



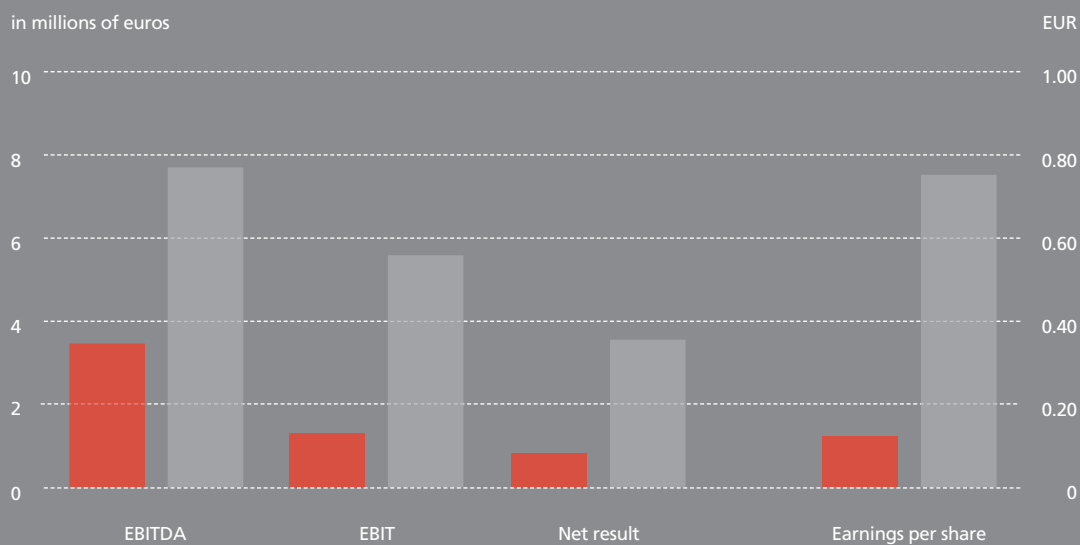
REPORT **14**

Motor racing | Vehicles and components
Annual Report 2014

KEY FIGURES

in millions of euros	2014	2013	2012	2011	2010	2009	2008	2007
Sales income	64.1	56.0	63.5	63.8	44.9	64.8	64.8	60.9
EBITDA	3.7	7.9	7.7	8.1	6.4	2.6	3.1	12.0
EBITDA margin (in %)	5.8	14.1	12.2	12.7	14.3	4.0	4.8	19.7
EBIT	1.4	5.7	5.6	5.9	4.1	-0.2	0.2	9.1
EBIT margin (in %)	2.2	10.0	8.8	9.3	9.0	-0.3	0.3	15.0
Net result	0.7	3.9	3.7	4.1	2.5	-1.4	-0.4	5.6
Earnings per share (in euro)	0.13	0.75	0.73	0.79	0.49	-0.27	-0.08	1.10

AT A GLANCE 2014 | 2013



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LETTER TO THE SHAREHOLDERS



Dear shareholders,

The most important news first: in 2015, the Management Board is expecting revenue to grow and earnings to improve. In financial 2014 HWA AG's series of commercially successful and profitable years was unfortunately interrupted. However, the objective for 2014 was to increase revenues, and in this we were successful. This time last year I predicted another year of respectable earnings, but this we were not able to achieve – both EBIT and net profit were significantly lower than in 2013.

Already in August 2014 we reported to you that we would miss our earnings targets for the year as a whole. The reasons for the decline were the developments in the motor racing business. The 2014 season in the German Touring Car Master (DTM) was a sporting disappointment for us. The weak results in first race of the season at Hockenheim meant that our sporting performance and ability to remain competitive had to be substantially improved. This involved major, unbudgeted additional expenses. We have put the opportunities for further development in the DTM to the best practical use, but the additional work and expenses had a negative effect on both EBIT and net profit for 2014. Our other business, vehicles and vehicle components performed as expected very satisfactorily.

In financial 2014 HWA AG's revenues grew from EUR 56.0m to EUR 64.1m, an increase of more than 14%. The growth was largely attributable to the motor racing business. However the profit before interest and taxes, EBIT, dropped from EUR 5.7m to EUR 1.4m, giving an EBIT margin of only 2.2%. The margin is of course still positive, but in no way satisfies our expectations. Net profit fell from EUR 3.9m to EUR 0.7m, and earnings per share dropped from EUR 0.75 to EUR 0.13. We are not happy with these results. It should however be noted that cash flow from operating activities was satisfactory, climbing from EUR 0.7m to EUR 5.1m.

These results mean that – provided the Annual General Meeting agrees – HWA AG will exceptionally not pay a dividend for financial 2014. Our dividend policy remains in principle unchanged: to pay out a minimum of 50% of annual earnings to you, our shareholders. In the preceding years HWA AG has consistently distributed higher dividends – 2014 is an exception, and for financial 2015 we are planning to resume dividend payment.

The performance of the vehicles and vehicle components business was very satisfactory and in line with expectations. Demand for the customer race car SLS AMG GT3, which is now in its fifth year, is as expected down in comparison with 2013. With the SLS AMG GT3 and the CLA 45 AMG Racing Series, HWA AG's customer sports business has become more broadly based. Since AMG entered the customer sports segment towards the end of 2010, the SLS AMG GT3 has won a total of over 190 races. To date, over 100 race cars have been sold all around the world. The next project, the Mercedes-AMG GT3, was given the go-ahead in 2014 and will further increase our diversification. Like the SLS AMG GT3 and CLA 45 AMG Racing Series, the Mercedes-AMG GT3 is being developed and produced by HWA AG for Mercedes-AMG GmbH.

The motor racing business is dominated by the DTM series. Following several years of restrictions, at the end of the 2013 season the ban on race car development was lifted. Under the current DTM regulations the manufacturers are once again free to carry out extensive development work on their cars. In the 2014 season Mercedes-Benz raced seven rather than six cars in the DTM, which accounted for the higher revenues. The leasing and sale of Formula 3 engines remains stable and continues to perform very satisfactorily.

Overall, HWA AG's balance sheet again presents a healthy picture. The equity ratio is above 50%. At the end of 2014 our cash and cash equivalents had improved from EUR 1.4m to EUR 3.2m, mainly as a result of our significantly positive operating cash flow. Overall, our free cash flow in 2014 was again slightly positive.

Our foundations are rock solid, and provide the basis for our successful development in 2015. Our aim is to turn in a significantly better sporting and financial performance than last year. For the motor racing business, it is obviously still too early for me to predict exactly what the year will bring. We are concentrating on the reorganisation of the DTM project – as a result of the additional expenses in 2014, we should be competitive once more, but it is still an open question whether additional investments will be necessary.

