Annual Report **2022**

Pure Performance!

HIGH-END TECHNOLOGY

pankl RACING SYSTEMS

Key Figures 2022

EURk	2022	2021
Sales revenues	369,303	285,104
Operating earnings before depreciation (EBITDA)	46,962	41,439
EBITDA margin	12.7%	14.5%
Operating earnings (EBIT)	19,013	15,532
EBIT margin	5.1%	5.4%
Net earnings after income taxes	12,296	11,794
Shareholders’ equity	140,373	130,688
Shareholders’ equity in % of total assets	38.9%	37.0%
Operating free cash flow	-25,318	-9,271
Operating free cash flow in % of revenues	-6.9%	-3.3%
Net debt	141,198	108,785
Capital expenditure[1]	32,766	23,992
Capital expenditure in % of revenues	8.9%	8.4%
Working capital employed	131,463	98,358
Working capital employed in % of revenues	35.6%	34.5%
Return on capital employed (ROCE)	7.1%	6.9%
Number of employees at the balance sheet date[2]	2,388	2,152

1) Additions to fixed assets
2) Without agency and leasing personnel

Revenues
369.3
€ million

EBITDA
47.0
€ million

Employees
2,388

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STEFAN SEIDEL
CTO

STEFAN PIERER
Chairman of the Supervisory Board

WOLFGANG PLASSER
CEO

THOMAS KARAZMANN
CFO

CHRISTOPH PRATTES
COO

Chief Executive Officer's Report

Pankl was very successful in the past fiscal year despite a continuation of unexpected, adverse and absolutely exceptional events during 2022. Revenues were increased by 29% to €369m and EBIT improved by 23% to €19m despite the difficult environment.

After three years, the Corona pandemic finally entered its last epidemic phase. The first two months of the year were characterised by high infection rates in Europe and the US due to the highly contagious Omicron variant, which impacted our operational processes negatively in a major way. From then on there were significant pandemic restrictions only in China – primarily lockdowns in Q2 and high infection rates triggered by easing Chinese Corona restrictions in December, which, however, did not result in any further lockdowns.

In 2022, more serious consequences were caused by the energy and commodities market upheaval triggered by Russia's aggressive war against Ukraine. This led to record inflation figures.

We were able to secure supplies to our customers and preserve our profitability via numerous customised specific measures countering the problems we faced.

Transparency is of utmost importance especially during times of high inflation. Already at the start of 2022 we implemented precise monitoring to record all cost increases allowing our distribution departments to present the increased costs to our customers in a transparent manner. To a large extent, we were hence able to compensate increased costs via price rises.

Our motor racing business which continues to account for about one third of group turnover developed very positively in the past year. For the first time in a while, we were able to achieve good utilisation of our production facilities all year round leading to the racing business recording the biggest earnings improvements in the group.

Also, the high performance and aerospace divisions achieved significant revenues growth and positive earnings.

In 2023, there are major uncertainties for the further economic development due to persistent inflation and resulting higher interest rates. As a whole, we still expect a solid performance of the group based on healthy current order books. In some areas we will, however, face challenges during the fiscal year 2023.

At this point, I wish to express my deep gratitude to all our employees, who showed great commitment. I would also like to thank our customers, business partners and shareholders for their trust.

Kapfenberg, February 2023

Wolfgang Plasser, CEO

Legal Representatives of the Company

MANAGEMENT BOARD

WOLFGANG PLASSER, CEO

Wolfgang Plasser joined the management board of Pankl Racing Systems AG in 2004 and has been CEO from 2006 onwards. Among other matters he is responsible for the Aerospace Segment.

His current appointment expires on May 31st, 2027.

CHRISTOPH PRATTES, COO

Christoph Prattes joined the management board of Pankl Racing Systems in 2015. As COO he is responsible for the Racing and High Performance Segment.

His current appointment expires on July 31st, 2025.

STEFAN SEIDEL, CTO

Stefan Seidel joined the management board of Pankl Racing Systems AG in 2015. As CTO he is responsible for distribution and R&D in the Racing and High Performance Segment.

His current appointment expires on July 31st, 2025.

THOMAS KARAZMANN, CFO

Thomas Karazmann joined the management board of Pankl Racing Systems AG in 2015. As CFO he is responsible for the areas finance, personnel, legal and IT.

His current appointment expires on November 30th, 2026.

SUPERVISORY BOARD

STEFAN PIERER
CHAIRMAN OF THE SUPERVISORY BOARD

First appointed on June 29th, 2006,
current appointment expires in April 2027.

JOSEF BLAZICEK
DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

First appointed on February 28th, 2003,
current appointment expires in April 2027.

FRIEDRICH ROITHNER
MEMBER OF THE SUPERVISORY BOARD

First appointed on April 27th, 2012,
current appointment expires in April 2027.

KLAUS RINNERBERGER
MEMBER OF THE SUPERVISORY BOARD

First appointed on April 26th, 2019,
current appointment expires in April 2027.

ALFRED HÖRTENHUBER
MEMBER OF THE SUPERVISORY BOARD

First appointed on April 27th, 2012,
current appointment expires in April 2027.

ALEX PIERER
MEMBER OF THE SUPERVISORY BOARD

First appointed on May 20th, 2022,
current appointment expires in April 2027.


pankl
pankl

The Company.

PANKL RACING SYSTEMS. FOR HIGH-END MOBILITY.

Pankl Racing Systems stands for high tech, mechanics, and dynamics. Pankl Racing Systems AG is an internationally successful manufacturer of engine and drivetrain components in the high-tech segment. We are the first address for dynamic components in the motor racing, luxury automotive and aerospace industries. The Company stands for high-end mobility and generates annual revenues of EUR 369.3m in 10 locations.

Renowned customers – the most successful players in the market globally – rely on our high-end components.

The Company produces approximately 1.8m lightweight components annually. The product portfolio contains connecting rods, pistons, electric turbochargers and compressors as well as fuel cells, half-axes, gearboxes, oil- and water-based cooling systems, and jet engine, main-rotor and rear-rotor drive shafts.

Not just our high-tech solutions, also our Team stands for performance. Our most valuable potential is our Team - approximately 2,500 staff members from more than 50 countries. Our Team identifies with and lives the spirit of Pankl Racing Systems allowing us to guarantee high performance products at highest technical levels and satisfied customers.

Pankl Racing Systems is a technological pioneer and a world market leader due to many factors, such as our Team's ability to innovate, our systems competency and permanent further development and enhancement.

Locations.

GLOBAL NETWORK FOR COMPETENCY.

Customers benefit from our global network of production and distribution facilities. Pankl Racing Systems is present all over the world.

Global Player.

STAFF MEMBERS FROM MORE THAN 50 NATIONS GENERATE PERFORMANCE.

- Austria / Kapfenberg, Bruck upon Mur, Köflach
- Germany / Mannheim
- United Kingdom / Leicester
- Slovakia / Topoľčany
- USA / Irvine, Cerritos
- China / Dalian
- Japan / Tokyo

History.

REMARKABLE SUCCESS STORY.

Pankl Racing Systems was founded in 1985 and looks back at a unique historical development which highlights the Company's performance and strength.

1985 Foundation of Pankl Racing Systems as a supplier of motor sports components

1994 Entry into the aerospace market

1998 Stock exchange floatation, start of international expansion

2003 Expansion of Kapfenberg plant

2004 Extension of Bruck upon Mur plant, company founder sells his stake

2006 CROSS Industries becomes a core shareholder

2008 Construction of a new plant in Topoľčany, Slovakia, acquisition of Northbridge Motorsports and Camillo Industries

2012 Acquisition of a 51% stake in Pankl Turbosystems GmbH, establishment of a series production connecting rod plant in Bruck upon Mur

2014 Extension of forging plant to include an automised press line

2017 Construction of a high performance drivetrain plant in Kapfenberg

2018 Pierer Industries AG acquires 98.2% of Pankl Racing Systems AG and carries out a public takeover bid for SHW AG resulting in a majority stake of 50.2% - foundation of Pankl SHW Industries AG

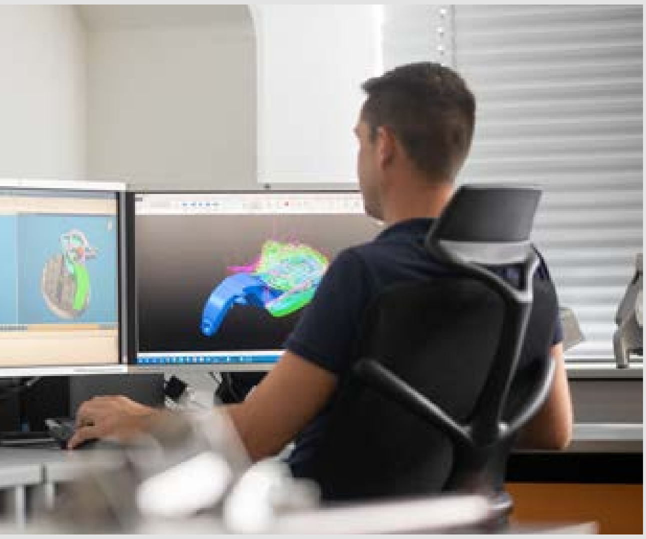
2019 Pankl Cooling Systems establishes a new plant in China (Dalian)

2020 Renaming of Pankl SHW Industries AG into Pankl AG

2021 Acquisition of Krenhof AG, a high-tech forging company for steel and aluminium components

2022 Entry into the space travel industry


FARINA
GAS 1800



Team Pankl.

COMPANY VALUE EMPLOYEES.

Approximately 2,500 global staff members (including leasing and agency workers) make Pankl Racing Systems. They draw on their full potential and use their best efforts to develop, produce and optimise innovative Pankl high-tech components.

Pankl Team counts more than 50 nationalities, has an average age of 35 years, and creates the products and solutions for the future.

In Pankl Racing Systems, staff members are appreciated, promoted and supported in many ways, which has led to numerous awards for the Company. Pankl Academy provides comprehensive education and training courses under to moto “Livelong Learning”. By 2024, Pankl Academy will receive its own dedicated building which is in process of construction. A major focus is apprentice training. In Austria, the number of apprentices shall increase from 100 to 150 persons. We consider it significant that management executives are primarily recruited from within the company.

Pankl declared safety-at-the-workplace and employee health to be basic values. The health programme “Pankl in Motion” provides a mix of physical and relaxation exercises, as well as nutrition information.

High-end Products.

HIGH TECH, HIGH SPEED, HIGH QUALITY.

These slogans symbolise the Pankl Racing Systems corporate philosophy. Pankl engine and drivetrain components are produced from the best possible materials to withstand extreme mechanical stress. To achieve Pankl quality, products need to go through many steps from development to additive manufacturing, forming and cutting, heat treatments, assembly, testing, and finally after-sales service. Pankl Racing Systems is a development partner with comprehensive systems competency and deep vertical integration and scores with extreme lightweight concepts, short lead times, high flexibility and complete openness for new technologies.

Intelligent production planning requires about 150 different components to be produced. Pankl secures quality, transparency, and continuous further development via a high degree of automation, the use of robotics, artificial intelligence, augmented reality and deep learning.

Smart safety nets and smart traceability systems allow traceability of single components. Smart assembly allows the execution of a zero-mistake assembly strategy.

2022

FIGURES, WHICH SPEAK FOR THEMSELVES!

1.8m components from own production
Pankl components in each F1 car
500,000 series production connecting rods
160,000 gearboxes
155,000 drive shafts
More than 20 helicopter types fly with
Pankl drivetrain technology

RACING DIVISION. MOTORSPORTS PURE.

Highest requirements regarding technology, materials, and performance as well as ever changing motor racing regulations bring the best out of Pankl Team. The racing division supplies all international motor sports classes with numerous innovative high-tech components, such as connecting rods, pistons and turbocharger applications as well as complete drivetrain and wheel suspension systems, electric turbochargers and compressors, screws and crank shafts made from high-strength steel and titanium alloys, fuel cells and half-axes.

In 2022, the racing division benefitted from major OEM interest in new long distance championships and the new F1 regulation. The Pankl Team was very happy to rise to the many challenges resulting therefrom.

HIGH PERFORMANCE DIVISION. REVOLUTIONARY TECHNOLOGY.

Pankl high performance products are components for luxury cars, exclusive small series or special edition models and provide a unique combination of technology, precision, performance, and design. The product range of this division ranges from series production connecting rods and pistons, forged steel and aluminium components to gearboxes and oil- and water-based cooling systems.

Our components can truly be considered high performance due to a combination of lightweight design and the use of high-strength steel, titanium or other premium alloys. Our products fulfil requirements regarding extreme acceleration, and best handling characteristics as well as low fuel consumption and CO_2-emissions at the same time.

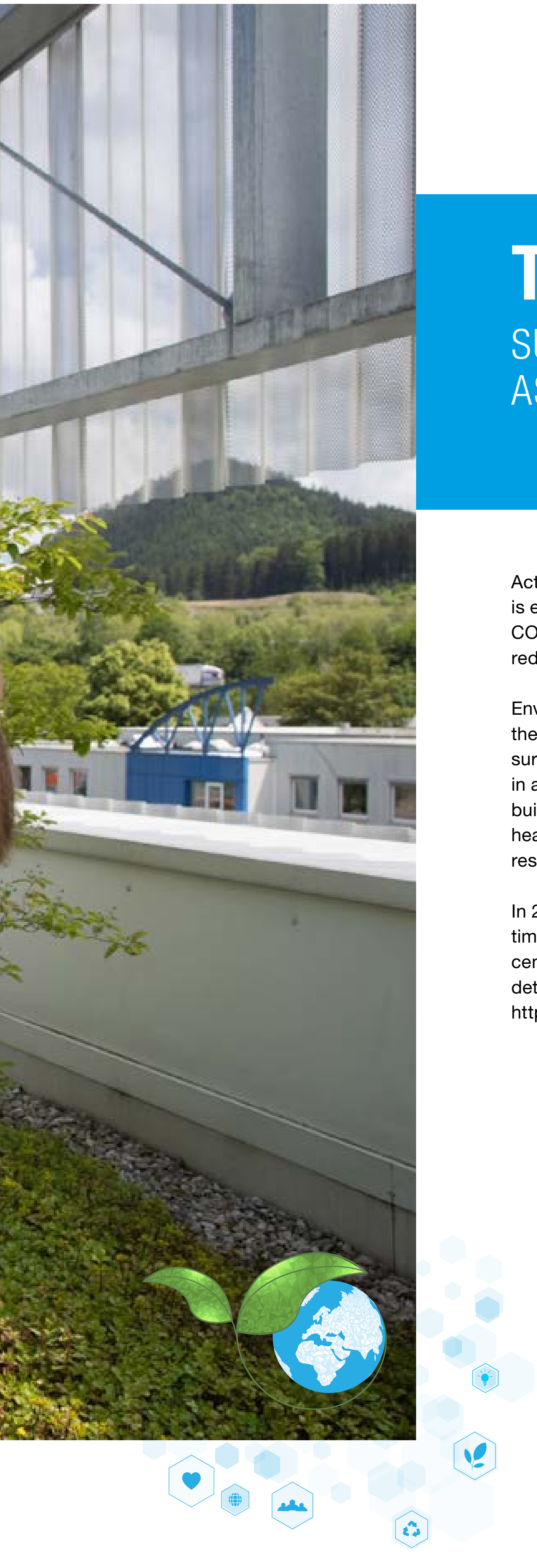
2022 was very successful for the high performance division which was the division, which contributed most revenues to the group. Among other matters, business development was favourably impacted by the increasing KTM motorcycle revenues.

AEROSPACE DIVISION. COMPLEX PERFECTION.

The aerospace division is in a class of its own. Pankl Team develops and manufactures customised dynamic drivetrain components for planes and helicopters as a Tier-1 supplier and hence supplies components directly to the OEMs (Original Equipment Manufacturers). Products range from drive shafts for jet engines, main rotors and rear rotors, inflight refuelling tubes to gearbox shafts. Our products are subject to numerous steps in the development process, which starts with R&D, design, production and security analysis and ends with approval, certification and installation.

Pankl Aerospace sets standards when it comes to development and manufacture of complex, flight safety critical drivetrain systems and components. Already today we deal with new technical solutions for aerospace in the future.

In 2022, the aerospace division developed favourably as aviation recovered and the helicopter sector experienced growth. A major milestone was Pankl's entry into space travel. In a first project we were able to produce 3D-printed rocket components.



The Future

SUSTAINABILITY.
ASSUME RESPONSIBILITY.

Acting in a responsible manner with regards to the climate and the environment is established practice for us. Pankl Racing Systems products reduce the users' CO_2 footprints due to lightweight construction and efficiency improvements which reduce emissions.

Environmental friendliness runs like a "green thread" through all departments of the Company. Major issues are energy supplies with reduced emissions and measures to improve energy efficiency using an environmental management system in accordance with ISO 14001. We focus on sustainable growth and construct buildings without the use of fossil fuels, implement recycling concepts, deploy heat pumps and photovoltaic systems and green roofs. Sustainability and social responsibility are major criteria for selecting suppliers.

In 2022, Pankl conducted a materiality analysis with stakeholders for the first time to identify the most relevant sustainability issues and to subsequently define central action points. Through this analysis the Team also prepared its first own detailed Pankl AG Sustainability Report, which can be accessed on the link https://pankl.com/beteiligungen/nachhaltigkeit/.

Outlook

ENVIRONMENT AND TECHNOLOGY STATEMENTS.

