



REPORT **15**

Motor racing
Vehicles and components

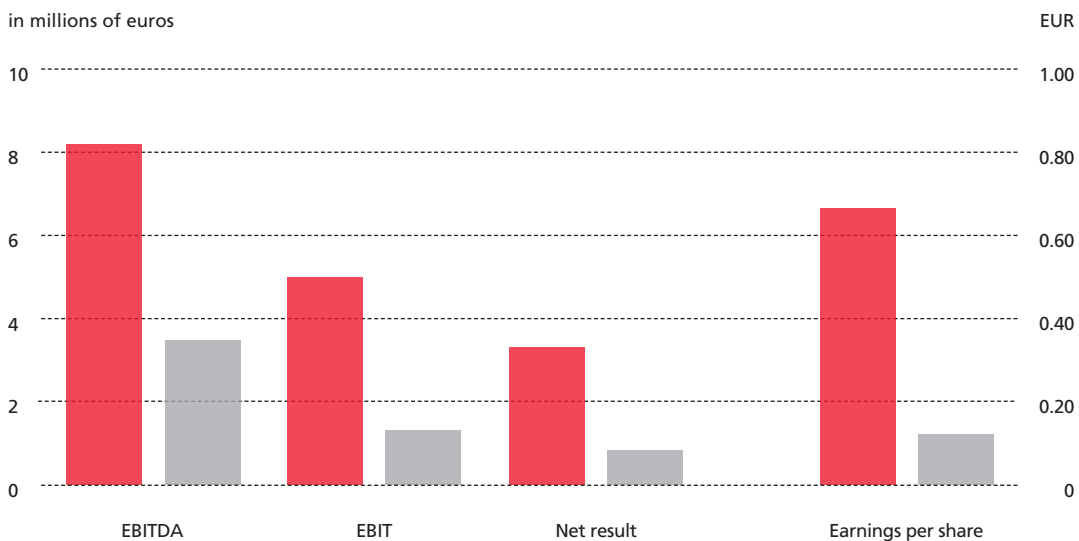
Annual Report 2015



KEY FIGURES

in millions of euros	2015	2014	2013	2012	2011	2010	2009	2008
Sales income	83.6	64.1	56.0	63.5	63.8	44.9	64.8	64.8
EBITDA	8.1	3.7	7.9	7.7	8.1	6.4	2.6	3.1
EBITDA margin (in percent)	9.6	5.8	14.1	12.2	12.7	14.3	4.0	4.8
EBIT	5.1	1.4	5.7	5.6	5.9	4.1	-0.2	0.2
EBIT margin (in percent)	6.1	2.2	10.0	8.8	9.3	9.0	-0.3	0.3
Net result	3.4	0.7	3.9	3.7	4.1	2.5	-1.4	-0.4
Earnings per share (in euro)	0.66	0.13	0.75	0.73	0.79	0.49	-0.27	-0.08

AT A GLANCE 2015 | 2014



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EVENTS 2016

21 April 2016	Publication of the annual figures for financial year 2015
May 2016	Publication of the 2015 annual financial statements
23 June 2016	Annual General Meeting of HWA AG in Affalterbach
29 September 2016	Publication of the 2016 half-year report

LETTER TO THE SHAREHOLDERS



Dear shareholders,
Dear employees,
Dear friends of HWA AG,

2015 was a successful year for HWA AG in all respects.

Our determination to win and our top performance enabled us to win a total of four titles in 2015. We secured the drivers' championship and the team championship in the DTM. We were also victorious in the FIA Formula 3 European Championship and the FIA GT World Cup in Macau. Overall, our motorsport activities in 2015 were eventful and pleasing. Our motto "One Team. One Vision" paid off.

Our key figures also developed positively in the past year. We achieved our forecast, which had specified revenue growth and an EBIT margin of between 4 percent and 6 percent. The positive performance was shaped by both business units. In the motor racing business unit (DTM and Formula 3 engines), revenue increased slightly as planned. Leasing and sales of Formula 3 engines improved year on year. The vehicles/vehicle components unit contributed to the positive development in 2015. Here, the financial year was dominated by the Mercedes-AMG GT3 project, which was developed in close cooperation with Mercedes-AMG GmbH and successfully concluded in the 2015 financial year. Production and delivery of the Mercedes-AMG GT3 started in December 2015.

HWA AG's revenue improved from EUR 64.1 million to EUR 83.6 million in 2015. EBIT increased at a higher rate than revenue, rising from EUR 1.4 million to EUR 5.1 million. The EBIT margin reached a level of 6.1 percent. Net profit for the year improved from EUR 0.7 million to EUR 3.4 million. Earnings per share amounted to EUR 0.66 after EUR 0.13 in the previous year.

At this point last year, I promised you that we would resume dividend payments in the 2015 financial year. We wish to allow you to participate again in the good earnings in the past financial year. At the Annual General Meeting, the Management Board and Supervisory Board will therefore propose to pay you a dividend of EUR 0.33 per share.

Let's take a look forward together at the further development in 2016. My colleagues and I are working with our full commitment to continue the successful performance achieved in 2015. On the condition of stable conditions in the automotive industry, we expect another increase in revenue along with a largely stable EBIT margin.

In the vehicles/vehicle components segment, we anticipate further growth in 2016. The development during the year will be strongly influenced by the delivery of the Mercedes-AMG GT3. The Mercedes-Benz SLS AMG GT3 follow-up project is to continue the successful cooperation with Mercedes-AMG GmbH in customer sports. With the development of the Mercedes-AMG GT3, we are diversifying our business further. This will result in further income from spare parts and service business. In the medium to long term, our goal is to further expand our customer structure in the vehicles/vehicle components segment. We are working intensively on the completion of various projects that are expected to have a positive impact on HWA AG's development in 2017 at the latest.

In the motor racing business segment, we regained competitiveness in the DTM in the past year. However, the revenue volume will decrease this year in line with planning. The decrease essentially results from cost savings in the development of vehicles. In the 2016 season, eight vehicles will be deployed in the DTM, and the new Mercedes-AMG C 63 DTM model will be used. The new model is a further development within the limits of DTM regulations. The engine rental/sales business in Formula 3 will probably continue to remain stable or be slightly reduced.

Dear shareholders, dear employees, dear friends of HWA AG!

We have been operating successfully in international motorsport for many years. This will not change in the future. On the contrary, we intend to further strengthen our leading position in motorsport. HWA AG remains a strong company and a reliable partner.

At this point, I would like to thank our more than 200 employees for their excellent work in the past year. Great passion, precision and enthusiasm for motor racing are what set our entire HWA team apart and secure our strong position in motorsport.

With "8 Heroes. Race to win", we are pursuing the shared goal of defending our title in the DTM in 2016. Our whole team is pushing the limits to achieve this.

I hope you enjoy reading our 2016 Annual Report.

Yours,

A handwritten signature in black ink, appearing to read "Ulrich Fritz". The signature is fluid and cursive, with a prominent horizontal line across the middle.

Ulrich Fritz
CEO

Affalterbach, April 2016

REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht
Chairman of the Supervisory Board

Dear shareholders,

2015 was a successful year for HWA AG. Revenue and especially all key earnings figures improved tangibly compared to the previous year. However, HWA AG was successful not only in business, but also in sport. The Company secured the drivers' championship and the team championship in the DTM 2015. HWA AG was also victorious in the Formula 3 European Championship and the FIA GT World Cup in Macau. The foundation for last year's success lay in the dedication of all employees, optimized processes and disciplined cost management.

In financial year 2015, the Supervisory Board provided the Management Board with extensive advice 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 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 was based on the Management Board's written and oral reports to the Supervisory Board. Cooperation between the Boards was marked by detailed and open dialogue. The Management Board reported to the Supervisory Board regularly, comprehensively and in a timely manner on all key issues for the Company and transactions requiring approval.

The Chairman of the Supervisory Board was in regular contact with the Management Board even outside of the 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.

The Supervisory Board diligently monitored the Management Board's governance and confirms that the latter acted legally, properly and economically in every respect.

