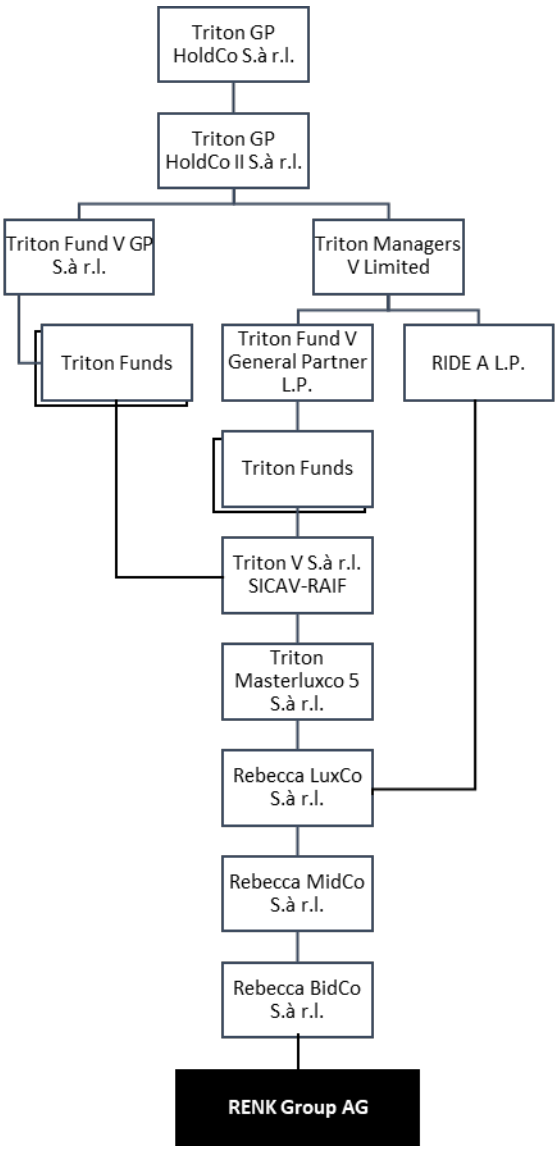
Following completion of the Private Placement and assuming full exercise of the Greenshoe Option, the Selling Shareholder will continue to hold at least approximately 65.3% of the Company's share capital. Therefore, the Selling Shareholder will continue to hold a controlling interest in the Company.

A shareholder controlling the Company may not use its influence to persuade the Company to act against the Company's interests unless there is a domination agreement (*Beherrschungsvertrag*) between such shareholder and the Company in place and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Anyone intentionally exercising influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or a general representative (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is required to compensate the Company and its shareholders for any damages resulting from such behavior. In addition, in this context, the members of the Management Board and the Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of care.

All Shares carry the same voting rights, including the Shares held by the Selling Shareholder.

11.3 Indirect Shareholders and Management Equity Participation

The chart set forth below provides an overview (in simplified form) of the Company's shareholder structure as of the date of the Prospectus, in particular including the Selling Shareholder and its sole shareholder Rebecca MidCo S.à r.l.



As of the date of this Prospectus, as set forth in the chart above, the majority of shares in Rebecca MidCo S.à r.l. are held by Rebecca LuxCo S.à r.l., while some of the shares in Rebecca MidCo S.à r.l. are held by Rebecca Management S.C.A. ("**MEP Pooling Vehicle**"). The MEP Pooling Vehicle is a partnership limited by shares under the laws of the Grand Duchy of Luxembourg, which serves primarily as a pooling vehicle for *inter alios* members of the Management Board and Supervisory Board as well as certain employees of the Group that have been granted the opportunity to invest in the MEP Pooling Vehicle and thereby indirectly invest in the Group (see "*14.4 Shareholdings of the Members of the Management Board and Supervisory Board*").

12. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

12.1 Formation and Incorporation

The Company was founded under the name "SCUR-Alpha 1136 GmbH" as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law by articles of association dated January 2, 2020, with its registered seat in Munich. It was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, under docket number HRB 253885 on January 8, 2020. Following the decision of the Company's shareholder meeting on January 21, 2020, the Company's name was first changed to "Rebecca HoldCo GmbH" and later, with resolution of the Company's shareholder meeting on January 19, 2021, was changed to "RENK Holding GmbH", which was registered with the commercial register on January 27, 2021.

On March 14, 2022, the Company's shareholders' meeting resolved to move the Company's registered seat from Munich to Augsburg, Germany. This change was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg on April 5, 2022, under docket number HRB 37339.

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

12.2 History and Development

The Company was established in January 2020. It is the holding company of RENK GmbH.

RENK GmbH is the operating entity of the Group and was established in 2021, following its conversion to a limited liability company (*Gesellschaft mit beschränkter Haftung*) from a German stock corporation (*Aktiengesellschaft*). Its predecessor entity was registered as Renk Aktiengesellschaft (previously Rebecca BidCo AG) with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under docket number HRB 259756 and was merged with the legal entity Renk Aktiengesellschaft previously registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under docket number HRB 6193. Renk Aktiengesellschaft was part of the MAN Group and, following the majority takeover of MAN SE by Volkswagen Aktiengesellschaft in 2011, RENK also became a member of the Volkswagen Group. In October 2020, Triton, a private equity investor, acquired 76% of the shares of the former Renk Aktiengesellschaft from the Volkswagen Group and subsequently acquired the entire outstanding share capital by way of a voluntary public takeover offer and merger squeeze-out. The shares of the former Renk Aktiengesellschaft were admitted to trading on the regulated Market on the Munich Stock Exchange (*Börse München*) up until consummation of the acquisition of Renk Aktiengesellschaft by Triton and the subsequent delisting in March 2021.

The Group was founded in Augsburg, Germany in 1873 by Johann Julius Renk. Since 2019, the Group pursued a number of significant investments to achieve growth. Since 2019, the Group completed five investments with among others the Horstman Group, such as the acquisition of General Kinetics in 2023, and the acquisition of CPS of L3Harris Technologies Inc. in 2021.

12.3 Commercial name, registered office, LEI

The Company is a German stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany having its registered office in Augsburg. The legal name of the Company is RENK Group AG. It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, Germany under docket number HRB 39189.

The Company is the parent company of RENK GmbH. The Company and the Group operate under the commercial name "RENK". In addition, some of the Company's subsidiaries use other commercial names reflecting other important Group brands.

The Company's registered business address is at Gögginger Straße 73, 86159 Augsburg, Germany.

The Legal Entity Identifier (LEI) of the Company is 894500H8CNSZ53EI6K63.

12.4 Fiscal year, Duration of the Company and Corporate Purpose

The Company's fiscal year is the calendar year. The Company was established for an unlimited period of time.

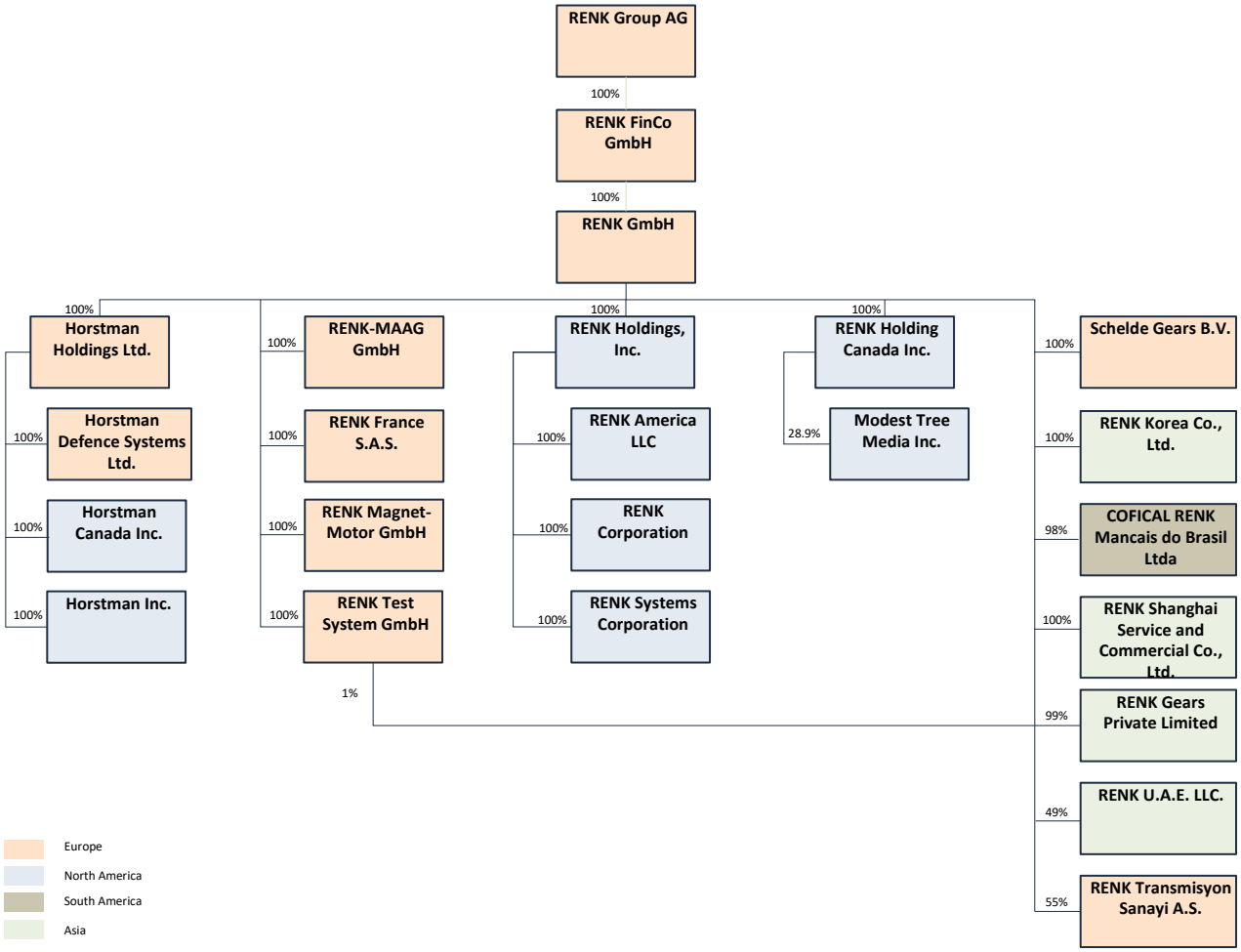
Pursuant to Section 4 (1) of the Articles of Association, the Company's corporate purpose is the acquisition, holding, management and transfer of equity interests in other companies, in particular in companies of the same or similar type, as well as all related activities, actions, operations and services, including any ancillary services and intra-group services and services for consideration vis-à-vis group companies, as well as vis-à-vis third parties if required, and related transactions.

12.5 Group Structure

The Company is the parent company of RENK GmbH. RENK GmbH is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, under docket number HRB 36155 and its registered office is at Gögginger Straße 73, 86159 Augsburg, Germany.

The Company's Audited Consolidated Financial Statements include all material subsidiaries whose financial and business policy can be controlled by the Company, either directly or indirectly. The group of consolidated companies includes 14 subsidiaries as of the date of the Prospectus. In July 2021, the Company completed the RENK America Acquisition and in January 2023, through its suspension systems specialist Horstman Inc., acquired General Kinetics, which has been amalgamated with Horstman Systems Inc., Canada, to form Horstman Canada Inc. and has subsequently been merged with Horstman Inc. in July 2023.

The following diagram sets forth a summary (in simplified form) of our position in the Group as of the date of the Prospectus:



12.6 Significant Subsidiaries

The following table provides an overview of the Company's significant subsidiaries as of September 30, 2023. The shareholdings reflect the Group's direct and indirect economic interest in the respective entity. Shares held by the respective company itself are not taken into account when computing the percentage of participation. As of the date of this prospectus, no amount was outstanding under the issued shares for each of the below listed subsidiaries.

Legal Name	Seat	Company share of capital[(1)]
RENK FinCo GmbH	Augsburg, Germany	100 %
RENK GmbH	Augsburg, Germany	100 %
RENK Magnet-Motor GmbH	Starnberg, Germany	100 %
RENK Test System GmbH	Augsburg, Germany	100 %
RENK-MAAG GmbH	Winterthur, Switzerland	100%
RENK France S.A.S.	Saint-Ouen-l'Aumône, France	100%
RENK Corporation	Duncan, South Carolina, United States	100%
RENK Systems Corporation	Camby, Indiana, United States	100%
Horstman Holdings Limited	Bath, United Kingdom	100%
Horstman Defence Systems Limited	Bath, United Kingdom	100%
Horstman Inc.	Sterling Heights, Michigan, United States	100%
Horstman Canada Inc.	Woodbridge, Ontario, Canada	100%
RENK America LLC	Muskegon, Michigan, United States	100%
RENK Holdings Inc.	Muskegon, Michigan, United States	100%
COFICAL RENK MANCAIS DO BRASIL LTDA	Guaramirim, Brazil	98%
RENK Gears Private Ltd.	Bangalore, India	100%
RENK Shanghai Service and Commercial Co., Ltd.	Shanghai, China	100%

(1) Directly or indirectly held.

12.7 Statutory Auditors

For the fiscal years ended December 31, 2021, and December 31, 2020, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (now EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft), Flughafenstraße 61, 70629 Stuttgart, Germany ("**EY**"), was appointed as statutory auditor of the Company. For the fiscal year ended December 31, 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, acting through its Munich office, Bernhard-Wicki-Straße 8, 80636 Munich, Germany ("**PwC**"), has been appointed as the Company's statutory auditor. EY audited the German language versions of the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2021, and as of and for the short fiscal year ended December 31, 2020, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*). PwC audited the German language versions of the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2022, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*) and the respective group management report, prepared in accordance with the applicable provisions of the German Commercial Code (*Handelsgesetzbuch*) as well as the annual financial statements for the fiscal year ended December 31, 2022 prepared in accordance with German GAAP. EY and PwC conducted their audits in accordance with Section 317 HGB and in compliance with German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, IDW) and issued German language unqualified independent auditor's reports (*uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers*) of which translations are contained in this Prospectus. The group management reports of the Company for the short fiscal year ended December 31, 2020 and for the fiscal years ended December 31, 2021 and 2022 are neither included nor incorporated by reference in this Prospectus. EY and PwC are each a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*). The 2020 CPS Audited Combined Financial Statements have been

prepared in accordance with US GAAP and have been audited by Ernst & Young LLP, Suite 2800, 200 South Orange Avenue, Orlando, Florida 32801, United States.

12.8 Announcements

In accordance with Section 5 (1) of the Articles of Association, the Company's announcements are published in the German Federal Gazette (*Bundesanzeiger*), unless mandatory statutes provide otherwise.

In accordance with the Prospectus Regulation, announcements in connection with the approval of the Prospectus or any supplements thereto will be published in the manner of publication provided for in the Prospectus, *i.e.*, through publication on the Company's website at www.ir.renk.com.

13. DESCRIPTION OF SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

13.1 Current Share Capital; Shares

The Company's share capital currently amounts to €100,000,000.00. It is divided into 100,000,000 ordinary bearer shares with no par value (*Stückaktien*). The Company's shares were created pursuant to the laws of Germany and are denominated in Euro.

13.2 Development of the Share Capital since the Company's Foundation

The share capital of the Company has developed as follows:

The Company was founded under the name SCUR-Alpha 1136 GmbH in the legal form of a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law with a share capital of €25,000.00.

The Company's shareholders' meeting held on August 9, 2023 passed a resolution on the increase of the share capital from own funds (*Kapitalerhöhung aus Gesellschaftsmitteln*) from €25,000.00 by €99,975,000.00 to €100,000,000.00. The capital increase was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, Germany on August 28, 2023. On September 12, 2023, the Company's shareholders' meeting resolved to change the Company's legal form into a German stock corporation (*Aktiengesellschaft*) under the legal name RENK Group AG. The changes in legal form and name were registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, Germany on September 13, 2023 under docket number HRB 39189.

13.3 Authorized Capital

Pursuant to Section 6 (4) of the Articles of Association, the Management Board is authorized, subject to the consent of the Supervisory Board, in the period ending on September 10, 2028, to increase the Company's registered share capital in one or more tranches by up to €50,000,000.00 in the aggregate by issuing up to 50,000,000 new no par value bearer shares against cash contribution or contributions in kind ("**Authorized Capital**").

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

(i) to exclude fractional amounts resulting from the subscription ratio from the statutory subscription rights of the shareholders;

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

(iii) if the increase of the registered share capital is effected against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Sections 203 para. 1 and 2, 186 para. 3 sentence 4 AktG) than the market price for shares in the Company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the registered share capital represented by the shares issued pursuant to this lit (iii) subject to the exclusion of the statutory subscription right in accordance with Section 186 para. 3 sentence 4 AktG does not exceed 10% of the registered share capital. Decisive for the threshold of 10% is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure should be lower at the time when this authorization is exercised, such lower value shall be decisive.

Such amount of the registered share capital shall include shares which have been or are to be issued to fulfil warrant-linked or convertible bonds respectively profit-sharing certificates or participating bonds conferring conversion or option rights or establishing a conversion obligation to the extent that such bonds were issued during the term of this authorized share capital until its respective exercise subject to the exclusion of the statutory subscription right in analogous application of Section 186 para. 3 sentence 4 AktG. Such threshold of 10% of the registered share capital shall also include new or treasury shares of the Company which are issued from an authorized capital or sold as treasury shares during the term of this authorized share capital until its respective exercise on another legal basis subject to exclusion of the subscription right in direct or analogous application of Section 186 para. 3 sentence 4 AktG;

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

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

(vi) to issue new shares against cash and/or in-kind contributions as part of participation programs and/or share-based remuneration. The shares may only be issued to persons who participate in the participation program as a member of the Company's Management Board, as a member of the management of a company dependent from the Company or as an employee of the Company or a company dependent from the Company, or to whom the share-based remuneration is or was granted as a member of the Company's Management Board, as a member of the management of a company dependent from the Company or as an employee of the Company or a company dependent from the Company, or to third parties who grant to these persons the economic ownership of the shares or the economic fruits from the shares. In particular, the new shares may also be issued on preferential terms (including an issue at the lowest issue price within the meaning of Section 9 para. 1 AktG) and/or against contribution of remuneration claims. The new shares may also be issued through a credit institution or a company operating in accordance with Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Kreditwesengesetz* – KWG) which assumes these shares subject to an obligation to offer them to the persons mentioned above. In total, the shares that are issued when this authorization for the exclusion of preemptive rights is used, must not exceed 10% of the registered share capital, neither at the time this authorization becomes effective nor at the time it is used. The nominal amount of any contingent capital of the Company resolved pursuant to Section 192 para. 2 no. 3 AktG is to be taken into account when calculating the aforementioned 10% threshold. To the extent it is intended to grant shares to members of the Company's Management Board in the scope of this authorization, the Company's Supervisory Board will decide on the respective grant in accordance with the allocation of responsibilities under German Stock Corporation law.

The Management Board shall determine, subject to the consent of the Supervisory Board, the further details regarding the rights attached to the shares and the conditions of the share issue. In particular, the profit entitlements of the new shares may be determined in deviation from Section 60 para. 2 AktG and may include a profit entitlement as of the beginning of the fiscal year preceding the issuance of the new shares, provided that at the time of the issuance of the new shares the Company's shareholder meeting has not yet resolved upon the appropriation of profits for such fiscal year.

13.4 Conditional Capital

The Company's shareholder meeting held on September 18, 2023 resolved a conditional increase of the share capital of the Company by up to €50,000,000.00, divided into up to 50,000,000 new ordinary bearer shares

with no-par value (the "**Conditional Capital**"). The Conditional Capital was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Augsburg, Germany on September 26, 2023.

The Conditional Capital serves to grant shares to the holders or creditors of convertible or warrant-linked bonds as well as profit-sharing certificates with option or conversion rights which are issued based on the authorization approved by the Company's shareholders' meeting held on September 18, 2023 by the Company or companies which are controlled by it or in which it holds a majority interest. The Conditional Capital may only be implemented to the extent that warrants or conversion rights under the aforementioned warrant-linked bonds and convertible bonds as well as profit-sharing certificates conferring option or conversion rights have been exercised or conversion obligations under such bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the Authorized Capital are used to fulfil such claims. The issue amount of the new shares in this regard shall be equal to the warrant and/or conversion price to be set in each case subject to the aforementioned authorization. The Management Board is authorized to stipulate the additional details of the implementation of the Conditional Capital.

13.5 Authorization to Issue Convertible Bonds and Other Instruments

The Company's shareholder meeting held on September 18, 2023 authorized the Management Board, subject to the consent of the Supervisory Board, to issue in one or more tranches in the period up to September 17, 2028 registered or bearer warrant-linked or convertible bonds as well as profit-sharing certificates conferring option or conversion rights in an aggregate nominal amount of up to €50,000,000.00 of limited or unlimited term and to grant the holders or creditors of the bonds option or conversion rights for up to 50,000,000 new shares of the Company with a pro rata amount of the registered share capital of up to €1.00 further subject to the terms and conditions of the respective warrant-linked or convertible bonds and/or terms and conditions of the profit-sharing certificates to be defined by the Management Board.

Other than in Euro, the bonds may also be issued – subject to the limitation to the corresponding equivalent value in euro – in a foreign legal currency. The bonds may also be issued by companies which are controlled by the Company or in which it holds a majority interest; in such case the Management Board is authorized, subject to the consent of the Supervisory Board, to assume on behalf of the Company the guarantee for the bonds and to grant the holders of such bonds option and/or conversion rights for shares of the Company and to effect further declarations and acts as are required for a successful issue.

The issues of the bonds may in each case be divided into partial bonds with equal entitlement amongst themselves. The issue of bonds may also be effected against non-cash contribution provided that the value of the non-cash contribution is equal to the issue price and such issue price is not substantially lower than the hypothetical market value of the bonds calculated using recognized financial calculation methods.

The shareholders are entitled to a statutory subscription right for the bonds, which may also be subscribed by a bank or by an undertaking acting pursuant to Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Kreditwesengesetz* – KWG) (financial institution) or a syndicate of such banks and/or financial institutions with the obligation to offer them indirectly to the shareholders for subscription within the meaning of Section 186 para. 5 AktG.

However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for bonds:

- to exclude fractional amounts, resulting from the subscription ratio, from the statutory subscription right of the shareholders for the bonds;

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

- to issue bonds against cash payment provided that such sale is effected at an issue price which is not substantially lower than the hypothetical market value of the partial bonds calculated using recognized, in particular financial calculation methods.

  However, such authorization to exclude the subscription rights shall apply only provided that the shares issued to fulfil the option or conversion rights and/or in the case of fulfilment of the conversion obligation represents no more than 10% of the registered share capital. Decisive for the

threshold of 10% is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure should be lower at the time when this authorization is exercised, such lower value shall be decisive. Such amount shall include the pro rata amount of the registered share capital (i) represented by shares which have been or will be issued during the term of this authorization until its exercise out of an authorized capital subject to exclusion of the subscription right pursuant to Section 186 para. 3 sentence 4 AktG, (ii) represented by treasury shares of the Company which have been or will be sold during the term of this authorization until its exercise on the basis of authorizations pursuant to Section 71 para. 1 no. 8 AktG subject to exclusion of the subscription right of the shareholders pursuant to Section 186 para. 3 sentence 4 AktG and (iii) represented by shares which have been or are to be issued to fulfil warrant-linked or convertible bonds respectively profit-sharing certificates conferring conversion or option rights or establishing a conversion obligation to the extent that such bonds were issued during the term of this authorization until its exercise based on another authorization subject to the exclusion of the statutory subscription right in analogous application of Section 186 para. 3 sentence 4 AktG; and

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

If convertible bonds or profit-sharing certificates conferring conversion rights are issued, their holders shall be granted the right to convert their bonds into new shares of the Company further subject to the terms and conditions of the bonds. The conversion ratio shall be calculated by dividing the nominal amount of a bond by the conversion price set for a new share of the Company. The conversion ratio may also be calculated by dividing the issue amount of a bond that is below the nominal amount by the conversion price set for a new share of the Company. The conversion ratio may be rounded up or down to an integer; moreover, a supplemental payment to be made in cash may be stipulated. Lastly, it may be provided for fractional amounts to be combined and/ or compensated in cash. The pro rata amount in the registered share capital of the shares of the Company to be issued per bond shall not exceed the nominal amount of the bond or an issue amount of the bond that is below the nominal amount.

The terms and conditions of the bonds may provide for the right of the Company to pay the holders of conversion rights, in the case of conversion, instead of shares of the Company the equivalent value in cash which, further subject to the terms and conditions of the bonds, shall be equal to the arithmetic mean value of the closing prices of the share of the Company on the Frankfurt Stock Exchange as determined in Xetra trading (or any comparable trading system substituting Xetra) for the last ten trading days preceding the notification of conversion.

The terms and conditions of the bonds may moreover provide for the right of the Company to grant to the holders of the conversion rights, in the case of conversion, treasury shares of the Company or new shares out of an authorized capital. The terms and conditions of the bonds may also provide for a conversion obligation at the end of the term or at another time.

The terms and conditions of the bonds may provide for the right of the Company to grant the holders of the bonds new shares or treasury shares of the Company wholly or partially in lieu of payment of a money amount owed. In each case the shares shall be included at a value which, further subject to the terms and conditions of the bonds, shall be equal to the arithmetic mean value of the closing prices of the share of the Company on the Frankfurt Stock Exchange as determined in Xetra trading (or any comparable trading system substituting Xetra) for the last ten trading days preceding the maturity of the money amount.

If warrant-linked bonds or profit-sharing certificates conferring option rights are issued, one or more warrants shall be attached to each partial bond and/or each profit-sharing certificate which entitle the holder to subscribe shares of the Company further subject to the terms and conditions of the bonds. The terms and conditions of the bonds may provide for the option holders to be granted treasury shares of the Company or new shares out of an authorized capital. The pro rata amount in the registered share capital of the shares of the Company to be subscribed per warrant-linked bond or per profit-sharing certificate shall not exceed the exercise price of the warrant-linked bond or of the profit-sharing certificate.

The warrant or conversion price for a share shall amount to at least 80% of the arithmetic mean value of the exchange prices of the shares of the Company as determined in the Xetra closing auction on the Frankfurt Stock Exchange (or any comparable trading system substituting Xetra):

a) if the subscription right is excluded or no trading in subscription rights otherwise occurs, during the ten trading days preceding the adoption of the resolution by the Management Board on the issue of the bonds, or, otherwise,

b) during the trading days on which subscription rights for bonds are traded on the Frankfurt Stock Exchange, with the exception of the last two trading days of trading in subscription rights.

Without prejudice to Section 9 para. 1 AktG, the warrant or conversion price shall be reduced on the basis of an anti-dilution clause further subject to the terms and conditions of the bonds by payment of an equivalent amount in cash on exercise of the conversion right or by reduction of the supplemental payment if the Company, during the warrant or conversion term, subject to the granting of a subscription right to its shareholders, increases the registered share capital or issues additional bonds and/or grants or guarantees option or conversion rights and in this connection the holders of already existing option or conversion rights are not granted any subscription right to which they would be entitled after exercise of the option or conversion right.

Instead of a payment in cash or a reduction in the supplemental payment, the conversion ratio may also, to the extent possible, be adjusted by dividing it by the reduced conversion price. For other measures of the Company that may lead to a dilution of the value of the option or conversion rights, as well as in the case of capital reduction, share split or special dividend, the terms and conditions of the bonds may also provide for a value-preserving adjustment of the warrant or conversion price.

The Management Board is authorized, subject to observance of the foregoing requirements, to stipulate the further details with regard to the issue and features of the bonds and their terms and conditions, and/or to define the same in mutual agreement with the bodies of the group companies issuing the bonds, notably interest rate, issue price, term and denomination, subscription and/or conversion ratio, establishment of a conversion obligation, defining of a cash supplemental payment, compensation for or combining of fractional amounts, cash payment instead of delivery of shares, warrant and/or conversion price and the warrant and/or conversion period.

13.6 Treasury Shares

As of the date of this Prospectus, the Company does not hold any of its own shares, nor does a third-party hold any shares of the Company on behalf of or for the account of the Company.

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

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

If the purchase of the shares is effected on the stock market, the purchase price (excluding ancillary purchasing costs) may not be more than 10% higher or lower than the opening auction trading price of the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day. If no opening auction is carried out, the first trading price paid for the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day shall be decisive.

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

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

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

The terms and conditions of the derivatives have to stipulate that they are only served with shares of the Company that have been purchased over the stock exchange in compliance with the principle of equal treatment. The purchase price (not including ancillary acquisition costs) paid for such shares of the Company, may not be more than 10% higher or lower than the opening auction trading price or the first trading price of the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day. If no opening auction is carried out, the first trading price paid for the shares of the Company in Xetra trading or on any comparable trading system substituting Xetra on the Frankfurt Stock Exchange on the respective trading day shall be decisive.

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

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

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

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

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

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

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

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

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

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

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

13.7 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may only be liquidated by a resolution of the shareholder's meeting that is passed by a vote of 75% or more of the share capital represented at the vote. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Articles of Association could lead to a cancellation of the Company. In the event of the Company's liquidation, the AktG provides that any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings. The AktG provides certain protections for creditors in the event of a liquidation of the Company.

13.8 General Provisions Governing a Change in the Share Capital

The AktG provides that the share capital of a stock corporation may be increased by a resolution adopted at the general shareholders' meeting. Such resolution must be adopted by a majority of at least 75% of the share capital represented when the resolution is passed, unless the stock corporation's articles of association provide for a different majority. Section 7 (3) of the Articles of Association provides that resolutions of the general shareholders' meeting are adopted by a simple majority of the votes cast, except as otherwise provided by mandatory law (as in case of a capital increase) or the Articles of Association of the Company. In case of an increase of capital, the profit share of the new shares can be determined in deviation from Section 60 para. 2 AktG according to Section 22 (3) of the Articles of Association. Section 60 para. 2 AktG provides that, if contributions to share capital have not been made in the same proportion for all shares, shareholders shall first be paid from the distributable profit in an amount of 4% of the contributions made, and, if the profit is insufficient to make such payment, the amount to be paid shall be determined on the basis of an appropriately lower percentage (contributions which have been made during the course of the fiscal year shall be taken into account in proportion to the time which has elapsed since the date of such contributions).

In addition, shareholders may resolve to issue authorized capital (*Genehmigtes Kapital*) upon a vote of 75% of the share capital represented at the passing of the resolution authorizing the Management Board to issue shares of up to a specific amount within a period not exceeding five years. The nominal amount of such issuance may not exceed 50% of the share capital in existence at the time the resolution of the general shareholders' meeting is registered with the commercial register *(Handelsregister*). The authorized capital for the Company is described above under " *13.3. Authorized Capital*".

Additionally, shareholders may resolve to create conditional capital (*Bedingtes Kapital*) for the purpose of issuing shares (i) to holders of convertible bonds or other securities convertible into shares of the Company, (ii) as consideration in connection with a merger with another company or (iii) to executives and employees. A resolution to create conditional capital must be adopted by at least 75% of the share capital represented at the passing of the resolution. The nominal amount of the conditional capital created for the purpose of share issues to executives and employees may not exceed 10% of the nominal share capital in existence at the time such resolution is passed, while the nominal amount of the conditional capital created for the purpose of share issues to holders of convertible bonds or other securities convertible into shares of the Company or as consideration in connection with a merger with another company may not exceed 50% of the nominal share capital in existence at the time such resolution is passed; however, there is generally no limitation with respect to a time period during which the contingent capital may be used. The conditional capital for the Company is described above under "*13.4. Conditional Capital*". The authorization of the Management Board to issue convertible bonds or other securities convertible into shares of the Company must be limited to a period not exceeding five years from the date of the respective shareholder resolution (see "*13.5. Authorization to Issue Convertible Bonds and Other Instruments*").

13.9 General Provisions Governing Subscription Rights

Section 186 AktG generally grants all shareholders the right to subscribe for new shares of the Company issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have the right to demand admission to trading for subscription rights. Subscription rights that are not exercised before expiry of the deadline for subscription will lapse and have no value and any shareholders whose rights have lapsed will not receive any compensation. The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a vote of 75% or more of the share capital represented at the vote. Exclusion of

shareholders' subscription rights, wholly or in part, also requires a report from the Management Board to the shareholders' meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if:

- the Company increases its share capital against cash contributions;
- the amount of the capital increase of the issued shares with no subscription rights does not exceed 20% of the share capital at issue, both at the time when the authorization takes effect and at the time when it is authorized; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price of the Company's shares.

13.10 Exclusion of Minority Shareholders

13.10.1 Squeeze-Out under Stock Corporation Law

Sections 327a *et seq.* AktG, which govern a so-called "squeeze-out under stock corporation law", provide that upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an adequate compensation in cash. The amount of the cash compensation offered to minority shareholders must reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash compensation is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), wherein the court will review the fairness (*Angemessenheit*) of the cash compensation.

13.10.2 Squeeze-Out and Tender Rights under Takeover Law

Under Sections 39a and 39b of the German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* – "**WpÜG**"), in the event of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer may, within three months of the expiration of the deadline for acceptance of the offer, petition the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offer or against payment of an adequate compensation. Such transfer does not require a resolution of the target company's shareholders' meeting. The consideration paid in connection with the takeover bid or mandatory offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered.

In addition, following a takeover bid or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (Section 39c WpÜG), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

13.10.3 Squeeze-Out under Reorganization Law

Under Section 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz* – "**UmwG**"), a majority shareholder holding at least 90% of the Company's share capital may require the Company's shareholders' meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft* (*AG*)), a partnership limited by shares (*Kommanditgesellschaft auf Aktien* (*KGaA*)) or a European company (*Societas Europaea* (*SE*)) having its registered office in Germany and (ii) the squeeze-out is performed to facilitate a merger under the UmwG between the majority shareholder and the Company. The shareholders' meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement.

The procedure for a squeeze-out under the UmwG is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

13.10.4 Integration

Under Section 319 *et seq*. AktG, the Company's shareholders' meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. The amount of the compensation must be determined using the "merger value ratio" (*Verschmelzungswertrelation*) between the two companies, *i.e.*, the exchange ratio which would be considered reasonable in the event of merging the two companies. Fractional amounts may be paid out in cash.

13.11 Shareholder Notification Requirements; Mandatory Takeover Bids; Directors' Dealings

Once the Shares are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to German Securities Trading Act (*Wertpapierhandelsgesetz*) provisions governing, *among other things*, disclosure requirements for significant shareholdings, the WpÜG provisions governing takeover bids and mandatory offers, as well as the MAR provisions governing, *among other things*, directors' obligations to disclose transactions in the Shares, debt instruments, related derivatives or other related financial instruments.

13.11.1 Notification Requirements of Shareholders

13.11.1.1 Notification Thresholds and Attribution Rules

Pursuant to Section 33 para. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**"), anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, is required to concurrently notify both the Company and BaFin of such occurrence. Subsequent notifications are required if such person sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances should have had knowledge of their proportion of voting rights reaching, exceeding, or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 para. 3 WpHG. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting-in-concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g.*, fundamental changes to the Group's business model or a sale of a substantial part of the Group's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting-in-concert. Coordination in individual cases, however, is not considered as acting-in-concert.

Except for the 3%-threshold, similar notification requirements towards the Company and BaFin exist, if the aforementioned thresholds are reached, exceeded or undercut, because the shareholder holds financial instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise their right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example, to share swaps against cash consideration and contracts for difference. The number of voting rights relevant for the notification requirement will generally be calculated by reference to the full nominal amount of shares underlying the instrument except where the instrument provides exclusively for a cash settlement. Details for such calculations are laid down in the Commission Delegated Regulation (EU) 2015/761 of December 17, 2014. In addition, a person or entity is subject to a notification requirement towards the Company and BaFin if the sum of the voting rights from shares and (financial) instruments held or attributed to such person or entity reaches, exceeds, or falls below the aforementioned thresholds, again except for the 3% threshold.

13.11.1.2 Exceptions to Notification Requirements

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37 para. 1 WpHG. If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the EU or in an EEA Member State are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

13.11.1.3 Fulfilment of Notification Requirements

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice may be submitted either in German or English, in writing or via fax. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname, and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer in Germany, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire EU and in all EEA Member States. Such publications shall only be made in the English-language. The Company is also required to transmit these publications to BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

13.11.1.4 ***Consequences of Violations of Notification Requirements***

Rights of shares held by shareholders, or from which voting rights are attributed to shareholders, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. However, it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, then the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. In addition, a fine may be imposed for failure to comply with notification obligations.

13.11.1.5 Special Notification Requirements for more than 10% of the Voting Rights

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10%-threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 WpHG it receives without undue delay and no later than within three trading days.

13.11.2 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days of crossing this threshold. Such publication must be furnished on the internet and by means of an electronic system for disseminating financial information. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares.

Once the share of voting rights exceeds 30% of the voting rights of the Company, such shareholder (as bidder) is required to make a mandatory tender offer to all shareholders of the Company. Under certain conditions, BaFin may grant an exemption from this rule. If the relevant shareholder fails to give notice of reaching or exceeding the 30%-threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

A mandatory tender offer has to be directed at all shareholders and shares of the Company. Following publication of the offer document for the mandatory tender offer via the electronic German Federal Gazette (*elektronischer Bundesanzeiger*) or via distribution free of charge at a suitable agency in Germany, shareholders are free to accept the offer within a specified acceptance period of four to ten weeks. Shareholders that have accepted the tender offer in writing to its depositary bank are entitled to receive an appropriate compensation for their shares taking into account the average stock market price of the shares as well as the acquisition price of shares by the bidder. If a bidder, following the mandatory tender offer, holds at least 90% or 95%, as applicable, of the voting share capital of a target company, it may initiate a squeeze-out as described in section "*13.10 Exclusion of Minority Shareholders*".

