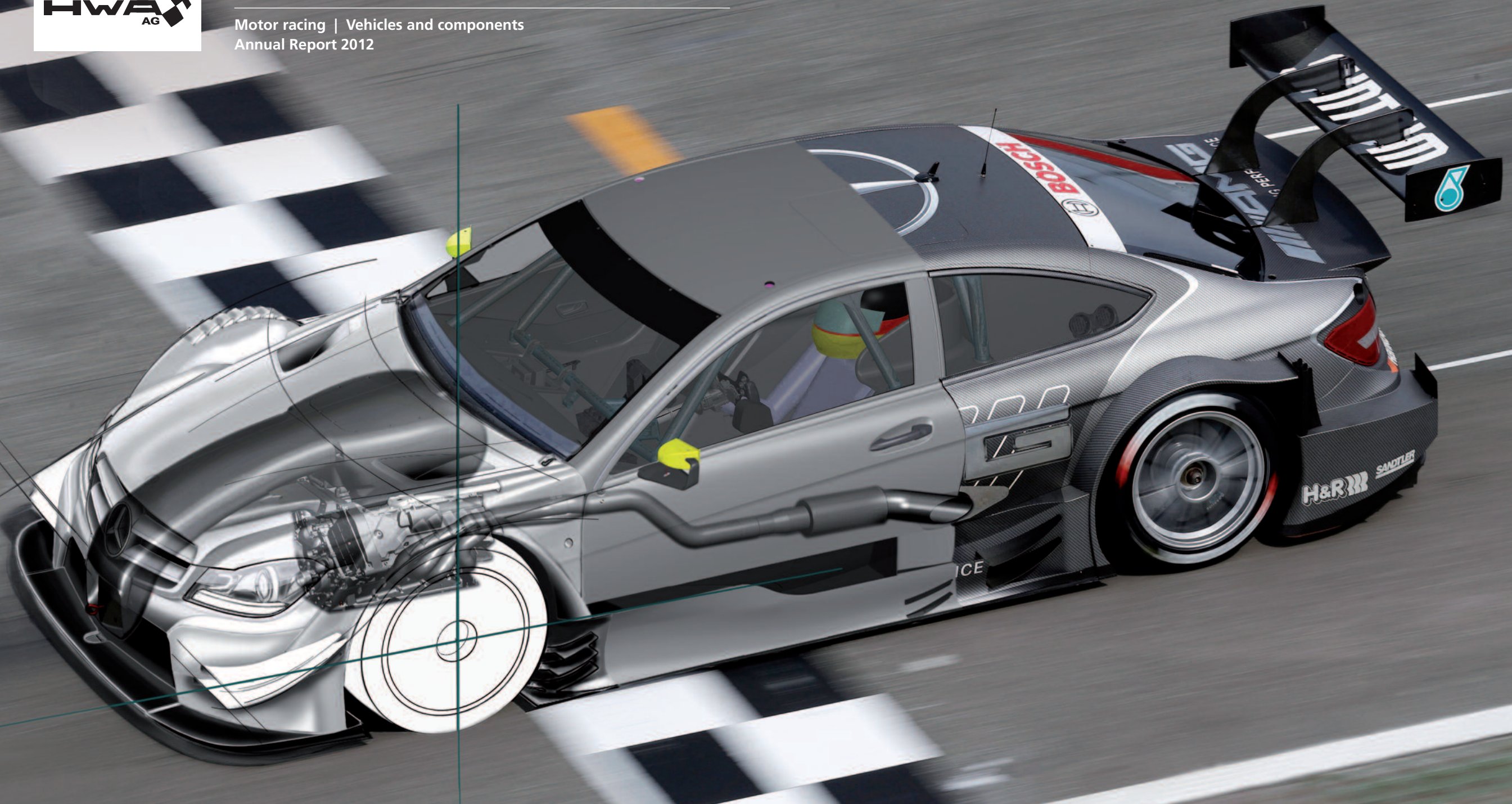




# REPORT *12*

Motor racing | Vehicles and components  
Annual Report 2012





## KEY FIGURES

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

## AT A GLANCE 2012 | 2011



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## DTM DRIVERS 2012 (\* HWA DRIVERS)



Ralf Schumacher \*



Susie Wolff



Garry Paffett \*



David Coulthard



Jamie Green \*



Christian Vietoris \*



Roberto Merhi



Robert Wickens

## LETTER TO THE SHAREHOLDERS



Gerhard Ungar  
CEO



Eric Nève  
COO

Dear shareholders,

For HWA AG, financial 2012 was another eventful and successful year. Our goal was to maintain the revenue levels of 2011 and, ideally, to improve on them. The actual results we achieved were respectable. Certainly, we originally had higher hopes for the year – both financially and in sporting terms – but given the economic climate, we are satisfied with the revenues and earnings that we are reporting. The most important thing is that your Company will be able to maintain the dividend at the same level as last year.

Our respectable results and sound balance sheet again allow us to propose to you – our shareholders – an attractive dividend distribution: we have recommended to the Supervisory Board the payment of a dividend of EUR 0.65 per share. Based on the closing price of our share at the end of 2012, this corresponds to a dividend yield of 3.6%. The long-term goal of distributing a minimum of 50% of annual earnings as dividends remains unchanged. For 2012 the payout ratio is above this level.

HWA AG's net profit for 2012 came to EUR 3.7m. Earnings per share were EUR 0.73, compared with EUR 0.79 in 2011. The profit before interest and tax (EBIT) was EUR 5.6m, and the EBIT margin came out at 8.8%. The revenues of EUR 63.5m for financial 2012 were more or less constant at last year's level.

In 2011 HWA AG's vehicles and vehicle components business benefited from the award of a substantial contract for engine development for a production car for a manufacturer of premium sports vehicles; the end of this project was not entirely made up for by new projects. In line with budget, deliveries of the AMG GT3 in collaboration with Mercedes-AMG GmbH are tailing off. We are pleased to report that in 2012 we have been working on two exciting new projects. One is a contract in the customer sports segment. The other, a feasibility study for an electric car, has been completed successfully. We are currently in negotiations for a contract to implement this project. The business of leasing and selling Formula 3 engines was weak until recently, but in 2012 it showed signs of improvement. In the vehicles and vehicle components business our objective continues to be to win more contracts in other racing series, so as to further diversify our activities and our customer portfolio.

