

**HWA**

ENGINEERING SPEED

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**CONSOLIDATED  
FINANCIAL  
STATEMENT**

**20**

Motor racing · Vehicles and components



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## EVENTS 2021

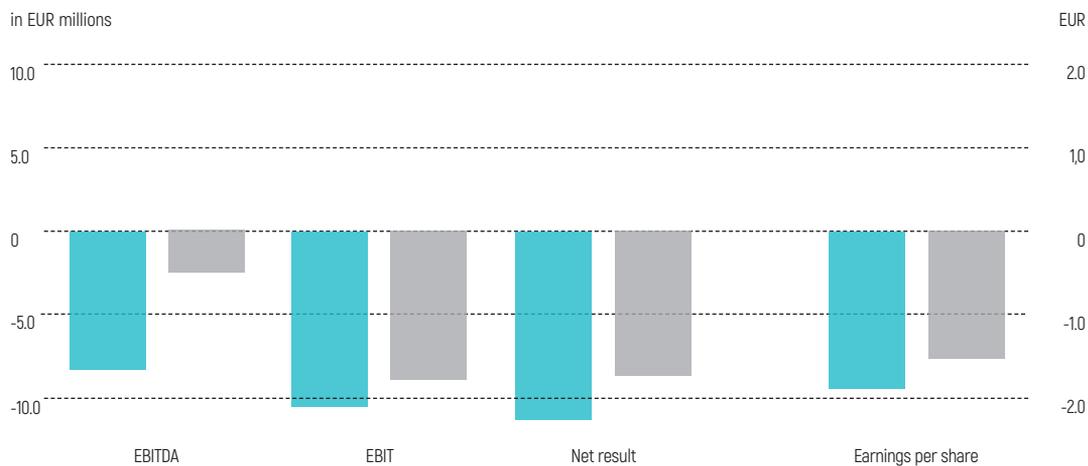
29 April 2021	Publication of the annual figures for the 2020 financial year
May 2021	Publication of the 2020 annual financial statements
2 October 2021	Publication of the 2021 half-year report
23 June 2021	Annual General Meeting of HWA AG

## GROUP KEY FIGURES

in EUR millions	2020	2019	2018*	2017	2016	2015	2014	2013
Sales income	65.6	113.6	101.2	95.5	97.4	83.6	64.1	56.0
EBITDA	-7.6	-2.2	7.5	5.7	3.2	8.1	3.7	7.9
EBITDA margin (in percent)	-11.6	-2.0	7.4	5.8	3.3	9.6	5.8	14.1
EBIT	-10.6	-8.9	5.3	2.8	0.2	5.1	1.4	5.7
EBIT margin (in percent)	-16.2	-7.8	5.2	2.9	0.2	6.1	2.2	10.0
Net result	-11.4	-8.3	3.4	1.4	-0.3	3.4	0.7	3.9
Earnings per share (in EUR)	-1.90	-1.47	0.66	0.28	-0.06	0.66	0.13	0.75

\*) from 2018 Group key figures

## AT A GLANCE 2020 | 2019



## REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht  
Chairman of the Supervisory Board

### **Dear HWA AG shareholders,**

In the 2020 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 2020 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 18 March, 28 July, 23 September and 16 December 2020. 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. Some members of the Supervisory Board attended individual meetings by video due to the coronavirus pandemic. The meeting for the 2019 annual financial statements, which was also attended by the auditor, was held on 18 March 2020.

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 development of the coronavirus pandemic, its effects on operating business and the necessary consequences
- Continuous monitoring of the liquidity situation, liquidity planning and risk and opportunity management
- The review of the planning, budget and investments for 2020
- Sporting developments in the various different racing series
- The partnership with Daimler AG in Formula E and its discontinuation
- The consequences and legal steps from the joint venture Vynamic GmbH and AF Racing AG / R-Motorsport
- 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
- Future development and the budget for 2021 and medium-term planning of HWA AG, as well as future financing of the Company and its transformation
- The hydrogen project HYRAZE
- The implementation of the capital increase in 2020 to strengthen liquidity
- The virtual Annual General Meeting and the composition of the Supervisory Board
- Changes on the Management Board of HWA AG

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

There were changes to the Management Board at HWA AG in the 2020 reporting year.

CEO Ulrich Fritz left the Management Board of HWA AG on 18 December 2020.

Martin Marx, previously the COO of HWA AG, has been the Company's sole Management Board member since Mr Fritz left.

Under the Company's articles of incorporation, the Supervisory Board consists of six members. As at the end of the 2020 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

Mr Aufrecht, Mr Dörflinger, Mr Bruggink, Mr Große-Vehne and Mr Al Siddiqi were re-elected for another term of office on the Supervisory Board at the Annual General Meeting on 28 July 2020. Simone Stegmaier was elected as a new member of the Supervisory Board of HWA AG by the shareholders at this Annual General Meeting.

**Annual financial statements and audit**

By resolution of the Annual General Meeting of 28 July 2020, Treuhand Südwest GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft, Karlsruhe, was appointed as statutory auditor of the Company's annual and consolidated financial statements for the 2020 financial year. The statutory auditor audited the 2020 annual and consolidated financial statements and the combined management report prepared by the Management Board and issued an unqualified audit opinion.

The provisional annual financial statements for 2020 were presented to the Supervisory Board by the Management Board in the presence of the auditor on 10 March 2021 and the key points and findings were discussed. The findings and additional questions from the Supervisory Board were answered by the Management Board and the auditor. After subsequently conducting a thorough review of its own, the Supervisory Board approved the auditor's report. On the basis of its review, the Supervisory Board had no grounds for objection to the annual and consolidated financial statements and approved these by way of circulation. The annual financial statements for 2020 were thereby formally adopted.

The Supervisory Board endorses the Management Board's proposal for the appropriation of HWA AG's net retained profits. Due to the net loss in 2020, HWA AG will not propose a dividend to the Annual General Meeting in 2021, but instead will propose that the net retained profits be carried forward to new account.

**Supervisory Board's thanks**

2020 was the most difficult year in HWA AG's history. The operational complications arising from the coronavirus pandemic were a major challenge for all employees. All employees managed to overcome this situation with a high level of personal commitment. The Supervisory Board would like to thank them specifically for this. In particular, the Supervisory Board would like to thank the Management Board member Martin Marx, who implemented the reorganisation with enormous dedication, great expertise and the necessary social awareness.

For the Supervisory Board



Hans Werner Aufrecht  
Chairman of the Supervisory Board

Affalterbach, May 2021

# COMBINED MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENT

## 1. Basic information on the Group

### Legal and economic position of the company in 2020

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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 in 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%)

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

The consolidated financial statements include the parent company, the US company HWA US Inc. and the company HWA Pty Ltd. in Australia.

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.

