



News service MAN Group

Interim report on the six months ended June 30, 2003 (H1)

Press release of
August 6, 2003

RENK optimistic about latter half of the year

Augsburg-based RENK AG, the world's leading specialist in large gears and drive elements, had a mixed first six months of 2003 due to flagging demand in a number of its business segments. The postponement of various megaorders pushed order intake down by 18 percent to €108 million although very tall order backlogs kept sales at the year-earlier level of €110 million. EBT reached €5 million. RENK is confident of a rebound in both orders and earnings in the latter half of 2003.

Order intake

H1/2003 order intake by RENK totaled €108 million, comparing with a year-earlier €132 million. It was only the Testing Rigs and Drive Elements divisions that were effected by weak economies while, contrary to the general trend, the two large-gear divisions, Special-Purpose Propulsion Systems and Broad-Use Propulsion Systems, received a one-third higher order volume. At the biggest of the divisions, Vehicle Transmissions, order intake did fall below the previous year, yet given that several export projects will shortly materialize, we expect H2/2003 to result in a sharp rebound.

Sales

At €110 million, we are pleased to report that sales by the RENK subgroup repeated the year-earlier magnitude. Vehicle Transmissions showed gains over H1/2002, a period whose shipments suffered from series production start-up problems. All the other divisions had to contend with slightly lower sales. However, since a sizable share of shipments is scheduled for the course of H2, the year as such is expected to close with a sales level at least as high as the €255 million in 2002.

Further information on the business trend in H1/2003

Versus December 31, 2002, **order backlog** inched only marginally down from €585 million to €582 million, with Vehicle Transmissions still predominant at over 80 percent.

At June 30, 2003, RENK employed a **workforce** of 1,541, down by 10 or 0.7 percent from the December 31, 2002 figure.

Capital expenditures at €4 million were 20 percent down and centered chiefly on several buildings and improvements to the testing rig infrastructure at the Augsburg location.

Internally funded R&D expenses at €1.7 million likewise failed to match the high €2.2 million of H1/2002.

Results of operations

H1/2003 earnings were as expected, EBT reaching a good €5 million (down from €8 million).

Weak economy-related demand in the Drive Elements division was the main reason for the decline.



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Outlook

RENK's broad product range allows the divisions to reciprocally compensate for variations in demand due to cyclic swings in the economy. Presently sluggish demand for drive elements is offset by a buoyant market for large-gear units, especially marine transmissions. In the market for vehicle transmissions, RENK still commands a strong position. Given these factors, we expect an order intake for 2003 possibly matching the good year-earlier figure.

Earnings continue to be squeezed by in some cases deteriorating prices, a strong euro, and declining drive elements business. Hence, we expect for 2003 an EBT somewhat short of the year-earlier €19 million.

RENK subgroup € mill., January to June	2003	2002
Order intake	108	132
Germany	41	59
Abroad	67	73
Sales	110	110
Germany	40	48
Abroad	70	62
Order backlog *	582	585
Headcount *	1,541	1,531
Capital expenditures	4	5
R&D	1.7	2.2
EBIT	6	9
EBT	5	8
Net income for the period	5	5
Cash flow according to DVFA/SG	9	10
Cash & cash equivalents *	29	52

* at June 30, 2003, in comparison to December 31, 2002

RENK Aktiengesellschaft

The Executive Board