Meetings of the Supervisory Board

During financial year 2015, the Supervisory Board met four times in the performance of its duties. In these meetings, the current state of the Company's affairs was discussed with the Management Board and explained in detail. The meetings took place on 25 March, 12 June, 9 September and 17 December 2015. The Supervisory Board meeting in September was carried out by telephone. The rest of the Supervisory Board's meetings were all held at the Company's headquarters in Affalterbach.

The Supervisory Board's financial statements meeting also took place on 25 March 2015. The Supervisory Board approved the annual financial statements of HWA AG for the year 2014 after a detailed review based on consultations and prior talks and reviews. The statutory auditor participated in the financial statements meeting. All Supervisory Board meetings were attended by all members, with the exception of three meetings, at each of which for good reasons one member was unable to be present.

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

Major topics of discussion during last year included:

- The planning, budget and investments for 2015
- Sporting developments and status in the DTM
- Performance in Formula 3 and the GT series
- Quality management in the various projects
- The liquidity situation, liquidity planning and risk and opportunity management
- The progress of the various projects in motor racing and vehicles/vehicle components, in particular the production of the Mercedes-AMG GT3
- The development of the Formula 3 and GT series
- The Company's diversification and strategy
- Future development and the budget for 2016.

Membership of the Management and Supervisory Boards

Mr Ulrich Fritz was the sole member of the Management Board for the whole of 2015.

Under the Company's articles of incorporation the Supervisory Board consists of six members. As at the end of the 2015 reporting year, the Supervisory Board was made up of the following persons:

- Hans Werner Aufrecht, Chairman
- Willibald Dörflinger, Deputy Chairman
- Gert-Jan Bruggink
- Rolf Krissler
- Michael Schmieder
- Hussain Ahmad Al Siddiqi

There were no changes to the Supervisory Board in the whole of 2015. All the above members of the Supervisory Board were elected for a new period in office at the Annual General Meeting in June 2015.

Annual financial statements and audit

By resolution of the Annual General Meeting of 12 June 2015, Treuhand Südwest GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft, Karlsruhe, was appointed as statutory auditor of the Company's annual financial statements. The statutory auditor audited the annual financial statements and the management report prepared by the Management Board and issued an unqualified audit opinion.

The annual financial statements and management report were laid before the members of the Supervisory Board in due time. They were exhaustively discussed in the Supervisory Board's financial statements meeting. The statutory auditor participated in the meeting and reported on the major features of his audit, and was available to answer further questions from the Supervisory Board. The Supervisory Board reviewed the statutory auditor's findings in detail, and approved the auditor's opinion. On the basis of its review, the Supervisory Board had no grounds for objection to the annual financial statements. It approved the annual financial statements on 22 March 2016. The annual financial statements for 2015 were thereby formally adopted. After extensive discussions, the Supervisory Board approved the Management Board's proposal with respect to the distribution of retained profits: a dividend is to be paid.

Supervisory Board's thanks

The Supervisory Board would like to thank the Management Board and all the Company's staff for their commitment and successful work in financial 2015. The Supervisory Board thanks the shareholders of HWA AG for their trust in the Supervisory Board and in the Company as a whole.

For the Supervisory Board



Hans Werner Aufrecht
Chairman of the Supervisory Board

Affalterbach, April 2016

HWA AG – THE STOCK

The development on the international capital and financial markets was mixed in the year under review. Whereas in March 2015 investors celebrated the sixth anniversary of the bull market for equities, the mood then sobered as the year progressed. The German stock index DAX started the trading year at 9,869 points and rose above the 12,000-point mark for the first time in March 2015. In the third quarter, sentiment on the international equity markets deteriorated significantly. Impacted by concerns about the global economy, fears of a significant slowdown in growth in China, and uncertainty regarding the timing of the first key interest rate hike in the USA and the VW emissions scandal, the DAX fell by around 12.6 percent in the third quarter alone, thus recording its weakest quarter for four years. Despite this, its year-end level of 10,743 points represented an 8.8 percent increase compared to the previous year. The MDAX rose by 22.2 percent, the SDAX by 26.4 percent and the TecDAX by as much as 33.5 percent in 2015.

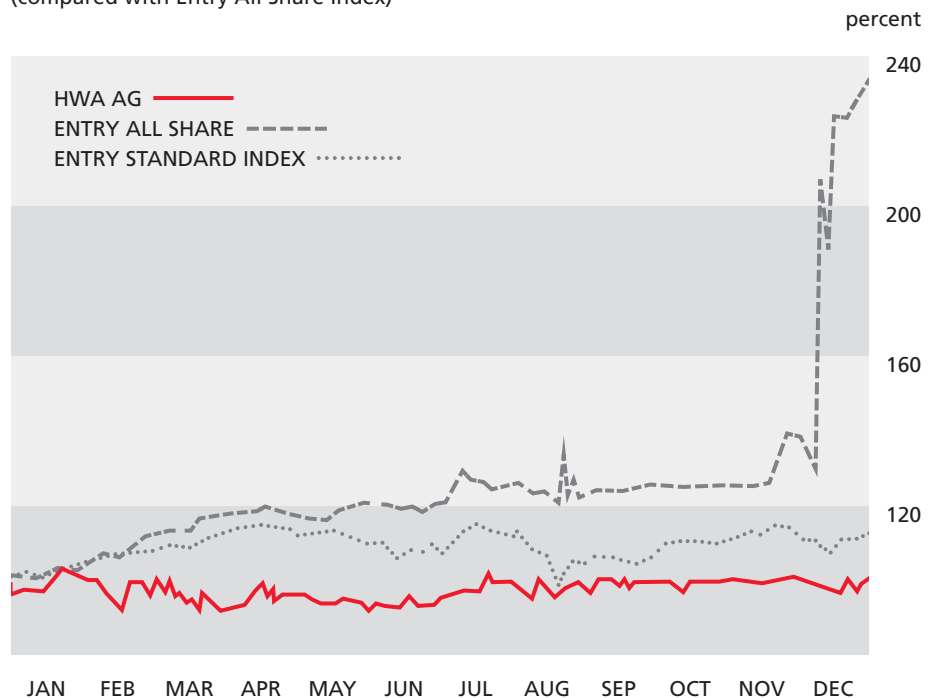
In the 2015 financial year, the HWA AG share did not match the price increases of the German indices. HWA AG stock posted a moderate price decrease in the year under review. The share certificates opened the 2015 trading year on 2 January at a price of EUR 16.26. The HWA share marked its high for the year of EUR 16.55 on 26 January 2015. Its lowest level of EUR 14.69 was recorded on 23 March 2015. The price at the end of the year was EUR 16.05.

The average trading volume of the HWA share (XETRA and floor trading in Frankfurt) increased significantly during the 253 trading days in 2015 to 1,297 shares per day (previous year: 584 shares per day). The declining share price performance in 2015 resulted in correspondingly lower market capitalisation. Based on 5,115,000 shares, this was down year-on-year at around EUR 82 million at the end of the year (2014: EUR 85 million).

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 sponsor	Oddo Seydler Bank AG

Share price performance 2015 – Xetra
(compared with Entry All Share Index)



Investor Relations / Press

The HWA AG share is traded on the qualified open market in the Entry Standard on the Frankfurt Stock Exchange. Transparent communication with the capital market is given particularly high priority at HWA AG. In line with the statutory and stock exchange reporting requirements, HWA AG promptly informed institutional investors, financial analysts and shareholders about the current business performance and relevant events. We were available to interested shareholders in individual discussions and teleconferences. The designated sponsor of HWA AG is Oddo Seydler Bank AG.

In the past year, the key events in the corporate calendar once again included the Annual General Meeting of HWA AG in Affalterbach on 12 June 2015. The Annual General Meeting is also an important forum for maintaining contact with our shareholders.

In addition, the Investor Relations section of the website hwa.com provides shareholders and other interested parties with all relevant information about the HWA AG share and is an important information platform for communicating with shareholders and the capital market. This includes press releases, half-year reports and annual reports.