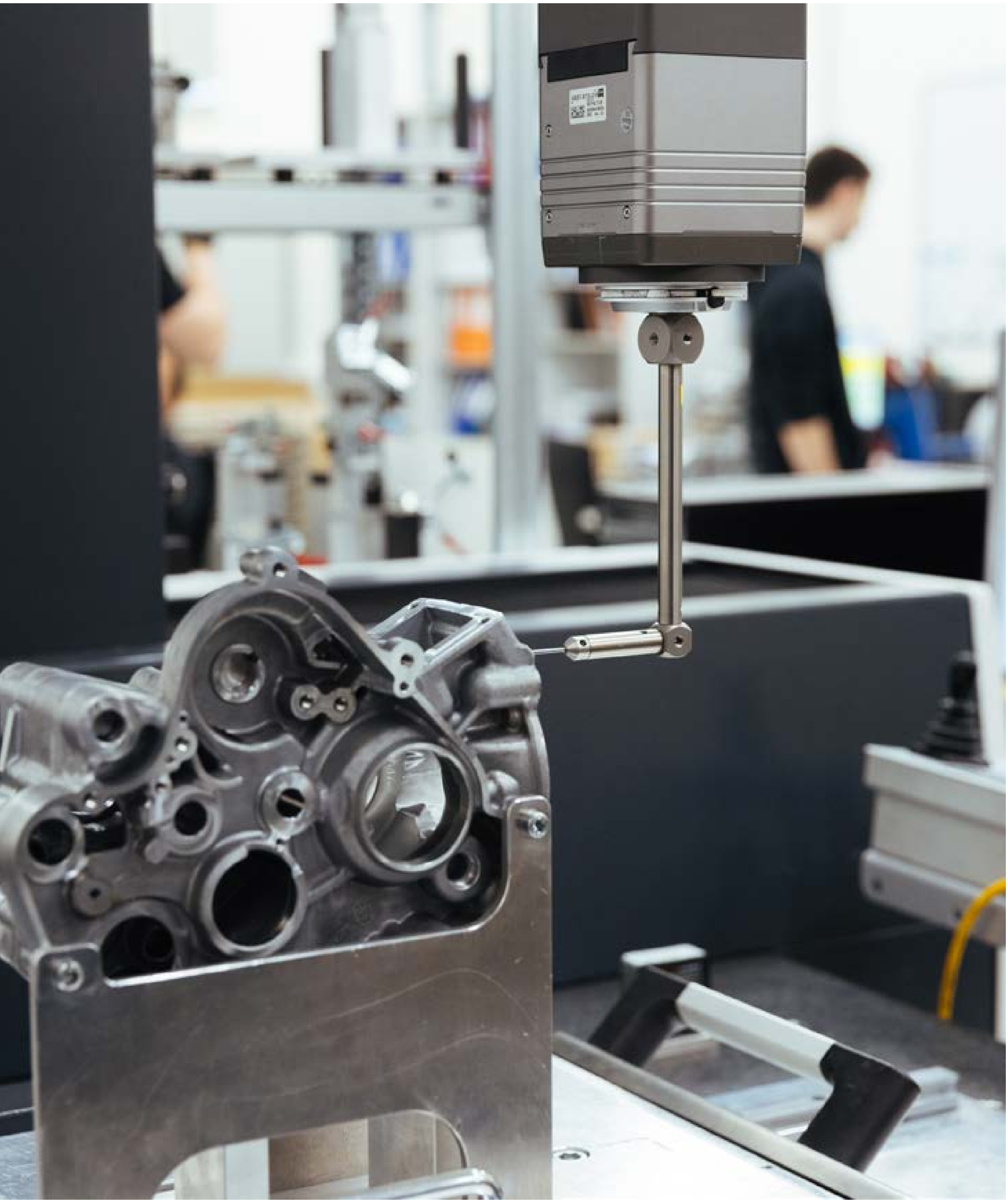
Pankl Racing Systems pursues the target to step-by-step produce in a climate neutral manner in all locations. Behaving in an environmentally responsible manner remains an integral basis of our entrepreneurial activities in and for the future.

In addition, we pursue two major projects until 2024 to make a clear statement to the world market and to secure our technology leadership:

We invest a total of EUR 40m in our lighthouse project, the climate neutral Pankl High Tech Park in Kapfenberg. By the end of 2024, we plan to construct buildings covering 25,000 square metres on a plot measuring 78,000 square metres. In 2022, during the first construction phase we already finalised the new aerospace plant. In a next construction phase, we will build a dedicated building for the Pankl Academy by the end of 2024.

At the same time Pankl Racing Systems invests EUR 20m in Krenhof AG, which it acquired in 2021. Krenhof AG produces high-tech steel and aluminium components. The plan is to establish Krenhof AG as the high-tech forging centre for the whole group by 2024.

Hence, Pankl strengthens its international position as a high-end market performer and innovation leader now for the future.



Supervisory Board Chairman's Report

In the fiscal year 2022, the Supervisory Board carried out the tasks as required by law and the Articles of Association in its five formal meetings. In addition, the Management Board regularly briefed the Supervisory Board on business progress and the financial position of the Company and its subsidiaries. The Chairman of the Supervisory Board entertained regular contact to the Management Board discussing strategy, business developments and risk management also outside formal supervisory board meetings.

In March and November 2022, the Audit Committee held its meetings. On December 16th, 2022, an audit committee meeting was held for the auditor to give an overview of the planned audit procedures and the main focus of the audit for the fiscal year 2022. On February 17th, 2023, the dividend distribution proposal, the proposal for the election of the auditor and all accounting and financial reporting issues of the Group were discussed. The members of the Audit Committee were Josef Blazicek and Friedrich Roithner.

On March 22nd, 2023, the Audit Committee discussed with the auditor all documentation regarding the financial statements and the auditor's reports in detail (including the "additional report to the audit committee regarding the audit of the financial statements per December 31st, 2021" according to Article 11 of the EU Directive 537/2014). These documents and reports were then presented to the Supervisory Board in the subsequent meeting together with the management reports.

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, in accordance with the legal requirements, audited the unconsolidated financial statements and the management report of the Company and the consolidated financial statements and the management report of the Group. The audit did not raise any issues or complaints. The auditor issued unqualified audit opinions on the financial statements and the management report of the Company and the Group.

The auditor confirmed that the accounting systems and the financial statements per December 31st, 2022 comply with all appropriate rules and regulations. The financial statements show a true and fair view of the financial situation of the Company in accordance with generally accepted accounting principles. The management report is consistent with the financial statements. The auditor also confirms that the consolidated financial statements are in accordance with all appropriate rules and regulations and show a true and fair view of the financial situation of the Group as of December 31st, 2022 and that the profitability and cash flow are shown in accordance with International Financial Reporting Standards (IFRS). The Group management report is consistent with the consolidated financial statements.

The Supervisory Board approved the financial statements as of December 31st, 2022 and the management report for the fiscal year 2022. The financial statements of the Company for the fiscal year 2022 were hence formally concluded in accordance with Section 96, Paragraph 4 of the Austrian Public Companies Act (§96 Abs.4 AktG). The Supervisory Board acknowledges the consolidated financial statements and the Group management report for the fiscal year 2022 without objections and supports the Management Board proposal regarding the profit distribution. As Chairman of the Supervisory Board and on behalf of my colleagues of the Supervisory Board I would like to express my sincere gratitude to the management and all employees of the Pankl Group for their contribution to the good results in the past fiscal year.

Kapfenberg, March 22nd, 2023

Stefan Pierer
Chairman of the Supervisory Board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Group Management Report

OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2022

1. ECONOMIC ENVIRONMENT

1.1. MARKET

Pankl Racing Systems AG (thereafter referred to as “Pankl” or “Pankl Group”) develops, produces, maintains, and markets high-tech mechanical systems for dynamic components in the global niche markets motor racing, luxury and high-performance cars as well as aerospace.

The history of our racing business goes back to the year 1985 when first connecting rods were produced for motor racing. Our racing division today is a world leading supplier of engine and drivetrain components.

Our aerospace know-how goes back to the year 1994, when we produced our first helicopter rear rotor driveshaft. Today, Pankl Aerospace Systems is a tier-one supplier in the global aerospace industry.

Our high-performance division specialises in the production of engine and drivetrain components for luxury cars and expanded in the past years continually.

1.2. RACING / HIGH PERFORMANCE

In motor racing, Pankl develops and produces engine components such as connecting rods, pistons, piston pins, screws, crankshafts from high-strength steel and titanium alloys as well as turbo supercharger applications. In addition, Pankl provides complete solutions for drivetrain and suspension systems for all segments of motor racing.

Pankl will always aim at smart overall concepts with first-class technical support precisely adjusted to customer requirements. Pankl Group has become a pioneering, global motor racing supplier through a combination of competence, know-how and experience as well as creativity in R&D, design and production. The core competences of the Company are lightweight engine components and complete solutions for drivetrain and suspension systems designed for use in extreme conditions.

We guarantee highest quality for all our products and systems based on our in-house research and development, state-of-the-art engineering expertise, latest process and measurement technologies using newest software tools and high-tech testing and production facilities from the first design sketch to construction and Finite Element Analysis (FEA) of the complete system to the eventual tough test in motor racing itself.

The base for our high- tech products is our modern machine park with its innovative production machines. We guarantee highest precision based on our state-of-the-art testing facilities, both in the materials sector (e.g. scanning electron microscopes, stereomicroscopes, and tensile test machines) and in the test departments (e.g. component test benches such as high frequency pulsers and engine test benches).

In the high-performance division, Pankl develops products in the areas engine and turbo supercharger systems, drivetrain and gearbox, forgings, industrial applications, and cooling systems. Pankl offers a broad spectrum of sophisticated vehicle components, which must withstand the toughest operating conditions through the development, design and production of components, groups of components and complete systems.

Pankl meets the continuously increasing demands for high engine power versus low vehicle weight with custom-made lightweight designs of all its components together with the intelligent use of steel titanium and other high-strength alloys. High performance cars must further fulfil requirements in the areas of acceleration, handling, top speed, and comparably low fuel consumption respectively CO_2-emissions.

1.3. AEROSPACE

Pankl Aerospace is a tier-one supplier in the aerospace industry and offers custom-made services for dynamic drivetrain components, such as design and development, construction, production, in-house material testing, calculations to measure material performance, stress and fatigue as well as complete safety and reliability analyses, prototype testing, qualification and certification.

Pankl Aerospace is a global top supplier of highly reliable lightweight drivetrain components and systems for the aerospace industry. Each product is developed based on customer requirements. We arrive at precise solutions with maximum quality, functionality and safety. Pankl Aerospace is a reliable partner with decades of practical experience in the industry, sound technology expertise and a global market presence – locations in Kapfenberg, Austria and Cerritos, California - taking existing proven solutions and developing them further to achieve optimum results.

The product portfolio contains lightweight drivetrain components and systems, jet engine driveshafts, main rotor driveshafts, gearboxes, inflight refuelling pipes and structural components for different types of engines, fixed wing aircraft and helicopters. Pankl products fulfil the strict requirements of the EU Aviation Safety Agency (EASA) to assure safe operation of aircraft equipped with these products. In addition, Pankl Aerospace is certified by major OEMs, which are the market leaders in the aerospace industry, as a supplier of Flight Safety Parts (safety critical components).

1.4. OTHER

The “Other” Segment includes the business activities of holding companies and real estate management.

2. DEVELOPMENT OF PANKL GROUP

2.1. REVENUES AND EARNINGS

€k	2020	2021	2022
Earnings ratios			
Sales revenues	190,676	285,104	369,303
Operating earnings before depreciation (EBITDA)	24,059	41,439	46,962
Operating earnings (EBIT)	532	15,532	19,013
Earnings before income taxes (EBT)	-3,743	13,217	15,708
Net earnings after income taxes	-2,526	11,794	12,296
EBITDA margin	12.6%	14.5%	12.7%
EBIT margin	0.3%	5.4%	5.1%

In the fiscal year 2022, revenues of Pankl Group increased by 29.5% to €369.3m compared to 2021.

The USA continued to be the largest single geographic market accounting for 28.6% of revenues. The largest European markets were Austria (26.7% of revenues), Germany (12.6% of revenues) and Italy (9.3% of revenues). In 2022, operating earnings of Pankl Group amounted to a new record of €19.0m or 5.1% of revenues compared to €15.5m or 5.4% of revenues in 2021.

Adding back depreciation of €27.9m resulted in EBITDA of €47.0m or 12.7% of revenues versus €41.4m or 14.5% of revenues in the previous year.

The net financial result amounted to €-3.3m (2021: €-2.3m) and was negatively impacted by increasing interest expenses caused by the ECB rate hikes. Group net earnings after income taxes amounted to €12.3m versus €11.8m in the previous year. Consolidated net earnings after income taxes and minorities increased from €12.0m in 2021 to €12.7m in 2022.

2.2. CAPITAL EXPENDITURE

In the fiscal year 2022, capital expenditure in tangible (including rights of use) and intangible assets amounted to €33.7m (2021: €24.3m) and was broken down in fixed assets categories as follows: tangible fixed assets €32.8m (2021: €24.0m) and intangible assets €0.9m (2021: €0.3m).

2.3. CASH FLOW

€k	2020	2021	2022
Cash flow and capital expenditure			
Cash flow from operating activities	34,964	19,542	5,547
Operating free cash flow	27,543	-9,271	-25,318
Capital expenditure in fixed assets	11,465	23,992	32,766

In the fiscal year 2022, cash flow from results amounted to €38.3m and was hence significantly higher than in the previous year (2021: €30.0m). During the year, working capital increased by €33.1m to €131.5m due to the growth in revenues and supply chain disruptions (2021: €98.4m). Accounting for other long-term assets and liabilities gives cash flow from operating activities of €5.5m versus €19.5m in 2021.

Cash flow from investing activities amounted to €-30.9m adjusted for non-cash investment transactions (2021: €-28.8m). Operating free cash flow amounted to €-25.3m versus €-9.3m in 2021. This was due to increased capital expenditure and the build-up of working capital.

Cash flow from financing activities amounted to €-14.4m (2021: €32.4m). As of December 31st, 2022, Pankl Group had cash and cash equivalents of €19.5m (31.12.2021: €57.8m).

2.4. BALANCE SHEET AND FINANCIAL POSITION

€k	2020	2021	2022
Balance sheet ratios			
Total assets	263,191	352,913	360,956
Working capital employed [1]	74,889	98,358	131,463
Capital employed [2]	201,391	239,473	281,559
Shareholders‘ equity	97,528	130,688	140,373
Shareholders‘ equity in % of total assets	37%	37%	39%
Net debt [3]	103,863	108,785	141,198
Gearing [4]	106%	83%	101%

1) Working capital employed =inventories + trade accounts receivable and other short-term receivables - trade accounts payable and other current liabilities
2) Capital employed = shareholders‘ equity including minorities + financial liabilities (short-term, long-term) – cash & cash equivalents
3) Net debt = financial liabilities (short-term, long-term) – cash & cash equivalents
4) Gearing = net debt / shareholders‘ equity including minorities

As of December 31st, 2022, total assets amounted to €361.0m and hence increased by €8.1m versus the previous year (December 31st, 2021: €352.9m).

As of December 31st, 2022, shareholders’ equity in % of total assets increased slightly compared to the previous year and amounted to 38.9%. (31.12.2021: 37.0%). Net debt of the Group amounted to €141.2m versus €108.8m at the end of the previous year. Gearing increased from 83% in 2021 to 101% in 2022 despite the increase in shareholders’ equity from €130.7m to €140.4m.

2.5. ENVIRONMENT AND SUSTAINABILITY

Acting in an environmentally responsible und sustainable manner is of highest priority to Pankl Group. In the reporting period, energy expenses amounted to 2.4% of turnover, which was the same as in the previous year (2021: 2.4%). Pankl Group did not incur any expenses in connection with the acquisition of CO_2-certificates and is not included in the National Allocation Plan (NAP). Already in the fiscal year 2014, Pankl Group extended its environment management system by the ISO 14001 standard and since then has been further strengthening it on an ongoing basis.

2.6. MAJOR EVENTS DURING THE FISCAL YEAR

In the fiscal year 2022 there were no major events in the Pankl Group.

3. SEGMENT REPORTING

3.1. RACING / HIGH PERFORMANCE

The Racing and High-Performance Segment revenues increased by €75.8m from €256.3m in 2021 to €332.1m in 2022. Operating earnings (EBIT) increased by €5.2m from €12.8m or 5.0% of revenues in 2021 to €18.0m or 5.4% of revenues in 2022. This was mainly due to the excellent development in the racing business.

3.2. AEROSPACE

Aerospace Segment revenues increased significantly from €30.7m in 2021 to €39.2m in 2022 after the difficult years 2020 and 2021. Operating earnings (EBIT) increased from €2.0m or 6.5% of revenues in 2021 to €2.5m or 6.5% of revenues in 2022.

3.3. OTHER

Other Segment revenues amounted to €5.3m (2021: €4.1m), EBIT amounted to €-1.5m (2021: €0.7m).

4. RESEARCH, DEVELOPMENT, INNOVATION AND QUALITY

Technological leadership is one of the major success factors in the motor racing and high-performance businesses and in aerospace. Hence, research and development activities are of major importance for the companies of Pankl Group. In 2021, expenses for intense research and development activities amounted to €20.9m (2021: €20.2m).

4.1. RACING / HIGH PERFORMANCE SEGMENT

The application of new or improved **materials** leading to more efficient operation of components is essential for successful development work and hence future progress. In 2022, we developed a high-strength and temperature-resistant aluminium alloy for motor racing. In addition, we started developments of new titanium alloys and improvements of visible components' properties via surface treatments of input materials.

Lightweight construction continues to be a dominating R&D theme within the area of **product development** in motor racing and the high-performance automotive market. In 2022, we developed, among other things, a lightweight chassis out of forged aluminium for small series production. The F1 one cylinder engine which we developed over several years was successfully put into operation allowing test runs of our own products in a more realistic environment.

In the **e-mobility** area we started development of brake discs made from forged aluminium. We also developed innovative half-axis joints to achieve better controllability of electric drives.

In the area **process optimisation**, we were able to develop a forging process for pistons with undercut. In addition, we implemented new forging processes to reduce input materials for the production of connecting rods.

In the **additive manufacturing** subdivision we made progress in the area of 3D printed bionic designs for wheel carriers and chassis steering structures. We also achieved further improvements of cost to performance ratios for 3D printed components.

4.2. AEROSPACE SEGMENT

There were also continuous development efforts in the aerospace area. We concluded qualification tests of rear rotor shafts for two helicopter models and supplied the first components.

In the area jet engines for fixed wing airplanes we continued with the “Power-Gearbox” R&D project. We optimised the design of the drive shaft and established a new plasma nitriding process to solve wear and tear issues.

4.3. QUALITY

The development, production and distribution of high-quality products are major constituents of the Pankl Group mission statement. We secure highest quality standards via comprehensive quality management regarding product properties and process supervision.