13.11.3 Managers' Transactions

A person discharging managerial responsibilities within the meaning of Article 3 (1) no. 25 MAR (*i.e.*, the members of the Management Board and the Supervisory Board), must notify the Company and BaFin of transactions undertaken for their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (subject to a €20,000.00 *de minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3 (1) no. 26 MAR. Such notifications shall be made promptly and no later than three business days after the date of the relevant transaction. The Company shall ensure that such notifications are made public promptly and no later than three business days after the relevant transaction.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities.

13.12 EU Short Selling Regulation (Ban on Naked Short-Selling)

Pursuant to Regulation (EU) 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "Short Selling Regulation"), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU Leerverkaufs Ausführungsgesetz*) of November 15, 2012, the short

selling of the Shares is only permitted under certain conditions. Additionally, under the provisions of the Short Selling Regulation, significant net short selling positions in the Shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net Short Positions (*Netto Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Shares with its long positions in such shares. The details are regulated in the EU Short Selling Regulation and the other regulations the European Commission enacted on short selling. In certain situations, described in the Short Selling Regulation, BaFin may restrict short selling and comparable transactions.

14. DESCRIPTION OF THE GOVERNING BODIES OF RENK GROUP AG

14.1 Overview

The Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting. The powers and responsibilities of these governing bodies are governed by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the bylaws (*Geschäftsordnungen*) of the Management Board and the Supervisory Board.

The Management Board manages the Company's business in accordance with the law, the Articles of Association, and the bylaws of the Management Board, taking into account the resolutions of the shareholders' meeting. The Management Board represents the Company in its dealings with third parties. The Management Board is required to implement and maintain appropriate risk management and risk controlling measures, including setting up a monitoring system in order to ensure that any developments that could potentially endanger the continued existence of the Company can be identified early. In addition, the Management Board must report regularly to the Supervisory Board on the performance and the operations of the Company. The Management Board is also required to present to the Supervisory Board for its approval, no later than at the last Supervisory Board meeting of each fiscal year, certain business planning matters (including financial investment and personnel planning) for the following fiscal year. Furthermore, each member of the Management Board who becomes aware of any matter that is of particular significance to the Company must immediately report such matter, orally or in writing, to the chairman and the vice chairman of the Supervisory Board or to all members of the Supervisory Board. Significant matters include any development or event at an affiliated company that could have a material impact on the Company.

The Supervisory Board advises the Management Board in the management of the Company and monitors its management activities. The Management Board may not transfer management tasks to the Supervisory Board. However, pursuant to the Articles of Association in combination with the bylaws of the Management Board, the Management Board must obtain the consent of the Supervisory Board for certain measures and resolutions, including: approval of the corporate strategy; approval of the annual budget, in particular the financial, investment and personnel planning; the amendment of the pension commitments or the corresponding works agreements; the acquisition and disposal of certain direct and indirect shareholdings in companies as well as of businesses or parts of businesses; the incorporation or establishment, acquisition, disposal, material change and dissolution of certain business and product areas and development tasks as well as discontinuation or spin-off of existing areas of activity in companies of the Group; the release of economically related investments in tangible fixed assets (*Sachanlagevermögen*) as well as research and development projects in certain cases; certain cost overruns for individual investments; the acquisition, sale or encumbrance of real property, rights equivalent to real property and rights to real property used for the purposes of production or assembly in certain cases; the conclusion, termination or material amendment of certain intercompany agreements, joint venture agreements, cooperation agreements and joint-interest agreements; borrowing of funds or taking out loans that exceed the scope of current business; the entering into certain interest rate, derivative or hedging transactions; the granting of certain loans to borrowers outside the Group as well as outside the ordinary course of business and certain sales financing; the assumption of sureties, guarantees and similar liabilities, insofar as these measures exceed the scope of current business; the disposal of all or substantially all of the business of the Company or the Group; and the appointment of general representatives (*Generalbevollmächtige*) for the Company.

Pursuant to the Articles of Association, the Supervisory Board consists of 12 members. The Supervisory Board appoints the members of the Management Board and has the right to remove them for good cause. Simultaneous membership on the Management Board and the Supervisory Board is prohibited.

The members of the Management Board and the Supervisory Board owe duties of loyalty and due care to the Company. In discharging these duties, the members of the governing bodies are required to take into account a broad range of interests, including those of the Company, its shareholders, its employees and its creditors. The Management Board must also take into account the rights of shareholders to equal treatment and equal information. If the members of the Management Board or the Supervisory Board fail to discharge their duties, they are jointly and severally liable to the Company for damages. A D&O insurance policy, which provides for a deductible for the Management Board and Supervisory Board members, protects the Management Board and Supervisory Board members against claims for damages.

Under the German Stock Corporation Act (*Aktiengesetz*), neither individual shareholders nor any other person may use its influence on the Company to cause a member of the Management Board or the Supervisory

Board to act in a manner that would be detrimental to the Company. Persons using their influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokuristen*) or an assistant manager (*Handlungsbevollmächtigter*) to act in a manner that causes harm to the Company or its shareholders, are liable to compensate the Company for any resulting losses. Moreover, in this case, the members of the Management Board and Supervisory Board are jointly and severally liable in addition to the person using its influence if they have acted in breach of their obligations to the Company.

Generally, an individual shareholder may not take action against the members of the Management Board or the Supervisory Board if such shareholder believes that they have acted in breach of their duties to the Company and, as a result, the Company has suffered loss. The Company's claims for damages against the members of the Management Board or the Supervisory Board may generally only be pursued by the Company itself. In the case of claims against members of the Supervisory Board, the Company is represented by the Management Board, and in case of claims against members of the Management Board, it is represented by the Supervisory Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board must bring claims that are likely to succeed against Management Board members unless significant considerations of the Company's well-being, which outweigh or are at least equivalent to those in favor of such claim, render such a claim inadvisable. If the relevant governing body decides against pursuing a claim, it must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect by a simple majority.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a general shareholders' meeting or exercise voting rights in a general shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the Articles of Association, shareholders who collectively hold 1% of the share capital or a pro rata share of €100,000 may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle a claim for damages against board members if at least three years have elapsed since the vesting of the claim, so long as the shareholders' meeting approves the waiver or settlement by a simple majority and provided that no minority of shareholders whose aggregate shareholdings amount to at least one-tenth of the share capital records an objection to such resolution in the minutes of the shareholders' meeting.

14.2 Management Board

14.2.1 Current Composition of the Management Board

Pursuant to Section 8 of the Articles of Association and Section 78 AktG, the Management Board consists of one or more persons and the Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board may appoint a Management Board member as chairman, vice chairman, spokesman or vice spokesman of the Management Board. Currently, the Management Board consists of two members.

Reappointment or extension, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating employment agreements with Management Board members and, in general, for representing the Company in and out of court against the Management Board.

Pursuant to Section 78 AktG and Section 9 (2) of the Articles of Association, the Company is represented vis-à-vis third parties and in court proceedings by the Management Board. If the Management Board consists of several persons, the Company will be represented by two members of the Management Board or a member of the Management Board jointly with an authorized signatory (*Prokurist*). The Supervisory Board may determine that all or specific members of the Management Board are authorized to represent the Company individually.

The table below lists the current members of the Management Board:

Name	Age	Member since	Appointed until	Responsibilities
Susanne Wiegand	51	2021	2026	Chief Executive Officer
Christian Schulz	46	2023	2026	Chief Financial Officer

It is planned to extend the Company's management board in the short to medium term to three persons and appoint a chief operating officer.

The members of the Management Board may be reached at the Company's office at Gögginger Straße 73, 86159 Augsburg, Germany (tel. +49 821 5700 0).

The following description provides summaries of the *curricula vitae* of the current members of the Management Board and indicates their principal activities outside the Group to the extent that those activities are significant with respect to the Group.

Susanne Wiegand was born in Kassel, in Hesse, Germany.

Mrs. Wiegand holds a degree in business administration (*Diplom-Kauffrau*) from Johann Wolfgang von Goethe University in Frankfurt. She started her career in 1996 at Diebold Deutschland GmbH as management consultant. In 1999, she joined T-Systems International GmbH as senior vice president in business development. She worked as a management consultant for major industrial groups before she joined thyssenkrupp Marine Systems GmbH as head of strategy, business development and M&A from 2005 to 2007. From 2007 to 2017 she was managing director at several German shipyards (*i.e.*, Nobiskrug GmbH, German Naval Yards Kiel GmbH, Lindenau GmbH) ultimately controlled by Privinvest SAL, before she joined Rheinmetall AG as chief executive officer of the Electronic Solutions division. She joined RENK in 2021 as chief executive officer of the Company.

Alongside her office as Chief Executive Officer and member of the Management Board of the Company, Mrs. Wiegand is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Member of the supervisory board of BWI GmbH, Meckenheim, Germany, since 2022.

Previously:

- Chief executive officer (*Vorsitzende der Geschäftsführung*) of Rheinmetall Electronics GmbH, Bremen, Germany (2018 – 2021);
- President of the administrative board (*Präsidentin des Verwaltungsrates*) of Rheinmetall Air Defence AG, Zurich, Switzerland (2018 – 2021);
- Chairwoman of the board of directors of Rheinmetall Italia S.p.A, Rome, Italy (2018 – 2021);
- Member of the supervisory board of ISRA VISION AG (now ISRA VISION GmbH), Darmstadt, Germany (2015 – 2020).

Other than listed above, Susanne Wiegand has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Christian Schulz was born in Schmalkalden, in Germany.

Mr. Schulz holds a bachelor of business administration from Baden-Wuerttemberg Cooperative State University. He started his career in 1999 at Daimler Truck AG as manager sales controlling and became senior manager risk management in 2004. From 2006 to 2008, he was head of controlling of the Gaggenau plant at Daimler AG before he became director controlling products & production at Mitsubishi Fuso Truck and Bus Corporation in 2008 and director controlling operations Mercedes-Benz Cars at Mercedes-Benz AG in 2011. In

2017 he joined Traton Group where he became chief financial officer in 2018. He was appointed as Chief Financial Officer of the Company in 2023.

Alongside his office as Chief Financial Officer, Mr. Schulz is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- Traton SE, chief financial officer, Munich, Germany (2018 to 2021);
- Member of the supervisory board of Navistar Inc, Lisle, Illinois, United States (2018 to 2021);
- Member of the supervisory board of MAN Truck & Bus SE, Munich, Germany (2018 to 2021); and
- Member of the supervisory board of Scania AB, Södertälje, Sweden (2018 to 2021).

Other than listed above, Christian Schulz has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

14.2.2 Service Agreements

Service agreements between the Company and the current members of the Management Board, were concluded on September 24, 2023, as amended. The service agreements became effective on October 1, 2023. The terms of the service agreements run until 2026. The service agreements do not provide for a termination right in the event of a change of control of the Company.

14.2.3 Compensation and Other Benefits of the Management Board Members

14.2.3.1 Compensation and Pension Commitments in the Year Ended December 31, 2023

The total compensation of the Management Board, including variable compensation, for the fiscal year ended December 31, 2023 will be determined based on the audited financial statements for the fiscals year ended December 31, 2023. Total fixed compensation of the Management Board for the fiscal year ended December 31, 2023 amounted to €850 thousand. Instead of an LTI (as defined below) for the fiscal year ended December 31, 2023, the compensation will include a variable compensation instrument, which is subject to a holding period until December 31, 2026. In the fiscal year ended December 31, 2023, pension commitments for the members of the Management Board were issued, for which a liability of €227 thousand was recognized and expensed in the fiscal year ended December 31, 2023.

14.2.3.2 Compensation System and Benefits

The compensation is based on service agreements between the members of the Management Board and the Company with a duration until 2026 as well as new terms and conditions for the variable compensation instruments. It is particularly aimed at aligning the Management Board members' compensation with the long-term development and success of the Company and at complying with the legal requirements for Management Board members' compensation in listed companies under Sections 87 and 87a of the German Stock Corporation Act (*Aktiengesetz*) as well as with the recommendations of the German Corporate Governance Code (*Deutsche Corporate Governance Kodex*) (the "**DCGK**"). The compensation of the members of the Management Board by the Company generally consists of a fixed annual base salary, variable compensation instruments, consisting of a short-term and a long-term incentive, as well as additional fringe benefits/benefits in kind.

(i) *Annual Base Salary*

Since September 2023, the members of the Management Board receive a fixed annual base salary in cash, which is paid out in equal monthly installments (*e.g.*, twelve equal monthly installments). The fixed base gross salary amounts to €450,000 for Susanne Wiegand and €400,000 for Christian Schulz.

(ii) *Variable Compensation*

In addition to the annual base salary, the current members of the Management Board are entitled to variable compensation instruments, a short-term incentive ("**STI**") and a long-term incentive ("**LTI**"), which are oriented towards the Company's sustainable development and in line with the Company's steering logic. Therefore, the STI as well as the LTI are based on key performance indicators ("**KPIs**") reflecting the strategy. The LTI is linked to the share price development of the Company. In order to incentivize the long-term development, the LTI makes up the clear majority of the variable compensation. The KPIs of the STI and the LTI differ.

The STI is designed as a target bonus with a one-year performance period. The STI payout is based on the target achievement of pre-defined KPIs, which shall be defined by the Supervisory Board for each member of the Management Board no later than within the first quarter of the respective fiscal year. The Supervisory Board will determine and weigh up to three additively linked KPIs that are primarily revenue- or earnings-related. The target achievement of each Management Board member will be set between zero and 200% with a linear interpolation between the anchor points meaning between the threshold and the target as well as between the target and the maximum. The target STI amounts to €675,000 for Susanne Wiegand and €600,000 for Christian Schulz. The payment in cash is made after the approval of the respective audited annual financial statements.

The LTI is designed as a virtual performance share units ("**PSU**") plan and is awarded in annual tranches each with a four-year performance period. For each respective tranche, the Supervisory Board will define a target amount of the LTI for each member of the Management Board in Euro. The target number of PSUs is determined by dividing the individual target amount by the Company's average share price of thirty-trading-days prior to the beginning of the respective performance period. Furthermore, the Supervisory Board determines the KPI targets for each performance period. Those KPIs are additively linked and can relate to relative share performance (relative total shareholder return), return on shares, order intake or earnings, return on capital and ESG KPIs. The measurement of a share price-related KPI (*e.g.*, relative total shareholder return) will be against a defined peer group or relevant index. The ESG-related KPI may be split up further into environmental and social KPIs. The target achievement of each Management Board member will be set between zero and 200% with a linear interpolation between the anchor points meaning between the threshold and the target as well as between the target and the maximum. To determine the final number of PSUs the target number of PSUs is multiplied with the target achievement of the respective Management Board member. In order to calculate the payout, the final number of PSUs is multiplied with the Company's average share price of thirty trading days prior to the end of the respective performance period. The payout is capped at 250% of the target amount of the LTI and is settled in cash while the Supervisory Board has the option to decide a settlement in equity. The payment is made after the approval of the respective audited annual financial statements. The first performance period began on January 1, 2024 and ends on December 31, 2027. The target amount for the LTI amounts to €975,000 for Susanne Wiegand and €650,000 for Christian Schulz. For the first performance period, the PSUs will be allocated retrospectively and retroactively as of January 1, 2024 once a share price is available.

The service agreements further provide for customary good leaver/bad leaver clauses, wherein good leavers, *i.e.*, due to retirement, occupational disability, or death, are paid out on a pro-rated basis, while bad leavers, *i.e.*, termination with due cause within the meaning of Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*) or by plan participant, forfeit their right to a payment under the variable compensation plan.

(iii) *Additional Benefits and Pension Contributions*

Additional benefits which correspond to common market practice are awarded to the members of the Management Board. These include a company car, contribution to health and nursing care insurance, D&O insurance and reasonable travel expenses. Insofar as benefits constitute taxable compensation, the taxes shall be borne by the Management Board member. Members of the Management Board are entitled to a defined pension contribution by the Company.

(iv) *Maximum Compensation*

In addition to the individual caps for the variable compensation instruments, a maximum compensation pursuant to Section 87a para. 1 no. 1 AktG has been determined in the gross amount of €6 million for the chief executive officer and in the gross amount of €4 million for the other members of the Management Board. The maximum compensation limits the total compensation (base salary, STI, LTI and additional benefits) of the members of the Management Board, that is paid out for a fiscal year, regardless of the actual payment date. If compensation exceeds this maximum, the LTI will be limited in the respective amount in excess of the maximum that is forfeited without refund or replacement.

(v) *Malus and Clawback*

The Supervisory Board has the right of reducing variable long-term compensation, that has not yet been paid out (malus) or to reclaim variable long-term compensation, that has already been paid out (clawback). The set of events in which such an opportunity applies, is defined in the service agreements.

14.2.3.3 Share Ownership Guideline

The service agreements of the members of the Management Board include a share ownership guideline. Under this share ownership guideline, each member of the Management Board is obliged to invest in shares of the Company over a period of 4 years. The amount to be invested is set at 200% of the fixed annual compensation for the chief executive officer, and 100% of the fixed annual compensation for the other members of the Management Board. Shares acquired under the share ownership guideline must be held in full until the termination of the respective member's position on the Management Board.

14.2.3.4 Non-Compete

During the term of their service agreement and for a period of one year following its termination, the current members of the Management Board may be subject to certain non-compete obligations, including a prohibition from working (self-employed or employed or otherwise) for any third party, that is in direct or indirect competition with the Company.

14.2.3.5 Severance Payment

In the event the Company revokes the appointment as member of the Management Board prior to the end of the term of the respective service agreement, the respective member of the Management Board will be entitled to a severance payment unless the termination is based on cause within the meaning of Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*), or the revocation of the appointment is based on a gross breach of duty pursuant to Section 31 of the German Co-Determination Act (*Mitbestimmungsgesetz*) and Section 84 German Stock Corporation Act (*Aktiengesetz*). The severance payment amounts to up to the remaining contractual term but limited to one year. The severance payment is calculated based on the annual base salary as well as the STI and LTI of the respective member of the Management Board. The severance payments for the STI and LTI are each based on an overall target achievement of 100%, calculated pro rata from the end of the service relationship until the regular end of the respective current contract term, but for a maximum of one year.

14.3 Supervisory Board

Pursuant to Section 10 of the Articles of Association, the Supervisory Board consists of 12 members. The Company's shareholders elect six members of the Supervisory Board at the general shareholders' meeting. The other six members of the Supervisory Board are the employee representatives elected on the basis of the German Co-Determination Act (*Mitbestimmungsgesetz*), by employee delegates or directly by the employees. In accordance with the German Co-Determination Act (*Mitbestimmungsgesetz*), the Issuer has a mediation committee (*Vermittlungsausschuss*) in place. It is subject to employee codetermination as provided by German Co-Determination Act (*Mitbestimmungsgesetz*).

A quorum of the Supervisory Board is present if half of its members are present. Resolutions of the Supervisory Board are passed with simple majority, unless otherwise mandated by law. In case of a tied vote, the chairman of the Supervisory Board shall have the casting vote. This also applies to elections. If the chairman of the Supervisory Board has not been elected or if he abstains from voting, a tied vote is deemed to be a rejection of the resolution.

Section 100 para. 5 of the German Stock Corporation Act (*Aktiengesetz*) requires the Supervisory Board to have at least one member with expertise in the fields of accounting and one member with expertise in the fields of auditing and the members of the Supervisory Board as a whole must be familiar with the industry in which the Company conducts its business. Within the Supervisory Board of the Company, the member Swantje Conrad is considered to possess the required expertise in the fields of accounting and Johannes Meier is considered to possess the required expertise in the fields of auditing. In addition, according to the DCGK, the chair of the Supervisory Board, the chair of the audit committee, as well as the chair of the committee that addresses Management Board remuneration, shall be independent from the Company and the Management Board. The chair of the audit committee shall also be independent from the Selling Shareholder. All members of the Supervisory Board are considered to possess the required independence.

For each member of the Supervisory Board, the shareholders may, at the same time the respective member is elected, appoint substitute members. These substitute members will replace the elected Supervisory Board member in the event of his or her premature departure in an order that was defined at the time of the appointment. The term of office of the substitute member replacing the departing member terminates if a successor is elected at the next shareholders' meeting or the following one, at the close of the shareholders' meeting, otherwise on the expiry of the term of office of the departed member of the Supervisory Board. Members of the Supervisory Board who were elected by the shareholders' meeting may be dismissed at any time during their term of office by a resolution of the shareholders' meeting adopted by 75% of the votes cast, unless the articles of association stipulate otherwise. In accordance with Section 10 (4) of the Articles of Association, any member or substitute member of the Supervisory Board may resign at any time, even without providing a reason, by giving a month's notice of his or her resignation in writing. This does not affect the right to resign with immediate effect for good cause.

14.3.1 Members of the Supervisory Board

The table below lists the current members of the Supervisory Board:

Name	Age	Member since	Appointed until	Responsibilities
Claus von Hermann	49	2023	2028	Chairperson of the Supervisory Board
Klaus Refle*	57	2023	2026	Deputy chairperson of the Supervisory Board
Swantje Conrad	58	2023	2028	Member of the Supervisory Board
Sascha Dudzik*	46	2023	2026	Member of the Supervisory Board
Cécile Dutheil	59	2023	2028	Member of the Supervisory Board
Lothar Evers*	55	2023	2026	Member of the Supervisory Board
Adela Lieb*	47	2023	2026	Member of the Supervisory Board
Dr. Rainer Martens	63	2023	2028	Member of the Supervisory Board
Johannes Meier	39	2023	2028	Member of the Supervisory Board
Horst Ott*	57	2023	2026	Member of the Supervisory Board
Mario Sommer*	42	2023	2026	Member of the Supervisory Board
Klaus Stahlmann	62	2023	2028	Member of the Supervisory Board

* Employee representative.

The members of the Supervisory Board may be reached at the Company's office at Gögginger Straße 73, 86159 Augsburg, Germany (tel. +49 821 5700 0).

The following description provides summaries of the *curricula vitae* of the current members of the Supervisory Board and indicates their principal activities outside the Group to the extent that those activities are significant with respect to the Group.

Claus von Hermann was born in Hamburg, in Germany.

Claus von Hermann holds a degree in business administration from ESB Reutlingen Business School and a bachelor in European business from Dublin Business School. He started his career as an associate at Credit Suisse First Boston from 2001 to 2004 and became associate at Court Square Capital Partners in 2004. He joined Triton Partners as investment advisory professional in 2007 and is currently co-head of Triton Mid Market (TMM) and a member of the TMM Investment Advisory Committee. In 2023, he was appointed chairperson of the Supervisory Board.

Alongside his membership of the Supervisory Board, Claus von Hermann is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Managing director of Triton Beratungsgesellschaft GmbH, Frankfurt, Germany, since 2016; and
- Member of the advisory board of Kelvion Holding GmbH, Bochum, Germany, since 2018.

Previously:

- Member of the advisory board of Ewellix AB, Gothenburg, Sweden (2019 to 2023).

Other than listed above, Claus von Hermann has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Klaus Refle was born in Augsburg, Germany.

Klaus Refle was trained as a machinist at RENK Aktiengesellschaft. In 1985, following his apprenticeship, he worked at RENK Aktiengesellschaft as CNC operator. From 2014 to 2018, he was deputy chairperson of the works council of RENK Aktiengesellschaft and RENK Test System GmbH. Since 2018, he is chairperson of the works council of RENK GmbH and RENK Test System GmbH. He further is chairperson of the joint works council of RENK GmbH. He was appointed as deputy chairperson of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Klaus Refle is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- None.

Other than listed above, Klaus Refle has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Swantje Conrad was born in Stuttgart, in Germany.

Swantje Conrad holds a degree in business administration and information technology from Karlsruhe Institute of Technology and a master of international business studies from University of South Carolina. She started her career at J.P. Morgan in 1991 where she worked as an associate and corporate finance analyst, as vice president in mergers and acquisition, as managing director and head of pan-European diversified industrials equity research, as managing director and equity specialist sales pan-European capital goods, aerospace and automotive as well as managing director in senior relationship management for institutional asset management clients. From 2017 to 2019 she then worked as non-executive director and member of the audit and appointments and remuneration committees at Siemens Gamesa and since 2017 she is non-executive director of CT Private Equity Trust plc. In 2023, she was appointed as member of the Supervisory Board.

Alongside her membership of the Supervisory Board, Swantje Conrad is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Member of the supervisory board of TeamViewer SE, Goeppingen, Germany, since May 2023, and
- Non-executive director of CT Private Equity Trust plc, Edinburgh, United Kingdom, since 2017.

Previously:

- Independent director of Siemens Gamesa Renewable Energy S/A, Zamudio, Spain, 2017 to 2019.

Other than listed above, Swantje Conrad has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Sascha Dudzik was born in Hanover, in Germany.

Sascha Dudzik is trained as an industrial mechanic and holds a diploma in commercial and labor law from University of Hamburg. He started his career in 1998 as an industrial mechanic at Volkswagen Commercial Vehicles. In 2006, he joined IG Metall as a trainee and then became trade union secretary in 2007 and treasurer in 2016. In 2017, he became the second authorized representative and treasurer of IG Metall, Hanover and since 2023, he is first authorized representative of IG Metall, Hanover. In 2023, he was appointed as member of the Supervisory Board.

Alongside his membership of the Supervisory Board, Sascha Dudzik is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Member of the supervisory board of WABCO Holding GmbH, Hanover, Germany, since 2018, and
- Member of the supervisory board of KraussMaffei Group GmbH, Vaterstetten, Parsdorf, Germany, since 2017.

Previously:

- None.

Other than listed above, Sascha Dudzik has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Cécile Dutheil was born in Paris, France.

Cécile Dutheil holds a bachelor degree in law and political sciences from the University Paris XIII as well as a master degree in business administration from the University of Applied Sciences Coblence Germany & DEMOS EWA European Academy for Economics. She held various leading roles within Human Resources at Kennametal Inc., CT Consulting, WWL Internet AG and Tomey AG in Germany.

In 1996 she started working as director of Human Resources and Business Development at WWL Internet AG, before becoming human resources manager for Europe Sales & Marketing and Talent Development at Kennametal. She held various positions at Kennametal including Director HR Global Sales Marketing, Global Customs Solutions & RD & E at Kennametal Inc. in Pittsburgh, United States as well as vice president Human Resources Europe, Middle East & Africa, Eaton in Lausanne Schweiz. Prior to her current role as Head of Human Capital Portfolio at West Park Management Services Germany GmbH she has held since 2019, she worked at DELPHI Automotive plc, where she most recently held the position of Vice President Global HR for the

Engineered Component Group and EMEA Corporate HR Lead based in Wuppertal, Germany. Prior to that she was Vice President Corporate Human Resources EMEA at Eaton Industries Manufacturing GmbH in Morges, Switzerland from 2013 to 2016 and Divisional Director Human Resources EMEA Electrical Sector at Eaton Industries GmbH in Bonn, Germany from 2010 to 2012.

Alongside her membership of the Supervisory Board, Cécile Dutheil is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- None.

Other than listed above, Cécile Dutheil has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Lothar Evers was born in Rheine, Germany.

Lothar Evers was trained as an industrial machinist at RENK-Tacke GmbH. In 1990, following his apprenticeship, he started his career at RENK Aktiengesellschaft as industrial machinist on turning lathe, various conventional machines and CNC machining centers. In 2017, he first became deputy chairperson and then chairperson of the works council at RENK Aktiengesellschaft (now RENK GmbH). Since 2018, he also is deputy chairperson of the joint works council at RENK. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Lothar Evers is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- None.

Other than listed above, Lothar Evers has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Adela Lieb was born in Satu Mare, in Romania.

Adela Lieb holds a degree in business administration from University of Augsburg. She started her career at Deloitte & Touche GmbH in 2002 as accountant in the accounting and taxation division and became senior accountant in 2006. From 2008 to 2013, she worked as chief accountant at RENK Test System GmbH before she became head of accounting and controlling. From 2016 to 2020, she is director of commercial management, finance and controlling at RENK Test System GmbH before she became head of finance department at RENK GmbH. Since 2022 she is head of corporate accounting at RENK. In 2023, she was appointed as member of the Supervisory Board.

Alongside her membership of the Supervisory Board, Adela Lieb is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- None.

Other than listed above, Adela Lieb has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Dr. Rainer Martens was born in Wittmund, Germany.

Dr. Rainer Martens holds a degree in mechanical engineering from University of Hanover, where he also earned a doctorate in production engineering. He started his career in 1991 at Airbus in Varel, Germany, and ultimately became plant and site manager at Airbus in Bremen, Germany. From 2006 to 2017 he was chief operating officer at MTU Aero Engines AG. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Dr. Rainer Martens is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Member of the supervisory board of MTU Aero Engines AG, Munich, Germany, since 2021.

Previously:

- None.

Other than listed above, Dr. Rainer Martens has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Johannes Meier was born in Kaufbeuren, Germany.

Johannes Meier holds a degree in business administration from Baden-Wuerttemberg Cooperative State University and a degree in international management from Open University London. He also holds a degree as chartered financial analyst from the CFA Institute. He started his career in 2009 as financial group controller at Voith GmbH before he worked as a senior associate at KPMG AG. From 2014 to 2018 he worked as a portfolio monitoring and development professional at West Park Management Services Germany GmbH. Since 2018, he is an investment advisory professional at Triton. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Johannes Meier is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Member of the advisory board at Talis Management Holding GmbH, Heidenheim (Brenz), Germany, since 2022.

Previously:

- None.

Other than listed above, Johannes Meier has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Horst Ott was born in Augsburg, Germany.

Horst Ott was trained as a machinist at RENK Aktiengesellschaft. From 1982 to 1989 he was elected youth and trainee representative at RENK Aktiengesellschaft. In 1989, he joined IG Metall, where he worked trainee and became professional secretary in 1992. From 2008 to 2012 he was the second authorized representative of IG Metall Amberg. From 2012 to 2023, he was the first authorized representative of IG Metall Amberg. Since 2023, he is district director of IG Metall Bavaria. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Horst Ott is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- Deputy chairperson of the supervisory board of Grammer Aktiengesellschaft, Ursensollen, Germany (2012-2023).

Other than listed above, Horst Ott has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Mario Sommer was born in Burgstädt, Germany.

Mario Sommer holds a degree in product technology engineering from the University of Cooperative Education Glauchau. He started his career in 2014 at MAN Roland, where he worked as planning engineer for rotary parts production. In 2013, he joined RENK GmbH and works as process planner for cubic parts production in the vehicle transmission division. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Mario Sommer is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- None.

Previously:

- None.

Other than listed above, Lothar Evers has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Klaus Stahlmann was born in Bogota, Colombia.

Klaus Stahlmann holds a degree in business administration and electrical engineering from Hochschule Darmstadt. He started his career in 1986 at Carl Schenck AG, where he worked as assistant of the head of the market research and planning business unit. In 1986, he joined Krupp Fördertechnik GmbH, where he worked as department manager purchasing (1986-1990), business unit manager logistics (1991-1995), managing director of Krupp South Africa (1995-1999) and head of the transportation division (1999-2001). From 2001 to 2006, he was chief executive officer of Allweiler AG before he became managing director of the European bearings division at NSK Deutschland GmbH. In 2007, he joined MAN SE as member of the executive board and was responsible for the power engineering division and chief executive officer of MAN Diesel & Turbo SE. From 2012 to 2015, he was chief executive officer of Sulzer AG. Since 2018, he is chairperson of the supervisory board of Kelvion Holding GmbH and since 2020, he is independent director of Trillium Flow Technologies Holdco Ltd. He was appointed as member of the Supervisory Board in 2023.

Alongside his membership of the Supervisory Board, Klaus Stahlmann is, or has within the last five years been, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside of RENK:

Currently:

- Non-executive board member of Trillium Flow Technologies Holdco Ltd., London, United Kingdom, since 2020.

Previously:

- Member and chairperson of the advisory board of Kelvion Holding GmbH, Bochum, Germany, 2016 to 2021.

Other than listed above, Klaus Stahlmann has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

14.3.2 Supervisory Board Committees

The Supervisory Board may form committees subject to applicable legal provisions. Currently, the Supervisory Board has established an audit committee and a nomination committee as recommended by the DCGK. In addition, the Company has established a personnel committee. In accordance with the German Co-Determination Act, the Issuer has a mediation committee in place. Members of the audit committee are Swantje Conrad, as chairperson, and Sascha Dudzik, Klaus Refle, and Johannes Meier. Members of the nomination committee include Claus von Herrmann, Cécile Dutheil and Johannes Meier. Members of the mediation committee are Claus von Herrmann, Klaus Refle, Klaus Stahlmann and Lothar Evers.

14.3.3 Compensation of the Members of the Supervisory Board

Pursuant to the Articles of Association, the members of the Supervisory Board receive a fixed annual compensation of €60,000. The chairperson of the Supervisory Board receives double, the deputy chairperson of the Supervisory Board receives one and a half times the fixed annual compensation. In addition, the members of the audit, nomination and personnel committee receive an additional fixed annual compensation of €10,000. The chairperson of the audit committee receives two and a half times such fixed annual compensation and the chairpersons of the nomination and personnel committee double such fixed annual compensation. Entitlements to additional compensation for the membership or chairpersonship of the committees is subject to the condition that the respective committee has met at least once a year to fulfil its duties. Furthermore, the members of the Supervisory Board and the committees receive an attendance fee of €500 per meeting.

In addition, the Company will refund the members of the Supervisory Board reasonable expenses they incur in exercising their Supervisory Board mandate as well as any turnover tax payable on their compensation and expenses. The members of the Supervisory Board are covered by the Company's D&O insurance, with coverage in line with best market practice.

All members of the Supervisory Board are currently also members of the supervisory board of RENK GmbH. In the fiscal year ended December 31, 2022, total compensation paid to the members of the supervisory board of RENK GmbH amounted to €98,333. The members of the Supervisory Board that are also members of the supervisory board of RENK GmbH will not receive an additional compensation by RENK GmbH.

14.4 Shareholdings of the Members of the Management Board and Supervisory Board

Susanne Wiegand as well as Swantje Conrad and Klaus Stahlmann indirectly hold shares in the Company via Rebecca Management S.C.A. (see "*14.6 Management Equity Program*"). On a look-through basis their shareholdings in the Company are as follows as of the date of the Prospectus:

	Look-through percentage based on percentage held in shares at the level of Rebecca Management S.C.A.
Current Members of the Management Board	**(in %)**
Susanne Wiegand	1.4
Current Members of the Supervisory Board	
Swantje Conrad	0.5
Klaus Stahlmann	0.5

Following the consummation of the Private Placement, the (indirect) participation in the Company's aggregate share capital of the members of the Management Board and Supervisory Board under the Management Equity Program is expected to amount to approximately 1.38% at the Placement Price, with roughly 0.92% of that held by Susanne Wiegand and 0.23% held by each of Swantje Conrad and Klaus Stahlmann.

Furthermore, as part of the Preferential Allocation, Christian Schulz intends to purchase 26,666 Placement Shares, Susanne Wiegand intends to purchase 46,666 Placement Shares, Cécile Dutheil intends to purchase 10,000 Placement Shares, Lothar Evers intends to purchase 333 Placement Shares, Johannes Meier intends to purchase 6,666 Placement Shares, Klaus Refle intends to purchase 333 Placement Shares and Claus von Hermann intends to purchase 26,666 Placement Shares in the Private Placement at the Placement Price (see "*2.4.2 Allotment Criteria*").

14.5 Certain Information Regarding the Current Members of the Management Board and Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been convicted of fraudulent offences. In the last five years, no member of the Management Board or the Supervisory Board has been associated with any bankruptcy, receivership, liquidations, or companies put into administration acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the current members of the Management Board or the members of the Supervisory Board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the current members of the Management Board or the members of the Supervisory Board from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no conflicts of interest or potential conflict of interest between the current members of the Management Board and the members of the Supervisory Board vis-à-vis the Company and their private interests, membership in governing bodies of companies, or other obligations.

No member of the Management Board or the Supervisory Board has entered into a service agreement with a company of the Group that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed compensation). The current members of the Management Board may be subject to certain non-compete obligations, including a prohibition from working (self-employed or employed or otherwise) for any third party, that is in direct or indirect competition with the Company, during the term of their service agreements and for a period of one year following its termination.

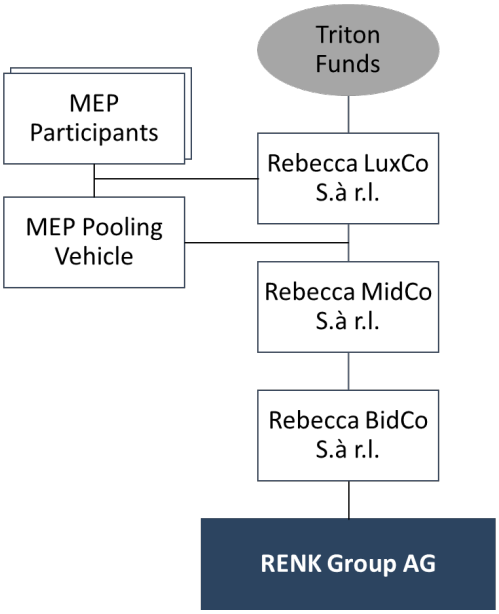
There are no family relationships between the current members of the Management Board and those of the Supervisory Board, either among themselves or in relation to the members of the respective other body.

14.6 Management Equity Program

In connection with the acquisition of the former Renk Aktiengesellschaft in 2020, the Management Equity Program was set up in order to substantiate alignment between the economic interests of inter alios members of the management team, including members of the Management Board and Supervisory Board and other employees of the Group, and the interests of the further shareholders of the Group. The Management Equity Program granted participating persons, inter alios members of the Management Board and Supervisory Board and certain employees the opportunity to indirectly invest in the Group by investing in the MEP Pooling Vehicle. The investment in the MEP Pooling Vehicle is governed by a shareholders' agreement at the level of Rebecca MidCo S.à r.l. and the MEP Pooling Vehicle. Such shareholders' agreement provides for, amongst other things, customary leaver provisions in case a participant ceases to work for the Group as well as the possibility of a restructuring of the Management Equity Program in case of a listing of shares of the Company.