Revenues in the motor racing business have levelled off. In 2012 HWA AG invested heavily in research and development for the DTM series, in order to ensure sustained success for the AMG-Mercedes Team in the face of the now intensified competition.

HWA AG's financial statements continue to present a very healthy picture. The equity ratio is approximately 61%, which is higher than last year. At 31 December 2012 HWA AG's cash and cash equivalents stood at EUR 3.0m compared with EUR 9.6m a year earlier. The explanation for this reduction is as follows. The principal reason was that the operating cash flow, which in 2011 was a cash inflow of EUR 6.9m, was marginally negative in 2012. This was the result of increases in inventories and receivables together with decreases in provisions and trade payables and other liabilities-side items. It should be noted that this was the position on one particular day – the balance sheet date. Also, we have again been investing in our future: the cash outflow from investing activities amounted to some EUR 2.5m. Financing activities also resulted in a net outflow, reflecting the dividend distribution and loan repayments. The free cash flow was negative, at EUR 2.6m. This important financial indicator will improve again in the course of this year.

We are cautiously optimistic about the current financial year despite the continuing general economic uncertainties. In 2013 we are expecting revenues to be somewhat lower than in 2012. Our motor racing business will be constrained, because manufacturers for the DTM series are all concentrating on further cost reductions. Our role in this context is that of services provider to Mercedes-Benz Motorsport. No new cars are being built for the DTM in 2013, and on top of that, we have reduced the number of cars we support from eight to six. Together with ITR, the organiser of the DTM series, our goal is to make the DTM more international. We hope soon to be able to report what the next steps in this process will be. In the vehicles and vehicles components business, revenues are expected to be marginally lower. Sales of the Mercedes-Benz SLS AMG GT3 will level off. In contrast, leasing and sales of Formula 3 engines could even improve slightly. It is not at present possible to say what the revenues from development projects will finally turn out to be. Overall we expect positive results again for 2013. Our foremost concern will again be for the earnings to be reflected in positive cash flows – as we all know, revenues and EBIT margins do not guarantee that dividends can be paid.

Our message to our shareholders is that in spite of the challenging environment HWAG AG is on the right road to success. The year 2013 will mark a transition: we are well positioned to return to growth and increased profits.

We should like to take this opportunity to thank our customers, suppliers, business partners and associates for their loyal and constructive collaboration. Special thanks are due to our colleagues, without whose energetic and highly skilled efforts our excellent results would not have been possible.

To you, our shareholders, we give our sincere assurance that we shall do everything in our power to add substantial and sustainable value to your Company. We hope you will be with us for many years.

Affalterbach, April 2013



Gerhard Ungar  
CEO



Eric Nève  
COO

## REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht  
Chairman of the Supervisory Board

**Dear shareholders,**

The financial year 2012 was marked by continuing uncertainties surrounding the European sovereign debt crisis and the cooling of the global economy. Despite the generally more difficult economic environment, HWA AG maintained its position with a successful business performance, although we originally had higher hopes for the year – both in sporting terms and financially. HWA AG is well positioned to continue this satisfactory performance.

In 2012 the Supervisory Board discharged its duties under the law and the Company's articles of incorporation with all due care. It 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. The Supervisory Board was 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 Boards was marked by detailed and open dialogue. The Management Board provided 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, 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**

In the financial year 2012 there were five Supervisory Board Meetings – on 14 March, 8 June, 22 August, 26 September and 12 December – and the financial statements meeting. In these meetings the Supervisory Board informed itself about the current state of the Company's affairs and discussed all matters with the Management Board. In the financial

statements meeting on 10 April 2012 the Supervisory Board approved the annual financial statements of HWA AG for financial 2011 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 two 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:

- Revenues and earnings in 2012
- Investment plans
- The Company's future development and strategy
- Diversification of the customer portfolio
- The development of the DTM, Formula 3 and GT series
- The size and structure of the Management Board
- Securing additional development projects

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

In 2012 there was an addition to the Management Board. The Supervisory Board appointed Eric Nève as an additional member of the Company's Management Board with effect from 1 October 2012, with responsibility for Marketing and New Business. Gerhard Ungar, until then sole member of the Management Board, was appointed Chairman. Eric Nève was Motor Sport Director of Chevrolet Europe from December 2004, and was responsible for Chevrolet's successful World Touring Car Championship program. Eric Nève's technical expertise and experience in motor sport worldwide are of enormous value to HWA AG. The Supervisory Board is convinced that he will be an invaluable support in developing and diversifying HWA AG's existing and future activities.

Under the Company's articles of incorporation the Supervisory Board consists of six members. In 2012, the Supervisory Board was made up of the following persons:

- Hans Werner Aufrecht, Chairman
- Christian Wolff, Deputy Chairman
- Willibald Dörflinger
- Rolf Krissler
- Ayman Al-Abbasi
- Michael Schmieder

Ayman Al-Abbasi gave written notice of his resignation from the Supervisory Board on 13 September 2012. The Supervisory Board thanks him on behalf of the Management Board for his commitment and hard work for HWA AG. Wolfgang Köhne will be a candidate for the vacant seat on the Supervisory Board in the Company's Annual General Meeting on 5 June 2013. He is Managing Director of NBK Services, in Doha, Qatar. His candidacy was proposed by the Supervisory Board. The parent company of NBK Services, NBK Holding, has an approximately 28% interest in HWA AG.

### Annual statutory audit

By resolution of the Annual General Meeting of 08 June 2012, 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 2012, and issued an unqualified audit opinion.

### Annual financial statements

The annual financial statements for 2012 together with the management report were laid before the members of the Supervisory Board as scheduled. 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. He was available to answer supplementary questions of the Supervisory Board. The Supervisory Board reviewed the statutory auditor's findings in detail, and approved the auditor's opinion. The auditor audited the annual financial statements and management report, together with the proposed application of distributable profits, as required under the statutory regulations and on 18 April 2013 approved them in accordance with section 172(1) German Companies Act (AktG). The annual financial statements are thereby formally adopted. The Supervisory Board approves the proposed distribution of profits.