Leasing and sales of Formula 3 engines could improve slightly. In the Formula 3 series we are currently enjoying sporting successes. The outlook for the vehicles and vehicle components business is very encouraging, with the new Mercedes-AMG GT3 offering promising

opportunities. Sales will begin this year, which will boost revenues and earnings. Additional opportunities will come from development projects for a variety of customers on which we are already busily engaged.

HWA AG is correctly positioned and heading in the right direction. We are facing an exciting future – a future that we want to help to create. We have the right staff for the job, people who put their heart and soul into their work but also use intelligence, team spirit and open-mindedness to make the right decisions and put them into practice.

We hope you will continue to follow HWA AG's extremely exciting progress and look favourably on its achievements. With high levels of commitment, experience and enthusiasm – day by day, month by month, year in year out – we are aiming to have more success stories to present. We are very well prepared!

Finally, my heartfelt thanks to our customers and partners, our shareholders, the Supervisory Board, and everyone who has contributed to HWA AG's success – and most particularly to our staff.

Affalterbach, May 2015

A stylized, handwritten signature in black ink, appearing to read 'Ulrich Fritz'.

Ulrich Fritz
CEO

REPORT OF THE SUPERVISORY BOARD



Hans Werner Aufrecht
Chairman of the Supervisory Board

Dear shareholders,

In 2014 the Supervisory Board discharged its duties under the law and the Company's articles of incorporation with all due care. During the past year we advised the Management Board on the management of the Company's affairs on an ongoing basis, and kept the Company's management and 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 Management Board reported to the Supervisory Board in writing and orally on a regular basis and in a comprehensive and timely fashion. These reports included information on the Company's business performance, significant business events, earnings and liquidity, and the risk situation and risk management. Cooperation between the Boards was marked by detailed and open dialogue. In addition, 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.

Meetings of the Supervisory Board

During financial 2014 the Supervisory Board met four times in the performance of its duties. In these meetings the current state of the Company's affairs were discussed with the Management Board and explained in detail. The Supervisory Board's meetings were all held at the Company's head quarters in Affalterbach. The meetings took place on 12 March, 18 June, 17 September and 17 December 2014. The Supervisory Board's financial statements meeting also took place on 12 March. 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 two meetings, at each of which for good reasons one member was unable to be present. In addition, on 7 May 2014 a circular resolution approved the replacement of the Management Board member. 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 and budget and investments for 2014
- Sporting developments in the DTM together with extensive discussions of the need for additional investments in this area
- Quality managements in the various projects
- Increasing the number of staff
- The progress of the various vehicles and vehicles components projects, and in particular the production of the SLS AMG GT3 and the CLA 45 AMG Racing Series
- The development of the Formula 3 and GT series
- The replacement of the Management Board member and other staff planning in management
- The Company's future strategy
- Future development and the budget for 2015, following a weak performance in 2014

Changes in Management and Supervisory Boards

On 7 May 2014 the Supervisory Board decided with immediate effect to dispense with the services of Management Board member Gerhard Unger. His duties were taken over by Management Board member Ulrich Fritz, who is the sole member of the Management Board.

Under the Company's articles of incorporation the Supervisory Board consists of six members. As at 31 December 2014, 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 (from 18 June 2014)

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

Annual financial statements and audit

By resolution of the Annual General Meeting of 18 June 2014, 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 for the financial year ended 31 December 2014, 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 25 March 2015. The annual financial statements were thereby formally adopted. After extensive discussions, the Supervisory Board approved the Management Board's proposal with respect to the distribution of profits: for financial 2014, no dividend should be paid, and the retained profit should be carried forward into the new year.

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

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

Hans Werner Aufrecht
Chairman of the Supervisory Board

Affalterbach, April 2015

HWA AG – THE STOCK

For the stock market, 2014 was a year of considerable volatility and only modest overall growth. The German stock index DAX started the trading year at 9,598 points, and broke through the 10,000-point barrier on 9 June 2014. It closed the year at 9552 points for a small year-on-year gain of 2.6%. The MDAX gained 2.5% during the year and the SDAX climbed 5.2%. The TECDAX put in the best performance, with an overall improvement of 17.6%. The Entry All Share Index, in which HWA AG's shares are included, declined by 2.7% in 2014.

In the second half of the year geopolitical tensions such as the crisis in Ukraine, economic fears and the collapse of oil prices had a generally depressing effect on stock market sentiment.

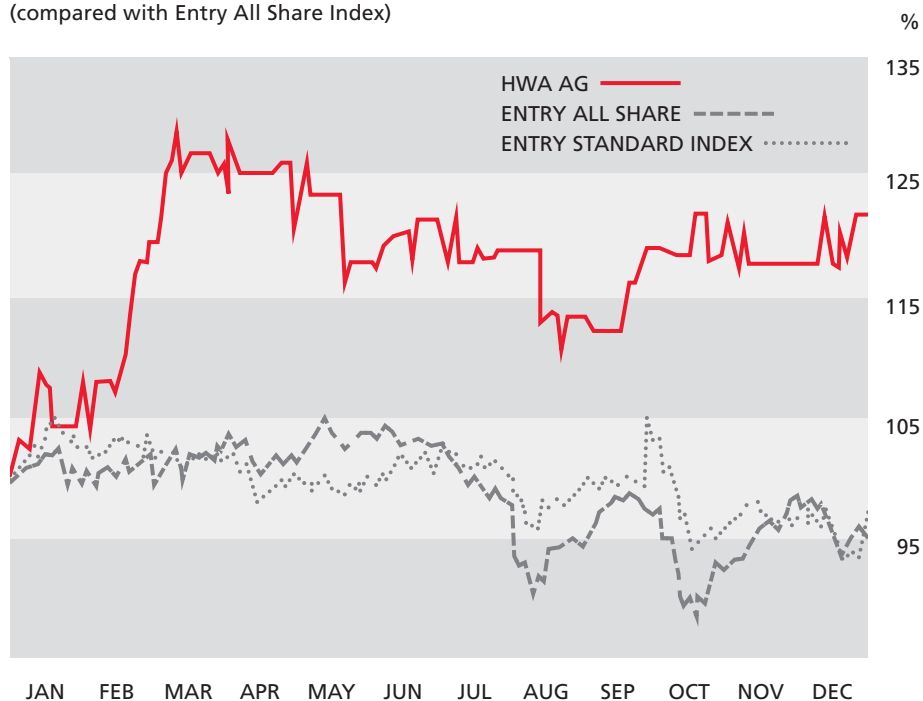
HWA AG stock outperformed the Entry All Share Index and all the other indexes in 2014, with its price climbing 21.7% over the course of the year. The shares started at EUR 13.60 on 2 January 2014, which was their lowest price during the year. The highest price during the year was EUR 17.49 on 11 March 2014, and the closing price at the end of the year was EUR 16.55.