As of the date of this Prospectus, 50 individuals (inter alios current members of the Management Board and Supervisory Board as well as certain employees, "**MEP Participants**") are invested in the MEP Pooling Vehicle and thereby indirectly invested in the Group (see "*11.3 Indirect Shareholders and Management Equity Participation*").

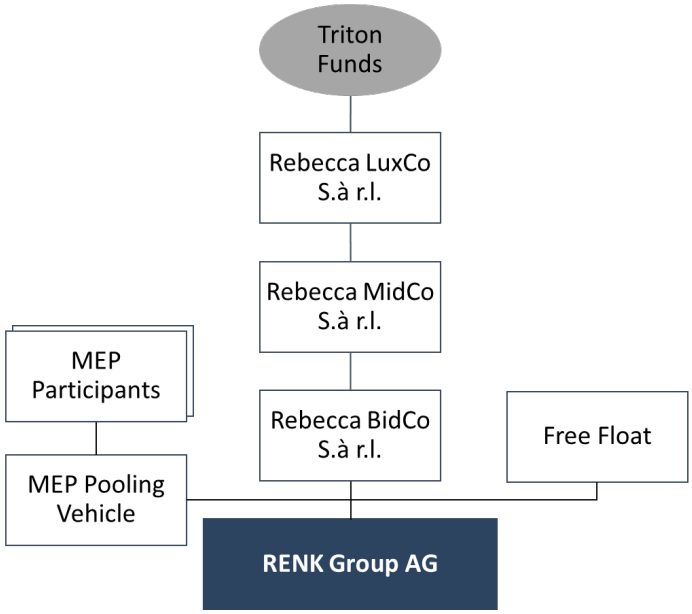
The chart set forth below provides an overview (in simplified form) of the structure of the Management Equity Program immediately prior to the Private Placement.



It is currently envisaged that, immediately prior to the commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the MEP Pooling Vehicle will become a direct shareholder of the Company by way of an acquisition of shares in the Company from the Selling Shareholder. The purchase price payable by the MEP Pooling Vehicle to the Selling Shareholder ("**Roll-up Note**") shall remain outstanding. The number of Shares shall be calculated based on the MEP Participants' overall investment in the MEP Pooling Vehicle at the Placement Price. The aggregate number of shares in the Company to be transferred by the Selling Shareholder to the MEP Pooling Vehicle in this context is expected to amount to approximately 4,737,239 at the Placement Price, which represents roughly 4.7% of the outstanding share capital following the consummation of the Private Placement. Following the acquisition of shares in the Company by the MEP Pooling Vehicle from the Selling Shareholder, the MEP Pooling Vehicle will sell its shares in Rebecca MidCo S.à r.l. as well as transfer and assign a note receivable owed by the Selling Shareholder to Rebecca LuxCo S.à r.l. As consideration for such acquisition, Rebecca LuxCo S.à r.l. in turn will assume the Roll-up Note. The Selling Shareholder will, therefore, hold an up-stream loan against Rebecca LuxCo S.à r.l. that will be settled upon the upstreaming of the proceeds of the Selling Shareholder from the Private Placement.

Immediately following the allotment of Shares to investors at the Placement Price, the MEP Participants will be allowed to sell a part of their shares in the Pooling Vehicle to Rebecca LuxCo S.à r.l. at the Placement Price, which in addition to the MEP Participants is also a shareholder of the MEP Pooling Vehicle and serves primarily as a warehouse entity. Following this step, it is envisaged for Rebecca LuxCo S.à r.l. to cease its warehouse functions. The MEP Pooling Vehicle will therefore buy back the shares in the MEP Pooling Vehicle held by Rebecca LuxCo S.à r.l. in exchange for shares in the Company, and Rebecca LuxCo S.à r.l. will then contribute its shares in the Company to the Selling Shareholder. Following completion of those steps, the MEP Pooling Vehicle will be wholly owned by the MEP Participants (save for one ordinary 'general partner' share to be retained by Triton Luxembourg V GP S.à r.l.), and change its legal form to a limited liability company (S.à r.l.) or stock corporation (S.A.).

The chart set forth below provides an overview (in simplified form) of the structure of the Management Equity Program immediately following the Private Placement.



Following customary lock-up periods, the MEP Participants will have the opportunity to liquidate the MEP Pooling Vehicle and to hold their shares in the Company directly. Certain MEP Participants are expected to exit the MEP Pooling Vehicle in connection with the roll-down of the MEP Pooling Vehicle and become direct shareholders of the Company (subject to customary lock-up periods).

14.7 Shareholders' Meeting

Pursuant to Section 175 of the German Stock Corporation Act (*Aktiengesetz*), the Company's shareholders' meeting must take place within the first eight months of each fiscal year and must be held, as the convening body shall decide, at the Company's registered office, a branch office of the Company or in a German city where a stock exchange is located. Except where other persons are authorized to do so by law or by the Articles of Association, the shareholders' meeting is convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting (the "**Minimum Term**"); the day of the meeting itself and the day of the receipt of the notice not being included when calculating this period. The articles may provide that attendance at the meeting, or the exercise of voting rights shall require the shareholders giving notice of their attendance prior to the meeting. The notice of attendance must be delivered to the Company at least six days prior to the shareholders' meeting at the address specified for this purpose in the notice calling the shareholders' meeting. The articles or the notice if authorized by the articles may provide for a shorter time limit which is to be calculated in days. The day of receipt shall not be included in this calculation. The Minimum Term shall be prolonged by the number of days of the deadline for giving notice of attendance.

If the Management Board does not convene the shareholders' meeting in due time or if required for the Company's welfare, the Supervisory Board may convene the shareholders' meeting. Additionally, shareholders whose shares collectively make up 5% of the capital stock of the Company may convene a shareholders' meeting. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*).

Prior to the shareholders' meeting, shareholders are required to register in order to be entitled to participate in the shareholders' meeting and to exercise voting rights and have to provide evidence of their shareholding in the form of a confirmation by the depository institute prior to the beginning of the twenty-first day before the shareholders' meeting.

Each ordinary share entitles its holder to one vote at the shareholders' meeting. Unless otherwise stipulated by mandatory statutory provisions or provisions of the Articles of Association, resolutions of the shareholders' meeting are adopted by a simple majority of the votes cast or, if a capital majority is required, by a

simple majority of the registered share capital represented in the resolution. The Management Board is authorized to provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented and to allow shareholders to vote by mail or to participate in the shareholder's meeting online.

Under applicable German law, as a matter of principle, the shareholders of a stock corporation are to be treated equally under the same conditions. Accordingly, shareholders, including minority shareholders may challenge resolutions of the shareholders' meeting which give rise to unjustified unequal treatment of shareholders. Shareholders have certain initiative rights and one or more shareholders whose shares together amount to at least one twentieth of the share capital can demand that a shareholders' meeting of the Company be convened. Further, one or more shareholders whose shares together amount to at least one twentieth of the share capital or represent a *pro rata* amount of €500 thousand may request that additional items be included in the agenda of a shareholders' meeting, such request to be received by the Company at least 30 days prior to the shareholders' meeting. At the shareholders' meeting, any shareholder has the right to request information from the Management Board concerning matters pertaining to the Company to the extent such information is required to assess the items on the agenda of the shareholders' meeting. The request for information may be refused in certain cases as stipulated in the German Stock Corporation Act, in particular, if the disclosure of information is suited to cause a material disadvantage to the Company or its affiliated companies.

According to the current version of the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- amendments, other than editorial amendments, to the articles of association of the company, in particular amendments to the object of the Company;
- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- the issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorization on the use of treasury stock;
- capital reductions;
- withdrawal of shares pursuant to Section 237 para. 2 of the German Stock Corporation Act (*Aktiengesetz*);
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Reorganization and Transformation Act (*Umwandlungsgesetz*).

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares of the Company or exercise the voting rights associated therewith.

14.8 Corporate Governance

The DCGK, in its most recent version of April 28, 2022, and as published in the German Federal Gazette (*Bundesanzeiger*) on June 27, 2022, includes recommendations and suggestions for managing and supervising companies listed on German stock exchanges. It is based on internationally and nationally recognized standards of good, responsible corporate governance. The DCGK contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency, and accounting as well as auditing of financial statements. While compliance with the recommendations or suggestions of the DCGK is not mandatory, the German Stock Corporation Act (*Aktiengesetz*) requires the management and supervisory boards of a listed company to disclose each year which recommendations were and will be complied with and which recommendations were not or will not be applied and why (so-called "declaration of conformity"). Deviations from the suggestions contained in the DCGK need not be disclosed. The declaration of conformity must be made publicly available on the Company's website at all times.

Prior to the listing of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the DCGK.

The Company will fully meet the obligation as a listed company to submit, publish and provide shareholders with permanent access to disclosure in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz*) during the course of the current fiscal year. The Management Board and Supervisory Board believe in the objectives of the DCGK to foster a responsible and transparent corporate management and control directed towards achieving a sustained increase in shareholder value.

The Company intends to comply after the listing of the Shares with all recommendations in the DCGK. As of the date of this Prospectus, the Company complies with all recommendations of the DCGK, apart from the following:

Section F.2 of the DCGK – Reporting: Section F.2 of the DCGK provides that the consolidated financial statements and the group management report should be made publicly accessible within 90 days following the end of the respective fiscal year, while mandatory interim financial information should be made publicly accessible within 45 days after the end of the respective reporting period.

With respect to the mandatory publication of the Company's financial information, the Company will publish its respective financial information within the respective publication period of four months (for its full-year financial statements), three months (for its half-year financial statements) and two months (for its quarterly statements), as applicable, stipulated by the applicable stock exchange rules for such financial information. The Company believes that a publication within such period will sufficiently satisfy the need for information of the shareholders, creditors and other stakeholders as well as the public.

15. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, among others, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's consolidated financial statements. Control exists if a shareholder owns more than half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies, including joint ventures, as well as transactions with persons who have significant influence over the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and the Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and the Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below in is a detailed description of such transactions with related parties for the short fiscal years ended December 31, 2020 and the fiscal years ended December 31, 2021 and 2022 and as of and for the nine months ended September 30, 2023. Business relationships between consolidated companies of the Group are not included. Further information with respect to related party transactions, including quantitative amounts, are contained in the notes to the Company's Audited Consolidated Financial Statement as well as the Company's Unaudited Consolidated Interim Financial Statements, which are all included in this Prospectus in the Section "22. Financial Information" on pages F-1 et seq.

15.1 Transactions with Related Parties

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

Rebecca MidCo S.à r.l., Luxembourg, holds the shares in the Selling Shareholder (Rebecca BidCo S.à r.l., Luxembourg). The Selling Shareholder holds the shares in the Company and therefore it, and its affiliated companies, are related parties of the Group. Rebecca MidCo S.à r.l. and the Selling Shareholder are ultimately controlled by Triton GP HoldCo S.à r.l.

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

Loan transactions were processed in the following amounts with Rebecca MidCo S.à r.l. and the Selling Shareholder for the periods indicated:

	For the short fiscal year ended December 31,	For the fiscal year ended December 31,		For the nine months ended September 30,	
€ (thousands)	2020	2021	2022	2022	2023
		(audited)		(unaudited)	
Rebecca MidCo S.à r.l.					
Services rendered (income)[1]	80	90	—	—	—
Services received (expense)[2]	—	—	—	—	—
Selling Shareholder					
Services rendered (income)[1]	—	5	6	4	7
Services received (expense)[2]	1,820	5,888	5,241	3,920	3,695

(1) Refers to interest income from loan receivables.
(2) Refers to interest expenses regarding loan liabilities.

€ (thousands)	For the short fiscal year ended December 31, 2020	As of December 31, 2021 (audited)	As of December 31, 2022	As of September 30, 2023 (unaudited)
Rebecca MidCo S.à r.l.				
Receivables	6,776	—	—	—
Liabilities	—	—	—	—
Selling Shareholder				
Receivables	—	222	329	4,720
Liabilities	177,538	86,154	91,395	—

Related parties of RENK also include persons who can influence or be influenced by the Company. These include members of the Management Board, members of the management of the Selling Shareholder, members of the management of Rebecca MidCo SARL, members of the management of RENK GmbH including their immediate family members as well as members of the management of the Company that hold key positions following the changes in the organizational structure within the Group. This includes department heads for individual administrative departments as well as the heads of the newly introduced segments. In 2023, Mr. Niklas Beyes left the Company as chief financial officer by resolution as of June 2, 2023. He was succeeded by Mr. Christian Schulz as of June 7, 2023 (resolution as of June 2, 2023).

In the fiscal years ended December 31, 2022, 2021 and 2020, management remuneration amounted to €3,438 thousand, €7,707 thousand and €1,693 thousand, respectively.

The remuneration of members of the management of the Company is as follows for the periods indicated:

€ (thousands)	For the short fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021 (audited)	For the fiscal year ended December 31, 2022
Short-term benefits	411	580	3,409
Other long-term benefits	—	—	29
Post-employment and termination benefits	1,282	7,127	—
Total	1,693	7,707	3,438

Members of the management of the Company receive a short-term bonus in addition to their regular remuneration. In addition, pension commitments were granted for which provisions in the amount of €282 thousand were built-up as of December 31, 2022. For the short-term bonus for members of the management of the Company that hold key positions provisions in the amount of €1,644 thousand were built-up as of December 31, 2022.

Other long-term benefits include payment obligation for vacation days that have not been taken within twelve months after the end of the period of when services were rendered. As of December 31, 2022, this obligation amounted to €29 thousand. Pension payments to former members of the Management Board and their surviving dependents amounted to €5,160 thousand in fiscal year ended December 31, 2022 (fiscal year ended December 31, 2021: €276 thousand). A total of €5,396 thousand (December 31, 2021: €11,486 thousand) has been provided for defined benefit obligations to former members of Management Board and their surviving dependents as of December 31, 2022.

For information on the Management Equity Program see "*14.6 Management Equity Program*".

15.2 Relationships with the Selling Shareholder

15.2.1 Cost Recharge Agreement

On May 26, 2023, the Company entered into a cost recharge agreement with the Selling Shareholder and RENK GmbH regarding their cooperation in relation to the preparation of the Private Placement. RENK GmbH

will provide certain services in connection with the preparation and the execution of the Private Placement against reasonable compensation, in particular reimbursement of costs and expenses incurred in connection with the Private Placement. To the extent that the fees are not directly attributable to the services provided to specific recipients but to the Private Placement in general, such fees shall be allocated to the Selling Shareholder.

The cost reimbursement obligations of the Company and the Selling Shareholder remain unaffected if the Private Placement is postponed or cancelled.

15.2.2 Indemnity Agreement

On September 25, 2023, the Company entered into an indemnity agreement with the Selling Shareholder. As required by law, the Selling Shareholder agreed to indemnify the Company from all liability risks in connection with the Private Placement.

15.2.3 Shareholder Loan

On September 10, 2020, the Selling Shareholder as lender and RENK GmbH as borrower entered into a loan agreement in the amount of €80 million in connection with the Triton Acquisition. On August 11, 2023, RENK GmbH repaid the loan outstanding under the Shareholder Loan in an amount of €50 million. On September 20, 2023, the remaining Shareholder Loan including accrued interest thereon in a total amount of €45 million was contributed to the capital reserves of RENK GmbH.

16. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

Income received from shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's state of incorporation, statutory seat and place of effective management (*i.e.*, Germany) may affect the income received from shares of the Company.

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares in the Company. It is important to note that the legal situation may change, possibly with retroactive effect. This summary is not and does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be relevant to shareholders of the Company. In particular, this summary does not cover tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany under the tax laws of such non-German jurisdiction. This presentation is based upon domestic German tax laws in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries. We cannot rule out that the German tax authorities or courts will interpret these laws and provisions differently than what is described in this section.

This section does not replace the need for individual shareholders of the Company to seek personal tax advice. It is therefore recommended that shareholders consult their own tax advisors regarding the tax implications of acquiring, holding, or transferring shares of the Company and what procedures are necessary to secure the repayment of German withholding tax (*Kapitalertragsteuer*), if possible. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual shareholders.

16.1 Taxation of Shareholders

Shareholders are taxed in particular in connection with the holding of shares (taxation of dividend income), upon the sale or disposal of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

16.1.1 Taxation of Dividend Income

16.1.1.1 No Taxation in Case of Payments from a Tax Recognized Contribution Account

To the extent that the Company is able to pay dividends from a tax recognized contribution account (*steuerliches Einlagekonto*) in the future, such dividends are not subject to withholding tax, personal income tax (*Einkommensteuer*) or corporate income tax (*Körperschaftsteuer*) (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable), as the case may be. Yet dividends paid out of a tax recognized contribution account lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale or disposal of the shares. Special rules apply to the extent that dividends from the tax recognized contribution account exceed the then lowered acquisition costs of the shares (the details are outlined below).

16.1.1.2 Withholding Tax

Dividends and certain other shares in profits ("**Dividends**") distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagekonto*) are subject to a deduction at source (withholding tax) at a 25% rate plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%) and church tax, if applicable. The basis for determining the dividend withholding tax is the Dividend approved for distribution by the Company's shareholders' meeting.

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the Dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the Company is generally not responsible for withholding the withholding tax. Instead one of the following entities in Germany is responsible and authorized to collect withholding tax and to remit it to the relevant tax authority for the account of the relevant shareholder: (i) a domestic bank or financial services institution

(*inländisches Kredit-oder Finanzdienstleistungsinstitut*) (including the domestic branches of foreign banks or financial service institutions) or a domestic securities institution (*inländisches Wertpapierinstitut*) that holds the shares in custody or that administers such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository (Wertpapiersammelbank) holding the collective deposit shares in custody if it pays the investment income to a foreign entity, or (iii) the Company itself if and to the extent shares held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as shares being held separately (*abgesetzte Bestände*), (each person within the meaning of (i) through (iii) a "**Dividend Paying Agent**").

Where Dividends are distributed to a company resident in another member state of the EU within the meaning of Article 2 of Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended (the "**Parent-Subsidiary Directive**"), withholding of the dividend withholding tax may not be required (withholding tax exemption) or may be refunded, provided that the required application is submitted and additional requirements are met. This also applies to Dividends distributed to a permanent establishment located in another member state of the EU of such parent company or of a parent company that is tax resident in Germany, if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. Important prerequisites for the exemption from withholding at the source or a refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10% of the Company's registered share capital continuously for twelve months and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered offices in An der Küppe 1, 53225 Bonn, Germany, has certified to the creditor of the Dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met. If there is a holding of at least 10% of the Company's registered share capital and the shares held in collective safe custody by Clearstream are treated as so-called shares being held separately (*abgesetzte Bestände*), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company disburses Dividends without deducting withholding tax, assuming a valid exemption certificate (*Freistellungsbescheinigung*) and proof that the relevant shares have been held separately are presented. An exemption certificate is granted upon application with the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) at the aforementioned offices.

The dividend withholding tax rate for Dividends paid to shareholders without a tax residence in Germany will be reduced in accordance with any applicable double taxation treaty between Germany and the relevant shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed base in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered offices in An der Küppe 1, 53225 Bonn, Germany, for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which usually amounts to between 5% and 15%. Depending on the applicable double taxation treaty, a reduced withholding tax rate may be applicable in the tax withholding process, if the shareholder has applied for an exemption certificate (*Freistellungsbescheinigung*) from the German Federal Central Office of Taxation (Bundeszentralamt für Steuern). The applicable double taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure are available at the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*).

Corporations that are not tax residents in Germany will upon application receive a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided for under the Parent-Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain stringent substance criteria defined by statute in order to receive an exemption from, or (partial) refund of, German dividend withholding tax.

Pursuant to a special rule on the restriction of withholding tax credit, the aforementioned relief in accordance with applicable double taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets (see "*16.1.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*") is subject to the following three cumulative prerequisites: (i) the relevant shareholder must qualify as

beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the date the Dividends become due, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during this minimum holding period without being directly or indirectly hedged, and (iii) the shareholder is not required to fully or largely, directly or indirectly, transfer the Dividends to third parties (the tests under (i) through (iii) together the "**Minimum Risk Test**").

Should any of the three prerequisites not be met, the following applies:

- As regards the taxation of Dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the Dividends may not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base in a tax assessment procedure for the relevant assessment period. A shareholder that has received gross Dividends without any deduction of withholding tax (*e.g.*, due to a tax exemption without qualifying for a full tax credit) or that has already obtained a refund of tax withheld, has to notify the competent local tax office accordingly and has to make a payment in the amount of 15% of the Dividend to the competent tax office. The special rule on the restriction of withholding tax credit does not apply to a shareholder whose overall Dividend earnings within an assessment period do not exceed €20,000.00 or who has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the Dividends.

- As regards the taxation of Dividends of shareholders without a tax residence in Germany who have applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction does not apply to a shareholder (i) that is a corporation which directly holds at least 10% of the shares in the Company and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, or (ii) a shareholder that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the Dividends, or (iii) if the applicable tax rate pursuant to the applicable double taxation treaty is at least 15%.

- In addition to the aforementioned statutory provisions, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) has published a decree outlining the treatment of transactions where the credit of withholding tax will be denied even when the statutory minimum tests described above are met, in order to prevent abuse.

Prospective shareholders should seek their own professional advice as to whether they can obtain a tax credit or tax refund with respect to withholding taxes on Dividends.

In case of individual shareholders holding the shares in the Company as private assets, the Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for offsetting losses (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set off of negative capital income at one Dividend Paying Agent against positive capital income at another Dividend Paying Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case, the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Paying Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Paying Agent to the following year.

Withholding tax will not be withheld by a Dividend Paying Agent if the shareholder provides such Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual savers' allowance (*Sparerpauschbetrag*) of €1,000.00 (€2,000.00 for jointly filing individuals) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

16.1.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

16.1.2.1 Individuals who Hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or habitual abode is located in Germany) and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of currently 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if applicable) will generally serve as a final tax (*i.e.*, once such tax has been deducted, the shareholder's income tax liability on the Dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return (*Abgeltungsteuer*, the "**Flat Tax**")).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned (*i.e.*, taxation that is irrespective of the individual's personal income tax rate). Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this results in a lower tax burden. In this case, the base for taxation is the gross dividend income less the savers' allowance (*Sparerpauschbetrag*) of €1,000.00 (€2,000.00 for jointly filing individuals). Subject to the Minimum Risk Test, any tax and solidarity surcharge already withheld is credited against the income tax and solidarity surcharge so determined, and any overpayment refunded. Income related expenses cannot be deducted from capital gains in either case. The only possible deduction is the savers' allowance (*Sparerpauschbetrag*) of €1,000.00 (€2,000.00 for jointly filing individuals) on all private capital income. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares. A case challenging the constitutionality of the limitations for offsetting losses generated by the disposal of shares is currently pending with the German Federal Constitutional Court (*Bundesverfassungsgericht*).

If the individual owns (i) at least 1% of the shares in the Company and is able to exercise a significant entrepreneurial influence on the business activity of the Company by virtue of his or her professional activity (*berufliche Tätigkeit*) for the Company, or (ii) at least 25% of the shares in the Company, the tax authorities may upon application allow for the Dividends to be taxed under the partial income method (see "*16.1.2.4 Sole Proprietors (Individuals)*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax on the Dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). 26.375% of the church tax withheld on the Dividends is, however, deducted from the withholding tax (including the solidarity surcharge) withheld. If no church tax is withheld along with the withholding of the withholding tax, the shareholder who owes church tax is required to report his or her Dividends in his or her income tax return. The church tax on the Dividends will then be imposed by way of a tax assessment.

Contrary to the above, dividend payments that are funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do not form part of the shareholder's taxable income but reduce the acquisition costs for such shares. If the dividend payment funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs will arise which may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his or her legal predecessors at any point during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Participation**") and (ii) the dividend payment funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) is considered a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*16.1.4 Taxation of Capital Gains*").

16.1.2.2 Shares Held as Business Assets

The Flat Tax does not apply to Dividends from shares of the Company held as business assets of shareholders who are tax resident in Germany. In this case, the taxation is based on whether the shareholder is a corporation, an individual or a partnership. Subject to the Minimum Risk Test, the withholding tax withheld and paid to the tax authorities, including the solidarity surcharge (and church tax, if applicable), is credited against the income or corporate income tax and the solidarity surcharge (and church tax, if applicable) of the shareholder, and any overpayment will be refunded.

Dividend payments that are funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) and paid to shareholders who are tax resident in Germany and whose shares are held as business assets are generally fully tax exempt in the hands of such shareholders. At the same time such dividend payments lead to a corresponding reduction of the acquisition costs/book value for the relevant shares. To the extent the dividend payments funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*16.1.4 Taxation of Capital Gains*"). As regards the application of the 95% exemption in case of a corporation, this is, however, not undisputed.

16.1.2.3 Corporations

Dividends received by corporations that are tax resident in Germany are generally exempt from corporate income tax and solidarity surcharge. 5% of the Dividends are, however, treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio Dividends (*i.e.*, Dividends earned on direct shareholdings in a distributing corporation equal to less than 10% of its share capital at the beginning of the respective calendar year) are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through a commercial partnership are only attributable to such shareholder on a pro rata basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Business expenses actually incurred and with a direct business relationship to the Dividends may be fully deducted.

Any Dividends (after deducting business expenses related to the Dividends) are fully subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In such case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes. The applicable trade tax depends on the tax rate imposed by the local municipalities in which the shareholder maintains its operations or permanent establishments.

16.1.2.4 Sole Proprietors (Individuals)

If the shares in the Company are held as part of the business assets of a sole proprietor (individual) with his or her tax residence in Germany, only 60% of any Dividend are subject to the individual's personal tax rate plus solidarity surcharge thereon (partial income method (*Teileinkünfteverfahren*)). Correspondingly, only 60% of the expenses economically related to the Dividends are tax deductible. The partial income method also applies when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through partnerships that are neither commercial partnerships nor deemed to be commercial partnerships). The partial income method does, however, not apply with respect to church tax (if applicable). If the shares are held as business asset of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the Dividends) is also subject to trade tax, unless the respective shareholder held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the net Dividends (after deducting directly related expenses) are exempt from trade tax. Trade tax is, however, generally credited, in full or in part, as a lump sum against the relevant shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

16.1.2.5 Commercial Partnerships

If a shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, Dividends are generally 95% tax exempt. Dividends from an indirect shareholding representing less than 10% of the share capital for the relevant partner are, however, fully subject to taxation (see "*16.1.2.3 Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax. In this case, the partial income method does not apply with respect to church tax, if applicable (see "*16.1.2.4 Sole Proprietors (Individuals)*"). Upon application and subject to further conditions, an individual who is a partner can have his or her personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the shares are held as business assets of a domestic permanent establishment of an actual or presumed commercial partnership, the full amount of dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on the relevant partner's portion of the partnership's income is generally credited as a lump sum, in full or in part, against the individual's personal income tax liability depending on the tax rate imposed by the local municipality and certain individual tax relevant circumstances of such shareholder. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the Dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5% of the Dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look through basis, since this portion of the Dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look through basis, only portfolio participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the exact application of the rules for the taxation of Dividends from portfolio participations is, however, unclear. Shareholders are strongly recommended to consult their tax advisers.

16.1.2.6 Financial and Insurance Sector

Rules apply to companies operating in the financial and insurance sector, as well as pension funds (see below "*16.1.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

16.1.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Dividends paid to shareholders of the Company (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. Subject to the Minimum Risk Test, the withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed with respect to dividend withholding tax (see "*16.1.1.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

16.1.4 Taxation of Capital Gains

16.1.4.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

(i) *Shares Held as Private Assets*

Gains on the sale or disposal of shares of the Company that are held as private assets by shareholders with a tax residence in Germany and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is generally a uniform 25% plus the currently 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as any church tax, if applicable.

The taxable capital gains are the difference between (i) the proceeds from the disposal of the shares after deducting the direct sales costs and (ii) the acquisition costs of the shares. Under certain conditions, prior payments from the tax recognized contribution account (*steuerliches Einlagekonto*) reduce the acquisition costs of the shares and may lead to negative acquisition costs, which can increase the taxable gains if such shares are held as private assets and do not qualify as a Qualified Participation. Losses on the sale or disposal of shares can only be used to offset gains made on the sale or disposal of shares (in the Company or in other stock corporations) during the same assessment period or in subsequent assessment period. In case of a derecognition or transfer of worthless shares (or other capital assets), the utilization of such losses is further restricted and can only be offset for up to €20,000.00 per calendar year.

If the shares are held in custody or administered by a domestic bank or financial services institution (including the domestic branches of foreign banks and financial services institutions), a domestic securities institution, or if such entity or branch sells the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), such Domestic Paying Agent withholds a withholding tax of 25% plus currently 5.5% solidarity surcharge thereon and any church tax, if applicable, and remits such taxes to the tax authority. In such a case, the tax on the capital gain will generally be discharged. If the shares were only held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. The withholding tax rate of 25% plus the currently 5.5% solidarity surcharge thereon and any church tax, if applicable, will, however, be applied to 30% of the gross sales proceeds, if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds required to, verify the original costs of the shares in his annual tax return.

Entities required to collect withholding taxes on capital investment income are also required to withhold the church tax for shareholders who are subject to church tax, unless the shareholder objects in writing to the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his or her affiliation with a denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgabe*). Yet 26.375% of the church tax withheld on the capital gain is deducted from the withholding tax (including the solidarity surcharge) withheld.

Shareholders who are subject to German residents' taxation and hold their shares as private assets may realize capital gains without deduction of tax on capital investment income and solidarity surcharge (and church tax, if applicable) if certain prerequisites are met, particularly if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

If withholding tax or, if applicable, church tax on capital gains is not withheld by a Domestic Paying Agent, the respective shareholder is required to declare the capital gains in his income tax return. The income tax, the solidarity surcharge and any applicable church tax on the capital gains will then be collected by way of assessment.

In general, it is not possible to deduct income-related expenses in connection with capital gains, except for expenses directly related in substance to the disposal, which can be deducted when calculating the capital gains. Only the savers' allowance (*Sparerpauschbetrag*) of €1,000.00 (€2,000.00 for jointly filing individuals) may be deducted from the entire capital investment income.

A shareholder may request that all of his or her items of capital investment income, along with his other taxable income, are subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his or her tax burden. In such case, the base for taxation would be the gross income less the savers' allowance of €1,000.00 (€2,000.00 for jointly filing individuals). The prohibition on deducting income related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax already withheld would be credited against the income tax so determined, and any overpayment refunded.

One exception to this rule is that a shareholder's capital gains are subject to the partial income method (*Teileinkünfteverfahren*) and not the Flat Tax. Consequently, 60% of the proceeds from the sale or disposal of shares are subject to the individual income tax rate, if the shareholder, or his or her legal predecessor in case of acquisition without consideration, has directly or indirectly held shares equal to at least 1% of the Company's share capital at any time during the previous five years. 60% of the expenses economically related to the proceeds from the sale or disposal of shares are tax deductible.

In the case of a Qualified Participation, withholding tax (including the solidarity surcharge and church tax, if applicable) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is required to declare the gains from the sale or disposal in his or her income tax return. The withholding tax (including solidarity surcharge and church tax, if applicable) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax liability, and any overpayment will be refunded.

16.1.4.2 Shares Held as Business Assets

The Flat Tax does not apply to proceeds from the sale or disposal of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs/book value. This may give rise to a higher taxable capital gain in case of a sale or disposal of shares. If the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the shares' book value for tax purposes, a taxable capital gain may arise.

If a Domestic Paying Agent is involved, the proceeds from the sale or disposal of shares of the Company held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*Shares Held as Private Assets*"). The Domestic Paying Agent may, however, refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Paying Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the relevant shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any excess amount will be refunded.

(i) *Corporations*

In general, capital gains earned from the sale or disposal of shares by corporations domiciled in Germany are exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. 5% of the capital gains are, however, treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge thereon) and to trade tax. As a rule, losses on disposals and other profit reductions in connection with shares (*e.g.*, from a write-down) cannot be deducted as business expenses. Losses from the sale or disposal of shares and any reductions in profits connected therewith generally do not qualify as tax-deductible business expenses.

(ii) *Sole proprietors (Individuals)*

If the shares of the Company were acquired after December 31, 2008, and form part of the business assets of a sole proprietor (individual) who is tax resident in Germany, 60% of the capital gains on their sale or disposal are subject to the individual's personal tax rate plus the solidarity surcharge thereon (partial income method). Correspondingly, only 60% of losses from such sales or disposals and 60% of expenses economically related to

such sales or disposals are deductible. For church tax, if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

(iii) *Commercial Partnerships*

If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection "*21.1.4.2 Shares Held as Business Assets - Corporations*" apply. If the partner is an individual, the tax principles applying to capital gains that are outlined in subsection "*21.1.4.2 Shares Held as Business Assets – Sole proprietors (Individuals)"* apply. Upon application and provided that additional prerequisites are met, an individual who is a partner may obtain a reduction of his or her personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale or disposal of shares attributable to a permanent establishment maintained in Germany by an actual or presumed commercial partnership are subject to trade tax at the level of the partnership. In such case, generally only 60% of the gains are subject to trade tax to the extent the partners in the partnership are individuals, while 5% are subject to trade tax to the extent the partners are corporations and shares are sold. Under the principles discussed above, losses on sales, disposals and other reductions in profit related to the shares sold are generally not deductible, if the partner is a corporation and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual. If the partner is an individual, the trade tax the partnership pays on his or her share of the partnership's income is generally credited as a lump sum, in full or in part, against his or her personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the respective shareholder.

(iv) *Financial and Insurance Sector*

Special rules apply to capital gains realized by companies operating in the financial and insurance sectors, as well as pension funds (see "*16.1.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

16.1.4.3 Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains realized by a shareholder without a tax residence in Germany are only subject to German income tax if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

If the shareholder is an individual and holds a Qualified Participation as a private asset, only 60% of the gains on the disposal of the shares are subject to progressive income tax, plus solidarity surcharge thereon. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25%, plus 5.5% solidarity surcharge thereon. If, however, (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then the German tax authorities have taken the view that the Domestic Paying Agent is, in general, not required to withhold tax on capital investment income, plus solidarity surcharge thereon. In case of a Qualified Participation, the capital gains must be declared in a tax return and are taxed by way of a tax assessment, subject to an exemption under a double taxation treaty or under domestic law.

For gains or losses on the disposal of shares that can be allocated to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the aforementioned principles for shareholders with a tax residence in Germany whose shares are business assets apply accordingly (*see* "*16.1.4.2 Shares Held as Business Assets*"). The Domestic Paying Agent may refrain from deducting withholding tax, if the shareholder declares to the Domestic Paying Agent on the official form that the shares form part of domestic business assets and certain other requirements are met.

Most double taxation treaties provide for an exemption from German taxes, assigning the right of taxation to the shareholder's country of tax residence in the former case.

16.1.5 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, Dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. This applies to Dividends received on, as well as gains from the disposal of, shares that are allocated to the trading portfolio (*Handelsbestand*) within the meaning of Section 340e para. 3 HGB of credit institutions, securities institutions and financial services institutions, and shares that are, upon acquisition of the shares, allocated to the current assets (*Umlaufvermögen*) of a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Kreditwesen–gesetz* - KWG) that is directly or indirectly held by a credit institution or financial services institution to more than 50%. The same applies to shares of the Company held as investments by life insurance providers, health insurance providers and pension funds. If the shareholding at the beginning of the relevant assessment period is 15% or higher, the Dividends may, subject to certain conditions, be fully exempted from trade tax, but not for life insurance providers, health insurance providers and pension funds. Yet an exemption to the foregoing (*i.e.*, and thus a 95% effective tax exemption) applies to Dividends obtained by the aforementioned companies to which the Parent-Subsidiary Directive applies. Further relief from German taxation might be obtained pursuant to an applicable double taxation treaty, subject to further prerequisites.

16.1.6 Abolishment of Solidarity Surcharge

The solidarity surcharge has been partially abolished as of the assessment period 2021 for certain individuals. The solidarity surcharge shall, however, continue to apply for capital investment income and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25% the holder can apply for his or her capital investment income being assessed at his or her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

16.1.7 Inheritance and Gift Tax

The transfer of shares to another person by inheritance or gift is generally only subject to German inheritance or gift tax if:

1. the decedent, donor, heir, beneficiary or other transferee maintained his or her domicile or habitual abode in Germany, or had its place of management or registered offices in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with residence in the United States) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany); or
2. the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or
3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of No. 1. above, and also with certain restrictions in case of No. 2. above. Special provisions apply to certain German nationals living outside Germany and former German nationals.

The fair value of the shares represents the tax assessment base, which generally corresponds to the stock exchange price of the Company's shares. Depending on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

16.2 Proposed (Partial) Abolishment of German Flat Tax

There is an ongoing discussion in Germany whether the Flat Tax (see above) should be increased or abolished so that investment income would be taxed at higher rates. It is still unclear whether, how and when the current discussion may result in any legislative change.

16.3 The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transaction tax in certain participating member states of the EU, including Germany. Such directive could, depending on the actual circumstances, apply to certain transactions in the Company's shares, including with respect to secondary market transactions. The issuance and subscription of shares should, however, be exempt. The Commission's Proposal remains subject to negotiations between the participating member states of the EU, and it is currently unclear in what form and when the Commission's Proposal will be implemented, if at all. Besides the proposed financial transaction tax, some jurisdictions (*e.g.*, Italy and France) have already introduced a domestic financial transaction tax that may apply to certain dealings in the Securities in certain circumstances. In 2019, the former German Federal Minister of Finance (*Bundesminister der Finanzen*) submitted a proposal to introduce a financial transaction tax, which has also not been adopted or implemented in Germany yet. In addition, the German Federal Finance Ministry (*Bundesfinanzministerium*) further prepared the implementation of a financial transaction tax by the creation of a new department (*Referat*) within the German Federal Finance Ministry (*Bundesfinanzministerium*). Such new department is referred to as "Finanztransaktionssteuer" (Financial Transaction Tax (FTT)). Prospective shareholders are advised to monitor future developments closely and should consult their own tax advisors in relation to the consequences of a financial transaction tax. Other jurisdictions may also introduce a domestic financial transaction tax.