### Supervisory Board's thanks

The Supervisory Board thanks the Management Board and in particular all the staff of HWA AG for their commitment and hard work in a challenging environment.

For the Supervisory Board



Hans Werner Aufrecht  
Chairman of the Supervisory Board

Affalterbach, April 2013



## HWA AG – THE STOCK

For stock markets, the prevailing economic uncertainties meant that 2012 was a very volatile year. After strong gains in the early months, between the end of March and the start of June the DAX fell – at times even below the 6,000 mark. In the second half of the year a worldwide improvement in monetary indicators, low interest rates, the central banks' easy money policies and the easing of the European sovereign debt crisis combined to produce a significant recovery. By the end of 2012, Germany's leading share index, the DAX, had put on roughly 29% over the year and stood at 7,612 points. The SDAX also improved – by some 19% – while the MDAX produced the best performance of all the DAX sector indices, with a gain of around 34%. The TecDAX rose by nearly 21% during the year. The Entry All Share Index, in which HWA AG's shares are included, put on about 10% in 2012.

The favourable stock exchange climate and HWA AG's good performance benefited the stock price: during 2012 it improved by 12.6%. HWA AG's shares started the year at EUR 15.98.

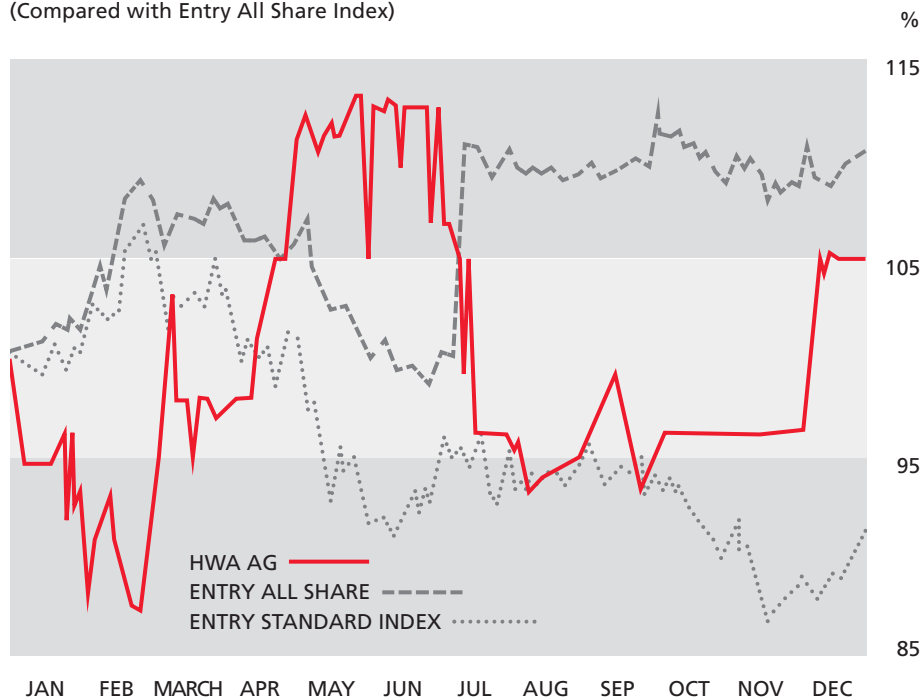
The highest price during the year was EUR 19.39 on 11 June 2012, and the lowest was EUR 14.45, on 27 February 2012. The closing price at the end of the year was EUR 17.99.

The average trading volume (XETRA and Frankfurt Stock Exchange) on the 254 trading days was 359 shares a day (2011: 353 shares a day). The positive performance of the share price in 2012 meant that HWA AG's market capitalisation increased: at the end of the year the market value of the 5,115,000 shares in issue totalled EUR 92m (2011: EUR 86m).

### 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 AG

**Share price performance 2012 – Xetra**  
(Compared with Entry All Share Index)



### Investor relations / press

HWA AG attaches great importance to good communications with institutional and private investors. 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 business performance and other significant events. We make ourselves available to interested shareholders for one-on-one discussions or telephone conferences on a regular basis. Since 2008 Close Brothers Seydler Research has been responsible for HWA's coverage.

One of the most important events in last year's corporate calendar was the fifth Annual General Meeting of HWA AG, which was held on 8 June 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](http://www.hwaag.com) provides current and potential shareholders with detailed information on the HWA AG share, and is an important information platform in our communications with shareholders and the capital market. The resources include press releases, half-yearly reviews and annual reports.

## Annual General Meeting 2012

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The fifth Annual General Meeting since the initial stock market listing in 2007 took place on 8 June 2012. Around 70 shareholders met in the equestrian facility in Rotland in Affalterbach. Share capital with a nominal value of EUR 4,673,514 was represented at the Meeting, which is 91.369% of the Company's total share capital of EUR 5,115,000. We are very pleased with the interest shown by shareholders, especially the smaller ones.

The resolutions proposed by the Management were all approved 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 financial 2012 (item 5).

