



REPORT **13**

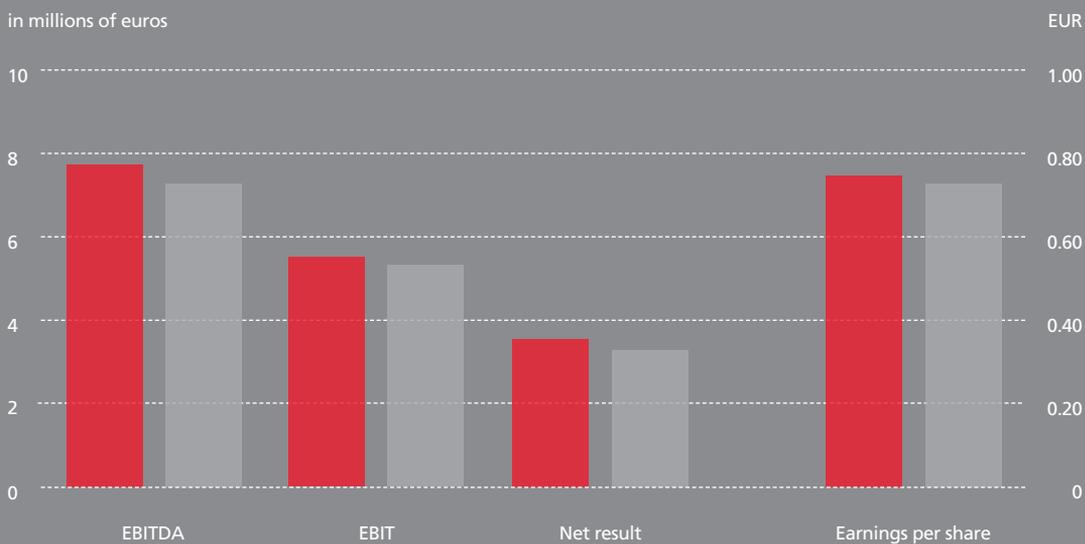
Motor racing | Vehicles and components
Annual Report 2013



KEY FIGURES

in millions of euros	2013	2012	2011	2010	2009	2008	2007	2006
Sales income	56.0	63.5	63.8	44.9	64.8	64.8	60.9	57.6
EBITDA	7.9	7.7	8.1	6.4	2.6	3.1	12.0	9.7
EBITDA margin (in %)	14.1	12.2	12.7	14.3	4.0	4.8	19.7	16.8
EBIT	5.7	5.6	5.9	4.1	-0.2	0.2	9.1	6.9
EBIT margin (in %)	10.0	8.8	9.3	9.0	-0.3	0.3	15.0	12.0
Net result	3.9	3.7	4.1	2.5	-1.4	-0.40	5.6	4.2
Earnings per share (in euro)	0.75	0.73	0.79	0.49	-0.27	-0.08	1.10	0.82

AT A GLANCE 2013 | 2012



CONTENT

Letter to the shareholders	page 02
Report of the supervisory board	page 05
HWA AG – the Stock	page 08
HWA AG	page 12
Management Report	page 30
Year-end Tables	page 44
Notes	page 50
Auditor's report	page 54
Events 2014 _ Imprint	page 55

LETTER TO THE SHAREHOLDERS



Dear shareholders,

In this letter I am reporting to you for the first time as member of the Management Board and HWA AG's Chief Financial Officer. I was appointed by the Supervisory Board with effect from 1 December 2013. I am responsible for all financial and commercial aspects of HWA AG's activities, and for team management in the DTM series. In joining this interesting and very exciting motor sport Company, my objectives are to help to shape its business and encourage its successful progress.

Financial 2013 was another commercially successful year for HWA AG. I am happy to be able to inform you that the Company achieved the goals it had set itself for the year. The aim was to maintain the earnings level of 2012 despite the decline in revenues and, ideally, to improve on it. This has been achieved, and profits were higher in 2013 than in the year before. HWA AG's numbers for 2013 are thoroughly respectable. Unfortunately, we were less successful in living up to our high expectations in motor sport. But for the dividend payment what counts is the commercial success: HWA AG will again maintain the dividend for 2013 at the same level as last year.

In the Annual General Meeting, the Company will propose an attractive dividend: the Management Board has recommended to the Supervisory Board the payment of EUR 0.65 per share. Based on our share's closing stock market price at the end of 2013, this corresponds to a dividend yield of nearly 5%. The long-term goal of distributing a minimum of 50% of annual earnings as dividends remains unchanged. For 2013 the payout ratio is above this level.

HWA AG's net profit for 2013 came to EUR 3.9m. Earnings per share were EUR 0.75, compared with EUR 0.73 in 2012. Profit before interest and tax (EBIT) was EUR 5.7m, and the EBIT margin was 10%. The successful results for the year also included positive one-time effects. As budgeted, revenues in 2013 of EUR 56m were lower than in the previous year.

Both HWA AG's businesses, motor racing and vehicles and vehicle components, performed in line with the Management Board's plans. The performance of vehicles and vehicle components was very satisfactory, and even slightly better than expected. Demand in the customer sports project SLS AMG GT3, which is now in its fourth season, was up again from 2012 to 2013. Parallel to this successful project, HWA AG has introduced a new project – the CLA

45 AMG Racing Series. SLS AMG GT3 and the CLA 45 AMG Racing Series together have established a broader basis for HWA AG's customer sport business. Starting with the second quarter of 2014, the project will participate in its first event, the Mercedes-Benz Grand Challenge in Brazil. The CLA 45 AMG Racing Series, like the SLS AMG GT3, has been developed and produced for – and in close cooperation with – Mercedes-AMG GmbH.

The very satisfactory performance of this business segment is also attributable to other projects that we have successfully carried out for customers. Leasing and sales of Formula 3 engines have settled down at a respectable level.

In the motor racing business, all manufacturers racing in the DTM series in 2013 were committed to further reductions in costs. In financial 2013 no new vehicles were constructed for the series, and for that racing season the number of HWA AG cars being raced by was reduced from eight to six. This was what we were expecting, and as expected it was the main reason for the decline in HWA AG's revenues.

HWA AG's balance sheet continues to present a very healthy picture – the equity ratio is above 58%. At 31 December 2013 HWA AG's cash and cash equivalents stood at EUR 1.4m, compared with EUR 3.0m a year earlier. The main reason for this was the significant increase in working capital, which was financed out of the year's earnings after adding back depreciation and amortisation – i.e., operating cash flow was still positive. HWA AG also made significant investments, which meant that the free cash flow was slightly negative. Financing activities also resulted in a net outflow, reflecting the dividend distribution and loan repayments.

HWA AG's goal for 2014 is to achieve respectable results again. Revenues will probably be up. In the motor racing business, I expect turnover to be higher than in 2013. As a welcome change, further development of the racing cars is not prohibited after the end of the 2013 season. The regulations will permit the producers to make extensive improvements to the race cars, and HWA AG will take full advantage of the opportunities for further development. In the 2014 season Mercedes-Benz will be racing seven rather than six cars in the DTM: the extra car will mean a slight increase in revenues.

In the vehicles and vehicle components business I am expecting revenues to be at least at the same level as in 2013. The SLS AMG GT3 will not generate as much revenue as in earlier

years, because the project is in a late phase of its life, but the introduction of the CLA 45 AMG Racing Series to the market will have a positive effect on revenues. It is also HWA AG's goal to win more contracts in other racing series, so as to further diversify the Company's activities and its customer portfolio. At present, revenues from development projects in 2014 cannot yet be definitively assessed. Leasing and sales of Formula 3 engines has stabilised at a respectable level, and may increase again in 2014.

HWA AG is on a sound footing, and – with the exception the two years following the financial crisis – has been very successful for many years. The basis of this success is the dedication of HWA AG's staff, in cooperation with whom I am working on the challenges that lie ahead of us.

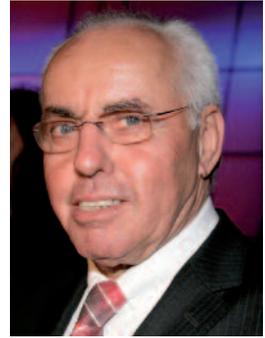
I hope, dear shareholders, that you will be with us for many years.