Prospective shareholders of the shares of the Company are advised to seek their own professional advice in relation to the financial transaction tax and domestic financial transaction taxes.

16.4 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares of the Company. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax exempt. Net wealth tax is currently not imposed in Germany.

17. FINANCIAL INFORMATION

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Consolidated Income Statement

EUR thousand (unless otherwise stated)	Note	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30	2023 July 1 to Sep 30	2022 July 1 to Sep 30
Revenue	[4]	652,683	593,965	242,506	213,935
Cost of sales		(504,070)	(478,705)	(186,996)	(170,446)
Gross profit		**148,613**	**115,260**	**55,510**	**43,489**
Other operating income	[5]	9,110	9,376	2,388	2,810
Net allowances on financial assets		(162)	2,249	(103)	984
Distribution expenses		(41,484)	(35,218)	(13,891)	(11,512)
General and administrative expenses		(49,233)	(35,446)	(17,705)	(12,349)
Other operating expenses	[6]	(9,815)	(11,465)	(1,080)	(3,185)
Operating profit		**57,029**	**44,756**	**25,119**	**20,237**
Interest expense		(30,213)**	(29,631)**	(9,934)**	(10,251)**
Other financial result	[7]	866**	13,703**	1,938**	(736)**
Financial result		**(29,347)**	**(15,928)**	**(7,996)**	**(10,987)**
Profit (+)/loss (-) before tax		**27,682**	**28,828**	**17,122**	**9,250**
Income taxes		(8,793)**	(535)*/**	(4,026)**	1,390*/**
Profit (+)/loss (-) after tax		**18,889**	**28,293**	**13,096**	**10,640**
Basic earnings per share (EUR)	[21]	0.1889	0.2829	0.1310	0.1064
Diluted earnings per share (EUR)	[21]	0.1889	0.2829	0.1310	0.1064
Weighted average ordinary shares outstanding, basic and diluted (million)		100	100	100	100

* Restatement of income taxes for comparative periods. Please refer to Note 2.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

The notes are an integral part of the interim financial statements.

Consolidated Statement of Comprehensive Income

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30	2023 July 1 to Sep 30	2022 July 1 to Sep 30
Profit (+)/loss (-) after tax	**18,889****	**28,293*/****	**13,096****	**10,640*/****
Items not reclassified to profit or loss				
Remeasurement of defined benefit plans	(519)	4,076	(1,193)	(1,269)
Deferred taxes	1,434	(7,696)*	252	2,396*
	915	**(3,620)**	**(941)**	**1,127**
Items reclassified to profit or loss in the future				
Currency translation differences	1,655	18,319	3,771	8,929
	1,655	18,319	3,771	8,929
Other comprehensive income for the period	**2,570**	**14,699**	**2,831**	**10,056**
Total comprehensive income	**21,459**	**42,992**	**15,928**	**20,696**

* Adjustment of consolidated statement of comprehensive income for comparative periods. Please refer to Note 2.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the “General principles” section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

The notes are an integral part of the interim financial statements.

Consolidated Statement of Financial Position

Assets

EUR thousand	Note	Sep 30, 2023	Dec 31, 2022
Intangible assets		401,087	388,955
Property, plant and equipment	[8]	316,640	322,981
Other and financial investments		10,326	21,924
Deferred tax assets		13,054**	13,718**
Other non-current financial assets	[12]	325	1,957**
Other non-current receivables	[12]	1,576	2,415
Non-current assets		**743,008**	**751,949**
Inventories	[9]	324,278	275,595
Trade receivables	[10]	133,224	144,654
Contract assets	[11]	105,565	83,534
Current income tax receivables		12,378	5,596
Other current financial assets	[12]	13,867	10,663
Other current receivables	[12]	20,690	12,010
Cash and cash equivalents		69,740	158,678
Current assets		**679,742**	**690,730**
		1,422,750	**1,442,680**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

The notes are an integral part of the interim financial statements.

Equity and liabilities

EUR thousand	Note	Sep 30, 2023	Dec 31, 2022
Subscribed capital		100,000	25
Capital reserves		254,504	308,594
Retained earnings		12,420**	(7,070)**
Cumulative other comprehensive income		25,527	22,958
Equity	**[13]**	**392,451**	**324,506**
Non-current financial liabilities	[14]	527,036**	617,694**
Pension provisions		1,695	1,457
Deferred tax liabilities		71,399**	77,854**
Contract liabilities, non-current	[15]	75,388	72,792
Other non-current provisions	[16]	12,083	11,267
Other non-current financial liabilities		6,430**	265
Other non-current liabilities		3	48
Non-current liabilities and provisions		**694,034**	**781,377**
Current financial liabilities	[14]	11,243**	17,713**
Income tax liabilities		13,490	2,345
Trade payables		82,171	66,631
Contract liabilities, current	[15]	143,972	141,270
Current income tax payables		-	7,174
Other current provisions	[16]	42,375	65,196
Other current financial liabilities		1,087	2,630
Other current liabilities		41,928	33,837
Current liabilities and provisions		**336,265**	**336,797**
		1,422,750	**1,442,680**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

The notes are an integral part of the interim financial statements.

Consolidated Statement of Changes in Equity

EUR thousand	Subscribed capital	Capital reserves	Retained earnings	Remeasurement of defined benefit plan	Currency translation	Total equity
As of Jan 1, 2022	25	312,309	(23,189)**	13,766	5,382	308,294**
Profit (+)/loss (-) after tax	–	–	28,293**	–	–	28,293**
Cumulative other comprehensive income	–	–	–	(3,620)*	18,319	14,699*
Other changes	–	(3,715)	–	–	–	(3,715)
As of Sep 30, 2022	**25**	**308,594**	**5,104**	**10,146**	**23,701**	**347,571**
As of Jan 1, 2023	25	308,594	(7,070)**	11,399	11,558	324,506**
Profit (+)/loss (-) after tax	–	–	18,889**	–	–	18,889**
Contribution of Transaction costs	–	795	–	–	–	795
Contribution of Loan	–	45,090	–	–	–	45,090
Capital increase	99,975	(99,975)	–	–	–	–
Cumulative other comprehensive income	–	–	–	915	1,655	2,570
Other changes	–	–	601	–	–	601
As of Sep 30, 2023	**100,000**	**254,504**	**12,420**	**12,314**	**13,213**	**392,451**

* Adjustment of consolidated statement of comprehensive income for comparative periods. Please refer to Note 2.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the “General principles” section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

The notes are an integral part of the interim financial statements.

Consolidated Statement of Cash Flows

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30
Cash and cash equivalents at beginning of period	**158,678**	**97,546**
Profit (+)/loss (-) before tax	27,682**	28,828*/**
Income taxes paid	(22,332)	(6,461)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	58,340	71,217
Change in provisions for pension obligations	(3,437)	(5,243)
Gains/losses from asset disposals	(71)	67
Other non-cash expenses and income	(1,831)	(7,753)
Change in inventories	(38,631)	(43,419)
Change in receivables and contract assets	(9,424)	(60,843)
Change in (contract) liabilities	18,666	57,345
Change in other provisions	(22,682)	(3,865)
Financial result (except for income from dividends)	29,347**	15,928**
Cash flows from operating activities	**35,626**	**45,800**
Payments to acquire property, plant and equipment and intangible assets	(14,820)	(15,220)
Acquisition of subsidiaries (net of cash acquired)	(34,319)	–
Proceeds from asset disposals	141	87
Cash flow from cash deposits	(1,146)	(841)
Cash flows from investing activities	**(50,144)**	**(15,975)**
Changes in cash pool	215	-
Other change in financial liabilities	(50,000)	(92)
Interest and lease payments	(29,626)	(31,010)
Cash flows from financing activities	**(79,411)**	**(31,102)**
Effect of exchange rate changes on cash and cash equivalents	79	3,907
Effect of changes in basis of consolidation on cash and cash equivalents	4,911	–
Change in cash and cash equivalents	(88,938)	2,630
Cash and cash equivalents at end of reporting period	69,740	100,176
Restricted cash	6,715	8,531
Gross liquidity at end of reporting period	76,455	108,707
Financial liabilities	(535,667)**	(624,896)**
Net liquidity at end of reporting period	**(459,212)****	(516,189)**

* Adjustment of consolidated statement of comprehensive income for comparative periods. Please refer to Note 2.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the “General principles” section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

Notes to the Condensed Consolidated Interim Financial Statements

(1) General principles

In accordance with Regulation 1606/2002 of the European Parliament and of the Council, RENK Group AG, Augsburg, (formerly RENK Holding GmbH) (the Company) prepared its consolidated financial statements as of and for fiscal year ended December 31, 2022 as amended (Consolidated Financial Statements 2022) in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Company acts as a holding company in the RENK Group and is, together with its consolidated companies, hereinafter referred to as RENK.

The company was converted into a stock corporation by way of a change of legal form with effect from September 13, 2023.

These condensed consolidated interim financial statements of RENK Group AG as of September 30, 2023 (Q3-2023) (unaudited) (Consolidated Interim Financial Statements) have been prepared in accordance with IAS 34 (Interim Financial Reporting) and relate to the nine-month period from January 1, 2023 to September 30, 2023.

The Consolidated Interim Financial Statements should be read in conjunction with the published Consolidated Financial Statements 2022. The explanatory notes present the material facts necessary to understand the changes in RENK's net assets, financial position and results of operations that have taken effect since December 31, 2022. The results achieved in the nine-month period 2023 are not necessarily indicative of future developments.

All amounts have been rounded in accordance with standard commercial practice, which may result in minor discrepancies when added up. Amounts that have been rounded to zero are shown as “0”, while figures actually being zero are presented as “-“ in the following tables.

Amendment in the accounting treatment of a bond (Senior Secured Notes) for reported periods presented in the Condensed Consolidated Interim Financial Statements

Due to the correction of a material misstatement in the consolidated financial statements 2021 in connection with the recognition of a bond and the necessary adjusting entries in the subsequent fiscal years 2022 and 2023, these previously published condensed consolidated interim financial statements as of September 30, 2023 together with RENK’s consolidated financial statement as of December 31, 2022 have been adjusted to reflect the subsequent effects. All amendments are marked with a double asterix "**".

In addition, these condensed consolidated interim financial statements as of September 30, 2023 reflect the adjustments to deferred taxes already made as part of a previous correction to RENK’s consolidated financial statements as of December 31, 2021. All amendments are marked with an asterix "*".

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

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

Furthermore, the increase in the bond in the fiscal year 2021 represents a modification within the meaning of IFRS 9. As a result, the premium is to be recognized as part of the modification gain, which leads to a reduction in interest expenses in the fiscal year 2021. The accrued interest on the bond was reclassified from non-current to current financial liabilities and also corrected in 2020 and 2021.

As a result of the incorrect accounting of the derivatives and the bond in the fiscal years 2021 and 2020, the effects of this correction on periods within these condensed consolidated interim financial statements are presented in the following tables.

For further information related to fiscal year 2022, we refer to the consolidated financial statements 2022.

The correction mentioned concerns the consolidated income statement as follows:

Q3 2023 Year to date (YTD)

EUR thousand	**Q3 2023 YTD as reported**	**Adjustment**	**Q3 2023 YTD adjusted**
Interest expense	**(31,246)**	**1,033**	**(30,213)**
Other financial result	8,418	(7,552)	866
Financial result	**(22,828)**	**(6,519)**	**(29,347)**
Profit before tax	**34,201**	**(6,519)**	**27,682**
Income taxes	(10,876)	2,083	(8,793)
Profit after tax	**23,325**	**(4,436)**	**18,889**

Q3 2023 (July 1 to September 30)

EUR thousand	Q3 2023 as reported	Adjustment	Q3 2023 adjusted
Interest expense	**(10,359)**	**425**	**(9,934)**
Other financial result	8,514	(6,576)	1,938
Financial result	**(1,845)**	**(6,151)**	**(7,996)**
Profit before tax	**23,274**	**(6,152)**	**17,122**
Income taxes	(5,991)	1,965	(4,026)
Profit after tax	**17,283**	**(4,187)**	**13,096**

Q3 2022 Year to date (YTD)

EUR thousand	Q3 2022 YTD as reported	Adjustment	Q3 2022 YTD adjusted
Interest expense	**(30,598)**	**967**	**(29,631)**
Other financial result	31,495	(17,792)	13,703
Financial result	**897**	**(16,825)**	**(15,928)**
Profit before tax	**45,653**	**(16,825)**	**28,828**
Income taxes	(5,926)	5,391	(535)
Profit after tax	**39,727**	**(11,434)**	**28,293**

Q3 2022 (July 1 to September 30)

EUR thousand	Q3 2022 as reported	Adjustment	Q3 2022 adjusted
Interest expense	**(10,654)**	**403**	**(10,251)**
Other financial result	13,260	(13,996)	(736)
Financial result	**2,606**	**(13,593)**	**(10,987)**
Profit before tax	**22,843**	**(13,593)**	**9,250**
Income taxes	(2,965)	4,355	1,390
Profit after tax	**19,878**	**(9,238)**	**10,640**

The correction mentioned concerns the consolidated statement of financial position as follows:

December 31, 2022

	December 31, 2022 as reported	Adjustment	December 31, 2022 adjusted
Other non-current financial assets	548	1,409	**1,957**
Non-current financial liabilities	627,631	(9,937)	**617,694**
Deferred tax liabilities	78,635	(781)	**77,854**
Current financial liabilities	3,926	13,787	**17,713**
Net assets	**331,576**	**–**	**331,576**
Retained earnings	(5,411)	(1,659)	**(7,070)**
Total Equity	**326,165**	**(1,659)**	**324,506**

The Consolidated Interim Financial Statements were prepared under the assumption of going concern and were authorized for issue on February 1, 2024.

(2) Accounting policies

Accounting standards and regulations

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

Changes in significant accounting policies

RENK has already applied the "International Tax Reform - Pillar Two Model Rules" (Amendments to IAS 12). The amendments provide for a temporary exemption from the recognition of deferred taxes for the top-up tax, which is effective immediately, and require new disclosures on the risks of global minimum taxation.

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

Global minimum taxation

RENK's ultimate parent company is domiciled in Germany, which is currently implementing new legislation to implement global minimum taxation, with effect expected from fiscal year 2024. RENK is in the process of taking the necessary internal measures to fully comply with the new legislation. In order to assess the impact that would have resulted if the Global Minimum Tax had already come into force in 2023, the RENK has tested the Country-by-Country Report ("CbCR") safe harbor transitional arrangements provided for in the upcoming legislation based on RENK's financial and tax data for 2022. On this basis, all countries in which RENK operates would have been exempt from the supplementary tax. There is currently no knowledge that this result would change on the basis of RENK's financial and tax data for 2023.

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

Income taxes

RENK has determined that a supplementary tax under the rules of global minimum taxation constitutes an income tax within the meaning of IAS 12. The Group has taken advantage of a temporary mandatory exemption from recognizing deferred taxes for the effects of the supplementary tax and recognizes it as a current tax when it arises.

Accounting policies and estimates

When preparing the Consolidated Interim Financial Statements, assumptions and estimates must be made by management. These affect the level and presentation of the amounts disclosed for assets and liabilities and income and expenses for the reporting period. The amounts actually incurred may differ from these estimates.

Except for the following, the same accounting policies were applied in the Interim Financial Statements as in the Consolidated Financial Statements 2022.

Transaction costs and related cost reimbursements

During the nine months ended September 30, 2023, RENK incurred transaction costs in connection with a contemplated broadening of the basis of shareholders. The costs incurred in connection with the planned equity transaction are recognized in profit or loss as no net proceeds for the Company are expected. Reimbursement claims against the shareholder are also recognized in profit or loss as a reduction to the corresponding expenses if the shareholder is legally obliged to reimburse the costs or is the economic recipient of the underlying service. Reimbursement claims against the shareholder solely based on its position as a shareholder are recognized as a contribution directly in equity. As of September 30, 2023, RENK Group AG shows the shareholder contribution of the transaction costs as an increase of the capital reserve in the amount of EUR 795 thousand.

Pension provisions

For the calculation of pension provisions in Germany as of September 30, 2023, a discount rate of 4.0% was applied and used in the corresponding actuarial reports. As of December 31, 2022, the discount rate was 3.7%. The other parameters as of September 30, 2023 remained unchanged compared to December 31, 2022.

Income taxes

In these Consolidated Interim Financial Statements, income tax expense is calculated using the weighted total tax rate based on the expected effective tax rates of the individual companies, for the respective full year. For the nine months ended September 30, 2023 the tax rate was 26.1% and 9.3% for 2022. The change in tax rate is mainly driven by tax free income and other permanent differences in 2022.

The tax effects of discrete items are accounted for directly in the interim period in which they occur. As discrete items in 2023 an adjustment of deferred taxes in OCI (EUR 1,297 thousand) and a notice of a tax audit (EUR 400 thousand) were additionally recorded.

The tax effect of the amendment of the accounting treatment of a bond was calculated by applying the statutory tax rate of the company (32%).

Restatements and covenant breaches

The consolidated financial statements of RENK Group AG as of and for fiscal year ended December 31, 2021, were retrospectively amended and consequently subjected to a supplementary audit, which was completed as of May 25, 2023. All amendments are marked with an asterix "*".

Material retrospective changes (IAS 8) in fiscal year 2020 related to the items listed below:

- Correction of deferred taxes in the context of the purchase price allocation, with an increase in reported deferred tax liabilities (EUR 6,374 thousand) and a corresponding increase in reported goodwill (EUR 6,374 thousand) at initial consolidation in fiscal year 2020.
- Adjustment of the tax treatment of pension plan assets. This led to a decrease in tax expenses (EUR 1,744 thousand) lower for fiscal year 2020 and a corresponding decrease in tax liabilities (EUR 1,744 thousand).

These changes have been considered accordingly in the consolidated financial statements as of December 31, 2022. As a result of the completion of the supplementary audit in May 2023, a corresponding adjustment of the previous year's figures for the period from January 1 to September 30, 2022 was made.

In the Consolidated Interim Financial Statements as of September 30, 2023, the changes led to a restatement of the comparative figures in consolidated statement of comprehensive income (deferred taxes). The adjustment for the comparative period from January 1 to September 30, 2022 amounted to EUR -181 thousand, thereof EUR 2,179 thousand were attributable to the period from July 1, 2022 to September 30, 2022. Furthermore, the prior year figure in the consolidated income statement (income taxes) were adjusted using the yearly income tax rate of 12.98 %. This adjustment amounted to EUR 5,911 thousand.

In addition, adjustments of EUR 1,296 thousand were recorded considering the following items: EUR 633 thousand as reduction in tax expenses and OCI and EUR 1,929 thousand as increase in tax expense and OCI have been recognized. These adjustments mainly relate to deferred tax liabilities from pension assets and their split between OCI and tax expenses in prior periods.

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

Regarding the senior secured notes, this breach was conclusively remedied by the provision of the audited consolidated financial statements 2022 on May 30, 2023. Regarding the senior facilities agreement, this violation was conclusively remedied by the extension of the reporting deadline requested on May 5, 2023 and granted by a majority

of the financing banks on May 9, 2023 and the provision of the audited consolidated financial statements 2022 on May 30, 2023 within the extended reporting deadline granted. The violations did not have any economic effects on RENK GmbH.

(3) Significant events

Conversion of legal form and capital increase

The company was converted into a stock corporation by way of a change of legal form with effect from September 13, 2023.

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

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

In accordance with the Articles of Association, the Board of Management is authorized to increase the company's share capital with the approval of the Supervisory Board on one or more occasions in the period up until September 10, 2028 by up to a total of EUR 50,000 thousand by issuing up to 50,000,000 new no-par value bearer shares in exchange for cash or noncash contributions ("Authorized Capital"). The Board of Management is authorized, with approval of the Supervisory Board, to exclude shareholder's statutory subscription rights of shareholders for one or more capital increases within the scope of the authorized capital.

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

RENK repaid EUR 50,000 thousand of a loan to Rebecca BidCo SARL on August 11, 2023. Rebecca BidCo SARL made a voluntary contribution in the amount of the outstanding repayment claim of EUR 45,090 thousand by resolution dated September 20, 2023. The contribution was recognized in the company's free capital reserve in accordance with Section 272 (2) no. 4 of the German Commercial Code ("Handelsgesetzbuch").

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

Scope of consolidation and Business Combination

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

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

The effect of EUR 146 thousand resulting from the initial consolidation of the above-mentioned companies was offset against equity.

Minority interest results from the initial consolidation of COFICAL Renk Mancais do Brasil Ltda., Guaramirim, Brasil, as of January 1, 2023 and represents the minority shareholding of 2% in this subsidiary. As of September 30, 2023, the minority interest in equity and in net income amounts to EUR 77 thousand and EUR 13 thousand, respectively. For purposes of these interim financial statements in accordance with IAS 34, the immaterial minority interests are not disclosed separately.

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

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

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

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

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

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

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

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

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

In the period from February to September 2023, the newly acquired company, which is now part of Horstman Canada, contributed EUR 16,078 thousand to the Group's revenue and EUR 2,972 thousand to its profit after tax. If the transaction had taken place on January 1, 2023, additional revenue of EUR 1,658 thousand and additional profit after tax of EUR 85 thousand would have been considered. In 2022 and 2023, the Group incurred costs of EUR 875 thousand in connection with the business combination. These costs are fully recognized in other operating expenses in the respective period.

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

Basis of consolidation

In addition to RENK Group AG, which has its registered office in Augsburg (formerly in Munich) and is registered with Augsburg Local Court under HRB 39189 (formerly with Munich Local Court under HRB 253885), the following wholly owned subsidiaries are also included in the condensed consolidated interim financial statements as of September 30, 2023:

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

Notes to the Consolidated Income Statement

(4) Revenue

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

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30
Germany	174,661	134,571
Other EU countries	154,265	134,437
Americas	153,717	172,615
Asia	120,366	88,467
Other European countries	44,925	59,345
Australia and Oceania	2,641	1,795
Africa	2,109	2,735
	652,683	**593,965**

During the nine months ended September 30, 2023 revenues in the amount of EUR 491,171 thousand (prior year EUR 435,706 thousand) were recognized at a point in time, while an amount of EUR 161,512 thousand (prior year EUR 158,260 thousand) were recognized over time.

The revenues recognized over time are attributable to the following segments: EUR 132,205 thousand (prior year EUR 158,260 thousand) (VMS), EUR 29,307 thousand (prior year EUR 0 thousand) (M&I) and EUR 0 thousand (prior year EUR 0 thousand) (SB). The revenues recognized at a point in time amount to EUR 228,263 thousand (prior year EUR 178,125 thousand) (VMS), EUR 182,626 thousand (prior year EUR 193,660 thousand) (M&I) and EUR 83,262 thousand (prior year EUR 66,672 thousand) (SB).

Revenue of EUR 652,683 thousand in the nine months to September 30, 2023 (EUR 593,965 thousand in the nine months to September 30, 2022) can be allocated to the following countries with a share of more than 10% of total revenue: Germany EUR 174,661 thousand (prior year EUR 134,571 thousand) and USA EUR 138,689 thousand (prior year EUR 166,031 thousand).

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

The segment reporting (see Note 17) shows how revenue breaks down by individual segment.

(5) Other operating income

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30
Income from exchange rate changes	3,672	7,490
Income from reversal of provisions	2,655	1,051
Income from derivatives	1,252	-
Reimbursement of staff costs	900	-
Income from asset disposals	95	7
Miscellaneous other income	536	828
	9,110	**9,376**

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

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

(6) Other operating expenses

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30
Expenses from currency translation differences	5,005	5,900
Addition to miscellaneous other provisions	2,121	1,976
Personnel expenses	678	1,353
Bank fees	144	123
Miscellaneous other expenses	1,867	2,113
	9,815	**11,465**

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

(7) Other financial result

Compared to the nine-months period ended September 30, 2022, the other financial result mainly reflects the effects of exchange rate fluctuations and effects from the measurement of financial instruments.

Notes to the Consolidated Statement of Financial Position

(8) Property, plant and equipment

EUR thousand	Sep 30, 2023	Dec 31, 2022
Land and buildings	140,502	142,852
Technical equipment and machinery	145,937	149,294
Other equipment, operating and office equipment	14,755	15,203
Prepayments and assets under construction	15,446	15,631
	316,640	**322,981**

In the nine months ended September 30, 2023, EUR 14,272 thousand were invested in property, plant and equipment. Mainly EUR 3,934 thousand of this is attributable to technical equipment, EUR 2,528 thousand to other equipment, operating and office equipment, and EUR 6,980 thousand to prepayments and assets under construction. Additionally, EUR 2,277 thousand were invested in right-of-use assets from leases. EUR 2,444 thousand resulted from additions to the scope of consolidation.

Depreciation on property, plant and equipment of EUR 25,100 thousand is included in functional expenses, in cost of sales in particular. As in prior year, there were no significant impairment losses as of September 30, 2023.

The right-of-use assets from leases are included in land and buildings amounting to EUR 7,089 thousand (December 31, 2022: EUR 5,271 thousand) and in other equipment, operating and office equipment amounting to EUR 522 thousand (December 31, 2022: EUR 389 thousand).

As of September 30, 2023, prepayments amounted to EUR 4,526 thousand and assets under construction in EUR 10,920 thousand.

(9) Inventories

EUR thousand	Sep 30, 2023	Dec 31, 2022
Raw materials, consumables and supplies	70,782	47,871
Finished goods and services and work in progress	247,630	218,015
Prepayments for inventories	5,866	9,709
	324,278	**275,595**

As of September 30, 2023, reversals of impairment losses on inventories were recognized in the amount of EUR 704 thousand.

(10) Trade receivables

Trade receivables break down as follows:

EUR thousand	Sep 30, 2023	Dec 31, 2022
Customer receivables	125,323	129,391
Receivables from affiliated, non-consolidated companies	2,373	6,131
Customer prepayment receivables	5,528	9,132
	133,224	**144,654**

(11) Contract assets

Contract assets break down as follows:

EUR thousand	Sep 30, 2023	Dec 31, 2022
Contract assets from customers	105,565	83,534
	105,565	**83,534**

(12) Other non-current and current assets and receivables

	Sep 30, 2023			Dec 31, 2022		
EUR thousand	Current	Non-current	total	Current	Non-current	total
Restricted cash	6,715	0	6,715	7,682	179	7,861
Receivables from loans	0	319	319	1,495	319	1,814
Embedded derivatives	-	-	-	-	1,409**	1,409**
Derivative financial instruments	165	0	165	174	43	217
Miscellaneous other financial assets	6,987	6	6,993	1,312	7	1,319
Other financial assets	**13,867**	**325**	**14,192**	**10,663**	**1,957****	**12,620****
Prepaid expenses	9,837	0	9,837	4,696	0	4,696
Other tax assets	4,081	0	4,081	3,839	0	3,839
Receivables from surplus plan assets	4,953	62	5,015	1,935	25	1,960
Commission claims	1,294	478	1,771	1,229	337	1,566
Miscellaneous other receivables	525	1,037	1,562	311	2,053	2,364
Other receivables	**20,690**	**1,576**	**22,265**	**12,010**	**2,415**	**14,425**
	34,557	**1,901**	**36,457**	**22,673**	**4,372**	**27,045**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

Restricted cash comprises the cash collateral for bilateral guaranteed credit lines, while miscellaneous other financial assets mainly include receivables from shareholders (EUR 4,112 thousand).

Commission claims include prepaid commissions for ongoing projects.

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

Embedded Derivative consists of options giving the issuer and bond holder the right, but not the obligation, to early redeem the instrument or put it back to the issuer (in some cases contingent upon a certain event).The prepaid expenses mainly include prepaid services for maintenance contracts and licenses; the increase of EUR 5,141 thousand to EUR 9,837 thousand compared to the balance sheet date as at December 31, 2022 results in particular from higher claims from rents, repairs and against employees during the year.

(13) Equity

As of September 30, 2023, RENK Group AG had subscribed capital of EUR 100,000 thousand and capital reserves of EUR 254,504 thousand.

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

The company's nominal capital of EUR 100,000 thousand became the share capital of the stock corporation that the company was converted into. The previous company shares were replaced by a total of 100,000,000 no par value shares each with a notional value of EUR 1,00 of the share capital. The shares are bearer shares.

In accordance with the Articles of Association, the Board of Management is authorized to increase the company's share capital with the approval of the Supervisory Board on one or more occasions in the period up until September 10, 2028 by up to a total of EUR 50,000 thousand by issuing up to 50,000,000 new no-par value bearer shares in exchange for cash or noncash contributions ("Authorized Capital"). The Board of Management is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights for one or more capital increases within the scope of the authorized capital.

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

By way of resolution on September 20, 2023, Rebecca BidCo SARL made a voluntary contribution in the amount of the outstanding repayment claim on a loan granted in 2020 (EUR 45,090 thousand). This contribution was posted to the company's free capital reserves in accordance with section 272 para. 2 No. 4 German Commercial Code ("Handelsgesetzbuch").

In addition, RENK Group AG recorded a shareholder contribution of transaction costs in the amount of EUR 795 thousand as of September 30, 2023. Please refer to the consolidated statement of changes in equity for details.

(14) Financial liabilities

EUR thousand	Sep 30, 2023	Dec 31, 2022
Bonds	521,353**	521,925**
Loan liabilities	–	91,395
Lease liabilities	5,683	4,374
Non-current financial liabilities	**527,036****	**617,694****
Bonds (current portion)	6,313**	13,787**
Liabilities from cash pool	2,612	2,398
Lease liabilities	2,318	1,528
Current financial liabilities	**11,243****	**17,713****
	538,279	**635,407**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

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

The bond is listed on the TISE in Guernsey, bears interest of 5.75% p.a. and is collateralized by pledging bank accounts, receivables and shares of the guarantors. The bond has been recognized after bifurcating embedded derivatives plus the premium and less transaction costs. The interest is recognized as a liability and paid twice a year.

The loan liabilities to Rebecca BidCo were repaid in the amount of EUR 50,000 thousand on August 11, 2023. By way of resolution on September 20, 2023, Rebecca BidCo SARL made a voluntary contribution to the capital reserves in the amount of the outstanding repayment claim of EUR 45,090 thousand (see Note 13).

(15) Contract liabilities

EUR thousand	Sep 30, 2023	Dec 31, 2022
Contractual liabilities from advance payments received	75,388	72,792
Contract liabilities, non-current	**75,388**	**72,792**
Contractual liabilities from advance payments received	138,983	134,192
Liabilities from customer prepayment receivables	4,989	7,078
Contract liabilities, current	**143,972**	**141,270**
	219,360	**214,062**

(16) Other provisions

EUR thousand	Sep 30, 2023	Dec 31, 2022
Warranties	28,657	44,368
Obligations to employees	12,961	15,609
Outstanding costs	2,671	5,426
Provision for impending contractual penalties	2,265	2,533
Provisions for onerous contracts	515	1,167
Miscellaneous other provisions	7,389	7,362
	54,458	**76,464**

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

Provisions for outstanding costs comprise provisions for outstanding invoices and risks from customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. In addition, Rebecca LuxCo SARL a related party, directly bought shares from former management incentive program participants including key management personnel amounting to EUR 6.2 million in total and with no impact on the Company's financial statements for the period.

Other Disclosures

(17) Segment reporting

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

The **Marine & Industry (M&I)** segment comprises large gear unit production at RENK GmbH, Augsburg, and RENK MAAG GmbH, Winterthur, Switzerland. The product range extends from stationary gear units for a wide variety of industrial applications to high-speed gear units and complex gear units for fast ferries and naval applications. The segment also includes the large gear unit production of RENK GmbH at the Rheine site. A key focus is on marine gear units for commercial vessels, liquefied gas tankers, special ships and offshore wind power gear units. In addition, gear units for turbine systems and couplings for industrial applications are manufactured.

The **Vehicle Mobility Solutions (VMS)** segment is a leading manufacturer of fully automatic transmissions for medium and heavy tracked vehicles and also offers a wide range of high-performance test systems for various industries. It comprises the corresponding activities at the Augsburg site of RENK GmbH, the French subsidiary RENK France S.A.S., Saint-Ouen-l'Aumône, France, RENK Test System GmbH (RTS) in Augsburg and its American sales company RENK Systems Corporation, Camby (IN), USA. In 2019, the Horstman Group was added with the companies Horstman Holdings Limited, Bath, UK, Horstman Defence Systems Limited, Bath, UK and Horstman Inc, Sterling Heights (MI), USA and Horstman Canada Inc, Brampton, Canada.

The **Slide Bearings** segment with the Hanover location of RENK GmbH and the American sales company RENK Corporation, Duncan (SC), USA, primarily supplies hydrodynamic lubricated slide bearings. Applications include electric motors, generators, pumps, blowers, water turbines, conveyor systems and maritime applications.

The consolidation between the business areas is shown separately.

The financial performance indicator of the segments and therefore the key performance indicator is an adjusted EBIT (operating profit before the effects from purchase price allocations and adjusted for certain items which management considers to be exceptional or non-recurring). However, management also receives information about revenue per segment as part of monthly reporting and thus information on revenue per segment is disclosed in the following. Until April 2023, RENK's steering key performance indicator was reported EBIT before PPA (rEBITA). Due to the change in management (CFO Christian Schulz started at RENK in June 2023) and with the progress of the Equity Offering process, RENK implemented the new steering key performance indicator adjusted EBIT for management reporting purposes. Significant deviations between rEBITA and adjusted

EBIT cannot be derived at segment level as the PPA effects and most adjustments are classified as "Others" and therefore have no material impact on the segments.

The operating segments are also deemed as the reportable segments of RENK Group. As RENK began applying IFRS 8 Segment Reporting for the first time in fiscal year 2023, the segment data for the nine months to September 30, 2022 are presented in the segment structure applicable since the first quarter of fiscal year 2023 for comparative purposes. The division Test Systems is part of the VMS Segment since the first quarter of fiscal year 2023. In the first quarter of fiscal year 2023, in connection with the further centralization of functions within RENK Group, the Group started to allocate costs for central functions to its segments to reflect and appropriate cost structure in its segments.

01.01.-30.09.2022

EUR thousand	VMS	M&I	SB	Others	Consolidation	Total
Revenue from third parties	336,375	192,541	65,049	0	0	593,965
Revenue from other segments	9	1,119	1,623	0	(2,751)	0
Revenue	336,384	193,660	66,672	0	(2,751)	593,965
Depreciation, amortization and impairment losses (excluding PPA depreciation and amortization)	10,308	9,758	1,825	(137)	0	21,754
rEBITA*	**72,980**	**14,109**	**9,394**	**(2,376)**	**202**	**94,308**
Adjusted EBIT	**73,212**	**15,918**	**9,649**	**(869)**	**202**	**98,112**
Non-recurring items***						(3,804)
Purchase price allocations****						(49,552)
EBIT						**44,756**
Net financial expenses/income						(15,928)**
Profit (+)/loss (-) before taxes						**28,828**
Income taxes						(535)**
Profit (+)/loss (-) after taxes						**28,293**

* rEBITA is defined as the operating profit presented in the consolidated income statement plus the effects from the purchase price allocation.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the “General principles” section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

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

**** Purchase price allocation includes PPA depreciation and amortization (EUR 49,463 thousand for the nine months ended September 30, 2022) as well as income/losses from PPA asset disposal (EUR 89 thousand loss for the nine months ended September 30, 2022).

01.01.-30.09.2023

EUR thousand	VMS	M&I	SB	Others	Consolidation	Total
Revenue from third parties	360,221	210,199	82,263	0	0	652,683
Revenue from other segments	247	1,734	999	0	(2,980)	0
Revenue	360,468	211,933	83,262	0	(2,980)	652,683
Depreciation, amortization and impairment losses (excluding PPA depreciation and amortization)	12,055	9,638	1,516	20	-	23,229
rEBITA*	**70,581**	**14,055**	**12,148**	**(4,606)**	**(38)**	**92,141**
Adjusted EBIT	72,383	16,997	12,544	2,072	(38)	103,957
Non-recurring items***						(11,816)
Purchase price allocations****						(35,112)
EBIT						57,029
Net financial expenses/income						(29,347)**
Profit (+)/loss (-) before taxes						**27,682**
Income taxes						(8,793)**
Profit (+)/loss (-) after taxes						**18,889**

* rEBITA is defined as the operating profit as presented in the consolidated income statement plus the effects from the purchase price allocation.

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of September 30, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

***Includes expenses for inflation compensation premium, severance expenses and other adjustments, which represent costs for the implementation of efficiency programs and professional advisory fees mainly related to strategic projects, costs related to the 150-year celebration of the

Group, costs relating to marketing activities, costs relating to advisory fees for readiness assessments, costs related to the supplementary audit for fiscal years 2021 and as a consequence additional audit fees for fiscal year 2022, costs relating to professional advisory fees regarding the financing of the Group.

**** Purchase price allocation includes PPA depreciation and amortization (EUR 35,111 thousand for the nine months ended September 30, 2023) as well as income/losses from PPA asset disposals (EUR 1 thousand for the nine months ended September 30, 2023)

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

EUR thousand	Germany	Americas	Other EU countries	Asia	Other European countries	Not allocated	
September 30, 2023	412,218**	244,453	7,836	660	47,561	30,280	743,008**
December 31, 2022	434,914**	220,625	8,760	–	49,045	38,605	751,949**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

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

Non-current assets amounting to EUR 743,008 thousand as of September 30, 2023 (EUR 751,949 thousand as of December 31, 2022) can be allocated to the following countries with a portion exceeding 10% of total non-current assets: Germany EUR 412,218 thousand (EUR 434,914 thousand as of December 31, 2022) and USA EUR 244,453 thousand (EUR 220,625 thousand as of December 31, 2022).