## Financial calendar 2013

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19 April 2013	Publication of results for the financial year 2012
05 June 2013	Annual General Meeting of HWA AG in Affalterbach
20 September 2013	Publication of half-yearly report 2013

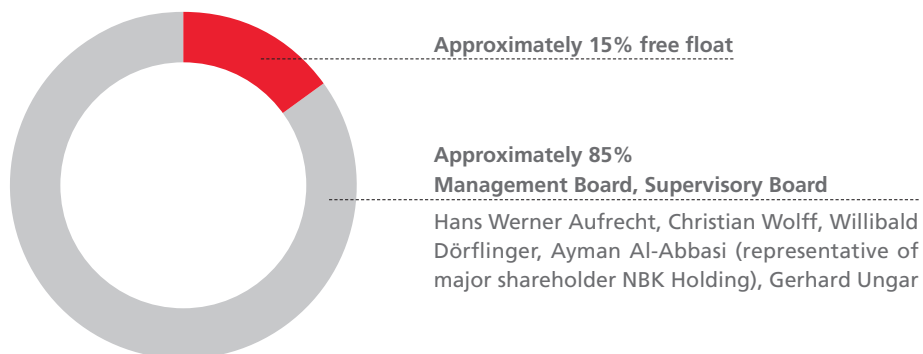
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## Shareholdings

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*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.*

Over the course of the year HWA AG's shareholder structure remained almost unchanged. Hans Werner Aufrecht and Qatar-based NBK Holding continue to be the largest shareholders. The Company's founder Hans Werner Aufrecht, MarchSixteen Finance Services, represented by Christian Wolff, Willibald Dörflinger through the Dörflinger Privatstiftung and Nasser Bin Khaled (NBK) Holding (all represented on the Supervisory Board) together with the Management Board hold about 85% of HWA AG's share capital. NBK Holding from Qatar holds about 28% of the shares.



## Dividend

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We want our shareholders to share in the benefits of HWA AG's satisfactory performance. At the Annual General Meeting on 5 June 2013 Management Board and Supervisory Board will propose the distribution of a dividend of EUR 0.65 per share for the past financial year from HWA AG's distributable profits for 2012, which amounted to EUR 19.4m. 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 17.99 at year's end, the distribution corresponds to a dividend yield of 3.6%.

## 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, luxury 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

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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 2012 there were ten competition races in five countries. The additional show event in Munich, which took place in the summer of 2012, was a special highlight of last season. Mercedes drivers Ralf Schumacher and Jamie Green won the DTM's first team relay event in Munich's Olympic Stadium.

AMG-Mercedes started the 2012 DTM season in fine style: in the season's first race, in Hockenheim, our drivers Gary Paffett and Jamie Green finished the race in first and second places. Right up to the season's last race, also in Hockenheim, the championship title was still hotly contested and too close to call. With one race left, Gary Paffett headed the table, but in the end he finished the season as runner-up, missing out on the title by only 2.2 seconds.

The DTM is HWA AG's core market, and in collaboration with Mercedes-Benz it has been extremely successful in the series. Overall, Mercedes-Benz has been the victor in 168 DTM races since 1988 – almost half of the 353 races. The HWA Team has won the driver's championship for Mercedes-Benz ten times.

### **Outlook – motor racing**

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In the motor racing business all manufacturers competing in the DTM series are committed to further reducing costs. This year, no new vehicles will be constructed for the series, and on top of that we have reduced the number of cars we support from eight to six. With an average age of 23 years, we have the youngest team of drivers of the three manufacturers competing in the 2013 series. Gary Paffett is racing his tenth season in DTM. The other members of the team are the Mercedes-Benz juniors Christian Vietoris, Robert Wickens and Roberto Merhi. Two other junior drivers, Daniel Juncadella and Pascal Wehrlein, are racing their first season in the DTM.

This season's DTM – the most popular international touring car series – features ten competition races in five countries. One of the season's highlights will undoubtedly be the race in Moscow, the first time a DTM race is being staged there. Everybody involved is agreed that the DTM must be made more international, and starting in 2014 the series will be moving in a new direction: DTM will be opened to Japanese manufacturers, and in return the three premium manufacturers – Audi, BMW and Mercedes-Benz – will compete in the Japanese Super GT series. The Japanese Super GT will be adopting the new DTM rules and regulations, initially for a period of four years and starting with the 2014 season. There is more internationalisation to come: from 2015, race cars based on the most popular international touring car series – the DTM – will also be racing in the USA. ITR, the DTM organising body, has signed a licensing and cooperation agreement with Grand-Am and the International Motor Sports Association (IMSA), the US auto racing umbrella organisations. The joint aim is to establish an American version of DTM. The US market is extremely important to Mercedes-Benz, Audi and BMW, and a racing series based on DTM will encourage closer contact with customers. For this year the Management Board expects revenues in the motor racing business to decline.

### Race calendar 2013

05	May	2013	(D)	Hockenheimring Baden-Württemberg
19	May	2013	(GB)	Brands Hatch
02	June	2013	(A)	Spielberg
16	June	2013	(D)	Lausitzring
14	July	2013	(D)	Norising
04	August	2013	(RU)	Moscow Raceway
18	August	2013	(D)	Nürburgring
15	September	2013	(D)	Motorsport Arena Oschersleben
29	September	2013	(NL)	Circuit Park Zandvoort
20	October	2013	(D)	Hockenheimring Baden-Württemberg

### Vehicles and vehicle components

In its vehicles and vehicle components business HWA AG carries out contract development work for customers in the automobile industry, applying its specialist racing skills and expertise. 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 2011 we rolled out the GT3 version of the Mercedes-Benz SLS AMG, in close cooperation with our partner Mercedes-AMG.

The gull-wing 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. The quality of the basic model combined with our competence guarantees that customers are getting a competitive race car.

In all, more than 40 SLS AMG GT3 were delivered to customers in 2011, with the number falling off in 2012, as expected. In 2011 this vehicle was the most successful newcomer in motor sports. In the first year of racing our customer teams won 26 races on three continents, including the FIA GT3 European championship. The SLS AMG GT3 has also already won its first 24-hour race, finishing in first, second and third place in Dubai.

The results in the 2012 season for the AMG customer teams racing SLS AMG GT3s were also impressive. Maximilian Buhl and Dominik Baumann from the HEICO-Gravity Charouz customer team won both the driver and the team titles in the FIA GT3 European Championship and

the kfzteile24 MS RACING team won the driver and team titles in the ADAC GT Masters. In the FIA GT1 World Championship, the ALL-INKL.COM Münnich Motorsport team also won both driver and team championships.