Affalterbach, May 2014



Ulrich Fritz
CFO

REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht
Chairman of the Supervisory Board

Dear shareholders,

The year 2013 was another successful year for HWA AG. The Company generated healthy earnings, and its business is on the right road. In the sporting arena we would wish for better results in the DTM and a return to former glories.

In financial 2013 the Supervisory Board gave comprehensive advice to the Management Board and performed all duties assigned under the law and the Company's articles of incorporation. We have advised the Management Board on the management of the Company's affairs on an ongoing basis, and kept all aspects of management and the Company's business performance under close review. We have been directly and promptly involved in all decisions of fundamental importance to the wellbeing of the Company, or wherever statutory provisions or the articles of incorporation called for such involvement. The basis of the Supervisory Board's work were written and oral reports by the Management Board. Cooperation between the Supervisory Board with regular, timely and comprehensive information on all material aspects of the Company's business and all decisions requiring the Supervisory Board's approval. The most significant of these concerned the Company's business performance, earnings and liquidity position, liquidity forecasting, investment plans, and the risk situation and risk management, together with fundamental issues of HWA AG's planning and strategy.

In addition to the periodic board meetings, the Chairman of the Supervisory Board was in regular contact with the Management Board. Other Supervisory Board members also maintained their contacts with the Management Board outside formal meetings, keeping themselves informed about ongoing business performance and significant business events and providing support and advice where needed.

The Supervisory Board has scrupulously monitored and controlled the activities of the Management Board and confirms that its conduct has in all respects been in conformity with the law, good practice and sound business processes.

Meetings of the Supervisory Board

During financial 2013 there were five meetings of the Supervisory Board including the financial statements meeting, in which the current state of the Company's affairs were discussed with the Management Board and explained in detail. These meetings took place on 6 March, 18 April, 5 June, 11 September and 18 December, all in Affalterbach. In the financial statements meeting on 18 April 2013 the Supervisory Board approved the annual financial statements of HWA AG for financial 2012 after a detailed review based on consultations and prior talks and reviews. The statutory auditor participated in the meeting.

All Supervisory Board meetings were attended by all members, with the exception of three meetings, at each of which for good reasons one member was unable to be present.

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.

Important matters discussed during last year included:

- The planning and budget for 2013
- The investment plan
- The Company's future development and strategy
- Diversification of the customer portfolio
- The development of the DTM, Formula 3 and GT series
- The appointment and enlargement of the Management Board
- The development of the SLS AMG GT3 and the new development of the CLA AMG 45 Racing Series

Membership of Management and Supervisory Boards

There were changes in the membership of the Management Board in 2013. The Supervisory Board appointed Ulrich Fritz as an additional member of the Company's Management Board with effect from 1 December 2013. He is the Company's CFO, and responsible for commercial aspects as well as for team management in the DTM. The Supervisory Board and Eric Nève agreed that Mr Nève's appointment as a member of the Management Board would not be extended beyond the end of September 2013 and that he would leave the Company.

Under the Company's articles of incorporation the Supervisory Board consists of six members. As at 31 December 2013, the Supervisory Board was made up of the following persons:

- Hans Werner Aufrecht, Chairman
- Willibald Dörflinger, Deputy Chairman
- Gert-Jan Bruggink (from 5 June 2013)
- Rolf Krissler
- Michael Schmieder

The following persons were also on the Supervisory Board during the year:

- Christian Wolff
- Wolfgang Köhne

Christian Wolff and Wolfgang Köhne gave written notice of their resignations from the Supervisory Board on 22 April 2013 and 9 December 2013 respectively. The Supervisory and Management Boards thank them for their commitment and hard work for HWA AG.

Gert-Jan Bruggink was elected to the Supervisory Board in the Annual General Meeting of 5 June 2013: he is a qualified engineer and professional sportsman. In the same meeting, Wolfgang Köhne was elected to the Supervisory Board as representative of the major shareholder, NBK Holding, of Doha in Qatar.

Willibald Dörflinger was elected as Deputy Chairman in the Supervisory Board of 5 June 2013.

Hussain Ahmad Al Siddiqi will be a candidate for the vacant seat on the Supervisory Board in the the Company's Annual General Meeting on 18 June 2014. He is Deputy CEO of NBK Holding, and his candidature was proposed by the Supervisory Board. NBK Holding has an approximately 28% interest in HWA AG.

Annual financial statements and audit

By resolution of the Annual General Meeting of 05 June 2013, registered auditor Joachim Lutz, Weilheim-Teck, was appointed as statutory auditor of the Company's annual financial statements. The statutory auditor audited the annual financial statements prepared by the Management Board and the management report for the financial year ended 31 December 2013, and issued an unqualified audit opinion.

The annual financial statements for 2013 together with the management report were laid before the members of the Supervisory Board in due time. They were exhaustively discussed in the Supervisory Board's financial statements meeting. The statutory auditor participated in the meeting and reported on the major features of his audit, and was available for further questions from the Supervisory Board. The Supervisory Board reviewed the statutory auditor's findings in detail, and approved the auditor's opinion. On the basis of its review, the Supervisory Board had no grounds for objection to the annual financial statements. It approved the annual financial statements on 12 March 2014. The annual financial statements are thereby formally adopted. After extensive discussions, the Supervisory Board approved the Management Board's proposal for distribution of a dividend from the distributable profits.

Supervisory Board's thanks

The Supervisory Board thanks the Management Board and all the Company's staff for their dedication and hard work in 2013. The Supervisory Board thanks the shareholders in HWA AG for the confidence placed in it and in the Company as a whole.

For the Supervisory Board



Hans Werner Aufrecht
Chairman of the Supervisory Board

Affalterbach, April 2014

HWA AG – THE STOCK

For stock markets generally, 2013 was a year of significant advances. The German stock index DAX started the trading year at 7,779 points, and broke through the 9,000-point barrier in October. It reached its all-time high of 9,589 points on 27 December, and ended the year at 9552 points for a year-on-year gain of 25.5%. The MDAX put on 36.4% during the year and the SDAX climbed 27.2%. The TECDAX put in the best performance, with an overall improvement of 40.4%. The Entry All Share Index, in which HWA AG's shares are included, increased by 24.3%. The background to these positive developments on international stock markets was the central banks' loose monetary policy, the recovery of eurozone and US leading indicators, and low interest rates, which meant a lack of attractive yields on alternative investment opportunities.

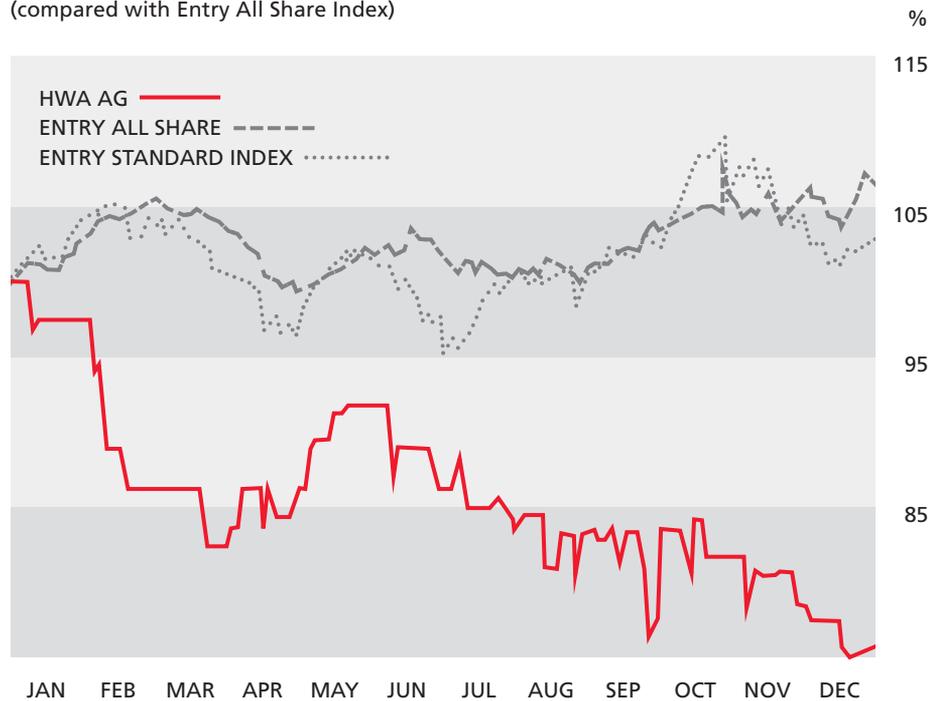
HWA AG stock did not benefit from the favourable stock market climate in 2013. The previous year's positive performance was not continued. The probable explanation is that investors were concentrating primarily on the large enterprises that make up the indexes, and on very liquid stocks with high trading volumes. The price of HWA AG's stock fell by 21.84% in 2013. The shares started at EUR 17.99 on 2 January 2013, which was also their highest price during the year. The lowest price was EUR 13.50, on 20 December 2013, and the closing price at the end of the year was EUR 13.60. Happily to say, in the first few months of 2014 the perception of HWA AG stock took a sharp turn for the better, and in March the share price climbed to over 17 euro.

