



# CONSOLIDATED FINANCIAL STATEMENT

# 22



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## EVENTS 2023

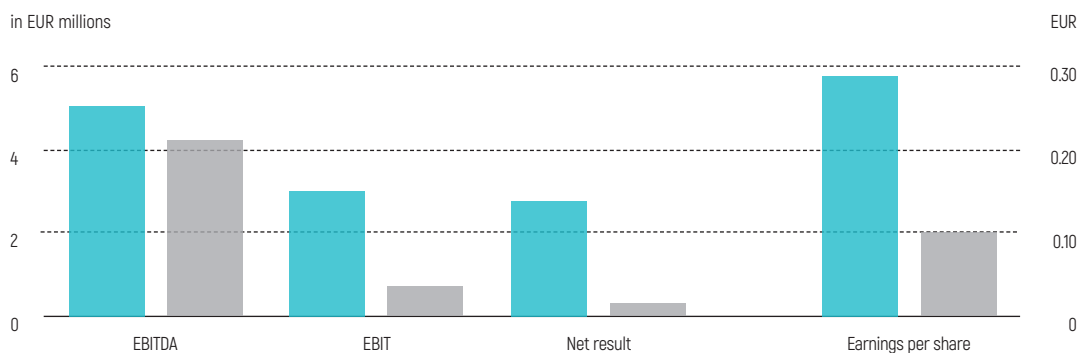
June 30 2023	Publication of the annual figures for the 2022 financial year
June 30 2023	Publication of the 2022 annual financial statements
August 2023	General meeting
October 27 2023	Publication of the 2023 half-year report

## GROUP KEY FIGURES

in EUR millions	2022	2021	2020	2019	2018*	2017	2016	2015
Sales income	93.8	85.8	65.6	113.6	101.2	95.5	97.4	83.6
EBITDA	5.5	4.1	-7.6	-2.2	7.5	5.7	3.2	8.1
EBITDA margin (in percent)	5.9	4.8	-11.6	-2.0	7.4	5.8	3.3	9.6
EBIT	3.1	1.2	-10.6	-8.9	5.3	2.8	0.2	5.1
EBIT margin (in percent)	3.2	1.5	-16.2	-7.8	5.2	2.9	0.2	6.1
Net result	1.9	0.6	-11.4	-8.3	3.4	1.4	-0.3	3.4
Earnings per share (in EUR)	0.29	0.10	-1.90	-1.47	0.66	0.28	-0.06	0.66

\*) from 2018 Group key figures

## AT A GLANCE 2022 | 2021



## REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht  
Chairman of the Supervisory Board

### Dear HWA AG shareholders!

In the 2022 financial year, the Supervisory Board advised the Management Board comprehensively and performed all the duties incumbent upon it under the law and the company's articles of incorporation. During the past year, we advised the Management Board on the management of the Company's affairs on an ongoing basis and kept the management and performance of the Company under close review. The Supervisory Board was directly and promptly involved in all decisions of fundamental importance to the well-being of the Company, or wherever statutory provisions or the articles of incorporation called for such involvement. This is based on written and verbal reports of the Management Board to the Supervisory Board. Cooperation between the Boards was marked by detailed and open dialogue. The Management Board informed the Supervisory Board promptly, thoroughly and on a regular basis on all significant aspects for the company and events requiring approval.

The Chairman of the Supervisory Board was also in regular contact with the Management Board outside the regularly scheduled meetings. Other Supervisory Board members also maintained their contacts with the Management Board outside formal meetings, keeping themselves informed about ongoing business development and significant business events and providing support and advice where needed.

### Meetings of the Supervisory Board

During the 2022 financial year, the Supervisory Board held four ordinary meetings to perform its duties. In these meetings, the current state of the Company's affairs was discussed with the Management Board and explained in detail. These Supervisory Board meetings were held on 24 March, 6 July, 28 September and 14 December 2022. At each of the Supervisory Board meetings, one member was not present. The Supervisory Board's meetings were all held at the Company's headquarters in Affalterbach, and members of the Supervisory Board had the option to dial in to the meetings by video. The accounts meeting together with the auditor was held on 17 March 2022.

The Management Board also provided the Supervisory Board with full information on urgent matters and matters of particular importance to the Company outside the regular meetings. All activities and transactions requiring the Supervisory Board's approval were discussed in detail in the Supervisory Board meetings. Urgent resolutions were also adopted by the Supervisory Board by way of circulation.

Major topics of discussion during last year included:

- The impact of the coronavirus pandemic in 2022 and its effects on operating business as well as development of supply chains
- The repercussions of the war in Ukraine and its impact on HWA AG
- Management to secure production on account of very strained supply chains and material availability
- Approval to carry out a capital increase
- Continuous monitoring of the liquidity situation, liquidity planning and risk and opportunity management
- The review of the planning, budget and investments for 2022
- The impact of the effects of energy costs and materials prices
- The legal steps from the joint venture Vynamic GmbH
- The progress of the various projects in motor racing and vehicles/vehicle components, in particular the close collaboration and partnership with Mercedes-AMG and the production of vehicles with this partner
- The development of after-sales business in the Vehicles/Vehicle Components segment
- Diversification of the customer structure and the implementation of further customer projects
- The recruitment of qualified staff and measures to achieve this
- Future development and the budget for 2023 and medium-term planning of HWA AG, as well as future financing of the Company and its transformation
- The discussion of the future financing of HWA AG
- Opportunities in connection with future technologies on the basis of changes in mobility

### **Membership of the Management and Supervisory Boards**

There were no changes to the Management Board at HWA AG in the 2022 reporting year.

Martin Marx was the sole member of the Company's Management Board throughout the entire year 2022.

Under the Company's articles of incorporation, the Supervisory Board consists of six members. As at the end of the 2022 reporting year, the Supervisory Board was made up of the following persons:

- Hans Werner Aufrecht, Chairman
- Willibald Dörflinger, Deputy Chairman
- Gert-Jan Bruggink
- Klemens Große-Vehne
- Hussain Ahmad Al Siddiqi
- Simone Stegmaier

### **Annual financial statements and audit**

By resolution of the Annual General Meeting of 6 July 2022, Treuhand Südwest GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft, Karlsruhe, was appointed as statutory auditor of the Company's annual and consolidated financial statements for the 2022 financial year. The statutory auditor audited the 2022 annual and consolidated financial statements and the combined management report prepared by the Management Board and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the combined management report and the auditor's report were provided to all Supervisory Board members in good time. These were discussed in depth at the Supervisory Board's accounts meeting. This meeting was also attended by the auditor, who reported on the key findings of its audit and was available to answer additional questions from the Supervisory Board. After conducting a thorough review of its own, the Supervisory Board approved the audit findings. On the basis of its review, the Supervisory Board had no grounds for objection to the annual financial statements and the consolidated financial statements. It approved the annual financial statements and the consolidated financial statements for the 2022 financial year on 23 June 2023. The annual financial statements for 2022 were thereby formally adopted.

The Supervisory Board endorses the Management Board's proposal for the appropriation of HWA AG's net retained profits. HWA AG will not propose a dividend to the Annual General Meeting in 2023, but instead will propose that the net retained profits be carried forward to new account.

#### **Supervisory Board's thanks**

2022 was once again an extremely challenging year. The impact of the COVID-19 pandemic and the war in Ukraine on operating business was a major challenge for all employees. Nevertheless, all members of staff showed great personal commitment in overcoming this situation and the Supervisory Board would like to express its sincere thanks for this. The Supervisory Board would like to particularly thank Martin Marx on the Management Board for his great dedication, extensive expertise and necessary care in implementing the transformation. It would also like to thank the shareholders of HWA AG for the trust they have placed in it and in the Company as a whole.

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'H. W. Aufrecht', written in a cursive style.

Hans Werner Aufrecht  
Chairman of the Supervisory Board

Affalterbach, June 2023



# COMBINED MANAGEMENT REPORT ON ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basic information on the Group

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### Legal and economic position of the company in 2022

HWA AG was founded in 1998 under the name H.W.A. GmbH. It became a stock corporation (AG) under German law in 2006. The shares of HWA AG have been traded on the Open Market segment of the Frankfurt Stock Exchange since 19 April 2007. The company operates in Germany as an individual entity.