In the 2013 racing season the race car with the famous gull-wing doors will be competing in more than 22 racing series on 5 continents. At the 24-hour races on the Nürburgring and in Spa-Francorchamps the SLS AMG GT3 cars are aiming for overall victory. Three SLS AMG GT3s are expected to compete in the German ADAC GT Masters. Three teams will be competing in the Japanese Super GT Series. For the first time the SLS AMG GT3 will also be racing in the USA: two cars have recently entered the American Pirelli World Challenge. The customer teams Abu Dhabi by Black Falcon and Erebus Motorsport GT both had a successful start to their 2013 racing seasons. In both the 24-hour race in Dubai and the 12-hour race at Bathurst in Australia a SLS AMG GT3 was first to cross the finishing line.

In the vehicles and vehicles components business HWA AG has also earned itself an outstanding reputation for the development and production of racing engines. Since the Formula 3 Euro Series was started in 2003, drivers using Mercedes-Benz engines have won more than 80% of all races (170 victories in 209 races, of which 128 were double victories) and eight out of ten drivers' titles. In the 2013 season eight teams with 19 drivers will be racing the Mercedes-Benz Formula 3 engines in the FIA European Formula 3 Championship and the British Formula 3 Championship.

In financial 2012 HWA AG was also working on two other projects: one was a customer sports project, and the other was a feasibility study for an electric car, which was successfully completed. A contract for the implementation of this project is currently being negotiated.

### **Outlook – vehicles and vehicle components**

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For 2013 HWA AG is expecting a marginal decline in sales in the vehicles and vehicles components business. Sales of the SLS AMG GT3 will level off, while the leasing and sale of Formula 3 engines may even improve slightly. At present, revenues from development projects cannot be accurately assessed, but the overall aim is to win more contracts, and HWA AG is currently involved in detailed negotiations



ISO 100 1

ISO 100 2



ISO 100 3

ISO 100 4



ISO 100 5

ISO 100 6



# MANAGEMENT REPORT

## 1. Legal and business background of the Company

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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 one customer team, which participates in the DTM using racing vehicles built by HWA AG.

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

## 2. Economic environment

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Over the course of 2012 the global economic slowed significantly, and global economic growth for the year was only 2.3%. While the eurozone suffered a significant decline, economic growth was subdued in the USA and lower than expected in the newly industrialised countries. An only slightly higher global growth rate of 2.4% is expected for 2013.

The German economy, with its strong export orientation, also felt the effects of national budget deficits and the weakness of demand in Europe as a consequence of the eurozone

crisis. After a strong start to 2012 German economic growth slowed from quarter to quarter and at 0.7% for the entire year was significantly lower than in the previous year. Foreign trade in particular showed slower growth of only 4% (2011: 8.2%). Despite these problems and the overall unfavourable economic climate, the German economy managed to hold its own in Europe.

In 2012 the global automotive industry grew by 4% to 68 million units, compared with 3.5% in 2011. This development was mainly attributable to new car registrations in the BRIC countries and the recovering US market. Around 3.08 million new cars were registered in the German market last year, a decline of 2.8% compared with the 3.17 million new car registrations in 2011. The domestic manufacturers' market share was 70.8%. This decrease highlights consumers' nervousness in the face of the sovereign debt crisis, despite Germany's healthy income and employment situation. The German market nonetheless proved to be more robust than the Western European market.

In 2012 most car segments showed significant decreases. The luxury car market showed a decrease of 13.9% while the compact segment dropped by 8.8%. On the other hand, city cars (up 20.3%), mini MPVs (up 9.1%) and large 4x4s (up 17.4%) all made significant gains. As in the previous year, the largest number of new car registrations were in the compact/small family car segment (23.8%). Although the German market will not be unaffected by the difficult economic environment, the overseas market in particular will provide significant support.

### 3. Business performance and earnings

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Revenues for 2012 amounted to EUR 63.5m, which was only slightly less than the EUR 63.8m achieved the year before. Of this, EUR 44.4m (2011: EUR 52.6m) came from Germany and EUR 19.1m (2011: EUR 11.1m) from abroad.

In the motor racing business revenues were up on the previous year, which partially compensated for the fall in revenues from 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.

Despite the complete rebuild of 8 DTM race cars, raw material costs were lower than in the previous year. Because of the lower volume of production for the SLS AMG GT3, raw material costs fell back 12.7% from EUR 29.2m to EUR 25.5m. In consequence, expenses for raw materials and supplies decreased by 16.5% from EUR 21.2m to EUR 17.7m. Material costs as a proportion of total output decreased from 44.2% to 39.8%.

As in previous years there was an increase in staff costs. The numerous development projects – both present and future – necessitated increased use of personnel, so that costs increased by 9.7% from EUR 16.5m to EUR 18.1m. There is also a specific policy of hiring more staff with the aim of increasing competitiveness in the long-term.

In 2012 HWA AG continued on its successful path: there was a significant profit before interest and tax (EBIT) of EUR 5.6m, compared with EUR 5.9m 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)	2012	2011
<b>Revenues</b>	<b>63.5</b>	<b>63.8</b>
Changes in inventories	-0.2	1.0
Other operating income	0.7	1.3
<b>Total output</b>	<b>64.0</b>	<b>66.0</b>
Raw materials	25.5	29.2
Staff costs	18.1	16.5
Depreciation and amortisation	2.1	2.1
Other operating expenses	12.7	12.2
<b>EBIT</b>	<b>5.6</b>	<b>5.9</b>

Compared with the previous year, net financing costs in 2012 were slightly higher and amounted to EUR 0.4m. With interest rates at an all-time low, interest income on call deposits has dropped significantly, while interest expense on long-term liabilities has fallen in line with scheduled repayments of borrowings.

After deducting total expenses from total revenues, the profit for the year came to EUR 3.7m, compared with EUR 4.1m in 2011.

#### 4. Assets and finances

Non-current assets increased by an inconsiderable 1.7%, from EUR 24.1m in 2011 to EUR 24.5m in 2012, as a result of the ongoing targeted investment program. In contrast, current assets decreased by 15.2%, from EUR 21.7m in 2011 to EUR 18.4m in 2012. For the most part this decrease was attributable to reduced liquidity at the end of the year.

In the past financial year provisions were significantly reduced – by 41.3%, from EUR 4.6m to EUR 2.7m, mainly as a result of lower provisions for outstanding invoices and taxes. Liabilities were also down – by 9.0%, from EUR 15.5m to EUR 14.1m – reflecting the scheduled repayment of liabilities to banks and the release of down payments received in 2011.