Annual General Meeting 2015

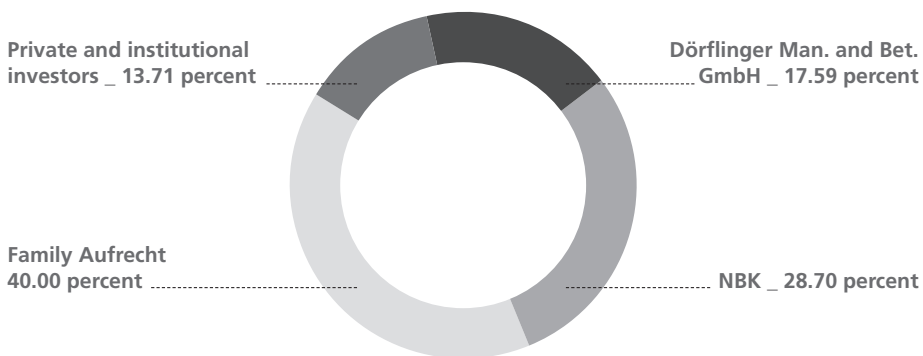
The eighth Annual General Meeting since the initial stock market listing in 2007 took place on 12 June 2015. Around 70 shareholders attended this event in the equestrian facility in Rotland in Affalterbach. Of the Company's total share capital of EUR 5,115,000 – split into 5.115 million shares – over 4.9 million shares or 95 percent of the share capital were represented. We are very pleased with the interest shown by shareholders, especially the smaller ones.

All resolutions were adopted as proposed by the management. Specifically, resolutions were passed in relation to carrying forward the net retained profits for the 2014 financial year to new account (agenda item 2), approving the actions of the Management Board (item 3) and the Supervisory Board (item 4) and the appointment of Treuhand Südwest GmbH Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft, Karlsruhe, as the auditor for the 2015 financial year (item 5). Under item 6, Hans Werner Aufrecht, Willibald Dörflinger, Gert-Jan Bruggink, Rolf Krissler, Michael Schmieder and Hussain Al-Siddiqi were elected to the Supervisory Board. Under item 7, the authorisation to acquire treasury shares was approved.

Financial calendar 2016

21 April 2016	Publication of the annual figures for financial year 2015
May 2016	Publication of the 2015 annual financial statements
23 June 2016	Annual General Meeting of HWA AG in Affalterbach
29 September 2016	Publication of the 2016 half-year report

Shareholder structure



Note: Due to its listing in the Entry Standard, HWA AG is not required to disclose information on the shareholder structure and receives the shareholdings of the corresponding major shareholders on a non-binding basis. The information therefore has not been verified.

HWA AG's shareholder structure changed during 2015. The Company's founder and Chairman of the Supervisory Board, Hans Werner Aufrecht, and his family significantly increased their equity interest in HWA AG from around 28 percent to 40 percent. The shareholdings of Dörflinger Privatstiftung, which is represented by the Deputy Chairman of the Supervisory Board Willibald Dörflinger, and of Nasser Bin Khaled (NBK) Holding, also represented on the Supervisory Board, were unchanged as at the end of December 2015. Together, these three shareholders hold over 85 percent of HWA AG's share capital.

Dividends

As promised in the 2014 Annual Report, we wish to allow our shareholders to participate in the positive development of the past financial year again this year. At the Annual General Meeting on 23 June 2016, the Management Board and Supervisory Board will therefore propose the distribution of EUR 0.33 per share for the past financial year. HWA AG pursues the objective of a shareholder-friendly dividend policy. The distribution ratio in relation to net profit amounts to around 50 percent for 2015. Provided its results are positive, HWA AG will continue to allow its shareholders to share in the Company's success appropriately in the future.

HWA AG – THE COMPANY

Passion for motor racing, top performance and determination to win – that is the philosophy of HWA AG. The Company has been active in international motorsport for nearly five decades and is one of the most successful teams of all time. Characterised by fierce duels against established opponents on legendary racetracks, HWA AG bundles its expertise for further victories. As a sought-after development partner, HWA AG is also positioning itself in international competition for the future.

Founded towards the end of 1998 by Hans Werner Aufrecht, H.W.A. GmbH started business in 1999. On 4 December 2006, it underwent a change of legal form. It was converted into a public limited company with the entry in the commercial register by the Stuttgart Local Court. Since 15 December 2006, the Company has operated as "HWA AG". In April 2007, HWA AG was floated on the stock market.

The origins of HWA AG go back to AMG Motoren- und Entwicklungsgesellschaft mbh, founded in 1967 by Hans Werner Aufrecht. At the end of 1998, Aufrecht sold a majority interest in the company to Daimler AG, which gave rise to the customisation specialist Mercedes-AMG GmbH. AMG stands as one of the pioneers in this business. As part of this transaction, the motor racing business unit was spun off. It included today's Mercedes-AMG DTM team and parts of the vehicles and vehicle components unit. Both were transferred to HWA AG. With the foundation of the Company, around 80 employees were taken over from Mercedes-AMG GmbH. Today, HWA AG focuses on the development and production of high technology for racing and passenger cars. The Company is active in two business areas: as a complete service provider to the motor racing business, and as a development partner for vehicles and vehicle components for the premium segment of the automotive market.

Alongside DTM, motorsport at the highest level also determines day-to-day business: HWA AG's other area of expertise is in the development, manufacture and servicing of Formula 3 racing engines. The racing version of the Mercedes-Benz SLS AMG was also developed and produced by HWA AG – in close cooperation with Mercedes-AMG. Since the end of 2010, when the Company first entered the AMG customer sports segment, the SLS AMG GT3 has won more than 240 overall victories. More than 100 vehicles were produced. The follow-up project, the new Mercedes-AMG GT3, has been delivered to customer teams all over the world since December 2015 and is set to be a successful continuation of the programme.

Motor racing

The motor racing business is dominated by participation in the German Touring Car Masters (DTM) racing series. HWA AG runs the official racing team for Mercedes-Benz Motorsport in the DTM as "Mercedes-AMG DTM Team". The portfolio involves includes all racing operation activities – from the development and construction of the race cars, including the engines,

to preparation for and participation in the races. HWA AG is also responsible for supporting and choosing the drivers. The Company works closely with Daimler AG in marketing the brand and all the vehicles, and gaining sponsors. HWA AG also supports and produces race cars and engines for other Mercedes-AMG teams in the DTM, such as the current teams "Mercedes-AMG DTM Team Mücke" and "Mercedes-AMG DTM Team ART".

In the reporting period, there were 18 DTM races in four countries. The 2015 DTM season proved very successful for the Mercedes-AMG DTM team. Pascal Wehrlein in gooi Mercedes-AMG C 63 DTM won the championship title in the penultimate race at the season finale in Hockenheim. The 21-year-old is not only the youngest ever DTM champion to date, but also the fifth driver to win the drivers title in the DTM with Mercedes-Benz. Wehrlein thus follows in the footsteps of his predecessors Klaus Ludwig (1992, 1994), Bernd Schneider (1995, 2000, 2001, 2003, 2006), Gary Paffett (2005) and Paul Di Resta (2010). After winning the drivers title with Pascal Wehrlein, the gooi/original parts Mercedes-AMG team secured first place in the DTM team championship in the last race of the season. Wehrlein and his teammate Christian Vietoris collected a total of 225 points in the 2015 DTM season.

The DTM is the core market of HWA AG. The Company operates very successfully there in collaboration with Mercedes-Benz. In total, the brand with the star has been the winner in more than 170 DTM races since 1988. The HWA team succeeded in winning a total of eleven drivers, nine brand and 14 team titles for Mercedes-Benz. This impressive record puts Mercedes-Benz and HWA ahead of every other manufacturer and team in over 30 years of DTM history.