Registrations and certifications guarantee customers highest product quality. Annual compliance audits are required to maintain the certified status. Pankl Group has the following certifications complying with the appropriate requirements of the automotive and aerospace industries: ISO 9001, ISO 14001, ISO/TS 16949, VDA 6.1 and AS/EN 9100. In addition, in the Aerospace Segment there are certifications of the EU Aviation Safety Agency (EASA) and Austro Control (Part 21G POA und Part 21J DOA). At Pankl Aerospace Systems Europe GmbH we received industry standard NADCAP accreditation (AC7108, AC7114) for the special production process coating as well as for the non-destructive testing methods eddy current testing, magnetic crack testing and fluorescent penetration testing.

5. PERSONNEL AND SOCIAL REPORT

In the fiscal year 2022, Pankl Group employed 2,288 persons (2021: 2,141 persons) on average. 1,513 persons from the total were employed in Austria (2021: 1,390 persons) and 775 persons were employed in the international group companies (2021: 751 persons).

The number of employees is broken down in the segments as follows:
- Racing / High-Performance Segment: 2,116 (2021: 1,979) persons
- Aerospace Segment: 172 (2021: 162) persons
- Other Segment: 0 (2021: 0) persons

The employees are major, valuable and success defining resources for Pankl Group. They secure the Company's growth and success through their know-how and dedication at ten facilities in international locations. Pankl Group provides interesting job opportunities and puts special emphasis on the satisfaction of each employee and on individual training models. HR management focuses on health, training, education and work-life balance.

5.1. HEALTH AND SAFETY

Also in 2022, health and safety at the workplace was an important matter in Pankl Group. The Pankl Health Corners established in the Bruck upon Mur and Kapfenberg facilities years ago provide employees with advice how to care about their health based on seasonal requirements on a monthly basis. This offering is also available online. There is a major focus on healthy eating. The initiative "Healthy Meals" provides the employees in the Bruck upon Mur and Kapfenberg facilities with easy access to healthy food and regional fruits.

In 2022, the annual spring and flue immunisation programmes were again carried out in co-operation with Medicon.

In 2022, health was also a major focus in apprentice training. There were two health workshops in which apprentices dealt with topics such as nutrition, mental health and safe ways to deal with the internet. New apprentices received introductory lectures from security and occupational health experts. There were also weekly sports lessons with qualified trainers during work hours. In summer 2022, we again organised the annual apprentice hiking trip.

In the past year, we created even more awareness with management executives for the topic occupational health. Within the project "Pankl Protected", we organised impulse seminars in co-operation with AUVA dealing with the topics: current safety in the workplace, legal responsibilities, and binding regulations.

Safety at the workplace involves also suitable and secure workplace arrangements. In forging shops there can be high room temperatures during the summer months. Hence, we provide easy and cheap access to enough cold drinks. In 2022, we equipped protective clothing with ventilators in central areas to avoid heat stroke and we installed a new air conditioning system in the shared areas of the forging shop.

Pankl in Motion

Our health programme „Pankl in Motion" which focuses on relaxation, physical exercise and nutrition offered the familiar heart strength coaching in the summer and autumn months which was well received by many of our colleagues. Our employees were able to get to know more about their current health conditions via heart rate variability measurements.

After a Corona induced break, trainings started again at the Pankl in Motion football team and the bi-weekly Full-Body-Workout.

On a regular basis, Pankl Group aims to provide its employees with offers and discounts for sports facilities, such as local gyms, the Kapfenberg indoor tennis centre (from 2022H2) and the Bruck upon Mur paddle tennis court.

5.2. TRAINING AND PERSONNEL DEVELOPMENT

At Pankl Group, we aim at continuous and individual promotion and advancement for all employees. In 2022, all training offerings were provided after some had to be cancelled due to Corona in the previous years. Numerous such dropped training courses were also carried out in this year. In 2022, employees of the Austrian companies completed a total of 2,632 training days.

We carried out individual, departmental, internal and external trainings as well as trainings across different locations, which were attended by employees from various Group entities.

In the Strategic Leadership Programme (SLP) 15 participants of Pankl Group qualified in six modules as future management executives. The training started with an assessment of and a personal conversation with each participant. Within such conversations, current management issues, targets and expectations are discussed and finally jointly evaluated. Very popular were our fireside chats, in which selected management topics were discussed with distinguished guests. The participants presented their projects in a celebratory conclusion of the modular executive training programme. The aim is to transfer the contents of the individual modules into everyday management.

In autumn 2002, we started a new training programme for office-team leaders which will conclude in 2023. Three modules deal with soft skills such as communication and leadership competences. The course completes with the presentation of practical projects and aims to facilitate a mutual exchange under the moto “learning together and from each other”. We plan a follow-up module three months after conclusion to assure effectiveness of the training.

In 2022, we implemented a new Pankl management executive programme for shift supervisors and team leaders in production-related areas. Ten participants from various group locations went through four soft skill modules dealing with personality and leadership topics as well as two technical modules to become qualified executive managers. The course focuses on theoretical inputs and the performance of specialised CIP-projects allowing participants to use their acquired knowledge directly in their working area.

In autumn 2022, we published the new Pankl Academy Training catalogue which features numerous established training courses and some new ones in the areas: leadership and personal / social competences. The catalogue contains a broad offering of training courses which are available for employees at all Austrian locations and can be broken down in the following categories: management and leadership competences, personal and social competences, technical and methodological competences, apprentice academy, health and safety as well as internal trainings.

We prepared a Pankl-wide training and development plan for 2023 based on training requirements which were established together with the management teams at all locations. Besides the training courses offered in the Pankl Academy catalogue, this plan contains numerous additional, mainly technical trainings which are organised for employees in co-ordination with their supervisors during the year.

In 2022, to secure quality and effectiveness of the training offering, we established and successfully implemented a process to evaluate training measures.

Besides the broad offering of training courses, our management executives carried out the annual performance reviews and appraisals with all employees of the Austrian locations as a major management tool. They focus especially on deriving and implementing potential measures because of the conversations.

In 2022, we launched a new e-learning tool. This new platform will make preparation, execution, and follow-up of e-learning initiatives more efficient and sustainable. The tool is very user friendly and a long-term answer to the ever-increasing requirements towards e-learning. Many legally required e-learning projects can be handled by this tool. We plan the roll-out of the e-learning tool in 2023.

5.3. PANKL CAREER THROUGH APPRENTICESHIP

Internal apprenticeships are a significant component of our personnel policies as employees contribute substantially to the success of the Company.

In September 2022, 42 young persons decided to start primarily technical apprenticeships at Pankl Group. This includes 3 Spanish apprentices in the machining technology area, who started their top training in September.

In the past year we continued with our threefold method for apprentice training. In so-called “Pankl Apprentice Colleges” we offer apprentices vocational education in addition to specific technical training. We support and strengthen the personal and social competences of each apprentice. They complete five modules which strengthen teamwork, self-confidence, communication and presentation skills, conflict resolution, and entrepreneurial thinking. This specific form of training is a Pankl tradition and of strategic importance for the Group.

In 2022, we again co-operated intensely with the ABV training association. Apprentices are practically taught by qualified trainers in training workshops and also receive theoretical education preparing them for vocational college. Apprentices may also attend and complete additional courses on a voluntary basis.

5.4. RECRUITING

Due to the swift economic recovery in Austria after the Corona pandemic, there was great demand for qualified persons in the region and in Pankl Group. It was a challenge to recruit qualified professionals. New and creative approaches allowed us to recruit 394 employees in the Austrian locations, 106 of which referred to new positions formed in the group.

In 2022, Pankl Group received 2,511 job applications, double as many as in the previous year. 1,959 of which were submitted at the Pankl website or via the internal recruiting tool. The recruiting team conducted 847 job interviews, three times as many as in 2021.

The doubling of job applications and the increase in job interviews confirm that Pankl Group is a top employer in the region communicating very effectively. This is also evidenced by receiving the Kununu “Top Company” award. Kununu is an independent valuation platform.

To advertise vacancies and to find new employees, Pankl uses also other career platforms which are established in Austria, such as karriere.at, steirerjobs.at, willhaben.at or stepstone.at besides the recruiting channels used inhouse. This increases the range within the group of potential applicants. Since 2022, Pankl Group also co-operates with the “Senior Quality” platform to integrate job-seeking persons older than 45 into the jobs market.

In the past years, we continuously expanded digital recruiting channels to establish a state-of-the-art job application process. Increasing practical experience allows our personnel marketing department to monitor data leading to recommendations to improve usability of the job application process. Many job applicants access job ads via smartphones. Hence, since mid-November 2022, Pankl offers the possibility to establish first contact with only few clicks on the popular messenger service “WhatsApp”. This was started with few vacant positions and was used by 57 persons in the period until December 31st, 2022.

In 2022 we first launched the new incentive programme “Employees Recruit Employees”, where current employees receive a bonus for recommendations which lead to a new employment. This programme generated 216 incoming job applications during the year, from which 79 persons were employed. This campaign was well received within the group and was hence extended to apprentice recruitment.

In 2022, our recruitment activities extended for the first time beyond the Austrian borders to look for well qualified technical staff. We employed 15 young professionals and four apprentices from Spain in our upper Styrian locations working with the “Talents4Europe” association. The new colleagues were well integrated into the Pankl team via a customised onboarding programme including continuous German language courses. In March 2022, the Pankl Tower was opened in Kapfenberg after being comprehensively renovated by Pierer Immoreal GmbH. This building provides modern accommodation units in a central location and is hence a major help and incentive to attract talent from outside the region. In co-ordination with the appropriate HR business partner, we assisted the Spanish colleagues in their relocation to Austria including their moving in into apartments of the Pankl Tower and led them through a customised onboarding programme. There were no problems in the integration into existing teams. We provide internal language courses so that the knowledge of German improves continuously.

Important recruitment tools have always been career exhibitions and factory visits. It is very important to engage in conversation with potential candidates in a straightforward manner. In 2022, our recruitment team attended 21 exhibitions and organised 25 factory visits by student groups. We have been co-operating with local educational institutions and have been providing a range of internships for many years. In this way, Pankl Group allows young persons insights into work life and provides first work experiences during their education. Primarily via technical and other practical internships young persons can have sound experiences of Pankl in the workplace and vice versa. Pankl Group can hence position itself for young professionals as an attractive employer with a great work atmosphere and attractive job offerings.

5.5. ONLINE MARKETING & SOCIAL MEDIA

In 2022 major topics such as war in Europe, cost of living crisis, double-digit inflation rates and upheaval in energy and commodity markets caused major uncertainty among the population. This was also a driver for Pankl Group to heavily extend communication activities in the employer branding area. The major aim was to position the group to existing and prospective employees even more as a secure and future-orientated employer. Hence, for the first time we prepared a long-term media plan which provides strategic direction for 360 degrees communication for the whole year.

In the first half of the year, we primarily focussed on the search for apprentices. Our line of communications was based on the campaigns “Our Work Moves the World”, which was launched in 2021 and “Learn Something Decent”. Broad coverage was reached via the use of a digital media mix, consisting of Google ads, META ads and TikTok. The apprentice campaign of Pankl Racing Systems was also placed in regional media and as “city-lights” in bus stops around schools. These activities allowed us to increase the reach with regards to young people and their parents.

In 2022, we developed an employer branding campaign for the brand “Pankl Racing Systems”. The aim was to show employees from many different areas their impact on mobility. The target group was defined as Pankl Group employees and external persons. More than 30 employees volunteered to be part of the campaign and to tell their story. The campaign idea was developed and implemented within Pankl Group.

In 2022, we placed insights and exciting topics from Pankl Group in social media networks such as Facebook, Instagram and LinkedIn. We produced own contents and further intensified media relations. Interviews with CEO Wolfgang Plasser and Head of HR Harald Egger helped strengthen the image of a secure, future-orientated employer in the outside world. We prepared a LinkedIn personal profile of Wolfgang Plasser to generate positive impacts which corporate influencers may have on certain platforms. Our presence driven by regular content and CEO personification has a positive impact on the whole Pankl Group.

In 2022, we first also placed contents on the social media platform “TikTok”, which in past years has proved to be popular with young audiences (13 to 17 years of age). In 2023, we plan to place short videos allowing insights primarily in the area “Career through Apprenticeship”.

Community management was a major part of our digital communication. Negative comments were addressed and dealt with using different methods mainly within social media. In this way we aim to continue to maintain a positive image of Pankl Group.

In 2022, our digital strategy was not just confined to the publication of our own contents. We developed an advertising concept to place contents in a cost-effective manner on social networks and the Google search engine to reach our target audience with advertising messages. We used this concept primarily for our initiatives “Your Career at Pankl”, “Our Work Moves the World” and “Learn Something Decent”. We instantly analysed and adapted our campaigns using real-time analytics. The positive image and the recognition value of Pankl Group was significantly strengthened in the regions around the Austrian facilities due to the meanwhile stringent line of communication.

5.6. HR BUSINESS PARTNER

In July 2022, we rolled out the “HR Business Partner” concept (HRBP) at all Austrian Pankl facilities. The aim is to facilitate communications between employees and personnel department through one point of contact. The HRBP advises, supports and assists employees as well as represents their interests in any dealings with the personnel department. The HRBP is the central line of communication who is in direct contact with the employee which should help and support management, executives and employees. The HRBP model was tested in a pilot phase at the Bruck upon Mur location and was well received by the employees. In April 2022, the kick-off workshop took place in which tasks and responsibilities were further elaborated and defined.

The HRBP concept focusses besides advisory and support in all HR agendas on the items comprehensive on- and offboarding, execution of special HR projects, support of internal changes and the conduction of employee interviews. HRBPs deal with developments within personnel, management and organisation in a decentralised manner and in co-ordination with the other HRBPs to secure targeted execution. Supervisors collate training requirements in personal conversations (e.g., annual performance review and appraisal) and using the competence matrix. HRBPs advise if required. The training budgets are established and allocated by the HRBPs in co-ordination with supervisors and management.

HRBPs and technical departments co-operate closely to assure base knowledge of and insights into current issues, possible problem areas and potentials.

The new roles were successfully filled and established and the concept is well received. Employees find it easier to get into contact with the personnel department and HBPRs are earlier and deeper involved in personnel matters. Pankl Group expects an increase in employee satisfaction from this initiative.

5.7. WORK AND FAMILY

Combining work and family life continues to be a major topic. It is a major concern for Pankl Group to respect and take into consideration employee interests resulting from family responsibilities.

If possible, working hours can be defined in a flexible manner dependent on overall conditions. There is also the flexibility of remote working from the home office. Employees receive advice and support before parental leave as well as when planning to return from parental leave. Special focus is on facilitation of the comeback from parental leave. Flexitime solutions for parents are defined individually and after extensive consultation. Pankl conducts special interviews with parents to facilitate their return to Pankl after parental leave. In these conversations, special emphasis is put on individual wishes and requirements as well as mutually beneficial solutions. Also, prospective fathers may take parental leave, which is discussed individually. From 2022, Pankl also supports parents to secure nursery school places to facilitate the return to the workplace.

Pankl employees in the Austrian facilities receive financial grants for childcare, childbirth and marriage.

Fortunately, Pankl employees evaluate the efforts of Pankl Group positively. Pankl was ranked 7th in an independent Austrian-wide survey in the magazine “Freundin” which was conducted in co-operation with Kununu in the category “Family-friendly Companies” in the engineering sector.

5.8. DIVERSITY

In Pankl Group it is a matter of fact that employees from different cultures and origins are treated in a fair, respectful and open manner. Pankl Group employs persons from 14 nations worldwide and is hence positioned very internationally. Pankl Group offers its employees German language courses to improve team building and communication with each other.

In 2022, 73% of active employees were male and 27% female. These figures do not include employees in parental leave or who serve their conscription duties. Pankl Group experiences a continuing increase in the portion of female apprentices. We use exhibitions, events and social media platforms to excite young persons from all genders for technical careers. In the past years we were able to increase the portion of female employees mainly in the production areas continuously. Precise and gender-neutral communication is a major focus. Pankl Group aims to continue to be and constantly communicates to be an attractive employer providing numerous career and development possibilities for all people.

5.9. CORPORATE SOCIAL RESPONSIBILITY

Pankl Group puts very much effort into its social engagement. An example of this is the ongoing integration of Ukrainian colleagues at the workplace and partly also in the private lives of our employees. As start-up support, we provide new colleagues at the Kapfenberg location with free accommodation at the Pankl Tower. There are also German language courses for new employees from Ukraine funded by Pankl Group.

We carried out a group-wide donation campaign for the people in Ukraine. The donations from the employees were doubled by the company and transferred to Caritas for the best possible use.

We resumed the blood donation initiative in co-operation with the Red Cross after it had to be suspended in previous years due to Covid restrictions. This involves at least two blood donation events directly at the Pankl facilities in Bruck upon Mur and Kapfenberg. At these events we welcome all Pankl employees and external persons.

In co-operation with the charity “We Help and Care” we prepared Burmese lunch menus in our Kapfenberg staff canteen with volunteers of the charity. The proceeds collected from the canteen as well as further donations of the employees were doubled by the company and given to the charity and its work.

In December 2022 all employees of Pankl Group received special t-shirts as a gift, which were designed by the artists of the charity “VOI fesch”. This organisation promotes artists with disabilities and organised the whole process from production to shipment to all global locations of Pankl Group.

6. RISK AND OPPORTUNITIES MANAGEMENT

6.1. MAJOR RISKS, UNCERTAINTIES AND OPPORTUNITIES

Pankl Group is a technology business and is hence exposed to a very dynamic environment. Risks are part of daily business. We understand risk as the probability of deviations of actual developments from our corporate targets. Risk contains positive (opportunities) as well as negative (risks) deviations from our corporate targets.

6.2. RISK REPORT

The major risks of the company are outlined in the Notes in Chapter VII (“Risk Report”).

Ukraine Conflict

Pankl Group does not realise any significant revenues in Russia or Ukraine and is hence not affected by any direct loss of revenues or bad debt. Pankl Group is indirectly affected by the conflict due to strong increases in commodity and energy prices which led to significant price increases along the entire supply chain.

Pankl Group aims to pass on these additional costs to the relevant customers. Risks result primarily from time delays of price increases for Pankl customers and lower demand resulting from these price increases.

6.3. INTERNAL CONTROL SYSTEM

The department Internal Audit, which reports directly to the Management Board, is responsible for the ongoing improvement of the Internal Control System of Pankl Group and carries out adequate measures together with the appropriate specialist departments. Internal control measures to assure reliability and quality of financial reports, which are used internally or distributed to third parties, in addition to the documentation of these controls are continuously reviewed. Emphasis is put on compliance with group-wide standards. Internal control measures are executed by decentralised organisational units which are supervised by the Internal Audit Department.