Total assets also decreased, from EUR 46.0m at the end of last year to EUR 43.2m at 31 December 2012. The proportion of non-current assets increased from 52.3% to 56.7%, while

current assets' share of total assets decreased from 47.1% to 42.7%. Because of the decrease in total assets, the equity ratio has increased from 56.3% in 2011 to 61.0% in 2012.

At 31 December 2012 HWA AG's cash and cash equivalents stood at EUR 3.0m compared with EUR 9.6m a year earlier. This considerable drop of 68.8% was the result of cash outflows from operating activities, investment activities and financing activities. The increase in inventories and receivables and the decrease of provisions, trade payables and other liabilities resulted in the cash flow from operating activities being only marginally negative. Because of HWA AG's ongoing investment program, the cash flows from investment activities were predominantly negative, while the dividend distribution and loan repayment resulted in considerable cash outflows.

## 5. Employees

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In 2012 there were 233 people employed on average (2011: 216), including the members of the Management Board:

- 106 salaried staff
- 125 non-salaried staff
- 2 trainees

## 6. Opportunities and risks

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HWA AG has an integrated information system installed that enables it to detect, analyse and evaluate potential risks at an early stage. This allows the Management to initiate effective strategies and measures in a timely fashion.

After weathering the global economic crisis in 2008 and 2009, the global economy developed very positively in 2010, 2011 and 2012. Most companies have returned to pre-crisis levels of sales and earnings.

Despite the encouraging growth rates in the last three years, numerous risks remain. The introduction of the euro rescue package notwithstanding, the fiscal instability of various European countries could still lead to the failure of the European Monetary Union. Political conflicts in various countries represent a further risk. Numerous possible crises could also still slow global recovery.

The automobile racing business is still HWA AG's core business and is very much dependent on decisions made at Daimler AG. The many years of close cooperation with Mercedes-Benz in motor racing reduces that risk but cannot eliminate it entirely. Regular contact ensures that HWA AG's Management is included in the decision-making process at an early stage, allowing it to react appropriately.

The return of BMW AG to the German Touring Car Masters Championship (DTM) is an improvement for manufacturers, media and viewers alike. It is also an important step towards securing the series' future. Agreements between the DTM rights owner and promoter ITR and America's GRAND-AM and IMSA on the one hand and the Japanese Super GT series on the other represent a further step towards internationalisation of the DTM. Because the DTM racing series is partially financed by the media and sponsors, the cancellation of the series – which is currently unlikely – represents a risk. The return of BMW AG to the series does however significantly increase its appeal. Another potential risk is that one of the manufacturers might leave the series. This would leave only two manufacturers competing, which in turn would adversely affect the sponsors' and the media's interest in the series. The numerous successes of Team AMG-Mercedes in the DTM over the past years have become an important element of marketing for the Mercedes-Benz brand.

In the vehicles and vehicle components business, it is mainly sales risks that have to be considered. Given the smallness of the worldwide market for GT cars, market and sales risks related to the SLS AMG GT3 are always a possibility. Additionally, the high number of competing manufacturers means that at present competition is particularly fierce. This could increase the likelihood of existing customers changing brands. Future changes to rules and regulations limiting the use of GT cars in racing also represents a potential risk. SLS AMG GT3's high quality and reliability mean that risks from warranty or goodwill have significantly decreased.

The lease and sale of Formula 3 motors has continued to recover. The restructuring of the Formula 3 racing series – encouraged by FIA – opens up numerous new opportunities. Additionally, the new regulations for 2014, which include new engine specifications, should further reduce costs for Formula 3 customers. Formula 3 racing teams are still heavily dependent on sponsors.

In addition to market and sales risks, there are financial risks to be considered. Trade receivables disclosed in the balance sheet at year's end only represent a small risk. Existing risks have been adequately provided for. 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 derivative financial instruments used by the Company to hedge interest rate risk are two interest rate swaps. The transaction took place in 2009, and locked in the historically low interest rate long-term. Since the swaps and the Euribor loans are valued as a single unit, there is no associated accounting risk.

## **7. Research and development**

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In all its businesses, HWA AG possesses the extensive resources required for the development of race cars, customer sports cars, motors and vehicle components. The use of state-of-the-art software for simulation and design ensures that HWA AG's 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 includes the construction and programming of engine electronics as well as their simulation and evaluation.

To be able to offer its customers top quality service, HWA AG has built up an outstanding infrastructure, which allows it to thoroughly test and service the vehicles at the track, in the factory or wherever needed.

To ensure that its products continue to meet these high standards, HWA AG will continue to put special emphasis on research and development in the future. This will be accompanied by careful planning and targeted investments.

## **8. Business and expected development of the Company**

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Despite numerous challenging situations financial 2012 ended with solid results. 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 be lower this year. Following the implementation of the new rules and regulations for the DTM and the return of BMW AG to the series in 2012, the manufacturers are all concentrating on further reducing development, construction and racing costs, so there will be no new DTM race cars for the 2013 season. The present DTM regulations do however allow for various further developments, although within a limited scope. The fierceness of the competition between the premium manufacturers Mercedes-Benz, Audi and BMW means that intensive development work remains necessary. In addition, the number of participating race cars has dropped from 8 to 6. In 2013 HWA AG will only be supporting one customer team, which means that revenues will be lower. Collaboration agreements between the DTM rights owner and promoter ITR and America's GRAND-AM and IMSA on the one hand and the Japanese Super GT series on the other represent a further step towards securing the DTM's future and making it more international.

In the vehicles and vehicle component business we also currently expect lower sales volumes this year. Sales of the SLS AMG GT3 are expected to be slightly higher than in the previous year. Revenues from the spare parts and service business are expected to remain at a respectable level. The business of selling and leasing Formula 3 engines seems to be stabilising further – we are even expecting slight increases in revenue from additional engine leasing agreements. The new 2014 Formula 3 regulations will require new engine development, which will mean an increase in revenues. A new project was acquired in 2012 for the development of components for the engine and the vehicle as a whole, and the development work continues in 2013.