2016 DTM motor racing calendar

06 - 08	May	2016	(D)	Hockenheimring Baden-Württemberg
20 - 22	May	2016	(A)	Spielberg
03 - 05	June	2016	(D)	Lausitzring
24 - 26	June	2016	(D)	Norising
15 - 17	July	2016	(NL)	Zandvoort
19 - 21	August	2016	(RU)	Moscow Raceway
09 - 11	September	2016	(D)	Nürburgring
23 - 25	September	2016	(H)	Budapest
14 - 16	October	2016	(D)	Hockenheimring Baden-Württemberg

Outlook – Motor racing

In the 2016 DTM season, Mercedes-Benz started with eight new Mercedes-AMG C 63 DTM race cars. Following the transfer of the reigning DTM champion Pascal Wehrlein to Formula 1, last year's Mercedes-Benz DTM drivers Gary Paffet, Paul Di Resta, Robert Wickens, Christian Vietoris, Daniel Juncadella, Lucas Auer and Maximilian Götz are driving for Mercedes-Benz. A new addition to the team is Esteban Ocon, the reigning champion of the GP3 series and Formula 3 European champion. The new test and reserve driver is the FIA Formula 3 European champion Felix Rosenqvist.

The DTM is traditionally marked by exciting battles for position and close time differences. In total, 24 race touring cars from Mercedes-AMG, Audi and BMW are competing in the popular touring car series. The high performance density guarantees a gripping race. The 2016 DTM season includes new racing weekends. It traditionally starts and ends at the Hockenheimring Baden-Württemberg, Germany. Five of the racing weekends are taking place in Germany, with four guest appearances for DTM abroad – in Austria, the Netherlands, Russia and Hungary. Two races are held each racing weekend, one on Saturday and one on Sunday. The two races differ in terms of their duration and the number of pit stops.

HWA AG has also developed an outstanding reputation in the motor racing business for the development and production of racing engines for Formula 3. The first Mercedes-Benz Formula 3 engine was used back in 2002. Between 2003 and 2012, drivers with Mercedes-Benz engines won seven out of a possible nine drivers titles in the Formula 3 European series. In the current FIA Formula 3 European championship, which is ongoing since 2013, all titles to date have gone to drivers and teams powered by Mercedes.

The current F3 414 engine developed by HWA AG for Mercedes-Benz is a pure racing engine with four cylinders, maximum displacement of two litres and fuel injection; it delivers more than 200 horsepower. With the "PREMA Powerteam", Mercedes-Benz won the FIA Formula 3 European championship twice in a row with Esteban Ocon (2014) and Felix Rosenqvist (2015). At the prestigious Formula 3 Grand Prix in Macau, the Formula race cars powered by Mercedes-Benz achieved three first places between 2013 and 2015. Ultimately, no other manufacturer can boast of more titles, victories, pole positions and fastest laps than Mercedes-Benz with the Formula 3 engines developed by HWA.

Vehicles and vehicle components

A series of victories and almost five decades of motor racing at the highest level – HWA AG also applies its extensive expertise profitably in the vehicles and vehicle components business. Highly specialised development contracts for customers from the automotive industry are another strength of the Company. With its expertise, HWA AG is a much sought-after partner for premium suppliers in the industry. In the past, HWA AG has developed and produced top-class sports cars for series production such as the Mercedes-Benz CLK-GTR, the CLK DTM AMG and the SL 65 AMG Black series. Since the end of 2010, when the Company first entered

the AMG customer sports segment, more than 100 Mercedes-Benz SLS AMG GT3 cars have been delivered all over the world. To date, the GT3 race car has won more than 240 overall victories. In 2015, AMG customer sports teams were successful in the 24H Series, the ADAC GT Masters, the Blancpain Sprint Series and the Pirelli World Challenge. The SLS AMG GT3 also overcame strong competition at the prestigious FIA GT World Cup Macau. The parts supply for customer teams, who continue to use the racing gullwings even after termination of production, will be continued with the same high quality in 2016.

In close cooperation with Mercedes-AMG GmbH, HWA AG drove forward the development of the Mercedes-AMG GT3 follow-up project in 2015. The first race cars were delivered to customer teams at the end of the year. At the first long-distance race of the 2016 season in Dubai, the brand-new V8 race car from Affalterbach took second place. The Mercedes-AMG GT3 also demonstrated an impressive competitive ability in the first races of the 2016 motor-sports season. Alongside these successful GT3 projects, HWA AG has also developed another customer sport race car with the CLA 45 AMG Racing Series, in close cooperation with Mercedes-AMG GmbH, which will be used exclusively in a brand cup on the Brazilian market. The after-sales business is also continuing here in 2016.

Outlook – Vehicles and vehicle components

The intensive AMG customer sports commitment also forms the focus for the vehicle and vehicle components business in 2016. The production and delivery of more Mercedes-AMG GT3 will have a positive impact on the development of this segment. AMG customer teams will compete with the GT3 vehicle in various racing series around the world in 2016. The global parts supply ensures an optimum and reliable service. At the season highlight, the 24-hour race at the Nürburgring, a total of seven Mercedes-AMG GT3s will be at the starting line. The new AMG Performance Teams are "AMG Team Black Falcon", "AMG Team HTP Motorsport" and "Haribo Racing Team-AMG" – they will deploy five GT3 race cars at the classic long-distance event, with further AMG support. In addition to DTM record champion and AMG brand ambassador Bernd Schneider, the current DTM drivers Maxi Götz and Christian Vietoris will also compete in the race.



BOSCH

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EURONICS

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PETRONAS SYNTIUM

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I ♥ DTM

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 PETRONAS

SWOTLER
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FRÖSÖNÄVIST

SWEDEN
NATIONAL TEAM
RACING

QUESADA

Bright ideas
KONST SMIDE

VST

FORMINE PERFORMANCE
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QUESADA
TALENT

Hankoo





MANAGEMENT REPORT

1. Legal and business background of the company in 2015

HWA AG is a joint stock corporation (Aktiengesellschaft) with registered office in Affalterbach. Since 19 April 2007, its shares are being traded on the Frankfurt Stock Exchange in the Entry Standard which is included in the Open Market stock exchange segment.

In the two HWA AG business segments – motor racing and vehicles/vehicle components – high-performance technological products are developed, designed and produced.

The main focus of activity of the Motor Racing business segment is its participation in the Deutsche Tourenwagen Masters (DTM) motor racing series. HWA AG here operates under the name of "Mercedes-AMG DTM Team" and, on behalf of Daimler AG, is responsible for the complete development and design/construction, as well as the assembly and deployment of the racing vehicles. The comprehensive range of services offered also includes recruiting and looking after the racing drivers and supporting customer teams participating in the DTM with racing vehicles built by HWA AG. In addition to the development and production of racing vehicles and their components, services offered also include the development and production of (racing) engines.

The focus of the second business segment, Vehicles/Vehicle Components, is on the provision of development and production services for the automotive industry. As a highly specialized service provider, HWA AG fulfils development and production orders for various customers using its racing-specific know-how.

2. Economic situation

In the past year, the global economy was able to record a growth of approx. +3.1 percent. Growth impulses came, in particular, from the so-called emerging markets at +4.0 percent and here especially from the Asian region (+6.6 percent). The developed economies of the Western world only grew at a moderate rate in 2015 (+1.9 percent). Particular mention should here be made of the United States of America, Spain and Great Britain, with growth rates of between +2.2 percent and +3.5 percent. The economies of the rest of the developed countries showed moderate growth of between +0.6 and +2.2 percent. Prospects for 2016 are basically good – according to the International Monetary Fund. It is forecast that the 2016 global economy will be stagnant at the level of 2015 or might display only slight growth by +0.3 percentage points to +3.4 percent. The increase is based especially on an expected higher economic growth rate of the emerging markets. Reasons for the modest increase in the economic development are not only the decline in China's economic performance, but also the low prices for energy and commodities, as well as a partial tightening of the monetary policy in the U.S. Risks for the future development of the global economy are seen as resulting, inter alia, from the situation that China's economic development towards a more balanced growth rate might result in a steeper decline in growth than expected and that escalations of the numerous geopolitical conflicts will negatively impact global trade.