The average trading volume (XETRA and floor trading, Frankfurt Stock Exchange) on the 254 trading days in 2013 was 443 shares a day (2012: 359 shares a day). The decline of the share price in 2013 meant that HWA AG's market capitalisation was correspondingly reduced: at the end of the year the market value of the 5,115,000 shares in issue totalled approximately EUR 70m (2012: EUR 92m).

HWA AG share at a glance

Securities identification number (WKN)	A0LR4P
ISIN	DE000A0LR4P1
Stock exchange symbol	H9W
Trading segment	Entry Standard (part of Open Market) on Frankfurt Stock Exchange
Share type	Ordinary no par value bearer shares
Authorised capital	EUR 5,115,000.00
Shares in issue	5.115 million
Initial listing	19 April 2007
Listing price	EUR 25.13
Designated sponsors	Close Brothers Seydler Bank AG

Share price performance 2013 – Xetra
(compared with Entry All Share Index)



Investor relations / press

HWA AG attaches great importance to good communications with the capital markets. As required under statutory and stock market reporting regulations, HWA AG provides institutional investors, financial analysts and shareholders with up-to-date information about its current business performance and significant events. We make ourselves available to interested shareholders for one-on-one discussions and telephone conferences on a regular basis.

One of the most important events in last year's corporate calendar was the sixth Annual General Meeting of HWA AG, which was held on 5 June 2013 in Affalterbach. The AGM is also an important forum for maintaining personal contact with our shareholders.

The Investors Relations section of our website www.hwaag.com provides shareholders and interested parties with detailed information on the HWA AG share, and is an important information platform in our communications with shareholders and the capital markets. The resources include press releases, half-yearly reviews and annual reports.

Annual General Meeting 2013

The sixth Annual General Meeting since the initial stock market listing in 2007 took place on 5 June 2013. Around 65 shareholders met in the equestrian facility in Rotland in Affalterbach. Of the Company's total share capital of EUR 5,115,000 – split into 5.115 million shares – over 4.8 million shares or more than 94% of the share capital were represented. We are very pleased with the interest shown by shareholders, especially the smaller ones.

The resolutions proposed by the Management were all approved with a large majority – some even unanimously.

Items on the agenda on which shareholder resolutions were passed: payment of a dividend of EUR 0.65 per share out of distributable profits (item 2), discharge from liability of the Management Board (item 3) and the Supervisory Board (item 4), appointment of registered auditor Joachim Lutz as statutory auditor for the financial year 2013 (item 5). Item 6 concerned the election of new members of the Supervisory Board following the resignation of Christian Wolff and Ayman Al-Abbasi. Wolfgang Köhne and Gert-Jan Bruggink were elected as the new members of the Supervisory Board. Item 7 was to confirm the Management Board's decision to increase the authorised share capital. With the approval of the Supervisory Board, the Management Board is until 4 May 2018 authorised to increase the authorised capital in one or more tranches by a total of up to EUR 2,557,500 – that is 50% of the current share capital of EUR 5,115,000 – for contributions in cash or in kind by issuing new no par value bearer shares. To date, however, there are no plans to increase the share capital by issuing new shares.

Financial calendar 2014

24 April 2014	Publication of results for the financial year 2013
18 June 2014	Annual General Meeting of HWA AG in Affalterbach
26 September 2014	Publication of half-yearly report 2014

Shareholdings



Note: In virtue of its listing in the Entry Standard segment, HWA AG is not obliged to disclose information regarding shareholdings, and receives information from major shareholders on a voluntary basis. The information is in consequence unverified.

The shareholdings of the members of HWA AG's management bodies remained unchanged in 2013. The founder of HWA AG, Hans Werner Aufrecht, and Qatar-based Nassser Bin Kaled Holding (NBK) continue to be the largest shareholders. The major shareholders – Hans Werner Aufrecht, Willibald Dörflinger through the Dörflinger Privatstiftung, and NBK – are all represented with a seat on the Supervisory Board. Together with the Management Board, they hold about 75% of HWA AG's share capital. NBK from Qatar holds about 28% of the shares.

Dividend

As in previous years, we want our shareholders to share in the benefits of HWA AG's satisfactory business performance in the financial year 2013. At the Annual General Meeting on 18 June 2014 the Management and Supervisory Boards will again propose the distribution of a dividend of EUR 0.65 per share for the past financial year from HWA AG's distributable profits for 2013. HWA AG's long-term shareholder-friendly dividend policy is to distribute a minimum of 50% of the distributable profit for the year to its shareholders. Based on the share price of EUR 13.60 at the end of 2013, the distribution corresponds to a dividend yield of 4.8%.

HWA AG

H.W.A. GmbH was founded by Hans Werner Aufrecht towards the end of 1998, and started business in 1999. It was converted into a public limited company on 4 December 2006, and the new name, HWA AG, was entered in the commercial register in Stuttgart on 15 December 2006.

The Company was founded as a spin-off from Mercedes-AMG GmbH, the customisation specialist, which was established in 1967 by Hans Werner Aufrecht. Towards the end of 1998 Aufrecht sold a majority interest in AMG Motoren- und Entwicklungsgesellschaft mbH, as it then was, to Daimler AG. As part of this transaction the motor racing business was spun off. It consisted of the current AMG-Mercedes DTM racing team and parts of the vehicles and vehicle components business. These were transferred to HWA AG, which began business with around 80 employees taken over from Mercedes-AMG GmbH.

HWA AG's principal business is the development and production of high technology for racing and passenger cars. The business is divided into two areas: the Company is a complete service provider to the motor racing business, and it is a development partner for vehicles and vehicle components for the premium segment of the automobile market.

Motor racing

In motor racing the primary focus is on participation in the German Touring Car Championship (DTM). HWA AG runs the official racing team for Daimler AG Motorsport as Team AMG-Mercedes. These services include everything required for successful racing operations. HWA AG has the sole responsibility for the development and construction of the race cars and their engines. It manages the racing team's operations from the original design to planning, preparing for and participating in the races. This also includes choosing and supporting the drivers, marketing the brand and working closely with Daimler AG in finding sponsors. HWA AG also produces and supports race cars and engines for independent customers who field their own racing teams in the DTM. It is responsible for all aspects of technical support for the race cars. Together with Daimler AG, it is jointly responsible for marketing all vehicles.

In 2013 there were ten competition races in five countries. For Team AMG-Mercedes, the 2013 DTM season did not live up to expectations. Overall, HWA AG's sporting goals were not achieved. Gary Paffett came in first at the Lausitzring. Robert Wickens was ranked first at the Norisring and was also victorious at the Nürburgring.

The DTM is HWA's core market, and in collaboration with Mercedes-Benz it has been extremely successful in the series. Mercedes-Benz has been the victor in more than 170 DTM races since 1988 – almost half of the total of 365 races. The HWA Team has won the driver's championship for Mercedes-Benz ten times.