In 2020, activities in the Motor Racing segment focused on participation in the ABB FIA Formula E championship as the development and operations team for the Mercedes EQ Formula E Team, as well as deployment as a FIA Formula 2 and FIA Formula 3 racing team under the name of HWA RACELAB.

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. Spare parts and services continue to be provided at the Affalterbach location and worldwide 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 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 dedicate special attention to research and development in future so as to open up new business areas and opportunities and be able to uphold the high standard of all current and future products and the competitive edge this bestows. Good planning and targeted investment in this area will ensure the appropriate support for this approach. These aspects are fleshed out in the published project idea HYRAZE, a hydrogen-powered, zero-emission racing vehicle combined with the use of virtual reality. For the further implementation and strong positioning of this project, HWA AG founded HYRAZE GmbH as a wholly owned subsidiary at the end of 2020.

In addition, HWA AG has entered into a cooperation in the form of a research project until 2022 with the German Aerospace Center (DLR), in which a zero-emission drive unit is being developed with corresponding experimental vehicles in order to achieve largely emission-free mobility.

The focus will remain on customer-specific developments, but these will be supplemented by specific in-house developments such as the R4T engine and HYRAZE to generate future income.

## **2. Economic report**

### **General economic conditions**

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In 2020, the coronavirus pandemic plunged the global economy into the deepest recession since the end of the Second World War. According to the International Monetary Fund (IMF), global economic output fell by 3.5% year-on-year in 2020 (after growth of 2.8% in 2019). Although the IMF thus raised the forecast from its World Economic Outlook (WEO) from October 2020 by 0.9% due to generally stronger than expected momentum, the decline in economic output remained at an extremely high level.

The measures to contain the coronavirus pandemic had a significant negative impact on the global economy, prompting governments and central banks worldwide to tackle the consequences of this enormous decline with unusually expansionary measures in order to minimise the risks for businesses and mitigate job losses.

The effects of the coronavirus pandemic on global trade were also substantial overall, which additionally curbed growth in export-dependent economies in particular.

Nonetheless, the global economy is expected to see slightly stronger growth than was expected last October in both 2021 and 2022 (5.5% and 4.2% respectively). This further adjustment also reflects the expectation that the vaccines now available will make the coronavirus pandemic and its effects more manageable – causing global trade to grow more strongly again. The effects on the global economy from the virus mutations that are now known have not yet been taken into consideration here.

The International Monetary Fund has raised its forecast for the eurozone's economic development in 2020 by 1.1% compared to October 2020 to -7.2%. After increased economic activity in summer 2020, growth was interrupted by a second wave of infections and the resulting renewed restrictions (another lockdown) from autumn 2020 onwards. The sharp slump in global trade and the associated lower level of industrial production resulted in an extremely sharp decline in exports, negatively impacting the economic development in the euro area. In 2019, GDP growth in euro area countries had amounted to 1.3%. The IMF is anticipating growth in economic output in the eurozone of 4.2% in 2021 (1.1 percentage points lower than in autumn 2020) and 3.6% in 2022. At 0.3%, inflation in the single currency area in 2020 was down on the previous year's figure of 1.2%.

According to the German Federal Statistical Office (Destatis), the German economy contracted by 5.0% in 2020. This was the first decrease after ten consecutive years of growth. The domestic economy was hit hard by the lockdown measures taken to combat the coronavirus pandemic and accordingly accounted for a large share of the decline in economic output in 2020. German exports also posted a very significant year-on-year decrease of 9.3% in 2020 due to the coronavirus pandemic. At 0.5%, average annual inflation in Germany in 2020 moved further from the European monetary policy target of just under 2%. In 2019, inflation had been at 1.4%. The IMF anticipates economic growth of 3.5% for Germany in the 2021 financial year, and this is expected to continue at a similar level in 2022 (+3.1%).

According to the IMF, the US economy contracted by 3.4% in 2020 and thus developed significantly more weakly than in the previous year (growth of 2.9%). A return to growth is forecast for 2021 (+5.1%), which is expected to continue at a lower level in 2022 (+2.5%).

According to IMF forecasts, economic output in the People's Republic of China rose by 2.3% in 2020 after 6.0% in the previous year. Although it thus fell short of the range of 6.5% to 7.0% targeted by the Chinese government, the growth achieved was one of the few bright spots in the global development of economic output that was hit hard by the coronavirus pandemic. The International Monetary Fund expects to see Chinese economic output increase to 8.1% in 2021 and 5.6% in 2022.

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

The development of global demand for passenger cars was dominated by the coronavirus pandemic in the reporting year. Demand reached its lowest point in the second quarter already and gradually recovered over the course of the year. Overall, however, there was a significant decline of 15%. The traditional sales markets in western Europe and the US also posted considerable decreases in volumes. The Chinese market, which was the first of the major sales markets to be impacted by the coronavirus pandemic, declined overall – although the downturn was less pronounced than initially expected.

In Europe, passenger car sales fell by 24.3% year-on-year. Demand in western Europe was also down significantly on the previous year's level by 24.5%.

The German market posted a year-on-year decline in sales volumes of 19%, while demand fell even more sharply in France (-25%), Italy (-28%) and Spain (-32%). The UK market also posted a huge decline of approximately 29%.

The US passenger car and light commercial vehicle market also slumped, with around 14.5 million units sold. Compared to the previous year, the market volume was down 14.7%.

The Chinese passenger car market recorded a comparatively minor drop in sales. Firstly, the volume decreases in the first half of the year were partly compensated over the course of the year, and secondly, China's comparatively strong overall economic growth had a positive impact on demand. Due to these factors, the market contracted by only around 6% in the year as a whole. In Japan, demand for passenger cars was 11.4% lower. The Indian market declined by 17.8%, while in Brazil there was an even sharper decrease of 26.7%.

A total of 2.9 million new passenger cars were registered in Germany last year, equivalent to a 19.1% year-on-year decline according to the Federal Motor Transport Authority. The share of the overall market attributable to electric passenger cars increased substantially to 6.7% (previous year: around 1.8%).

The Mercedes-Benz Cars brand sold a total of 2.09 million vehicles in 2020 (previous year: 2.39 million), thus managing to exceed the 2-million mark again. In Europe, Mercedes-Benz Cars sold a total of 783,800 vehicles (previous year: 992,215), including 282,540 in Germany. In China, the largest individual market, the Mercedes-Benz Cars business unit continued its run of success, with sales growing substantially by 9% to 758,100 vehicles.

The market for electric mobility in Germany is continuing to grow. Approximately 194,000 electric cars were registered here in 2020, representing an increase of around 207%.

Registration figures for electric vehicles (including plug-in hybrids) increased significantly worldwide (+43% year-on-year). There was particularly strong growth in Europe (+137% year-on-year). On the US and Chinese markets, there were also positive developments in 2020, albeit at a lower level of growth.