The average trading volume (XETRA and floor trading, Frankfurt Stock Exchange) in 2014 was 584 shares a day (2013: 443 shares a day). The positive performance of the share price in 2014 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 85m compared with EUR 70m at the end of 2013.

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 2014 – Xetra
(compared with Entry All Share Index)



Investor relations / press

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

One of the most important events in last year's corporate calendar was the seventh Annual General Meeting of HWA AG, which was held on 18 June 2014 in Affalterbach. The AGM is also an important forum for maintaining personal contact with our shareholders.

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

Annual General Meeting 2014

The seventh Annual General Meeting of HWA AG since the initial stock market listing in 2007 took place on 18 June 2014. Around 60 shareholders met in the equestrian facility in Rotland in Affalterbach. Of the Company's total share capital of EUR 5,115,000 – split into 5.115 million shares – over 4.8 million shares or more than 94% of the share capital were represented. We are very pleased with the interest shown by shareholders, especially the smaller ones.

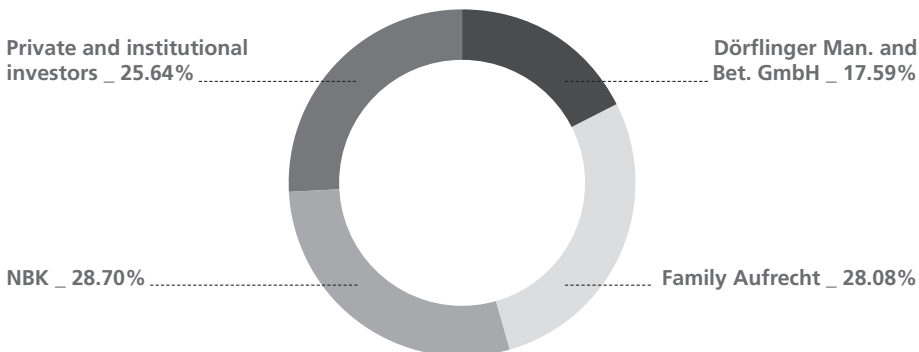
With the exception of one agenda item, the resolutions proposed by the Management were all passed unanimously, i.e., with 100% of the votes. There were dissenting votes only on the resolution on the election of the Supervisory Board, although this passed with a 99.9% majority.

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 Supervisory Board (item 4), appointment of Treuhand Südwest GmbH Wirtschaftsprüfungsgesellschaft, Karlsruhe, as statutory auditor for the financial year 2014 (item 5). The resolution under agenda item 6 appointed a new member to the Supervisory Board: Hussain Ahmad Al-Siddiq. He is Deputy CEO of NBK Holding, from Doha, Qatar, and represents HWA AG's largest shareholder.

Financial calendar 2015

22 April 2015	Publication of results for the financial year 2014
17 June 2015	Annual General Meeting of HWA AG in Affalterbach
28 September 2015	Publication of half-yearly report 2015

Shareholdings



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

The holdings of shareholders in HWA AG remained largely unchanged in 2014. The Company's founder Hans Werner Aufrecht, MarchSixteen Finance Services, represented by Christian Wolff, Dörflinger Privatstiftung, represented by Willibald Dörflinger, and Nasser Bin Khaled (NBK) Holding together hold more than 80% of HWA AG's share capital.

Dividend

Looking forward to the Annual General Meeting on 17 June 2015, on the basis of the decline in earnings for 2014 the Management and Supervisory Boards resolved not to distribute a dividend for that year. Instead, the whole of the retained earnings as at the end of financial 2014 – amounting to EUR 17,287,133.64 – will be carried forward into 2015. HWA AG's dividend policy remains in principle unchanged: to pay out a minimum of 50% of annual earnings to its shareholders. For financial 2015, the Management Board plans to resume payment of dividends.

HWA AG

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

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

HWA AG's principal business is the development and production of high technology for racing and passenger cars. The business is divided into two areas. The Company is a complete service provider to the motor racing business, and it is a development partner for vehicles and vehicle components for the premium segment of the automobile market. Since 2002 HWA AG has been producing and servicing racing engines for Formula 3 cars. The racing version of the Mercedes-Benz SLS AMG was also developed and produced by Mercedes-AMG, in close cooperation with HWA AG. Since AMG entered the customer sports segment towards the end of 2010, the SLS AMG GT3 has won a total of over 190 races. To date, 100 cars have been delivered to customers all over the world.

Motor racing

In motor racing the primary focus is on participation in the German Touring Car Championship (DTM). HWA AG runs the official racing team for Daimler AG Motorsport as Mercedes-AMG DTM Team. 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 the vehicles.

In 2014 there were ten competition races in four countries. For Team AMG-Mercedes, the results of the 2014 DTM season were very modest: overall, the sporting goals were not achieved. Christian Vietoris won the race in Oschersleben. Robert Wickens was the victor on the Norisring and the best placed Mercedes-Benz driver. The Lausitzring race brought a double victory: Pascal Wehrlein came in first, making him the youngest winner in the history of the DTM. Christian Vietoris took the second place. Nevertheless, the season as a whole was dis-

appointing: at many of the race meetings the team was unable to compete effectively, with the result that quite early on HWA AG was focusing on the 2015 season and the efforts needed to continue the development of the cars and the restructuring of the team.

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

Outlook – motor racing

Im For 2015, the Company expects revenues from the motor racing business to be slightly higher than in 2014. Mercedes Benz is starting the 2015 season with eight Mercedes-AMG C 63 DTMs, compared with seven in the previous year.

The race cars will be driven by former DTM champions Gary Paffett and Paul Di Resta, together with last year's Mercedes-Benz DTM drivers Daniel Juncadella, Christian Vietoris, Pascal Wehrlein and Robert Wickens. The newcomers are Lucas Auer, who has already chalked up successes in the FIA Formula 3 European Championship, and Maximilian Götz, who has competed very successfully in a SLS AMG GT3 in the AMG Customer Sports Program and has now switched to DTM.