As the parent company, HWA AG, Affalterbach, holds the majority of the voting rights in and exercises joint management over the following legal entities:

- HWA US Inc., Wilmington, Delaware, USA (100%)
- HWA AUS Pty Ltd., Mornington, Victoria, Australia (100%)
- HYRAZE GmbH, Affalterbach, Germany (100%)

The first two above-mentioned legal entities serve as sales companies for the respective local markets.

In the future, HYRAZE GmbH is to operate in the field of the development of manned and unmanned hydrogen-powered vehicles (particularly racing vehicles) and the development, marketing and implementation of manned and unmanned, real and virtual racing series and events. However, the project is not currently being pursued.

As at the reporting date, there is a 15% stake in the following legal entity, which is included in the consolidated statements using the equity method:

- PACETEQ GmbH, Affalterbach (15%)

PACETEQ GmbH operates in the fields of software development and strategy services. The interests were sold in full in March 2023.

The parent company, the company HWA US Inc., the company HWA Pty Ltd. in Australia and HYRAZE GmbH are fully consolidated in the consolidated financial statements.

In the two segments in which it operates – Motor Racing and Vehicles/Vehicle Components – HWA AG develops, builds and produces high-performance technological products deployed in the respective racing series and provides extensive services.

The Motor Racing business was of only minor importance for HWA AG in 2022 as HWA AG did not have its own racing activities carried out under its own name in 2022.

The second segment, Vehicles/Vehicle Components, focuses on development, production and other services for the automotive industry and other customer groups. As a highly specialised service provider, HWA AG applies its specific racing expertise to carry out development and production orders for a variety of customers.



For example, a zero-emission drive unit was developed alongside various partners as part of the ZEDU project and last year was presented in Stuttgart together with the Baden-Württemberg Minister for Economic Affairs.

Spare parts and services continue to be provided at the Affalterbach location and world-wide on a localised basis.

### **Research and development**

Across all its activities and business areas, HWA AG has comprehensive resources at its disposal which it requires for the competitive development of racing vehicles, customer sports vehicles and small-scale series vehicles, as well as vehicle assemblies and components. For example, the use of cutting-edge IT solutions in simulation and design work ensures that all developments are state-of-the-art. The company also possesses comprehensive expertise and a wide range of resources for developing electrics and electronics in racing and small-scale series vehicles and vehicle components – specifically, independently and individually tailored to the intended application. This includes both creating and programming corresponding control electronics in addition to their simulation and analysis.

To be able to guarantee a suitable level of service for its global customers in the GT customer sports business, HWA AG has built up an excellent infrastructure which has worked superbly over the years and allows the thorough testing and maintenance of vehicles on the race track, in-house or directly on site.

HWA AG will be dedicating special attention to research and development in the future in order to open up new business areas and opportunities, also outside motor sports, and uphold the high standard of all current and future products and the competitive edge this bestows.

## **2. Economic report**

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### **General economic conditions**

The global economy continued to recover in 2022 but fell short of the rate of growth seen in the previous year. According to the International Monetary Fund (IMF), global economic output rose by 3.4% year-on-year in 2022 (after 6.2% in 2021).

Global economic performance is still shaped primarily by high worldwide inflation rates and Russia's war in Ukraine, which had a negative impact on the world economy and curbed growth. China's strict zero-COVID policy also depressed growth.

Nonetheless, the global economy is expected to see slightly stronger growth than was expected last October in 2023 and slightly weaker growth in 2024 (2.9% and 3.1% respectively). The further adjustment also takes account of interest rates rises implemented by central banks to tackle high rates of inflation. The ongoing war between Russia and Ukraine is also constraining global economic growth.

The International Monetary Fund has raised its forecast for the eurozone's economic development in 2022 by 0.4% compared to October 2022 to 3.5%. Increased economic activity in the summer period of 2022, falling energy costs in some cases combined with government measures to prop up purchasing power and energy price caps shored up growth. Supply bottlenecks are less and less of a factor but continued to influence growth in 2022. GDP growth in euro area countries in 2021 came to 5.3%. The IMF is anticipating growth in economic output in the eurozone of just 0.7% in 2023 and 1.6% in 2024. At 9.2%, inflation in the single currency area in 2022 was again far higher than the previous year's figure of 5.0%.

According to the German Federal Statistical Office (Destatis), the German economy grew by 1.8% in 2022, lower than in 2021. The domestic economy continued to be hit hard by major price hikes and the ongoing energy crisis and accounted for lower-than-average share of the economic recovery in 2022. German exports climbed by a substantial 14.3% year on year in 2022. Imports picked up by a far higher 24.3%, due primarily to the sharp increase in the costs of importing energy on account of the war in Ukraine. At 7.9%, average annual inflation in Germany in 2022 again considerably exceeded the European monetary policy target of just under 2%. In 2021, inflation had been at 3.1%. The IMF anticipates economic growth of just 0.1% for Germany in the 2023 financial year, and this is expected to continue at a low level in 2024 (1.4%).

According to the IMF, the US economy picked up by 2.0% in 2022 and thus performed worse than in the previous year (5.9%). Significantly slower growth is forecast for 2023 (1.4%), which is expected to continue at a lower level in 2024 (1.0%).

According to IMF forecasts, economic output in the People's Republic of China rose by 3.0% in 2022 after 8.4% in the previous year. Although it thus fell short of the 5.5% targeted by the Chinese government, growth remained muted by difficulties in the property sector, which also has a significant impact on forecast growth rates for subsequent years. China's strict zero-COVID policy and months of lockdowns imposed in some major cities also hurt growth. The International Monetary Fund expects to see Chinese economic output increase by 5.2% in 2023 and 4.5% in 2024.

#### **Automotive market and other relevant markets**

The development of global demand for passenger cars was shaped by very different dynamics in the reporting year. While markets in the west fell short of the previous year's level, sales in China improved considerably. In particular, shortages of intermediate products and commodities and far higher energy and logistics prices hampered performance. Russia's war of aggression also adversely affected market performance. Overall, sales volumes remained in line with the previous year in 2022. Of the three largest sales regions, only China experienced growth in 2022 as a whole. Sales in the US and Europe fell significantly.

In Europe, passenger car sales fell by -4.1% year-on-year. Demand in western Europe was also down on the previous year's level by 4.1%.

The German market posted a year-on-year increase in sales volumes of about +1%, while demand had a negative impact on sales volumes in France (-8%), Italy (-10%) and Spain (-5%). The UK market also posted a decline of approximately -2%.

The US passenger car and light commercial vehicle market is experiencing a downward trend with around 13.7 million units sold. Compared to the previous year, the market volume was down 7.9%.

The Chinese passenger car market recorded a comparatively sharp rise in sales. The downturn seen in the spring when lockdowns in key sales regions significantly limited business was offset in the second half of the year – in part by a tax reduction on a large share of vehicles sold – and so the market grew by 10.2% in the year as a whole. In Japan, demand for passenger cars was -6.2% lower year on year.

A total of 2.65 million new passenger cars were registered in Germany last year, equivalent to a 1.1% year-on-year increase according to the Federal Motor Transport Authority. The share of the overall market attributable to electric passenger cars increased substantially to 17.7% (previous year: around 13.8%).

The Mercedes-Benz Cars brand sold a total of 2.04 million vehicles in 2022 (previous year: 1.94 million) and thus exceeded the previous year's level – largely the result of higher sales figures for top-end and electric vehicles in line with its new strategic focus. Mercedes-Benz Cars sold 618,904 vehicles (previous year: 602,428), including 215,590 in Germany. In China, the largest individual market, the Mercedes-Benz Cars business unit continued its run of success. Sales increased by 3% to 753,851 vehicles.

The market for electric mobility in Germany is continuing to grow. Approximately 471,000 electric cars were registered here in 2022, representing an increase of around 32%.

Registration figures for electric vehicles (including plug-in hybrids) increased significantly worldwide (+42% year-on-year). In Europe, growth here was again stronger than in the market as a whole (+11% year-on-year). Developments remained very positive on US (+82%) and Chinese (+147%) markets in 2022.

Overall, substantial growth is still expected in the field of electric mobility.

## **Business performance and results of operations**

### **a. Business development and forecast performance of the company**

The company largely achieved the business targets it had set in the 2022 financial year. While supply chain disruptions resulted in delays in delivering vehicles, these were offset elsewhere.

Mercedes-AMG customer sports in particular is operating at a very high level.

Unfortunately, firmly scheduled projects were carried out only in part or were only partially commissioned.