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

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

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

As in the previous year, the company unfortunately did not achieve the targets it had set itself in business terms for the 2020 financial year. COVID-19 hit HWA AG with full force, bringing about a significant decline in sales revenues in customer sports after-sales business while some firmly scheduled projects were postponed until the end of the year or will not be able to start until 2021.

HWA AG had forecast a significant decline in the Group's gross revenue overall but a significantly positive EBIT margin in 2020. HWA AG's separate financial statements also projected a decline in sales and a significant improvement to earnings before interest and taxes (EBIT).

With gross revenue of EUR 66.1 million, HWA AG did not achieve this target. Consolidated gross revenue amounted to EUR 66.7 million with EBIT for the Group of EUR -10.6 million. HWA AG therefore fell considerably short of its Group margin target in absolute terms.

With regard to sports, the company's deployment as the racing team for the Mercedes-EQ Formula E team in the ABB FIA Formula E championship brought success. It achieved second place in the driver standings with Stoffel Vandoorne and third place in the team standings. Podium positions were thus achieved in both categories at the end of the season. HWA's collaboration with the Mercedes-EQ Formula E team will end after the 2020/2021 season. Services will still be performed, but only on a small scale.

In FIA Formula 2 and FIA Formula 3, podium positions were achieved in some individual races. HWA is aiming to take the next step here in 2021 in the form of further podium positions and winning races.

Cooperation with Mercedes-AMG GmbH in its customer sports activities is still ongoing, but was heavily impacted by COVID-19 in 2020. The market launch of the M-AMG GT3 MY 2020 saw a very successful and promising start at the beginning of the year, but was abruptly interrupted from mid-March onwards. After-sales business in connection with the racing season also did not take off in the first half of 2020 due to COVID-19.

HWA AG had forecast a decline in gross revenue for 2020. This decline was budgeted in the Motor Racing segment due to the discontinuation of the DTM project.

The company had forecast further growth in Vehicles/Vehicle Components, which unfortunately did not materialise due to COVID-19.

## **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 65.0 million in 2020, considerably lower than the previous year's level of EUR 113.4 million. EUR 27.6 million (previous year: EUR 56.7 million) of this relates to Germany and EUR 37.4 million (previous year: EUR 56.7 million) to other countries. HWA US generated sales of USD 3.2 million as against USD 4.2 million in the previous year, while HWA AUS achieved sales of AUD 0.4 million. Consolidated sales revenue amounts to EUR 65.6 million after consolidation.

HWA AG's other operating income amounted to EUR 0.8 million and essentially comprised EUR 0.1 million in gains from prior-period income, EUR 0.2 million in income from non-cash benefits, EUR 0.4 million in income from the reversal of provisions, and other income.

In total, HWA AG's gross revenue for 2020 amounts to EUR 66.1 million as against EUR 113.4 million in the previous year.

The cost of materials decreased from EUR 64.2 million in the previous year to EUR 35.8 million. Key factors influencing the cost of materials included the production of the Mercedes-AMG GT3 and GT4, 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 decreased year-on-year to 54.8% (previous year: 56.6%). This was partly due to the positive effect from the change in the valuation of inventories of approximately EUR 4.0 million. The age-related write-downs of inventories was adjusted to the change in HWA's business model, with its high proportion of spare parts in the inventories.

Other operating expenses declined from EUR 23.1 million in the previous year to EUR 15.9 million in the reporting period. This decrease was mainly attributable to lower project-related costs, partly caused by the discontinuation of services due to COVID-19 and the general cost-cutting measures initiated.

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

HWA AG generated EBIT of EUR -9.7 million in 2020 after EUR -8.4 million in the previous year. The EBIT margin in relation to gross revenue was thus negative. Consolidated EBIT amounted to EUR -10.6 million in 2020. Intercompany profits arising from sales of goods within the Group were eliminated on consolidation. The EBIT contribution by HWA US was EUR -0.8 million. The EBIT contribution by HWA AUS was EUR -0.2 million.

HWA AG had last issued a correction of the anticipated EBIT margin for the Group in September 2020, in view of the continued uncertain developments in relation to the pandemic. As the second lockdown had a negative effect on HWA's business activities again as of the end of the year, the Group's EBIT margin in 2020 was significantly negative overall.

As mentioned above, the main reasons for the negative consolidated EBIT in 2020 were the decline in sales revenues in AMG customer sports due to COVID-19 and the post-poned customer projects in development business. Although the major efforts to reduce costs and the rigorous use of short-time work in 2020 mitigated the downturn in earnings, the declines in relation to gross revenue were very significant

HWA AG uses EBIT as its operating result and performance indicator. EBIT is calculated as follows:

#### Income statement

in EUR million (rounded)	2020	2019
<b>Sales revenue</b>	<b>65.0</b>	<b>113.4</b>
Changes in inventories/own work capitalised	0.25	-1.0
Other operating income	0.8	1.0
<b>Gross revenue for the period</b>	<b>66.1</b>	<b>113.4</b>
Cost of materials	35.8	64.2
Personnel expenses	21.1	28.0
Depreciation, amortisation and write-downs	3.0	6.7
Other operating expenses	15.9	23.1
<b>EBIT</b>	<b>-9.7</b>	<b>-8.4</b>
EBIT in %	-14.7 %	-7.4 %

At EUR -1.0 million, HWA AG's negative financial result for the 2020 financial year had increased against the previous year's figure of EUR -0.72 million due to increased interest expenses.

Overall, HWA AG's net loss for 2020 amounted to EUR -10.6 million as against EUR -7.9 million in 2019.

At Group level, the net loss for 2020 amounted to EUR -11.4 million after EUR -8.3 million in the previous year.

The consolidated net loss thus increased further year-on-year.

### **c. Net assets and financial position**

HWA AG's fixed assets decreased from EUR 21.9 million to EUR 19.6 million in the 2020 financial year. The reduction mainly resulted from ongoing ordinary depreciation and amortisation. Consolidated fixed assets amount to EUR 19.4 million.

Current assets fell from EUR 59.6 million in the previous year to EUR 48.6 million.

Trade receivables declined, mainly due to customer payments received in December 2020. Receivables from affiliated companies rose by EUR 0.7 million as a result of the delivery of spare parts by the parent company HWA AG to the subsidiaries. The repayment terms for the subsidiaries were extended with interest. HWA AG's inventories, which are mainly held to ensure a continuous supply for customers, decreased slightly by EUR 0.8 million. This was due to advance payments received. Consolidated current assets amount to EUR 47.1 million.

HWA AG's provisions fell from EUR 5.2 million to EUR 2.4 million in the 2020 financial year as a result of the decrease in the provision for outstanding invoices and personnel provisions. The Group's provisions amount to EUR 2.5 million.