In 2015, the German economy showed robust and steady growth. After an increase in growth domestic product by +1.6 percent in 2014, preliminary calculations by the German Federal Statistical Office (Statistisches Bundesamt) indicated an economic growth of +1.7 percent in 2015. Vigorous domestic demand essentially contributed to it. Not only private consumption was able to increase by +1.9 percent but also public and private sector investments which increased by +3,6 percent. Net export contributed merely +0.2 percent to the economic growth. Forecasts for the current year involve inherent risks especially in light of refugee migrations and their economic impact as well as the uncertain development in newly industrialized countries. The German Federal Bank (Deutsche Bundesbank) expects growth rates of +1.8 percent in 2016 and of +1.7 percent in 2017.

In 2015, China as well as the U.S. again dominated the global automotive market. China was able to increase its car sales by +9.1 percent while the U.S. was able to record increases of approx. +5.8 percent. Moreover, the 2015 western European car market was highly dynamic with just under 14.2 million new cars sold and about +9.2 percent growth versus the 2014 level. In contrast, the markets of Russia (-35.7 percent), Brazil (-25.6 percent) and Japan (-10.3 percent) were weak.

Last year, 3.2 million cars were newly registered in Germany. This is equivalent to an increase of +6.0 percent versus the previous year. This development reflects the current dynamics of the German automotive market. In December 2015, new registrations significantly increased by +8.0 percent in comparison with the same month of last year. After a very good year in 2015, experts expect moderate growth of the global automotive market by approx. +2 percent in 2016. Growth stimuli are expected to come especially from the Asian automotive markets. After their strong increases in recent years, the United States and Western Europe will show merely moderate increases by +1 percent.

3. Business development and profit situation

In 2015, sales revenues amounted to EUR 83.6 million; thus, well above the previous year's level of EUR 64.1 million. Thereof, Germany accounted for EUR 70.8 million (previous year: EUR 54.7 million) and foreign countries accounted for EUR 12.8 million (previous year: EUR 9.4 million). The sales increase results from the Motor Racing business segment as well as from the Vehicles and Vehicle Components business segment. Especially the realization of the Mercedes-AMG GT3 development project contributed positively to the increase in sales revenues.

The inventory reduction essentially results from the realization of the Mercedes-AMG GT3 development project.

Other operating income increased, at EUR 1.7 million, predominantly due to the capitalization of products for motor racing.

Versus the previous year, material expenditures increased by +18.6 percent – from EUR 29.7 million to EUR 35.2 million. This is due, inter alia, to expenditures for the Mercedes-AMG GT3 development project as well as higher deployment costs in DTM as a result of changes in the racing format. Because of the higher operating performance, the relative percentage of material expenditures in the overall economic performance declined from 44.4 to 42.2 percent.

As in previous years, a rise in personnel costs was recorded. These increased by +15.2 percent from EUR 20.8 million to EUR 24.0 million since, due to the current development projects – existing projects and future projects – a greater number of personnel needed to be deployed. Furthermore, a carefully targeted personnel policy in the form of new appointments has made the company more competitive in the long term.

The rise in other operating expenditures is partly the result of higher expenditures for DTM as well as higher distribution and administrative costs in 2015.

In 2015, the company generated an EBIT of EUR 5.1 million, after an EBIT of EUR 1.4 million in the previous year. The higher EBIT essentially results from increased sales revenues from the Motor Racing business segment and additional projects in the Vehicles/Vehicle Components segment. Moreover, the increase in other operating income had a positive effect on EBIT.

At HWA AG, EBIT (earnings before interest and taxes) is used as the operative performance and management ratio. EBIT is calculated as follows:

Profit and loss account

in millions of euros (rounded)	2015	2014
Sales revenues	83.6	64.1
Changes in stock	-2.6	2.0
Other operating income	2.6	0.8
Overall performance	83.6	66.9
Material expenditure	35.2	29.7
Personnel expenditure	24.0	20.8
Depreciations	3.0	2.4
Other operating expenditures	16.2	12.7
EBIT	5.1	1.4
EBIT in percent of overall performance	6.1	2.1

The financial result amounts to minus EUR 0.4 million, as in the previous year.

Viewed overall, the surplus for the year amounts to EUR 3.4 million compared with EUR 0.7 million in the previous year.

4. Assets and financial position

Fixed assets increased by +1.0 percent over the previous year, from EUR 25.6 million to EUR 25.9 million. This increase results, in particular, from the capitalization of products for motor racing in 2015. On the other hand, current assets increased by +28.5 percent from EUR 22.0 million to EUR 28.3 million. The increase essentially results from higher inventory levels and increased receivables and other assets. The increase in stocks is due, inter alia, to stockpiling for the production of the new Mercedes-AMG GT3 which started in December 2015. Trade receivables increased contingent upon the closing date.

Last year, reserves increased from EUR 1.8 million to EUR 3.8 million. This was partly due to reserves from the sales segment as well as increased personnel-related provisions. Liabilities increased from EUR 22.0 million to EUR 23.3 million. The increase in liabilities to banks results from two short-term money market loans, obtained within the scope of the existing credit line, with a term of less than three months. Additional credit lines furthermore exist which are adequate to ensure the company's liquidity. Trade payables increased, in particular, due to stockpiling for the production of the Mercedes-AMG GT3.

The balance sheet total increased, in comparison with the previous year, from EUR 48.0 million to EUR 54.7 million. The percentage of fixed assets decreased as a result from 53.4 to 47.3 percent. In contrast, the share of current assets in the balance sheet total increased from 45.8 to 51.6 percent. The equity ratio is stable at 50.5 percent.

At the end of the 2015 financial year, HWA AG held cash and cash equivalents in the amount of EUR -3.8 million as compared with EUR +3.2 million in the previous year. This decrease is especially due to the negative cash flow from current operating activities, at EUR -3.0 million (previous year: EUR +5.5 million). The positive result and depreciations were overcompensated by the inventory build-up for the production of the Mercedes-AMG GT3 and the trade receivables increased contingent upon the closing date. Cash flow from investment activities is negative at EUR 1.6 million. Disbursements essentially concern those for technical plant and machinery as well as for operating and office equipment. Due to the scheduled repayment of existing loans, cash flow from financing activities is negative at EUR -2.5 million.

5. Investments

In the year under report, gross investments were made in the amount of EUR 3,388 thousand (previous year: EUR 4,490 thousand). The breakdown of investments is shown in the following table:

Gross investments	Thousand EUR
1. Intangible assets	211
2. Advance payments on intangible assets	277
3. Real estate and buildings	230
4. Technical plant and machinery	1,650
5. Other equipment, plant and office equipment	1,018
6. Advance payments and assets under construction	2
	3,388

Investments in the area of technical plant and machinery primarily result from prior-period capitalization of products for motor racing. Furthermore, investments over leasing contracts were made for a total volume of EUR 4.2 million. These investments concern replacement investments in the areas of technical plant and machinery as well as plant and office equipment. In excess thereof, no significant individual investments were made in 2015.

6. Employees

In the 2015 financial year, the average number of employees was 295 (previous year: 277), including executive board members:

- 148 salaried employees
- 145 workers
- 2 trainees/interns

7. Opportunities and risks

Despite positive growth forecasts, global risks still remain omnipresent and might accordingly provide a damper on economic growth again. Risks for the global economic development continue to remain not only China's economic slowdown and cooling effect but also the partial tightening of monetary policy in the United States. For oil-exporting countries, persistently low oil prices might result in significant burdens. In Europe, risks are particularly due to the development of the Syrian crisis and the associated refugee migration and their political and economic consequences. Moreover, the still persisting European debt crisis im-

pacts the stability of the euro and the European community. Especially in the southern countries of Europe, there is also a considerable risk of political and social unrest and crises.

In order to be able to identify, analyse and evaluate potential risks as promptly as possible, HWA AG relies on a consistent information system that allows management to implement effective strategies and measures at an early stage.

Daimler AG and its subsidiary Mercedes-AMG GmbH still remain the most important clients for HWA AG. For 2015, the Daimler group presented record figures for sales, turnover and earnings. According to statements from Daimler AG, it is expected that sales, turnover and earnings will further improve in 2016. Prospects thus remain positive. These are important parameters for further cooperation with Daimler AG and for the continuation of motor sports activities within the automotive group. However, it is basically impossible to guarantee that any resulting risks for HWA AG would be completely excluded. In the final analysis, the continuation of motor sports activities will ultimately depend on the strategic orientation and the corresponding decisions on the part of Daimler AG. HWA AG enjoys a long-standing and close partnership with the Daimler group, and the HWA AG management is in regular contact with decision-makers in order to be able to react to decisions at an early stage.