HWA AG had forecast a slight decline in the Group's gross revenue overall in 2022 but a further recovery in the EBIT margin compared to previous years.

This was also the case for HWA AG's separate financial statements, including a significant improvement to earnings before interest and taxes (EBIT).

With gross revenue of EUR 93.7 million, HWA AG easily achieved this target thanks to high revenue in Mercedes-AMG customer sports. Consolidated gross revenue amounted to EUR 97.9 million with EBIT for the Group of EUR 3.1 million. HWA AG therefore exceeded its Group margin target in absolute terms.

With regard to sports, the Mercedes-AMG 2022 customer sport season enjoyed numerous successes. These included the driver's title at the ADAC GT Masters, a double podium at the 24h Nürburgring race, a double victory at the 24h Spa and much more.

Cooperation with Mercedes-AMG GmbH in its customer sports activities is still ongoing and was very successful at many levels in 2022. With the exception of the Asia region, most racing events across the world took place and aftersales business in connection with the racing season continued to pick up in comparison to 2021.

Various development projects also went ahead successfully in 2022. These included the development of a 12-cylinder engine for Pagani, which then went smoothly into small series production.

HWA AG had forecast a decline in gross revenue for 2022 but a significant recovery in earnings before interest and taxes (EBIT).

The company had anticipated a recovery in Vehicles/Vehicle Components, and this materialised.

## **b. Results of operations**

Given the significance of the parent company HWA AG to the consolidated financial statements, the separate financial statements of HWA AG are presented below. Information specific to the consolidated financial statements can be found under the relevant items.

HWA AG's sales revenue amounted to EUR 90.5 million in 2022, higher than the previous year's level of EUR 82.9 million. EUR 53.7 million (previous year: EUR 44.3 million) of this relates to Germany and EUR 36.8 million (previous year: EUR 38.6 million) to other countries. HWA US generated sales of USD 7.3 million as against USD 6.2 million in the previous year, while HWA AUS achieved sales of AUD 0.3 million. Consolidated sales revenue amounts to EUR 93.8 million after consolidation.

HWA AG's other operating income amounted to EUR 0.6 million and comprised essentially EUR 0.2 million in gains from asset disposals, EUR 0.2 million in income from the reversal of provisions and EUR 0.2 million in other income.

In total, HWA AG's gross revenue for 2022 amounts to EUR 93.7 million as against EUR 85.8 million in the previous year.

The cost of materials increased from EUR 46.6 million in the previous year to EUR 56.2 million. Key factors influencing the cost of materials included the production of the Mercedes-AMG GT3, GT4 and GT Track Series, the provision of spare parts for AMG customer sports teams and other customer projects. The cost of materials and purchased services as a percentage of gross revenue is far higher than in the previous year at 60.0% (previous year: 54.3%), reflecting the high share of revenue from production volumes.

Other operating expenses declined from EUR 14.1 million in the previous year to EUR 10.5 million in the reporting period. This decrease was attributable mainly to lower project-related costs (such as travel expenses) as well as an effective cost and efficiency program that was continued in 2022.

Currency gains and losses primarily resulted from exchange rate fluctuations in the US dollar.

HWA AG generated EBIT of EUR 2.0 million in 2022 after EUR 0.8 million in the previous year. The EBIT margin in relation to gross revenue thus remains positive and is slowly increasing. Consolidated EBIT amounted to EUR 3.1 million in 2022. Intercompany profits arising from sales of goods within the Group were eliminated on consolidation. The EBIT contribution by HWA US was EUR 0.7 million. The EBIT contribution by HWA AUS was EUR -0.1 million.

HWA AG uses EBIT (earnings before interest and taxes) as its operating result and performance indicator. EBIT is calculated as follows:

### Income statement

in EUR million (rounded)	2022	2021
<b>Sales revenue</b>	<b>90.6</b>	<b>82.9</b>
Changes in inventories/own work capitalised	2.5	-0.1
Other operating income	0.6	3.0
<b>Gross revenue for the period</b>	<b>93.7</b>	<b>85.8</b>
Cost of materials	56.2	46.6
Personnel expenses	21.35	21.4
Depreciation, amortisation and write-downs	3.7	2.9
Other operating expenses	10.5	14.1
<b>EBIT</b>	<b>2.0</b>	<b>0.8</b>
EBIT in %	2.1%	0.9%

At EUR -0.8 million, HWA AG's negative financial result for the 2022 financial year declined slightly as against the previous year's figure of EUR -0.9 million.

Overall, HWA AG's net income for 2022 amounted to EUR 1.0 million as against EUR 0.3 million in 2021.

Consolidated net income continued to pick up substantially compared to the previous year.

At Group level, the net income for 2022 amounted to EUR 1.9 million after EUR 0.6 million in the previous year.

### c. Net assets and financial position

HWA AG's fixed assets rose from EUR 16.6 million in the previous year to EUR 17.7 million in the 2022 financial year. This increase is the result of considering ongoing ordinary depreciation and amortisation on a net basis with a reclassification of financial loans to HWA AG subsidiaries.

Current assets also increased from EUR 42.6 million in the previous year to EUR 44.7 million.

HWA AG's inventories, which are held mainly to ensure a continuous supply for customers, especially in Mercedes-AMG customer sports, increased by EUR 6.0 million. This is attributable to the use of advance payments received and the stagnating production flow in vehicle production with the resulting increased lead time and commitment of inventories.

Trade receivables rose as at the reporting date, due essentially to the EUR 0.8 million year-on-year upturn in revenue in December. Receivables from affiliated companies declined by EUR 4.5 million. The repayment terms for the subsidiaries were extended with interest. Consolidated current assets amount to EUR 45.4 million.

HWA AG's provisions came to EUR 3.2 million in the 2022 financial year, higher than the previous year's figure of EUR 2.4 million. This primarily reflects higher provisions for outstanding incoming invoices. The Group's provisions amount to EUR 3.4 million.

Liabilities decreased from EUR 33.8 million in 2021 to EUR 32.9 million in 2022. The largest item under liabilities was bank loans, which amounted to EUR 15.1 million at the end of December 2022 as against EUR 22.8 million in the previous year. There is also the existing shareholder's loan taken out in 2017. This loan totalling EUR 3.5 million is reported under liabilities to shareholders. Trade payables increased from EUR 5.6 million to EUR 12.6 million. The Group's liabilities amount to EUR 32.8 million.

HWA AG's total assets went up from EUR 61.5 million in the previous year to EUR 64.6 million. The share of fixed assets increased slightly from 27.0% to 27.4% in 2022. There was no change to current assets' share of total assets in 2022, remaining stable at 69.2%, the same as in 2021.

HWA AG's equity ratio increased from 35.4% to 42.3% as at 31 December 2022. Equity in absolute terms picked up from EUR 21.8 million to EUR 27.3 million in 2022. Net income for the year and a capital increase had a positive effect on equity in 2022. HWA AG's share capital was increased by 10% in March 2022. This resulted in proceeds of EUR 4.55 million for HWA AG. The new shares were subscribed by Aufrecht GmbH and Dörflinger Management & Beteiligungs GmbH ("DMB") as part of a private placement without a prospectus.

The Group's equity amounts to EUR 25.3 million with a ratio of 40.3%.

Additional shareholder loans of EUR 8.0 million were taken out in 2023, which were fully paid in as at the reporting date.

The Group had cash and cash equivalents of EUR -5.2 million at the end of the 2022 financial year as against EUR -3.8 million in the previous year. The operating cash flow was positive at EUR 3.7 million in 2022. This was due chiefly to the increase in liabilities. Cash flow from investing activities was negative at EUR -0.3 million, the result of divestment. Cash flow from financing activities was negative at EUR -4.9 million, essentially attributable to expenses for payments of principal and interest for bank loans.

HWA AG's ongoing liquidity management ensures that HWA AG and its subsidiaries can satisfy their payment obligations at all times or with short waits for the creditors. To this end, the Group incorporates the cash flows from its operating activities, including investment, and from its financing activities into rolling liquidity planning. The financing requirements resulting from this are covered using suitable liquidity management instruments.