Liabilities decreased from EUR 48.4 million in 2019 to EUR 42.6 million in 2020. The largest item under liabilities was bank loans, which amounted to EUR 28.5 million at the end of December 2020 as against EUR 34.7 million in the previous year. There is also the existing shareholder's loan taken out in 2017. This loan now totalling EUR 3.7 million is reported under liabilities to shareholders. Trade payables fell from EUR 9.1 million to EUR 7.5 million. The Group's liabilities amount to EUR 45.0 million.

HWA AG's total assets declined from EUR 83.6 million in the previous year to EUR 70.2 million. The share of fixed assets rose from 26.2% to 27.9% in 2020. By contrast, the share of current assets in total assets decreased from 71.3% to 69.2%.

HWA AG's equity ratio fell from 34.0% to 30.6% as at 31 December 2019. Equity in absolute terms fell from EUR 28.4 million to EUR 21.5 million in 2020. The implemented capital increase had a positive impact on equity, while the net loss had a negative impact here. The Group's equity amounts to EUR 18.1 million.

HWA AG had cash and cash equivalents of EUR -4.7 million at the end of the 2020 financial year as against EUR -2.5 million in the previous year. The operating cash flow was negative at EUR -2.5 million in 2020. This was chiefly due to the net loss. Cash flow from investing activities was also negative at EUR -0.8 million. Payments for investments essentially relate to technical equipment and machinery and to operating and office equipment. Cash flow from financing activities was positive at EUR 1.1 million. Inflows from borrowing in the amount of EUR 3.0 million and capital increases of EUR 3.7 million were offset primarily by expenses for repayments of EUR 4.7 million.

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 and financing activities into rolling planning. The financing requirements resulting from this are covered using suitable liquidity management instruments.

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

Gross investment amounted to EUR 785 thousand in the past financial year (previous year: EUR 6,034 thousand). The breakdown of investment is shown in the following table:

<b>Gross investments</b>	EUR thousand
1. Intangible assets	20
2. Land and buildings	86
3. Technical equipment and machinery	66
4. Other equipment, operating and office equipment	83
5. Payments on account of fixed asset	530
	<b>785</b>

Investments relate to new purchases and replacements for technical equipment and machinery as well as operating and office equipment, in particular with regard to participation in the Formula racing series.

Investments of EUR 0.8 million include project-related investments totalling EUR 0.2 million. Total investments of less than EUR 1.0 million are planned for 2021.

#### **e. Employees**

Including the Management Board, there were 306 employees on average in the 2020 financial year (previous year: 321), one of whom was a trainee.

The subsidiaries in the US and Australia each had one employee.

#### **f. Capital increase and shareholder structure**

A capital increase was carried out in the first half of 2020 for the purpose of strengthening the equity base. As a result of this measure, the number of shares of HWA AG rose from 5,626,500 shares to 5,991,914 in total. The placement price of the new shares was EUR 10.00, which generated proceeds of around EUR 3.7 million.

Following the increase in the share capital, Hans Werner Aufrecht, Chairman of the Supervisory Board, and his family held a stake of 36.5% in HWA AG. Dörflinger Privatstiftung, represented by Mr Willibald Dörflinger, held a share of 26.4% in HWA AG following the capital increase. The Nasser Bin Khaled (NBK) Holding, also represented on the Supervisory Board, held a share of around 24.5% in the company. Together, the three parties control more than 87% of the share capital in HWA AG.

Due to its listing in the Basic Board, HWA AG is not obliged to provide detailed information on its shareholder structure.

### 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 Daimler AG, global demand for passenger cars is likely to recover and grow in 2021 after the sharp decline due to the pandemic in 2020. Environmental protection 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.

In Motor Racing, HWA AG expects sales revenue in 2021 to be considerably lower than in 2020 due to the discontinuation of Formula E business. It is not currently expected to be possible to compensate for the decline in sales revenue in this area, and for this reason structural adjustments are taking place here, including in the form of shifts and re-allocations of resources.

The company anticipates a year-on-year increase in sales revenue in Vehicles/Vehicle Components. Production of the Mercedes-AMG GT4 is to continue in 2021, along with production of the Mercedes-AMG GT3 MY 2020. Moreover, the company is also working on additional projects moving away from Daimler AG that will contribute to sales revenue as well. In comparison to the previous year's declines due to COVID-19, the spare parts and service business will grow again as a result of the large number of racing vehicles now on the market, similarly contributing to higher sales revenue.

HWA AG is forecasting a significant decline in the Group's gross revenue overall in 2021. This is attributable to the significant decline in gross revenue in the Motor Racing segment due to the discontinuation of Formula E business. By contrast, the Vehicles/Vehicle Components segment is continuing to develop positively after the dip in 2020, particularly due to recovering after-sales business in customer sports. This also forms the basis for the sales revenues of the subsidiaries in the US and Australia. While the US is still developing positively as a market, Australia is stagnating and even declined in 2020. There is also positive growth momentum in this area on the Asian market, which was likewise heavily impacted by COVID-19 in 2020. Irrespective of this, the overall risks from COVID-19 for the global economy and the consequences for HWA AG still cannot be foreseen at present, but we currently anticipate a considerably lower impact than in the previous year.

Compared to 2020, consolidated EBIT will recover significantly in 2021 and amount to approximately EUR 1.0 million. This is largely because a COVID-19 effect like in 2020 is no longer expected and profitability will be increased by means of cost optimisation and cost-saving measures.

Technological change and HWA AG's new focus on sustainability projects will also contribute to this.

HWA AG views the HYRAZE League concept study announced in August 2020 as a huge future opportunity. This development project focuses on creating emission-free racing series with racing vehicles powered by hydrogen to support the sustainability concept necessary on a global scale, also including virtual reality. Prestigious partners from the automotive sector and from virtual reality were won, including ADAC, DEKRA, DMSB, Schaeffler and WESA.

The Management Board considers the prospects for HWA AG in 2021 fairly good, despite challenges in the automotive industry. Uncertainties in the global political environment are unlikely to deteriorate further.

A significant decline in sales revenue is expected in the separate financial statements of HWA AG due to the discontinuation of Formula E business. EBIT and the EBIT margin are expected to improve significantly year-on-year and be in the low single-digit million range.

### **Risks and opportunities**

According to its economic forecast from December 2020, the ifo Institute expects the German economy to pick up significant momentum again in 2021. After a 5.1% decline in economic output in 2020 due to COVID-19, the Munich-based institute is forecasting growth of 4.2% for 2021.

Like most economic research institutes, HWA AG also expects the global economy to recover in 2021 from the declines due to COVID-19 in 2020, albeit at a far slower pace than in previous years.

However, the continued high number of infections in Germany and other key European countries means that only modest growth can be expected in the first half of 2021, until the measures to combat COVID-19 have ultimately been implemented in all countries and thus relevant markets for HWA AG. HWA AG currently sees the development of the pandemic as one of the main risks for 2021.