The largest individual project for HWA AG continues to be its involvement in the "Deutsche Tourenwagen Masters" (DTM) racing series. The presence of the three premium manufacturers – Audi, BMW and Mercedes-Benz – renders this platform attractive not only for spectators but also for the media and the manufacturers themselves which is absolutely essential for the continuation of the DTM series. In order to further increase the DTM attractiveness, two races per weekend – instead of one – were organized in the 2015 racing season; each race having its own qualifying. This optimized concept was positively accepted by all parties concerned and will be continued in 2016.

The highest risk for HWA AG continues to be the complete discontinuation of the DTM racing series. This might happen, for example, if one of the manufacturers decides to withdraw from its DTM commitment. If this happens, only two manufacturers would be represented in the DTM which, in turn, could have a negative effect on the interest of sponsors and the media and thus on the overall appeal of the racing series. The DTM has become an important and firmly established pillar of the motor racing activity of the Mercedes-Benz brand. Even if the probability of occurrence is rated as very low by HWA AG, the risk of such withdrawal cannot be entirely excluded.

Another opportunity for HWA AG is also presented by the efforts at internationalization which the "ITR" umbrella organization of the DTM has been pursuing through the cooperation agreements with the American "IMSA" and the Japanese "Super GT" with a view to achieving a joint technical platform for the various racing series. The start for the joint platform had originally been planned for 2017; however, it was postponed to 2019.

In the Vehicles/Vehicle Components business segment, HWA AG is operating – within the scope of the GT3 segment – in an intense and tightly packed competitive environment. Jointly with Mercedes-AMG GmbH, HWA AG firmly established itself as a key player in the GT3 segment. Sales risks essentially result due to the lower spare parts and service business for the SLS AMG GT3 whose production was concluded in 2015. For HWA AG, opportunities are particularly arising from the follow-up project for the SLS AMG GT3 – the Mercedes-AMG GT3, obtained in 2014. The aim of this project is to continue the successful SLS AMG GT3 series. The prototype was presented at the Geneva Motor Show in March 2015. The development project was accepted by the client in 2015, and production was started at the end of 2015. The first vehicles were delivered in December 2015. There are additional orders for 2016 which proves the high demand of the product.

In terms of the leasing and sales business of Formula 3 engines, sales risks might result due to changes in the regulations for 2016 according to which only four drivers per team may be used, each with a maximum experience of two racing seasons in the FIA Formula 3 European championship. Furthermore, the leasing and sales business of Formula 3 engines is highly dependent upon the financial capabilities of the individual teams. Moreover, this area of motor sports depends on external sponsors which might be more reluctant in case of a slowdown of the economy. Opportunities might result from winning the FIA Formula 3 European championship in 2015 and the excellent performance of Formula 3 engines in previous years. Since 2014, a new engine generation has been used in the Formula 3 European championship. Engine regulations have been frozen for another two years until 2019.

In addition to the risks relating to sales and turnover, financial risks also need to be considered. Trade receivables which were shown at the end of 2015 in the company's balance sheets are to be classified as only "minor risks" at most. Changes which might arise from exchange rates, interests or market prices present a negligible to low risk potential since the majority of the company's business transactions are processed in euros.

Derivative financial instruments are used by HWA AG solely to hedge against risks to corresponding basic transactions. Exchange rate risks essentially arise from purchases made in pounds sterling. The development of this exchange rate is permanently in focus so that the company can react to any exchange rate fluctuations and in order to hedge the risks with derivative financial instruments if necessary. Exchange rate hedging is in place as of 31 December 2015 for purchase transactions in pounds sterling.

To protect the interest rate level, the company uses derivative financial instruments which are based on an interest rate swap transaction (swap). Since this swap transaction forms a valuation unit with the Euribor loan, there is no accounting risk here.

The opportunities / risk profile has not changed essentially compared with the previous year. The implemented information system is considered to be a reliable way of identifying risks so that counter-measures can be introduced at an early stage. All in all, the opportunities outweigh the risks.

8. Research and development

Across all its activities and business segments, HWA AG also has comprehensive resources at its disposal which are the prerequisites for the competitive development of racing vehicles, customer sports vehicles as well as vehicle components and subassemblies. The use of the latest IT solutions in the areas of simulations and design thus ensures that all developments are in accordance with the latest state of the art. Moreover, the company has comprehensive expertise and a broad spectrum of resources for independently developing electrical and electronic systems of racing cars and customer sports vehicles as well as vehicle components – specifically and individually tailored to the intended application. This includes not only the creation and programming of corresponding control electronics but also their simulation and assessment.

In order to be able to guarantee a corresponding level of service to customers operating globally in the customer sports sector, HWA AG has built up an excellent infrastructure that has worked superbly over the years which allows thorough testing and the maintenance of vehicles on the racetrack, in-house or directly on site.

Research and development will continue to be the focus of particular attention at HWA AG in the future as well so that the company can continue to guarantee the high standard of its products and its resulting competitive advantage. Good planning and targeted investments in this area will correspondingly underpin this concept.

9. Non-financial performance indicators

In 2014 already, the company had begun to define measures in the area of personnel development in order to improve collaboration as a team within HWA AG. The implementation of the measures is expected to be concluded in 2017.

In accordance with statutory requirements, the company has an industrial safety specialist who annually provides training for employees on the topics of industrial protection and safety.

The quality management system is based on the process model of the quality assurance standard ISO 9001-2008 and on statutory requirements. The audit carried out in 2015 was successful.

In mid-2015, a revision of the ERP system was begun to further optimize processes in the company. Commissioning is to be effected on 1 July 2016.

10. Business performance and expected development of the company

Overall, the 2015 financial year was exceedingly successful for HWA AG in terms of the sport and commercial segment; thus, expectations were met or even exceeded. In the 2016 financial year, further efforts will be required to build on the sports and economic success of 2015. The company's internal and external economic framework conditions are expected to be stable.

After the years from 2011 to 2014 without winning the DTM drivers championships and after intensive endeavours to restore the competitiveness in DTM, HWA AG successfully won, in the 2015 season, the DTM drivers title with Pascal Wehrlein and also the DTM team championship with the team gooix/original parts Mercedes-AMG. Furthermore, Maro Engel, in the SLS AMG GT3, won the FIA GT World Cup and Felix Rosenquist the FIA Formula 3 European championship.

At + 23.0 percent, the increase in total performance is by +10.0 percentage points above the 2015 forecast. The deviation essentially results from higher sales revenues in motor racing as well as from higher sales revenues from additional projects in the Vehicles/Vehicle Components segment. At 6.1 percent, EBIT margin is within the scope of the 2015 forecast with only a minor deviation.

In the motor racing business segment (DTM), the sales volume will be reduced as scheduled in 2016. The decrease essentially results from cost savings in the development of vehicles. In the 2016 season, eight vehicles will be deployed in the DTM, and the new model of the Mercedes-AMG C 63 DTM will be used. The new model is a further development within the limits of DTM regulations.

The engine rental/sales business in Formula 3 will probably continue to remain stable or be slightly reduced.

In the Vehicle / Vehicle Components business segment, total performance will increase especially due to the production start of the Mercedes-AMG GT3 in 2016. Moreover, the company is working on the conclusion of a number of additional projects for various clients which probably are also expected to have a positive impact on total performance in 2016 or 2017. Increasing sales are expected in the spare parts and service business due to the great number of vehicles meanwhile on the market and also due to the launch of the Mercedes-AMG GT3.

With its successful restructuring of the DTM project in 2015, HWA AG laid the foundation for pursuing the objective of defending the DTM title in 2016 and to thus provide for its stable development in 2016 in terms of sports and business. Overall, prospects are positive for 2016. Total performance in 2016 is expected to increase between 4 percent and 8 percent. On the results side, the objective is to achieve an EBIT margin in 2016 between 4 percent and 6 percent.