For further information on revenue please refer to Note 4 Revenue.

(18) Financial instruments

Financial assets and liabilities recognized at fair value or for which a fair value is disclosed in the notes to the annual financial statements are to be classified in the fair

value hierarchy described below. They are allocated to levels of the fair value hierarchy on the basis of inputs used for the measurement:

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

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

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

In the nine months of fiscal years 2023 and 2022, there were no reclassifications between level 1 and level 2 and no reclassifications to or from level 3.

RENK divides financial instruments into the following categories:

- financial instruments at fair value
- financial instruments at amortized cost
- financial instruments not assigned to an IFRS 9 measurement category

The following tables illustrate the classes of financial instruments included in the statement of financial position items, broken down by the carrying amounts and fair values of the financial instruments, and their allocation to the measurement categories as of September 30, 2023 and as of December 31, 2022:

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Sep 30, 2023
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975	–	–	–	7,351	10,326
Other non-current financial assets	–	–	325	115	–	325
Current assets						
Trade receivables	–	–	133,224	133,224	–	133,224
Contract assets	–	–	–	–	105,565	105,565
Other current financial assets	–	165	13,702	13,702	–	13,867
Cash and cash equivalents	–	–	69,740	69,740	–	69,740
Total Assets	**2,975**	**165**	**216,991**	**216,781**	**112,916**	**333,046**
Non-current liabilities						
Non-current financial liabilities	**–**	**–**	**521,353****	**505,303****	**5,683**	**527,036****
of which bonds	–	–	*521,353***	*505,303***	–	*521,353***
of which lease liabilities	–	–	–	–	*5,683*	*5,683*
Other financial liabilities	**–**	**6,401****	**29**	**29**	**–**	**6,430****
of which embedded derivatives	–	*6,143***	–	–	–	*6,143***
of which miscellaneous financial liabilities	–	*258*	*29*	*29*	–	*287*
Current liabilities						
Current financial liabilities	–	–	8,925**	8,925**	2,318	11,243**
Trade payables	–	–	82,171	82,171	–	82,171
Other financial liabilities	–	376	711	711	–	1,087
Total Liabilities	**–**	**6,777**	**613,188**	**597,139**	**8,002**	**627,967**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the

"General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of Dec 31, 2022
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975	-	-	-	18,949	21,924
Other non-current financial assets	-	1,452**	506	289	-	1,957**
of which embedded derivatives	*-*	*1,409***	*-*	*-*	*-*	*1,409***
of which miscellaneous non-current financial assets	*-*	*43*	*506*	289	*-*	*548*
Current assets						
Trade receivables	-	-	144,654	144,654	-	144,654
Contract assets	-	-	-	-	83,534	83,534
Other current financial assets	-	175	10,489	10,489	-	10,663
Cash and cash equivalents	-	-	158,678	158,678	-	158,678
Total Assets	**2,975**	**1,627**	**314,327**	**314,110**	**102,483**	**421,411**
Non-current liabilities						
Non-current financial liabilities	**-**	**-**	**613,319****	**571,618****	**4,374**	**617,694****
of which bonds	-	-	521,925**	483,735**	-	521,925**
of which loan liabilities	-	-	91,395	87,883	-	91,395
of which lease liabilities	-	-	-	-	4,374	4,374
Other non-current financial liabilities	-	237	28	28	-	265
Current liabilities						
Current financial liabilities	-	-	16,185**	16,185**	1,528	17,713**
Trade payables	-	-	66,631	66,631	-	66,631
Other current financial liabilities	-	1,678	952	952	-	2,630
Total Liabilities	–	**1,915**	**697,115**	**655,414**	**5,903**	**704,933**

** Figures have been adjusted, explanations regarding changes in the figures for the first nine months of fiscal year 2023 and the comparative period as of December 31, 2022 can be found in the "General principles" section of the notes. We also refer to the consolidated financial statements as of December 31, 2022.

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

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

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

The bond is listed on the TISE in Guernsey. The fair value of the separated embedded derivatives is deducted from this listed price. Therefore, the fair value of the bond is allocated to level 2 of the valuation hierarchy.

With exception of cash and cash equivalents and the bond, which are allocated to fair value level 1, all other financial assets and liabilities at amortized cost are allocated to fair value level 2. In the case of level 3 receivables, the fair value is determined taking account of individual loss expectations, which are largely based on the company's assumptions with regard to the counterparty's creditworthiness.

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

EUR thousand	Sep 30, 2023	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of change in control	+1 percentage point	(6,979)	(836)
	-1 percentage point	(5,307)	836
Shift in credit spread	+10%	(6,841)	(698)
	-10%	(5,379)	764
Shift in volatility	+10%	(6,143)	0
	-10%	(6,143)	0

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

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

The movements in level 3 fair values are as follows:

EUR thousand	Embedded derivative
January 1, 2022 (recognized in other non-current financial assets)	**19,968**
Issuance additional tranche	0
Changes from fair value measurement (recognized in other financial result)	(18,559)
December 31, 2022 (recognized in other non-current financial assets)	**1,409**
Issuance additional tranche	0
Changes from fair value measurement (recognized in other financial result)	(7,552)
September 30, 2023 (recognized in other non-current financial liabilities)	**(6,143)**

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

Apart from the interest rate, there were no major changes in relation to the fair value calculation.

(19) Contingent liabilities

EUR thousand	Sep 30, 2023	Dec 31, 2022
Obligations from guarantees	–	130
Other contingent liabilities	328	2,181
	328	2,311

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

Other contingent liabilities include contingent liabilities from penalties.

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

Contingent liabilities decreased compared to the balance sheet date as of December 31, 2022, due to declining contract penalties in the industrial sector.

(20) Related parties

Besides related entities, related parties of RENK also include persons who can influence or be influenced by RENK Group AG. These are members of the management of RENK Group AG, Rebecca BidCo SARL, Rebecca MidCo SARL and RENK GmbH and their immediate family members and, since the change to the structural organization of the RENK Group in fiscal year 2022, the newly added key management personnel in addition to the management of RENK Holding GmbH.

In addition to the management of RENK Group AG, these include the heads of the following administrative areas:

- HR

- Supply Chain Management

- Governance/Legal/Compliance and Operations

- as well as the heads of the new segments introduced in fiscal year 2022.

In the reporting period 2023, Mr. Niklas Beyes left the company as CFO by resolution as of June 2, 2023. He was succeeded by Mr. Christian Schulz as of June 7, 2023 (resolution as of June 2, 2023). In addition, the members of the Supervisory Board of RENK Group AG, which was formed in the course of the change of legal form to a stock corporation, are responsible for monitoring the company's activities and are therefore considered as key management personnel. The members of the Supervisory Board, which has been in place since October, are remunerated within the scope of the basic salary and attendance fees of EUR 31 thousand. The employee representatives on the Supervisory Board employed by RENK also receive their standard market remuneration.

Loan transactions were processed in the following amounts with Rebecca BidCo SARL in the current reporting period:

EUR thousand	2023 Jan 1 to Sep 30	2022 Jan 1 to Sep 30
		Rebecca BidCo SARL
Services rendered (income)	7	4
Services received (expense)	3,695	3,920

EUR thousand	Sep 30, 2023	Dec 31, 2022
		Rebecca BidCo SARL
Receivables	4,720	329
Liabilities	–	91,395

(21) Earnings per share

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

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

(22) Subsequent Events after the reporting period

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

As part of a private placement, certain members of the management board, the supervisory board and selected employees of RENK Group (key management personnel) intend to purchase shares and will receive a preferential allocation in connection with this private placement.

Augsburg, February 1, 2024

RENK Group AG

Susanne Wiegand	Christian Schulz
CEO	CFO

Consolidated financial statements of RENK Group AG, Augsburg (formerly: RENK Holding GmbH, Augsburg) (prepared in accordance with IFRS) as of and for the fiscal year ended December 31, 2022, as amended

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

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

Consolidated Statement of Financial Position

Assets

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

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

Equity and liabilities

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

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

Consolidated Statement of Changes in Equity[1)]

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

1) Please refer to Note “Equity”.

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

Consolidated Statement of Cash Flows

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

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

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

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

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

In accordance with section 290 para. 1 and 2 Handelsgesetzbuch (HGB – German Commercial Code), RENK Holding GmbH, which was founded in fiscal year 2020 and is held by the financial investor Triton, is obliged to prepare consolidated financial statements due to its direct 100% interest in RENK FinCo GmbH, which in turn has a direct 100% interest in RENK GmbH. After the acquisition of the shares from Volkswagen-Vermögensverwaltungs-GmbH, RENK GmbH with its subsidiaries has been included in the consolidated financial statements since October 2020.

RENK FinCo GmbH, RENK GmbH and RENK Test System GmbH and RENK Magnet-Motor GmbH exercise the exemption provided by section 291 of the HGB and do not prepare their own consolidated financial statements or management report. In addition, the entities applied the exemption provision in accordance with section 264 para. 3 HGB and therefore did not publish their annual financial statements or prepare notes or a management report.

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

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

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

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

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

Furthermore, the increase in the bond in the fiscal year 2021 represents a modification within the meaning of IFRS 9. As a result, the premium is to be recognized as part of the modification gain, which leads to a reduction in interest expenses in the fiscal year 2021. The accrued interest on the bond was reclassified from non-current to current financial liabilities and also corrected in 2020 and 2021.

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

This concerns the consolidated income statement as follows:

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

This concerns the consolidated statement of financial position as follows:

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

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

(2) Consolidation and measurement of equity investments

(a) Equity investments

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

negative variable returns and can affect the amount of the variable returns on the basis of voting rights.

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

(b) Basis of consolidation

Entities included

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

- RENK FinCo GmbH, Augsburg,
- RENK GmbH, Augsburg,
- RENK Magnet-Motor GmbH, Starnberg (formerly: Magnet-Motor GmbH),
- RENK Test System GmbH, Augsburg,
- RENK-MAAG GmbH, Winterthur, Switzerland,
- RENK France S.A.S., Saint-Ouen-l'Aumône, France,
- RENK Corporation, Duncan (SC), USA,
- RENK Systems Corporation, Camby (IN), USA,
- Horstman Holdings Limited, Bath, UK,
- Horstman Defence Systems Limited, Bath, UK,
- Horstman Inc., Sterling Heights (MI), USA,
- Horstman Systems Inc., Woodbridge, Ontario, Canada,
- RENK America LLC, Muskegon (MI), USA (formerly: Combat Mobility Solutions LLC),
- RENK Holdings Inc., Muskegon (MI), USA (RENK Holdings Inc. was established in the context of the acquisition of RENK America LLC to bundle all US activities).

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

(c) Financial investments

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

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

(d) Currency translation

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

prepayments received or made, the exchange rate at which the non-monetary items from prepayments were translated on the date of the transaction is used.

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

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

Overview of key exchange rates

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

(3) Accounting principles

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

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

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

(a) Revenue recognition

The revenue recognized at RENK is generated through the sale of goods or services related to drive technology. Production includes both standard and customer-specific

solutions. The services sold include maintenance work. Revenue is recognized when the services are provided or when the customer obtains control of the goods and services.

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

- The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

Revenue from performance obligations fulfilled over time is accounted for using the percentage of completion method. RENK calculates the percentage of completion using the input method to estimate the costs incurred relative to the total expected costs. The contract costs incurred are the best measure of the satisfaction of performance obligations. If expected costs exceed expected revenue, an impairment loss is initially recognized for assets used to fulfill the contract. Otherwise, corresponding provisions are recognized.

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

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

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

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

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

(b) Operating expenses

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

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

(c) Intangible assets

Individually acquired intangible assets are capitalized at acquisition cost and then amortized over the period of their finite useful life. Internally generated intangible assets at RENK are capitalized at production cost if the new products or series are technically and economically feasible, are scheduled for internal use or for sale, the expenses can be measured reliably and sufficient resources to complete the development project are

available. Development costs that do not meet these criteria and all research costs are recognized immediately in profit or loss. The capitalized development costs are amortized from the date of launch over the period of their finite useful life. While a development project is still in progress, the amounts capitalized to date are tested for impairment at least annually. No amounts were capitalized in fiscal year 2022 due to currently uncertain marketing opportunities.

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

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

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

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

(e) Leases

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

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

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

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

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed EUR 5,000. Leases with a total term of up to 12 months are classed as short-term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

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

To discount the lease liability, an incremental borrowing rate for RENK is used with regard to the respective currency and the contract term. The incremental borrowing rate is used only if the interest rate implicit in the lease cannot be readily determined. In the

reporting period, the lease liabilities from new leases, contract modifications and changes in determining the term of the lease were discounted at a Group interest rate in a range between 2.60% and 5.55% (previous year: between 2.60% and 2.75%). If the lease is modified or there are changes in the lease payments, the term of the lease or the estimate with regard to exercising call options, then the lease liability is remeasured. The right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life and the lease term and are adjusted for any remeasurements of the lease liability.

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

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

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

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

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

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

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

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

debt-to-equity ratio. The underlying assumptions are reviewed on an ongoing basis and adjusted as necessary.

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

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

Please see “Financial Risk Management” for information on impairment in connection with financial assets.

(g) Inventories

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

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

(h) Contract assets and liabilities

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

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

If the result of a performance obligation cannot be reliably determined, revenue is recognized only in the amount of the contract costs incurred. Under the percentage of

completion method, the parts of the contract for which revenue has been received are recognized under contract assets, taking account of prepayments received and prepayments receivable.

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

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

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

(i) Primary financial instruments

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

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

Financial assets

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

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

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

Regarding financial assets (debt instruments) for which the cash flows at specified dates are solely payments of principal and interest (SPPI criterion), RENK exclusively intends to hold these to collect the associated cash flows. These financial assets are thus classified as measured at amortized cost. If a financial asset contains a significant financing component (customer prepayment receivables), in accordance with IFRS 15.63 the entity

does not adjust the promised amount of consideration for the effects of this as it is expected at contract inception that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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

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

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

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

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

Financial liabilities

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

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

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

(j) Derivative financial instruments

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

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

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

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

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

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

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

(k) Income taxes

Tax liabilities include current income tax liabilities.

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

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and tax loss carryforwards. Tax effects from distributions of profit are recognized as deferred taxes only when the appropriate of earnings resolution has been passed. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

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

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

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

(l) Pensions and similar obligations

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

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

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

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

Payments for defined contribution plans are recognized in functional expenses.

(m) Other provisions

Other provisions are recognized for all identifiable risks and uncertain obligations resulting from past events that will probably lead to a future outflow of resources and

whose amount can be reliably estimated. They are measured at the best estimate of the expenditure required to settle the obligation. The provision is carried at its net present value where the time value of money is material. The discount rate is based on market interest rates.

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

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

(n) Contingent liabilities

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

(o) Business Combinations

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

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

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

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

(p) Material estimates and judgments

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

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

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

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

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

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

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

Depending on the matter at hand, the measurement of other provisions and similar obligations is complex at times and entails estimates to a considerable extent. The assumptions made by management with respect to the timing and amount of utilization are based, among other things, on historical data, available technical data, estimates of cost trends and potential warranty claims, discount rates and possible recoverable

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

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

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

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

In relation to the Russian war of aggression on Ukraine and climate change, the management of the RENK Holding GmbH has analyzed the resulting risks and effects on accounting in fiscal year 2022. In this context, the focus was on the recoverability of goodwill, other intangible assets and property, plant and equipment, deferred tax assets,

inventories and contract assets, as well as the value of receivables. In addition, opportunities and risks are continuously monitored against the background of the issues of "changing era" and "climate change" and taken into account with regard to their impact on forward-looking assumptions and estimates in the measurement of assets and liabilities. In the fiscal year, there were no material effects on the assets and liabilities or the results of operations of RENK Group.

(4) Risk management and financial instruments

(a) Financial risk management

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

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

Credit risk

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

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

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

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

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

Trade receivables and contract assets

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

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

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

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

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

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

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

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

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

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

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

Debt instruments at amortized cost

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

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

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

The calculation did not result in any material impairment losses.

Liquidity risk

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

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

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

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

In the context of a syndicated loan agreement, RENK also has a guarantee credit line at normal market conditions with a term to January 13, 2025 and an extension option. The amount of the syndicated guarantee credit lines was increased to EUR 245,000 thousand in 2022 (previous year: EUR 175,000 thousand) and utilized in the amount of EUR 154,464 thousand (previous year: EUR 119,642 thousand). Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of EUR 28,690 thousand (previous year: EUR 22,771 thousand), of which EUR 12,061 thousand (previous year: EUR 18,871 thousand) had been utilized on the reporting date. Cash collateral of EUR 7,845 thousand (previous year: EUR 7,848 thousand) was provided for the bilateral guarantee credit lines as of the reporting date.

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

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

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

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

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

1) The procedure for calculating the amounts was as follows:
   – If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
   – Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
   – It is assumed that the cash outflows will not occur earlier than shown.
2) This includes both tranches of EUR 320,000 thousand and EUR 200,000 thousand within the bond.
3) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.

Foreign currency risk – derivatives

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

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

At RENK, all firm, long-term customer contracts in foreign currency are hedged. Currencies with a high correlation to the euro, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. There is no hedging with regard to purchasing. Transactions are generally conducted in the respective functional currency on the spot market.

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

In a sensitivity analysis, the derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10% appreciation/depreciation of a currency per currency pair as of December 31, 2022 and December 31, 2021 are as follows:

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

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

Interest Rate Risk

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

(b) Financial instruments: Classification and fair value

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

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

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

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

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

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

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2022
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975				18,949	21,924
Other non-current financial assets		1,452*	506	289		1,957*
of which embedded derivatives		1,409*				1,409*
of which miscellaneous non-current financial assets		43	506	289		548
Current assets						
Trade receivables			144,654	144,654		144,654
Contract assets					83,534	83,534
Other current financial assets		175	10,489	10,489		10,663
Cash and cash equivalents			158,678	158,678		158,678
Total assets	2,975	1,627	314,327	314,110	102,483	421,411
Non-current liabilities						
Non-current financial liabilities			613,319*	571,618*	4,374	617,694*
of which bonds			521,925*	483,735*[1)]		521,925*
of which loan liabilities			91,395	87,883		91,395
of which lease liabilities					4,374	4,374
Other non-current financial liabilities		237	28	28		265
Current liabilities						
Current financial liabilities			16,185*	16,185*	1,528	17,713*
Trade payables			66,631	66,631		66,631
Other current financial liabilities		1,678	952	952		2,630
Total equity and liabilities	–	1,915	697,115	655,414	5,903	704,933

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

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

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

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2021
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975	–	–	–	20,692	23,667
Other non-current financial assets	–	19,968*	2,165	2,165	–	22,133*
of which embedded derivatives	–	19,968*	–	–	–	19,968*
of which miscellaneous non-current financial assets	–	–	2,165	2,165	–	2,165
Current assets						
Trade receivables	–	–	117,497	117,497	–	117,497
Contract assets	–	–	–	–	60,068	60,068
Other current financial assets	–	8	10,083	10,083	–	10,091
Cash and cash equivalents	–	–	97,546	97,546	–	97,546
Total assets	2,975	19,976	227,291	227,291	80,760	331,002
Non-current liabilities						
Non-current financial liabilities	–	–	608,744*	646,590*	5,373	614,117*
of which bonds	–	–	522,590*	559,910*[1)]	–	522,590*
of which loan liabilities	–	–	86,154	86,680	–	86,154
of which lease liabilities	–	–	–	–	5,373	5,373
Other non-current financial liabilities	–	632	7	7	–	639
Current liabilities						
Current financial liabilities	–	–	14,062*	14,062*	1,695	15,757*
Trade payables	–	–	65,816	65,816	–	65,816
Other current financial liabilities	–	1,370	1,534	1,534	–	2,904
Total equity and liabilities	–	2,002	690,163	728,009	7,068	699,233

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

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

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

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

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

The bond is listed on the TISE in Guernsey. The fair value of the separated embedded derivatives is deducted from this listed price. Therefore, the fair value of the bond is allocated to level 2 of the valuation hierarchy. Additionally, the compound embedded derivative is classified as level 3 of fair value hierarchy. The fair value is calculated using a trinomial tree approach based on the Hull White 1 Factor Model.

The model uses the following input variables which are observable in the market: The market price of the bond, the market interest rate, the market implied volatility of interest rate swaptions and credit derivatives (CDS options); as well as the following unobservable input variables: the estimated probability of change of control.

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

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

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

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

The movements in level 3 fair values are as follows:

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

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

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

(c) Financial instruments: Expenses and income

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

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

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

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances of EUR 2,299 thousand (previous year: EUR 3,160 thousand) and currency translation in the amount of EUR 970 thousand (previous year: EUR (1,355) thousand).

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

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

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

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

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

(d) Financial instruments: Offsetting

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

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

EUR thousand	Carrying amount in statement of financial position	Financial Instruments	Collateral	Net amount
Dec. 31, 2022				
Assets from derivative financial instruments	217	(174)	–	43
Liabilities from derivative financial instruments	1,915	(174)	–	1,741
Dec. 31, 2021				
Assets from derivative financial instruments	8	(8)	–	0
Liabilities from derivative financial instruments	2,002	(8)	–	1,993

(5) Statement of cash flows

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

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

Besides additions to property, plant and equipment, intangible assets and the company acquisition, cash flows from investing activities also include cash flows from loans receivable and restricted cash. Proceeds from these items are offset against each other.

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

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

(6) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

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

(b) Other accounting standards effective for the first time

The following amendments and accounting standards effective for the first time in fiscal year 2022 have no significant effect on the presentation of the net assets, financial position and results of operations in the RENK consolidated financial statements:

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

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

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

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

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2022 consolidated financial statements.

Standard/Interpretation		Published by IASB	Mandatory application	Endorsed by EU	Expected impact
IFRS 17	Insurance Contracts; including amendments to IFRS 17	May 18, 2017 June 25, 2020	Jan. 1, 2023	Yes	No impact
IAS 1	Change to assessment criteria for classification of liabilities as current or non-current and disclosures on accounting policies	Jan. 23, 2020 July 15, 2020 Feb. 12, 2021	Jan. 1, 2023	No	No impact
IAS 8	Definition of accounting estimates	Feb. 12, 2021	Jan. 1, 2023	No	No material impact
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	May 7, 2021	Jan. 1, 2023	No	No material impact

Notes to the Consolidated Income Statement

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

(7) Revenue

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

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

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

The assets created have no alternative use for the entity and the entity has an enforceable right to payment by the customer for the performance completed to date.

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

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

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

Contracts with customers resulted in the following contract balances:

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

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

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of EUR 1,406,541 thousand (previous year: EUR 1,276,845 thousand) as of December 31, 2022. The recognition of the corresponding revenue is expected in the following fiscal years:

EUR thousand			
Dec. 31, 2021	2022	2023 to 2028	> 2028
Transaction price of remaining performance obligations as of Dec. 31, 2021	731,834	490,034	54,977
Dec. 31, 2022	2023	2024 to 2029	> 2029
Transaction price of remaining performance obligations as of Dec. 31, 2022	757,852	596,944	51,744

(8) Other operating income

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

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

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

(9) Other operating expenses

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

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

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

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

(10) Interest expense and other financial result

Interest expense

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

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

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

Other financial result

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

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

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

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

(11) Income taxes

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

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

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

The tax rate for the Group is based on the domestic tax rate of 32.04% applicable for the 2022 assessment period (previous year: 32.0%) on profit before tax. This tax rate takes into account German municipal trade tax of 16.21% (previous year: 16.1%) as well as the German corporate income tax of 15.0% and the solidarity surcharge of 5.5% of corporate income tax (both unchanged year-on-year). The change in the tax rate is associated with the change in domestic assessment rates and with new domestic entities at various locations.

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

Reconciliation of expected current income taxes:

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

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

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

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

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

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

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

Deferred taxes are attributable to the following items:

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

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

Deferred tax assets on unused tax losses were recognized in the amount of EUR 148 thousand in the fiscal year (previous year: EUR 678 thousand). Based on the anticipated future business development at the time the consolidated financial statements were prepared and on the basis of the tax-related earnings planning, this tax asset is expected to be utilized within the corresponding utilization period of the losses. No deferred tax assets were recognized for tax loss carryforwards of EUR 8,418 thousand for German corporate income tax and EUR 7,027 thousand for trade tax as it is not sufficiently probable that they can be used to offset tax gains.

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

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

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

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

(12) Other income statement disclosures

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

Personnel expenses break down as follows:

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

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

Short-term leases of EUR 455 thousand (previous year: EUR 280 thousand) and low-value leases of EUR 195 thousand (previous year: EUR 115 thousand) were recognized directly as an expense in the reporting period as part of the exemption for capitalizing leases. Low-value leases comprise exclusively long-term contracts.

Notes to the Consolidated Statement of Financial Position

(13) Business combination

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

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

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

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

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

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

Business combination in 2021

On March 1, 2021, RENK GmbH signed a contract for the acquisition of the Combat Propulsion Systems business ("CPS") and L3Harris Technologies Inc. ("L3Harris") and 100% of the shares in RENK Magnet-Motor GmbH (formerly: Magnet-Motor GmbH) ("MM") from L-3 Communications Holding GmbH for a purchase price totaling around USD 398 million or EUR 337 million. After obtaining all necessary official authorizations,

the purchase agreement concluded was executed with effect from July 2, 2021. The variable components relate to the cash inflows of CPS for the period from January 1, 2021 to July 2, 2021, the cash outflows of RENK Magnet-Motor to the former owner and a fee that is calculated based on the purchase price and the purchase date. After completing the transaction, the purchase price comes to USD 356 million or EUR 301 million.

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

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

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

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

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

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

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

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

Between July and December 2021, RENK America and RENK Magnet-Motor contributed EUR 103,358 thousand to the Group's revenue, EUR 15,484 thousand to operating profit and EUR 17,169 thousand to profit after tax. This includes depreciation and amortization (excluding depreciation and amortization from purchase price allocation) of EUR 1,239 thousand.

If the transaction had taken place on January 1, 2021, additional revenue of EUR 109,732 thousand, additional operating profit of EUR 37,989 thousand and additional profit after tax of EUR 28,012 thousand (at an income tax rate of 26% applicable in the jurisdiction) would have been taken into account. Additional depreciation and amortization (excluding depreciation and amortization from purchase price allocation) of EUR 1,333 thousand would have had to be taken into account for the first half of the year.

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

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

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

RENK Holdings, Inc. will assume the holding function for RENK America and the Group entities transferred.

(14) Intangible assets

EUR thousand	Licenses, software and similar rights	Goodwill	Other intangible assets	Total
As of Jan. 1, 2021	39,438	27,352	172,872	239,663
Additions	1,247		52	1,299
Reclassifications	96		(1)	95
Disposals	(951)			(951)
Depreciation/amortization	(6,265)		(37,321)	(43,586)
Cumulative depreciation/amortization on disposals	934			934
Addition to scope of consolidation	50,501	47,857	136,886	235,244
Currency adjustment	78	1,744	1,051	2,873
As of Dec. 31, 2021	85,078	76,953	273,539	435,570
Additions	2,121	323	85	2,529
Reclassifications	155	0	231	387
Disposals	(731)	0	0	(731)
Depreciation/amortization	(9,873)	0	(51,572)	(61,445)
Cumulative depreciation/amortization on disposals	168	0	0	168
Addition to scope of consolidation	0	0	0	0
Currency adjustment	3,044	1,972	7,460	12,476
As of Dec. 31, 2022	79,963	79,247	229,744	388,954
Gross carrying amount on Dec. 31, 2022	106,330	79,247	323,728	509,306
Cumulative depreciation/amortization and impairment losses	(26,367)		(93,984)	(120,352)

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

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

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

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

The goodwill resulting from the acquisition of RENK in 2020 was allocated to the Vehicle Transmissions (previous year: EUR 19,419 thousand) and Slide Bearings (previous year: EUR 7,933 thousand) businesses.

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

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

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

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

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

In determining the pretax discount rate (weighted average cost of capital (WACC)), the cost of equity and debt was based on a segment-specific peer group. These entities have similar business and product portfolios to those of RENK and thus comprise the most important national and international competitors. The weighting of the cost of equity and

debt was based per CGU on the peer group's average debt/equity ratios. A market interest rate of 1.5% (previous year: 0.1%) was applied.

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

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

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

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

Goodwill developed as follows:

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

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

(15) Property, plant and equipment

EUR thousand

	Land and buildings	Right-of-use assets on land and buildings
As of Jan. 1, 2021	109,217	5,473
Additions	4,594	180
Reclassifications	7,410	
Disposals	(20)	(194)
Depreciation/amortization	(4,469)	(1,430)
Write-downs		1
Reclassifications depreciation and amortization		
Cumulative depreciation/amortization on disposals	9	195
Addition to scope of consolidation	17,377	2,247
Currency adjustment	556	149
As of Dec. 31, 2021	134,674	6,621
Additions	3,272	1,209
Reclassifications	9,597	0
Disposals	(41)	(1,645)
Depreciation/amortization	(5,547)	(1,397)
Write-downs	0	0
Reclassifications depreciation and amortization	0	0
Cumulative depreciation/amortization on disposals	3	358
Addition to scope of consolidation	0	0
Currency adjustment	895	125
As of Dec. 31, 2022	142,852	5,271
Gross carrying amount as of Dec. 31, 2022	205,741	9,943
Cumulative depreciation/amortization and impairment losses	(62,888)	(4,672)

Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets on other equipment, operating and office equipment	Prepayments and assets under construction	Total
143,471	16,527	291	25,361	300,340
11,453	4,947	267	10,017	31,458
7,483	386		(15,373)	(94)
(3,303)	(490)	(273)	(2,228)	(6,508)
(21,537)	(5,003)	(271)		(32,710)
				1
				0
3,066	754	270		4,294
11,933	510	0	2,903	34,970
545	(715)	5	87	627
153,111	16,916	289	20,767	332,378
7,068	3,127	349	10,710	25,734
5,977	302	0	(16,194)	(318)
(888)	(3,141)	(213)	(49)	(13,036)
(22,554)	(5,212)	(203)	0	(34,913)
0	0	0	0	0
0	(69)	0	0	(69)
563	2,861	173	0	11,017
0	0	0	0	0
746	31	(6)	397	2,188
144,023	14,814	389	15,631	322,981
331,529	51,007	697	15,631	614,548
(187,506)	(36,193)	(308)	0	(291,567)

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

Property, plant and equipment from the acquisition of RENK America are recognized under addition to the scope of consolidation in the previous year.

The leases recognized as right-of-use assets comprise buildings, warehouse space and vehicle leases. Total cash outflows for the right-of-use assets come to EUR 2,068 thousand in the current fiscal year (previous year: EUR 2,002 thousand).

(16) Inventories

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

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

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

(17) Trade receivables

Trade receivables break down as follows:

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

All customer prepayment receivables are current.

(18) Contract assets

Contract assets developed as follows:

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

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

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

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

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

The restricted cash essentially comprises the cash collateral for bilateral guarantee credit lines.

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

Embedded Derivative consists of options giving the issuer and bond holder the right, but not the obligation, to early redeem the instrument or put it back to the issuer (in some cases contingent upon a certain event). See further details in section (23).

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

Commission claims include prepaid commission for ongoing projects.

(20) Equity

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

The capital reserves relate exclusively to capital contributions of Rebecca BidCo SARL, Luxembourg, at RENK Holding GmbH.

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

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

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

(21) Pensions and similar obligations

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

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

Current contributions are recognized as an expense in the respective year; in 2022 they amounted to a total of EUR 16,554 thousand (previous year: EUR 15,181 thousand) at RENK Group.

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

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

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

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

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

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

(a) Pension plans in Germany

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

Under the current pension plans, the active employees receive employer contributions linked to their remuneration and, in addition, also have the option of personal provision

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

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

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

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

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

(b) Pension plans outside Germany

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

(c) Funding status

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

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

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to RENK and therefore better reflect mortality than the current RT2018G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

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

The present value of defined benefit obligations developed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The plan assets are invested in the following categories:

EUR thousand	Quoted price on an active market	No quoted price on an active market	Total	Quoted price on an active market	No quoted price on an active market	Total
			Dec. 31, 2022			Dec. 31, 2021
Cash and cash equivalents	2,407		2,407	4,445		4,445
Equity instruments	10,926		10,926	11,718		11,718
Debt instruments	16,418		16,418	14,738		14,738
Direct investments in real estate		15,185	15,185		13,490	13,490
Real estate funds	1,809		1,809	1,313		1,313
Other funds	120,579		120,579	142,762		142,762
Other	3,209	3,364	6,573	2,923	3,111	6,034
Plan assets at fair value	155,348	18,549	173,897	177,899	16,600	194,499

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

The plan assets are 69% (previous year: 74%) invested in domestic assets, 30% (previous year: 26%) in other European assets and 1% (previous year: 0%) in assets from other regions. In this context, no investments were made in the RENK bond, in debt instruments issued by the Group or in other assets that are leased to the Group.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

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

(22) Other non-current and current provisions

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

Other provisions break down according to maturity as follows:

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

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

Provisions for outstanding costs comprise provisions for outstanding incoming invoices, risks from customer contracts recognized over a period of time and outstanding services for invoiced customer contracts.

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

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

(23) Financial liabilities

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

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

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

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

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

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

EUR thousand	Bonds	Loan liabilities	Lease liabilities	Liabilities to investees
As of Jan. 1, 2021	327,939*	177,612	5,828	0
Addition to scope of consolidation			2,250	–
Proceeds from issuing bonds	200,000		–	–
Transaction costs	(2,545)		–	–
Premium	6,000			
Repayment of loan liabilities		(40,606)	–	–
Interest payments	(18,981)	(947)		
Cash outflows from leasing			(2,002)	
Change in liabilities from cash pool affecting cash			–	275
Cash flows from financing activities	184,474	(41,554)	(2,002)	275
Effects of changes in foreign exchange rates	0	(73)	160	0
Debt equity swap		(48,852)		
Offsetting IAS 24 receivables		(6,866)		
Addition of lease liabilities			984	
Interest expense**	17,833*	5,888	(152)	–
Embedded derivatives	6,132*			
Non-cash changes in financial liabilities	23,967*	(49,904)	992	0
As of Dec. 31, 2021	536,377*	86,154	7,068	275
As of Jan. 1, 2022	536,377*	86,154	7,068	275
Interest payments	(29,900)			
Cash outflows from leasing			(2,068)	
Change in liabilities from cash pool affecting cash and cash equivalents				2,123
Cash flows from financing activities	(29,900)	0	(2,068)	2,123
Effects of changes in foreign exchange rates			120	
Addition of lease liabilities			886	
Interest expense**	29,233*	5,241	(103)	–
Embedded derivatives	0*			
Non-cash changes in financial liabilities	29,233*	5,241	903	0
As of Dec. 31, 2022	535,712*	91,395	5,903	2,398

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

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

(24) Contract liabilities

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

Contract liabilities developed as follows in fiscal year 2022:

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

(25) Other non-current and current liabilities

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

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

Other Disclosures

(26) Contingent liabilities

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

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

Other contingent liabilities include contingent liabilities from penalties.

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

(27) Other financial obligations

Other financial obligations comprise current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These primarily relate to renting work clothes and office printers. The maturities of future rental and lease payments until the end of their minimum term amount to EUR 325 thousand (previous year: EUR 470 thousand).

The capitalized leases create potential future payments of EUR 4,766 thousand (previous year: EUR 4,277 thousand) resulting from extension options not yet taken into account and termination options of EUR 49 thousand (previous year: EUR 1 thousand).

As of the end of the reporting period, the purchase commitment for the acquisition of intangible assets and property, plant and equipment was EUR 12,796 thousand (previous year: EUR 5,935 thousand). The commitment value for the acquisition of inventories and services was EUR 267,753 thousand (previous year: EUR 180,049 thousand).

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

(a) Number of employees

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

(b) Total remuneration for work by the auditor

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

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

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

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

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

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

*Figures from 2021.

(29) Related party disclosures

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

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

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

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

EUR thousand	2022 Jan. 1 - Dec. 31		2021 Jan. 1 - Dec. 31	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Services rendered (income)	6	–	5	90
Services received (expense)	5,241	–	5,888	–

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

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

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH. These are members of the management of RENK Holding GmbH, Rebecca BidCo SARL and RENK GmbH and, since the change to the structural organization of the RENK Group in the fiscal year, the key management personnel. In addition to the Executive Board of RENK Holding GmbH, these include the heads from the administrative

areas of Human Resources, Supply Chain Management, Governance/Legal/Compliance and Operations, as well as the heads of the divisions newly introduced in fiscal year 2022.

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

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

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

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

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

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

Key management personnel have indirectly and at their own risk acquired an interest at market value in Rebecca MidCo SARL, a parent company of RENK Holding GmbH, through the self-financed purchase of shares from Rebecca Management S.C.A. and thus participate in the entrepreneurial risks and rewards of the RENK Group. This is a share-based payment in accordance with IFRS 2. The investments were to be made by the respective participants upon signing of the investment agreement. As of the balance sheet date, the parties indirectly held around 1.2% of the RENK Group.

The executives involved bear the risk of this investment as self-financed co-investors. In the event of an exit by the current principal shareholder, the participants will share in any increase in value achieved. In the event that the participant gives up or has to give up its participation prematurely, for whatever reason, Rebecca LuxCo SARL, the majority shareholder of Rebecca Management S.C.A., has the option to acquire the shares of the participant against payment of a purchase price. The purchase price amounts to the lower of the original investment or the market value as defined in the participation

agreement – taking into account the share that has not yet vested, if applicable. This increases by 10% every six months. The underlying terms and conditions depend on the reason for the withdrawal but do not affect the value of the investment under IFRS 2. Neither RENK Holding GmbH nor any of its subsidiaries is at any time obligated to make any payment to the participants.