Outlook – motor racing

In 2014 HWA AG expects revenues from the motor racing business to be slightly higher than last year. As a relief from the freeze imposed in earlier years, the restrictions on race car development were lifted after the end of the 2013 season, so that within current DTM regulations the manufacturers are once again free to carry out extensive development work on their race cars. HWA AG intends to take full advantage of these development opportunities. In 2014 – DTM’s 30th year – Mercedes-Benz is fielding seven DTM Mercedes AMG C Coupés, compared with six race cars last year.

The race cars will be driven by DTM champions Gary Paffett and Paul Di Resta, former Formula 1 pilot Vitaly Petrov as well as last year’s Mercedes-Benz DTM drivers Daniel Junca-della, Christian Vietoris, Pascal Wehrlein and Robert Wickens.

The 2014 DTM season includes ten competition races. As is traditional, the first and the last races of the season will be on the Hockenheimring in Baden-Württemberg. In 2014 there will be two new race locations: the Hungaroring in Hungary, and the road course in Guangzhou, China. Six races will be run in Germany and four races will be outside Germany – one each in Hungary, Russia, Austria and China.

Race calendar 2014

04	May	2014	(D)	Hockenheimring Baden-Württemberg
18	May	2014	(D)	Motorsport Arena Oschersleben
01	June	2014	(H)	Hungaroring Budapest
29	June	2014	(D)	Norising
13	July	2014	(RU)	Moscow Raceway
03	August	2014	(A)	Red Bull Ring Spielberg
17	August	2014	(D)	Nürburgring
14	September	2014	(D)	Lausitzring
28	September	2014	(CHN)	Guangzhou
19	October	2014	(D)	Hockenheimring Baden-Württemberg

Vehicles and vehicle components

In its vehicles and vehicle components business HWA AG applies its specialist racing skills and expertise to provide contract development services for customers in the automobile industry. The Company is a much sought-after development partner, especially in the premium segment of the industry. With its contributions to the CLK-GTR, CLK DTM AMG and Mercedes SL 65 AMG Black Series, HWA AG has a substantial record of successful development activities. In close cooperation with our partner Mercedes-AMG, from 2011 onwards we have been delivering the GT3 version of the Mercedes-Benz SLS AMG.

The SLS AMG GT3 is designed as a customer racing car for sprint and long-distance racing. These race series for close-to-series GT cars are well known for the mixed field of entrants they attract, and for thrilling races. The comparatively low cost is just one of the reasons why these series are becoming more and more popular all round the world. The new SLS AMG GT3 was developed to comply with international FIA GT3 regulations and can be entered in all GT3 series. Demand for the customer race car SLS AMG GT3, which is in its fourth year, has increased compared with 2012.

Since HWA AG entered the customer sports segment in 2010, the SLS AMG GT3 has won a total of over 130 races. To date, over 75 race cars have been sold all around the world. In the 2013 racing season the race car with the famous gull-wing doors competed in 30 racing series on five continents. The tally for that season was five championships and 47 victories, including six first places in the internationally best-known long-distance races in GT3 sport. The success of the SLS AMG GT3 continues to be impressive.

In parallel to this successful project, HWA AG has called into existence a new project, the CLA 45 AMG Racing Series. The SLS AMG GT3 and the CLA 45 AMG Racing Series together will broaden the basis of HWA AG's customer sports business. Starting in the second quarter of 2014, the new race car will compete in the Mercedes-Benz Grand Challenge in Brazil. Just like the SLS AMG GT3, the CLA 45 AMG Racing Series was developed and produced by HWA AG for and in close cooperation with Mercedes-AMG. HWA AG is also responsible for the entire after-sales service for the car.

In the vehicles and vehicles components business, HWA AG has also earned itself an outstanding reputation for the development and production of racing engines. Between 2003 and 2012 drivers with Mercedes-Benz engines have won more than 80% of all races (170 victories in 209 races, of which 128 were double victories) and seven out of nine drivers' titles in the Formula 3 Euro Series. In the FIA European Formula 3 Championship, which was launched in 2013, drivers using our racing engines won 28 out of 30 races. Raffaele Marciello and Prema Powerteam won the driver and team championships. Drivers using HWA AG's Formula 3 engines also won an international invitational race in Bahrain (2004), five Macau Grand Prix (2004-2006, 2011 and 2013) and eleven Formula 3 Masters in Zandvoort and Zolder (2003-2013).

Outlook – vehicles and vehicle components

In the vehicles and vehicle components business we expect revenues to remain at the same level. Because the SLS AMG GT3 is well advanced in its life cycle, sales may very well not reach earlier years' levels. However, introduction of the new CLA 45 AMG Racing Series will have a positive effect on revenue. It is HWA AG's objective to win additional contracts in other racing series, so as to further diversify its activities and customer portfolio. At present, revenues from development projects cannot be accurately assessed. The lease and sale of Formula 3 motors has also stabilised, and could improve again in the current year.



SYNTIUM

BOSCH
Audi Financial Services

BOSCH
STERNA
DEKRA
ADAC
HANKOOK

power
BOSCH
DEKRA
ADAC
BMW M PERFORMANCE PARTS
SONAX
HANKOOK
Castrol EDGE
ZOLLNER
H&R





SYNT

PETRONAS

AMG

DEKRA

SYNTUM

BRAKE
FLIGHT
SPEED LIMIT

PETRONAS

PETRONAS

PETRONAS

Mercedes-AMG
Petronas

PETRONAS



TIUM

ERCO

BOSCH

BOSCH

DEKRA
3
ADAC

LEURONICS

HAKKOKO

HAKKOKO

Mercedes-Benz
LEURONICS

AR

MILITARY







DAS MOTORMAGAZIN



BOSCH

STIHL

SYNTIUM

SYNTIUM

GRIP

Hankook

Hankook

GRIP

I ❤️ OIL

Thomas Sabor

Thomas Sabor





SYNTIUM

BOSCH

steri

SYNTIUM

BOSCH

BOSCH

Red Bull

HANKOOK

I ❤️

BOSCH

DEKRA
18
ADAC

SYNTIUM

HANKOOK

I ❤️

HANKOOK

Thomas Sibbe

Thomas Sibbe

Die Post für Deutschland.