The indicators for 2021 seem cautiously optimistic for the global environment, too. The IMF expects global economic output to increase by 5.5% in 2021. The outlook for the US is growth of 5.1%, while for China it comes to 8.1%. According to the IMF, the eurozone will grow by 4.2% and thus to a lesser extent than the countries above. It can generally be assumed that the strength of the recovery in economic output may vary significantly from country to country, depending on local infection rates combined with access to vaccines and the effectiveness of the respective political measures.

As things currently stand, private consumer spending is expected to start recovering in the second quarter of 2021 and rise by 3.1% before continuing to expand at an above-average growth rate. HWA AG currently anticipates a recovery of all economic indicators in 2021 and also hopes to participate in potential catch-ups effects resulting from the pandemic-related restrictions.

The framework data for key world economies still 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.

Global demand for passenger cars is likely to grow by 13.5% in 2021, partly due to the very weak sales volumes in 2020.

The market in Germany could see growth of 5.0%, somewhat lower than the 6.0% growth rate for the European region as a whole. The overall European market slumped by 23.7% in 2020 as compared to 2019.

The markets in the US and China will probably recover in comparison to the previous year.

After a sharp slump in 2020, the US automotive market will grow substantially, while the lower impact of the pandemic in China in 2020 will also result in only slight growth there in 2021.

In both countries, there are various opportunities and risks to be taken into account after 2020. In the US the economy could benefit from the fiscal program adopted at the end of 2020, while in China factors such as high indebtedness of state-owned companies could lead to difficulties.

Stable development of the global automotive markets makes a significant contribution to the success of HWA AG's motor racing 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.

Daimler AG, and in particular its subsidiary Mercedes-AMG GmbH, remain HWA AG's most important client in 2021. The Daimler Group anticipates a significant increase in sales volume, sales revenue and EBIT in 2021 as against the previous year, which represents an important basis for HWA AG's ongoing collaboration with Daimler AG and Mercedes-AMG GmbH in the Vehicles/Vehicle Components segment's activities. Mercedes-Benz Cars will press ahead with its electrification strategy in 2021, introducing four new all-electric vehicles – the EQS, EQA, EQB and EQE models – and increasing the share of plug-in hybrid models.

Entry in the ABB FIA Formula E championship in 2018/2019 as a customer team of VENTURI in the fifth season (2018/2019) and for Daimler AG from the sixth season (2019/2020) onwards will end after the seventh season in 2021. Daimler AG has decided to tackle the project with its own resources in future. HWA will in future provide smaller engineering service scopes here and will also look for additional fields of activity in this environment so that it can keep using its existing expertise in this area.

In 2021, HWA AG will complete in both the FIA Formula 2 championship and the FIA Formula 3 championship with its own racing teams with the name HWA RACELAB. These teams will bring together experienced specialists in top-level motor racing engineering and related services so that they can be successfully deployed in motorsports while also promoting young motorsports talent.

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 strong partner here, which means that HWA AG has corresponding opportunities to further increase its business volume in the field of GT customer sports. This is done comprehensively in line with HWA's 360-degree service approach in the areas of engineering, production and after-sales. In addition, it should be mentioned that this partnership is also being expanded further in other areas, for example with HWA AG support services for Mercedes-AMG GmbH in relation to its series production vehicle business.

With the Mercedes-AMG GT3 and GT4 models, there are many vehicles on the market that are serviced by HWA AG technically and in terms of after-sales services.

Parts and service business for the entire product range will develop positively again in 2021 after the pandemic, thanks to the large number of racing vehicles on the market. On the US market in particular, which is served by HWA AG's local sales company, spare parts and service business is expected to grow on account of the larger number of vehicles. The HWA US sales company is therefore expected to perform well. HWA AUS is still heavily impacted by the effects of COVID-19, and the development of this company will depend on motor racing activities in Australia in 2021. The impact of COVID-19 at the start of 2021 on the activities presented here is not expected to be on the same scale as in 2020. Owing to the importance of spare parts and service business for HWA AG, there is a not insignificant dependency here on the implementation of GT racing events, which may in turn be affected by the pandemic.

HWA will seek to implement sustainability projects relating to alternative, zero-emission drive systems in this segment, too. There are already some initial ideas for this, which have been presented to the public in the form of the project idea HYRAZE, for example.

Further details on HYRAZE can be found at <https://hyraze-league.com>.

They also include the above-mentioned cooperation with the DLR, which HWA AG hopes will bring future opportunities for income generation.

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

In addition to the above-mentioned drive systems, particularly hydrogen and electric drives, there will also be a continued focus on efficient, powerful combustion engines, such as the R4T engine developed by HWA AG. HWA AG sees wide-ranging fields of application for this engine in the future, which will open up new income opportunities.

Another component for generating new income opportunities is software development at HWA AG. PACETEQ GmbH is currently being established for this purpose. This company will sustainably bundle HWA AG's activities with regard to software development for different application purposes in terms of methods and time.

Brexit will not have any direct impact on HWA AG in terms of anticipated additional costs in 2021. Transportation and delivery times are getting longer at present. Towards the middle of 2021, customs procedures and controls will then increase.

### **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 at the end of 2020. 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 pounds 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 2020.

HWA AG's opportunity/risk profile is changing from that of a one/two-project company to a multi-project organisation. However, the information system implemented is still 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 enterprise 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 terms of employee development and health care management, HWA AG has introduced and implemented various measures to promote the health of its employees and help them effectively achieve their full potential. These measures include annual feedback sessions between managers and employees and various sporting activities that are offered at in-house fitness areas and outdoors where permitted under the COVID-19 restrictions.

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 that was developed in line with the DIN 9001:2015 standard and successfully recertified by DEKRA Certification GmbH.

In 2020, HWA AG obtained DIN ISO 14001 Environmental Management certification and FIA 3-STAR status as a clear sign of its efforts with regard to environmental management and sustainability issues.

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, 26 March 2021

A handwritten signature in black ink, reading "Martin Marx". The signature is written in a cursive, slightly slanted style.