In the new DTM in 2015, there will be two races per racing weekend, one on Saturday and one on Sunday. The new look DTM gives the spectators twice as many races to watch, together with qualifying sessions on both days whose compact format promises to make them a gripping twenty-minute experience. The races on the two days are of different

Race calendar 2015

03.	May	2015	(D)	Hockenheimring Baden-Württemberg
31.	May	2015	(D)	Lausitzring
28.	June	2015	(D)	Norisring
12.	July	2015	(NL)	Zandvoort
02.	August	2015	(A)	Spielberg
30.	August	2015	(RU)	Moscow Raceway
13.	September	2015	(D)	Oschersleben
27.	September	2015	(D)	Nürburgring
18.	October	2015	(D)	Hockenheimring Baden-Württemberg

length, with a different number of pit stops. The race on Saturday lasts 40 minutes plus a complete final lap, and no tyre changes are allowed. The drivers must drive the whole race with just one set of tyres, which presents a special challenge. The Sunday race runs for 60 minutes plus a complete final lap, and the drivers must make one pit stop for a change of tyres.

The 2015 DTM season includes nine competition races: as is traditional, the first and the last races are at Hockenheim in Baden-Württemberg. Six races are run in Germany and three races take place elsewhere – one each in the Netherlands, Russia and Austria.

In the vehicles and vehicles components business, HWA AG has earned itself an outstanding reputation for the development and production of racing engines. The first Mercedes-Benz Formula 3 engine (M271) was developed on the basis of the C-class and E-Class production engine. It was used for the first time in 2002, at the start of the Formula 3 Championship in Hockenheim. Between 2003 and 2012 drivers with Mercedes-Benz engines won seven out of nine drivers' titles in the Formula 3 Euro Series. In the FIA European Formula 3 Championship, which was launched in 2013, drivers and teams using Mercedes engines have so far won all the titles. The Mercedes-Benz F3 414 engine takes advantage of the new regulations introduced for the 2014 season, which no longer require the use of a production series engine as basis. The F3 414 is a pure racing engine, with four cylinders, maximum displacement of two litres and fuel injection. The engine developed by HWA AG for Mercedes Benz now delivers more than 200 horsepower. After winning the FIA European Formula Three Championship with Esteban Ocon and the Prema Powerteam, Mercedes-Benz was also victorious in the prestigious Formula 3 Macau Grand Prix, with Felix Rosenquist driving for Mücke Motorsport.

Vehicles and vehicle components

In its vehicles and vehicle components business HWA AG applies its specialist racing skills and expertise to provide contract development services for customers in the automobile industry. The Company is a much-sought-after development partner, especially in the premium segment of the industry. With the CLK-GTR, CLK DTM AMG and Mercedes SL 65 AMG Black Series, HWA AG has a substantial record of successful development activities. In close cooperation with our partner Mercedes-AMG GmbH, since 2011 we have been delivering the GT3 version of the Mercedes-Benz SLS AMG. Since AMG entered the customer sport segment towards the end of 2010, the SLS AMG GT3 has won a total of over 190 races. To date, over 100 race cars have been sold all around the world.

In parallel to this successful project, HWA AG has successfully concluded a further project, the CLA 45 AMG Racing Series. For 2015 there is a successor project: the Mercedes-AMG GT3, like the SLS AMG GT3 and CLA 45 AMG Racing Series, is being developed and produced by HWA AG for Mercedes-AMG GmbH. HWA AG is also responsible for the complete after-sales service in the Customer Sport Program. With the Mercedes AMG GT3, the Company is establishing an even broader base in the customer sport segment.

The AMG customer sport team celebrated numerous successes in the 2014 motor sport season, with a total of 56 wins. There were also eight title victories in masters racing series around the world, on top of which the team won two long-distance races with the SLS AMG GT3.

Outlook – vehicles and vehicle components

Revenues in vehicles and vehicle components are expected to be higher in 2015 than in the previous year. The SLS AMG GT3 will not generate as much revenue as in earlier years, because the project is in a late phase of its life cycle and production of the vehicle will be stopped in May 2015 in preparation for production of its successor. The Mercedes-AMG GT3 project will however have a positive effect on turnover, while after-sales business for the SLS AMG GT3 will continue to contribute to revenues.

It is HWA AG's objective to win additional development and production contracts for a variety of customers, so as to further diversify its activities and customer portfolio.











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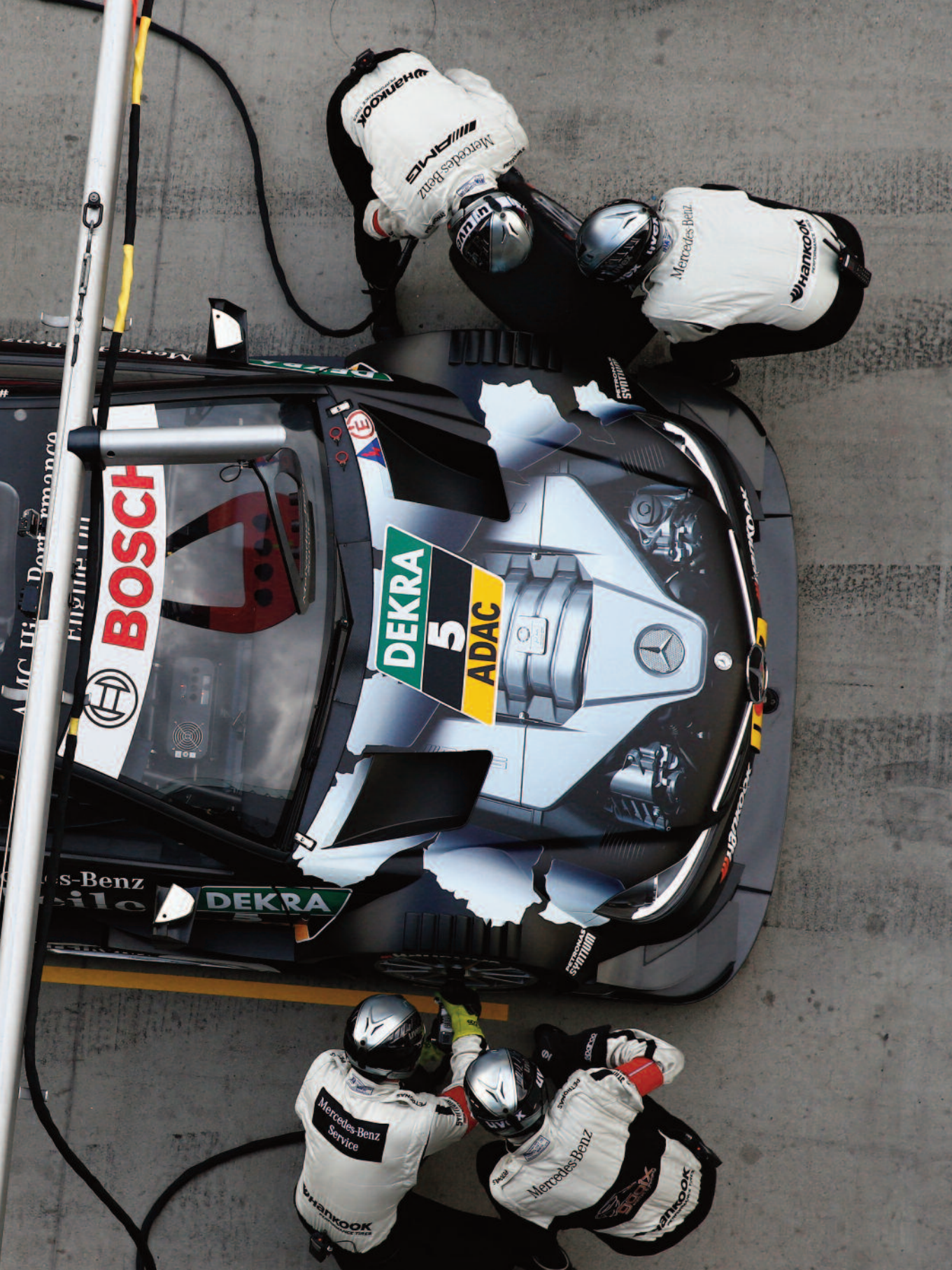
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MANAGEMENT REPORT