Group-wide accounting and reporting guidelines assure consistency of financial information within Pankl Group. Dedicated personnel within the appropriate organisational units are responsible for the execution of these standards in a decentralised manner. Compliance with internal guidelines and processes is continuously monitored based on the audit plan which is designed by the Internal Audit Department and approved by the Management Board. Internal audit results are communicated to the Management Board and the managing directors of the appropriate organisational units. Know-how to carry out improvements is provided, if needed. At the request of management, the Internal Audit Department may also carry out ad-hoc inspections which aim at evaluating current and future risks.

The controlling departments of the subsidiaries produce standardised reports monthly, which outline the current development of the Company and analyse deviations from expectations. The scope of these reports is defined group-wide and contains detailed financial data and non-financial performance indicators. The production of these reports is supported by a group-wide management information system, which assures that management is informed in a timely manner. The preparation of the consolidated financial statements is the responsibility of the Group Controlling Department. External and internal reporting is based on the same data sources. Continuous reconciliation and checks between the local accounting departments, the controlling departments and the Group Controlling Department assure reliability of the reported data.

6.4. FINANCIAL INSTRUMENTS

Financial instruments are outlined in the Notes in Chapter VIII (“Financial Instruments and Capital Management”).

7. SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

7.1. FUTURE DEVELOPMENT AND OUTLOOK

The economic environment especially in the automotive industry continues to be characterised by uncertainties in both the supply as well as the demand side. These uncertainties are intensified by the continuing war in Ukraine. The developments of commodity and energy prices require close monitoring to be able to react flexibly to current events. In general, we must expect continuous higher inflation. Pankl Group continues to pursue its strategic aim of realising sustainable growth by executing its established 2030 Strategy plan.

Kapfenberg, February 23rd, 2023

The Management Board

Wolfgang Plasser, CEO

Thomas Karazmann, CFO

Christoph Prattes, COO

Stefan Seidel, CTO


Projekt-
mgmt.

Consolidated Financial Statements

OF PANKL RACING SYSTEMS AG ACCORDING TO IFRS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

of Pankl Racing Systems AG for the Fiscal Year 2022

		01/01/2022 - 12/31/2022		01/01/2021 - 12/31/2021	
	Notes	€k	in %	€k	in %
SALES REVENUES	8	**369,303**	**100.0**	**285,104**	**100.0**
Cost of goods sold	9	-297,182	-80.5	-231,346	-81.1
Gross Profit		**72,121**	**19.5**	**53,758**	**18.9**
Distribution expenses	10	-18,345	-5.0	-14,944	-5.2
Administration expenses	12	-39,343	-10.7	-35,559	-12.5
Other operating income	14	4,961	1.3	12,797	4.5
Other operating expenses	13	-381	-0.1	-520	-0.2
Operating earnings (EBIT)		**19,013**	**5.1**	**15,532**	**5.4**
Financial income		722	0.2	1,055	0.4
Financial expenses		-4,027	-1.1	-3,370	-1.2
Financial results	15	-3,305	-0.9	-2,315	-0.8
Earnings before income taxes (EBT)		**15,708**	**4.3**	**13,217**	**4.6**
Income taxes	16	-3,413	-0.9	-1,423	-0.5
NET EARNINGS AFTER INCOME TAXES		**12,295**	**3.3**	**11,794**	**4.1**
Attributable to:					
Shareholders of parent company		**12,720**	**3.4**	**12,044**	**4.2**
Minorities		**-425**	**-0.1**	**-250**	**-0.1**
EARNINGS PER SHARE					
- Undiluted = fully diluted earnings per share	17	4.13	€	3.91	€

CONSOLIDATED STATEMENT OF COMPREHENSIVE RESULTS

of Pankl Racing Systems AG for the Fiscal Year 2022

		2022	2021
	Notes	€k	€k
Net earnings after income taxes		**12,296**	**11,794**
Items which are not shown in the profit and loss account:			
Actuarial profits / losses from pension plans and similar schemes	31	544	-181
Deferred taxes from actuarial profits / losses from pension plans and similar schemes	31	-145	45
Cash flow hedging reserve		1,056	-82
Items which were or may be shown in the profit and loss account:			
Foreign exchange differences from net investments in foreign businesses		0	-82
Foreign exchange differences from foreign subsidiaries		950	3,120
Other results of the period		2,405	2,820
Total comprehensive results		**14,701**	**14,614**
Attributable to shareholders of the parent company		15,126	14,864
Attributable to minorities		-425	-250

CONSOLIDATED BALANCE SHEET

of Pankl Racing Systems AG per December 31st, 2022

		12/31/2022		12/31/2021	
	Notes	€k	in %	€k	in %
ASSETS					
Long-term assets					
Goodwill	22	12,526	3.5	12,432	3.5
Other intangible assets	21	1,805	0.5	1,517	0.4
Tangible fixed assets	20	124,078	34.4	116,532	33.0
Rights-of-use assets	20	17,788	4.8	19,243	5.4
Financial fixed assets	24	15	0.0	29	0.0
Deferred tax assets	23	4,091	1.1	4,447	1.3
Total long-term assets		**160,302**	**44.4**	**154.200**	**43.7**
Short-term assets					
Inventories	25	112,890	31.3	88,914	25.2
Trade accounts receivable	26	41,390	11.5	32,169	9.1
Other short-term receivables and assets	27	26,889	7.4	19,216	5.4
Current tax assets		36	0.0	585	0.2
Cash and cash equivalents	28	19,449	5.4	57,829	16.4
Total short-term assets		**200,655**	**55.6**	**198,713**	**56.3**
TOTAL ASSETS		**360,956**	**100.0**	**352,913**	**100.0**

	Notes	12/31/2022		12/31/2021	
		€k	in %	€k	in %
LIABILITIES					
Shareholders‘ equity					
Share capital	29	3,080	0.9	3,080	0.9
Capital reserves	29	34,532	9.6	34,532	9.8
Perpetual bond	29	10,000	2.8	10,000	2.8
Retained earnings	29	92,452	25.6	82,522	23.4
Equity of parent’s shareholders		140,063	38.8	130,134	36.9
Minorities	29	309	0.1	554	0.2
Total shareholders‘ equity		**140,373**	**38.9**	**130,688**	**37.0**
Long-term debt					
Long-term loans	30	108,733	30.1	124,275	35.2
Long-term finance lease liabilities	30	12,987	3.6	14,271	4.0
Personnel-related provisions	31	5,691	1.6	6,231	1.8
Long-term provisions	33	186	0.1	208	0.1
Other long-term debt	32	3,913	1.1	4,539	1.3
Deferred tax liabilities	23	283	0.1	72	0.0
Total long-term debt		**131,793**	**36.5**	**149,596**	**42.4**
Short-term debt					
Short-term loans and short-term portion of long-term loans	30	34,758	9.6	23,503	6.7
Short-term finance lease liabilities	30	4,170	1.2	4,565	1.3
Other short-term debt	32	21,602	6.0	19,541	5.5
Trade accounts payable		25,276	7.0	24,548	7.0
Current tax liabilities	15	2,735	0.8	290	0.1
Other provisions	33	249	0.1	182	0.1
Total short-term debt		**88,791**	**24.6**	**72,629**	**20.6**
Total debt		**220,584**	**61.1**	**222,225**	**63.0**
TOTAL LIABILITIES		**360,956**	**100.0**	**352,913**	**100.0**

CONSOLIDATED CASH FLOW STATEMENT [1]

of Pankl Racing Systems AG for the Fiscal Year 2022

	Notes	01/01/2022 - 12/31/2022 €k	01/01/2021 - 12/31/2021 €k
NET EARNINGS AFTER INCOME TAXES		12,296	11,794
Cash flow from operating activities derived from net earnings after income taxes:			
Depreciation		27,949	25,907
Profit / loss from the sale of fixed assets		-14	-542
Other non-cash items		-1,333	-4,050
Income taxes paid		0	-1,217
Interest paid			-1,695
Interest received			4
Change of long-term provisions	33	-562	-240
CASH FLOW FROM RESULTS		**38,336**	**29,961**
Change of trade accounts receivable		-9,221	-4,879
Change of other receivables and assets		-7,124	-1,139
Change of inventories	25	-23,976	-18,606
Change of short-term assets		**-40,322**	**-24,624**
Change of trade accounts payable		950	11,173
Change of provisions		68	-2,276
Change of income tax and other short-term liabilities		6,202	3,320
Change of short-term debt		**7,219**	**12,217**
Change of deferred taxes	23	567	296
Change of foreign exchange differences		373	-1,432
Change of other long-term assets / debt		-626	3,124
Change of long-term assets / debt		**314**	**1,988**
CASH FLOW FROM OPERATING ACTIVITIES		**5,547**	**19,542**
Capital expenditure in tangible fixed assets	20	-30,376	-17,571
Proceeds from the sale of fixed assets		472	1,472
Capital expenditure in intangible fixed assets	21	-962	-346
Capital expenditure in financial fixed assets	24	0	-9
CASH FLOW FROM INVESTING ACTIVITIES		**-30,866**	**-28,813**

		01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Loan increases	VI	292	108,207
Loan repayments	VI	-20,366	-92,186
Change of current bank account balances	VI	15,491	2,825
Dividend payments		-5,196	0
Repayments of finance lease liabilities		-4,735	-4,287
Other financing activities		114	17,861
CASH FLOW FROM FINANCING ACTIVITIES		**-14,401**	**32,420**
CHANGE OF CASH AND CASH EQUIVALENTS		**-39,719**	**23,149**
Cash and cash equivalents at the beginning of the period	28	57,829	32,577
Cash impact of foreign exchange differences		1,339	2,104
Change of cash and cash equivalents		-39,719	23,148
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**19,449**	**57,829**

1 The consolidated cash flow statement of Pankl Group shows how the cash position of Pankl Group is impacted by the in- and outflows of cash during the reporting period. The consolidated cash flow statement is derived from the consolidated financial statements using the indirect method. Cash is considered cash and bank deposits and corresponds to the balance sheet position “Cash and Cash Equivalents“. This position does not contain short-term securities and short-term bank debt. At the balance sheet date, there were no major restrictions regarding the free availability of cash and cash equivalents.

SCHEDULE OF CONSOLIDATED SHAREHOLDERS' EQUITY

of Pankl Racing Systems AG for the Fiscal Year 2022

€k	Share capital	Capital reserves	CF hedging reserve	Perpetual bond
12/31/2021	**3,080**	**34,532**	**-82**	**10,000**
Earnings after taxes	0	0	0	0
Results directly shown in equity	0	0	1,057	0
Total results	**0**	**0**	**1,057**	**0**
Transactions with equity holders				
Acquisition of minority stakes without change of control	0	0	0	0
Capital contribution	0	0	0	0
Reclassification of capital reserve into free reserve	0	0	0	0
Dividend payments	0	0	0	0
12/31/2022	**3,080**	**34,532**	**975**	**10,000**

€k	Share capital	Capital reserves	CF hedging reserve	Perpetual bond
12/31/2020	**3,080**	**39,334**	**0**	**10,000**
Earnings after taxes	0	0	0	0
Results directly shown in equity	0	0	-82	0
Total results	**0**	**0**	**-82**	**0**
Transactions with equity holders				
Acquisition of minority stakes without change of control	0	121	0	0
Capital contribution	0	18,000	0	0
Reclassification of capital reserve into free reserve	0	-22,923	0	0
Dividend payments	0	0	0	0
12/31/2021	**3,080**	**34,532**	**-82**	**10,000**

Retained earnings					
Reserves from forex differences	IAS 19 reserve for actuarial profits / losses	Other retained earnings	**Equity attributable to shareholders of parent company**	Share of minorities	**Total**
-3,613	**-676**	**86,893**	**130,134**	**554**	**130,688**
0	0	12,720	12,720	-425	12,295
950	399	0	2,406	0	2,406
950	**399**	**12,720**	**15,126**	**-425**	**14,701**
0	0	0	0	0	0
0	0		0	180	180
0	0	0	0	0	0
0	0	-5,196	-5,196	0	-5,196
-2,663	**-277**	**94,417**	**140,064**	**309**	**140,373**

Retained earnings					
Reserves from forex differences	IAS 19 reserve for actuarial profits / losses	Other retained earnings	**Equity attributable to shareholders of parent company**	Share of minorities	**Total**
-6,651	**-540**	**51,926**	**97,149**	**379**	**97,528**
0	0	12,044	12,044	-250	11,794
3,038	-136	0	2,820	0	2,820
3,038	**-136**	**12,044**	**14,864**	**-250**	**14,614**
0	0	0	121	425	546
0	0		18,000	0	18,000
0	0	22,923	0	0	0
0	0		0	0	0
-3,613	**-676**	**86,893**	**130,134**	**554**	**130,688**

Notes to the Consolidated Financial Statements for the Fiscal Year 2022

I. General Notes

1. THE COMPANY

Pankl Racing Systems AG and its subsidiaries (hereinafter referred to as the "Pankl Group") are an international technology group based in A-8605 Kapfenberg, 4 Industriestrasse West, Austria. Pankl Racing Systems AG is registered in the commercial register (Firmenbuch) of the Leoben district court under the number FN 540009g. The business activities of Pankl Group are broken down in three segments: Racing / High-Performance (corresponds to Racing / Automotive), Aerospace and Other. Pankl Group is part of the group of companies of Pierer Konzerngesellschaft mbH in Wels, Austria, which is the top parent company. Pankl Racing Systems AG is fully consolidated in the group financial statements of Pierer Konzerngesellschaft mbH. The consolidated financial statements of the Pierer Konzerngesellschaft mbH are filed with the commercial register of the Wels district court under the number FN 134766k and represent the financial statements with the largest consolidation scope within this group of companies.

The consolidated financial statements of Pankl AG in Kapfenberg, Austria are filed with the commercial register of the Leoben district court under the number FN 395143v and represent the financial statements with the smallest consolidation scope within this group of companies, of which the group financial statements of Pankl Racing Systems AG are part of.

2. REPORTING RULES

The consolidated financial statements for the time from January 1st until December 31st, 2022 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with interpretations of the International Reporting Interpretations Committee (IFRIC) to the extent used in the EU. The consolidated financial statements per December 31st, 2022 also fulfil the additional requirements of Section 245a, Paragraph 1 of the Austrian Companies Act (§245a Abs1 UGB).

The financial statements of the companies which are included in the consolidated financial statements are based on the same reporting rules. All companies which are part of the consolidated financial statements applied these rules. Except for Pankl Japan Inc, all companies which are included in the consolidated financial statements have their balance sheet date on the December 31st. The balance sheet date of Pankl Japan Inc. is the September 30th.

The consolidated financial statements are prepared using the Euro as functional currency. All amounts are rounded to Euro thousands (€k) except if pointed out otherwise. Differences may occur due to rounding.

Due to the IASB disclosure initiative for the Notes, some items in the consolidated financial statements are broken down differently, the sequence of the Notes is partly new and the descriptions in the Notes are adjusted and supplemented.

3. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED

IASB issued the following amendments for existing IFRS and some new IFRS and IFRIC, which were adopted by the EU Commission and are hence obligatory to be applied from January 1st, 2022:

- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

There were no significant changes due to the first application of the new standards or interpretations.

4. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED IN THE FUTURE

4.1. Application of New Standards and Interpretations from 2022

The following table shows standards and interpretations which have been adopted by the EU-Commission but did not have to be applied at the balance sheet date and were not applied early:

Standard / Amendment	To be applied from by IASB	Endorsement by EU	To be applied from in EU
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	Yes	01/01/2023
Amendment to IAS 8: Definition of Accounting Estimates	01/01/2023	Yes	01/01/2023
Amendment to IAS 1 and the IFRS guidance document 2	01/01/2023	Yes	01/01/2023
IFRS 17 Insurance Contracts	01/01/2023	Yes	01/01/2023

IASB and IFRIC issued further standards and interpretations, which do not yet have to be applied in the fiscal year 2023 or which have not yet been adopted by the EU-Commission. These are the following standards and interpretations:

Standard / Amendment	To be applied from by IASB	Endorsement by EU	To be applied from in EU
Amendments to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (including delay of coming into force)	01/01/2024	No	
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	04/01/2024	No	
Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate / joint venture	-	No	

We do not expect any major impacts on the consolidated financial statements from the future changes. We do not expect to apply any of the new standards and interpretations early.

5. ESTIMATES AND UNCERTAINTIES IN DISCRETIONARY DECISIONS AND ASSUMPTIONS

In setting up the consolidated financial statements, estimates and assumptions are necessary to a certain degree, which influence assets and liabilities and other obligations shown at the balance sheet date as well as expenses and income during the fiscal year. Empirical values are used, which the Management Board considers to be reasonable. Actual future amounts may deviate from these estimates if assumed parameters do not develop as expected. Such parameters are adjusted as soon as new developments are observed.

- Assumptions are used to value goodwill and intangible assets without defined useful life. At the balance sheet date, goodwill amounted to €12,526k (2021: €12,432k). Item 22 (Goodwill) contains further information on impairment tests.
- Deferred tax assets are stated to the extent to which it is likely that they will be used. The assessment of such future usability is based on factors like past profitability, operating plans, expiry period of tax losses carried forward and tax planning strategies. If actual results come in below estimates, write-offs of deferred tax assets may be required affecting the profit and loss account. Per December 31st, 2022, deferred tax assets from tax loss carryforwards amounted to €4,348k (2021: €4,358k). Item 23 (Deferred Tax Assets) contains further details on deferred tax assets.
- Valuation of inventories is influenced by estimates regarding future sales potential and probability that available stock can be used in production processes. Per December 31st, 2022, inventories amounted to €112,890k (2021: €88,914k).
- There are uncertainties regarding estimates for the valuation of personnel-related obligations. Assumptions are used for the following factors: demographics such as pension age and employee fluctuation, financial estimates such as actuarial interest rate and future development of wages and salaries. At the balance sheet date, personnel-related obligations amounted to €5,691k (2021: €6,231k). Item 31 (Liabilities for Employee Benefits) contains further information.
- For accounts receivable there are uncertainties regarding estimates for impairments according to IFRS 9 as well as for the Fair Value to be used. Per December 31st, 2022, trade accounts receivable amounted to €41,390k (2021: €32,169k), €23k of which were valued at Fair Value (2021: €427k).