Martin Marx (COO)

# CONSOLIDATED FINANCIAL STATEMENT 2020

## Balance sheet as at 31 December 2020

ASSETS	31.12.2020			31.12.2019	
	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	2,430,957			3,143	
2. Purchased concessions, industrial and similar rights and assets, and licenses to such rights and assets	948,031			1,333	
		3,378,988			4,476
II. Tangible assets					
1. Land and buildings	10,619,339			11,407	
2. Technical equipment and machinery	1,413,858			1,842	
3. Other equipment, operating and office equipment	1,480,276			1,973	
4. Prepayments and assets under construction	2,498,553			1,969	
		16,012,026			17,191
		<b>19,391,014</b>			<b>21,667</b>
<b>B. Current assets</b>					
I. Inventories					
1. Raw materials, consumables and supplies	33,648,253			28,660	
2. Work in progress	7,904,973			12,058	
3. Prepayments	532,539			561	
4. Advance payments received on inventories	-2,252,175			-488	
		39,833,590			40,791
II. Receivables and other assets					
1. Trade receivables	3,672,361			7,526	
2. Other assets	3,032,758			1,715	
		6,705,119			9,241
III. Cash in hand and at banks		574,528			7,205
		<b>47,113,237</b>			<b>57,237</b>
<b>C. Prepaid expenses and deferred income</b>		<b>249,939</b>			<b>490</b>
<b>D. Deferred tax assets</b>		<b>2,533,334</b>			<b>2,183</b>
		<b>69,287,524</b>			<b>81,577</b>

EQUITY AND LIABILITIES	31.12.2020			31.12.2019	
	EUR	EUR	EUR	EUR thousand	EUR thousand
<b>A. Equity</b>					
I. Subscribed capital		5,991,914			5,627
II. Capital reserves		9,871,731			6,583
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		-400,635			46
V. Retained profits/accumulated losses brought forward		12,204,990			20,494
VI. Net loss for the year		-11,361,410			-8,289
		<b>18,128,090</b>			<b>1,822</b>
<b>B. Provisions</b>					
1. Tax provisions		46,777		1,563	
2. Other provisions		2,449,799		3,712	
		<b>2,496,576</b>			<b>5,275</b>
<b>C. Liabilities</b>					
1. Liabilities to banks		28,514,504		34,699	
2. Loan liabilities to shareholders		3,692,500		3,500	
3. Trade payables		8,233,167		9,013	
4. Other liabilities		4,564,170		1,214	
- of which from taxes EUR 2,864,137.97 (PY: EUR 525 thousand)					
- of which as part of social security EUR 62 (PY: EUR 2 thousand)					
		<b>45,004,341</b>		<b>48,426</b>	
<b>D. Prepaid expenses and deferred income</b>		<b>3,658,517</b>		<b>1,588</b>	
<b>E. Deferred tax liabilities</b>		<b>0</b>		<b>5</b>	
		<b>69,287,524</b>		<b>57,116</b>	

## Consolidated income statement 2020

	EUR	31.12.2020 EUR	31.12.2019 EUR thousand
1. Sales revenue	65,566,899		113,623
2. Decrease/increase in finished goods inventories and work in progress	246,432		-3,794
3. Other own work capitalised	0		2,875
4. Other operating income	847,977		1,078
		<b>66,661,308</b>	<b>113,782</b>
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	26,593,955		44,814
b) Cost of purchased services	9,575,435		19,876
6. Personnel expenses			
a) Wages and salaries	18,046,285		24,107
b) Social security and post-employment costs - thereof for old-age pensions EUR 78,447 (PY: EUR 68 thousand)	3,172,492		3,938
7. Depreciation, amortisation and write-downs			
a) of intangible fixed assets and tangible fixed assets	3,036,793		2,690
b) of current assets, provided these exceed write-downs customary for the company	0		3,969
8. Other operating expenses	16,859,340		23,278
		<b>77,284,300</b>	<b>122,672</b>
9. Profit before interest and tax (EBIT)		-10,622,992	-8,890
10. Other interest and similar income	4		4
11. Interest and similar expenses	988,398		724
		<b>-988,394</b>	<b>-720</b>
12. Income taxes - thereof income from change in recognised deferred taxes EUR 364,062 (previous year: EUR 1,273 thousand)		-288,314	-1,367
13. Earnings after taxes		-11,323,072	-8,243
14. Other taxes		38,338	46
15. Net loss for the year		-11,361,410	-8,289
16. Retained profits brought forward		12,204,990	20,494
<b>17. Net retained profits</b>		<b>843,580</b>	<b>12,205</b>

## Cash flow statement for 2020

	<b>2020</b>	2019
	EUR thousand	EUR thousand
Net profit/loss for the financial year	-11,361	-8,289
+ Depreciation and amortisation of non-current assets and current assets	+3,037	+6,659
- Decrease in other provisions	+1,084	+232
Other non-cash expenses	+15	+118
- Changes related to exchange rates	+16	-5
- Increase in inventories, trade receivables and other assets not related to investing or financing activities	+3,050	-1,130
+ Increase in trade payables and other liabilities not related to investing or financing activities	+1,317	-820
+ Interest expenses	+972	+720
+ Income tax expense	-288	-1,367
- Income tax payment	-366	+138
<b>Cash flow from operating activities</b>	<b>-2,524</b>	<b>-3,744</b>
+ Proceeds from disposals of tangible fixed assets	+8	0
- Purchase of intangible fixed assets	-20	-4,031
- Purchase of tangible fixed assets	-765	-1,321
<b>Cash flow from investing activities</b>	<b>-777</b>	<b>-5,352</b>
Proceeds from additions to equity by shareholders of the parent company	+3,655	+7,095
Dividends paid to the shareholders of the parent company	0	-2,082
Proceeds from bank borrowings	+3,000	+10,027
Repayment of bank borrowings	-4,732	-3,216
Changes in cash from other capital	-7	-65
Interest paid	-771	-705
<b>Cash flow from financing activities</b>	<b>+1,145</b>	<b>+11,054</b>
<b>Net change in cash funds</b>	<b>-2,156</b>	<b>+1,958</b>
Change in cash funds due to exchange rate effects	-28	+1
Cash funds at beginning of period	-2,052	-4,011
Cash funds at end of period	-4,236	-2,052

Cash funds break down as follows:

	<b>Reporting year</b>	Previous year
	EUR thousand	EUR thousand
Cash funds	7,205	2,989
Liabilities to banks	-9,257	-7,000
<b>Total</b>	<b>-2,052</b>	<b>-4,011</b>

## Statement of changes in fixed assets 2020

	Acquisition/production cost				
	1.1.2020 EUR	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 licences in such rights and assets	5,655,599	19,942	0	0	0
	<b>9,213,097</b>	<b>19,942</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Tangible assets</b>					
1. Land and buildings	26,937,930	86,227	0	0	0
2. Technical equipment and machinery	11,262,793	66,446	0	1,411,957	-2,041
3. Other equipment, operating and office equipment	11,577,638	82,577	0	760,176	0
4. Prepayments and assets under construction	1,968,674	529,879	0	0	0
	<b>51,747,035</b>	<b>765,129</b>	<b>0</b>	<b>2,172,133</b>	<b>-2,041</b>
	<b>60,960,132</b>	<b>785,071</b>	<b>0</b>	<b>2,172,133</b>	<b>-2,041</b>