AMG

CUSTOMER SPORTS

htp-motorsport



LAHNWERK US

KUKA

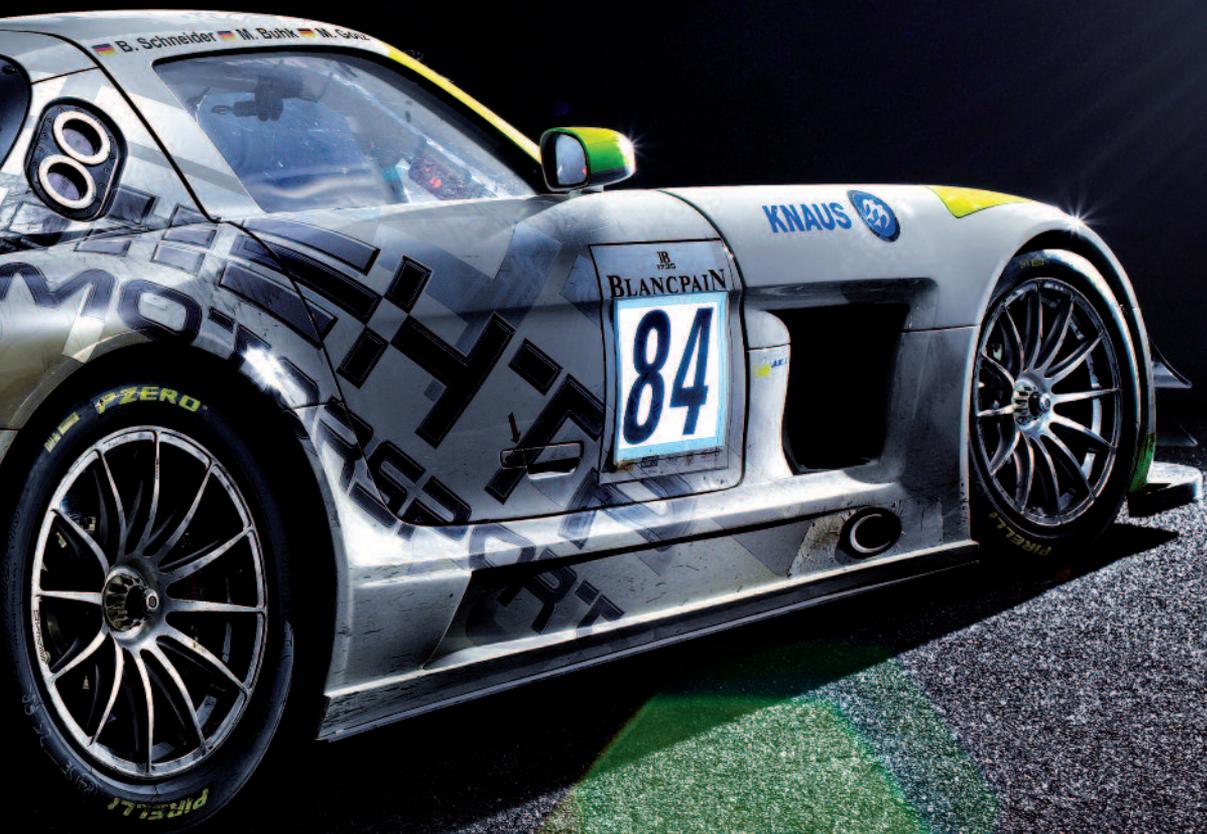
HTP
MOTORSPORT

KONI

PIRELLI

TOTAL

BLANCO



B. Schneider M. Bohk M. Spitz

89

KNAUS

BLANCPAIN
84

PIRELLI P ZERO



BOSCH

НАПКОК

I ❤️ 🇷🇺

НАПКОК

SYNTIUM

НАПКОК

Thomas Sabo



 **BOSCH**

DEKRA
ADAC

Stern

SYNTIUM



 **HANKOOK**

I ♥ 

KOOK

Thomas Sabo

MANAGEMENT REPORT

1. Legal and business background of the Company

HWA AG was formed towards the end of 1998 as a private limited company (GmbH). It changed its legal form to public limited company (AG) on 4 December 2006. The Company's shares have been traded on the Frankfurt Stock Exchange in the Entry Standard segment, which is part of the Open Market, since 19 April 2007.

Since its formation, the Company's business activities have remained essentially the same. In its core businesses, motor racing and vehicles and vehicle components, HWA AG develops and manufactures high-tech high performance products. Since its establishment in 1998 the vehicles and vehicle components business has been continuously expanded.

In motor racing the primary focus is on participation in the German Touring Car Championship (DTM). HWA AG operates the official racing team for Daimler AG as Team AMG-Mercedes, and is responsible for designing, developing, constructing and racing the race cars. The comprehensive services it provides also include the recruitment and care of race drivers as well as support of the customer team, which participates in the DTM using racing vehicles built by HWA AG.

The other business, vehicles and vehicle components, focuses on contract development and manufacturing work. As a highly specialised expert supplier and services provider, HWA AG uses its specialist racing skills and expertise to carry out development and manufacturing projects for various customers. Services include the development and production of complete vehicles and the development and manufacture of racing engines. HWA AG has acquired an excellent reputation in particular for the development and manufacture of racing engines, which also includes the leasing and servicing of Formula 3 engines for various teams in different Formula 3 series.

2. Economic environment

In 2013 the global economy grew by approximately 3%, while the eurozone economy shrank by 0.4%. The economies of both the USA and the near east grew more slowly than average, while economic growth in China was still 7.6%. Despite this mixed picture, the IMF's forecasts for 2014 are better than in a long time. The global economy is predicted to grow by 3.7%.

In the past year faltering economic growth in large parts of the eurozone and the cooling of key markets such as China were a brake on the German economy and in particular on German foreign trade. After growing 3.2% in 2012, German exports increased in 2013 by only 0.6%. Strong domestic demand caused by record employment in Germany was only partially able to compensate for the dampening effect of weak exports on the domestic economy. At just 0.4%, the growth of German GDP in 2013 was at its lowest since the recession year 2009. However, as in the last year, the economy in Germany is doing significantly better than in most other countries of the eurozone. For the current year the predictions are significantly better. The German Bundesbank predicts an economic upswing and growth of 1.7%.

In 2013 the USA and China continued their successful progress of 2012. Car sales were up by 23% in China and 8% in the USA. With 11.6 million new registrations during the year the Western European car markets were still roughly 2% below 2012 levels. However a definite upswing was noticeable towards the end of the year.

Last year 2.95 million new cars were registered in Germany, a fall of 4.2% compared with 2012. This fell short of the automobile industry's target of 3 million new registrations. Although the industry's performance in 2013 was less successful than hoped, the year ended on a positive note: in December new registrations were up by 5.4% compared with the previous month, a significant increase. For 2014 experts are predicting a further recovery.

As in earlier years, the German brands accounted for the lion's share of new registrations, with a market share of 64.2%. By segments, every fourth new car (25.6%) was a compact car, 16.3% were small cars and 12.6% were medium-sized cars. In particular SUVs (8.6%), motor homes (3.1%) and compact cars (2.7%) showed increases.

3. Business performance and earnings

Revenues for 2013 amounted to EUR 56.0m, which was significantly less than the EUR 63.5m achieved the year before. In 2013 EUR 45.2m (2012: EUR 44.4m) came from Germany and EUR 10.9m (2012: EUR 19.1m) from abroad.

In the motor racing business revenues were down on the previous year, and the drop was not made up for by the vehicles and vehicle components business. Sales, spare parts and servicing for the SLS AMG GT3 as well as a development contract for an external customer did however contribute to an overall stable revenue situation.

Compared with the previous year, material costs were down as budgeted by 15.3% from EUR 25.5m to EUR 21.6m. This was mainly due to the smaller number of DTM race cars being fielded (6 instead of 8 race cars) and the restrictions imposed on development work in the DTM (homologation). In consequence, expenses for raw materials and supplies decreased by 13.0% from EUR 17.7m to EUR 15.4m, and material costs as a proportion of total output decreased from 39.8% to 36.1%.

As in previous years, staff costs were up: the numerous development projects – both present and future – necessitated increased use of personnel, so that costs increased by 8.8%, from EUR 18.1m to EUR 19.7m. There is also a deliberate policy of hiring more people with the aim of enhancing competitiveness in the long term.

In 2013 HWA AG continued its successful economic performance: there was again a significant profit before interest and tax (EBIT) of EUR 5.7m, compared with EUR 5.6m the year before.

EBIT (earnings before interest and taxes) is used as a measure of operating performance at HWA AG and is calculated as follows:

Income statement

(EUR m, rounded)	2013	2012
Revenues	56.0	63.5
Changes in inventories	1.7	-0.2
Other operating income	2.2	0.7
Total output	59.9	64.0
Raw materials	21.6	25.5
Staff costs	19.7	18.1
Depreciation and amortisation	2.2	2.1
Other operating expenses	10.7	12.7
EBIT	5.7	5.6

Compared with the previous year, net financing costs in 2013 were significantly reduced and amounted to EUR 0.2m. This was due to a one-time exceptional item and to a further reduction in interest expense on long-term liabilities as a result of scheduled repayments of borrowings.

After deducting total expenses from total revenues, the net profit for the year came to EUR 3.9m, compared with EUR 3.7m in 2012.

4. Assets and finances

In 2013 non-current assets decreased by 4.1%, from EUR 24.5m in 2012 to EUR 23.5m. This was attributable to scheduled depreciation and amortisation and a shift from purchasing capital assets to leasing them. In contrast, current assets increased by a marked 21.2%, from EUR 18.4m in 2012 to EUR 22.3m in 2013. This was due to higher trade receivables, larger inventories and increased recognition of assets on current development contracts.

In the past financial year provisions were raised by 14.8%, from EUR 2.7m to EUR 3.1m, mainly reflecting the increased tax provisions resulting from the tax audit. Liabilities also increased by 11.3%, from EUR 14.1m to EUR 15.7m. In 2013 a new loan was taken out, while trade payables were further reduced.

Total assets grew from EUR 43.2m at the end of 2012 to EUR 46.1m at 31 December 2013. The proportion of non-current assets decreased from 56.7% to 50.9%, while the proportion of current assets increased from 42.7% to 48.4%. Because of the increase in total assets, the equity ratio fell from 61.0% in 2012 to 58.2% at the end of 2013.