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

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

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

(30) Subsequent Events after the reporting period

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

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

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

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

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

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

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

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

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

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

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

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

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

Augsburg, January 27, 2024

RENK Group AG

Susanne Wiegand CEO	Christian Schulz CFO

The following indepdent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) has been issued in accordance with Section 322 of the German Commercial Code (Handelsgesetzbuch) on the amended consolidated financial statements and amended group management report (geänderter Konzernlagebericht) of RENK Group AG, Augsburg (formerly: RENK Holding GmbH, Augsburg) as of and for the fiscal year ended December 31, 2022. The English-language independent auditor's report is a translation of the respective German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers). The amended group management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

To RENK Group AG, Augsburg

Audit Opinions

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

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group Management Report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of

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

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and

whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group Management Report.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements

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

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

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

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

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

Note on Supplementary Audit

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

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

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Holger Graßnick
Wirtschaftsprüfer
(German Public Auditor)

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

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

Consolidated Income Statement

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

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

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

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

Consolidated Statement of Comprehensive Income

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

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

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

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

Consolidated Statement of Financial Position

Assets

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

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

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

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

Equity and liabilities

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

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

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Consolidated Statement of Changes in Equity[1)]

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

1) Please see Note “Equity”.

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

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

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

Consolidated Statement of Cash Flows

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

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

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

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

Notes to the Consolidated Financial Statements

Principles of Financial Reporting

(1) General principles

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

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

In accordance with section 290(1) and (2) HGB, RENK Holding GmbH, which was founded in fiscal year 2020 and is held by the financial investor Triton, is obliged to prepare consolidated financial statements due to its direct 100% interest in RENK FinCo GmbH, which in turn has a direct 100% interest in RENK GmbH. After the acquisition of the shares from Volkswagen-Vermögensverwaltungs-GmbH, RENK GmbH with its subsidiaries has been included in the consolidated financial statements since October 2020.

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

These consolidated financial statements of RENK Holding GmbH (smallest group) for the fiscal year from January 1 to December 31, 2021 were prepared in line with section 315e(3) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union as per Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, and the supplementary provisions of the Articles of Association on March 14, 2022 and approved for submission to the shareholder by resolution of the management.

The consolidated financial statements have been prepared in euro, the functional currency of the RENK Corporation. Unless stated otherwise, all figures are in thousands of euro (EUR thousand). Minor differences in totals or percentages can occur as a result of the

commercial rounding of amounts. In the individual tables, amounts that have been rounded to zero are shown as "0". If the figure is actually zero, it is shown as "–".

Changes in the consolidated financial statements for fiscal year 2021

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

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

2. Correction of a material misstatement

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

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

This concerns the consolidated income statement as follows:

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

This concerns the consolidated statement of financial position as follows:

EUR thousand	2021 as reported	Adjustment	**2021 adjusted**	2020 as reported	Adjustment	**2020 adjusted**
Assets	**1,368,289**	**-16,529**	**1,351,760**	**1,177,604**	**6,374**	**1,183,978**
Goodwill	70,579	6,374	**76,953**	20,978	6,374	**27,352**
Deferred tax assets	24,394	-22,902	**1,492**	3,861	0	**3,861**

Equity and liabilities	**1,368,289**	**-16,529**	**1,351,760**	**1,177,604**	**6,374**	**1,183,978**
Deferred tax liabilities	100,614	-18,089	**82,525**	74,949	4,526	**79,475**
Equity	296,670	1,561	**298,231**	199,049	1,848	**200,897**
Retained earnings	-36,688	3,436	**-33,252**	-25,524	1,848	**-23,676**

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

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

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

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

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

The following additional material adjustments have been made:

- Adjustment of the allocation between cash and non-cash items, as well as offsetting of loans and liabilities or capital contributions by affiliated companies. As a result, the cash flow from operating activities changed. It amounts to EUR 98,077 thousand (previously: EUR 110,305 thousand). The cash flow from financing activities changed from EUR 118,519 thousand to EUR 130,748 thousand. Additional disclosures have been made in the cash flow statement and in Note (25).
- A presentation of the management participation program, which qualifies as a share-based payment under IFRS 2, has been added. This participation program

represents an equity-settled plan at Group level. This did not have any effect on the income statement. Please refer to Note 33.

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

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

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

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

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

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

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

This concerns the consolidated income statement as follows:

EUR thousand	2021 as reported	Adjustment	**2021 adjusted**	2020 as reported	Adjustment	**2020 adjusted**
Interest expenses	**-40,943**	**7,343**	**-33,600**	**-13,368**	**678**	**-12,690**
Other financial result	13,060	5,451	**18,511**	378	1,328	**1,706**

Financial result	-27,883	12,793	-15,090	-12,990	2,006	-10,984
Profit before tax	**-2,561**	**12,793**	**10,232**	**-14,858**	**2,006**	**-12,852**
Income taxes	**-7,015**	-4,096	**-11,111**	-8,818	-640	**-9,458**
Profit after tax	**-9,576**	**8,698**	**-878**	**-23,676**	**1,366**	**-22,310**

This concerns the consolidated statement of financial position as follows:

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

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

In accordance with the corrections presented, some of the amounts shown in Note 9, 10, 21, 25, 30, 31, also had to be adjusted. The other financial result for the previous year was increased by EUR 1,328 thousand, interest expenses were reduced by EUR 678 thousand

and the tax expense from deferred taxes increased by EUR 640 thousand. All related amendments are marked with a triple asterisk***.

(2) Consolidation and measurement of equity investments

(a) Equity investments

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

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

(b) Basis of consolidation

Companies included

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

- RENK FinCo GmbH, Munich
- RENK GmbH, Augsburg
- RENK Magnet-Motor GmbH, Starnberg (formerly: Magnet-Motor GmbH)
- RENK Test System GmbH, Augsburg
- RENK-MAAG GmbH, Winterthur, Switzerland
- RENK France S.A.S., Saint-Ouen-l'Aumône, France
- RENK Corporation, Duncan (SC), USA
- RENK Systems Corporation, Camby (IN), USA
- Horstman Holdings Limited, Bath, UK
- Horstman Defence Systems Limited, Bath, UK
- Horstman Inc., Sterling Heights (MI), USA
- RENK America LLC, Muskegon (MI), USA (formerly: Combat Mobility Solutions LLC)
- RENK Holdings Inc., Muskegon (MI), USA (RENK Holdings Inc. was established in the context of the acquisition of RENK America LLC to bundle all US activities).

On March 1, 2021, RENK GmbH signed a contract on the acquisition of the Combat Propulsion Systems ("CPS") and RENK Magnet-Motor GmbH (formerly: Magnet-Motor GmbH) ("MM") units from L3Harris Technologies Inc. ("L3Harris"). The purchase agreement concluded was executed with effect from July 2, 2021. Please see "Business combination".

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

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

(c) Financial investments

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

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

(d) Currency translation

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

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

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

Overview of key exchange rates

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

(3) Accounting principles

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

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

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

(a) Revenue recognition

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

Performance obligations are recognized over time in the following cases:

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

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

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

(b) Operating expenses

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

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

(c) Intangible assets

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

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

(e) Leases

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

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

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

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

The practical expedients applied for short-term and low-value leases mean that no right-of-use asset or lease liability is recognized for these leases. The lease payments for these are recognized in the income statement as an expense. Low-value leases are leases where the new value of the leased asset does not exceed EUR 5,000. Leases with a total term of up to 12 months are classed as short-term. The IFRS 16 accounting requirements are not applied to leases for intangible assets.

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

To discount the lease liability, an incremental borrowing rate for the RENK Corporation is used with regard to the currency area and the contract term. The incremental borrowing rate is used only if the interest rate implicit in the lease cannot be readily determined. In the reporting period, the lease liabilities from new leases, contract modifications and changes in determining the term of the lease were discounted at a Corporation interest rate in a range between 2.60% and 2.75% (previous year: between 3.13% and 3.84%). If the lease is modified or there are changes in the lease payments, the term of the lease or the estimate with regard to exercising call options, then the lease liability is remeasured. The right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life and the lease term and are adjusted for any remeasurements of the lease liability.

(f) Impairment

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

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

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

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

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

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

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

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

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

(g) Inventories

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

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

(h) Contract assets and liabilities

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

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

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

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

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

(i) Primary financial instruments

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

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

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

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

Financial liabilities are assigned to the following categories:

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

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

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

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

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

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

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

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

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

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

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

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

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

Level 1:
For financial assets for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized for expected cash shortfalls within the next twelve months after the end of the reporting period.

Level 2:
For financial assets for which the risk of default has increased significantly at the end of the reporting period compared to the initial risk, a loss allowance is recognized for the lifetime expected credit losses of the financial instrument. The entity must obtain extensive and forward-looking information to assess a significant increase.

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

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

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

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

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

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

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

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

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

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

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

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

(j) Derivative financial instruments

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

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

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

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

(k) Income tax expense

Tax liabilities include current income tax liabilities.

Deferred taxes are reported in separate items of the statement of financial position and the income statement. Income tax liabilities for potential tax risks are recognized based

on the best possible estimate. The likely amount of the tax arrears payment is used as a basis for recognized income tax items.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and the tax basis, for temporary differences in profit or loss arising on consolidation and tax loss carryforwards. Tax effects from distributions of profit are recognized as deferred taxes only when the appropriate of earnings resolution has been passed. Deferred taxes are measured at the prevailing tax rate at the end of the reporting period or the future tax rate highly likely to be used.

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

Deferred tax assets are offset against deferred tax liabilities if they relate to the same taxation authority and to the extent that their maturities match.

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

(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) Embedded derivatives***

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

(p) Business Combinations

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

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

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

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

(q) Estimates and judgments

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

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

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

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

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

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

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

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

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

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

that deviate from assumptions and are beyond management control can cause amounts to differ from the original estimates.

(4) Statement of cash flows

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

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

Besides additions to property, plant and equipment, intangible assets and the company acquisition, cash flows from investing activities also include cash flows from loans receivable and restricted cash. Proceeds from these items are offset against each other.

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

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

(5) New and revised accounting pronouncements and methods

(a) Impact of new and revised IFRSs

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

(b) Other accounting standards effective for the first time

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

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

(c) New and revised IFRSs not adopted

RENK did not adopt the following accounting standards that have been adopted by the IASB but that are not yet effective for the fiscal year in the 2021 consolidated financial statements.

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

Notes to the Consolidated Income Statement

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

(6) Revenue

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

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

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

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

The unfulfilled or partially unfulfilled performance obligations under contracts with customers are included in the order backlog at a transaction price of EUR 1,276,845 thousand (previous year: EUR 1,030,254 thousand) as of December 31, 2021. The recognition of the corresponding revenue is expected in the following fiscal years:

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

(7) Other operating income

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

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

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

(8) Other operating expenses

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

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

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

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

(9) Interest expense and other financial result

Interest expense

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

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

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

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

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

Other financial result

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

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

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

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

(10) Income tax expense

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

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

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

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

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

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

Reconciliation of forecast to current income taxes

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

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

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

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

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

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

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

Deferred taxes are attributable to the following items:

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

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

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

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

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

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

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

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

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

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

(11) Other income statement disclosures

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

Staff costs break down as follows:

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

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

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

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

(12) Total remuneration for work by the auditor

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

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

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

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

Notes to the Consolidated Statement of Financial Position

(13) Business combination in 2020

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

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

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

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

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

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

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

Statement of financial position for the Corporation – adjustment			Dec. 31, 2020
EUR thousand	Before adjustment	Adjustment	Adjusted
Intangible assets	246,689	-7,027**	239,662**
Property, plant and equipment	295,983	4,357	300,340
Other and financial investments	23,708	-725	22,983
Deferred tax assets	3,861		3,861
Other non-current financial assets	5,592		5,592
Other non-current receivables	4,732		4,732
Non-current assets	580,565	-3,394**	577,171**
Inventories	248,604		248,604
Trade receivables	131,626		131,626
Contract assets	2,565		2,565
Current income tax receivables	13,385		13,386
Other current financial assets	16,296		16,296
Other current receivables	7,449		7,449
Cash and cash equivalents	186,881		186,881
Current assets	606,806		606,807
	1,187,371	-3,394**	1,183,978**

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

Statement of financial position for the Corporation – adjustment			Dec. 31, 2020
EUR thousand	Before adjustment	Adjustment	Adjusted
Subscribed capital	25		25
Capital reserves	221,903		221,903
Retained earnings	-24,190	-1,230**	-25,420**
Cumulative other comprehensive income	2,645		2,645
Equity	200,383	-1,230**	199,153**
Non-current financial liabilities	407,239		407,239
Pension provisions	16,023		16,023
Deferred tax liabilities	83,382	-2,164**	81,219**
Contract liabilities, non-current	78,544		78,544
Other non-current provisions	11,480		11,480
Other non-current financial liabilities	232		232
Non-current liabilities and provisions	596,900	-2,164**	594,737**
Current financial liabilities	97,759		97,759
Income tax liabilities	652		652
Trade payables	49,383		49,383
Contract liabilities, current	106,380		106,380
Current income tax payables	496		496
Other current provisions	53,825		53,825
Other current financial liabilities	53,014		53,014
Other current liabilities	28,578		28,579
Current liabilities and provisions	390,087		390,088
	1,187,371	-3,394**	1,183,978**

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

Statement of cash flows for the Corporation – adjustment			Dec. 31, 2020
EUR thousand	Before adjustment	Adjustment	Adjusted
Cash and cash equivalents at beginning of period	-	-	-
Profit before tax	-13,486	-1,372	-14,858
Income taxes paid	-5,366	-	-5,366
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	12,477	1,372	13,849
Write-downs/reversals other and financial investments	690	-	690
Change in provisions for pension obligations	-75	-	-75
Gains/losses from asset disposals	-42	-	-42
Other non-cash expenses and income	-1,407	-	-1,407
Change in inventories	14,626	-	14,626
Change in receivables and contract assets	-7,110	-	-7,110
Change in (contract) liabilities	6,336	-	6,336
Change in other provisions	-3,090	-	-3,090
Finance costs	13,368	-	13,368
Cash flows from operating activities	16,921	-	16,921
Payments to acquire property, plant and equipment and intangible assets	-15,564	-	-15,564
Acquisition of subsidiaries	-503,366	-	-503,366
Proceeds from asset disposals	404	-	404
Cash flows from loans receivable and restricted cash	-18,392	-	-18,392
Cash flows from investing activities	-536,918	-	-536,918
Equity contributions	221,928	-	221,928
Borrowing of financial liabilities	487,964	-	487,964
Lease payments	-384	-	-384
Interest payments	-2,235	-	-2,235
Cash flows from financing activities	707,273	-	707,273
Effect of exchange rate changes on cash and cash equivalents	-395	-	-395
Change in cash and cash equivalents	186,881	-	186,881
Cash and cash equivalents at end of period	186,881	-	186,881
Cash flows from loans receivable and restricted cash	18,392	-	18,392
Gross liquidity at end of period	205,273	-	205,273
Financial liabilities	-500,268	-	-500,268
Net liquidity at end of period	-294,995	-	-294,995

The disclosures in the notes related to the adjusted figures.

(14) Business combination in 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(16) Property, plant and equipment

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

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
1,247	2,195	0	0	4,357
143,471	16,527	291	25,361	300,340
11,453	4,947	267	10,017	31,458
7,483	386		-15,373	-94
-3,303	-490	-273	-2,228	-6,508
-21,537	-5,003	-271		-32,710
				1
				0
3,066	754	270		4,294
11,933	510	0	2,903	34,970
545	-715	5	87	627
153,111	16,916	289	20,767	332,378
319,551	54,173	568	20,767	
-166,440	-37,257	-279	0	

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

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

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

(17) Inventories

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

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

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

(18) Trade receivables

Trade receivables break down as follows:

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

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

(19) Contract assets

Contract assets developed as follows:

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

(20) Loss allowances

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

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

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

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

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

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

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

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

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

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

(22) Equity

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

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

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

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

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

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

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

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

(23) Pensions and similar obligations

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

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

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

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

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

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

(a) Pension plans in Germany

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

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

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

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

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

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

(b) Pension plans outside Germany

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

Obligatory post-employment benefits are paid in France.

(c) Funding status

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

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

The biometric data are based on current mortality tables for each specific country. For Germany, the Heubeck 2005 G mortality tables were adjusted in line with empirical data specific to RENK and therefore better reflect mortality than the current RT2018G mortality tables. The BVG 2015 GT mortality tables were used for Switzerland.

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

The present value of defined benefit obligations developed as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The plan assets are invested in the following categories:

EUR thousand	Dec. 31, 2021			Dec. 31, 2020		
	Quoted price on an active market	No quoted price on an active market	Total	Quoted price on an active market	No quoted price on an active market	Total
Cash and cash equivalents	4,445		4,445	2,973	–	2,973
Equity instruments	11,718		11,718	9,220	6,654	15,874
Debt instruments	14,738		14,738	13,719	–	13,719
Direct investments in real estate		13,490	13,490	–	12,270	12,270
Real estate funds	1,313		1,313	1,154	–	1,154
Other funds	142,762		142,762	128,474	–	128,474
Other	2,923	3,111	6,034	2,732	2,745	5,477
Plan assets at fair value	177,899	16,600	194,499	164,927	15,015	179,942

The trust assets of the domestic companies that are invested in the mixed specialty fund are recognized under Other funds.

The plan assets are 74% (previous year: 75%) invested in domestic assets, 26% (previous year: 25%) in other European assets and 0% (previous year: 0%) in assets from other regions. In this context, no investments were made in the RENK bond, in debt instruments issued by the Corporation or in other assets that are leased to the Corporation.

(d) Expenses for pension obligations

The following amounts were recognized in the income statement:

EUR thousand	2021	2020
Current service cost	9,654	1,483
Net interest expense (+)/income (–)	62**	27
	9,716**	1,511

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement”

(24) Other non-current and current provisions

EUR thousand	Warranties	Outstanding costs	Obligations to employees	Miscellaneous other provisions	Total
As of Jan. 1, 2021	40,256	4,705	12,088	8,255	65,305
Utilization	-4,972	-962	-6,449	-2,173	-14,557
Addition	23,857	2,593	8,728	4,903	40,081
Addition to basis of consolidation	120	12	1,517	458	2,107
Reversal	-10,593	-1,015	-273	-1,292	-13,173
Interest cost	-01	0	31	19	49
Currency translation differences	109	08	58	170	346
As of Dec. 31, 2021	48,777	5,340	15,701	10,339	80,157

Other provisions break down according to maturity as follows:

EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
	Non-current	Current	Non-current	Current
Warranties	4,948	43,829	2,952	37,306
Obligations to employees	7,478**	8,223**	7,602	4,486
Outstanding costs	–**	5,340**	–	4,704
Miscellaneous other provisions	1,110	9,229	926	7,329
**	13,536	66,621	11,480	53,825

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Provisions for warranties relate to legal and contractual warranty obligations and to goodwill towards customers. The timing of the utilization of provisions for warranties is dependent on the occurrence of the warranty claim and can extend over the entire warranty and goodwill period. Provisions for outstanding costs comprise risks from customer contracts recognized over a period of time and outstanding services for invoiced customer contracts.

Non-current obligations to employees relate in particular to partial retirement and anniversaries. Current obligations to employees primarily relate to planned expenditure for staff restructuring measures in the Standard Gear Units segment.

Miscellaneous other provisions essentially relate to provisions for anticipated losses from onerous contracts and penalties.

(25) Financial liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Bonds***	522,590	319,352
Loan liabilities	86,154	81,287
Lease liabilities	5,373	4,394
Non-current financial liabilities***	614,117	405,033
Bonds (current portion)***	13,787	8,586
Loan liabilities	–	96,325
Lease liabilities	1,695	1,434
Liabilities from cash pool	275	–
Current financial liabilities***	15,757	106,345
***	629,874	511,378

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

For the acquisition in 2021 described in the "Business combination" section, the bond was increased by a nominal amount of EUR 200 million in June 2021. Like the original bond, this increase in the bond bears interest at a rate of 5.75%***.

Some of the previous year's current loan liabilities to affiliated companies were repaid in 2021, while some were contributed to the company's equity***.

The following tables show the changes in liabilities arising from financing activities for fiscal years 2020 and 2021:

EUR thousand	Bonds	Loan liabilities	Lease liabilities	Liabilities to investees
As of Jan. 2, 2020	–	–	–	–
Addition to basis of consolidation			6,098	0
Proceeds from issuing bonds	320,000	–	–	–
Proceeds from borrowing loan liabilities	–	175,658	–	–
Transaction costs	-7,681			
Change in lease liabilities	–	–	-289	0
Total change in financing activities**	312,319	175,658	-289	0
Effects of changes in foreign exchange rates	0	60	-24	–
Deferred interest***	8,561	1,894	43	–
Bifurcation embedded derivatives***	7,058			
Total other changes, in relation to liabilities***	15,619	1,894	43	0
As of Dec. 31, 2020**/***	327,939	177,612	5,828	0
As of Jan. 1, 2021**/***	327,939	177,612	5,828	0
Addition to basis of consolidation			2,250	–
Proceeds from issuing bonds	200,000		–	–
Transaction costs	-2,545		–	–
Premium	6,000			
Repayment of loan liabilities**		-40,606	–	–
Interest payments**	-18,981	-947		
Cash outflows from leases**			-2,002	
Cash change in liabilities from cash pool**			–	275
Cash flows from financing activities**	184,474	-41,554	-2,002	275
Effects of changes in foreign exchange rates		-73	160	0
Debt-for-equity swap**		-48,852		
Offsetting of IAS 24 receivables**		-6,866		
Addition to lease liabilities**			984	
Interest expense**/***	17,833	5,888	-152	–
Bifurcation embedded derivative***	6,132			
Non-cash changes in financial liabilities**/***	23,966	-49,904	992	0
As of Dec. 31, 2021**/***	536,378	86,154	7,068	275

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement”

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond”

(26) Contract liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Contract liabilities, non-current	39,398	78,544
Contract liabilities, current	117,202	100,296
Liabilities from customer prepayment receivables	4,411	6,084
	161,010	184,924

Contract liabilities developed as follows in fiscal year 2021:

EUR thousand	2021	2020
As of Jan. 1	184,924	–
Additions and disposals	-36,483	627
Addition to basis of consolidation	11,796	184,521
Currency changes	774	-224
As of Dec. 31	161,010	184,924

(27) Other non-current and current liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Derivative financial instruments	2,002	311
Liabilities from the acquisition of outstanding shares	–	51,553
Miscellaneous other financial liabilities	1,542	1,359
Other financial liabilities**	3,544	53,246
of which non-current**	639	–
Employee-related liabilities	25,410	26,108
Liabilities from other taxes	259	1,651
Deferred income	–	23
Miscellaneous other liabilities	1,837	819
Other liabilities	27,506	28,579
of which long-term	30	–
**	31,050	81,824

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement”

Liabilities from the acquisition of outstanding shares as of December 31, 2020 include the liability to non-controlling interests from the squeeze-out of the former RENK AG under merger law. This liability was repaid in 2021.

Employee-related liabilities mainly include deferred vacation not yet taken, annual bonuses and working time accounts as well as wages and salaries and social insurance contributions not yet paid at the end of the reporting period.

Other Disclosures

(28) Contingent liabilities

EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Obligations from guarantees**	168	329
Other contingent liabilities	820	1,104
**	988	1,432

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

Obligations from guarantees relates to guarantees under trade obligations of equity investments.

Other contingent liabilities comprise other obligations that are not likely to be required to be settled.

Contingent liabilities are usually measured in the amount of the maximum claims on RENK. Any rights of recourse are not deducted.

(29) Other financial obligations

Other financial obligations comprise current rental agreements and leases that are not capitalized on account of the exemption under IFRS 16. These primarily relate to renting work clothes and office printers. The maturities of future rental and lease payments until the end of their minimum term amount to EUR 470 thousand (previous year: EUR 271 thousand).

The capitalized leases create potential future payments of EUR 4,277 thousand (previous year: EUR 4,092 thousand) resulting from extension options not yet taken into account and termination options of EUR 1 thousand (previous year: EUR 1 thousand).

As of the end of the reporting period, the purchase commitment for the acquisition of intangible assets and property, plant and equipment was EUR 5,935 thousand (previous year: EUR 3,697 thousand). The commitment value for the acquisition of inventories and services was EUR 180,049 thousand (previous year: EUR 133,973 thousand).

(30) Additional information on financial instruments

This section contains additional information on the significance of financial instruments and on individual items of the statement of financial position and the income statement that relate to financial instruments.

The following table shows the reconciliation of statement of financial position items to the classes of financial instruments as of December 31, 2021, broken down by carrying amounts and fair values of financial instruments, and the allocation of statement of financial position items to the measurement categories:

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2021
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments**	2,975	–	–	–	20,692	23,667
Other non-current financial assets**	–	–	2,165	2,165	–	2,165
Embedded derivatives***		19,968				19,968
Current assets						
Trade receivables**	–	–	117,497	117,497	–	117,497
Contract assets**	–	–	–	–	60,068	60,068
Other current financial assets**	–	8	10,083	10,083	–	10,091
Cash and cash equivalents	–	–	97,546	97,546	–	97,546
Non-current liabilities						
Non-current financial liabilities***	–	–	608,744	646,590	5,373	614,117
of which bonds***	–	–	522,590	559,910[1)]	–	522,590
of which loan liabilities	–	–	86,154	86,680	–	86,154
of which lease liabilities	–	–	–	–	5,373	5,373
Other non-current financial liabilities	–	632	7	7	–	639
Current liabilities						
Current financial liabilities***	–	–	14,062	14,062	1,695	15,757
Trade payables	–	–	65,816	65,816	–	65,816
Other current financial liabilities	–	1,370	1,534	1,534	–	2,904

[1)] Fair Value is based on listing price (clean price) without accrued interest.

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement”

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond”

The table below shows the carrying amounts, measurement categories by class, the fair values and the fair value hierarchy within the scope of IFRS 9 as of December 31, 2020:

EUR thousand	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost		Not assigned to an IFRS 9 measurement category	Statement of financial position item as of December 31, 2020
	Carrying amount	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets						
Other and financial investments	2,975	–	–	–	20,008	22,983
Other non-current financial assets	–	37	5,555	5,555	–	5,592
Embedded derivatives***		8,386				8,386
Current assets						
Trade receivables**	–	–	131,626	131,626	–	131,626
Contract assets	–	–	–	–	2,565	2,565
Other current financial assets**	–	545	15,751	15,751	–	16,296
Cash and cash equivalents	–	–	186,881	186,881	–	186,881
Non-current liabilities						
Non-current financial liabilities***	–	–	400,639	425,305	4,394	405,033
*of which bonds****	–	–	*319,352*	*344,018*[1)]	–	*319,352*
of which loan liabilities	–	–	*81,287*	*81,287*	–	*81,287*
of which lease liabilities	–	–	–	–	*4,394*	*4,394*
Other non-current financial liabilities	–	225	7	7	–	232
Current liabilities						
Current financial liabilities***	–	–	104,911	104,911	1,434	106,345
Trade payables	–	–	49,383	49,383	–	49,383
Other current financial liabilities	–	85	52,929	52,929	–	53,014

[1)] Fair Value is based on listing price (clean price) without accrued interest.

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*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the “General information” section of the notes to the consolidated financial statements, under “Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond”

The cumulative carrying amounts of financial instruments as of December 31, 2021, broken down by IFRS 9 measurement category, are as follows:

EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
Measurement category in accordance with IFRS 9	Assets	Equity and liabilities	Assets	Equity and liabilities
Financial instruments at amortized cost**/***	227,291	690,163	339,814	607,869
Financial assets at fair value through other comprehensive income	2,975	–	2,975	–
Financial instruments at fair value through profit or loss***	19,976	2,002	8,968	311

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

The fair values were calculated based on the market conditions at the end of the reporting period and the measurement methods described below. They are the prices at which one party would assume the rights or obligations from these financial instruments from an independent third party.

Cash and cash equivalents, trade receivables, other financial assets, current financial liabilities, trade payables and miscellaneous financial liabilities predominantly have a short remaining term. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value.

Financial assets at fair value through other comprehensive income include equity shares of EUR 2,975 thousand (previous year: EUR 2,975 thousand) in the company RENK UAE LLC, Abu Dhabi, United Arab Emirates, for which the RENK Group exercises the option for measurement at fair value through other comprehensive income.

Total dividends of EUR 1,621 thousand (previous year: EUR 605 thousand) were received in the reporting period. Of this amount, EUR 1,026 thousand (previous year: EUR 605 thousand) was from Cofical RNK Mancais do Brasil Ltda. and EUR 594 thousand (previous year: EUR 0 thousand) was from RENK U.A.E. LLC.

For derivative financial instruments without option components, in particular currency forwards, future cash flows are calculated by discounting the forward cash flows on the basis of the FX spot and swap rates (calculation using the interest difference method). The fair value of these instruments is the total of the discounted cash flows.

Financial assets and liabilities measured at fair value are level 2 of the fair value hierarchy.

With the exception of cash and cash equivalents and the bond (the fair value of the bond being presented net of the fair value of the embedded derivative and accrued interest), which are allocated to level 1 of the fair value hierarchy, all other financial assets and liabilities at amortized cost are allocated to level 2 of the fair value hierarchy: For level 3 receivables, the fair value is determined taking into account individual loss expectations that are essentially based on assumptions by the company regarding the counterparty's credit.

Additionally, the compound embedded derivative is classified as level 3 of fair value hierarchy. The fair value is calculated using a trinomial tree approach based on the Hull White 1 Factor Model. The primary inputs of the model include the interest rate and credit spread volatility, the market price at the valuation date, the credit spread and market interest rate, as well as the probability of the occurrence of a triggering event until the bonds maturity. The credit spread, its volatility, and the probability of any triggering event are not observable in the market and hence judgmental. The following sensitivity analysis shows the effect of reasonable changes of the unobservable input parameters on the fair value as well as financial result loss***:

EUR thousand	Dec 31, 2021	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of triggering event	+1 percentage point	19,936	-33
	-1 percentage point	20,001	33
Shift in credit spread	+10%	17,801	-2,167
	-10%	22,365	2,396
Shift in volatility	+10%	20,902	933
	-10%	19,044	-924

EUR thousand	Dec 31, 2020	Fair Value Embedded Derivative	Effect on financial result
Shift in probability of triggering event	+1 percentage point	8,352	-33
	-1 percentage point	8,419	33
Shift in credit spread	+10%	7,158	-1,227

	-10%	9,862	1,477
Shift in volatility	+10%	8,987	602
	-10%	7,793	-592

The movements in level 3 fair values are as follows***:

EUR thousand	Embedded derivative
January 1, 2020	**0**
Initial Recognition	7,058
Changes from fair value measurement	1,328
December 31. 2020	**8,386**
Initial Recognition	6,132
Changes from fair value measurement	5,451
December 31. 2021	**19,968**

Fair value hierarchy:

The classification and reporting of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and breaks down as follows:

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted prices included within level 1 that are observable for an asset or liability either directly (as a price) or indirectly (derived from prices). The fair values of level 2 financial instruments are calculated based on the conditions at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as the discounted cash flow models or option pricing model.

Level 3:

Input data used for the measurement of the asset or liability not based on observable market data (unobservable inputs).

The interest income and expenses generated in connection with financial assets and financial liabilities are as follows:

EUR thousand	2021	2020
Interest expense***	33,313	12,608
Interest income	423	353

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Offsetting financial assets and financial liabilities

The following table contains information on possible offsetting effects on the consolidated statement of financial position and the financial impact of offsetting in the case of instruments which are subject to a legally enforceable master offsetting agreement or similar agreement.

The "Financial instruments" column shows the amounts that are the subject of a master offsetting agreement, but that cannot be offset because the conditions have not been met. Offsetting can occur only given certain future events, such as the insolvency of one of the parties. The columns "Collateral received" and "Collateral provided" show the amounts of cash collateral or collateral in the form of financial instruments received/pledged in relation to the total amount of assets and liabilities.

EUR thousand	Carrying amount in statement of financial position	Financial instruments[1)]	Collateral received[1)]	Net amount
Dec. 31, 2021				
Assets from derivative financial instruments	8	-8	–	0
Liabilities from derivative financial instruments	2,002	-8	–	1,993
Dec. 31, 2020				
Assets from derivative financial instruments	582	-158	–	424
Liabilities from derivative financial instruments	311	-158	–	153

1) Amounts not offset in the statement of financial position.

The net gains and losses from financial instruments are shown in the table below:

EUR thousand	2021	2020
Financial assets at amortized cost**	-1,229	-126
Financial liabilities at amortized cost**/***	-30,427	-2,398
Assets and liabilities at fair value through profit or loss**/***	7,495	2,365
Net gain (+)/net loss (–)**/***	-24,161	-159

** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 2. Correction of a material misstatement"

*** Explanations regarding changes in the figures in the consolidated financial statements for 2021 can be found in the "General information" section of the notes to the consolidated financial statements, under "Changes in the consolidated financial statements for fiscal year 2021, 3. Correction of a material misstatement in the accounting treatment of a bond"

Net gains and losses from financial assets measured at amortized cost essentially contain changes in valuation allowances of EUR 3,160 thousand and currency translation in the amount of EUR -1,355 thousand.

The net gains or losses from financial liabilities at cost mainly result from interest expense of EUR 24,906 thousand***.

The net gains or losses from financial assets and liabilities measured at fair value through profit or loss include mainly result from fair value changes from the measurement of the compound embedded derivative***.

(31) Derivative financial instruments and hedging strategies

On account of its business activities and international orientation, the assets, liabilities and planned transactions of the RENK Corporation are subject to market, credit and liquidity risks. There is a Group-wide risk management system to identify, quantify and mitigate these risks. Corporate Treasury at RENK GmbH is responsible for operating risk management and controlling for risks arising from financial instruments.

(a) Risk management

The companies hedge their currency risks at market conditions via the central Corporate Treasury of RENK GmbH. This uses primary and predominantly derivative financial instruments. Derivative financial instruments are recognized on the trade date.

The risk positions of the Corporation are hedged externally with banks within predetermined risk limits by Corporate Treasury. Hedging is carried out with due regard for banks' risk management requirements and is subject to stringent monitoring, which is guaranteed in particular by a strict separation of functions on the basis of the dual control principle.

Liquidity management and investment in the RENK Corporation is centralized under corporation-wide cash management. When investing cash and cash equivalents, financial

institutions and investment vehicles are carefully selected and diversified. The majority of cash and cash equivalents are held in cash deposits at banks with an investment grade rating.

The management of RENK GmbH is regularly informed about the market price risks of the RENK Group.

(b) Currency risk

For each RENK company there is a currency risk if it performs transactions and incurs future cash flows in a currency other than its functional currency. To reduce the effect of exchange rate fluctuations, the RENK companies continuously quantify the exchange risk and hedge all material risks by using currency forwards.

In the RENK Corporation, all firm customer contracts, its own orders, receivables and liabilities in foreign currency are hedged. Currencies with a high correlation to the euro, such as the Danish krone, and equity investments or equity-type loans in foreign currencies, if at all relevant, are only hedged in individual cases. In addition, there is hedging for planned revenue in foreign currency from series production business within defined hedging ranges and, occasionally, for customer projects whose materialization is highly probable. The RENK management is regularly informed of the currency positions of the RENK Group.

As of the end of the reporting period, RENK's foreign exchange exposure is primarily from transactions in USD, CHF, CNY and GBP. Thanks to the currency forwards in place for these currencies, RENK was not exposed to any significant risks.

In a sensitivity analysis, the primary and derivative financial instruments in place at the end of the reporting period were measured in a hypothetical scenario. The effects of a 10% appreciation/depreciation of a currency per currency pair as of December 31, 2021 are as follows:

EUR thousand	Dec. 31, 2021	
	Net profit/loss for the period	
Currency pair	+10%	-10%
EUR/AED	-1	1
EUR/CAD	-3	3
EUR/USD	-21,811	21,129
EUR/CHF	-56	56
EUR/CNY	-360	251
EUR/GBP	-1,056	1,056
EUR/JPY	-25	-3
EUR/NOK	-15	15
CHF/USD	-37	37
CHF/CNY	14	-14
CHF/GBP	1	-1
GBP/USD	-244	244
GBP/CAD	-19	19

EUR thousand	Dec. 31, 2020	
	Net profit/loss for the period	
Currency pair	+10%	-10%
Euro/US dollar	1,394	-1,237
Euro/Swiss franc	-1,083	1,083
Euro/Chinese yuan	290	-334
Euro/Pound sterling	-458	467
Euro/Japanese yen	126	-125
Euro/Norwegian krone	-1	1
Swiss franc/US dollar	-21	21

(c) Commodity price risk

RENK is exposed to the risk of changes in commodity prices and their availability, i.e. commodity procurement risk, both in connection with the procurement of the means of production but also in the procurement of energy (electricity, gas, oil, etc.).

As far as possible, this risk is countered by fixed price agreements with suppliers. Owing to the variety of commodities used and the resulting quantities, each comparatively small, the hedging of prices using corresponding instruments on the financial markets is not a substantial alternative for RENK. RENK had no commodity derivatives in fiscal year 2021.

There were no significant risk clusters in the past fiscal year.

(d) Credit risk

On account of its operating activities, RENK is exposed to credit risk, i.e. the risk that a counterparty does not meet its contractual obligations and thus causes a financial loss. Credit risks include direct counterparty risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected by the carrying amounts of financial and contract assets reported in the statement of financial position. Credit risks are minimized, and risk provisions calculated, mainly with the following measures:

Sovereign and counterparty risks arising from business operations are continuously assessed locally. Security levels and forms are determined based on this. Outstanding debts are also continuously monitored locally. If default risks arise, allowances are recognized. Credit risk is limited by various, sometimes country-specific, forms of security. Letters of credit, guarantees, warranties, retention of title and customer prepayments could be used. In project business, the risk of default is minimized by prepayments and by obtaining collateral.

RENK recognizes appropriate loss allowances for expected credit losses in connection with its business operations. It also performs an ongoing assessment of all financial assets measured at amortized cost. Allowances on trade receivables and contract assets are calculated using a provision matrix with provision rates graded according to the aging analysis of receivables. Specific valuation allowances are recognized if there is objective evidence of credit losses or other contractual anomalies. Other financial receivables and cash and cash equivalents are checked for cash shortfalls using a general three-stage approach.