#### **d. Capital expenditure**

Gross investment amounted to EUR 647 thousand in the past financial year. (Previous year: EUR 682 thousand). The breakdown of investment is shown in the following table:

<b>Gross investments</b>	EUR thousand
1. Intangible assets	15
2. Land and buildings	21
3. Technical equipment and machinery	121
4. Other equipment, operating and office equipment	294
5. Payments on account of fixed asset	0
6. Financial assets	196
	<b>647</b>

Investments relate to new purchases and replacements for technical equipment and machinery as well as operating and office equipment, in particular for maintaining and further developing business operations, including the infrastructure in place.

Total investments of less than EUR 1.0 million are planned for 2023.

#### **e. Employees**

Including the Management Board, there were 262 employees on average in the 2022 financial year (previous year: 269).

The subsidiaries in the US and Australia each had a maximum of one employee as a temporary measure.



### 3.. Forecast, risk and opportunity report

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The management report contains forward-looking statements that are based on the Management Board's current assessments with regard to future developments. These assessments and statements should not be understood as guarantees that these developments will actually materialise in the future. The future development of HWA AG depends on a number of risks and uncertainties that involve various factors beyond the influence of HWA AG. These are described in the following risk and opportunity report, but are not limited solely to the risks described therein. For this reason, the actual results and successes of HWA AG may differ significantly from the forward-looking statements made.

#### Forecast

According to Mercedes-Benz Group AG, global demand for passenger cars is likely to see slight year-on-year growth in 2023.

Contrary to the ostensible unfavourable global economic conditions with high inflation and rising interest rates, the global economy is expected to grow by around 2%.

Environmental protection, sustainability generally and alternative, environmentally friendly and sustainable drive concepts as well as the general development of individual mobility will be very important for the further development of automotive markets worldwide.

The Motor Racing business will not be of major significance for HWA AG in 2023. Structural changes were made in 2022, including in the form of shifts and reallocations of resources. HWA AG continuously monitors all market developments in the motorsports sector and examines any opportunities that may arise as a result.

The company anticipates a year-on-year decline in sales revenue in Vehicles/Vehicle Components. Production of the Mercedes-AMG GT4 will continue in 2023, along with production of the Mercedes-AMG GT3 MY 2020, the Mercedes AMG GT Track Series and other special models.

The new Mercedes-AMG GT2 will be produced for the first time in the second half of 2023.

Moreover, the company is also working on additional projects moving away from Mercedes-Benz Group AG that will contribute to sales revenue as well. The future development of collaboration between HWA AG and Mercedes-AMG GmbH in the area of customer motor racing depends greatly on Mercedes-AMG GmbH's strategic focus here. Further significant joint development projects are still undetermined at present.

Outside Mercedes-AMG GmbH, HWA AG was awarded a development project. Together with the company DeTomaso, development of the DeTomaso P72 will be finalised with the aim of subsequently taking over production of these vehicles.

With a view to the future, HWA AG is continuing to work on its own vehicle projects in order to clearly position itself in the growing sport and super sport vehicle market.

Parts and service business will likely remain on par with the previous year, thereby playing a considerable role in total revenue.

HWA AG expects the Group's gross revenue overall in 2023 to be lower than in 2022. The same also applies for HWA AG.

Revenue in vehicle production and customer sport aftersales will remain high, while revenue in the area of development will continue to decline.

Sales revenue performance at the subsidiaries in the US and Australia again varied. While the US market continued to perform well, Australia stagnated and HWA AG believes that it will no longer play a major role in HWA's strategic focus in the future. The importance of the Asian market, especially China, will increase again after all COVID-19 regulations are lifted.

Separate to this, the overall risks for the global economy posed by COVID-19 and the war in Ukraine and the consequences for HWA AG still cannot be fully predicted at present. Global uncertainties will increase and be more and more important to business activities.

Consolidated EBIT is not expected to recover further and will decline year on year. A figure in the very low single-digit millions is anticipated here.

HWA AG is continuing to work towards technological change and a new focus on sustainability projects without neglecting conventional technologies.

Examples here include projects to electrify caravans and the potential continuation of the "ZEDUI" research project together with the DLR and other partners to further develop a drive axle with zero emissions and zero particulate matter.

Despite the uncertain environment in the automotive industry, the Management Board still considers the prospects for HWA AG in 2023 fairly good, albeit challenging. Uncertainties in the global political environment are unlikely to deteriorate further.

Uncertainty regarding the availability of commodities and supply chains could also exert a significant influence on HWA AG's operating business if, for example, the components needed for vehicle production are not available at the required time or in the required quantities. Of course, this is also true of the potential impact of the current situation in Ukraine and Russia.

In the future, HWA AG will again work to ensure greater project diversification, especially in development and production, in order to reduce dependencies on major customers and, in turn, limit the risk this entails.

## Risks and opportunities

HWA AG and, for example, the Mercedes-Benz Group expect global economic growth to cool off in 2023.

Sustained high inflation in 2023 translates into still high interest rates, which will most likely curb consumer spending and general business activities.

There are still shortages of raw materials and supply bottlenecks, although these will increasingly ease over the course of 2023.

Like most market players, HWA AG also expects the global economy to be dominated by uncertainties in 2023, such as the further development of Russia's war in Ukraine and the global repercussions of this.

As well as uncertain macroeconomic developments, there may also be geopolitical and trading uncertainty. This includes tensions between major countries such as the US and China or Europe and China, the Taiwan conflict and many other factors.

According to the ifo, the indicators for 2023 are cautiously optimistic for the global environment too.

Annual growth in the eurozone in 2023 is projected at just 0.6%, with a further recovery not expected until 2024.

The outlook for the US is growth of 0.9%.

It can generally be assumed that the strength of economic output may vary significantly from country to country, depending on the country's level of development and structural framework, as well as the effectiveness of the respective political and economic measures.

As things stand, consumer spending will depend greatly on rates of inflation in the countries in question and interest rates. The Ifo expects consumer prices to fall in 2023.

HWA AG currently assumes that all economic indicators will improve slightly in 2023, but does not expect this to begin until the second or third quarter of 2023.

The framework data for key world economies have a significant influence on HWA AG's sales markets and the success of its business model, especially on the automotive market, where there are major risks and opportunities for HWA AG.

The Mercedes-Benz Group assumes a cautious sales forecast in line with the previous year for its Cars business.

From this, HWA AG concludes a level similar to 2022 for the entire automotive market in 2023.

Stable development of the global automotive markets impacts the success of HWA AG's customer sport activities.

To be able to identify, analyse and assess potential risks as promptly as possible, HWA AG uses an integrated information system that enables management to initiate effective strategies and measures early on.

Through Mercedes-AMG customer sport, Mercedes-Benz Group AG and in particular its subsidiary Mercedes-AMG GmbH remains HWA AG's most important client in 2023.

Mercedes-Benz Group AG expects sales revenues to be on par with the previous year in 2023 and, in turn, EBIT to be down slightly year on year, which represents an important basis for HWA AG's ongoing collaboration with Mercedes-AMG GmbH in the Vehicles/Vehicle Components segment's activities.

Mercedes-Benz Cars will continue to pursue the electrification strategy in 2023, also focusing on vehicle software, the luxury segment and costs.

As already mentioned, the Motor Racing business will be of no relevance for HWA AG in 2023. HWA AG will not carry out any of its own racing activities in 2023.

In Vehicles/Vehicle Components, HWA AG continues to operate within an intense and keenly contested competitive environment in the context of its involvement in the GT segment at large. HWA AG operates very successfully in this environment and sets benchmarks for the competition. Mercedes-AMG GmbH is HWA AG's client here, which means that HWA AG has corresponding opportunities.

The launch of the Mercedes-AMG GT2 in 2023 will add an additional product to the GT vehicle fleet. Mercedes-AMG GT3 MY 2020, GT4 and GT Track Series now represent the entire range in the GT vehicle sector in all classes and also in non-homologated racing.

Services for Mercedes-AMG GmbH in the areas of engineering, production and after-sales in the field of GT customer sports will also be expanded in 2023 to include HWA AG support services for Mercedes-AMG GmbH in relation to its series production vehicle business and painting work.

Development scope for Mercedes-AMG GmbH is currently expected to decrease in the future, but could be offset by in-house development projects and developments for new customers.

Parts and service business for the entire vehicle product range will be similar to the previous year in 2023 given the large number of racing vehicles on national and international markets.

The US market, which is served by HWA AG's local sales company, is expected to be able to maintain its high revenue thanks to the still high number of vehicles. The HWA US sales company is therefore expected to be stable.