At 31 December 2013, HWA AG's cash and cash equivalents stood at EUR 1.4m compared with EUR 3.0m a year earlier. This substantial decrease of 53.3% was mainly the result of the significant increase in other current assets. The increase was financed from the net profit for the year after adding back depreciation and amortisation, meaning that the cash flow from operating activities was nevertheless positive. HWA AG's ongoing investment program meant that net cash flows from investment activities were negative, while in financing activities the dividend distribution and the loan repayment also resulted in net cash outflows.

5. Employees

An average of 247 people, including the members of the Management Board, were employed in 2013 (2012: 233):

- 116 salaried staff
- 129 non-salaried staff
- 2 apprentices / trainees

6. Opportunities and risks

In 2013 the German economy continued to show moderate growth, with employment reaching record levels. However the growth came largely in small increments, and was mostly generated by the domestic economy. The German economy is in good shape, particularly when compared with the economies of other European countries such as Italy, Spain or France. Business confidence indicators (amongst others), which registered a noticeable improvement in the course of the second half of 2013, suggest that the economic growth rate will pick up slightly this year.

Over the course of the past year the economic environment worldwide also showed signs of improvement, and the insecurity bred by the financial and euro crises began to recede. For example, in many countries the Economic Policy Uncertainty Index is back at pre-crisis levels, although this does not hold true for all of Europe. In Europe there are still structural challenges to be met, and the process of adapting to changed circumstances is currently still slowing economic growth, so that the global economy at present remains less dynamic than before the crisis. The industrial nations are the main motors for growth, but while the US economy seems to be on a stable growth path the eurozone is only slowly pulling out of its recession. However the OECD leading indicator suggests that current improvements are part of a continuing trend, and leading economists predict stronger growth for 2014.

Despite the positive economic developments, there are still global risks present that could hinder further growth. Even after the implementation of the euro rescue package, the financial stability of some European countries remains doubtful. Particularly in these countries, there is considerable danger of social unrest and ensuing crises. The possibility of rising interest rates as a result of stricter monetary policies of the central banks could pose a problem for the emergent economies in particular, because of their dependence on foreign capital.

HWA AG has an integrated information system installed that enables it to detect, analyse and evaluate potential risks at the earliest possible stage, so that Management can identify appropriate strategies and initiate effective measures in good time.

Daimler AG and its subsidiary Mercedes-AMG remain HWA AG's most important customers. AMG announced record sales for the past financial year, and Daimler AG is expecting a further increase in consolidated EBIT in financial 2014. These are crucial factors for the continued existence of motor sports activities at Daimler AG and its collaboration with HWA AG, and resulting risks for the Company cannot be entirely excluded. The continued existence of the partnership is – in the end – dependent on long-term strategic decisions at Daimler AG. The many years of close collaboration and regular contact ensure that HWA AG's Management is included in decision-making processes at an early stage, allowing it to contribute to them and respond appropriately.

HWA AG's single largest project at present is still its participation in the German Touring Car Championship (DTM). The return of BMW to the series two years ago means that DTM – now with all three German premium manufacturers Audi, BMW and Mercedes-Benz competing – is significantly stronger than before. This makes the series more attractive for the media, the spectators and the manufacturers, which is what is essential for its long-term survival. The agreements between ITR – DTM's organiser and rights manager – and America's IMSA and the Japanese Super GT series with regard to common technical regulations for the different racing series have also contributed to stabilising the DTM and making it more attractive. Discontinuation of the DTM, or the withdrawal of any of the participating manufacturers from the series, also represent potential risks, even if today – as described above – those risks are much reduced. To have only two manufacturers competing again would adversely affect the interest of both sponsors and the media, and make the series less attractive overall. The DTM series has become an important and well established part of Mercedes-Benz motor sports activities. Even if the risk of Mercedes-Benz leaving the DTM is considered very unlikely, it cannot be excluded entirely.

In the vehicles and vehicle components business a new project – the CLA 45 AMG Racing Series – was introduced. The new car joins the SLS AMG GT3, and will help strengthen HWA AG's customer sports business and reduce risk by diversifying the product range. Starting in May 2014, the new car will be raced exclusively in the Mercedes-Benz Grand Challenge in Brazil. In this business segment, it is mainly sales risks that have to be taken into account. Customer sports cars are sold worldwide, which means that business is strongly influenced by local taxes and duties and is also subject to economic fluctuations.

In addition, new competitors with new products in the GT3 segment are entering the already crowded market. The global GT3 market is limited, and the SLS AMG GT3 is in its fourth season and therefore well-advanced in its lifecycle. Sales risks are always a possibility if existing customers decide to switch to another car, which would have a damaging effect on the after-sales business. This potential willingness to switch manufacturers is however minimised by SLS AMG GT3's current competitiveness, reliability and quality. At the same time, the risks of warranty claims or goodwill rebates have decreased.

The lease and sale of Formula 3 motors has also stabilised. As a result of FIA's restructuring of the Formula 3 racing series and the introduction of new engine regulations, from 2014 a new generations of engines will be used in the European Championship. The sale and leasing of engines remains highly dependent on the individual teams and their financial resources, especially since this variety of motor racing continues to be heavily reliant on external sponsoring.

In addition to market and sales risks, there are financial risks to be considered. Trade receivables disclosed in the balance sheet at the end of the year represent only a small risk. Possible changes in exchange rates, interest rates or market prices represent a small to negligible risk, since the bulk of the business is transacted in euro.

The Company uses derivative financial instruments in the form of two interest rate swaps to hedge interest rate risk. This has locked in the historically low interest rate long-term. Since the swaps and the Euribor loans are valued as single units, there is no associated accounting risk.

7. Research and development

In all its activities and businesses, HWA AG possesses the extensive resources required for the competitive development of race cars, customer sports cars, car engines and vehicle components. The use of state-of-the-art software for simulation and design ensures that all innovative developments are always up to the latest technical standards. HWA AG also has the extensive specialised knowledge and wide spectrum of resources necessary to develop its own electrical and electronic systems for race cars, customer sports vehicles and vehicle components. This development work is carried out individually and is tailored to each specific application. It includes the construction and programming of engine and control electronics as well as their simulation and evaluation.

To be able to offer its customers around the world top quality service, HWA AG has over the past years built up an outstanding infrastructure that has proved its usefulness in practice: vehicles can be thoroughly tested and serviced at the track, in the factory or wherever they are located.

The Company will continue to put special emphasis on research and development in the future, to ensure that its products continue to meet these high standards and that HWA AG continues to benefit from this competitive edge. Careful planning and targeted investments will be at the core of these activities.

8. Business and expected development of the Company

HWA AG's results for financial 2013 were thoroughly respectable. Nevertheless, in the current financial year no efforts can be spared if satisfactory results are to be achieved – both in sporting terms and financially. We expect both the Company's internal circumstances and the market environment to remain stable, as in previous years.

In the motor racing business, revenues will tend to be slightly higher this year. At the end of the 2013 season, the restrictions on race car development were lifted, which means that under the current DTM regulations the manufacturers enjoy the freedom to carry out extensive development work on their cars. DTM is top level motor sport, and given its very competitive nature, manufacturers will generally exploit the development possibilities to the full. This means that HWA AG will also be heavily involved in development activities. Mercedes-Benz will be racing 7 cars in the 2014 season: the additional car will also mean slightly higher revenues for HWA AG.

In the vehicles and vehicle components business revenues are expected to stay at the same level as last year. Because the SLS AMG GT3 is at an advanced stage in its lifecycle, vehicle sales are not expected to reach the very high levels of earlier years. Revenues from the spare parts and service business are expected to remain at a respectable level, due to the large number of vehicles already in circulation. The introduction of the new CLA 45 AMG Racing Series will have a positive effect. The vehicle was developed in cooperation between Mercedes-AMG GmbH and HWA AG. The race car is an entry-level model for the AMG customer sports world and starting in May 2014 will initially be raced exclusively in the Mercedes-Benz Grand Challenge in Brazil. HWA AG is responsible for the construction and the after-sales service for this vehicle.

The business of selling and leasing Formula 3 engines can be expected to remain stable – it is even possible that there will be slight increases in revenue from additional engine leasing and sales.