There were no significant clusters in terms of credit risk in the RENK Group in the past fiscal year.

The credit risks of the financial assets can be grouped into the following risk classes:

	Risk class 1		Risk class 2		Risk class 3	
	Receivables without evidence of credit impairment[1)]		Receivables with a significant increase in credit risk[2)]		Receivables with evidence of credit impairment[3)]	
EUR thousand	2021	2020	2021	2020	2021	2020
Stage 1: 12-month expected credit loss	113,088	217,033	–	–	–	–
Stage 2: Lifetime expected credit losses (not impaired)	–	–	–	–	–	–
Stage 3: Lifetime expected credit losses (impaired)	–	–	–	–	–	–
Purchased or originated credit-impaired financial instruments	–	–	–	–	–	–
Simplified approach: Lifetime expected credit losses	158,886	105,455	4,893	11,231	11,743	9,370
	271,975	322,488	4,893	11,231	11,743	9,370

1) Receivables not past due or past due by up to 30 days.
2) Receivables past due by 31 to 90 days.
3) Receivables past due by more than 91 days.

Level 1 essentially comprises cash and cash equivalents for which no loss allowances are formed because they are due on demand and have low default risk.

Loss allowances are recognized based on maturity profiles and provision rates for expected credit losses for receivables that are not impaired. Specific valuation allowances are recognized if there is objective evidence of impairment on the receivables in question.

(e) Liquidity risk

Liquidity risk describes the risk that the RENK Group is unable to adequately meet its payment obligations or can raise liquidity only at a higher price.

Solvency and the provision of liquidity in the RENK Corporation are assured at all times on the basis of rolling liquidity planning of the RENK companies. To limit the liquidity risk, inflows and outflows of cash and maturities are monitored and managed at all times. Financing requirements are covered by both operating cash flow and external financing. There were therefore no significant risk clusters in the past fiscal year.

Cash for the operating units is essentially managed centrally as part of cash pooling. Cash and cash equivalents of the RENK companies are combined on a daily basis. Thus, liquidity surpluses and requirements can be managed as necessary. For external financing, the

opportunities on the financial markets are tracked continuously to ensure financial flexibility and to limit refinancing risks.

In the context of a syndicated loan agreement, there are cash credit lines with banks of EUR 50,000 thousand for the companies of the RENK Group at normal market conditions with a term to January 13, 2025 and an extension option. Deutsche Bank acts as the lead agent for the syndicated loan. The basic interest rate is determined depending on the debt-to-equity ratio. The credit lines had not been utilized at the end of the reporting period.

In the context of a syndicated loan agreement, the RENK Corporation also has a guarantee credit line at normal market conditions with a term to January 13, 2025 and an extension option. The amount of the guarantee credit line is unchanged year-on-year at EUR 175,000 thousand and has been utilized in the amount of EUR 119,642 thousand (previous year: EUR 120,889 thousand). Outside the syndicated loan agreement, there are additional guarantee credit lines on a bilateral basis of EUR 22,771 thousand (previous year: EUR 23,988 thousand), of which EUR 18,871 thousand (previous year: EUR 21,981 thousand) had been utilized on the reporting date. Cash collateral of EUR 7,848 thousand (previous year: EUR 11,257 thousand) was provided for the bilateral guarantee credit lines as of the reporting date.

To finance part of the acquisition of shares in the former RENK AG, Rebecca BidCo AG issued a bond of EUR 320 million with a term of five years and a coupon of 5.75% p.a. on the TISE regulated market in Guernsey in the previous year. The bond is collateralized under an intercreditor agreement by pledging account balances, interests in companies, and receivables from intercompany loans. No covenants are agreed in the bond.

In addition, a long-term loan of EUR 80 million with a term of more than five years, but at most until the full release from liability under the intercreditor agreement, was taken out by Rebecca BidCo SARL in the previous year. Two short-term loans totaling EUR 96 million have also been taken out by Rebecca BidCo SARL. The interest rates for the loans are in a range between 0% and 6%.

To finance the acquisition of the Combat Propulsion Systems (CPS) business and Magnet-Motor GmbH (MM) from L3Harris Technologies Inc. (L3Harris), the existing bond was increased by EUR 200 million in the current fiscal year. No changes were made to the term of five years or the coupon of 5.75% p.a. The bond increase was recognized plus a premium of EUR 6,000 thousand and less the transaction costs of EUR 2,545 thousand. This was done using the effective interest method. The EUR 4,060 thousand incurred to secure the financing for the transaction is reported in interest expense.

Cash and cash equivalents are essentially used to finance working capital and short-term obligations. Management is informed regularly about cash inflows and outflows.

The cash flows at RENK are dominated by the maturities arising from business operations. These are predominantly of a short-term nature. Cash clearing takes place through the inclusion in the central financial management of RENK GmbH.

The following table shows how the cash flows of liabilities, derivative financial instruments and contingent liabilities affect RENK's liquidity situation:

Maturities[1)]

EUR thousand	Dec. 31, 2021			Dec. 31, 2020		
	2022	2023 to 2026	> 2026	2021	2022 to 2025	> 2025
Cash outflows from primary financial liabilities	98,957	701,155	245	218,573	397,735	104,132
of which from bonds[3)]	*29,900*	*609,700*	*–*	*18,502*	*393,600*	*–*
of which from loan liabilities	*–*	*86,154*	*–*	*96,332*	*73*	*103,793*
of which trade payables	*65,816*	*–*	*–*	*49,383*	*–*	*–*
of which other financial liabilities	*1,546*	*7*	*–*	*52,922*	*7*	*–*
of which from lease liabilities	*1,695*	*5,294*	*245*	*1,435*	*4,055*	*339*
Cash outflows from liability derivative financial instruments and gross fulfillment[2)]	-26,089	-17,370	-211	-7,147	-580	-8,375
Associated cash inflows	24,576	16,488	173	7,007	518	8,075
Potential cash outflows from contingent liabilities	10,927	–	–	1,432	–	–
of which for repayment obligations	*10,927*	*–*	*–*	*1,432*	*–*	*–*

1) The procedure for calculating the amounts was as follows:
   – If the maturity date is not fixed, the liability is assigned to the earliest maturity date.
   – Interest payments for floating rate interest are taken into account in line with the conditions as of the end of the reporting period.
   – It is assumed that the cash outflows will not occur earlier than shown.
2) In accordance with the requirements of IFRS 7, only undiscounted cash flows of the contractual interest and principal payments are shown.
3) This includes both tranches of EUR 320,000 thousand and EUR 200,000 thousand within the bond.

(32) List of shareholdings of RENK Holding GmbH as of December 31, 2021

Name and registered office of the company	Share of capital in %	Local currency (LC)	Exchange rate (EUR/LC)	Equity (1,000 LC)	Earnings (1,000 LC)
RENK GmbH, Munich	100	EUR	1	764,674	63,415
RENK FinCo GmbH, Munich	100	EUR	1	312,132	129
RENK Test System GmbH, Augsburg	100	EUR	1	11,852	0
E-MS GmbH, Hamburg	100	EUR	1	-92	-1,028
RENK Magnet-Motor GmbH, Starnberg[1)]	100	EUR	1	2,762	897
RENK France S.A.S., Saint-Ouen-l'Aumône, France	100	EUR	1	24,800	1,772
Schelde Gears B.V., Vlissingen, Netherlands	100	EUR	1	2,902	408
RENK (UK) Ltd., London, UK (inactive)	100	GBP	n/a	n/a	n/a
Horstman Defence Systems Ltd., Bath, UK	100	GBP	0.8403	16,802	1,747
Horstman Holdings Ltd., Bath, UK	100	GBP	0.8403	12,945	-1,447
RENK-MAAG GmbH, Winterthur, Switzerland	100	CHF	1.0331	10,888	3,557
RENK Transmisyon Sanayi A.S., Istanbul, Turkey	55	TRY	15.2335	19,954	1,257
RENK UAE LLC, Abu Dhabi, United Arab Emirates	49	AED	4.1781	29,070	9,368
RENK America LLC, Muskegon, USA	100	USD	1.1326	363,119	19,732
RENK Holdings Inc., Muskegon, USA	100	USD	1.1326	149,910	-15,071
RENK Corporation, Duncan, South Carolina, USA	100	USD	1.1326	14,361	1,735
RENK Systems Corporation, Camby, Indiana, USA	100	USD	1.1326	8,155	2,870
Horstman, Inc., Sterling Heights, Michigan, USA	100	USD	1.1326	1,329	-9
Horstman Systems Inc., Woodbridge, Ontario, Canada	100	CAD	1.4393	574	-356
RENK Holding Canada Inc., Toronto, Ontario, Canada	100	CAD	1.4393	6,288	12
COFICAL RENK MANCAIS DO BRASIL LTDA, Guaramirim, Brazil	98	BRL	6.3101	26,886	9,966
Modest Tree Media Inc., Halifax, Nova Scotia, Canada	28.89	CAD	1.4277	1,467	-2,052
Renk Gears Private Ltd., Bangalore, India	100	INR	84.2292	140,568	41,645
Renk Korea Co., Ltd., Busan, South Korea	100	KRW	1,346.380	959,811	279,266
RENK Shanghai Service and Commercial Co., Ltd. Shanghai, China	100	CNY	7.1947	7,983	945

(33) Related party disclosures

Related parties as defined by IAS 24 are natural persons and companies that can be influenced by RENK Holding GmbH that can significantly influence RENK Holding GmbH or that are influenced by another related party of RENK Holding GmbH.

Rebecca MidCo SARL, Luxembourg, holds the shares in Rebecca BidCo SARL, Luxembourg. Rebecca BidCo SARL holds the shares in RENK Holding GmbH and therefore it, and its affiliated companies, are related parties of the RENK Corporation. Rebecca MidCo SARL and Rebecca BidCo SARL are ultimately held by the "Triton V" fund, which is majority owned by Triton. There is no higher-level parent of Triton that prepares consolidated financial statements available to the public.

Exchanges of goods and services between RENK and its related parties are conducted as at arm's length.

Loan transactions were processed in the following amounts with Rebecca MidCo SARL and Rebecca BidCo SARL in the current fiscal year:

EUR thousand	2021 Jan. 1 - Dec. 31		2020 Jan. 2 - Dec. 31	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Services rendered (income)	5	90	–	80
Services received (expense)	5,888	–	1,820	–

EUR thousand	Dec. 31, 2021		Dec. 31, 2020	
	Rebecca BidCo SARL	Rebecca MidCo SARL	Rebecca BidCo SARL	Rebecca MidCo SARL
Receivables (Dec. 31)	222	–	–	6,776
Liabilities (Dec. 31)	86,154	–	177,538	–

Related parties of RENK also include persons who can influence or be influenced by RENK Holding GmbH, such as the members of the management of RENK Holding GmbH, the members of the management of Rebecca BidCo SARL and the management of RENK GmbH. Mr. Christian Hammel resigned from the Executive Board of the former RENK AG with effect from January 31, 2021. He was succeeded by Mr. Winfried Vogl with effect from February 1, 2021. Ms. Susanne Wiegand succeeded Mr. Florian Hofbauer as CEO of the RENK Group effective May 1, 2021. Mr. Winfried Vogl left the management of RENK GmbH as of December 31, 2021.

In the fiscal year, management remuneration amounted to EUR 7,707 thousand (previous year: EUR 1,693 thousand), consisting of EUR 580 thousand (previous year: EUR 411 thousand) from short-term benefits and EUR 7,127 thousand (previous year: EUR 1,282 thousand) from post-employment benefits and termination benefits. There are no other long-term employee benefits or share-based payments.

Management participation program**

Key management personnel have invested in Rebecca MidCo SARL, a parent company of RENK Holding GmbH, at market value indirectly and at their own risk by making self-financed purchases of shares in Rebecca Management S.C.A. and thus share in the business opportunities and risks of the RENK Group. This is a share-based payment in accordance with IFRS 2. The investments were to be made by the respective participants upon signing of the investment agreement. As of the end of the reporting period, the participating parties indirectly hold a share of around 1.2% in the RENK Group.

The participating management personnel bear the underlying risk of this investment as self-financed co-investors. Realization takes place in connection with the exit of the current main shareholder. In the event that the participating party chooses to or is required to dispose of his/her investment early for whatever reason, Rebecca LuxCo SARL, the majority shareholder of Rebecca Management S.C.A., has the option to acquire the participating party's shares in exchange for the payment of a purchase price. The underlying terms and conditions depend on the reason for the withdrawal but do not affect the value of the investment under IFRS 2. At no time is RENK Holding GmbH or any of its subsidiaries obligated to make a payment to the parties involved.

According to IFRS 2, these investments are share-based payments. At the time of acquisition of the investments (in Q4/2021 and Q1/2022), the purchase price to be paid was at least equal to the fair value of the investment received. The fair value was determined by further developing the business valuation carried out in connection with the acquisition by Triton. As the fair value of the investment was paid by the parties at the time of acquisition, no monetary benefit was granted. As a result, no personnel expense is to be recognized at the level of the Renk Group over the entire period of the plan.

No other business relationships were maintained with the related parties in the reporting period.

(34) Events After the End of the Reporting Period

By way of the shareholder resolution on December 16, 2021, the appointments of Mr. Claus von Hermann and Mr. Volker Stumpf as directors of RENK Holding GmbH were revoked as of the end of December 31, 2021. In addition, Ms. Susanne Wiegand and Mr. Niklas Beyes were appointed as directors of RENK Holding GmbH with effect from January 1, 2022.

Russia's military action in Ukraine began on February 24, 2022. The conflict does not result in any material financial consequences for the RENK Group. Business relationships with the countries involved account for less than 1% of the RENK Group's total activities in terms of revenue and order backlog. Other than this, there are no significant connections with regard to purchasing. Likewise, no further effects on the RENK Group are anticipated from the further development of the COVID-19 pandemic or from foreseeable effects of climate change.

With the entry in the Commercial Register dated April 5, 2022, the company's registered office was moved from Munich to Augsburg.

Augsburg, January 26, 2024

RENK Group AG

Susanne Wiegand	Christian Schulz
CEO	CFO

The following independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) has been issued in accordance with Section 322 of the German Commercial Code (Handelsgesetzbuch) on the consolidated financial statements and group management report (Konzernlagebericht) of RENK Holding GmbH, Munich (now: RENK Group AG, Augsburg) as of and for the fiscal year ended December 31, 2021. The English-language independent auditor's report is a translation of the respective German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers). The group management report is neither included nor incorporated by reference in this Prospectus.

INDEPENDENT AUDITOR'S REPORT

To RENK Holding GmbH

Opinions

We audited the consolidated financial statements of RENK Holding GmbH, Munich (now: RENK Group AG, Augsburg), and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2021, the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including the recognition and measurement principles presented therein. In addition, we audited the group management report of RENK Holding GmbH for the fiscal year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the fiscal year from 1 January to 31 December 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of the executive directors for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or

error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Note on supplementary audit

We issue this auditor's report on the amended consolidated financial statements and amended group management report based on our audit, which we duly completed on 27 April 2022, our first supplementary audit, which we completed on 12 August 2022, our second supplementary audit, which we completed on 25 May 2023, and our third supplementary audit, which we completed on 26 January 2024.

Our first supplementary audit completed on 12 August related to the amendment made on 10 August 2022 to the disclosure in the notes to the consolidated financial statements of subsidiaries exempted under Sec. 264 (3) HGB. The disclosure was expanded to include RENK Magnet-Motor GmbH, Starnberg. Reference is made to the presentation of the amendments by the executive directors to the notes to the consolidated financial statements, in the section "Principles of financial reporting", subsection "(1) General principles", paragraph "Changes in the consolidated financial statements for fiscal year 2021", "1. Correction of the information on exempted companies based on § 264 (3) HGB".

Our second supplementary audit, which was completed on 25 May 2023, related to the changes in deferred tax assets and liabilities, goodwill, equity, income taxes, profit after tax and related adjustments to the statement of comprehensive income, the statement of changes in equity, the notes to the consolidated financial statements and the group management report as of 24 May 2023; furthermore, the changes in the statement of cash flows, the supplementary presentation of the management participation program in the notes to the consolidated financial statements, which qualify as share-based payment in accordance with IFRS 2, and other adjustments to the notes to the consolidated financial statements (notes 14, 23(d), 24, 27, 28, 30).

Reference is made to the presentation of the amendments by the executive directors to the amended notes to the consolidated financial statements, in the section "Principles of financial reporting", subsection "(1) General principles", paragraph "Changes in the consolidated financial statements for fiscal year 2021", "2. Correction of a material misstatement" and in the amended group management report, in the section "Business activities and management of the RENK Group" under "Changes in the group management report for fiscal year 2021".

Our third supplementary audit completed on 26 January 2024 related to the amendments made on 26 January 2024 in connection with the accounting treatment of a bond. The amendments made relate to other non-current financial assets, current and non-current financial liabilities, deferred tax liabilities, interest expenses, other financial result, financial result, profit before tax, income taxes and profit after tax and related adjustments to the statement of comprehensive income, the statement of changes in equity, the notes to the consolidated financial statements and the group management report.

Reference is made to the presentation of the amendments by the executive directors to the amended notes to the consolidated financial statements, in the section "Principles of financial reporting", subsection "(1) General principles", paragraph "Changes in the consolidated financial statements for fiscal year 2021", "3. Correction of a material misstatement in the accounting treatment of a bond" and in the amended group management report, in the section "Business activities and management of the RENK Group" under "Changes in the group management report for fiscal year 2021".

Stuttgart, 27 April 2022/limited to the amendment dated 10 August 2022 referred to in the note on the supplementary audit: 12 August 2022/limited to the amendments referred to in the note on the supplementary audit dated 24 May 2023: 25 May 2023/limited to the amendments referred to in the note on the supplementary audit dated 26 January 2024: 26 January 2024

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heubach
Wirtschaftsprüfer
[German Public Auditor]

Schmid
Wirtschaftsprüferin
[German Public Auditor]

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)
thereof attributable to shareholders of the parent company		*(22,147)*
thereof attributable to non-controlling interest		*(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)
thereof attributable to shareholders of the parent company		*(19,767)*
thereof attributable to non-controlling interest		*(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	Miscella-neous 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
thereof bonds	–	–	*321,558*	*335,632*	–	
thereof loans payable	–	–	*81,287*	*81,287*	–	
thereof lease liabilities	–	–	–	–	*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:

Maturities[1)]

€ thousand			Dec. 31, 2020
	2021	2022 to 2025	> 2025
Cash outflows from primary financial liabilities	218,573	397,735	104,132
of which from bonds	*18,502*	*393,600*	*–*
of which from loan liabilities	*96,332*	*73*	*103,793*
of which trade payables	*49,383*	*–*	*–*
of which other financial liabilities	*52,922*	*7*	*–*
of which from lease liabilities	*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	–	–
of which for repayment obligations	*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, Guaramirim, 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]

Combined financial statements of Combat Propulsion System a Business of L3Harris Technologies, Inc. (prepared in accordance with US GAAP) as of and for the fiscal years ended January 1, 2021 and January 3, 2020

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Report of Independent Auditors

To Management of L3Harris Technologies, Inc.

We have audited the accompanying combined financial statements of Combat Propulsion Systems, a business of L3Harris Technologies, Inc., which comprise the combined balance sheets as of January 1, 2021 and January 3, 2020, and the related combined statements of income, comprehensive income, changes in parent's equity and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Combat Propulsion Systems at January 1, 2021 and January 3, 2020, and the combined results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

May 28, 2021

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COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF INCOME

	Fiscal Years Ended	
	2020	2019
	(In thousands)	
Revenue from product sales and services	$ 236,433	$ 182,716
Cost of product sales and services	146,433	111,454
Engineering, selling and administrative expenses	31,375	26,059
Non-operating income	4,252	1,794
Income before income taxes	62,877	46,997
Income taxes	16,218	10,248
Net income	$ 46,659	$ 36,749

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Fiscal Years Ended	
	2020	2019
	(In thousands)	
Net income	$ 46,659	$ 36,749
Other comprehensive (loss) income:		
Foreign currency translation gain (loss), net of income taxes	970	(184)
Total comprehensive income	$ 47,629	$ 36,565

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED BALANCE SHEET

	Fiscal Years Ended	
	2020	**2019**
	(In thousands)	
Assets		
Current Assets		
Cash	$ 7,939	$ 6,292
Receivables	33,767	13,019
Contract assets	39,523	51,317
Inventories	5,591	8,672
Other current assets	289	152
Total current assets	87,109	79,452
Non-current Assets		
Property, plant and equipment	23,818	26,845
Operating lease right-of-use assets	2,972	2,995
Goodwill	127,548	127,548
Other intangible assets	514	729
Deferred income taxes	2,787	2,748
Total non-current assets	157,639	160,865
	$ 244,748	$ 240,317
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 16,539	$ 17,101
Contract liabilities	5,782	1,454
Compensation and benefits	3,218	3,318
Other accrued items	875	1,258
Total current liabilities	26,414	23,131
Non-current Liabilities		
Operating lease liabilities	2,672	2,726
Deferred income taxes	27,646	26,862
Other long-term liabilities	403	418
Total non-current liabilities	30,721	30,006
Parent's Equity		
Net parent investment	187,364	187,901
Accumulated other comprehensive income (loss)	249	(721)
Total parent's equity	187,613	187,180
	$ 244,748	$ 240,317

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF CASH FLOWS

	Fiscal Years Ended	
	2020	2019
	(In thousands)	
Operating Activities		
Net income	$ 46,659	$ 36,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	4,168	4,921
Share-based compensation	175	372
Pension and other postretirement benefit plan income	(3,141)	(917)
Loss on disposal of property, plant and equipment	3,267	6
Deferred income taxes	991	2,496
(Increase) decrease in:		
Accounts receivable	(20,488)	(5,315)
Contract assets	11,981	9,625
Inventories	3,199	(710)
Increase (decrease) in:		
Accounts payable	(1,242)	3,756
Contract liabilities	4,315	(3,231)
Compensation and benefits	(173)	(2,640)
Other accrued items	(430)	(1,793)
Other	(153)	1,567
Net cash provided by operating activities	49,128	44,886
Investing Activities		
Additions to property, plant and equipment	(3,497)	(1,185)
Net cash used in investing activities	(3,497)	(1,185)
Financing Activities		
Net transfers to parent	(44,568)	(42,365)
Net cash used in financing activities	(44,568)	(42,365)
Effect of exchange rate changes on cash	584	(96)
Net increase in cash	1,647	1,240
Cash, beginning of period	6,292	5,052
Cash, end of period	$ 7,939	$ 6,292

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
COMBINED STATEMENT OF PARENT'S EQUITY

	Net Parent Investment	Accumulated Other Comprehensive Income	Total Parent's Equity
		(In thousands)	
Balance at December 28, 2018	**$ 194,006**	**$ (537)**	**$ 193,469**
Net income	36,749	-	36,749
Other comprehensive (loss) income	-	(184)	(184)
Net transfers to parent	(42,854)	-	(42,854)
Balance at January 3, 2020	**187,901**	**(721)**	**187,180**
Net income	46,659	-	46,659
Other comprehensive (loss) income	-	970	970
Net transfers to parent	(47,196)	-	(47,196)
Balance at January 1, 2021	**$ 187,364**	**$ 249**	**$ 187,613**

See accompanying Notes to Combined Financial Statements.

COMBAT PROPULSION SYSTEMS
A BUSINESS OF L3HARRIS TECHNOLOGIES, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise noted)

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — Combat Propulsion Systems (or "CPS", the "Business", "We" or "Our") is a carve-out business within the Aviation Systems reportable segment of L3Harris Technologies, Inc. ("L3Harris" or "Parent"), an agile global aerospace and defense technology innovator, delivering end-to-end solutions that meet customers' mission-critical needs. CPS is a market leader in the engineering, design, manufacture and remanufacture of engines, transmissions, suspensions and turret drive systems for tracked and wheeled combat vehicle systems. Our principal operations are based out of Muskegon, Michigan in the United States and we also operate a satellite office in Starnberg, Germany where our Magnet-Motor business is located.

On June 29, 2019, L3Harris Technologies, Inc. (formerly Harris Corporation) completed a merger with L3 Technologies, Inc. (the "L3Harris Merger"). Prior to the L3Harris Merger, CPS was a wholly owned business of L3 Technologies, Inc. ("L3"). Although L3Harris accounted for the L3Harris Merger under the acquisition method of accounting, pushdown accounting was not applied in the accompanying Combined Financial Statements or these Notes. Pushdown accounting has been applied for historical acquisitions of L3 Technologies, Inc. prior to the L3Harris merger.

Description of the Transaction — On March 1, 2021, L3Harris announced that it had reached a definitive agreement with RENK AG (the "Sale Agreement" or the "Transaction") under which RENK AG will acquire CPS for $397.9 million before adjustments in respect to net cash and other items. The Transaction is subject to customary closing conditions, including regulatory approval, and is expected to close in the second half of 2021. In anticipation of the Transaction, the accompanying Combined Financial Statements have been prepared for CPS.

Basis of Presentation — Our Combined Financial Statements and these Notes to Combined Financial Statements (these "Notes") were derived from the consolidated financial statements and accounting records of L3, for the six months ending June 28, 2019, and of L3Harris, for the six months ended January 3, 2020 and fiscal year ended January 1, 2021, as if the Business were operated on a standalone basis during the periods presented, and were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The accompanying Combined Financial Statements are not necessarily indicative of the financial position, results of operations or cash flows that would have been achieved if the Business had operated as a separate, standalone entity as of or during any of the periods presented, nor are they indicative of the financial position or results going forward due to the changes in the business.

Our Combined Balance Sheet includes the assets and liabilities of CPS. L3Harris uses a centralized approach to cash management and financing of its operations in various jurisdictions. The cash of CPS's U.S. entity is transferred to a L3Harris corporate bank account daily and L3Harris funds CPS's working capital and capital expenditure requirements as needed. The cash of CPS's U.S. entity transferred to L3Harris has been excluded from these Combined Financial Statements. Although employees of the Business may participate in one or more defined benefit plans sponsored by L3Harris and the Business is allocated a proportionate share of the associated net periodic benefit income, L3Harris is retaining the defined benefit plan obligations and therefore no portion of plan assets or benefit obligations has been allocated to the Business. Net parent investment represents L3Harris's interest in the recorded net assets of CPS. Assets and liabilities for amounts due to or due from CPS and L3Harris are included in the "Net parent investment" line item in our Combined Balance Sheet.

CPS receives services and support from various functions performed by L3Harris and CPS' operations have been dependent upon L3Harris's ability to perform these services and support functions. Shared corporate functions include, but are not limited to, executive and segment oversight, finance, legal, human resources and information

technology ("IT"). With the exception of IT costs, the costs of shared corporate and segment functions are primarily allocated based on a three-factor formula that considers the Business' revenue, headcount and fixed assets relative to L3Harris' consolidated revenue, headcount and fixed assets. IT costs have been allocated based on headcount. Where costs have been allocated to the Business, such allocations are considered to represent a reasonable reflection of the utilization of services by, or benefit provided to, CPS, and we believe the accompanying Combined Financial Statements include all costs of doing business. However, the allocations may not be indicative of the actual expense that would have been incurred had CPS operated as an independent, stand-alone entity. See *Note 14: Related Party Transactions* in these Notes for additional information regarding corporate and segment level costs included in the accompanying Combined Financial Statements.

Use of Estimates — The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying Combined Financial Statements and these Notes. These estimates and assumptions are based on experience and other information available prior to issuance of the accompanying Combined Financial Statements and these Notes. Materially different results can occur as circumstances change and additional information becomes known.

Fiscal Year — Our fiscal year ends on the Friday nearest December 31.

Cash — Cash includes amounts in our non-U.S. bank accounts, which are not swept as part of L3Harris' centralized cash pooling program.

Fair Value of Financial Instruments — The carrying amounts reflected in our Combined Balance Sheet for cash, accounts receivable and accounts payable approximate their fair values.

Fair Value Measurements — Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal market (or most advantageous market, in the absence of a principal market) for the asset or liability in an orderly transaction between market participants at the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and to utilize a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included within Level 1, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable or are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 — Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities, and reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed using the best information available in the circumstances.

Accounts Receivable — We record receivables at net realizable value and they generally do not bear interest. In evaluating the allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances, we consider historical write-offs by customer, level of past due accounts and economic status of the customers. A receivable is considered delinquent if it is unpaid after the term of the related invoice has expired. To the extent we have write-offs, those write-offs are recorded at the time a customer receivable is deemed uncollectible. We did not have any write-offs in fiscal 2021 or 2020 and our allowance for estimated uncollectible accounts is $0 as of January 1, 2021 and January 3, 2020.

Contract Assets and Liabilities — The timing of revenue recognition, customer billings and cash collections results in accounts receivable, contract assets and contract liabilities at the end of each reporting period. Contract assets include unbilled amounts typically resulting from revenue recognized exceeding amounts billed to customers for contracts utilizing the percentage of completion ("POC") cost-to-cost revenue recognition method. We bill customers as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals, upon achievement of contractual milestones or upon deliveries and, in certain arrangements, the customer may withhold payment of a small portion of the contract price until contract completion. Contract liabilities include

advance payments and billings in excess of revenue recognized, including deferred revenue. Contract assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. There were no noncurrent contract liabilities.

Contract assets related to amounts withheld by customers until contract completion are not considered a significant financing component of our contracts because the intent is to protect the customers from our failure to satisfactorily complete our performance obligations. Payments received from customers in advance of revenue recognition are not considered a significant financing component of our contracts because they are utilized to pay for contract costs within a one-year period or are requested by us to ensure the customers meet their payment obligations. See *Note 3: Contract Assets and Contract Liabilities* in these Notes for additional information.

Inventories — Inventories are valued at the lower of cost (determined by average and first-in, first-out methods) or net realizable value. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory primarily based on our estimated forecast of product demand, anticipated end of product life and production requirements. See *Note 4: Inventories* in these Notes for additional information regarding inventories.

Costs to Obtain or Fulfill a Contract — Costs to obtain a contract are incremental direct costs incurred to obtain a contract with a customer and are capitalized if material. Costs to fulfill a contract include costs directly related to a contract or specific anticipated contract (for example, mobilization, set-up and certain design costs) that generate or enhance our ability to satisfy our performance obligations under these contracts. These costs are capitalized to the extent they are expected to be recovered from the associated contract. Capitalized costs to obtain or fulfill a contract are amortized to expense over the expected period of benefit for contracts with terms greater than one year on a systematic basis that is consistent with the pattern of transfer of the associated goods and services to the customer. As a practical expedient, capitalized costs to obtain or fulfill a contract with a term of one year or less are expensed as incurred. We did not have any capitalized costs to obtain or fulfill a contract at January 1, 2021 and January 3, 2020.

Property, Plant and Equipment — Property, plant and equipment are carried on the basis of cost and include software capitalized for internal use. Depreciation of buildings, machinery and equipment is computed by the straight-line method. The estimated useful lives of buildings, including leasehold improvements, generally range between 2 and 45 years. The estimated useful lives of machinery and equipment generally range between 2 and 10 years. Amortization of internal-use software begins when the software is put into service and is based on the expected useful life of the software. The useful lives over which we amortize internal-use software generally range between 3 and 10 years. See *Note 5: Property, Plant and Equipment* in these Notes for additional information regarding property, plant and equipment.

Goodwill — Where pushdown accounting is applied, we follow the acquisition method of accounting to record the assets and liabilities of acquired businesses at their estimated fair value at the date of acquisition. We initially record goodwill for the amount the consideration transferred exceeds the acquisition-date fair value of net identifiable assets acquired.

We test goodwill for impairment at a level within the Business referred to as the reporting unit. We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter, or under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. Such events or circumstances may include a significant deterioration in overall economic conditions, changes in the business climate of our industry, a decline in our market capitalization, operating performance indicators, competition, reorganizations of our business or the disposal of all or a portion of a reporting unit.

To test goodwill for impairment, we may perform both qualitative and quantitative assessments. If we elect to perform a qualitative assessment, we evaluate events and circumstances impacting the reporting unit to determine the probability that goodwill is impaired. If we determine it is more likely-than-not that the fair value of the reporting unit is less than its carrying amount, we measure any loss from an impairment by comparing the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill is considered impaired, and an impairment loss is recognized in an amount equal to that excess. See *Note 6: Goodwill* and Intangibles in these Notes for additional information regarding goodwill.

Long-Lived Assets, Including Intangible Assets — Long-lived assets, including finite-lived intangible assets, are amortized to expense over their useful lives either according to the underlying economic benefit as reflected by future net cash inflows or on a straight-line basis depending on the nature of the asset. We assess the recoverability of the carrying value of our long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. We evaluate the recoverability of such assets based on the expectations of undiscounted cash flows from such assets. If the sum of the expected future undiscounted cash flows were less than the carrying amount of the asset, a loss would be recognized for the difference between the fair value and the carrying amount. We did not have any indefinite-lived intangible assets at January 1, 2021 and January 3, 2020. See *Note 5: Property, Plant and Equipment* and *Note 6: Goodwill and Intangibles* in these Notes for additional information regarding long-lived assets and intangible assets, respectively.

Leases — We recognize right-of-use ("ROU") assets and lease liabilities in our balance sheet for operating leases under which we are the lessee. As a practical expedient, leases with a term of twelve months or less (including reasonably expected extension periods) are expensed as incurred. We did not have any finance leases at January 1, 2021 and January 3, 2020.

Operating lease assets are included in the "Operating lease right-of-use assets" line item in our Combined Balance Sheet. Operating lease liabilities for obligations due within twelve months are included in the "Other accrued items" line item in our Combined Balance Sheet. Operating lease liabilities for obligations due longer than twelve months are included in the "Operating lease liabilities" line item in our Combined Balance Sheet.

ROU assets and lease liabilities are recognized based on the present value of future lease payments. Lease payments include base rent. Our lease payments also include non-lease components such as real estate taxes and common-area maintenance costs. As a practical expedient, we account for lease and non-lease components as a single component. The present value of future lease payments is determined using our incremental borrowing rate at lease commencement over the expected lease term. We use our incremental borrowing rate because our leases do not provide an implicit lease rate. The expected lease term represents the number of years we expect to lease the property, including options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Operating lease expense is recognized as an operating cost on a straight-line basis over the expected lease term in our Combined Statement of Income.

See *Note 9: Lease Commitments* in these Notes for additional information regarding leases.

Other Assets and Liabilities — No assets within the "Other current assets" or "Other non-current assets" line items in our Combined Balance Sheet exceeded 5 percent of our total current assets or total assets, respectively, at January 1, 2021 or January 3, 2020. No accrued liabilities or expenses within the "Other accrued items" or "Other long-term liabilities" line items in our Combined Balance Sheet exceeded 5 percent of our total current liabilities or total liabilities, respectively, at January 1, 2021 or January 3, 2020.

Income Taxes — The Business follows the asset and liability method of accounting for income taxes. It records the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Combined Balance Sheet, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. The Business regularly reviews its deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Business calculated the provision for income taxes using a "separate return" method. Under this method, the Business assumes it will file separate returns with tax authorities, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from L3Harris. As a result, the Business's deferred tax balances and effective tax rate as a stand-alone entity will likely differ significantly from those recognized in historical periods. The calculation of income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. The tax loss carryforwards and valuation allowances reflected in the

Combined Financial Statements are based on a hypothetical stand-alone income tax return basis and may not exist in the L3Harris consolidated financial statements. See *Note 11: Income Taxes* in these Notes. .

The evaluation of tax positions taken in a filed tax return or planned to be taken in a future tax return or claim, involves inherent uncertainty and requires the use of judgment. We evaluate our income tax positions and record tax benefits for all years subject to examination based on our assessment of the facts and circumstances as of the reporting date. For tax positions where it is more likely than not that a tax benefit will be realized, we record the largest amount of tax benefit with a greater than 50 percent probability of being realized upon ultimate settlement with the applicable taxing authority, assuming the taxing authority has full knowledge of all relevant information. For income tax positions where it is not more likely than not that a tax benefit will be realized, we do not recognize a tax benefit in the Combined Financial Statements. Any accrued interest and penalties related to uncertain tax positions is included in the financial statements as a component of income tax expense.

Standard Warranties—We record estimated standard warranty costs in the period in which the related products are delivered. Factors that affect the estimated cost for warranties include the terms of the contract, the type and complexity of the delivered product, number of installed units, historical experience and management's assumptions regarding anticipated rates of warranty claims and cost per claim. Our standard warranties start from the shipment, delivery or customer acceptance date and typically range from one to two years.

Because our products are manufactured, in many cases, to customer specifications and their acceptance is based on meeting those specifications, we historically have experienced minimal warranty costs. Factors that affect our warranty liability include the number of installed units, historical experience, anticipated delays in delivery of products to end customers, in-country support for international sales and our assumptions regarding anticipated rates of warranty claims and cost per claim. We assess the adequacy of our recorded warranty liabilities every quarter and make adjustments to the liability as necessary.

Foreign Currency Translation — The functional currency for our Magnet-Motor business is the Euro, which is also the local currency. Assets and liabilities are translated at current rates of exchange and income and expense items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are recorded as a separate component of equity.

Stock Options and Other Share-Based Compensation — Certain employees of the Business participate in share-based compensation plans of L3Harris. We measure compensation cost for all share-based payments (including employee stock options) at fair value and recognize cost over the vesting period, with forfeitures recognized as they occur. See *Note 14*: *Related Parties* in these Notes for additional information regarding share-based compensation.

Revenue Recognition — We account for a contract when it has approval and commitment from all parties, the rights and payment terms of the parties can be identified, the contract has commercial substance and the collectability of the consideration, or transaction price, is probable. Our contracts are often subsequently modified to include changes in specifications, requirements or price that may create new or change existing enforceable rights and obligations. We do not account for contract modifications (including unexercised options) or follow-on contracts until they meet the requirements noted above to account for a contract.