HWA AG does not expect HWA AUS to be of major business significance in 2023.

HWA will continue to seek to implement sustainability projects relating to alternative, zero-emission drive systems in this segment, as well as to continue capacity utilisation in vehicle production. New fields in the area of small series production could open up for HWA AG in the future, including in the long term.

These also include the above-mentioned potential continuation of cooperation with the DLR and other partners, which HWA AG hopes will bring future opportunities for income generation.

HWA AG will further broaden its strategic focus in relation to drive technologies in the future.

HWA AG is currently developing a highly efficient, powerful racing engine as part of a customer order to be used in races in 2023.

The 12-cylinder racing engine developed in house for PAGANI will continue to be produced in 2023.

Despite selling the interests in PACETEQ GmbH, HWA still believes this presents further income opportunities in the future thanks to the continued geographical links and ongoing communication.

The HWA AG Management Board believes there are generally high risks with regard to employees. Higher wages and competition for qualified staff, especially in the Stuttgart and Ludwigsburg regions, could push up costs and create a labour shortage.

A similar picture emerges for energy costs and general price rises. The hike in energy prices and sustained inflation are leading to higher production and purchase costs that cannot be fully offset by improving efficiency. This means that these cost increases must be passed on to customers.

#### **Risk report on the use of financial instruments**

In addition to risks concerning sales and sales revenue, financial risks must also be taken into account. Specific loan loss allowances have been established for some of the trade receivables reported in the company's balance sheet and classified as a risk as at the end of the reporting date. Changes that could result from interest rates or market prices constitute a negligible to low potential risk as the majority of business is transacted in euro.

HWA AG uses derivative financial instruments exclusively to hedge the risks of underlying transactions. Exchange rate risks essentially relate to procurement activities in pound sterling. The development of this exchange rate is monitored at all times in order to be able to react to any price fluctuations and, if necessary, to hedge the risks with derivative financial instruments. There are no exchange rate hedges in place for procurement activities in pounds sterling as at 31 December 2022.

HWA AG's opportunity/risk profile is changing to a multi-project organisation. However, the information system implemented is capable of identifying potential risks reliably so that countermeasures can be initiated early on.

### Non-financial performance indicators

In addition to its financial performance indicators, HWA AG's value is largely defined by non-financial performance indicators. These concern the company's relationships with its customers and employees in addition to its technology position. Taken together, this information allows us to draw conclusions as to the extent to which HWA AG is able to

- retain skilled and motivated employees as an attractive and responsible employer
- develop products that satisfy customer requirements, including in the future
- sustainably increase customer benefit with its products and services, and design production processes so as to conserve resources

HWA AG is convinced that these aspects represent the essential building blocks needed to successfully position itself in the competitive arena in the future.

In accordance with the legal requirements, the company has a health and safety specialist who trains employees on occupational health and safety each year as well as a corresponding fire safety specialist.

HWA AG has an integrated quality management system in place which was developed in line with the 9001:2015 standard and successfully audited by DEKRA Certification GmbH.

In addition, HWA confirms its commitment to environmental management by earning and maintaining DIN ISO EN 14001 and the FIA Sustainability Accreditation Standard.

At an operational level, HWA AG also calculates non-financial performance indicators in relation to personnel and quality, which are additionally used to manage the company.

Affalterbach, 30 May 2023



Martin Marx (COO)

# CONSOLIDATED FINANCIAL STATEMENT 2022

## Balance sheet as at 31 December 2022

ASSETS	31/12/2022			31/12/2021	
	EUR	EUR	EUR	EUR thousand	EUR thousand
<b>A. Assets</b>					
I. Intangible assets					
1. Internally generated industrial property rights and similar rights and assets	1,007,958			1,720	
2. Purchased concessions, industrial and similar rights and assets, and licenses to such rights and assets	77,231			135	
		1,085,189			1,855
II. Tangible assets					
1. Land and buildings	8,902,732			9,763	
2. Technical equipment and machinery	1,344,567			1,681	
3. Other equipment, operating and office equipment	994,926			1,009	
4. Prepayments and assets under construction	1,954,074			1,954	
		13,196,299			14,407
III. Financial assets					
Shares in associates		262,894		280	280
		<b>14,544,382</b>			<b>16,542</b>
<b>B. Current assets</b>					
I. Inventories					
1. Raw materials, consumables	28,825,590			29,501	
2. Work in progress	12,048,642			7,708	
3. Advance payments	171,655			206	
4. Advance payment received on inventories	-2,486,486			-4,226	
		38,559,401			33,189
II. Receivables and other assets					
1. Trade receivables	3,630,647			2,866	
2. Other assets	1,143,068			866	
		4,773,715			3,732
III. Cash in hand and at banks		2,071,755			2,840
		<b>45,404,871</b>			<b>39,761</b>
<b>C. Prepaid expenses and deferred income</b>		<b>266,849</b>			<b>224</b>
<b>D. Deferred tax assets</b>		<b>2,458,293</b>			<b>2,528</b>
		<b>62,674,395</b>			<b>59,055</b>



Equity and Liabilities	31/12/2022			31/12/2021	
	EUR	EUR	EUR	EUR thousand	EUR thousand
<b>A. Equity</b>					
I. Subscribed capital		6,591,105			5,991
II. Capital reserves		13,826,392			9,872
III. Revenue reserves					
1. Legal reserves	511,500			512	
2. Other revenue reserves	1,310,000			1,310	
		1,821,500			1,822
IV. Difference in equity from currency translation		-150,416			105
V. Retained profits/accumulated losses brought forward		1,319,021			699
VI. Net income for the year		1,870,191			620
		<b>25,277,793</b>			<b>19,109</b>
<b>B. Provisions</b>					
1. Tax provisions		210,990		73	
2. Other provisions		3,191,808		2,379	
		<b>3,402,798</b>			<b>2,452</b>
<b>C. Liabilities</b>					
1. Liabilities to banks		15,031,591		22,827	
2. Loan liabilities to shareholders		3,500,000		3,644	
3. Trade payables		12,337,983		5,499	
4. Other liabilities		1,890,988		1,951	
- of which from taxes EUR 604,823 (PY: EUR 1,430 thousand)					
- of which as part of social security EUR 2,871 (PY: EUR 2 thousand)					
		<b>32,760,562</b>			<b>33,921</b>
<b>D. Prepaid expenses and deferred income</b>		<b>1,233,242</b>			<b>3,573</b>
		<b>62,674,395</b>			<b>59,055</b>

## Consolidated income statement in 2022

	EUR	31/12/2022 EUR	Previous year EUR thousand
1. Sales revenue	93,828,209		85,844
2. Increase/decrease in finished goods inventories and work in progress	2,479,102		-24
3. Other own work capitalized	0		63
4. Other operating income	1,589,671		4,169
		<b>97,896,982</b>	<b>90,052</b>
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	46,938,988		38,839
b) Cost of purchased services	11,751,515		10,234
6. Personnel expenses			
a) Wages and salaries	18,373,563		18,304
b) Social security and post-employment costs - thereof for old-age pensions EUR 58,432 (PY: EUR 63 thousand)	3,126,177		3,241
7. Depreciation, amortisation and write-downs			
a) of intangible fixed assets and tangible fixed assets	2,431,501		2,892
b) of current assets to the extent that they exceed the write-downs that are usual for the corporation	1,290,843		0
8. Other operating expenses	10,922,190		15,294
		<b>94,834,777</b>	<b>88,804</b>
9. Profit before interest and tax (EBIT)		3,062,205	1,248
10. Income from long-term equity investments in associates		-85,386	217
11. Other interest and similar income	684		4
12. Interest and similar expenses	809,048		900
		<b>-808,364</b>	<b>-897</b>
13. Income taxes - of which expenses (PY: income) from change in recognised deferred taxes EUR 71,179 (PY: EUR 117 thousand)		257,252	-89
14. Earnings after taxes		1,911,203	658
15. Other taxes		41,012	38
16. Net income for the year		1,870,191	620
17. Retained profits brought forward		1,319,021	699
18. <b>Net retained profits</b>		<b>3,189,212</b>	<b>1,319</b>