A new project was acquired for development work for an engine and the vehicle as a whole.

In spite of all the challenges, the prospects for HWA AG in financial 2014 continue to be good. Overall, HWA AG is expected to continue to develop along sound lines, with slightly higher revenues and earnings supported by a continued focus on increased efficiency in production and savings in material costs. The significantly higher number of projects and products will also result in larger inventories. The number of HWA AG's employees is expected to remain steady in the current year.

As before, the aim of HWA AG's Management in financial 2014 will be to achieve a thoroughly satisfactory level of earnings on the basis of a sound all-round performance.

9. Events after balance sheet date

There were no events after balance sheet date which could lead to a change in the assessment of the Company's situation.

Affalterbach, 7 March 2014



Gerhard Ungar
CEO



Ulrich Fritz
CFO



FIORELLI
Mercedes-Benz

88

FIORELLI

KOTUKA











AMC

REO

ANNUAL FINANCIAL STATEMENT

Balance sheet as at 31 December 2013

		31.12.2013	31.12.2012
ASSETS	EUR	EUR	EUR '000
A. NON-CURRENT ASSETS			
I. Intangible assets			
IT software and licences		207,674.81	153
II. Property, plant and equipment			
1. Land and buildings	18,900,126.60		19,075
2. Plant and machinery	2,041,415.23		1,482
3. Other assets, plant and office equipment	2,335,658.39		2,941
4. Payments in advance and assets under construction	6,309.00		833
		23,283,509.22	24,331
		23,491,184.03	24,484
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies	8,936,199.06		7,845
2. Work in progress	2,724,809.27		1,024
		11,661,008.33	8,869
II. Receivables and other assets			
1. Trade receivables	8,272,046.08		5,612
2. Other current assets	1,038,875.55		977
		9,310,921.63	6,589
III. Securities			
Other securities		105,817.50	106
IV. Cash in hand and at banks		1,267,598.96	2,869
		22,345,346.42	18,433
C. PREPAYMENTS AND ACCRUED INCOME		224,273.31	241
D. DEFERRED TAX ASSETS		85,000.00	62
		46,145,803.76	43,220

		31.12.2013	31.12.2012
EQUITY AND LIABILITIES	EUR	EUR	EUR '000
A. EQUITY			
I. Share capital		5,115,000.00	5,115
II. Revenue reserves			
1. Statutory reserve	511,500.00		511
2. Other reserves	1,310,000.00		1,310
		1,821,500.00	1,822
III. Retained earnings		19,942,852.86	19,417
		26,879,352.86	26,354
B. PROVISIONS			
1. Provisions for taxation	492,674.31		100
2. Other provisions	2,633,570.00		2,613
		3,126,244.31	2,713
C. LIABILITIES			
1. Amounts due to banks	10,200,000.00		7,989
2. Payments received on account of orders	0.00		240
3. Trade payables	4,192,003.32		5,098
4. Other liabilities thereof taxes EUR 1,085,605.28 (2012: EUR 382,000)	1,348,203.27		826
		15,740,206.59	14,153
D. PREPAYMENTS AND ACCRUED INCOME		400,000.00	0
		46,145,803.76	43,220

Income statement for the year ended 31 December 2013

	EUR	2013 EUR	2012 EUR '000
1. Sales revenues	56,020,792.92		63,549
2. Increase (+) / decrease (-) in inventories of finished goods and work in progress	1,700,986.61		207
3. Other operating income thereof income from foreign currency translation EUR 30,222.13 (2013: EUR 56,000)	2,215,241.28		690
		59,937,020.81	64,032
4. Raw materials			
a) Expenses for raw materials and supplies	15,440,709.85		17,718
b) Expenses for external services	6,165,201.85		7,739
5. Staff costs			
a) Wages and salaries	17,131,157.85		15,655
b) Social security and pension contributions thereof pension contributions EUR 19,974.10 (2012: EUR 14,000)	2,604,572.16		2,421
6. Depreciation and amortisation of tangible and intangible non-current assets	2,235,058.38		2,157
7. Other operating expenses thereof expenses from foreign currency translation EUR 52,444.26 (2013: 46,000)	10,683,963.47		12,717
		54,260,663.56	58,407
8. Other interest and similar income	204,134.07		27
9. Interest and similar expenses	442,225.13		415
		-238,091.06	-388
10. Profit from ordinary activities		5,438,266.19	5,237
11. Income tax expense thereof income from the change in deferred taxes of EUR 23,000.00 (2012: expense of EUR 2,000)	1,481,495.58		1,432
12. Other taxes	106,287.35		64
		1,587,782.93	1,496
13. Profit for year		3,850,483.26	3,741
14. Profit brought forward from previous year		16,092,369.60	15,676
15. Retained earnings		19,942,852.86	19,417

Cash flow statement 2013

(EUR '000, rounded)	2013 EUR '000	2012 EUR '000
1. Cash flow from operating activities		
Net profit for the year	3,850	3,741
Depreciation and amortisation of non-current assets	2,235	2,157
Increase (+) / decrease (-) in provisions	413	-1,851
Credit (-) / expense (+) from changes in deferred taxes	-23	2
Other non-cash expenses	429	1,672
Gains on disposal of non-current assets	-46	-76
Increases in inventories, trade receivables and other assets	-5,925	-5,125
Decreases in trade payables	-224	-589
Cash flow from operating activities	709	-69
2. Cash flow from investing activities		
Receipts from disposals of property, plant and equipment	487	211
Investments in property, plant and equipment	-1,509	-2,574
Investments in intangible assets	-175	-128
Cash flow from investing activities	-1,197	-2,491
3. Cash flow from financing activities		
Proceeds from bank borrowings	3,000	0
Distributions to shareholders	-3,325	-3,325
Repayment of bank borrowings	-789	-789
Cash flow from financing activities	-1,114	-4,114
4. Cash and cash equivalents at end of year		
Changes in cash and cash equivalents (subtotal items 1-3)	-1,602	-6,674
Cash and cash equivalents at beginning of year	2,975	9,649
Cash and cash equivalents at end of year	1,373	2,975
5. Represented by		
Liquid assets	1,267	2,869
Securities	106	106
Cash and cash equivalents at end of year	1,373	2,975

Non-current assets movement statement for the year ended 31 December 2013

	Acquisition and construction costs			
	1.01.2013 EUR	Additions EUR	Transfers EUR	Disposals EUR
I. Intangible assets				
IT software and licences	2,939,582.47	174,773.15	0.00	3,689.10
II. Property, plant and equipment				
1. Land and buildings	29,027,021.25	415,379.36	326,120.06	0.00
2. Plant and machinery	9,402,982.27	710,779.54	502,125.84	302,146.67
3. Other assets, plant and office equipment	12,327,980.22	381,488.61	0.00	221,089.91
4. Payments in advance and assets under construction	833,045.90	1,509.00	-828,245.90	0.00
	51,591,029.64	1,509,156.51	0.00	523,236.58
	54,530,612.11	1,683,929.66	0.00	526,925.68

	Accumulated depreciation and amortisation				Carrying values		
	31.12.2013 EUR	1.01.2013 EUR	Additions EUR	Disposals EUR	31.12.2013 EUR	31.12.2013 EUR	31.12.2012 EUR '000
	3,110,666.52	2,787,021.36	116,482.73	512.38	2,902,991.71	207,674.81	153
	29,768,520.67	9,952,256.74	916,137.33	0.00	10,868,394.07	18,900,126.60	19,075
	10,313,740.98	7,921,222.24	371,959.87	20,856.36	8,272,325.75	2,041,415.23	1,482
	12,488,378.92	9,386,518.67	830,478.45	64,276.59	10,152,720.53	2,335,658.39	2,941
	6,309.00	0.00	0.00	0.00	0.00	6,309.00	833
	52,576,949.57	27,259,997.65	2,118,575.65	85,132.95	29,293,440.35	23,283,509.22	24,331
	55,687,616.09	30,047,019.01	2,235,058.38	85,645.33	32,196,432.06	23,491,184.03	24,484

NOTES 2013

General

These annual financial statements have been prepared in accordance with section 242 et seqq and section 264 et seqq of the German Commercial Code (HGB), together with the applicable provisions of the German Companies Act (AktG) and the company's articles of incorporation. The provisions governing large companies apply.