In spite of all the challenges, the outlook for financial 2013 continues to be good. Overall, HWA AG is expected to continue to develop along sound lines, even if total revenues for 2013 are predicted to turn out lower. The decline in revenues from projects and products is to be made up for by increased efficiency in production and savings in material costs. More projects and products will also result in larger inventories. The number of employees is expected to remain steady in the current year.

The aim of HWA AG's Management in financial 2013 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

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

Affalterbach, 18 April 2013



Gerhard Ungar  
CEO



Eric Nève  
COO



## ANNUAL FINANCIAL STATEMENT

## Balance sheet as at 31 December 2012

		31.12.2012	31.12.2011
ASSETS	EUR	EUR	EUR '000
<b>A. NON-CURRENT ASSETS</b>			
<b>I. Intangible assets</b>			
IT software and licences		152,561.11	129
<b>II. Property, plant and equipment</b>			
1. Land and buildings	19,074,764.51		19,685
2. Plant and machinery	1,481,760.03		1,119
3. Other assets, plant and office equipment	2,941,461.55		3,141
4. Payments in advance and assets under construction	833,045.90		0
		<b>24,331,031.99</b>	<b>23,945</b>
		<b>24,483,593.10</b>	<b>24,074</b>
<b>B. CURRENT ASSETS</b>			
<b>I. Inventories</b>			
1. Raw materials and supplies	7,845,403.48		5,846
2. Work in progress	1,023,822.66		1,231
3. Payments in advance	0.00		6
		<b>8,869,226.14</b>	<b>7,083</b>
<b>II. Receivables and other assets</b>			
1. Trade receivables	5,612,325.95		4,426
2. Other current assets	976,407.11		502
		<b>6,588,733.06</b>	<b>4,928</b>
<b>III. Securities</b>			
Other securities		105,817.50	106
<b>IV. Cash in hand and at banks</b>			
		2,869,212.76	9,543
		<b>18,432,989.46</b>	<b>21,660</b>
<b>C. PREPAYMENTS AND ACCRUED INCOME</b>			
		241,417.30	234
<b>D. DEFERRED TAX ASSETS</b>			
		62,000.00	64
		<b>43,219,999.86</b>	<b>46,032</b>

		31.12.2012	31.12.2011
EQUITY AND LIABILITIES	EUR	EUR	EUR '000
<b>A. EQUITY</b>			
<b>I. Share capital</b>		<b>5,115,000.00</b>	<b>5,115</b>
<b>II. Revenue reserves</b>			
1. Statutory reserve	511,500.00		511
2. Other reserves	1,310,000.00		1,310
		<b>1,821,500.00</b>	<b>1,821</b>
<b>III. Retained earnings</b>		<b>19,417,119.60</b>	<b>19,001</b>
		<b>26,353,619.60</b>	<b>25,937</b>
<b>B. PROVISIONS</b>			
1. Provisions for taxation	100,000.00		509
2. Other provisions	2,613,352.40		4,055
		<b>2,713,352.40</b>	<b>4,564</b>
<b>C. LIABILITIES</b>			
1. Amounts due to banks	7,988,880.00		8,778
2. Payments received on account of orders	240,000.00		3,000
3. Trade payables	5,097,572.44		3,305
4. Other liabilities thereof taxes EUR 383,219.88 (2011: EUR 331,000)	826,575.42		448
		<b>14,153,027.86</b>	<b>15,531</b>
		<b>43,219,999.86</b>	<b>46,032</b>

## Income statement for the year ended 31 December 2012

	EUR	2012 EUR	2011 EUR '000
1. Sales revenues	63,548,995.18		63,754
2. Decrease (-) / increase (+) in inventories of work in progress and finished goods	207,059.71		951
3. Other operating income thereof income from foreign currency translation EUR 55,922.79 (2011: EUR 8,000)	689,975.85		1,306
		<b>64,031,911.32</b>	<b>66,011</b>
4. Raw materials			
a) Expenses for raw materials and supplies	17,717,667.28		21,229
b) Expenses for external services	7,739,400.32		7,941
5. Staff costs			
a) Wages and salaries	15,654,822.82		14,384
b) Social security and pension contributions thereof pension contributions EUR 13,924.42 (2011: EUR 13,000)	2,421,160.81		2,154
6. Depreciation and amortisation of tangible and intangible non-current assets	2,156,737.32		2,127
7. Other operating expenses thereof expenses from foreign currency translation EUR 46,086.07 (2011: EUR 5,000)	12,716,999.66		12,219
		<b>58,406,788.21</b>	<b>60,054</b>
8. Other interest and similar income	27,412.83		99
9. Interest and similar expenses	415,276.76		436
		<b>-387,863.93</b>	<b>-337</b>
10. Profit from ordinary activities		5,237,259.18	5,620
11. Income tax expense thereof expense from change in deferred taxes EUR 2,000 (2011: credit of EUR 4,000)	1,432,172.92		1,528
12. Other taxes	63,910.67		27
		1,496,083.59	1,555
13. Profit for year		3,741,175.59	4,065
14. Profit brought forward from previous year		15,675,944.01	14,936
16. Retained earnings		<b>19,417,119.60</b>	<b>19,001</b>