## Cash flow statement in 2022

	2022	2021
	EUR thousand	EUR thousand
Net profit/loss for the financial year	+1,870	+620
+ Depreciation and amortisation of non-current assets and current assets	+3,722	+2,891
+/- Increase/decrease in other provisions	+832	-71
+/- Adjustment of equity interests in associates	+17	-217
Other non-cash expenses and reclassifications	-122	+152
- Changes related to exchange rates	-532	+78
- Increase in inventories, trade receivables and other assets not related to investing or financing activities	-7,535	+10,178
+ Increase in trade payables and other liabilities not related to investing or financing activities	+4,430	-5,638
- Gain on the disposal of fixed assets	0	-1,622
+ Interest expenses/income	+809	+701
- Interest income	-1	0
+ Income tax expenses	+258	-89
- Income tax payment	-46	-9
<b>Cash flow from operating activities</b>	<b>+3,702</b>	<b>+6,974</b>
+ Proceeds from the disposal of intangible and tangible fixed assets	+29	+1,803
- Purchase of intangible fixed assets	0	0
- Purchase of tangible fixed assets	-451	-582
+ Proceeds from interest received	+1	0
+ Proceeds from the disposal of long-term investments	+150	+500
- Payments for the acquisition of long-term investments	0	-75
<b>Cash flow from investing activities</b>	<b>-271</b>	<b>+1,646</b>
Proceeds from additions to equity by shareholders of the parent company	+4,554	0
Repayments of shareholder loans	-144	0
Proceeds from bank borrowings	0	0
Repayment of bank borrowings	-8,498	-7,479
Changes in cash from other capital	-9	-8
Interest paid	-809	-701
<b>Cash flow from financing activities</b>	<b>-4,906</b>	<b>-8,188</b>
<b>Net change in cash funds</b>	<b>-1,475</b>	<b>+432</b>
Change in cash funds due to exchange rate effects	+25	+33
Cash funds at beginning of period	-3,772	-4,237
Cash funds at end of period	-5,222	-3,772

Cash funds break down as follows:

	Reporting year	Previous year
	EUR thousand	EUR thousand
Cash funds	2,072	2,815
Liabilities to banks	-7,294	-6,587
<b>Total</b>	<b>-5,222</b>	<b>-3,772</b>

## Statement of changes in fixed assets 2022

	1/1/2022 EUR	Acquisition/production cost			
		Additions EUR	Reclassi- fications EUR	Disposals EUR	Currency translation EUR
<b>I. Intangible assets</b>					
1. Internally generated industrial property rights and similar rights and assets	3,557,498	0	0	0	0
2. Purchased concessions, industrial and similar rights and assets, and licenses to such rights and assets	4,873,490	14,850	0	0	0
	<b>8,430,988</b>	<b>14,850</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Tangible assets</b>					
1. Land and buildings	27,048,581	20,803	0	0	0
2. Technical equipment and machinery	10,665,767	120,689	0	0	1,483
3. Other equipment, operating and office equipment	10,710,529	294,328	0	9,285	0
4. Prepayments and assets under construction	1,954,074	0	0	0	0
	<b>50,378,951</b>	<b>435,820</b>	<b>0</b>	<b>9,285</b>	<b>1,483</b>
<b>III. Financial assets</b>					
Shares in associates	279,710	196,427	0	213,243	0
	<b>59,089,649</b>	<b>647,097</b>	<b>0</b>	<b>222,528</b>	<b>1,483</b>

Cumulative depreciation and amortisation					Carrying amounts		
31/12/2022 EUR	1/1/2022 EUR	Additions EUR	Disposals EUR	Currency translation EUR	31/12/2022 EUR	31/12/2022 EUR	31/1/2021 EUR thousand
3,557,498	1,838,041	711,499	0	0	2,549,540	1,007,958	1,720
4,888,340	4,738,186	72,923	0	0	4,811,109	77,231	135
<b>8,445,838</b>	<b>6,576,227</b>	<b>784,422</b>	<b>0</b>	<b>0</b>	<b>7,360,649</b>	<b>1,085,189</b>	<b>1,855</b>
27,069,384	17,285,647	881,005	0	0	18,166,652	8,902,732	9,763
10,787,939	8,985,206	457,482	0	684	9,443,372	1,344,567	1,681
10,995,572	9,701,338	308,593	9,285	0	10,000,646	994,926	1,009
1,954,074	0	0	0	0	0	1,954,074	1,954
<b>50,806,969</b>	<b>35,972,191</b>	<b>1,647,080</b>	<b>9,285</b>	<b>684</b>	<b>37,610,670</b>	<b>13,196,299</b>	<b>14,407</b>
262,894	0	0	0	0	0	262,894	280
<b>59,515,701</b>	<b>42,548,418</b>	<b>2,431,502</b>	<b>9,285</b>	<b>684</b>	<b>44,971,319</b>	<b>14,544,382</b>	<b>16,542</b>

## Statement of changes in equity in 2022

	Subscribed capital	Capital reserves	Legal reserves
	EUR	EUR	EUR
<b>1 January 2021</b>	<b>5,991,914</b>	<b>9,871,731</b>	<b>511,500</b>
Equity increases/decreases	0	0	0
Other changes	0	0	0
Consolidated net loss for the year	0	0	0
<b>31 December 2021</b>	<b>5,991,914</b>	<b>9,871,731</b>	<b>511,500</b>
Equity increases/decreases	599,191	3,954,661	0
Other changes	0	0	0
Consolidated net income for the year	0	0	0
<b>31 December 2022</b>	<b>6,591,105</b>	<b>13,826,392</b>	<b>511,500</b>

### Equity of parent company

Revenue reserve	Other revenue reserves	Total	Difference in equity from currency translation	Retained profits/ accumulated losses brought forward	Consolidated net profit/loss for the year attributable to the parent company	Equity in accordance with consolidated balance sheet
	EUR	EUR	EUR	EUR	EUR	EUR
	1,310,000	1,821,500	-400,636	12,204,990	-11,361,410	18,128,089
	0	0	0	0	0	0
	0	0	0	-11,361,410	11,361,410	0
	0	0	505,524	-145,023	620,464	980,965
	1,310,000	1,821,500	104,888	698,557	620,464	19,109,054
	0	0	0	0	0	4,553,852
	0	0	0	620,464	-620,464	0
	0	0	-255,304	0	1,870,191	1,614,887
	1,310,000	1,821,500	-150,416	1,319,021	1,870,191	25,277,793



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

## General information

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The consolidated financial statements were prepared on the basis of the consolidation regulations under commercial law. In addition, the provisions of the German Stock Corporation Act (AktG) were required to be observed.

To improve the clarity of presentation in the consolidated financial statements, some of the "of which" items are shown in the notes to the consolidated financial statements rather than in the consolidated balance sheet or the consolidated income statement.

The financial year of the Group and the consolidated companies corresponds to the calendar year. The consolidated financial statements were prepared as at 31 December 2022 and cover the period from 1 January to 31 December.

The consolidated balance sheet and the consolidated income statement are structured in accordance with Sections 294 et seq. of the German Civil Code (HGB). The notes to the consolidated interim financial statements have been drawn up in line with the provisions of Sections 313 and 314 HGB. The income statement was prepared using the total cost (nature of expense) method in accordance with Section 275 (2) HGB.

Unless otherwise specified, amounts are reported in full euros.

## Register information

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The company has been entered into the commercial register of Stuttgart Local Court under the name HWA AG, domiciled in Affalterbach, and the number HRB 721692.

## Consolidated group

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In these consolidated financial statements, the companies specified in the list of shareholdings were included in accordance with the principles of full consolidation/equity consolidation unless they were not consolidated due to their immateriality. They were included in accordance with Section 290 (2) HGB and Section 311 (1) HGB.

As well as the parent company, the following companies were included in the consolidated financial statements of HWA AG:

Company	Domicile	Equity interest	Consolidation
HWA US Inc,	Wilmington. USA	100.0%	Full consolidation
HWA AUS Pty Ltd	Mornington. Australien	100.0%	Full consolidation
Hyraze GmbH	Affalterbach	100.0%	Full consolidation
Paceteq GmbH	Affalterbach	15.0%	Equity consolidation

### Principles of consolidation

The consolidated financial statements were prepared in accordance with the principles of commercial law.

Capital is consolidated in accordance with the revaluation method. All assets and liabilities of the subsidiary are then recognised at their fair value at the acquisition date or at the date when a controlling influence is obtained. Any positive difference which arises when the acquisition costs are offset against the revalued equity attributable to the parent company is reported as goodwill under intangible assets and is amortised over the respective useful life.