1. Legal and business background of the company in 2014

The present "HWA AG" was founded as a "GmbH" (company with limited liability) at the end of 1998. The company became an "AG" (joint stock corporation) on 4 December 2006. The shares have been traded on the Frankfurt securities exchange since 19 April 2007 in the Entry Standard, which comes under the Open Market stock exchange segment.

In the two areas of business in which HWA AG operates, Motor Racing and Vehicles/Vehicle Components, high-performance technological products are developed, constructed and produced. The business area of Vehicles/Vehicle Components has been steadily further developed since its foundation in 1998.

The main focus of activity of the Motor Racing division is participation in the Deutsche Tourenwagen Masters (DTM) motor racing series. HWA AG appears under the name of "Team AMG-Mercedes" and undertakes the complete development, construction, assembly and deployment of the racing vehicles on behalf of Daimler AG. The wide range of services offered also includes recruiting and looking after the racing drivers and supporting customer teams which take part in the DTM with racing vehicles built by HWA AG. Alongside the development and production of racing vehicle components, services also include the development and production of (racing) engines.

The focus of the second business area, Vehicles/Vehicle Components, is on the provision of development and production services for the automobile industry. As a highly specialized service provider, HWA AG fulfils development and production orders for various customers using its expertise in the field of motor sports.

2. Economic environment

Last year, the world economy recorded growth of approx. 3.3 percent. Growth impulses came in particular from what are known as the emerging markets, at 4.4 percent, and in particular from the Asia region (+6.5 percent). The developed economies of the Western world only grew at a moderate rate in 2014 (+1.8 percent). Particular mention should be made here of the UK, the USA, Canada and Germany, with growth rates of between 1.5 percent and 2.8 percent. The economies of the rest of the developed world recorded zero growth or negative growth. The prospects for 2015, however, are good, according to the International Monetary Fund. It is predicted that the global economy will grow in 2015 by 3.5 percent. This forecast is based especially on an expected higher economic growth rate for the USA, with the reasons for the positive development including the low price of oil. The risks to the world economy are seen as coming from uncertainties in the global financial markets, especially in the emerging markets, where the low oil price could lead to uncertainties in the oil-exporting industry. Economic stagnation and low inflation are the defining risks for the euro zone and Japan.

The restrained pace of economic development in Germany in the summer months picked up again towards the end of the year. After a growth rate of 0.4 percent in 2013 and low growth in the first half of 2014, the second half of the year was much better, so that economic growth for 2014 reached 1.6 percent. Contributing factors here included both domestic demand caused by the increase in purchasing power following the fall in energy costs and also the rise in exports again in the fourth quarter. The increase in exports related both to other EU states and to exports to non-EU states. According to the German Bundesbank, exports of motor vehicles and motor vehicle parts rose particularly from the autumn onwards. For the current, forecasts are slightly more subdued, especially against the background of the euro crisis and the smouldering conflict in the Ukraine. The Bundesbank is predicting a growth rate of 1.0 percent in 2015 and 1.6 percent in 2016.

In 2014, China and the USA continued to dominate the global automobile market. China increased its sales revenues from cars by 12.7 percent, whilst the USA was able to record growth of around 5.8 percent. In addition, the Western European car market, with just under 13.0 million new cars sold, increased by around 5.4 percent compared with the 2013 level.

In the past year, 3.04 million passenger cars were registered for the first time in Germany, which corresponds to a rise of 3.0 percent in comparison with the previous year. The new registrations level that was the target for the automobile industry has thus been exceeded. In December 2014, new registrations rose clearly by 7.0 percent in comparison with the same month last year. Experts are expecting 2015 to show a moderate growth in the global automobile market of around 2 percent. The German brands accounted for the majority of new registrations, at 72.1 percent, as in previous years.

3. Development of business and profit situation

In 2014, sales revenues totalled €64.1 million, which was well above the previous year's level of €56.0 million. Of this, €54.7 million (previous year: €45.2) came from Germany and €9.4 million (previous year: €10.9) from abroad. The increase in sales revenues came from the Motor Racing division.

The increase in stocks results mainly from the development project for the SLS AMG GT3 successor, the Mercedes-AMG GT3.

Other operating income fell by €1.4 million mainly due to an individual value adjustment dissolved in the previous year.

Material expenditure rose by 37.5 percent compared with the previous year, from €21.6 million to €29.7 million. This was mainly due to extensive further developments of the DTM vehicles because of the unrestricted open development period until 1 March 2014 or partly open development period until 25 September 2014 for Mercedes-Benz. Because of the higher material expenditure, its ratio as a proportion of overall performance rose from 37.4 to 44.9 percent.

As in previous years, a rise in personnel costs was recorded. These increased by 5.6 percent from €19.7 million to €20.8 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 expenditure is partly the result of higher expenses related to DTM and higher distribution and administration costs in 2014.

In 2014, the company posted an EBIT of €1.4 million, after an EBIT of €5.7 million in the previous year. The lower EBIT is the result of the fall in other operating income and the increase in other operating expenditure essentially due to the higher material expenditure which occurred because of the extensive development work on the DTM vehicles.