	Cumulative depreciation and amortisation					Carrying amounts		
	31.12.2020 EUR	1.1.2020 EUR	Additions EUR	Disposals EUR	Currency translation EUR	31.12.2020 EUR	31.12.2020 EUR	31.12.2019 EUR thousand
	3,557,498	415,041	711,500	0	0	1,126,541	2,430,957	3,143
	5,675,541	4,322,147	405,363	0	0	4,727,510	948,031	1,333
	<b>9,233,039</b>	<b>4,737,188</b>	<b>1,116,863</b>	<b>0</b>	<b>0</b>	<b>5,854,051</b>	<b>3,378,988</b>	<b>4,476</b>
	27,024,157	15,531,148	873,670	0	0	16,404,818	10,619,339	11,407
	9,915,241	9,420,426	493,657	1,411,957	-743	8,501,383	1,413,858	1,842
	10,900,039	9,604,846	552,603	737,686	0	9,419,763	1,480,276	1,973
	2,498,553	0	0	0	0	0	2,498,553	1,969
	<b>50,337,990</b>	<b>34,556,420</b>	<b>1,919,930</b>	<b>2,149,643</b>	<b>-743</b>	<b>34,325,964</b>	<b>16,012,026</b>	<b>17,191</b>
	<b>59,571,029</b>	<b>39,293,608</b>	<b>3,036,793</b>	<b>2,149,643</b>	<b>-743</b>	<b>40,180,015</b>	<b>19,391,014</b>	<b>21,667</b>

## Statement of changes in equity in 2020

	Subscribed capital	Capital reserves	Legal reserves
	EUR	EUR	EUR
<b>1.1.2019</b>	<b>5,115,000</b>	<b>0</b>	<b>511,500</b>
Equity increases/decreases	511,500	0	0
Appropriation to/withdrawals from reserves	0	6,583,005	0
Distribution	0	0	0
Currency translation	0	0	0
Other changes	0	0	0
Changes in the consolidated group	0	0	0
Consolidated net loss for the year	0	0	0
<b>31.12.2019</b>	<b>5,626,500</b>	<b>6,583,005</b>	<b>511,500</b>
Equity increases/decreases	365,414	3,288,726	0
Appropriation to/withdrawals from reserves	0	0	0
Distribution	0	0	0
Currency translation	0	0	0
Other changes	0	0	0
Changes in the consolidated group	0	0	0
Consolidated net loss for the year	0	0	0
<b>31.12.2020</b>	<b>5,991,914</b>	<b>9,871,731</b>	<b>511,500</b>

### Equity of parent company

Revenue reserve	Other	Total	Difference	Retained	Consolidated net	Equity
	revenue reserves		in equity from	profits/ accumulated	profit/loss	in accordance
			currency	losses brought	for the year	with consolidated
			translation	forward	attributable to the	balance sheet
	EUR	EUR	EUR	EUR	EUR	EUR
	<b>1,310,000</b>	<b>1,821,500</b>	<b>-46,039</b>	<b>19,183,732</b>	<b>3,391,855</b>	<b>29,466,048</b>
	0	0	0	0	0	511,500
	0	0	0	0	0	6,583,005
	0	0	0	-2,081,805	0	-2,081,805
	0	0	0	0	0	0
	0	0	0	3,391,855	-3,391,855	0
	0	0	0	0	0	0
	0	0	92,430	0	-8,288,792	-8,196,362
	<b>1,310,000</b>	<b>1,821,500</b>	<b>46,391</b>	<b>20,493,782</b>	<b>-8,288,792</b>	<b>26,282,386</b>
	0	0	0	0	0	3,654,140
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	-8,288,792	8,288,792	0
	0	0	0	0	0	0
	0	0	-447,026	0	-11,361,410	-11,808,436
	<b>1,310,000</b>	<b>1,821,500</b>	<b>-400,635</b>	<b>12,204,990</b>	<b>-11,361,410</b>	<b>18,128,090</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

## 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 2020 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 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 unless they were not consolidated due to their immateriality. They were included in accordance with Section 290 (2) HGB.

The consolidated financial statements comprise HWA AG and foreign subsidiaries in the United States (HWA US INC.) and Australia (HWA AUS Pty Ltd).

At the end of the 2020 financial year, Hyraze GmbH and Paceteq GmbH were founded by way of a notarised agreement. These companies were not registered and entered in the commercial register until the next financial year and are therefore not included in the consolidated financial statements.

### Principles of consolidation

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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.

### Accounting policies

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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 tangible assets 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.

**Shares in affiliated companies** are recognised at cost or, in the case of expected permanent impairment, at their lower fair value. If the reasons for permanent impairment cease to exist, the impairment is reversed.

**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 indirect material costs and production overheads. Interest expense and general administrative overheads were not capitalised.

The changed framework conditions in motorsports in the financial year 2020 were taken into account and the methodology of applying valuation discounts brought in line with the market. 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.

**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.

**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.

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:

At HWA AG, derivative financial instruments are concluded 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 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 mainly performs 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 motorsports 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. As such, all recognised development expenses were capitalised.

**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.

**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 and the KfW loan received in the amount of EUR 3,000 thousand, as well as an assignment of the US warehouse as collateral for further loans.

Adjusting inventories downwards led to a reduction in devaluations of around EUR 3,945 thousand through profit and loss.

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 1,284 thousand) of the trade receivables have an expected remaining term of more than one year.

The joint venture Vynamic was reported under other assets:

The joint venture Vynamic GmbH, based in Affalterbach, was established on 18 December 2018. It was entered in the Commercial Register on 28 January 2019 under HRB 768008. HWA holds a 49% share in Vynamic GmbH. The company's equity was increased to EUR 4,100,000.00 in 2019 and was fully paid in by both shareholders in the first quarter of 2019.

From HWA AG's perspective, the expectations associated with the joint venture have not been fulfilled. HWA AG's Management Board decided to write off the equity interest in full. In the first quarter of 2020, a claim for damages was filed against the partner for a breach of contractual obligations. A statement of defence has yet to be received in response.

## Deferred taxes

Deferred taxes result from the following items:

EUR thousand	31 December 2020		31 December 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
from fixed assets				
- internally generated intangible assets		657		848
- tangible assets		3	20	3
from inventories	822		909	
from receivables				12
from other assets	14			
from loss carry-forwards	2,161		2,022	
from other provisions	81		100	
from unrealised gains	115			9
<b>Without netting</b>	<b>3,193</b>	<b>660</b>	<b>3,051</b>	<b>873</b>
Of which current	132		283	27
Netting	-660	-660	-868	-868
<b>Carrying amount</b>	<b>2,533</b>	<b>0</b>	<b>2,183</b>	<b>5</b>

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

## Equity and authorised capital

On the basis of the resolution at the Annual General Meeting on 25 July 2018, 365,414 new, no par value bearer shares were issued, hence the share capital increased by EUR 365,414 and is now divided into 5,991,914 no par value bearer shares with a pro rata amount of the share capital of EUR 1.00. Based on the subscription price of EUR 10.00 per share, EUR 3,289 thousand was allocated to capital reserves.