6. CLIMATE CHANGE RELATED NOTES

In the preparation of the consolidated financial statements, management considered impacts from climate change, in particular with regards to statements in the risk and the management reports. These considerations had no material impact on discretionary decisions and estimates in the financial reporting. This corresponds to management's assessment during the preparation of the financial statements that climate change will not have material impacts on the going concern. The following matters were considered in particular:

- When developing new products, the Group takes climate change into account.
- The Group continues to invest in solutions to produce renewable energy on-site at plants of Pankl Group.
- Management examined the impacts of climate change on major estimates in the financial statements, such as:
  - Future cash flow estimates, which are used for impairment tests or other assessments whether there are indications for a reduction in value.
  - Book value of long-term assets (e.g. intangible assets and goodwill)
  - Estimates of future profitability, which are used for the assessment of the viability of deferred tax assets.

II. Scope of Consolidation

7. CONSOLIDATION PRINCIPLES AND METHODS

In the consolidated financial statements of Pankl Racing Systems AG all its subsidiaries are included via **full consolidation**. Subsidiaries are companies which are controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the point in time when control starts until the point in time when it ends.

In accordance with IFRS 3, first consolidation is carried out using the Acquisition Method. Under this method at the time of obtaining control, the newly valued identifiable assets and liabilities of the acquired operation are compared with the purchase price and, if applicable, the amount paid for a minority stake and the time value of a stake already held at the time of the acquisition. A remaining positive value is capitalised as goodwill, a remaining negative value is shown as income in the profit and loss account under the item "Acquisition at Prices Below Market Value". Any acquisition costs are accounted for as expenses. The amount for minorities is, if not stated otherwise, shown as the pro-rata share of net assets of the company without goodwill.

The **reporting currency** of Pankl Group is the Euro. Subsidiaries prepare their financial statements in their functional currencies. Assets and liabilities which are included in the consolidated financial statements are translated into Euros using the mid exchange rate at the balance sheet date. Items of the profit and loss account are translated into Euros using the average exchange rate for the fiscal year. Resulting foreign exchange profits and losses are shown in the Other Results. Foreign exchange differences from long-term financial receivables which represent net investments in foreign businesses are shown in the Other Results. The table below shows the foreign exchange rates which are important for Pankl Group and which were used for the currency translation into the reporting currency.

€1 equals	Year-end rate		Average rate	
	12/31/2022	**12/31/2021**	**01/01/2022 - 12/31/2022**	**01/01/2021 - 12/31/2021**
US-Dollar	1.0666	1.1326	1.0500	1.1816
British Pound	0.8869	0.8403	0.8548	0.8584
Japanese Yen	140.6600	130.3800	138.1392	130.3200
Chinese Renminbi Yuan	7.3582	7.1947	7.0744	7.6069

8. CHANGE IN THE SCOPE OF CONSOLIDATION

In the year 2022, the number of consolidated companies developed as follows:

	Fully consolidated companies
Balance per 12/31/2021	12
Additions in the scope of consolidation	0
Deductions by mergers	0
Balance per 12/31/2022	**12**
of which foreign companies	8

III. Segment Reporting

The business activities of the company are managed in the business segments Racing / High-Performance (mainly engine and drivetrain components for motor racing and the luxury automotive industry), Aerospace (mainly drivetrain systems for the helicopter market) and Other (investment and financing companies). The breakdown in business segments and the presentation of segment results follows the Management Approach according to IFRS 8 and the internal reporting of the management information system to the Management Board as the chief operating decision maker.

Racing / High Performance
In the Racing / High-Performance Segment, Pankl focuses on the development, design and production of engine and drivetrain systems for motor racing and the high-performance automotive market. Production facilities are in Austria, Germany, the UK, China, Slovakia, and the USA. The major geographic markets are Germany, the USA, Austria, Italy, and the UK.

Aerospace
In the Aerospace Segment, Pankl serves the markets for helicopters and fixed wing aircraft with the development, design and production of drivetrain components, jet engine driveshafts, inflight refuelling pipes and suspension components. The production facilities of the segment are in Austria and the USA.

Other
The “Other” Segment includes the business activities of holding companies.

Segment EBIT is defined as operating earnings for the period before deduction of financial results and income taxes. Apart from depreciation and the first-time formation of the provision for anniversary bonuses there were no other material non-cash expenses in the respective segments. The segment results refer to earnings before deducting minority interests.

Segment expenses and earnings refer either directly to the relevant segment or can reliably be allocated using an appropriate formula. Segment expenses and income derive either from external sources or from appropriate other segments. In principle, services rendered between segments are invoiced at market prices. Amounts, which are not directly related to a segment, mainly refer to administration, research and development costs as well as other expenses.

Segment assets refer either directly to the segment or are allocated using an appropriate formula. Write-offs are directly deducted from the appropriate assets.

Segment assets include that part of short- and long-term assets which are required for the operations of the segment. They particularly comprise intangible assets (including goodwill from acquisitions), tangible fixed assets, inventories, trade accounts receivable as well as the portion of other receivables and assets required for operations. Segment assets do not account for any deferred or other taxes.

Segment liabilities include that part of short- and long-term liabilities required for the operations of the segment. They particularly comprise provisions for personnel and other expenses, trade accounts payable as well as the portion of provisions and liabilities required for operations. Both segment assets as well as segment liabilities do not carry any interest.

Segment capital expenditure includes all historic and production costs resulting from the purchase or production of segment assets during the reporting period as well as investments in long-term financial assets.

Revenues within a segment are consolidated.

In the fiscal year 2022, segment information for the described segments was as follows:

€k	Racing / High Performance	Aerospace	Other	**Total**	Recon-ciliation	**Group**
01/01/2022 - 12/31/2022						
Segment revenues	332,04	39,151	5,279	**376,534**	-7,231	**369,303**
thereof intra-group sales	1,528	44	5,660			
thereof external revenues	330,576	39,107	-380			
Operating earnings (EBIT)	18,016	2,547	-1,550	**19,013**		**19,013**
EBIT in % of segment revenues	5.4%	6.5%	-0.7%	**5.0%**		**5.1%**
Interest expenses	-3,691	-562	-918	**-5,171**	2,353	**-2,818**
Interest income	1,724	1	665	**2,390**	-2,353	**37**
Segment assets	262,692	36,077	40,372	**339,141**	21,815	**360,956**
Segment liabilities	64,373	9,793	5,545	**79,711**	140,873	**220,584**
Segment capital expenditure	29,057	1,295	3,308	**33,659**	0	**33,659**
Segment depreciation	-23,556	-1,084	-3,308	**-27,949**	0	**-27,949**
thereof impairments				**0**		**0**

€k	Racing / High Performance	Aerospace	Other	**Total**	Recon-ciliation	**Group**
01/01/2021-12/31/2021						
Segment revenues	256,323	30,706	4,127	**291,156**	-6,052	**285,104**
thereof intra-group sales	1,821	111	4,120			
thereof external revenues	254,511	30,594	8			
Operating earnings (EBIT)	12,818	1,992	722	**15,532**		**15,532**
EBIT in % of segment revenues	5.0%	6.5%	17.5%	**5.3%**		**5.4%**
Interest expenses	-2,456	-696	-862	**-4,014**	1,759	**-2,255**
Interest income	1,528	0	250	**1,778**	-1,759	**19**
Segment assets	212,875	29,964	40,421	**283,260**	69,653	**352,913**
Segment liabilities	52,241	4,975	1,170	**58,386**	163,839	**222,225**
Segment capital expenditure	21,857	932	1,531	**24,320**	0	**24,320**
Segment depreciation	-20,158	-2,582	-3,167	**-25,907**	0	**-25,907**
thereof impairments				**0**		**0**

IV. Notes to the Consolidated Profit and Loss Account

For the consolidated profit and loss account the Cost of Sales Method was used. Revenues in connection with the sale of goods are recognised in accordance with IFRS 15 as soon as the customer can dispose of the goods. With regards to services which are provided in more than one reporting period based on a single agreement, revenues are realised depending on the degree of completion.

9. SALES REVENUES

The geographic breakdown of external revenues is based on customer domicile and was as follows:

	01/01/2022 - 12/31/2022		01/01/2021 - 12/31/2021	
€k	Revenues	Share	Revenues	Share
Austria	98,432	26.7%	74,278	26.1%
USA	105,488	28.6%	75,081	26.3%
Germany	46,517	12.6%	35,740	12.5%
Italy	34,195	9.3%	30,163	10.6%
United Kingdom	31,744	8.6%	28,338	9.9%
France	14,040	3.8%	13,131	4.6%
Asia	1,719	0.5%	9,378	3.3%
Others	37,168	10.1%	18,995	6.7%
Total	**369,303**	**100.0%**	**285,104**	**100.0%**

Expected revenues from customer contracts, which were concluded as an obligation in 2022 or earlier periods and which were not or only partly completed amounted to €0k for the fiscal year 2022 (2021: €0k). Pankl Group applies the exception of IFRS 15.121 which allows not to show expected revenues from customer contracts if these contracts have a maturity of up to one year.

10. COST OF GOODS SOLD

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Material expenses and expenses for external services	146,021	107,094
Personnel expenses	101,950	82,311
Depreciation of intangible assets and tangible fixed assets	21,936	20,357
Other operating expenses	27,276	21,584
Total	**297,182**	**231,346**

11. DISTRIBUTION EXPENSES

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Personnel expenses	12,022	10,286
Depreciation of intangible assets and tangible fixed assets	700	634
Other operating expenses	5,623	4,024
Total	**18,345**	**14,944**

12. RESEARCH AND DEVELOPMENT EXPENSES

In 2022, the research and development expenses shown in the profit and loss account amounted to €20,938k (2021: €20,234k).

13. ADMINISTRATION EXPENSES

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/.2021
Personnel expenses	22,226	19,536
Depreciation of intangible assets and tangible fixed assets	5,313	4,916
Other operating expenses	11,805	11,107
Total	**39,343**	**35,559**

14. OTHER OPERATING EXPENSES

Other operating expenses amounted to €381k (2021: €520k) and contained primarily customer receivables write-offs in the amount of €194k.

15. OTHER OPERATING INCOME

Other operating income amounted to €4,961k (2021: €12,797k) and contained primarily subsidies and other contributions amounting to €3,006k (2021: subsidies and other contributions €3,975k), which referred primarily to R&D grants for Austrian companies.

16. FINANCIAL RESULTS AND INCOME FROM EQUITY INVESTMENTS

The financial results and income from equity investments amounted to as follows:

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Interest and similar income	37	19
Foreign exchange differences	685	1,020
Other financial income	0	16
Financial income	722	1,055

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Interest and similar expenses	-2,818	-2,255
Foreign exchange differences	0	0
Other financial expenses	-1,209	-1,115
Financial expenses	-4,027	-3,370
Financial results	**-3,305**	**-2,315**

The other financial expenses contained primarily bank charges and expenses from adding on interest to personnel provisions.

17. INCOME TAXES

Income tax expenses are broken down in current and deferred taxes as follows:

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Current tax expenses	-3,241	-954
Deferred taxes	-171	-469
Income taxes	**-3,413**	**-1,423**

The companies of Pankl Group were included in the Pierer Konzerngesellschaft mbH Group from the 2014 tax assessment onwards. The appropriate tax rate according to Austrian law is 25% (2021: 25%). The corporation tax rates of foreign subsidiaries range from 19% to 30%.

The reconciliation between the expected income tax expense using the Austrian corporation tax rate of 25% on earnings before tax and the actual income tax expense as shown in the consolidated financial statements is as follows:

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Earnings before income taxes	15,708	13,217
Implied 25% income taxes thereof	3,927	3,304
Impact of foreign tax rates	-54	-21
Permanent differences and tax calculation adjustments	-1,391	-2,264
Tax loss carryforwards not accounted for in previous years	2	0
Taxes from previous years	-14	-11
Not capitalised tax loss carryforwards of foreign subsidiaries	466	409
Impacts of tax investment incentives	0	0
Other impacts	477	6
Effective tax expenses	**3,413**	**1,423**

Austrian corporation tax will be decreased to 24% in 2023 and to 23% in 2024. As a result, deferred taxes which refer to Austrian companies were changed to the future rate of 23%.

18. EARNINGS PER SHARE AND DIVIDEND PROPOSAL

The number of shares of Pankl Racing Systems AG in issue amounts to 3,080,000. As of December 31st, 2022, the company did not hold any own shares. In the fiscal year 2022, earnings per share amounted to €4.13.

		01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Net earnings after income taxes	€k	12,295	11,794
Earnings after taxes attributable to the parent's shareholders	€k	12,720	12,044
Average number of shares in issue	Shares	3,080,000	3,080,000
Undiluted = fully diluted earnings per share	€ per share	4.13	3.91

Austrian Public Companies Law requires the unconsolidated financial statements of Pankl Racing Systems AG as of December 31st, 2022 prepared in accordance with the Austrian accounting regulations to be the basis of the dividend distribution.

It is proposed for the fiscal year 2022, that Pankl Racing Systems AG pays out of a balance sheet profit of €20,058k a dividend of €1.20 per share (amounts to €3,696k in total) and to carry the remainder forward for new account.

19. AUDIT EXPENSES

In the reporting period, the expenses incurred by the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungs-gesellschaft amounted to €213k (2021: €180k) for the annual and group audit and €4k (2021: €19k) for advisory and other services.

20. EMPLOYEES

The average number of employees developed in the year as follows:

Average headcount for the year	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Employees by segment		
Racing / High Performance Segment	2,116	1,979
Aerospace Segment	172	162
Employees by geographic region		
Austria	1,513	1,390
Slovakia	299	322
USA	272	245
United Kingdom	42	36
Germany	29	25
Asia	133	123
Employees by type of employment		
Blue-collar workers	1,480	1,360
White-collar employees	808	781
Total	**2,288**	**2,141**

In the fiscal year 2022, personnel expenses amounted to €136,198k (2021: €112,133k).

V. Notes to the Consolidated Balance Sheet

21. FIXED ASSETS

Fixed assets are valued at historic or production cost minus depreciation. Scheduled depreciation is calculated using the straight-line method and the following useful lifes:

Depreciation	Useful lifes	
Buildings	10 - 50	years
Plants and machinery	2 - 10	years
Forging press	5 - 25	years
Other fixed assets	3 - 5	years

Rights-of-use assets are accounted for using their fair value or the lower net present value of future minimum leasing payments. These assets are amortised evenly over their economic life or, if shorter, over the term of the leasing contract. Leasing payments are broken down in an interest and a repayment component. Such assets are shown under fixed assets, the appropriate payment obligations under financial liabilities. The interest component of the leasing payment is shown directly in the consolidated profit and loss account.

The breakdown of fixed assets and their development during the fiscal years 2022 and 2021 is shown in the tables below:

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights-of-use	Long-term leasing receivables	Total
01.01.2022 - 12/31/2022						
Historic cost per January 1st	76,638	210,875	43,431	32,875	0	**363,817**
Foreign exchange differences	117	1,326	356	785	0	**2,585**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	916	12,598	16,708	2,544	0	**32,766**
Deductions	-166	-4,533	-1,382	-2,411	0	**-8,492**
Reclassifications	706	7,549	-8,336	-25	0	**-106**
Historic cost per December 31st	**78,211**	**227,815**	**50,776**	**33,768**	**0**	**390,569**
Cumulated depreciation per January 1st	-35,277	-148,930	-30,204	-13,632	0	**-228,043**
Foreign exchange differences	-72	-864	-272	-202	0	**-1,410**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	-3,005	-15,785	-4,023	-4,486	0	**-27,299**
Deductions	0	0	0	0	0	**0**
Disposals	47	4,401	1,261	2,315	0	**8,023**
Reclassification	0	0	0	25	0	**25**
Impairments	0	0	0	0	0	**0**
Cumulated depreciation per December 31st	**-38,307**	**-161,179**	**-33,238**	**-15,980**	**0**	**-248,704**
Book value per December 31st	**39,904**	**66,636**	**17,538**	**17,788**	**0**	**141,866**

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights-of-use	Long-term leasing receivables	Total
01/01/2021 - 12/31/2021						
Historic cost per January 1st	58,152	168,034	27,664	26,463	87	**280,400**
Foreign exchange differences	183	2,280	636	979	7	**4,085**
Change in scope of consolidation	17,536	30,194	11,408	235	0	**59,373**
Additions	418	8,977	9,211	5,386	0	**23,992**
Deductions	-11	-2,770	-905	-188	-94	**-3,968**
Reclassifications	360	4,159	-4,582	0	0	**-63**
Historic cost per December 31st	**76,638**	**210,874**	**43,432**	**32,875**	**0**	**363,819**
Cumulated depreciation per January 1st	-26,343	-111,375	-19,956	-9,500	0	**-167,174**
Foreign exchange differences	-123	-1,608	-453	-300	0	**-2,484**
Change in scope of consolidation	-5,828	-23,808	-7,330	1	0	**-36,966**
Additions	-2,969	-14,776	-3,353	-3,967	0	**-25,065**
Revaluations	0	0	0	0	0	**0**
Deductions	10	2,637	862	136	0	**3,645**
Reclassifications	-24	0	24	0	0	**0**
Impairments	0	0	0	0	0	**0**
Cumulated depreciation per December 31st	**-35,277**	**-148,930**	**-30,206**	**-13,631**	**0**	**-228,044**
Book value per December 31st	**41,361**	**61,944**	**13,226**	**19,245**	**0**	**135,775**

In the fiscal year 2022, additions to rights-of-use assets contained an amount of €2,544k which had no cash impact on the balance sheet date. Item 43 (lessee in leasing contracts) contains further details.

Additions to other fixed assets include capital expenditure of €1,225k (2021: €1,379k) with no cash impact yet on the balance sheet date. In the cash flow statement, there is a negative impact of €-154k in the cash flow from investment activities because of capital expenditure with no cash impact yet on the balance sheet date.

At the balance sheet date, fixed assets amounting to €30,318k (2021: €34,422k) are recorded in land registries or are used as collateral or for deposited pledge certificates primarily for liabilities against banks and leasing companies.

In the fiscal year 2022, public subsidies for capital expenditure in the amount of €361k (2021: €394k) were recorded in the profit and loss account as a reduction in depreciation.