At HWA AG, EBIT (earnings before interest and taxes) is taken as the measure of operating results and performance. The EBIT is calculated as follows:

Profit and loss account

million euro (rounded off)	2014	2013
Sales revenues	64.1	56.0
Changes in stock	2.0	1.7
Other operating income	0.8	2.2
Overall performance	66.9	59.9
Material expenditure	29.7	21.6
Personnel expenditure	20.8	19.7
Depreciation	2.4	2.2
Other operating expenditure	12.7	10.7
EBIT	1.4	5.7

The financial result is minus €0.4 million, after €0.2 million in the previous year. This is essentially due to a positive special effect in the previous year.

Viewed overall, the surplus for the year is €0.7 million compared with €3.9 million in the previous year.

4. Asset and financial position

Fixed assets rose by 9.0 percent over the previous year, from €23.5 million to €25.6 million. This rise was essentially due to the acquisition of real estate in Affalterbach. Current assets on the other hand fell by 1.3 percent from €22.3 million to €22.0 million. Higher warehouse stocks and levels of liquid assets were more than offset by a fall in receivables.

In the past year, reserves decreased from €3.1 million to €1.8 million. This was partly due to increased tax reserves from the company audit in the previous year. Liabilities developed in the opposite direction, rising by €6.3 million. In the 2014 financial year, two further loans were taken out, whilst trade payables continued to fall.

The balance sheet total rose in comparison with the previous year from €46.1 million to €48.0 million. The proportion of fixed assets increased as a result of this from 50.9 to 53.4 percent. In contrast, the level of liquid assets fell as a proportion of the balance sheet total from 48.4 to 45.8 percent. Because of the higher balance sheet total, the equity ratio decreased in comparison with the previous year from 58.2 to 50.5 percent.

At the end of the 2014 financial year, HWA AG held cash and cash equivalents in the sum of €3.2 million as compared with €1.4 million in the previous year. This increase is primarily due to the clearly positive cashflow from operating activities, at €5.1 million (previous year: +€0.8 million). Contributory factors here were in particular depreciation, the positive annual result and clear reduction in trade receivables compared with the previous year. Cashflow from investing activities, at €4.4 million, is negative. Disbursements essentially cover payments for the acquisition of real estate and for technical plant and machinery. Taking into account the dividend payment, the taking out of further loans led to a positive cashflow from financing activities of €1.2 million.

5. Employees

In the 2014 financial year, the average number of employees was 277 (previous year: 247), including Executive Board members:

- 134 white-collar employees
- 141 industrial employees
- 2 trainees/interns

6. Opportunities and risks

Despite the positive growth forecasts, global risks are still ever-present, and these could once again put a brake on growth. The financial stability of certain countries in the European Community and the associated stability of the euro are suffering under the continuing government debt crisis. In the southern countries in particular, there is also a considerable danger of social unrest and associated crises. The development of the crisis in the Ukraine is still a burden on the international community. For the oil-exporting countries, oil prices that continue to be low could lead to considerable problems.

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

Daimler AG and its subsidiary company Mercedes-AMG are still the most important clients for HWA AG. After a solid 2014 financial year, Daimler AG is assuming that it will once again be able to increase Group EBIT in 2015. These are important parameters and a positive indication for future cooperation, and for the continuation of motor sports activities within Daimler AG, even if the consequent risks cannot be completely excluded. Notwithstanding this, the continuation of these involvements ultimately depends on the strategic direction taken by the company and the corresponding decisions on the part of Daimler AG. As a result of the long-standing, close partnership and the cultivation of existing contacts, the HWA AG management is integrated into decision-making processes at an early stage so that it can help to shape these or respond to them accordingly.

The largest individual project for HWA AG at the moment continues to be its involvement in the "Deutsche Tourenwagen Masters" (DTM) racing series. As a result of the fact that the BMW brand returned to the series three years ago, this platform has been clearly strengthened by the presence of the three German premium manufacturers: Audi, BMW and Mercedes-Benz and become much more attractive both for the media and for spectators and manufacturers, which is absolutely essential for the long-term continuation of the series. To make the DTM even more attractive, two races per weekend will be organized in the 2015 racing season instead of just one. The efforts at internationalization, which the "ITR" umbrella organization of the DTM has been pursuing through the cooperation agreement with the American "IMSA" and the Japanese "Super GT" with a view to achieving a joint technical platform for the various racing series is helping to further consolidate and increase the appeal of the DTM. The ending of the DTM racing series is also a risk, even if it has been greatly minimized today by the factors just mentioned, as is the potential withdrawal of any of the manufacturers. If this happens, only two manufacturers would once again be represented in the DTM, which could have a negative effect on sponsor and media interest 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, the risk of withdrawal cannot be completely excluded.

In the Vehicles/Vehicle Components business, competitors are increasingly bringing new products to the market in the GT3 segment. Coupled with the fact that the GT3 market volume worldwide is ultimately limited and that the SLS AMG GT3 is now in its fifth season and thus nearing the far end of its lifecycle, sales volumes and revenues could arise at any time in this product sector as a result of the increased willingness of existing customers to change over, which would then also affect the after-sales business. Because of the current competitiveness, reliability and quality of the SLS AMG GT3 as a product, however, the potential willingness to change can be minimized. In addition, the risks associated with warranties and goodwill are decreasing.

There are opportunities in particular arising from the follow-on project for the SLS AMG GT3, the development of 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. The project is to be completed at the end of 2015. There are also opportunities in a number of in-house development projects for various customers on which the company is already working.

The leasing and sale of Formula 3 engines also continues to be stable or to show moderate growth. As a consequence of the restructuring of the Formula 3 racing series required by the FIA and the corresponding engine regulations, a new generation of engines has been used in the European championship since 2014. The sale of the engines, however, continues to be very dependent on the individual teams and their financial capabilities, especially as this area of motor sports continues to be strongly dependent on external sponsorship.

In addition to the risks relating to sales volumes and revenues, financial risks also need to be considered. Trade receivables which were shown at the end of 2014 in the company's balance sheets are classified as only "minor risks" at most. Changes which could arise from interest rates, interest rates or market prices represent a negligible to low risk potential, because most the company's business is transacted in euros.

Derivative financial instruments are used by HWA AG solely to hedge against risks to corresponding land transactions. Exchange rate risks arise essentially 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. No exchange rate hedging is in place as at 31 December 2014.

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

The opportunities-risk profile has not change materially compared with the previous year. The information system that has been implemented is considered to be a reliable way of identifying risks so that counter-measures can be introduced at an early stage. Seen as a whole, the opportunities outweigh the risks.