At the inception of each contract, we evaluate the promised goods and services to determine whether the contract should be accounted for as having one or more performance obligations. A performance obligation is a promise to transfer a distinct good or service to a customer and represents the unit of accounting for revenue recognition. A substantial majority of our revenue is derived from long-term development and production contracts involving the design, development, manufacture or modification of engines and/or transmissions for military combat vehicles and spare parts according to customer's specifications. Due to the highly interdependent and interrelated nature of the engine and transmission systems which often result in the delivery of multiple units, we account for these contracts as one performance obligation. For contracts that include both development/production of engines or transmissions and the provision of spare parts, we generally consider the spare parts distinct in the context of the contract and account for them as separate performance obligations. Contracts to manufacture engines and transmissions often result in the delivery of distinct units in a series that are substantially the same. We account for each series of engines or transmissions that are substantially the same as a single performance obligation. We

recognize revenue on our engine and transmission contracts using the percentage of completion ("POC") revenue recognition method as there is no alternative use for the engines, transmissions and spare parts and our contracts include progress payment provisions that provide for the right to bill for cost and profit for work performed to date. A portion of our revenue is derived from the provision of technical support services. Orders for technical support services are typically considered a separate contract. Revenue for technical support services is recognized using the POC cost-to-cost revenue recognition method. Shipping and handling costs incurred after control of a product has transferred to the customer (for example, in free on board shipping arrangements) are treated as fulfillment costs and, therefore, are not accounted for as separate performance obligations. Also, we record taxes collected from customers and remitted to governmental authorities on a net basis in that they are excluded from revenue.

As noted above, our contracts are occasionally modified to include changes in specifications, requirements or price. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Often, given each deliverable within the original contract is distinct, when a customer orders additional similar deliverables, the additional deliverables in our contract modifications are distinct and accounted for as a separate contract.

We determine the transaction price for each contract based on our best estimate of the consideration we expect to receive, which in limited cases includes assumptions regarding variable consideration, such consideration for cost-reimbursable technical support service contracts. We include such estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We estimate variable consideration primarily using the most likely amount method.

For contracts with multiple performance obligations, we allocate the transaction price to each performance obligation based on the relative standalone selling price of the good or service underlying each performance obligation. The standalone selling price represents the amount for which we would sell the good or service to a customer on a standalone basis (i.e., not sold as a bundle with any other products or services). Our contracts with the U.S. Government, including foreign military sales contracts, are subject to the Federal Acquisition Regulations ("FAR") and the prices of our contract deliverables are typically based on our estimated or actual costs plus a reasonable profit margin. As a result, the standalone selling prices of the goods and services in these contracts are typically equal to the selling prices stated in the contract, thereby, eliminating the need to allocate (or reallocate) the transaction price to the multiple performance obligations. In our non-U.S. Government contracts, we also generally use the expected cost plus a reasonable profit margin approach to determine standalone selling price. In addition, we determine standalone selling price for certain contracts that are commercial in nature based on observable selling prices.

We recognize revenue for each performance obligation when (or as) the performance obligation is satisfied by transferring control of the promised goods or services underlying the performance obligation to the customer. The transfer of control for substantially all of our revenues occurs over time.

Over Time Revenue Recognition: For U.S. Government development and production contracts, there is a continuous transfer of control of the asset to the customer as it is being produced based on FAR clauses in the contract that provide the customer with lien rights to work in process and allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. This also typically applies to our contracts with prime contractors for U.S. Government development and production contracts, when the above-described FAR clauses are flowed down to us by the prime contractors.

Our non-U.S. Government development and production contracts often do not include the FAR clauses described above. However, over time revenue recognition is typically supported either through our performance creating or enhancing an asset that the customer controls as it is created or enhanced or based on other contractual provisions or relevant laws that provide us with an enforceable right to payment for our work performed to date plus a reasonable profit if our customer were permitted to and did terminate the contract for reasons other than our failure to perform as promised. Over time revenue recognition for our non-U.S. Government services contracts are typically supported by the customer consuming the benefits from the services as we perform them.

Revenue for our development and production contracts is recognized over time, typically using the series guidance where deliverables are substantially the same and represent a performance obligation satisfied over time.

For performance obligations to provide services that are satisfied over time, we recognize revenue using the POC cost-to-cost method.

Contract Estimates: Under the POC cost-to-cost method of revenue recognition, a single estimated profit margin is used to recognize profit for each performance obligation over its period of performance. Recognition of profit on a contract requires estimates of the total cost at completion and transaction price and the measurement of progress towards completion. Due to the long-term nature of some of our contracts, developing the estimated total cost at completion and total transaction price often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance and the risk and impact of delayed performance. Factors that must be considered in estimating the total transaction price include contractual cost as well as our historical experience and our expectation for performance on the contract. At the outset of each contract, we gauge its complexity and perceived risks and establish an estimated total cost at completion in line with these expectations. After establishing the estimated total cost at completion, we follow a standard Estimate at Completion ("EAC") process in which we review the progress and performance on our ongoing contracts at least quarterly and, in many cases, more frequently. If we successfully retire risks associated with the technical, schedule and cost aspects of a contract, we may lower our estimated total cost at completion commensurate with the retirement of these risks. Conversely, if we are not successful in retiring these risks, we may increase our estimated total cost at completion. Additionally, as the contract progresses, our estimates of total transaction price may increase or decrease if, for example, we receive award fees that are higher or lower than expected. When adjustments in estimated total costs at completion or in estimated total transaction price are determined, the related impact on operating income is recognized using the cumulative catch-up method, which recognizes in the current period the cumulative effect of such adjustments for all prior periods. Any anticipated losses on these contracts are fully recognized in the period in which the losses become evident.

Net EAC adjustments had the following impact to earnings for the periods presented (in thousands):

	2020	2019
Net EAC adjustments, before income taxes	$ 28,378	$ 23,948
Net EAC adjustments, net of income taxes	$ 21,057	$ 18,728

Revenue recognized from performance obligations satisfied in prior periods was $29,135 and $21,729 in fiscal 2020 and 2019, respectively.

Backlog: Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity ("IDIQ") contracts.

Disaggregation of Revenue: We disaggregate revenue by customer relationship, contract type and geographical region. We believe these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	2020	2019
	(In thousands)	
Revenue By Customer Relationship		
Prime contractor	$ 146,215	$ 108,326
Subcontractor	90,218	74,390
	$ 236,433	$ 182,716
Revenue By Contract Type		
Fixed-price	$ 221,963	$ 164,704
Cost-reimbursable	14,470	18,012
	$ 236,433	$ 182,716
Revenue By Geographical Region		
United States	$ 207,979	$ 135,317
International	28,454	47,399
	$ 236,433	$ 182,716

Financial Guarantees and Commercial Commitments — Financial guarantees are contingent commitments issued to guarantee the performance of a customer to a third party in borrowing arrangements, such as commercial paper issuances, bond financings and similar transactions. As of January 1, 2021, we did not have material financial guarantees and there were no such contingent commitments accrued for in our Combined Balance Sheet.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letter of credit agreements and other arrangements with financial institutions and customers primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers and to obtain insurance policies with our insurance carriers.

NOTE 2: ACCOUNTING CHANGES OR RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

Effective January 3, 2020, we adopted Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* on a modified retrospective basis. The new standard replaces the existing impairment model, under which impairment of financial instruments, including accounts receivable and contract assets, is recognized when it becomes probable a loss has been incurred, with a model that requires recognition of expected credit losses over the estimated life of an asset at inception and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Due to the low historical loss rates associated with our customer base and lack of expected credit losses on our existing receivables and contract assets, adopting this standard did not have an impact on our financial position, results of operations, cash flows or equity.

NOTE 3: CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and contract liabilities are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Contract assets	$ 39,523	$ 51,317
Contract liabilities, current	(5,782)	(1,454)
Net contract assets	$ 33,741	$ 49,863

Our contract assets are composed of unbilled contract receivables at the end of fiscal 2020 and 2019, respectively. There were no impairment losses related to our contract assets in fiscal 2020 or fiscal 2019. In fiscal 2020 and 2019, we recognized $1,139 and $3,277 of revenue related to contract liabilities that were outstanding at the end of fiscal 2019 and 2018, respectively.

NOTE 4: INVENTORIES

Inventories are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Work in process	$ 137	$ 2,589
Raw materials and supplies	5,454	6,083
	$ 5,591	$ 8,672

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized below (in thousands):

	January 1, 2021	January 3, 2020
Land	$ 1,967	$ 1,967
Software capitalized for internal use	2,351	2,243
Buildings	16,557	16,472
Machinery and equipment	53,347	57,005
	74,222	77,687
Less accumulated depreciation and amortization	(50,404)	(50,842)
	$ 23,818	$ 26,845

Depreciation and amortization expense related to property, plant and equipment was $3,953 and $4,640 in fiscal 2020 and 2019, respectively.

In fiscal 2020, we disposed of an abandoned Destroyer asset with a net book value of $3,253.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

The carrying amount of Goodwill is as follows (in thousands):

Goodwill, gross as of December 28, 2018	$ 135,975
Accumulated impairment losses as of December 28, 2018	(8,427)
As of December 28, 2018	127,548
As of January 3, 2020	127,548
As of January 1, 2021	$ 127,548

Intangible assets separately recognized from our business combinations are solely composed of customer relationships. The fair value for customer relationships is determined, as of the date of acquisition, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows arising from the follow-on sales expected from the customer relationships over the estimated lives, including the probability of expected future contract renewals and sales, less a contributory assets charge, all of which is discounted to present value. We assess the recoverability of the carrying value of our customer relationships whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Our customer relationships are summarized below:

January 1, 2021			January 3, 2020		
		(In thousands)			
Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
$ 15,491	$ (14,977)	$ 514	$ 15,491	$ (14,762)	$ 729

Amortization expense related to customer relationships was $215 and $281 in fiscal 2020 and 2019, respectively.

Future estimated amortization expense for customer relationships is as follows:

	(In thousands)
2021	$ 164
2022	126
2023	96
2024	74
2025	54
Thereafter	-
Total	$ 514

NOTE 7: PENSION AND OTHER POSTRETIREMENT BENEFITS

Multi-employer Benefit Plans

Certain of our employees are covered under defined benefit plans legally sponsored by L3Harris. The Business is allocated its relevant share of the net periodic pension costs or income for the L3Harris employee benefit plans by L3Harris. As such, the Business has not recorded any liabilities nor plan assets associated with our participation in these multi-employer plans in our Combined Balance Sheet as of January 1, 2021 or January 3, 2020. Net periodic benefit income allocated to the Business related to our multi-employer plans was $3,141 and $917 for fiscal 2020 and 2019, respectively, and is composed of the components summarized below (in thousands):

	Fiscal Years Ended	
	2020	2019
Service cost	$ 1,036	$ 887
Interest cost	2,637	3,115
Expected return on plan assets	(6,350)	(5,260)
Amortization of net actuarial loss and prior service cost	(464)	341
Total net periodic benefit income	$ (3,141)	$ (917)

Service cost is included within the “Cost of product sales and services" line item in our Combined Statement of Income and the remaining components of net periodic benefit income are included within the ‘Non-operating income” line item in our Combined Statement of Income.

Defined Contribution Plan

Certain of our employees participate in defined contribution plans sponsored by L3Harris. Our costs related to L3Harris’ matching contributions under the defined contribution plans were $1,184 and $1,079 for fiscal 2020 and 2019, respectively.

NOTE 8: RESEARCH AND DEVELOPMENT

Business-sponsored research and development ("R&D") costs are expensed as incurred and are included in the "Engineering, selling and administrative expenses" line item in our Combined Statement of Income. These costs were $7,935 and $5,444 for fiscal 2020 and 2019 respectively. Customer-sponsored R&D costs are incurred pursuant to contractual arrangements, principally U.S. Government-sponsored contracts requiring us to provide a product or service meeting certain defined performance or other specifications (such as designs), and are accounted for principally by the POC cost-to-cost revenue recognition method. Customer-sponsored R&D is included in our revenue and cost of product sales and services.

NOTE 9: LEASE COMMITMENTS

We had one operating lease at January 1, 2021 and January 3, 2020 with a lease term in excess of twelve months related to a satellite office and manufacturing facility we operate in Starnberg, Germany. We also had operating leases for automobiles and other equipment used in our offices and manufacturing facilities with non-cancellable lease terms of less than twelve months which are not included in our Operating lease ROU assets or Operating lease liabilities and are expensed as incurred. We had no finance leases at January 1, 2021 or January 3, 2020.

Our lease cost was as follows (in thousands):

	Fiscal Years Ended	
	2020	2019
Operating lease cost for our Starnberg site	$ 361	$ 333
Short-term and variable lease cost	281	124
Total lease cost	$ 642	$ 457

Supplemental operating lease balance sheet information for our Starnberg site at January 1, 2021 and January 3, 2020 is as follows (in thousands):

	January 1, 2021	January 3, 2020
Operating lease ROU assets	$ 2,972	$ 2,995
Other accrued items	300	269
Operating lease liabilities	2,672	2,726
Total operating lease liabilities	$ 2,972	$ 2,995

Other supplemental lease information for fiscal 2020 and 2019 is as follows (in thousands except lease term and discount rate):

	Fiscal Years Ended	
	2020	2019
ROU assets obtained in exchange for new operating lease liabilities	$ -	$ 2,995
Weighted average remaining lease term — operating leases (in years)	9	10
Weighted average discount rate — operating leases	2.37%	2.37%

Cash paid for amounts included in the measurement of operating lease liabilities approximates the operating lease cost for our Starnberg site and is included in our operating cash flows.

Future lease payments for our non-cancelable operating lease for our Starnberg site at January 1, 2021 was as follows (in thousands):

	January 1, 2021
Fiscal Years	
2021	$ 366
2022	366
2023	366
2024	366
2025	366
Thereafter	1,465
Total future lease payments required	3,295
Less: imputed interest	(323)
Total	$ 2,972

These commitments do not contain any rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions.

At January 1, 2021, we had no additional operating lease commitments for real estate leases that have not yet commenced.

NOTE 10: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ("AOCI")

The changes in AOCI are included below (in thousands):

	Total AOCI
Balance at December 28, 2018	**$ (537)**
Foreign currency translation gain (loss), net of income taxes	(184)
Balance at January 3, 2020	**(721)**
Foreign currency translation gain (loss), net of income taxes	970
Balance at January 1, 2021	**$ 249**

NOTE 11: INCOME TAXES

Income Tax Provision

The provisions for current and deferred income taxes are summarized as follows (in thousands):

	Fiscal Years Ended	
(In millions)	January 1, 2021	January 3, 2020
Current:		
United States	$ 11,819	$ 6,033
International	55	319
State and Local	3,277	1,399
	15,151	7,751
Deferred:		
United States	(344)	1,971
International	182	(79)
State and Local	1,229	605
	1,067	2,497
Total Income Tax Expense	**$ 16,218**	**$ 10,248**

The Business's current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. The Business does not make cash tax payments directly to taxing jurisdictions; rather, any federal, international, or state income tax payables or receivables are included in Net Parent Investment.

A reconciliation of the U.S. statutory income tax rate to our effective income tax rate follows (in thousands):

	Fiscal Years Ended			
	January 1, 2021		January 3, 2020	
U.S. statutory income tax rate	21.0	%	21.0	%
State taxes	5.7		3.4	
Valuation allowance	(0.3)		(1.9)	
Other items	(0.6)		(0.7)	
Effective income tax rate	25.8	%	21.8	%

Deferred Income Tax Assets (Liabilities)

The components of deferred income tax assets (liabilities) were as follows (in thousands):

	January 1, 2021	January 3, 2020
Deferred tax assets	$ 9,585	$ 9,960
Valuation allowance	(5,003)	(4,783)
Deferred tax assets, net	4,582	5,177
Deferred tax liabilities	(29,441)	(29,290)
Net deferred tax assets (liabilities)	$ (24,859)	$ (24,113)

Net deferred tax assets (liabilities) were classified as follows in our Combined Balance Sheet (in thousands):

	January 1, 2021	January 3, 2020
Non-current deferred income tax assets	$ 2,787	$ 2,748
Non-current deferred income tax liabilities	(27,646)	(26,861)
	$ (24,859)	$ (24,113)

Deferred income taxes reflect the net tax effects of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases (principally relating to tax deductible goodwill and net operating losses).

The tax-effected amount of the German net operating loss carryforwards at January 1, 2021 and January 3, 2020 are $7,791 and $7,532, respectively, and do not expire. Of the total $7,791 German net operating losses, $5,688 represent hypothetical net operating losses generated during tax return periods where Magnet-Motor filed as part of a German Organschaft tax return filing group. These losses were fully utilized to offset taxable income generated by the remaining entities within the German Organschaft group. However, under a separate tax return methodology, the $5,688 of net operating losses are deemed "hypothetical" losses of Magnet-Motor for purposes of these financial statements.

With respect to the remaining $2,103 net operating losses of Magnet-Motor, such losses were generated during tax years where Magnet-Motor filed German corporate tax returns as a stand-alone entity, and prior to joining the German Organschaft tax return group mentioned above. Under German tax law, these losses are not available for utilization in periods where Magnet-Motor was included in the German Organschaft tax return filing group.

However, the $2,103 of tax-effected net operating losses are retained by Magnet-Motor and could be available for utilization at a time when Magnet-Motor ceases to be included as part of an Organschaft tax filing group or, in the case of Magnet-Motor being acquired, via stock acquisition, the net operating losses may inure to "Acquiror" entity but be potentially subject to further limitations under German tax law.

At January 1, 2021 and January 3, 2020, the Business evaluated all significant available positive and negative evidence as a stand-alone entity, including the results of recent years and management's forecast of future taxable income, and determined it was more likely than not that certain German net operating loss carryforwards computed on a separate return basis, would not be realized. As a result, the Business has established valuation allowances of approximately $5,003 and $4,783 as of January 1, 2021 and January 3, 2020, respectively. These balances are inclusive of full valuation allowances against net operating losses generated prior to Magnet-Motor joining the German Organschaft tax return group.

Tax Uncertainties

As a separate taxpayer under a separate return method, the Business would be deemed to file a US federal, several US state, and German federal and local tax returns. Pursuant to these hypothetical filings, uncertain tax benefits are recorded based on largest amount of tax benefit with a greater than 50 percent probability of being realized upon ultimate settlement with the applicable taxing authority, assuming the taxing authority has full knowledge of all relevant information. The Business's operating results and related tax positions are a component of either a legal entity and/or a larger group of entities that file tax returns. The Business is not considered to be the primary obligor for uncertain tax benefits taken. Therefore, unrecognized tax benefits for uncertain tax positions taken for the years ended January 1, 2021 and January 3, 2020 are reflected in the provision but are deemed to have been assumed by L3Harris and not reflected in the Business's ending balance sheets for the periods reported.

As of January 1, 2021, there is no accrued interest or penalties recorded in the financial statements related to unrecognized tax benefits.

NOTE 12: BACKLOG

Backlog, which is the equivalent of our remaining performance obligations, represents the future revenue we expect to recognize as we perform on our current contracts. Backlog comprises both funded backlog (i.e., firm orders for which funding is authorized and appropriated) and unfunded backlog. Backlog excludes unexercised contract options and potential orders under ordering-type contracts, such as indefinite delivery, indefinite quantity contracts.

At January 1, 2021, our ending backlog was $392,378. We expect to recognize approximately 66 percent of the revenue associated with this backlog by the end of 2021 and substantially all of the remaining revenue associated with this backlog by the end of 2023. At January 3, 2020, our ending backlog was $279,567, at which time we expected to recognize approximately 69 percent of the revenue associated with this backlog within 2020 and substantially all of the remaining revenue associated with this backlog by the end of 2022.

NOTE 13: LEGAL PROCEEDINGS AND CONTINGENCIES

From time to time, as a normal incident of the nature and kind of businesses in which we are or were engaged, various claims or charges are asserted and litigation or arbitration is commenced by or against us arising from or related to matters, including but not limited to: product liability; personal injury; patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; strategic acquisitions or divestitures; the prior sale or use of former products allegedly containing asbestos or other restricted materials; breach of warranty; or environmental matters. Claimed amounts against us may be substantial, but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs generally are expensed when incurred. At January 1, 2021, our accrual for the potential resolution of lawsuits, claims or proceedings that we consider probable of being decided unfavorably to us was not material. Although it is not feasible to predict the outcome of these matters with certainty, it is reasonably possible that some lawsuits, claims or

proceedings may be disposed of or decided unfavorably to us and in excess of the amounts currently accrued. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, which are considered probable of being rendered against us in litigation or arbitration in existence at January 1, 2021 are reserved against or would not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 14: RELATED PARTY TRANSACTIONS

Allocation of Corporate Expenses

The Combined Statement of Income includes L3 and L3Harris corporate and segment expenses directly attributed or otherwise allocable to the Business through the application of government cost accounting practices or other reasonable means totaling $8,230 and $6,775 for fiscal 2020 and 2019, respectively. Amounts are exclusive of share-based compensation, disclosed below, and multiemployer benefit plan cost (income), disclosed separately in *Note 7: Pensions*.

Related Party Revenues and Cost of Revenues

Related party sales from CPS to L3Harris and its non-CPS affiliates were $475 for fiscal 2020 and are recorded in the “Revenues from product sales and services" line item in our Combined Statement of Income. There were no related party sales from CPS to L3Harris and its non-CPS affiliates in fiscal 2019. Purchases from L3Harris and its non-CPS affiliates were $7,366 and $2,909 for fiscal 2020 and 2019, respectively.

Amounts due to or due from L3Harris are expected to be settled in advance of the close of the Transaction and will not be conveyed. Accordingly, amounts due to or due from L3Harris have been included as part of the “Net parent investment” line item in our accompanying Combined Balance Sheet.

Share-Based Compensation

Certain employees of the Business participate in share-based compensation plans of L3Harris and the Business is allocated the direct cost of such plans. Share-based compensation expense recognized in the Combined Statement of Income was $175 and $372 for fiscal 2020 and 2019, respectively. The Combined Balance Sheet does not include any equity issued related to share-based compensation plans of L3Harris.

NOTE 15: SUBSEQUENT EVENTS

The Business evaluated its subsequent events through May 28, 2021, which is the date the accompanying combined financial statements were issued. No material subsequent events were identified.

Annual financial statements of RENK Holding GmbH, Augsburg (now: RENK Group AG, Augsburg) (prepared in accordance with the German Commercial Code (Handelsgesetzbuch)) for the fiscal year ended December 31, 2022

RENK Holding GmbH, Augsburg

Balance sheet as of December 31, 2022[1]

Assets

	31.12.2022	31.12.2021
	€	€
A. Non-current assets	**312,283,698.86**	**312,283,698.86**
B. Current assets	**67,403.48**	**17,143.14**
	312,351,102.34	**312,300,842.00**

[1] In the course of an adjustment to the annual financial statements, sub-items I. to IV. were added to the presentation of equity in the balance sheet.

Equity and liabilities

	31.12.2022	31.12.2021
	€	€
A. Equity	**312,091,212.34**	**312,270,854.00**
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserve	312,283,698.86	312,283,698.86
III. Accumulated loss carried forward from the previous year	-37,844.86	-71,786.90
IV. Net loss for the year / net income for the year	-179,641.66	33,942.04
B. Provisions	**155,130.00**	**29,988.00**
C. Liabilities	**104,760.00**	**0.00**
- thereof with a remaining term of up to one year € 104,706.00 (2021: € 0.00)		
	312,351,102.34	**312,300,842.00**

	€	€
Liabilities from guarantees, bill and check guarantees and from warranty agreements	**15,271,005.20**	**0.00**

RENK Holding GmbH, Augsburg

Income Statement
for the fiscal year from January 1 to December 31, 2022

	2022	2021
	€	€
1. Other income	0.00	70,000.00
2. Other expenses	179,641.66	36,057.96
3. Net loss for the year / net income for the year	**-179,641.66**	**33,942.04**

Augsburg, August 1, 2023

RENK Holding GmbH
Management

Susanne Wiegand

Christian Schulz

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 annual financial statements of RENK Holding GmbH, Augsburg (now: RENK Group AG, Augsburg) as of and for the fiscal year ended December 31, 2022. The English-language independent auditor's report is a translation of the respective German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers).

INDEPENDENT AUDITOR'S REPORT

To RENK Holding GmbH, Augsburg

Audit Opinion

We have audited the annual financial statements of RENK Holding GmbH, Augsburg, which comprise the balance sheet as at 31 December 2022, and the income statement for the financial year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles and the utilization of the exemption for micro-entities pursuant to § [Article] 264 Abs. [paragraph] 1 Satz [sentence] 5 HGB [Handelsgesetzbuch: German Commercial Code].

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Reference to an Other Matter – Comparative Information

The annual financial statement of the Company for the financial year from 1 January to 31 December 2021 and therefore the comparative information as at 31 December 2021 and for the financial year from 1 January to 31 December 2021 are not audited.

Responsibilities of the Executive Directors for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the

annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles and the utilization of the exemption for micro-entities pursuant to § 264 Abs. 1 Satz 5 HGB. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- 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 Company'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 annual financial statements or, if such disclosures are inadequate, to modify our audit opinion. 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles and the utilization of the exemption for micro-entities pursuant to § 264 Abs. 1 Satz 5 HGB.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Note on Supplementary Audit

We issue this auditor's report on the amended annual financial statements on the basis of our audit, duly completed as at 6th June 2023, and our supplementary audit completed as at 3rd August 2023 related to the amendment of the presentation of the equity. We refer to the presentation of the amendment by the executive directors in the footnote to the financial statements.

Munich, 6th June 2023/ limited to the amendment stated in the "Note on Supplementary Audit" section above: 3rd August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Holger Graßnick
Wirtschaftsprüfer
(German Public Auditor)

(sgd.) ppa. Dario Nikolic
Wirtschaftsprüfer
(German Public Auditor)

18. GLOSSARY

Additional Senior Secured Notes	Refers to senior secured notes due 2025 in an amount of €200 million with an aggregate principal amount of 5.75%.
Admission to Trading	Refers to the admission to trading on the regulated market of the Frankfurt Stock Exchange and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).
Aftermarket Business	Refers to our aftermarket business, which relates to the depot maintenance, repair and overhaul of products and platforms as well as the upgrade of mechanical products and platform elements, including spare parts and other aftermarket services in addition to replacements of installed products in defense-related applications.
AktG	German Stock Corporation Act (*Aktiengesetz*).
APM	Alternative performance measures.
Articles of Association	Refers to the Company's articles of association.
Audited Consolidated Financial Statements	Refers to the audited consolidated financial statements of the Company as of and for the short fiscal year ended December 31, 2020 and the fiscal years ended December 31, 2021, as amended and December 31, 2022, as amended, prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch*).
BaFin	German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Citigroup	Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI 6TJCK1B7E7UTXP528Y04.
Clearstream	Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.
Co-Lead Managers	Refers to Crédit Agricole CIB, Mizuho and SEB.
COMMERZBANK	COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56.
Cornerstone Investor Agreements	The KNDS Cornerstone Investor Agreement and the Wellington Management Cornerstone Investor Agreement.
Cornerstone Investors	KNDS N.V. and Wellington Management Company LLP.
COVID-19	Refers to the coronavirus disease 2019, which is caused by the novel coronavirus SARS-CoV-2.
Crédit Agricole CIB	Crédit Agricole Corporate and Investment Bank, 12, Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI 1VUV7VQFKUOQSJ21A208.
DCGK	The German Corporate Governance Code (*Deutsche Corporate Governance Kodex*).
Deutsche Bank	Deutsche Bank Aktiengesellschaft Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86.
Domestic Paying Agent	Refers to a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank or similar entity which sells the shares and pays out or credits the capital gains.
EEA	European Economic Area (encompassing all of the members of the European Union and the European Free Trade Association).
ESG	Environmental, Social and Governance.
ESMA Guidelines	The guidelines issued by the European Securities and Markets Authority (ESMA) on October 5, 2015.
EU	Refers to the European Union.
EU Corporate Sustainability Reporting Directive	Directive (EU) 2022/2464 of the European Parliament and the Council as regards corporate sustainability reporting.
EU Taxonomy Regulation	Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

Non-Financial Reporting Directive	Directive (EU) 2014/95 amending Directive (EU) 2013/34 on non-financial and diversity information.
Euro, EUR or €	Refers to the single currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community.
Existing Shares	Refers to existing bearer shares with no par value from the holdings of the Selling Shareholder.
Flat Tax	Refers to the settlement of the shareholder's income tax liability on dividends under German tax law.
GDPR	Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
German GAAP	German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*).
Germany	The Federal Republic of Germany.
Goldman Sachs	Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346.
Greenshoe Option	The option of the Joint Global Coordinators to acquire up to 3,525,000 Shares from the Selling Shareholder at the Placement Price to cover a possible over-allotment.
Group	RENK Group AG together with its subsidiaries.
HGB	German Commercial Code (*Handelsgesetzbuch*).
IFRS	Refers to the International Financial Reporting Standards as adopted by the European Union, including International Accounting Standards.
ISIN	International Securities Identification Number.
IT	Information Technology.
J.P. Morgan	J.P. Morgan SE, Taunustor 1 (TaunusTurm), 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29.
Joint Bookrunners	Refers to COMMERZBANK, LBBW and UniCredit together with the Joint Global Coordinators in their role in the Private Placement.
Joint Global Coordinators	Refers to Citigroup, Deutsche Bank, Goldman Sachs and J.P. Morgan together in their role in the Private Placement.
KNDS	KNDS N.V.
KNDS Cornerstone Investor Agreement	The investment agreement entered into between the Company, the Selling Shareholder and KNDS, pursuant to which KNDS has committed to purchase Placement Shares with an aggregate value of €100 million in the Private Placement.
LBBW	Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606.
LEI	Legal entity identifier.
Management Board	Refers to the management board of the Company.
MAR	Regulation (EU) 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation), as amended.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014, on markets in financial instruments, as amended.
MiFID II Requirements	MiFID II together with Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016, supplementing MiFID II and local implementing measures.
Minimum Risk Test	Refers to the cumulative requirements for relief under applicable double taxation treaties as well as the crediting of withholding tax for shares held in private and business assets.
Minimum Term	Refers to the minimum period of 30 days that the shareholders meeting must be announced in the Federal Gazette prior to its commencement.
M&I Segment	Refers to our Marine and Industry Segment.
Mizuho	Mizuho Securities Europe GmbH, Taunustor 1, 60310 Frankfurt am Main, Germany, LEI 213800G8QEXN34A2YG53.

New Build Business	Refers to the volume of new product sales and replacement of products in defense- and civil-related applications.
Order	Refers to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Original Senior Secured Notes	Refers to senior secured notes due 2025 in an amount of €320 million with an aggregate principal amount of 5.75% issued in connection with the Triton Acquisition in the short fiscal year ended December 31, 2020.
Our	Has the same meaning as the Group.
Over-Allotment Shares	Refers to existing ordinary bearer shares with no par value from the holdings of the Selling Shareholder in connection with a possible over-allotment.
Parent-Subsidiary Directive	Council Directive 2011/96/EU of November 30, 2011.
Placement Price	The final placement price of the Placement Shares, set at €15.00 per Placement Share.
Placement Shares	Refers to the Over-Allotment Shares together with the Existing Shares.
Private Placement	The offer of a total of 27,025,000 shares of the Company consisting of (i) the Existing Shares and (ii) the Over-Allotment Shares.
Prospectus	Refers to this prospectus.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
PwC	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, acting through its Munich office, Bernhard-Wicki-Straße 8, 80636 Munich, Germany.
Qualified Participation	Where a shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held least 1.0% of the share capital.
REACH Regulation	Regulation (EC) No. 1907/2006 (Registration, Evaluation, Authorization and Restriction of Chemicals.
Relevant States	The member states of the EEA.
R&D	Research and development.
SEB	Skandinaviska Enskilda Banken AB (publ) Frankfurt Branch, Stephanstraße 14–16, 60313 Frankfurt am Main, Germany, LEI F3JS33DEI6XQ4ZBPTN86.
Securities Act	United States Securities Act of 1933 as amended.
Selling Shareholder	Refers to the Rebecca BidCo S.à r.l.
Senior Secured Notes	Refers to our Original Senior Secured Notes together with the Additional Senior Secured Notes.
Share	Refers to each share of the Company.
Slide Bearings Segment	Refers to our Slide Bearings Segment.
Stabilization Manager	Citigroup or its affiliates, acting for the account of the Underwriters, acting as stabilization manager in connection of the placement of the Placement Shares.
Stabilization Period	The period from the commencement of the trading of the shares of the Company on the regulated market of the Frankfurt Stock Exchange – expected to be on or about February 7, 2024 to no later than 30 calendar days after such date, during which the Stabilization Manager may take stabilization measures.
Summary	Refers to the summary of this prospectus.
Super Senior Facilities Agreement	Refers to a super senior facilities agreement dated July 9, 2020 as amended and supplemented from time to time that provides for aggregate borrowings of (i) up to €50.0 million under a multi-currency revolving credit facility as well as ancillary facilities and (ii) up to €262.5 million under a multi-currency guarantee facility.
Target Market Assessment	Refers to the target market all product manufacturers and distributors are required to define under MiFID II and PRIIPs.

UniCredit	UniCredit Bank GmbH, Arabellastrasse 12, 81925 Munich, Germany, LEI 2ZCNRR8UK83OBTEK2170.
QIBs	Qualified institutional buyers.
UmwG	German Transformation Act (*Umwandlungsgesetz*).
Unaudited Consolidated Interim Financial Statements	Refers to the unaudited condensed consolidated interim financial statements of the Company as of and for the nine months ended September 30, 2023 including the selected notes thereto.
Underwriters	Refers to the Joint Bookrunners.
Us	Has the same meaning as the Group.
VMS Segment	Refers to our Vehicle Mobility Solutions segment.
We	Has the same meaning as the Group.
Wellington Management	Wellington Management Company LLP.
Wellington Management Cornerstone Investor Agreement	The investment agreement entered into between the Company, the Selling Shareholder and Wellington Management, pursuant to which Wellington Management has committed to purchase Placement Shares with an aggregate value of €50 million in the Private Placement on behalf of certain funds managed by Wellington Management.
WpHG	German Securities Trading Act (*Wertpapierhandelsgesetz*).
WpÜG	German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

19. RECENT DEVELOPMENTS AND OUTLOOK

19.1 Recent Developments

In September 2023, the Company and the Selling Shareholder considered the launch of an initial public offering. On October 4, 2023, after approval of an offering prospectus by BaFin, the Company and the Selling Shareholder decided to postpone the planned initial public offering of the Company due to market conditions.

Other than as described above, there have been no material recent developments affecting our financial performance or the Group's financial position since September 30, 2023, the end of the last financial period for which financial information has been published, to the date of this Prospectus.

19.2 Outlook

For the period from January 1, 2023 to December 31, 2023, we estimate our Adjusted EBIT Margin to be in the range of approximately 16.0% to 16.4%, based on an estimated revenue for the fiscal year ended December 31, 2023, around €925 million.

For the period from January 1, 2024 to December 31, 2024, we expect our Adjusted EBIT Margin to be in the range of approximately 16.0% to 18.0%, based on an assumed revenue for the fiscal year ending December 31, 2024, in the range of €1,000 million to €1,100 million. The expected revenue that can be achieved is dependent on the timing of certain deliveries. Given the project driven nature of our business, delivery timings can lead to shifts in revenue recognition between years. This is ultimately dependent on project specifics with regards to the milestone of the relevant project based on which we recognize our revenue (*e.g.*, only at physical delivery). From time to time, the completion of such milestones is partially outside of our control (*e.g.*, only with the delivery and final acceptance, *i.e.*, physical delivery to the end-customer).

In the medium-term, we are targeting a revenue growth at a CAGR of approximately 10%. We believe that this target is supported by the defense super cycle as well as the global Energy Transition. In addition, we believe that our Fixed Order Backlog for the coming years provides a basis for this growth. We are also targeting to increase our Adjusted EBIT Margin to approximately 19% to 20% in the medium-term. We aim to achieve this increase in a relatively steady way depending on delivery timings which can lead to shifts in revenue recognition between years. We aim to achieve this margin target through continued focus on cost efficiency, attractively priced new orders and the high share of aftermarket business.

In 2023, we estimate that our Net Working Capital is further impacted by ongoing global supply chain shortages as well as delayed deliveries due to challenges in production related to final testing. We believe that our higher Net Working Capital levels are necessary to support our high growth rate over the past years, and are partially driven by stock building to support our growing business despite the global supply chain shortages. In the medium-term, we target Net Working Capital as a percentage of revenue of below 20%. The expected improvement in Net Working Capital is mainly due to a planned reduction in inventory and trade payables. We aim to focus our growth in areas with lower inventory intensity and shorter lead times, such as the Aftermarket Business and offerings in new energy, as well as focus on process optimization to reduce lead times. With an easing in the supply chain, we expect a positive impact on inventories. We also expect trade receivables and contract assets to benefit from more favorable project-related payment terms and a continued strong focus on active cash management.

Furthermore, we believe that our asset base is well invested, and we expect Capital Expenditure in the fiscal year ended December 31, 2023 to be around 3% of revenue, and around 3% in the medium-term. We expect depreciation and amortization to remain stable around 3% of revenue in 2023 and in the medium-term. In the fiscal year ended December 31, 2023, we estimate a net leverage at two times of EBITDA. In addition, we expect our operational expenses as a percentage of revenue to remain stable in the medium-term. Going forward, we expect an average tax rate of around 30%.

Certain statements in this section, including, in particular the expectations and targets described above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance, and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "*2.9 Forward-looking statements*" and "*1 Risk Factors*". For additional information regarding the Profit Estimate 2023 and the Profit Forecast 2024, particularly the assumptions underlying this estimate and forecast, see "*7 Profit Estimate and Profit Forecast*".