There are future payment obligations amounting to €14,029k (2021: €17,401k) for the purchase of fixed assets.

22. INTANGIBLE ASSETS

Intangible assets are valued at historic or production cost minus depreciation in the same way as fixed tangible assets. Scheduled depreciation is calculated using the straight-line method and the following useful lifes:

Depreciation	**Useful lifes**
Intangible assets	2 - 4 years

As of December 31st, 2022, impairment tests were calculated using the current five-year plan (2021: five-year plan) and a discount rate (asset specific cost of capital before taxes) of 11.2% (2021: 10.1%).

The breakdown of intangible assets and their development during the fiscal years 2022 and 2021 is shown in the tables below:

€k	**Goodwill**	**Customer base**	**Other intangible assets**	**Total**
01/01/2022 - 12/31/2022				
Historic cost per January 1st	15,679	1,817	10,787	**28,283**
Foreign exchange differences	86	-21	54	**118**
Change in scope of consolidation	0	0	0	**0**
Additions	0	0	894	**894**
Deductions	0	0	-600	**-600**
Reclassifications	0	0	81	**81**
Historic cost per December 31st	**15,765**	**1,796**	**11,215**	**28,776**
Cumulated depreciation per January 1st	-3,247	-1,817	-9,270	**-14,334**
Foreign exchange differences	8	21	-21	**8**
Change in scope of consolidation	0	0	0	**0**
Additions	0	0	-650	**-650**
Revaluations	0	0	0	**0**
Deductions	0	0	530	**530**
Reclassification	0	0	0	**0**
Cumulated depreciation per December 31st	**-3,239**	**-1,796**	**-9,410**	**-14,446**
Book value per December 31st	**12,526**	**0**	**1,805**	**14,330**

€k	Goodwill	Customer base	Other intangible assets	Total
01/01/2021-12/31/2021				
Historic cost per January 1st	15,221	1,791	8,641	**25,653**
Foreign exchange differences	458	26	186	**670**
Change in scope of consolidation	0	0	1,592	**1,592**
Additions	0	0	319	**319**
Deductions	0	0	-14	**-14**
Reclassifications	0	0	63	**63**
Historic cost per December 31st	**15,679**	**1,817**	**10,787**	**28,283**
Cumulated depreciation per January 1st	-3,254	-1,791	-6,830	**-11,875**
Foreign exchange differences	7	-26	-120	**-139**
Change in scope of consolidation	0	0	-1,492	**-1,492**
Additions	0	0	-842	**-842**
Revaluations	0	0	0	**0**
Deductions	0	0	14	**14**
Reclassifications	0	0	0	**0**
Cumulated depreciation per December 31st	**-3,247**	**-1,817**	**-9,270**	**-14,334**
Book value per December 31st	**12,432**	**0**	**1,517**	**13,949**

Additions to intangible assets include capital expenditure of €19k with no cash impact yet on the balance sheet date. In the cash flow statement, there is a negative impact of €-68k in the cash flow from investment activities because of capital expenditure with no cash impact yet on the balance sheet date.

There are future payment obligations amounting to €262k (2021: €53k) for the purchase of intangible fixed assets.

23. GOODWILL

Goodwill is not amortised on a straight-line basis but is subject to an impairment test every year. If required, impairments are recorded in the profit and loss account. Goodwill is allocated to cash generating units (CGUs) to carry out impairment tests. Impairment charges are defined by the difference between the book value carried forward (including the allocated goodwill) and the utilisation value, which is the present value of future estimated cash flows before tax. If this utilisation value is lower than the book value carried forward, an impairment charge for the difference shall be applied. Any additional required amortisations shall be allocated to the remaining assets of the CGU proportionally to the book values.

Cash flows used for impairment tests are based on the current five-year medium-term plan (2021: five-year plan). After the detailed planning period, the cash flow planned for the last year of the planning period is used as the basis for the calculation of a perpetuity. The discount rate is derived from external capital markets data and represents the weighted average cost of capital (WACC). The mid-term plan is based on internal assumptions regarding future revenues, prices and expenses, future access to new markets and product mix. Such assumptions are based on long-term experience and management expectations.

The discount rate before taxes amounted to 11.2% (2021: 10.1%).

In the fiscal year 2022 as in the previous year, there were no impairments on goodwill.

The capital cost rate and the future planned free cash flows are used to analyse the sensitivity of the planning parameters. The following increases of WACC before tax or the following decreases of future planned free cash flows can be absorbed and the results for the cash flow generating units still equal their book value:

Cash flow generating unit	2022 WACC	2022 Free cash flow	2021 WACC	2021 Free cash flow
Racing - Drivetrain	3.8%	-37.5%	3.8%	-40.7%
Racing - Engine Europe	9.3%	-62.0%	5.5%	-47.6%
Racing - Engine USA	5.2%	-37.6%	7.0%	-43.0%
High Performance	0.7%	-8.1%	3.7%	-35.6%
Aerospace	0.7%	-16.0%	1.7%	-22.0%

Goodwill, its development, and its breakdown in CGUs was as follows:

€k	12/31/2022	12/31/2021
Racing - Engine Europe	4,453	4,585
Racing - Engine USA	4,588	4,362
High Performance	1,463	1,463
Aerospace	2,022	2,022
Total	**12,526**	**12,432**

24. DEFERRED TAX ASSETS

For business transactions which are already recorded in the consolidated financial statements or in the financial statements drawn up for taxation purposes, deferrals and accruals for deferred taxes shall be formed regarding expected future tax impacts (temporary differences). Deferred taxes for tax loss carryforwards shall be formed depending on timely realisability. Deferred tax assets and liabilities within one tax regime shall be netted. Differences referring to valuations of subsidiaries and at-equity consolidated participations versus group equity are only accounted for if their reversal is probable during a defined time-period. The calculation is based on the common corporation tax rate in the respective country at the time of the expected reversal of the value.

Deferred tax assets and liabilities are shown for the following balance sheet positions:

€k	12/31/2022	12/31/2021
Deferred tax assets		
Short-term assets	2,701	2,091
Long-term assets		
Plants	39	105
Tax loss carryforwards	4,348	4,358
Short-term debt	104	199
Long-term debt	2,005	2,580
Total	**9,197**	**9,333**
Netting due to same tax regime	-5,106	-4,886
Deferred taxes according to balance sheet	**4,091**	**4,447**

€k	12/31/2022	12/31/2021
Deferred tax liabilities		
Short-term assets	-2,941	-2,461
Long-term assets		
Plants	-2,176	-2,466
Long-term debt	-272	-31
Short-term debt	0	
Total	**-5,389**	**-4,958**
Netting due to same tax regime	5,106	4,886
Deferred taxes according to balance sheet	**-283**	**-72**

As of December 31st, 2022, there was a deferred tax liability of €1,128k (2021: €2,246k) in connection with shares held in subsidiaries. This liability was not recognised because the Group is able to define dividend policies of subsidiaries. The Group hence controls when such temporary differences are reversed. The Management Board does not expect any reversals in the foreseeable future.

In the fiscal year 2022, deferred taxes developed as follows:

€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
Net deferred taxes on January 1st	4,375	4,998
Change in scope of consolidation	0	-327
Deferred taxes recorded in the profit and loss account	-171	-468
Deferred taxes not recorded in the profit and loss account	-461	172
thereof from foreign exchange differences	65	84
Net deferred taxes on December 31st	**3,808**	**4,375**

In the fiscal year 2022, Pankl Group had the following capitalised tax loss carryforwards:

	12/31/2022			12/31/2021		
€k	Tax loss carry-forward	Potential deferred tax assets	Recorded deferred tax assets	Tax loss carry-forward	Potential deferred tax assets	Recorded deferred tax assets
Tax group Austria	8,665	1,993	1,866	8,121	2,030	2,030
Tax group USA	16,847	4,049	1,125	14,469	3,575	1,060
	25,512	6,042	2,991	22,590	5,605	3,090

Deferred tax assets were recognised where utilisation is expected within the current planning period 2023 until 2027 for parts of the Austrian and the US tax loss carryforwards.

In the fiscal year 2022, the Slovakian investment subsidy developed as follows:

€k	12/31/2022 Tax subsidy	12/31/2022 Potential deferred tax assets	12/31/2022 Recorded deferred tax assets	12/31/2021 Tax subsidy	12/31/2021 Potential deferred tax assets	12/31/2021 Recorded deferred tax assets
Slovakia	6,464	1,357	1,357	6,038	1,268	1,268

Recorded deferred tax assets from tax loss carryforwards or granted public subsidies are calculated based on the current five-year plan. This plan is presented to and acknowledged by the Supervisory Board. Impairments shall be required in the future if there are deviations from the plan and part of the tax loss carryforwards or public subsidies cannot be utilised.

Apart from the positions mentioned, there are no uncertainties regarding income taxes. Per December 31st, 2022, there are no contingent assets or liabilities with regards to taxes.

25. OTHER LONG-TERM ASSETS (FINANCIAL FIXED ASSETS)

The other long-term assets developed as follows:

€k	Granted loans	Other financial fixed assets	Total
01/01/2022 - 12/31/2022			
Historic cost per January 1st	23	6	29
Foreign exchange differences	0	0	0
Change in scope of consolidation	0	0	0
Additions	0	0	0
Deductions	-8	-6	-14
Reclassifications	0	0	0
Historic cost per December 31st	**15**	**0**	**15**
Book value per December 31st	**15**	**0**	**15**

€k	Granted loans	Other financial fixed assets	Total
01/01/2021-12/31/2021			
Historic cost per January 1st	6	0	6
Foreign exchange differences	0	0	0
Change in scope of consolidation	19	654	673
Additions	0	9	9
Deductions	-2	-657	-659
Reclassifications			0
Historic cost per December 31st	**23**	**6**	**29**
Book value per December 31st	**23**	**6**	**29**

26. INVENTORIES

On the balance sheet date, inventories are valued at the lower of historic or production cost or net selling price (Lower of Cost or Net Realisable Value). Net selling price is the expected selling price minus expected distribution expenses. Inventories are valued using the Weighted Average Pricing Procedure, which uses a days-of-inventory analysis where impairments are carried out for restricted usability, and the Identity Price Method. On a case-by-case basis, inventories are also analysed regarding their economic usefulness and additional impairments are applied for long storage periods or limited sales prospects.

Historic costs include all expenses, which are necessary to put the good in the required order and location to be used. Historic and production costs include direct material and production expenses based on normal capacity utilisation as well as appropriate fixed and variable indirect material and production overheads. Indirect administration and distribution expenses are not part of the historic production expenses. Cost for debt capital is not capitalised because inventories are not qualified assets in accordance with IAS 23.

Inventories developed as follows:

€k	12/31/2022	12/31/2021	Change
Raw and process materials	65,525	49,017	33.7%
Semi-finished products	31,657	29,166	8.5%
Finished products	15,708	10,731	46.4%
Total	**112,890**	**88,914**	**27.0%**

In the fiscal year 2022, inventory write-offs of 6,442k (2021: €7,060k) were recorded for products where the net selling value was lower than historic or production cost. As of December 31st, 2022, the book value of inventories valued at net selling price amounted to €2,562k (2021: 3,258k).

At the balance sheet date, inventories in the amount of €0k (2021: €0k) were pledged or restricted in their availability.

27. TRADE ACCOUNTS RECEIVABLE

As of December 31st, 2022, trade accounts receivable amounted to, as follows:

€k	12/31/2022	12/31/2021
Trade accounts receivable	41,390	32,169
thereof against associated companies	0	0
Total	**41,390**	**32,169**

General and specific value adjustments to receivables developed as follows:

€k	Trade accounts receivable including contract assets – value adjustments
Balance per January 1st, 2021	**463**
Foreign exchange differences	24
Additions	542
Utilisations	-1
Reversals	-33
Balance per December 31st, 2021	**995**
Foreign exchange differences	14
Additions	379
Utilisations	-33
Reversals	-161
Balance per December 31st, 2022	**1,194**

General and specific value adjustments consisted of several positions, of which we consider no single one to be material.

As of December 31st, 2022, there were specific value adjustments for trade accounts receivable of €1,002k (December 31st, 2021: €928k).

In the fiscal year 2016, a reverse factoring programme (supplier finance agreement) was started in co-operation with KTM AG (a related company) and a domestic credit institution. As all risks and rewards from the trade accounts receivable are transferred to the domestic credit institution and no risks and rewards remain with Pankl Group, we book out all trade accounts receivable in accordance with IFRS 9 as soon as the credit institution transfers the due amount from the trade accounts receivable to us.

28. SHORT-TERM RECEIVABLES AND OTHER ASSETS

Short-term receivables and other assets developed as follows:

€k	12/31/2022	12/31/2021
Receivables from derivatives	1,262	0
Other receivables and assets	13,546	10,187
Deferred assets	1,558	1,264
Contract assets	10,523	7,765
Total	**26,889**	**19,216**

Contract assets can be reconciled as follows:

€k	Contract Assets
Balance per January 1st, 2022	**7,765**
Reclassification to trade accounts receivable	-7,671
Contract assets additions	6,434
Additions due to changes in the assessment of the degree of completion	4,110
Impairment changes	-30
Foreign exchange differences	-85
Balance per December 31st, 2022	**10,523**

29. CASH AND CASH EQUIVALENTS

Cash & cash equivalents include cash at hand, cash in banks, cheques and are valued at fair value at the balance sheet date. They also include fixed deposits with a maturity of not more than three months from the date of acquisition.

In the Cash Flow Statement and in Chapter VI of the Notes to the Consolidated Financial Statements, there are further details regarding the development of cash and cash equivalents.

30. CONSOLIDATED SHAREHOLDERS‘ EQUITY

The development of consolidated shareholders‘ equity is shown in detail under the item “Schedule of Consolidated Shareholders‘ Equity“.

Capital reserves consist primarily of share premiums which were generated when Pankl shares were issued and from capital decreases when own shares were cancelled. Retained earnings show the net profit of the period, results carried forward from previous years, actuarial results and results from foreign exchange translations.

In October 2017, Pankl Racing Systems AG issued a subordinated perpetual bond with a nominal value of €10,000k and a coupon of 5.00% p.a. to strengthen its capital position and to finance acquisitions in its core holdings which were carried out in 2017. This bond is shown as shareholders’ equity because its proceeds are available to Pankl Racing Systems AG without restrictions and there are no termination rights for the bond holders. In accordance with IAS 32.20 there is no effective repayment obligation.

The perpetual bond is characterised as a partial debenture without collateral which ranks behind all existing and future unsecured unsubordinated liabilities of Pankl Racing Systems AG. The Company shall only pay interest, if a dividend or other distribution to shareholders is resolved, other subordinated liabilities or shareholder loans are redeemed or interest on shareholder loans is paid.

Reserves from foreign exchange differences are all exchange differences which result from the translation of the financial statements of foreign subsidiaries from the foreign currency to the Euro. Net investments in foreign subsidiaries contain the following long-term loans besides the equity holding:

Company	Loan amount 12/31/2022	Loan amount 12/31/2021	Currency
Pankl Racing Systems UK Ltd.	0	1,614,923	GBP
CP-CARRILLO, Inc.	0	1,000,000	USD
Pankl Holdings, Inc.	30,140,000	28,820,000	USD

The **IAS 19 reserve** contains actuarial losses from provisions for severance payments. As of December 31st, 2022, the IAS 19 reserve amounted to €-274k (2021: €-673k) including the share of minorities.

Minorities contain the shares of third parties in the equity of consolidated subsidiaries.

31. FINANCIAL LIABILITIES

€k	12/31/2022	12/31/2021
Long-term loans	108,733	124,275
Long-term finance lease liabilities	12,987	14,271
Short-term loans and short-term portion of long-term loans	34,758	23,503
Short-term finance lease liabilities	4,170	4,656
Financial liabilities	160,647	166,705

Long-term loans as well as short-term loans and short-term portion of long-term loans are against financial institutions and the Austrian research promotion agency.

32. LIABILITIES FOR EMPLOYEE BENEFITS

The valuation of employee benefits with regards to severance payments is carried out in accordance with IAS 19 (Employee Benefits) using the Projected Unit Credit Method based on an actuarial procedure. This present value calculation considers the known entitlements at the balance sheet date and future expected salary increases. The net present value of the benefit entitlement (Defined Benefit Obligation or DBO) is calculated and compared with the fair value of the plan assets at the balance sheet date.

Austrian law requires companies to pay employees that started employment before January 1st, 2003 a one-off severance payment in the case of redundancy or retirement. The amount of such payment depends on the number of years served in the company and the appropriate salary. For all employees who entered service after December 31st, 2002, the Company pays a monthly amount of 1.53% of the salary into a retirement fund. These amounts are invested in an account belonging to the respective employee. When the employment ends, the amount is paid to the employee, or the entitlement is passed on. The Company is only required to pay the monthly amounts which are shown as expenses in the profit and loss account in the year to which the payments refer (Defined Contribution Obligation). For employees of the Austrian Group companies, who started service from January 1st, 2003 defined contributions amounting to 1.53% of wages and salaries are paid into a state approved employee pension fund. In the past fiscal year an amount of €956k (2021: €803k) was paid.

Year-end differences (actuarial profits or losses) between the fair value of severance pay obligations and the actual net present values of the entitlements are shown directly in the Other Results.

The provision for severance payments as shown in the balance sheet developed as follows:

€k		01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
	Net present value of obligation (DBO) = provision for severance payments on January 1st	**6,231**	**3,054**
+	Current service cost	175	184
+	Interest expense	73	64
-	Actual severance payments in the fiscal year	-244	-301
-	Profit / loss DBO for past service expenses	0	-39
+	Change in scope of consolidation	0	3,232
+/-	Transfers	0	-145
+/-	Actuarial profits / losses	-544	182
=	**Provision for severance payments on December 31st**	**5,691**	**6,231**

As of December 31st, 2022, the provision for severance payments contains a voluntary portion in the amount of €1,052k.

As of December 31st, 2022, duration amounted to 13.00 years (2021: 13.94 years). Actuarial profits / losses consisted of the following:

€k		2022	2021
	Change of expected values	831	70
+	Change of demographic assumptions	45	2
+/-	Change of financial assumptions	-1,420	110
=	Actuarial profit / loss	-544	182

The valuation of the obligation is based on the following assumptions:

	2022	2021
Actuarial interest rate	4.25%	1.15%
Increases of wages / salaries	4.00%	2.75%
Pension age (years) for women / men	60-65 years with transition rules I	60-65 years with transition rules

The actuarial interest rate is defined based on the very long average maturities and the high average remaining life expectancy. The discount rate represents market yields of prime-rated corporate bonds with fixed coupons at the balance sheet date.