7. Research and development

Across all its activities and business areas, HWA AG also has comprehensive resources at its disposal which represent the precondition for the competitive development of racing vehicles, customer sports vehicles and vehicle components and subassemblies. The use of the latest IT solutions in the simulation and design sector, for example, ensures that all developments are at the cutting edge of technology. The company also possesses wide-ranging expertise and a broad spectrum of resources for developing electrics and electronics in racing and customer sports vehicles and vehicle components independently, individually tailored to the intended application and specifically. This covers both the creation and programming of corresponding control electronics and the simulation and evaluation of these items.

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 too 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 underpin the idea.

8. Business and expected development of the company

The 2014 financial year did not meet expectations from a sporting or commercial point of view. In the 2015 financial year, comprehensive measures will be implemented in order to be able to reach the sporting and commercial objectives. The general economic conditions inside and outside the company are expected to be stable.

In the motor racing business area (DTM), the volume of sales is set to increase slightly in 2015. In the 2015 season, Mercedes-Benz will be deploying eight vehicles in the DTM. The increase by one vehicle used means a slight increase in sales volume for HWA AG. In order to be competitive in the world of motor racing, however, further investments may be necessary in the course of the year.

The engine rental/sale business in Formula 3 will probably stabilize further and possibly even increase slightly. Despite intense competition, HWA AG is continuing to do well in this business.

In the Vehicle/Vehicle Components business, HWA AG is well positioned to improve slightly on the sales volume of the previous year. Whilst the SLS AMG GT3 will not longer reach the existing sales volume of the previous years because of the advanced stage it has reached in its lifecycle, a development order for the Mercedes-AMG GT3 and its production in close collaboration with Mercedes-AMG GmbH will have a positive effect on sales revenues in 2015.

In addition, the company is working on a number of projects for various clients which will probably be reflected in the sales revenues in 2015. In the spare parts and service business, as a result of the large number of vehicles now in the market, it is expected that sales will remain stable and solid.

HWA AG is on a firm footing for developing positively in 2015 both commercially and in terms of the sport. At the forefront of the year 2015 stand the restructuring of the DTM project and the development order for the Mercedes-AMG GT3. In the motor racing sector, it is not yet possible to forecast ultimate developments from today's viewpoint. It will only become clear at the beginning of the racing season whether HWA AG is actually competitive or if additional investments are required. Overall, however, the outlook for 2015 is positive. Overall performance in 2015 will probably rise by 8 percent to 13 percent. On the results side, the aim is to achieve a relative EBIT in 2015 between 4 percent and 6 percent and thus if possible to increase the surplus for the year over that of 2014.

9. Events after balance sheet date

No events occurred after the end of the financial year which could lead to any change in the appraisal of the company.

Affalterbach, 5 March 2015



Ulrich Fritz
CEO













ANNUAL FINANCIAL STATEMENT

Balance sheet as at 31 December 2014

ASSETS	31.12.2014			31.12.2013	
	EUR	EUR	EUR	EUR '000	EUR '000
A. Non-current assets					
I. Intangible assets					
IT software and licences		454,940.57			208
II. Property, plant and equipment					
1. Land and building	18,676,721.72			18,900	
2. Plant and machinery	2,564,408.59			2,041	
3. Other assets, plant and office equipment	2,008,099.33			2,336	
4. Payments in advance and assets under construction	1,909,623.63			6	
		25,158,853.27			23,283
		25,613,793.84			23,491
B. Current assets					
I. Inventories					
1. Raw materials and supplies	10,762,591.70			8,936	
2. Work in progress	4,727,427.10			2,725	
		15,490,018.80			11,661
II. Receivables and other assets					
1. Trade receivables	2,066,908.90			8,272	
2. Other current assets	1,181,802.27			1,039	
		3,248,711.17			9,311
III. Securities					
Other securities		105,817.50			106
IV. Cash in hand and at bank		3,138,253.31			1,268
		21,982,800.78			22,346
C. Prepayments and accrued income		280,045.86			224
D. Deferred Tax assets		87,000.00			85
		47,963,640.48			46,146

EQUITY AND LIABILITIES	31.12.2014			31.12.2013	
	EUR	EUR	EUR	EUR '000	EUR '000
A. Equity					
I. Share capital		5,115,000.00			5,115.00
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		17,287,133.64			19,942
		24,223,633.64			26,879
B. Provision					
1. Provisions for taxation		0.00		493	
2. Other provisions		1,751,881.47		2,634	
		1,751,881.47			3,127
C. Liabilities					
1. Amounts due to bank		14,738,750.00		10,200	
2. Payments received on account of orders		2,628,333.23		0.00	
3. Trade payables		3,707,188.35		4,192	
4. Other liabilities thereof taxes EUR 751.825,03 (2013: EUR 1'086'000)		904,853.79		1,348	
		21,979,125.37			15,740
D. Prepayments and accrued income		9,000.00			400
		47,963,640.48			46,146

Income statement for the year ended 31 December 2014

	EUR	2014 EUR	2013 EUR '000
1. Sales revenues	64,092,388.59		56,021
2. Increase (+) / decrease (-) in inventories of finished goods and work in progress	2,002,617.83		1,701
3. Other operating income thereof income from foreign currency translation EUR 41.761,41 (2013: EUR 30'000)	826,711.63		2,215
		66,921,718.05	59,937
4. Raw materials			
a) Expenses for raw materials and supplies	18,924,663.03		15,441
b) Expenses for external services	10,783,525.90		6,165
5. Staff costs			
a) Wages and salaries	17,951,298.32		17,131
b) Social security and pension contributions thereof pension contributions EUR 20.488,02 (2013: EUR 20'000)	2,860,439.01		2,605
6. Depreciation and amortisation of tangible and intangible non-current assets	2,367,747.78		2,235
7. Other operating expenses thereof expenses from foreign currency translation EUR 92.186,81 (2013: EUR 53'000)	12,678,771.19		10,684
		65,566,445.23	54,261
8. Other interest and similar income	3,260.51		204
9. Interest and similar expenses	394,221.73		442
		-390,961.22	-238
10. Profit from ordinary activities		964,311.60	5,438
11. Income tax expense thereof income from the change in deferred taxes of EUR 2.000,00 (2013: EUR 23'000)	253,478.63		1,482
12. Other taxes	41,802.19		106
		295,280.82	1,588
13. Profit for year		669,030.78	3,850
14. Profit brought forward from previous year		16,618,102.86	16,092
15. Retainese earnings		17,287,133.64	19,942