In addition, the Annual General Meeting on 25 July 2018 resolved to authorise the Management Board, with the approval of the Supervisory Board, to issue – in one or more instalments – convertible or option bonds (bonds) as either registered or convertible bonds, dated or undated, up to a total of EUR 50,000,000 until 24 July 2023 and to grant the bearers or creditors of such bonds conversion or option rights to no-par value shares of the company with a pro rata amount of share capital of up to EUR 2,557,500.00 in accordance with the more detailed conditions of the respective option or convertible bonds (bond conditions).

HWA AG's Annual General Meeting on 28 July 2020 resolved the cancellation of the existing Authorised Capital and the creation of new Authorised Capital with the option of excluding the subscription right. Since then the Management Board has been authorised, with the approval of the Supervisory Board, to issue new bearer shares – in one or more instalments – up to a total of EUR 2,996,957.00, which is 50% of the current share capital of EUR 5,991,914.00, against cash or contributions in kind over the period up until 27 July 2025.

### **Provisions**

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

The claim filed in Miami against the party Poch in Florida is currently at the stage of the exchange of the different statements by the legal representatives. The verdict reached in Germany in favour of HWA AG will significantly influence potential involvement in the legal dispute in the US. The most recent affidavits – provided by HWA AG – are currently being assessed by the court. Success for the opposing party in the court proceedings is considered unlikely. For this reason, no provision has been recognised in the annual financial statements.

### **Liabilities**

Of the liabilities to banks, EUR 12,307 thousand (previous year: EUR 17,112 thousand) have remaining maturities of up to one year and EUR 16,208 thousand (previous year: EUR 17,587 thousand) have remaining maturities of more than one year. Of the latter category, EUR 2,267 thousand (previous year: EUR 3,894 thousand) have remaining maturities of more than five years. An amount of EUR 10,156 thousand has been secured by charges on real property. There is a collateral agreement in place for a loan of EUR 20 thousand (previous year: EUR 28 thousand)

There are liabilities to shareholders in the form of a loan with a remaining term of up to one year in the amount of EUR 48 thousand and with a remaining term of more than one year in the amount of EUR 3,644 thousand.

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 and the KfW loan received in the amount of EUR 3.0 million. The US warehouse was also assigned as collateral to secure further 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.

The other liabilities item includes a liability of EUR 1,000 thousand for which fixed assets were temporarily assigned as collateral.

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

There are payment obligations under rental and leasing agreements in the amount of EUR 6,755 thousand in 2021. The agreements come to an end between 2021 and 2028. The lessor or landlord bears all risks. The purchase commitment amounts to EUR 16,851 thousand. In addition, the company has contribution obligations from the establishment of two companies in the amount of EUR 75 thousand.

### **Derivative financial instruments**

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

### Distribution restriction

EUR 2,431 thousand is subject to a distribution restriction in accordance with Section 248 (2) HGB due to the capitalisation of internally generated intangible assets, and another EUR 1,705 thousand due to the capitalisation of deferred taxes.

### Consolidated income statement disclosures

#### Sales revenue

Sales revenue breaks down as follows:

	2020	2019
	EUR thousand	EUR thousand
<b>Sales revenues by region</b>		
Germany	27,171	56,714
Outside Germany	37,822	56,718
	<b>64,993</b>	<b>113,432</b>

#### Other operating income

Other operating income primarily relates to non-cash benefits of private car use (EUR 246 thousand), the reversal of provisions (EUR 356 thousand), prior-period income (EUR 123 thousand) and currency effects (EUR 64 thousand).

#### Other operating expenses

Other operating expenses mainly consist of operating expenses (EUR 6,608 thousand), sales and administrative expenses (EUR 5,394 thousand), other personnel expenses (EUR 860 thousand) and miscellaneous other expenses (EUR 3,997 thousand). Miscellaneous other expenses mainly comprise valuation allowances on receivables (EUR 682 thousand) and exchange losses including currency valuations (EUR 836 thousand).

#### Interest expenses

Interest expenses include expenses of EUR 9 thousand (previous year: EUR 13 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 mainly relate to the results of ordinary business activity.

The consolidated net loss of EUR 11,361 thousand was reduced by income taxes. Taxes on income include income from deferred taxes amounting to EUR 364 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	Percent
<b>Earnings before tax</b>	<b>-11,650</b>	
Relevant tax rate		27.0 %
Expected tax expense	-3,145	
<b>Deviation from tax base</b>		
Non-deductible expenses	12	-0.1 %
Tax allowances and benefits	22	-0.1 %
Different tax carrying amounts	-316	2.7 %
<b>Changes in tax rates</b>		
Trade tax	56	-0.5 %
Foreign tax rates	-1	0.0 %
<b>Recognition and measurement of deferred tax assets</b>		
Not recognised	3,126	-26.8 %
<b>Non-periodic effects</b>		
Taxes from previous years	1	0.0 %
Other non-periodic effects	-40	0.3 %
<b>Other</b>	<b>-3</b>	<b>0.0 %</b>
<b>Current tax expense</b>	<b>-288</b>	
<b>Effective tax rate</b>		<b>2.5 %</b>

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

## Other disclosures

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### 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 (from 28 July 2020)

The remuneration of the Supervisory Board for the purposes of Section 113 of the German Stock Corporation Act (AktG) amounted to EUR 152 thousand.

### Management Board

- Ulrich Fritz, CEO, Chairman of the Management Board (until 31 December 2020)
- Martin Marx, COO, Management Board member (sole Management Board member from 1 January 2021)

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

Including the Management Board, there were 308 employees on average in the 2020 financial year, one of whom was a trainee.

Two people were employed outside Germany.

Affalterbach, 26 March 2021

The Management Board



Martin Marx (sole Management Board member)

# 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 2020, the income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2020 to 31 December 2020, 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 2020 to 31 December 2020.

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 2020, and of its results of operations for the financial year from 1 January 2020 to 31 December 2020, 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 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 statements 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.

Karlsruhe, 27 March 2021

TREUHAND SÜDWEST GMBH  
Wirtschaftsprüfungsgesellschaft  
und Steuerberatungsgesellschaft

Schülj  
German public auditor

Retzbach  
German public auditor



HWA AG

Investor Relations · Press Relations

Benzstraße 8 · 71563 Affalterbach · Germany

Telephone: +49 (0) 71 44 / 87 17-279

Fax: +49 (0) 71 44 / 87 18-111

E-mail: [ir@hwaag.com](mailto:ir@hwaag.com) · [www.hwaag.com](http://www.hwaag.com)