In addition, the carrying amount of goodwill is tested for impairment on an annual basis, as well as during the year if there are indications of possible impairment. If goodwill impairment is identified, an unscheduled write-down is performed.

Receivables and liabilities between affiliated companies in the consolidated Group are eliminated in full. Income and expenses between affiliated companies in the consolidated Group are eliminated in full. If there is still purchased merchandise on hand as at the end of the reporting period, intercompany profits included in this are eliminated.

The equity investment in associates is measured using the book value method pursuant to Section 312 (1) sentence 1 HGB.

### Accounting policies

The following accounting policies were the decisive factor in the preparation of the annual financial statements.

The annual financial statements of the companies included in the consolidated financial statements of HWA were prepared in line with uniform accounting policies.

Internally generated **intangible assets** are recognised at their production cost and amortised over their expected useful lives.

Purchased **intangible assets** are recognised at cost of acquisition and where appropriate are amortised on a straight-line basis over their expected useful lives of three or five years.

**Tangible assets** are recognised at cost of acquisition or construction and depreciated where appropriate.

Depreciation of property, plant and equipment is performed on a straight-line basis over their expected useful life. In accordance with the tax regulations, low-value assets with a value of up to EUR 800.00 are written off immediately and recognised as disposals in the year of addition. Additions to property, plant and equipment are depreciated pro rata temporis.

Inventories of **raw materials, consumables and supplies** are capitalised at the average cost or at net realisable values, whichever is lower.

**Finished goods inventories and work in progress** are valued at cost of production, including direct material, labour and other costs, as well as appropriate shares of indirect material costs and production overheads. Interest expense and general administrative overheads were not capitalised.

All recognisable risks of holding **inventories** arising in connection with slow-moving stocks, reduced market values and lower replacement costs are reflected in appropriate write-downs.

**Receivables and other assets** are recognised at their nominal value. For risks attaching to individual items, specific provisions are made; general credit risk is the subject of general provisions. In accordance with Section 253 (4) HGB, material long-term receivables and other assets are discounted using the relevant average market interest rate for the past seven financial years in line with their remaining term.

**Cash and cash equivalents** are recognised at the cost of acquisition or at fair value, whichever is lower.

**Prepaid expenses** comprise costs that are paid before the reporting date but represent expenses for a certain period after that date.

**Deferred taxes** are calculated based on temporary differences (including those not likely to reverse in the foreseeable future) between the carrying amounts of assets, liabilities and accruals for the purposes of financial accounting and their carrying amounts for tax purposes, and on tax loss carry-forwards. The amounts of the resulting tax burden or tax relief are calculated using the rates of taxation expected to apply to the company at the time the differences are reversed, and are not discounted. The option under Section 274 (1) sentence 2 HGB is exercised where permitted and any resulting overall tax relief is recognised as a deferred tax asset.

**Other provisions** take into account all uncertain liabilities and expected losses from onerous contracts. The amounts provided are the amounts deemed necessary in prudent commercial judgement, taking account of anticipated future price and cost increases. In accordance with Section 253 (2) sentence 1 HGB, material long-term provisions are discounted using the relevant average market interest rate for the past seven financial years in line with their remaining term.

**Liabilities** are recognised at the settlement amount.

The acquisition cost of **assets and liabilities denominated in foreign currencies** is translated at the mean spot rate on the transaction date. Assets and liabilities with remaining terms of one year or less are generally measured using the mean spot rate as of the balance sheet date. Assets and liabilities with a remaining term of more than one year are recognised at the mean spot rate as of the balance sheet date, taking account of the realisation and imparity principle.

**Deferred income** comprises proceeds that are received before the reporting date but represent income for a certain period after that date.

Where **valuation units** as defined in Section 254 HGB are formed, the following accounting policies are applied:

Derivative financial instruments are used at HWA AG for hedging purposes only. Economic hedging relationships are accounted for by forming valuation units: The countervailing positive and negative changes in value are recognised gross in the income statement.

With the exception of equity (subscribed capital, reserves, retained profits/accumulated losses brought forward at historical exchange rates), the asset and liability items of the annual financial statements prepared in foreign currencies were translated into euros at the respective mean spot rate as of the reporting date. The items of the income statement are translated into euros at the weighted average exchange rate. The resulting currency translation difference is reported within Group equity after reserves in the item "Difference in equity from currency translation".

## Consolidated balance sheet disclosures

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### Assets

The development of the individual items of fixed assets is presented along with the related depreciation in the statement of changes in fixed assets.

### Development work

HWA AG performs mainly development work as part of customer orders. In 2019, development costs of EUR 3,557 thousand for the R4T engine were capitalised under internally generated intangible assets for the first time. The company sees a wide range of opportunities to use this in-house development in motor-sports in various different racing classes in the future, and therefore considers the prospects for future sources of income to be good.

Other than this, no costs were incurred for in-house developments. Smaller development projects also are not recognised due to their lack of materiality.

### List of shareholdings

In the United States of America (headquarters: state of Delaware), the subsidiary "HWA US Inc." was founded in 2016 with capital of EUR 239,900.20 (USD 250 thousand). HWA AG holds a 100% share in this subsidiary. The company was fully consolidated in the consolidated financial statements.

In Australia, the subsidiary "HWA AUS Pty Ltd." was founded in 2017 with capital of EUR 10,047.56 (AUD 15,000). HWA AG holds a 100% share. The company was fully consolidated in the consolidated financial statements.

In the 2020 financial year, the subsidiary Hyraze GmbH was established with share capital of EUR 25,000. The company was fully consolidated in the consolidated financial statements.

In the 2020 financial year, the subsidiary Paceteq GmbH was established with share capital of EUR 25,000. HWA holds a 15% equity interest in this company. This company was consolidated as an associate using the equity method in the consolidated financial statements. The difference between the carrying amount and the pro rata equity is EUR 216,019.--.

### **Inventories**

In addition to customary reservations of title, there are the following additional charges on inventories: a blanket assignment and collateral assignment of HWA's inventories to the principal banks to secure the working capital facilities. The US warehouse was also assigned as collateral to the Dörflinger management company.

Advance payments received are openly offset against inventories and have a remaining term of up to one year.

### **Receivables and other assets**

EUR 0 thousand (previous year: EUR 0 thousand) of the trade receivables have an expected remaining term of more than one year.

In 2019, the company obtained a 49% share in Vynamic GmbH. The joint venture participated mainly in the DTM in 2019, resulting in a substantial loss and making the interests in the company worthless. A legally binding ruling by the local court on 16 December 2022 rejected insolvency proceedings against the company's assets due to insufficient assets to cover the costs of proceedings. The company was thus dissolved.

### Deferred taxes

Deferred taxes result from the following items:

EUR thousand	31 December 2022		31 December 2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
From fixed assets				
- internally generated intangible assets		274		468
- tangible assets	2		2	
- financial assets		87		68
from inventories	768		807	
from receivables	1			
from prepaid expenses and deferred income	42		32	
from loss carry-forwards	1,897		2,149	
from other provisions	79		209	
from unrealised gains	30			135
<b>Without netting</b>	<b>2,819</b>	<b>361</b>	<b>3,199</b>	<b>671</b>
Of which current	325	3	306	4
Netting	-361	-361	-671	-671
<b>Carrying amount</b>	<b>2,458</b>	<b>0</b>	<b>2,528</b>	<b>0</b>

Deferred taxes were calculated at a tax rate of 27% in the financial year (previous year: 27%).

### Equity and authorised capital

On 28 July 2020, the Annual General Meeting of HWA AG resolved to cancel existing authorised capital and create new authorised capital with the option to exclude subscription rights. The Management Board has since been authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to a total of EUR 2,996,957.00 (50% of current share capital of EUR 5,991,914.00) on one or more occasions until 27 July 2025 against cash or non-cash contributions by issuing new bearer shares.

HWA AG's Management Board decided to utilise Authorised Capital 2020 to increase the company's share capital by 10% against cash contributions. The company's share capital was thus increased by a nominal amount of EUR 599,191 from EUR 5,991,914 to EUR 6,591,105 by issuing a total of 599,191 new bearer shares, excluding shareholders' subscription rights.

### Provisions

The other provisions were recognised mainly for outstanding invoices, holiday entitlements, anniversary benefits and other personnel expenses.