11. Events after the end of the 2015 financial year

No events occurred after the end of the financial year which might lead, for HWA AG, to any change in the appraisal of the company.

Affalterbach, 3 March 2016

A handwritten signature in black ink, appearing to read 'Ulrich Fritz', with a stylized flourish at the end.

Ulrich Fritz



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ANNUAL FINANCIAL STATEMENT

Balance sheet as at 31 December 2015

ASSETS	31.12.2015			31.12.2014	
	EUR	EUR	EUR	KEUR	KEUR
A. Non-current assets					
I. Intangible assets					
1. IT software and licences	427,834.77			455	
2. Payments in Advance	276,909.45			0	
		704,744.22			455
II. Property, plant and equipment					
1. Land and building	17,977,415.51			18,677	
2. Plant and machinery	3,350,055.58			2,564	
3. Other assets, plant and office equipment	1,924,978.30			2,008	
4. Payments in advance and assets under construction	1,911,536.83			1,910	
		25,163,986.22			25,159
		25,868,730.44			25,614
B. Current assets					
I. Inventories					
1. Raw materials and supplies	18,349,187.11			10,763	
2. Work in progress	2,131,385.86			4,727	
3. Advance payments	116,712.40			0	
		20,597,285.37			15,490
II. Receivables and other assets					
1. Trade receivables	5,846,751.11			2,067	
2. Other current assets	920,747.89			1,182	
		6,767,499.00			3,249
III. Securities					
Other securities		0.00			106
IV. Cash in hand and at bank		888,340.34			3,138
		28,253,124.71			21,983
C. Prepayments and accrued income		227,540.38			280
D. Deferred Tax assets		362,000.00			87
		54,711,395.53			47,964

EQUITY AND LIABILITIES	31.12.2015			31.12.2014	
	EUR	EUR	EUR	KEUR	KEUR
A. Equity					
I. Share capital		5,115,000.00			5,115
II. Revenue reserves					
1. Statutory reserve	511,500.00			512	
2. Other reserve	1,310,000.00			1,310	
		1,821,500.00			1,822
III. Retained earnings		20,685,574.62			17,287
		27,622,074.62			24,224
B. Provision					
1. Provisions for taxation		472,000.00		0	
2. Other provisions		3,350,723.59		1,752	
		3,822,723.59			1,752
C. Liabilities					
1. Amounts due to bank		17,326,662.74		14,739	
2. Payments received on account of orders		0.00		2,628	
3. Trade payables		4,927,528.89		3,707	
4. Other liabilities thereof taxes EUR 668.216,50 (2013: KEUR 752)		1,012,405.69		905	
		23,266,597.32			21,979
D. Prepayments and accrued income		0.00			9
		54,711,395.53			47,964

Income statement for the year ended 31 December 2015

	EUR	2015 EUR	2014 KEUR
1. Sales revenues	83,576,048.01		64,092
2. Increase (+) / decrease (-) in inventories of finished goods and work in progress	-2,596,041.24		2,003
3. Other operating income thereof income from foreign currency translation EUR 159.305,73 (2014: KEUR 42)	2,571,528.17		827
		83,551,534.94	66,922
4. Raw materials			
a) Expenses for raw materials and supplies	22,366,175.29		18,925
b) Expenses for external services	12,877,505.73		10,784
5. Staff costs			
a) Wages and salaries	20,828,732.39		17,951
b) Social security and pension contributions thereof pension contributions EUR 16.672,75 (2014: KEUR 20)	3,155,886.11		2,860
6. Depreciation and amortisation of tangible and intangible non-current assets	3,010,131.06		2,368
7. Other operating expenses thereof expenses from foreign currency translation EUR 303.232,22 (2014: KEUR 92)	16,222,026.23		12,679
		78,460,456.81	65,567
8. Other interest and similar income	8,516.86		3
9. Interest and similar expenses	365,186.08		394
		-356,669.22	-391
10. Profit from ordinary activities		4,734,408.91	964
11. Income tax expense thereof income from the change in deferred taxes of EUR 275.000,00 (2014: KEUR 2)	1,288,926.68		253
12. Other taxes	47,041.25		42
		1,335,967.93	295
13. Profit for year		3,398,440.98	669
14. Profit brought forward from previous year		17,287,133.64	16,618
15. Retained earnings		20,685,574.62	17,287

Cash flow statement 2015

	2015 EUR	2014 EUR
Net profit for the year (consolidated net income / -loss, including minority interests)	3,398,440.98	669,030.78
+/- Depreciation / appreciation of non-current assets	3,010,131.06	2,367,747.78
+/- Increase / decrease in provisions	1,598,842.12	-1,374,362.84
+/- Other non-cash items	-1,411,957.39	-36,370.55
-/+ Increase / decrease in inventories, trade receivables and other assets and other assets that are not attributable to investing or financing activities	-8,573,548.92	2,344,790.60
+/- Increase / decrease in trade payables and other liabilities that are not attributable to investment or financing activities	-1,309,440.79	1,437,176.17
-/+ Gains / loss on disposal of non-current assets	-301,769.50	-57,193.26
+/- Interest expenses / interest income	365,186.08	394,221.73
+/- Income tax expense / income	1,288,926.68	253,478.63
-/+ Income tax payments	-1,091,926.68	-514,478.63
= Cash flow from operating activities	-3,027,116.36	5,484,040.41
- Investments in intangible assets	-487,432.52	-420,347.20
+ Receipts from disposals of property, plant and equipment	425,000.00	57,193.26
- Investments in property, plant and equipment	-1,488,908.25	-4,070,010.39
= Cash flow from investing activities	-1,551,340.77	-4,433,164.33
+ Proceeds from the issuance of bonds and bank borrowings	0.00	8,238,750.00
- Payments for the repayment of bonds and loans	-2,107,500.00	-3,700,000.00
- Interest paid	-365,186.08	-394,221.73
- Dividends paid to shareholders of the parent company	0.00	-3,324,750.00
= Cash flow from financing activities	-2,472,686.08	819,778.27
Changes and cash and cash equivalents	-7,051,143.21	1,870,654.35
+ Cash and cash equivalents at beginning of year	3,244,070.81	1,373,416.46
= Cash and cash equivalents at end of year	-3,807,072.40	3,244,070.81
Composition of cash and cash equivalents		
+ Liquid assets	888,340.34	3,138,253.31
+ Securities	0.00	105,817.50
- as current liabilities recorded to banks	-4,695,412.74	0.00
= Cash and cash equivalents at end of year	-3,807,072.40	3,244,070.81

Non-current assets movement statement for the year ended 31 December 2015

	Acquisition and construction costs			
	1.1.2015 EUR	Additions EUR	Transfers EUR	Disposals EUR
I. Intangible assets				
1. IT software and licences	3,531,013.72	210,523.07	0.00	0.00
2. Payments in advance	0.00	276,909.45	0.00	0.00
	3,531,013.72	487,432.52	0.00	0.00
II. Property, plant and equipment				
1. Land and buildings	30,474,781.61	230,242.32	0.00	0.00
2. Plant and Machinery	11,205,978.17	1,650,040.94	0.00	0.00
3. Other assets, plant and office equipment	12,484,598.85	1,018,669.18	0.00	725,495.94
4. Payments in advance and assets under construction	1,909,623.63	1,913.20	0.00	0.00
	56,074,982.26	2,900,865.64	0.00	725,495.94
	59,605,995.98	3,388,298.16	0.00	725,495.94

	Accumulates depreciation and amortisation				Carrying values		
	31.12.2015 EUR	1.1.2015 EUR	Additions EUR	Disposals EUR	31.12.2015 EUR	31.12.2015 EUR	31.12.2014 KEUR
	3,741,536.79	3,076,073.15	237,628.87	0.00	3,313,702.02	427,834.77	455
	276,909.45	0.00	0.00	0.00	0.00	276,909.45	0
	4,018,446.24	3,076,073.15	237,628.87	0.00	3,313,702.02	704,744.22	455
	30,705,023.93	11,798,059.89	929,548.53	0.00	12,727,608.42	17,977,415.51	18,677
	12,856,019.11	8,641,569.58	864,393.95	0.00	9,505,963.53	3,350,055.58	2,564
	12,777,772.09	10,476,499.52	978,559.71	602,265.44	10,852,793.79	1,924,978.30	2,008
	1,911,536.83	0.00	0.00	0.00	0.00	1,911,536.83	1,910
	58,250,351.96	30,916,128.99	2,772,502.19	602,265.44	33,086,365.74	25,163,986.22	25,159
	62,268,798.20	33,992,202.14	3,010,131.06	602,265.44	36,400,067.76	25,868,730.44	25,614

NOTES 2015

General comments

This annual financial statement was prepared according to the provisions of Articles 242 et seq. and Articles 264 et seq. of the German Commercial Code (HGB) and the relevant provisions of the German Companies Act (AktG). The regulations for large joint stock companies apply.