## Cash flow statement 2012

(EUR '000, rounded)	2012 EUR '000	2011 EUR '000
<b>1. Cash flow from operating activities</b>		
Net profit for the year	3,741	4,065
Depreciation and amortisation of non-current assets	2,157	2,127
Decrease (-) / increase (+) in provisions	-1,851	1,839
Expense (+) / credit (-) from changes in deferred taxes	2	-4
Other non-cash expenses	1,672	606
Gains (-) on disposal of non-current assets	-76	-818
Increases (-) in inventories, trade receivables and other assets	-5,125	-4,370
Decreases (-) / increases (+) in trade payables and other liabilities	-589	3,458
<b>Cash flow from operating activities</b>	<b>-69</b>	<b>6,903</b>
<b>2. Cash flow from investing activities</b>		
Proceeds from disposals of property, plant and equipment	211	884
Investments in property, plant and equipment	-2,574	-5,285
Investments in intangible assets	-128	-13
<b>Cash flow from investing activities</b>	<b>-2,491</b>	<b>-4,414</b>
<b>3. Cash flow from financing activities</b>		
Distributions to shareholders	-3,325	-2,558
Repayment of bank borrowings	-789	-789
<b>Cash flow from financing activities</b>	<b>-4,114</b>	<b>-3,347</b>
<b>4. Cash and cash equivalents at end of year</b>		
Changes in cash and cash equivalents (subtotal items 1–3)	-6,674	-858
Cash and cash equivalents at beginning of year	9,649	10,507
<b>Cash and cash equivalents at end of year</b>	<b>2,975</b>	<b>9,649</b>
<b>5. Represented by</b>		
Liquid assets	2,869	9,543
Securities	106	106
<b>Cash and cash equivalents at end of year</b>	<b>2,975</b>	<b>9,649</b>

## Non-current assets movement statement for the year ended 31 December 2012

	Acquisition and construction costs			31.12.2012 EUR
	1.1.2012 EUR	Additions EUR	Disposals EUR	
<b>I. Intangible assets</b>				
IT software and licences	2,812,879.43	128,062.00	1,358.96	2,939,582.47
<b>II. Property, plant and equipment</b>				
1. Land and buildings	28,736,002.05	291,019.20	0.00	29,027,021.25
2. Plant and machinery	8,721,494.55	681,487.72	0.00	9,402,982.27
3. Other assets, plant and office equipment	11,820,218.29	768,506.48	260,744.55	12,327,980.22
4. Payments in advance and assets under construction	0.00	833,045.90	0.00	833,045.90
	<b>49,277,714.89</b>	<b>2,574,059.30</b>	<b>260,744.55</b>	<b>51,591,029.64</b>
	<b>52,090,594.32</b>	<b>2,702,121.30</b>	<b>262,103.51</b>	<b>54,530,612.11</b>

Accumulated depreciation and amortisation			Carrying value		
1.1.2012 EUR	Additions EUR	Disposals EUR	31.12.2012 EUR	31.12.2012 EUR	31.12.2011 EUR '000
2,684,370.26	103,352.56	701.46	2,787,021.36	152,561.11	129
9,051,035.58	901,221.16	0.00	9,952,256.74	19,074,764.51	19,685
7,602,314.56	318,907.68	0.00	7,921,222.24	1,481,760.03	1,119
8,679,109.51	833,255.92	125,846.76	9,386,518.67	2,941,461.55	3,141
0.00	0.00	0.00	0.00	833,045.90	0
<b>25,332,459.65</b>	<b>2,053,384.76</b>	<b>125,846.76</b>	<b>27,259,997.65</b>	<b>24,331,031.99</b>	<b>23,945</b>
<b>28,016,829.91</b>	<b>2,156,737.32</b>	<b>126,548.22</b>	<b>30,047,019.01</b>	<b>24,483,593.10</b>	<b>24,074</b>

# NOTES 2012

## General

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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

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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 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 year under review, are shown in the non-current assets movement schedule.

### Accruals

Accruals include a disagio of EUR 3,000.

### 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	172	172	29	50
Other provisions	170	128	42	29	12
					<b>62</b>

### 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 22 May 2013 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 5,800,000 had remaining maturities of between two and five years and EUR 1,400,000 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

	<b>EUR '000</b>
Obligations under service, rental and leasing agreements	2,680
Purchase commitments	6,217

The agreements come to an end between 2013 and 2024.

### Derivatives

Two interest rate swaps have been taken out to hedge interest rate risk on two variable rate loans totalling EUR 7.9m, as follows:

	Basic interest rate	Fixed interest rate	Amount	Maturity	Market value
		%			<b>EUR '000</b>
Swap 1	3-month Euribor	3.04	3,000 TEUR	30.9.2014	-148
Swap 2	3-month Euribor	3.57	4,900 TEUR	30.9.2019	-536

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 62,000.

## Notes to the income statement

	2012		2011	
	EUR '000	%	EUR '000	%
Sales revenues by region				
Germany	44,412	69.9	52,611	82.5
Elsewhere	19,137	30.1	11,143	17.5
	<b>63,549</b>	<b>100.0</b>	<b>63,754</b>	<b>100.0</b>

### Other operating income

Income relating to prior years consisted principally of accounting gains on disposal of non-current assets (EUR 76,000) and income from the release of provisions (EUR 126,000).

## Other information

### Supervisory Board

- Hans Werner Aufrecht, businessman Chairman
- Christian Wolff, Head of Mercedes-Benz Motorsports Deputy Chairman
- Ayman Al Abassi, Chief Executive Officer  
(until 13 September 2012)
- Willibald Dörflinger, businessman
- 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 25,000.00.

Consultancy agreements exist with some of the members of the Supervisory Board. For the year under review fees under those agreements totalled EUR 421,000.

### Management Board

- Gerhard Ungar, Chairman
- Eric Nève (from 1 October 2012)

### Employees

Average number of employees during the year under review:

Non-salaried staff	125
Salaried staff	106
	<b>231</b>
Trainees	2
	<b>233</b>

**Auditor's remuneration**

	<b>EUR '000</b>
Audit services	31.5
Other services	11.8
	<b>43.3</b>

**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, 18 April 2013

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 2012. 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. Evaluation of the effectiveness of the internal control system as it relates to accounting and the evidence sup-

porting the information and disclosures in the accounts and records, the annual financial statements and the management report is largely based on examination on a test basis in the course of the audit. 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, 18 April 2013

Lutz  
Auditor

## EVENTS 2013

05 June 2013	Annual General Meeting of HWA AG in Affalterbach
20 September 2013	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](mailto:ir@hwaag.com)  
[www.hwaag.com](http://www.hwaag.com)

### Photos

HWA AG, Daimler AG

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HWA AG  
Benzstraße 8  
71563 Affalterbach

Tel. +49 (0) 71 44 / 87 17-279  
Fax +49 (0) 71 44 / 87 17-100  
ir@hwaag.com  
www.hwaag.com