## **Liabilities**

Of the liabilities to banks, EUR 9,360 thousand (previous year: EUR 14,090 thousand) have remaining maturities of up to one year and EUR 5,432 thousand (previous year: EUR 8,737 thousand) have remaining maturities of more than one year. EUR 263 thousand (previous year: EUR 881 thousand) of the latter category have remaining maturities of more than five years. An amount of EUR 8,468 thousand has been secured by charges on real property.

The liabilities to shareholders exist in the form of a loan with a remaining term of more than one year.

In addition to customary reservations of title, there are the following additional charges: a blanket assignment and collateral assignment of HWA's inventories to the principal banks to secure the working capital facilities. The US warehouse of the subsidiary HWA US was also assigned as collateral for additional loans of EUR 3.5 million.

Trade payables and other liabilities have a remaining term of up to one year.

Collateral has been provided for these liabilities to the usual extent as customary in the industry and where required by law.

## **Contingent liabilities and other financial commitments**

There are payment obligations under rental and leasing agreements in the amount of EUR 4,502. The agreements come to an end between 2023 and 2027. The lessor or landlord bears all risks. The purchase commitment stands at EUR 5,147 thousand.

To safeguard loans granted by banks, shareholders and other third parties, inventories and selected items of fixed assets have been assigned to creditors as collateral.

## **Derivative financial instruments**

There were no derivative financial instruments as at the end of the reporting date.

## **Distribution restriction**

EUR 736 thousand is subject to a distribution restriction in accordance with Section 268 (8) HGB due to the capitalisation of internally generated intangible assets, and another EUR 1,192 thousand due to the capitalisation of deferred taxes.



## Consolidated income statement disclosures

### Sales revenue

Sales revenue breaks down as follows:

	2022 EUR thousand
Sales revenues by region	
Domestic	51,659
Outside Germany	42,169
	<b>93,828</b>

### Other operating income

Other operating income relates primarily to non-cash benefits of private car use (EUR 197 thousand), reversal of provisions/valuation allowances (EUR 205 thousand), prior-period income (EUR 44 thousand) and currency effects (EUR 905 thousand).

### Depreciation and amortisation of current assets

Inventory items are written down as potential selling prices are assumed to be lower than production cost.

### Other operating expenses

Other operating expenses consist mainly of operating expenses (EUR 6,050 thousand), sales and administrative expenses (EUR 2,240 thousand), other personnel expenses (EUR 954 thousand) and miscellaneous other expenses (EUR 1,659 thousand). Miscellaneous other expenses comprise mainly valuation allowances on receivables (EUR 204 thousand) and exchange losses including currency valuations (EUR 856 thousand).

### Interest expenses

Interest expenses include expenses of EUR 12 thousand (previous year: EUR 5 thousand) from the discounting of provisions.

### Income taxes

Deferred taxes are calculated using the balance sheet liability method if there are differences between assets, liabilities and accruals for the purposes of financial accounting and their carrying amounts for tax purposes, which will reverse again over time.

Deferred taxes result from differences between the carrying amounts of fixed assets, inventories, trade receivables and provisions for the purposes of financial accounting and those for tax purposes. Only temporary differences were recognised to calculate deferred taxes.

Taxes on income relate mainly to the results of ordinary business activity.

The consolidated net income of EUR 1,870 thousand was reduced by income taxes of EUR 257 thousand. Taxes on income include deferred taxes amounting to EUR 71 thousand.

This also includes deferred taxes resulting from temporary differences between the amounts recognised in the tax accounts and in the commercial accounts. Deferred taxes are calculated based on the tax rates applicable in the individual countries.

Tax expenses included in the consolidated financial statements comprise the following:

	EUR thousand	%
<b>Earnings before tax</b>	<b>2,127</b>	
Relevant tax rate		27.0%
Expected tax expense	575	
<b>Deviation from tax base</b>		
Tax-free income	-35	-1.6%
Non-deductible expenses	37	1.7%
Difference tax carrying amounts	227	10.7%
<b>Changes in tax rates</b>		
Trade taxes	43	2.0%
Foreign tax rates	-13	-0.6%
<b>Recognition and measurement of deferred tax assets</b>		
Impairment of deferred taxes on loss carry-forwards	-608	-28.6%
Not recognised	30	1.4%
<b>Other</b>	<b>1</b>	<b>0.1%</b>
<b>Current tax expense</b>	<b>257</b>	
<b>Effective tax rate</b>		<b>12.1%</b>

The Group has applied a full comparative analysis approach and reported a net balance sheet amount for each country.

## Other disclosures

### The Supervisory Board

- Hans Werner Aufrecht, businessman, Chairman
- Willibald Dörflinger, entrepreneur, Deputy Chairman
- Gert-Jan Bruggink, equestrian show jumper
- Hussain Ahmad Al-Siddiq, Deputy Chief Executive Officer
- Klemens Große-Vehne, entrepreneur
- Simone Stegmaier, tax consultant

The remuneration of the Supervisory Board for the purposes of Section 113 of the German Stock Corporation Act (AktG) amounted to EUR 186 thousand.

### Management Board

■ Martin Marx, CEO, sole Management Board member

The disclosure of the total remuneration of the Management Board pursuant to Section 285 no. 9 letters a and b HGB was waived in accordance with Section 286 (4) HGB.

### Employees

Average number of employees during the financial year (excluding Management Board):

Non-salaried staff	110
Salaried staff	153
	<b>263</b>
Trainees	0
	<b>263</b>

Two people are employed outside Germany.

### Significant events after the end of the financial year

HWA received two loans each of EUR 4,000,000 from its shareholders intended to improve liquidity.

The company resolved in March 2023 to sell all interests in Pacteq GmbH.

Affalterbach, 30 May 2023

The Management Board



Martin Marx (sole Management Board member)

## REPRODUCTION OF THE AUDITOR'S REPORT

On the basis of the results of our audit, we have issued the following unqualified audit opinion dated 31 May 2023 for the consolidated financial statements as at 31 December 2022 and the 2022 combined management report of HWA AG, Affalterbach:

### "AUDITOR'S REPORT

To HWA AG, Affalterbach

Report on the audit of the consolidated financial statements and the combined management report

#### Audit opinions

We have audited the consolidated financial statements of HWA AG, Affalterbach and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2022, the income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including the presentation of the accounting policies and valuation principles. In addition, we have audited the Group management report of HWA AG, Affalterbach, which is combined with the management report of the parent company, for the financial year from 1 January 2022 to 31 December 2022.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with the requirements of German commercial law and give a true and fair view of the Group's net assets and financial position as at 31 December 2022, and of its results of operations for the financial year from 1 January 2022 to 31 December 2022, in accordance with the German principles of proper accounting.
- the attached combined management report as a whole presents an accurate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the Group management report listed in the annex.

Pursuant to Section 322 [3] sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the combined management report.

#### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors - IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the auditor for the audit of the consolidated financial statements and the combined ma-

management report" section of our auditor's report. We are independent of the Group companies in compliance with the provisions of German commercial and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the combined management report.

#### **Responsibility of the legal representatives and of the Supervisory Board for the consolidated financial statements and the combined management report**

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with the requirements of German commercial law, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of proper accounting, they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with the applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report, which is combined with the management report of the parent company.

#### **Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report**

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial state-

ments promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- the attached combined management report as a whole presents an accurate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report listed in the annex.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the German principles of proper accounting.

- we gather sufficient and reasonable evidence for the companies' accounting information or operating activities within the Group in order to issue an audit opinion on the consolidated financial statements and combined management report. We are responsible for leading, supervising and carrying out the audit of the consolidated financial statements. We accept sole responsibility for our audit opinion.
- we evaluate the consistency of the combined management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit."

#### **Signing of the audit report**

We have issued the above report on the audit of the consolidated financial statements as at 31 December 2022 and 2022 combined management report of HWA AG, Affalterbach, in compliance with Section 321 HGB generally accepted standards for the preparation of audit reports for financial statements of the Institut der Wirtschaftsprüfer (IDW), Düsseldorf (IDW PS 450 new version).

The audit report is signed as follows in accordance with Section 321 V HGB and Section 32 WPO.

Karlsruhe, 31 May 2023

TREUHAND SÜDWEST GMBH  
Wirtschaftsprüfungsgesellschaft  
und Steuerberatungsgesellschaft

Schülj  
German public auditor

Retzbach  
German public auditor





# HWA

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