Employee fluctuation is calculated in a company specific manner and considers employee ages and number of service years. Actuarial valuations are based on country-specific mortality tables. Pension age is defined by the legal pension ages of the respective countries.

As of December 31st, 2022, a change (+/- 0.5 percentage points) of the actuarial interest rate and the wages / salaries increases has the following impacts on the net present value of the future payments:

	Net present value of obligation	
Parameter	-0.5 percentage points	+0,5 percentage points
Actuarial interest rate	6.3%	-5.8%
Expected wages / salaries increases	-5.8%	6.3%

For the fiscal year 2023, we expect current service cost of €175k. The expected duration will be 13.00 years.

33. OTHER SHORT- AND LONG-TERM LIABILITIES

Other short-term liabilities amounted to €3,913k (2021: €4,539k) and contain provisions for anniversary bonuses in the amount of €3,794k (2021: €4,427k) which can be reconciled as follows:

	€k	01/01/2022 - 12/31/2022	01/01/2021 - 12/31/2021
	Net present value of obligation (DBO) = Provision for anniversary bonuses	**4,427**	**0**
+	Change in scope of consolidation	0	1,222
+	Initial recognition	0	3,293
+	Current service cost	364	62
+	Interest expenses	53	-48
-	Actual bonus payments of the fiscal year	-37	-71
+	Profit / loss DBO for past service expenses	113	0
+/-	Transfers	0	-62
+/-	Adjustments due to changes in assessment parameters	-1,126	31
=	**Provision for anniversary bonuses per December 31st**	**3,794**	**4,427**

The other short-term liabilities consisted of the following:

€k	12/31/2022	12/31/2021
Liabilities from unconsumed holiday entitlements	3,141	2,741
Liabilities from the accrual of outstanding invoices	7,145	4,951
Liabilities for payments to employees	5,021	4,124
Contract liabilities	580	392
Other	5,715	7,333
Total	**21,602**	**19,541**

The position „Other“ contains, in particular, liabilities from outstanding salaries and social security contributions.

Contract liabilities contain primarily prepayments from customers and provisions for customer bonuses and can be reconciled as follows:

€k	Contract Liabilities
Balance per January 1st, 2022	**392**
Realised revenues which were included in the balance of contract liabilities at the start of the period	-392
Deductions through payment of customer bonuses	-41
Additions through received customer prepayments	507
Additions through accrued expected bonus payments to customers	114
Other impacts	0
Foreign exchange differences	0
Balance per December 31st, 2022	**580**

34. PROVISIONS

The Group forms provisions for warranties and guarantees with regards to known or expected individual cases.

Provisions are formed if Pankl Group has a probable legal or actual obligation towards third parties that may result in a future payment. The provision amount is estimated based on the expected future cash flow.

Estimates for future expenses are inevitably subject to several uncertainties, which may lead to an adjustment of a formed provision. Actual expenses for such measures may exceed the amount provided for in an unexpectable manner.

In the fiscal year 2022, provisions developed as follows:

€k	12/31/2021	Change in scope of consolidation	Additions	Reversals / utilisations	Currency translation	12/31/2022
Waranties and guarantees	182	0	149	82	0	249
Obligations for remedial actions	196	0	29	29	-10	186
Other long-term provisions	12	0	0	12	0	0
Total	**390**	**0**	**178**	**122**	**-10**	**435**

VI. Notes to the Cash Flow Statement

Changes of balance sheet items which are shown in the cash flow statement cannot be directly derived from the balance sheet because non-cash impacts are neutralised.

The changes of financial liabilities as shown in the balance sheet can be reconciled with the values in the cash flow statement as follows:

€k		Long-term loans	Short-term loans	Loans	Lease liabilities
Balance per January 1st, 2022		**124,275**	**23,503**	**147,778**	**18,837**
Changes with cash impact					
+	Increases	292	0	292	2,482
-	Repayments	-20,366	0	-20,366	-4,735
+/-	Reclassifications	4,236	-4,236	0	32
+/-	Changes of current account balances	0	15,491	15,491	0
+/-	Others	-66	0	-66	-66
Changes without cash impact					
+	Increases and first application of IFRS 16	0	0	0	0
+/-	Liabilities release in connection with Covid subsidies	0	0	0	0
+/-	Change in scope of consolidation / others	0	0	0	0
+/-	Valuation	362	0	362	607
Balance per December 31st, 2022		**108,733**	**34,758**	**143,491**	**17,157**

VII. Risk Report

35. RISK MANAGEMENT

Pankl Group acts globally and is hence confronted with several potential risks. Management Board and Supervisory Board are regularly informed about risks which may have a material impact on business development. Management takes timely measures to avoid and minimise risks and to protect from risks.

Accounting processes contain a company specific internal control system which includes basic principles such as separation of functions and the four-eyes principle. Internal and external audits make sure that processes are continuously improved and optimised.

Ongoing company growth depends on factors such as, demand behaviour, product development, foreign exchange developments, economic environment in individual sales markets, purchase prices of supplied parts or employee development.

36. MARKET RISKS

36.1. Economic Risks

Pankl Group is significantly affected by rule changes in the motor racing market in the respective racing series. These ongoing rule changes mean that there are intense research and development activities of the motor racing teams. There is the risk that Pankl may not meet the resulting challenges in a sufficient manner, but there is also the chance that Pankl may further increase market shares or strengthen a leading market position through innovations. Seasonal revenue patterns may be influenced in the various racing series by the rescheduling of test dates or season starts.

Pankl Group faces both risks and chances around the current hype of electric mobility. The requirement for extended ranges of electric cars means more demand for lightweight components primarily in the chassis area opening new addressable markets for Pankl. However, the trend towards electrification also leads to lower demand for internal combustion engines and hence also for our core engine products. Pankl aims to address these issues by further development and optimisation of engine components to secure market shares primarily in the areas of innovative engine concepts and the sports car segment.

In the Aerospace Segment, Pankl is subject to the fluctuations of the aerospace industry. In civil aerospace, growth for helicopters stagnates in times of low oil prices. There are, however, opportunities in the airplanes jet engines area which is currently unfavourably affected by the Covid crisis. Reductions in military budgets cause a negative development in the military aerospace segment.

36.2. Competition and Price Pressures

Pankl has the advantage to have a broad customer portfolio. The general trend for OEMs to develop hyper cars is very positive as Pankl can benefit from its motor sports experience in this niche market. There is high demand for development projects which utilise motor racing technology.

37. SECTOR-SPECIFIC RISKS

37.1. Changes in the Supply Market

Pankl requires premium raw materials such as stainless steel, titanium and aluminium alloys for the production of its products. Availability of appropriate raw materials at the right time and quality depends on careful forward planning of required order volumes. Any shortages of required raw materials may lead to production or delivery delays or increasing material expenses. We obtain most of our raw materials internationally and are hence subject to many risks, including economic or political disturbances, transport delays or exchange rate fluctuations. Each of these risks may have a materially adverse effect on the company's earnings or its financial position.

37.2. Research and Development

At Pankl Group, research and development activities always carry the risk that they may not bring the desired results or that customers may not honour the effort with appropriate orders. Pankl Group aims to minimise these risks through ongoing market observation and close co-operation with customers.

38. IT-RISKS

Pankl Group addresses the ever-rising IT- and cyber-risks through continuous further development of IT security measures and the use of up-to-date IT security technologies. The Group uses a multi-stage technical concept using up-to-date security features such as intrusion prevention systems both externally and internally to respond to cyber-attacks. In addition, behaviouristic security systems are used to identify security breaches. Any events are identified and treated with a Malware Incident Response Process. In parallel, external and internal vulnerability assessments are performed and weaknesses are addressed by an established patch and update process. Regular internal and external security audits are performed, and any risk management measures documented, evaluated, prioritised, and executed.

Regular global IT-security awareness campaigns are carried out to make sure that all users of IT-systems have the required knowledge and appreciation for the safe operation of their systems.

For the areas data security and protection, we apply the same high-quality standards as for our products.

39. FINANCIAL RISKS

The assets, liabilities and planned transactions of Pankl Group are subject to credit, market and liquidity risks. Financial risk management aims at controlling and limiting these risks. The Management Board and the Supervisory Board are periodically informed about risks which may significantly impact business development.

The principles of financial risk management are defined by the Management Board, which also monitors compliance. Implementation is carried out by the Group Treasury and the decentralised treasury departments.

39.1. Currency Risks

The Group faces currency risks if financial assets and debt are denominated in other currencies than the local currency of the respective company. Group companies invoice primarily in their local currency and provide for funding in their local currency (EUR, USD, GBP, JPY, CNY). Foreign exchange fluctuations may lead to foreign exchange losses in the consolidated financial statements.

Foreign currency risks were assessed by a sensitivity analysis which shows the consequences of hypothetical changes in currency exchange rates on the net result (after taxes) and the equity. The calculations were based on the balance sheet positions at the balance sheet date, assuming that the risk at the balance sheet date was basically the same as during the fiscal year. The tax rate applied was the group tax rate of 25%. Furthermore, the analysis assumed that all other factors, especially interest rates, would remain constant. The analysis included the foreign currency risks of all financial instruments that are denominated in a currency other that the functional currency. Currency risks from Euro positions of subsidiaries with a functional currency other than the Euro were included in the foreign currency risk of the functional currency of the respective subsidiary. Risks from foreign non-Euro currency positions were aggregated at group level. Exchange rate-related differences from conversion of financial statements into the group currency were not taken into consideration.

Based on the assumptions mentioned above, an increase (decrease) in the value of the Euro by 10% compared to all other currencies would have resulted in a decrease (increase) in net income (after taxes) and equity in the amount of €-1,126k or €+1,126k respectively (2021: €-1,290k or €+1,290k respectively). In this analysis, the sensitivity of equity was only influenced by the sensitivity of the net income (after taxes).

39.2. Interest Rate Risks

Both financial assets and financial liabilities are partly based on contracts with variable interest rates. Interest rate risks, therefore, arise from rising interest rates for interest expenses and decreasing interest rates for interest income due to a disadvantageous change in the interest rates in the debt markets.

Interest rate risks mainly derive from financial instruments with variable interest payments (cash flow risk). Interest risks of these instruments were assessed by a sensitivity analysis. This analysis shows the effect of hypothetical changes in market interest rates on the net profit (after tax) and on equity. The calculations were based on the balance sheet values at the balance sheet date. It was assumed that the risk at the balance sheet date is basically the same as during the fiscal year. The tax rate applied was the group tax rate of 25%. Furthermore, the analysis assumed that all other factors, especially exchange rates, remain constant.

Based on the assumptions mentioned above, an increase (decrease) in market interest rates by 50 basis points at the balance sheet date would have resulted in a decrease (increase) of the net income (after taxes) and equity by €-393k or €+393k respectively (2021: €-130k or €+130k respectively). The sensitivity of equity was only influenced by the sensitivity of the net income (after taxes).

39.3. Credit Risks

Credit risks of trade receivables can be regarded as small as the creditworthiness of all new and existing customers is monitored continuously. Credit risks of other financial instruments shown on the assets side of the balance sheet are also regarded as small since the debtors are of highest creditworthiness. Internal guidelines define credit risks which are monitored.

The values shown on the assets side of the balance sheet represent the maximum potential loss from credit risks because there were no netting arrangements.

For the required value adjustment in accordance with IFRS 9, Pankl Group collected external ratings complemented by geographical criteria for its major customers in the Racing / High-Performance and Aerospace Segments. The resulting credit loss probability, which was applied for the total accounts receivable balance of the respective segment developed as follows:

	12/31/2022	**12/31/2021**
Racing / High Performance Segment	0.20%	0.10%
Aerospace Segment	1.50%	0.80%

Applying these parameters for trade accounts receivable and contract assets resulted in the following general value adjustments for the fiscal year 2022:

€k	**Racing / High Performance**	**Aerospace**	**Total**
Balance per January 1st, 2022	33	34	**67**
Changes	58	69	**126**
Balance per December 31st, 2022	**91**	**102**	**193**

€k	**Racing / High Performance**	**Aerospace**	**Total**
Balance per January 1st, 2021	13	45	**58**
Changes	21	-12	**9**
Balance per December 31st, 2021	**34**	**33**	**67**

39.4. Liquidity Risks

An important aim of financial risk management in the Pankl Group is to guarantee liquidity and financial flexibility at any time. For this purpose, a liquidity reserve consisting of unused credit lines (cash credits and guarantees) – and also cash, if required – is maintained with banks of high rating. These unused credit lines mostly have a term of up to 12 months after which they are renewed.

The maturities of financial liabilities were as follows:

€k	Valuation category according to IFRS 9	Book value	Maturities Up to 1 year	From 1 to 5 years	More than 5 years
12/31/2022					
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	34,758	34,758	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	25,276	25,276	0	0
Other short-term financial debt – finance lease liabilities	Not applicable	4,169	4,169	0	0
Other financial short-term liabilities	Financial Liabilities at Amortised Cost	12,188	12,188	0	0
Other short-term financial debt – derivatives with negative market value	Trading/Hedging Instrument	0	0	0	0
Long-term finance lease liabilities	Not applicable	12,987	0	11,521	1,466
Other long-term debt	Financial Liabilities at Amortised Cost	119	0	119	0
Long-term loans	Financial Liabilities at Amortised Cost	108,733	0	81,557	27,176
Total		**198,230**	**76,391**	**93,197**	**28,642**

€k	Valuation category according to IFRS 9	Book value	Maturities Up to 1 year	From 1 to 5 years	More than 5 years
12/31/2021					
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	23,503	23,503	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	24,548	24,548	0	0
Other short-term financial debt – finance lease liabilities	Not applicable	4,565	4,565	0	0
Other financial short-term liabilities	Financial Liabilities at Amortised Cost	8,412	8,412	0	0
Other short-term financial debt – derivatives with negative market value	Trading/Hedging Instrument	109	109	0	0
Long-term finance lease liabilities	Not applicable	14,271	0	11,369	2,902
Other long-term debt	Financial Liabilities at Amortised Cost	0	0	0	0
Long-term loans	Financial Liabilities at Amortised Cost	124,387	0	80,289	44,098
Total		**199,795**	**61,137**	**91,658**	**47,000**

The contractually agreed (not discounted) cash flow (interest and repayments) of financial liabilities will be as follows:

€k	**Book value**	**Cash flow 2023** Interest fixed	Interest variable	Repay-ment	**Cash flow from 2024 to 2027** Interest fixed	Interest variable	Repay-ment	**Cash flow from 2028** Interest fixed	Interest variable	Repay-ment
12/31/2022										
Loans	143,490	-1,050	-1,090	-34,757	-2,599	-2,888	-81,557	-53	-1,436	-27,176
Trade accounts payable	25,276	0	0	-25,276	0	0	0	0	0	0
Short-term finance lease liabilities	4,170	-347	-22	-4,170	0	0	0	0	0	0
Long-term finance lease liabilities	12,987	-3	-10	0	-739	-73	-11,493	-24	-3	-1,494
Other long-term liabilities	119	0	0	-119	0	0	0	0	0	0
Other short-term financial debt	12,188	0	0	-12,188	0	0	0	0	0	0
Other short-term financial debt – derivatives with negative market value	0	0	0	0	0	0	0	0	0	0
Total	**198,230**	**-1,400**	**-1,122**	**-76,510**	**-3,338**	**-2,961**	**-93,050**	**-77**	**-1,439**	**-28,670**

€k	**Book value**	**Cash flow 2022** Interest fixed	Interest variable	Repay-ment	**Cash flow from 2023 to 2026** Interest fixed	Interest variable	Repay-ment	**Cash Flow from 2027** Interest fixed	Interest variable	Repay-ment
12/31/2021										
Loans	147,779	-1,354	-463	-23,504	-3,576	-1,076	-80,177	-890	-247	-44,098
Trade accounts payable	24,548	0	0	-24,548	0	0	0	0	0	0
Short-term finance lease liabilities	4,565	-344	-38	-4,565	0	0	0	0	0	0
Long-term finance lease liabilities	14,271	0	-16	0	-929	-60	-11,369	-102	0	-2,902
Other long-term liabilities	112	0	0	0	0	0	-112	0	0	0
Other short-term financial debt	8,412	-35	0	-8,412	0	0	0	0	0	0
Other short-term financial debt - derivatives with negative market value	109	0	0	-109	0	0	0	0	0	0
Total	**199,796**	**-1,733**	**-517**	**-61,138**	**-4,505**	**-1,136**	**-91,658**	**-992**	**-247**	**-47,000**

All financial instruments that were held at the balance sheet date and where payments have already been agreed upon on a contractual basis are included. Budgeted figures for any additional future financial liabilities are not included. Working capital loans are assumed to have a 12-months term. These loans are regularly renewed and are therefore, in economic terms, available to the company for a longer period. Foreign exchange balances are converted using the exchange rate at the balance sheet date. Variable interest payments are estimated based on the most recent interest rate fixing before the balance sheet date. Financial liabilities repayable at any time are allocated to the group with the shortest maturity.

40. OTHER RISKS

40.1. Legal Risks

Pankl Group distributes its products in many countries and is hence exposed to risks regarding changes of national rules, license regulations, taxes, trade restrictions, prices, income, and foreign exchange restrictions. In addition, the Group is exposed to risks with regards to political, social, and economic instabilities, inflation, and interest rate changes. To manage these risks, Pankl Group reviews respective national rules ahead of any market entry and monitors them continuously to be able to react to changes in a timely manner.

40.2. Operational and Environmental Risks

As it is not possible to eliminate all risks deriving from the force of nature, Pankl Group companies aim to minimise such risks via emergency planning and insurance cover to avoid adverse impacts on production processes.

40.3. Personnel Risks

Especially with regards to Pankl's growth strategy there are risks regarding the loss of key employees. Efficient personnel management and continuous personnel development programmes aim to reduce the risk to lose key employees.

The Group aims to minimise the risks from the lack of qualified personnel by running a comprehensive apprentice training programme in own training workshops. The aim is to recruit employees from the region and to secure their long-term commitment to the company.