The profit and loss account is prepared according to the total costs method.

Accounting and valuation principles

In the preparation of the annual financial statement, the following accounting and valuation principles continued essentially to be definitive.

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.

Tangible fixed assets are recorded at cost of acquisition / manufacturing costs and, if where appropriate are amortised over their expected useful lives on a straight-line basis.

Low-value assets up to a value of EUR 1,000.00 are, in deviation from the tax regulations, depreciated immediately and recorded as disposals in the year of acquisition. Depreciations on acquisitions in tangible fixed assets are undertaken on a pro rata temporis basis.

Inventories of **raw materials and consumables** are recognized 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 detectable risks in the **inventory assets** resulting from slow-moving stocks, reduced usability and lower replacement costs are taken into account by appropriate write-downs.

Apart from the standard commercial retentions of title, the stocks are free from any rights of third parties.

Receivables and other assets are shown at the nominal value. For risks attaching to individual items, specific provisions are made; general credit risk is the subject of general provisions.

Other securities and liquid funds are shown at their acquisition costs or their lower applicable value.

Other provisions take account of all uncertain liabilities and possible losses from pending transactions. They are shown in the sum of the settlement value necessary on the basis of reasonable commercial judgment taking into consideration any expected future deviations in prices and costs. Major long-term provisions are discounted with the average market interest rate of the last seven years corresponding to their remaining term according to Art. 253 Para.2 sentence 1 HGB.

Liabilities are recognized with their settlement value.

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 carry forwards. 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. Use is made of the option under Art. 274 Para. 1 sentence 2 HGB and the resultant tax relief is shown as a deferred tax asset.

Foreign currency assets and liabilities are converted using the average spot exchange rate on the day of the transaction. Assets and liabilities with a remaining term of one year or less are basically shown at the average spot exchange rate on the balance sheet date. Assets and liabilities with a remaining term of more than one year are shown at the average spot exchange rate on the balance sheet date, taking into account the realization and imparity principle.

If **hedge accounting** according to Art. 254 HGB is applied, the following accounting and valuation principles are applicable:

Derivative financial instruments are used within HWA AG solely for hedging purposes. Economic hedging relationships are executed for accounting purposes by the creation of valuation units. The countervailing positive and negative value changes are shown gross in the profit and loss account.

Notes on the balance sheet

Non-current assets

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

Receivables and other assets

Of other assets, a total of KEUR 55 have a remaining term of more than one year.

Deferred taxes

The deferred tax assets are the result of the following situation:

	Valuation Financial statement	Valuation Tax base	Difference	Effective in come tax rate	Deferred taxes
	KEUR	KEUR	KEUR	percent	KEUR
Non-current assets (low-value assets)	0	333	333	29	96
Other provisions	1,108	191	917	29	266
					362

Authorised share capital

The share capital is divided into 5,115,000 bearer shares, each participating at EUR 1.00 in the share capital.

The Executive Board is authorized, with the agreement of the Supervisory Board, to increase the company's share capital once or several times until 4 June 2018 by up to a total of EUR 2,557,500.00 (authorized capital) in return for a cash or non-cash contribution.

Provisions

Other Provisions have been created essentially for onerous contracts, holiday entitlements, an-niversary payments, employee awards and bonuses.

Liabilities

Of the Liabilities to banking institutions, KEUR 6,990 (prev. yr. KEUR 2,108) have a remaining term of up to one year and KEUR 2,606 (prev. yr. KEUR 3,601) have a remaining term of more than 5 years. KEUR 13,520 are secured by liens on property.

The down-payments received, trade payables and other liabilities have a remaining term of up to a year, as in the previous year.

Securities exist for the liabilities to the normal extent as is normal in the industry or as required under the law.

Other financial obligations

	KEUR
Payment obligations from service, rental and leasing agreements	9,937
Purchase commitment	6,355

The contracts end between 2016 and 2024.

For financing of replacement investments in the areas of technical plant and machinery, (sale & lease-back) leasing contracts were concluded in 2015 of a total volume of EUR 4.1 million. The contracts are connected with outflows of funds in the amount of EUR 4.3 million indicated under the payment obligations from service, rental and leasing agreements. On the other hand, the company is entitled to the utilization of assets over the term.

Derivative financial instruments

To hedge the interest on a variable interest loan in a total amount of EUR 2.8 million, an interest swap has been concluded:

	Basic rate	Fixed rate	Reference value	Term	Market value
		percent	KEUR		KEUR
Swap	3-Month EURIBOR	3.57	2,800	30/9/2019	-229

A valuation unit was created with the loan to be secured, since this is a pure hedging transaction.

To hedge against currency risks for procurement transactions in pounds sterling, there was a foreign exchange transaction as of 31 December 2015. A valuation unit was created with the contracted procurement transactions since this is a pure hedging transaction.

	Hedged exchange rate	Reference value	Term	Market value
	EUR/GBP	GBP		KEUR
Foreign exchange transaction	0.7390	920,000	29/04/2016	1

Valuation of the derivative financial instruments is effected according to normal banking procedures.

Restriction on distributions

As a result of the recognition of deferred tax assets, there is, according to Art. 268 Para. 8 HGB, a restriction on distributions of KEUR 362.

Notes to the income statement

	2015		2014	
	KEUR	percent	KEUR	percent
Sales revenue by regions				
Domestic	70,811	84.73	54,666	85.3
Foreign	12,765	15.27	9,426	14.7
	83,576	100.0	64,092	100.0

Other operating income

Income relating to prior years is essential due to the capitalization of products for motor racing (KEUR 1,411), as well as the reversal of provisions (KEUR 72) plus accounting profits from dis-posals of assets (KEUR 302).

Other information

Supervisory Board

- Hans Werner Aufrecht, businessman Chairman
- Willibald Dörflinger, entrepreneur Deputy chairman
- Gert-Jan Bruggink, professional sportsman (riding)
- Rolf Krissler, accountant
- Michael Schmieder, businessman
- Hussain Ahmad Al-Siddiq, deputy chief executive officer

Remuneration of the Supervisory Board according to Art. 113 AktG was KEUR 22.

Executive Board

- Ulrich Fritz Chairman of the Board

The obligation to disclose the total remuneration for the Executive Board according to Art. 285 no. 9 letter a and b HGB was waived according to Art. 286 Para. 4 HGB.

Employees

Average number of persons employed during the financial year:

Non-salaried staff	148
Salaried staff	145
	293
Trainees	2
	295

Auditor's fee

	KEUR
Auditing services	30.0
Other auditing services	12.8
	42.8

Recommended distribution of profits

In agreement with the Supervisory Board, the Executive Board proposed a distribution of EUR 0.33 per share and that the remaining net profits should be carried forward.

Affalterbach, 3 March 2016

The Executive Board

AUDIT OPINION

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of HWA AG, Affalterbach, for the fiscal year from January 1, to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We have conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to the future development.

Karlsruhe, March 4, 2016

TREUHAND SÜDWEST GMBH
Wirtschaftsprüfungsgesellschaft
und Steuerberatungsgesellschaft

Dr. Heilgeist
Wirtschaftsprüfer

Retzbach
Wirtschaftsprüfer