Cash flow statement 2014

(EUR '000, rounded)	2014 EUR '000	2013 EUR '000
1. Cash flow from operating activities		
Net profit for the year	669	3,850
Depreciation and amortisation of non-current assets	2,368	2,235
Increase (+) / decrease (-) in provisions	-1,374	413
Credit (-) / expense (+) from changes in deferred taxes	-2	-23
Other non-cash items	-36	429
Gains on disposal of non-current assets	-57	-46
Increases in inventories, trade receivables and other assets	2,085	-5,925
Decreases in trade payables	1,437	-224
Cash flow from operating activities	5,090	709
2. Cash flow from investing activities		
Receipts from disposals of property, plant and equipment	57	487
Investments in property, plant and equipment	-4,070	-1,509
Investments in intangible assets	-420	-175
Cash flow from investing activities	-4,433	-1,197
3. Cash flow from financing activities		
Proceeds from bank borrowings	8,239	3,000
Distributions to shareholders	-3,325	-3,325
Repayment of bank borrowings	-3,700	-789
Cash flow from financing activities	1,214	-1,114
4. Cash and cash equivalents at end of year		
Changes in cash and cash equivalents (subtotal items 1-3)	1,871	-1,602
Cash and cash equivalents at beginning of year	1,373	2,975
Cash and cash equivalents at end of year	3,244	1,373
5. Represented by		
Liquid assets	3,138	1,267
Securities	106	106
Cash and cash equivalents at end of year	3,244	1,373

Non-current assets movement statement for the year ended 31 December 2014

	Acquisition and construction costs				
	1.1.2014 EUR	Additions EUR	Transfers EUR	Disposals EUR	
I. Intangible assets					
IT software and licences	3,110,666.52	420,347.20	0.00	0.00	
II. Property, plant and equipment					
1. Land and buildings	29,768,520.67	704,751.94	1,509.00	0.00	
2. Plant and Machinery	10,313,740.98	924,755.86	0.00	32,518.67	
3. Other assets, plant and office equipment	12,488,378.92	535,678.96	0.00	539,459.03	
4. Payments in advance and assets under construction	6,309.00	1,904,823.63	-1,509.00	0.00	
	52,576,949.57	4,070,010.39	0.00	571,977.70	
	55,687,616.09	4,490,357.59	0.00	571,977.70	

	Accumulates depreciation and amortisation				Carrying values	
	31.12.2014 EUR	1.1.2014 EUR	Additions EUR	Disposals EUR	31.12.2014 EUR	31.12.2013 EUR '000
	3,531,013.72	2,902,991.71	173,081.44	0.00	3,076,073.15	454,940.57 207,675
	30,474,781.61	10,868,394.07	929,665.82	0.00	11,798,059.89	18,676,721.72 18,900,127
	11,205,978.17	8,272,325.75	401,762.50	32,518.67	8,641,569.58	2,564,408.59 2,041,415
	12,484,598.85	10,152,720.53	863,238.02	539,459.03	10,476,499.52	2,008,099.33 2,335,658
	1,909,623.63	0.00	0.00	0.00	0.00	1,909,623.63 6,309
	56,074,982.26	29,293,440.35	2,194,666.34	571,977.70	30,916,128.99	25,158,853.27 23,283,509
	59,605,995.98	32,196,432.06	2,367,747.78	571,977.70	33,992,202.14	25,613,793.84 23,491,184

NOTES 2014

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 the other assets a total of TEUR 75 have a remaining term of more than one year.

Deferred taxes

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

	Financial statement	Tax base	Difference	Effective in- come tax rate	Deferred taxes
	EUR '000	EUR '000	EUR '000	%	EUR '000
Non-current assets (low-value assets)	0	237	237	29	69
Other provisions	224	162	62	29	18
					87

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 holiday entitlements, anniversary payments, employee awards and bonuses.

Liabilities

Of the Liabilities to banking institutions, EUR '000 2,108 (prev. yr. EUR '000 3,700) have a remaining term of up to one year and EUR '000 3,601 (prev. yr. EUR '000 2,387) have a remaining term of more than 5 years. EUR '000 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

	EUR '000
Payment obligations from service, rental and leasing agreements	4,450
Purchase commitment	4,045

The contracts end between 2015 and 2024.

Derivative financial instruments

To hedge the interest on a variable interest loan in a total amount of €3.5 million, an interest swap has been concluded:

	Basic rate	Fixed rate	Reference value	Term	Market value
		%			EUR '000
Swap	3-month Euribor	3.57	EUR 3,500,000	30.9.2019	-329

The derivative is valued on the basis of current market data using valuation methods that are standard in the market. A valuation unit was created with the loan to be secured, since this is a pure hedging transaction.

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 EUR '000 87.

Notes to the income statement

	2014		2013	
	EUR '000	%	EUR '000	%
Sales revenue by region				
Domestic	54,666	85.3	45,161	80.6
Foreign	9,426	14.7	10,860	19.4
	64,092	100.0	56,021	100.0

Other operating income

Income relating to prior years is essentially due to the reversals of value adjustments (EUR '000 222) and reserves (EUR '000 12) plus accounting profits from disposals of assets (EUR '000 57).

Other information

Supervisory Board

- Hans Werner Aufrecht, businessman
 - Willibald Dörflinger, entrepreneur
 - Gert-Jan Bruggink, professional sportsman (riding)
 - Rolf Krissler, accountant
 - Michael Schmieder, businessman
 - Hussain Ahmad Al-Siddiq, deputy chief executive officer (from 18 June 2014)
- Chairman
Deputy Chairman

Remuneration of the Supervisory Board according to Art. 113 AktG was EUR '000 25.

Executive Board*

- Gerhard Ungar
(until 8 May 2014)
- Ulrich Fritz

Chairman of the Board

Employees

Average number of persons employed during the financial year:

Non-salaried staff	141
Salaried staff	134
	275
Trainees	2
	277

Auditor's fee

	EUR '000
Auditing services	27.5
Other services	12.0
	39.5

Recommended distribution of profits

In agreement with the Supervisory Board, the Executive Board proposed that the profits should be carried forward.

Affalterbach, 5 March 2015

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, 2014. 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 ac-

*) The obligation of the total compensation according to Section 285 No. 9 letter a and b HGB of the Management Board was waived according to, §286 Abs, 4 HGB.

cordance 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 6, 2015

TREUHAND SÜDWEST GMBH
Wirtschaftsprüfungsgesellschaft und Steuerberatungsgesellschaft

Dr. Heilgeist	Retzbach
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

EVENTS 2015

12. June 2015	Annual General Meeting of HWA AG in Affalterbach
28. September 2015	Publication of HWA AG's half-yearly results

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