The income statement has been prepared using the cost of sales method.

Accounting and valuation principles

In preparing the annual financial statements the following accounting and valuation principles have been applied essentially unchanged from last year.

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

Property, plant and equipment is recognised at cost of acquisition or construction and where appropriate is depreciated on a straight-line basis over its expected useful life. Low value assets with a value of up to EUR 1,000.00 are written off immediately and in departure from the tax regulations. Additions to property, plant and equipment during the year are depreciated rateably.

Inventories of **raw materials and supplies** are recognised at the lower of average cost or net realisable value.

Work in progress and finished goods are valued at cost of production, including not only direct material, labour and other costs but also indirect material costs and production overheads. Interest expense and general administrative overheads are not included.

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

With the exception of reservations of title customary in the trade, inventories are free of third party rights.

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.

Other securities are recognised at acquisition cost.

Other provisions are made for all liabilities of uncertain amount and potential losses on pending transactions. The amounts provided are the amounts deemed necessary in prudent commercial judgement.

Liabilities are recognised at the amounts payable.

Deferred taxation is 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 values for tax purposes, and on tax loss carryforwards. The amounts of deferred tax liabilities or assets are calculated using the rates of taxation expected to apply to the Company at the time the differences are expected to reverse. The amounts of tax so calculated are not discounted.

Foreign currency assets and liabilities with remaining terms of one year or less have as a general rule been translated using the mean spot rate at balance sheet date.

Where **hedge accounting** in the meaning of section 254 HGB is applied, the accounting and valuation policies applied are as follows.

Economic hedging relationships are accounted for by forming valuation units: the counter-vailing positive and negative changes in value are recognised gross in the income statement.

Notes on the balance sheet

Non-current assets

Changes in individual non-current asset categories, including depreciation and amortisation for the period under review, are shown in the non-current assets movement schedule.

Deferred taxes

Deferred tax assets were made up as follows:

	Carrying value financial accounts	Carrying value tax purposes	Difference	Effective in- come tax rate	Deferred taxes
	EUR '000	EUR '000	EUR '000	%	EUR '000
Low value non-current assets	0	180	180	29	52
Provisions	58	0	58	29	17
Other provisions	196	142	54	29	16
					85

Authorised share capital

The Company's authorised share capital is divided into 5,115,000 no par value bearer shares.

With the approval of the Supervisory Board, the Management Board is until 4 June 2018 authorised to increase the authorised capital in one or more tranches by a total of EUR 2,557,500 for contributions in cash or in kind.

Provisions

Other provisions are principally for unconsumed vacation, long-service payments, staff bonuses and profit shares.

Liabilities

Of the amounts due to banks, EUR 4,113,000 had remaining maturities of between two and five years and EUR 2,387,000 remaining maturities of more than five years. EUR 5,034,000 was secured by charges on real property. Other liabilities had remaining maturities not exceeding one year.

Other financial obligations

	EUR '000
Obligations under service, rental and leasing agreements	8,192
Purchase commitments	6,546

The agreements come to an end between 2014 and 2024.

Derivatives

Two interest rate swaps have been taken out to hedge interest rate risk on two variable rate loans totalling EUR 7.2m, as follows:

	Basic interest rate	Fixed interest rate	Amount	Maturity	Market value
		%			EUR '000
Swap 1	3-month Euribor	3.04	EUR 3,000,000	30.9.2014	-62
Swap 2	3-month Euribor	3.57	EUR 4,200,000	30.9.2019	-360

Derivatives are valued on the basis of current market information using standard market valuation methods. Since the sole purpose of the derivative transactions is to hedge the related loans, the loan and the corresponding derivatives are valued as a single unit.

Restriction on distributions

The recognition of deferred tax assets means that under section 268(8) HGB there is a restriction on distributions of EUR 85,000.

Notes to the income statement

	2013		2012	
	EUR '000	%	EUR '000	%
Sales revenues by region				
Germany	45,161	80.6	44,412	69.9
Elsewhere	10,860	19.4	19,137	30.1
	56,021	100.0	63,549	100.0

Other operating income

Income relating to prior years consisted principally of reversals of specific provisions (EUR 1,447,000) and general provisions (EUR 48,000), income items reflecting the results of the tax audit (EUR 181,000), and accounting gains on disposal of non-current assets (EUR 76,000).

Other interest and similar income

EUR 193,000 of the other interest and similar income relates to earlier years.

Income tax expense

EUR 468,000 of the income tax expense results from the tax audit.

Other information

Supervisory Board

- Hans Werner Aufrecht, businessman Chairman
- Christian Wolff, Head of Mercedes-Benz Motorsports (until 22 April 2013) Deputy Chairman
- Willibald Dörflinger, entrepreneur (from 5 June 2013) Deputy Chairman
- Gert-Jan Bruggink, equestrian show jumper (from 5 June 2013)
- Wolfgang Köhne, Managing Director (from 5 June to 9 December 2013)
- Rolf Krissler, tax adviser
- Michael Schmieder, businessman

The remuneration of the Supervisory Board for the purposes of section 113 German Companies Act (AktG) amounted to EUR 21,000.00.

Management Board

- Gerhard Ungar Chairman
- Eric Nève (until 30 September 2013)
- Ulrich Fritz (from 1 December 2013)

Employees

Average number of employees during the year under review:

Non-salaried staff	129
Salaried staff	116
	245
Trainees	2
	247

Auditor's remuneration

	EUR '000
Audit services	27,5
Other services	12,0
	39,5

Recommended distribution of profits

The Management Board, with the agreement of the Supervisory Board, proposes to distribute a dividend of EUR 0.65 per share and to carry forward the balance of distributable profits into the new year.

Affalterbach, 7 March 2014

The Management Board

AUDITOR'S REPORT

I have audited the annual financial statements – consisting of balance sheet, income statement and attached notes – together with the accounts and records and the management report of HWA AG, Affalterbach, for the financial year ended 31 December 2013. The accounts and records, and the preparation of the annual financial statements and the management report in accordance with the provisions of German commercial law are the responsibility of the Company's management. It is my responsibility, on the basis of my audit, to give an opinion on the annual financial statements together with the accounts and records and the management report.

I have carried out my audit of the annual financial statements in accordance with section 317 German Commercial Code (HGB) and the principles applicable to the annual statutory audit as established by the German Institute of Auditors (IDW). These require that the audit be so planned and carried out that errors and breaches that materially affect the presentation of the Company's assets, finances and earnings in the annual financial statements prepared in accordance with generally accepted accounting principles and in the management report will with reasonable certainty be detected. The planning of the audit reflects the knowledge

of the Company's business activities and the economic and legal environment in which it operates, together with expectations as to possible sources of error. The audit includes the evaluation – largely on a test basis – of the effectiveness of the internal control system as it relates to accounting, and the evidence supporting the information and disclosures in the accounts and records, the annual financial statements and the management report. The audit includes the assessment of the accounting principles applied and the material estimates made by the Company's management, together with an evaluation of the overall presentation of the annual financial statements and the management report. I believe that my examination forms a reasonable basis for my opinion.

My examination provided no grounds for objection.

In my opinion, based on the information acquired in the course of my examination, the annual financial statements comply with the statutory requirements and present in accordance with generally accepted accounting principles a true and fair view of the assets, finances and earnings of the company. The management report is in agreement with the annual financial statements and presents an appropriate view of the state of the Company's affairs and of the opportunities and risks of its future business.

Weilheim/Teck, 12 March 2014

Lutz
Auditor

EVENTS 2014

18 June 2014	Annual General Meeting of HWA AG in Affalterbach
26 September 2014	publication of HWA AG's half-yearly results

IMPRINT

Publisher

HWA AG
Investor Relations _ Press Relations
Benzstraße 8 _ 71563 Affalterbach _ Germany
Phone: +49 (0) 71 44/87 17-279
Fax: +49 (0) 71 44/87 18-111
E-mail: ir@hwaag.com
www.hwaag.com

Photos

HWA AG, Daimler AG

© HWA AG 2014