



Interim report on the six months (H1) ended June 30, 2004 RENK raising H1 sales and order intake

Munich, August 5, 2004

Augsburg-based RENK AG, a world-renowned specialist in large and special-purpose gear units, further increased its business volume in the first six months of 2004, driving up order intake to €117 million and sales to €121 million (up 8 and 10 percent, respectively). Earnings before taxes (EBT) came to €5.5 million (down by 11 percent).

As of April 1, 2004, Testing Rigs was spun off into RENK Test System GmbH, RENK AG being its sole shareholder. RENK Test System GmbH (annual sales of about €12 million, 58 employees) is not consolidated in the RENK subgroup's financial statements.

Prospects for all of 2004 suggest that sales will inch up, with earnings well in the black, albeit below the previous years' very high magnitude mainly due to the changed margin mix.

Order intake

The new orders and contracts received in H1/2004 climbed 8 percent to €117 million. The general economic recovery benefited especially our two large-gear divisions, Special-Purpose Propulsion Systems and Broad-Use Propulsion Systems, which posted up to one-third higher orders. Although, in contrast, order intake by Vehicle Transmissions fell below the year-earlier level, a major export contract may boost the H2 volume of this division which depends on mega-contracts.

Sales

All divisions contributed to the sales rise from €110 million to €121 million, but Drive Elements was favored most by the economic upturn. Ship gears delivered by the Rheine plant showed a marked uptrend, too, while sales by Vehicle Transmissions mounted moderately.

Further information on the business trend in H1/2004

In comparison to December 31, 2003, **order backlog** inched down from €639 million to €631 million, with Vehicle Transmissions again predominant at 80+ percent.

At June 30, 2004, the RENK subgroup employed a **workforce** of 1,507, down 2 percent from the year-end 2003 headcount, which substantially shrank as non-consolidated RENK Test System GmbH was spun off as of April 1, 2004.

Capital expenditures for tangible and intangible assets contracted from €4 million a year ago to €3 million and centered on production plant and machinery at the Augsburg location.

The magnitude of **internally funded R&D expenses** of €1.6 million was virtually repeated (down from €1.7 million a year ago).

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Results of operations

Despite the higher net sales, the year-earlier EBT of €6 million was just missed, largely due to Vehicle Transmissions where the changed margin mix and one-time burdens from delays and technical problems experienced by suppliers depressed earnings. Our large-gear divisions delivered a stable performance, Drive Elements even showed a considerable improvement.

Outlook

Despite the spin-off of RENK Test System GmbH, we believe that we can re-achieve or exceed the prior-year sales level of €267 million. Since the award of megacontracts to Vehicle Transmissions is hard to budget or schedule, it remains to be seen if order intake for 2004 follows the sales trend.

We expect 2004 to produce an EBT somewhat below the previous year's €19 million.

RENK subgroup Mio € Januar – Juni	2004	2003
Order intake	117	108
Germany	55	41
Abroad	62	67
Sales	121	110
Germany	42	40
Abroad	79	70
Order backlog *	631	639
Headcount *	1,507	1,544
Capital expenditures (tangibles/intangibles)	3	4
R&D	1,6	1,7
EBIT	6,7	7,1
EBT (result from ordinary operations)	5,5	6,2
Extraordinary result	(0.5)	(0.5)
Net income for the period	3.0	4.7
Cash earnings	7	9
Cash & cash equivalents *	39	31

* at June 30, 2004, in comparison to December 31, 2003