40.4. Information Security and Data Protection

Pankl considers it its duty to secure and protect the availability, confidentiality, integrity, and legal security of information. For this purpose, Pankl operates an information security management system and a data protection management system with the aim to identify and mitigate company relevant risks in the areas information security and data protection.

Pankl further provides and documents evidence for the correctness and compliance with duty of care principles when it uses or handles information. The company identifies risks and minimises them to acceptable risk tolerance levels. The company secures protection of personal data by complying with EU General Data Protection Regulation and any national data protection rules.

40.5. Ukraine Conflict

Pankl Group does not realise any significant revenues in Russia or Ukraine and is hence not affected by any direct loss of revenues or bad debt. Pankl Group is indirectly affected by the conflict due to strong increases in commodity and energy prices which led to significant price increases along the entire supply chain.

Pankl Group aims to pass on these additional costs to the relevant customers. Risks result primarily from time delays of price increases for Pankl customers and lower demand resulting from these price increases.

VIII. Financial Instruments and Capital Management

41. BASIC PRINCIPLES

Pankl Group holds exclusively primary financial instruments apart from an interest rate swap to hedge the interest rate risk of a loan with variable interest. Primary financial instruments mainly include other financial assets, trade accounts receivable, cash in banks, financial liabilities, and trade account payables. The level of primary financial instruments held by the Group is shown in the Balance Sheet and in the Notes.

All purchases and sales of financial instruments are recorded at the completion day. Financial instruments are initially generally valued at fair value, except for trade accounts receivable which are valued at cost. Financial instruments are removed from the balance sheet as soon as all rights to payments from the investment have ceased to exist or have been transferred and the Group has generally transferred all risks and chances connected with the instrument's ownership.

The book and fair values of derivative financial instruments can be reconciled as follows:

Type and major terms	**12/31/2022**			**12/31/2021**		
€k	Nominal value	Book value	Fair value	Nominal value	Book value	Fair value
Derivatives for hedging						
Interest Rate Swap	10,000	0	886	10,000	0	-79
Maturity until 12/31/2025						
Interest Rate Swap	6,000	0	373	8,000	0	-42
Maturity until 12/31/2025						
Loan linked floor	10,000	0	3	10,000	0	6
Maturity until 12/31/2025						
Loan linked floor	6,000	0	1	8,000	0	2

Derivatives are valued at Fair Value through OCI.

42. CLASSIFICATION AND FAIR VALUES

The table below shows book values and fair values of financial assets (financial instruments booked as assets in the balance sheet) broken down in categories respectively business cases in accordance with IFRS 9. If the book value is a reasonable approximation of the fair value or for equity capital instruments valued at fair value, the table does not show information on the fair value or the valuation step for financial assets which are not valued at fair value.

Trade accounts receivable valued at Fair Value Through Profit and Loss contain primarily receivables which were sold to financial institutions via reverse factoring agreements.

Trade accounts receivable are generally recorded in accordance with IFRS 9 5.5.15 without application of valuation steps. Write-offs are recorded in the amount of the expected losses over the term of the receivable.

€k	Valuation category according to IFRS 9	Book value	Fair value
12/31/2022			
Cash and cash equivalents	Hold	19,449	19,449
Trade accounts receivable	Hold (Sell)	41,390	41,390
Financial fixed assets - long-term loans granted	Hold	15	15
Other short-term financial debt - derivatives with positive market value	FVOCI	1,262	1,262
Total		**62,116**	**62,116**

€k	Valuation category according to IFRS 9	Book value	Fair value
12/31/2021			
Cash and cash equivalents	Hold	57,829	57,829
Trade accounts receivable	Hold (Sell)	32,169	32,169
Financial fixed assets - long-term loans granted	Hold	29	29
Total		**90,027**	**90,027**

The table below shows the book values and fair values of financial debt (financial instruments booked as liabilities in the balance sheet) according to the valuation categories of IFRS 9 broken down in categories. If the book value is a reasonable approximation of the fair value, the table does not show information on the fair value of financial debt which is not valued at fair value.

€k	Valuation category according to IFRS 9	Book value	Fair value
12/31/2022			
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	34,758	34,758
Trade accounts payable	Financial Liabilities at Amortised Cost	25,276	25,276
Other short-term financial debt - finance lease liabilities	Not applicable	4,170	4,170
Other short-term liabilities	Financial Liabilities at Amortised Cost	24,338	12,188
Long-term finance lease liabilities	Not applicable	12,987	12,987
Other long-term liabilities	Financial Liabilities at Amortised Cost	3,913	119
Long-term loans	Financial Liabilities at Amortised Cost	108,733	108,733
Other short-term financial debt - derivatives with negative market value	FVOCI	0	0
Total		**214,174**	**198,230**

Valuation according to IFRS 9			
Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification
19,449	0	0	0
41,368	23	0	0
15	0	0	0
0	0	0	1,262
60,831	**23**	**0**	**1,262**

Valuation according to IFRS 9			
Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification
57,829	0	0	0
32,169	0	0	0
29	0	0	0
90,027	**0**	**0**	**0**

Valuation according to IFRS 9					
Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification	**Valuation according to IFRS 16**	**Non-financial**
34,758	0	0	0	0	0
25,276	0	0	0	0	0
0	0	0	0	4,170	0
12,188	0	0	0	0	12,150
0	0	0	0	12,987	0
119	0	0	0	0	3,794
108,733	0	0	0	0	0
0	0	0	0	0	0
181,074	**0**	**0**	**0**	**17,157**	**15,944**

€k	Valuation category according to IFRS 9	Book value	Fair value
12/31/2021			
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	23,503	23,503
Trade accounts payable	Financial Liabilities at Amortised Cost	24,548	24,548
Other short-term financial debt - finance lease liabilities	Not applicable	4,565	4,565
Other short-term liabilities	Financial Liabilities at Amortised Cost	19,831	8,412
Long-term finance lease liabilities	Not applicable	14,271	14,271
Other long-term liabilities	Financial Liabilities at Amortised Cost	4,599	112
Long-term loans	Financial Liabilities at Amortised Cost	124,275	124,275
Other short-term financial debt – derivatives with negative market value	FVOCI	109	109
Total		**215,701**	**199,795**

In accordance with IFRS 9, net results from financial instruments broken down in categories contain net profit / losses, total interest income / expenses and write-offs and amounted to as follows:

€k	From interest	From fair value valuation	From write-offs	From results of disposals	Net results
01/01/2022 - 12/31/2022					
Loans and Receivables					
at Amortised Cost	32	0	-240	0	**-208**
At Fair Value through OCI	0	0	0	0	**0**
At Fair Value through Profit or Loss (Designated)	2	0	0	0	**2**
At Fair Value through Profit or Loss (Trading)	3	0	0	0	**3**
Financial Liabilities					
At Amortised Cost	-2,339	0	0	0	**-2,339**
Total					**-2,542**

€k	From interest	From fair value valuation	From write-offs	From results of disposals	Net results
Financial Assets at Amortised Cost	25	0	-482	-1	**-458**
Financial Liabilities at FVTPL	0	0	0	0	**0**
Financial Liabilities at Amortised Cost	-1,801	0	0	0	**-1,801**
Total	**-1,776**	**0**	**-482**	**-1**	**-2,259**

Valuation according to IFRS 9					
Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification	**Valuation according to IFRS 16**	**Non-financial**
23,503	0	0	0	0	0
24,548	0	0	0	0	0
0	0	0	0	4,565	0
8,412	0	0	0	0	11,419
0	0	0	0	14,271	0
112	0	0	0	0	4,487
124,275	0	0	0	0	0
0	0	0	109	0	0
180,850	**0**	**0**	**109**	**18,836**	**15,906**

43. CAPITAL MANAGEMENT

The Group aims to maintain a solid capital structure to secure the trust of investors, creditors and markets and a sustainable development of the company. The Management Board regularly monitors capital yields and the amounts of dividends paid to the shareholders.

The Pankl Group strategy aims at making sure that Pankl Racing Systems AG and all other group companies have an equity base in accordance with local requirements. Capital management is mainly carried out using the parameters shareholders equity in percent of total assets, net debt, gearing and dynamic gearing.

Shareholder's equity in percent of total assets amounted to as follows:

€k	12/31/2022	12/31/2021
Shareholders' equity	140,373	130,688
Total assets	360,956	352,913
Shareholders' equity in % of total assets	38.9%	37.0%

Net debt is defined as short- and long-term financial liabilities (bonds, loans, finance lease liabilities and other interest-bearing liabilities) minus cash and cash equivalents. The aim is to secure long-term liquidity, to use debt financing facilities in an efficient manner and to limit financial risk while optimising returns.

€k	12/31/2022	12/31/2021
Financial liabilities	160,647	166,614
Cash and cash equivalents	-19,449	-57,829
Net debt	141,198	108,785

The ratio **gearing** (net debt divided by shareholders' equity) and the ratio **dynamic gearing** (net debt divided by EBITDA) are used to monitor the capital structure and were as follows:

€k	12/31/2022	12/31/2021
Shareholders' equity	140,373	130,688
Net debt	141,198	108,785
Gearing	100.6%	83.2%

€k	12/31/2022	12/31/2021
Net debt	141,198	108,785
EBITDA	46,962	41,440
Dynamic gearing in years	3.0	2.6

44. LEASING CONTRACTS AS LESSEE

Per December 31st, 2022, leasing contracts as lessee were as follows:

€k	Present value	Interest	Repayment value
Up to 1 year	4,577	407	4,170
From 1 to 5 years	12,304	811	11,493
More than 5 years	1,521	27	1,494
Total	**18,402**	**1,245**	**17,157**

From January 1st, 2022 leasing liabilities developed as follows:

Leasing liabilities per January 1st, 2022	**18,837**
+ Additions	2,585
- Repayments	-4,869
+ Change in scope of consolidation / others	0
+/- Foreign exchange differences	604
Leasing liabilities per December 31st, 2022	**17,157**

In the fiscal year 2022, interest expenses from leasing liabilities amounted to €478k (2021: €450k), expenses for short-term leasing contracts amounted to €166k (2021: €277k) and expenses for leasing contracts with low values amounted to €38k (2021: €110k).

Per December 31st, 2022 there were no potential future leasing payments, which are not shown in the balance sheet due to uncertainties regarding the exercise of renewal or termination options (2021: €0k).

The average incremental borrowing rate of interest for leasing relationships amounted to 2.75% (2021: 2.8%).

In 2022, income from the sub-renting of rights of use amounted to €13k (2021: €0k).

45. LEASING CONTRACTS AS LESSOR

In the fiscal year 2022, there were no leasing contracts as lessor.

IX. Notes to Related Parties and Legal Representatives

46. BUSINESS RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Pierer Konzerngesellschaft mbH is the ultimate parent of Pankl Racing Systems AG, which is fully consolidated in the consolidated financial statements of Pierer Konzerngesellschaft mbH. All companies which are included in the consolidated financial statements of Pierer Konzerngesellschaft mbH and which are controlled by or there is significant influence by Pierer Konzerngesellschaft mbH are shown as related companies in the category “Companies Related to Shareholder”.

In the fiscal years 2022 and 2021, there were no transactions with related persons (except for management board and supervisory board remuneration, please see Item 52). Business transactions with related companies can be summarised as follows:

12/31/2022

€k	Revenues	Expenses	Receivables	Payables	Other income
KTM Group	79,079	264	2,451	6	11
SHW Group	1,465	924	570	1,038	78
Pankl-AG	0	0	1,600	0	0
Pierer Industrie AG	30	2,947	849	2,328	0
Pierer Konzernge-sellschaft mbH	0	1,187	3,376	3,740	0
Pierer Immoreal GmbH	0	0	254	4	0
Pierer Mobility AG	0	865	0	0	0
Total	80,574	6,187	9,100	7,117	89

12/31/2021

€k	Revenues	Expenses	Receivables	Payables	Other income
KTM Group	62,692	1,573	2,451	1,513	35
SHW Group	647	-111	249	1,790	60
Pankl-AG	0	571	1,802	686	0
Pierer Industrie AG	15	1,132	968	0	0
Pierer Konzernge-sellschaft mbH	0	31	0	0	0
Pierer Immoreal GmbH	0	704	0	4	0
Total	63,354	3,900	5,470	3,993	95

All transactions with related companies were at arm’s length basis.

Expenses contained expenses for software licenses (€492k), participation in the group insurance scheme (€271k), sponsoring (€500k), salaries (€512k), internal group charges (€754k) and other group services. All services were invoiced at arm’s length basis.

47. LEGAL REPRESENTATIVES OF PANKL RACING SYSTEMS AG

In the fiscal year 2022 and up until the preparation of these consolidated financial statements, the **Management Board** of Pankl Racing Systems AG consisted of the following persons:

Mr Wolfgang Plasser
Mr Thomas Karazmann
Mr Christoph Prattes
Mr Stefan Seidel

In the fiscal year 2022 and up until the preparation of these consolidated financial statements, the **Supervisory Board** of Pankl Racing Systems AG consisted of the following persons:

Mr Stefan Pierer (Chairman)
Mr Josef Blazicek (Deputy Chairman)
Mr Alfred Hörtenhuber
Mr Friedrich Roithner
Mr Klaus Rinnerberger
Mr Alex Pierer

48. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

In the fiscal year 2022, the Management Board remuneration consisted of salaries, benefits, bonuses, and payments into the employee pension fund and amounted in total to €2,358k (2021: €1,235k).

In the period from January 1st, 2022 until December 31st, 2022, the Supervisory Board remuneration amounted to €22k (2021: €22k)

At the balance sheet date there were no loans or advances outstanding against the members of the Supervisory Board.

X. Events After the Balance Sheet Date

In Pankl Group there were no major events after the balance sheet date.

XI. Group Companies (List of Equity Holdings)

The List of Equity Holdings contains all companies which are included in the consolidated financial statements of the parent company.

			Stake		
Company		**Location**	**2022**	**2021**	**Acquired on**
Pankl Racing Systems UK Ltd.	UK	Leicester	100%	100%	03/07/1998
Pankl Holdings, Inc.	US	Irvine	100%	100%	03/07/1998
Pankl Japan, Inc.	JP	Tokio	100%	100%	04/09/1998
CP-CARRILLO, Inc.	US	Irvine	100%	100%	08/03/1998
Pankl Aerospace Systems, Inc.	US	Cerritos	100%	100%	04/25/2000
Krenhof GmbH	AT	Kapfenberg	100%	100%	08/04/2020
Pankl Immobilienverwaltung GmbH	AT	Kapfenberg	94%	94%	01/13/2005
Pankl Aerospace Systems Europe GmbH	AT	Kapfenberg	100%	100%	09/29/2006
Pankl Automotive Slovakia s.r.o.	SK	Topoľčany	100%	100%	11/24/2006
Pankl Turbosystems GmbH	DE	Mannheim	70%	70%	09/28/2012
Pankl Cooling Systems (Dalian) Co. Ltd.	CN	Dalian	100%	100%	07/01/2019

XII. Declaration of Legal Representatives

The Management Board approved the consolidated financial statements on February 23rd, 2023 (2021: February 25th, 2022) to be reviewed by the Supervisory Board, to be presented to the Annual General Meeting and thereafter to be published. The review of the Supervisory Board may lead to amendments of the consolidated financial statements.

Kapfenberg, February 23rd, 2023

The Management Board

Wolfgang Plasser, CEO

Thomas Karazmann, CFO

Christoph Prattes, COO

Stefan Seidel, CTO

Audit Opinion

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

Pankl Racing Systems AG, Kapfenberg, Austria

and its subsidiaries (the Group) which comprise the consolidated profit and loss account, the consolidated statement of comprehensive results, the consolidated balance sheet per December 31st, 2022, the consolidated cash flow statement, and the schedule of consolidated shareholders' equity for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31st, 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements pursuant to Section 245a of the Austrian Commercial Code (UGB).

Basis for the Audit Opinion

We conducted our audit in accordance with the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Section 275 of the Austrian Commercial Code (UGB) shall apply for our responsibilities and liabilities as auditor versus the Company and third parties.

Responsibilities of Legal Representatives and Audit Committee for the Consolidated Financial Statements

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements pursuant to Section 245a of the Austrian Commercial Code (UGB) and for such internal control as they determine as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The legal representatives are also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with the Austrian Standards on Auditing and therefore ISA, will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with the Austrian Standards on Auditing and therefore ISA, we exercise professional judgement and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of the internal control system relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- We conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in the internal control system that we identify during our audit.

REPORT ON THE GROUP MANAGEMENT REPORT

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

The legal representatives are responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion
In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements.

Declaration
Based on our knowledge gained during the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the engagement is Mr Alexander Gall.

Linz, February 23rd, 2023

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed with qualified electronic
signature: Alexander Gall, Auditor

This document was signed by qualified electronic signature and is only valid in this version. Only the version of the consolidated financial statements containing our audit opinion, which was confirmed by us shall be published or disclosed. This audit opinion refers to the entire consolidated financial statements including the management report in the German language only. For any other versions please note the provisions of Section 281, Paragraph 2 of the Austrian Commercial Code (UGB).

Declaration of the Management Board

We confirm to the best of our knowledge that the consolidated financial statements comply with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial and earnings position of the Group. We further confirm to the best of our knowledge that the consolidated management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Kapfenberg, March 2023

The Management Board of Pankl Racing Systems AG

Wolfgang Plasser, CEO

Thomas Karazmann, CFO

Christoph Prattes, COO

Stefan Seidel, CTO

SUSTAINABILITY REPORT

Pankl AG prepared a detailed sustainability report, which is available under: https://pankl.com/beteiligungen/nachhaltigkeit/.

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Imprint

Owner, editor and publisher:

Pankl Racing Systems AG
4 Industriestrasse West
A-8605 Kapfenberg, Austria
Registered in the Leoben district court under FN 540009g

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Pankl archive

We prepared this report with the greatest possible care and checked the correctness of data. Nevertheless, it cannot be ruled out that minor rounding differences occur when adding up rounded amounts and percentages. Further we cannot rule out sentence mistakes and printing errors.

References to persons such as „employees“ or „staff members“ are intended to be gender-neutral and insofar as the contrary appears this is solely for purposes of legibility.

This report was prepared, and all forward-looking statements contained in it made using all data and information available to us at the time of drafting. Please note that actual results may deviate from forward-looking statements made in this report due to several factors.

This report is published in the German and the English languages. When in doubt, the German version shall be relevant.