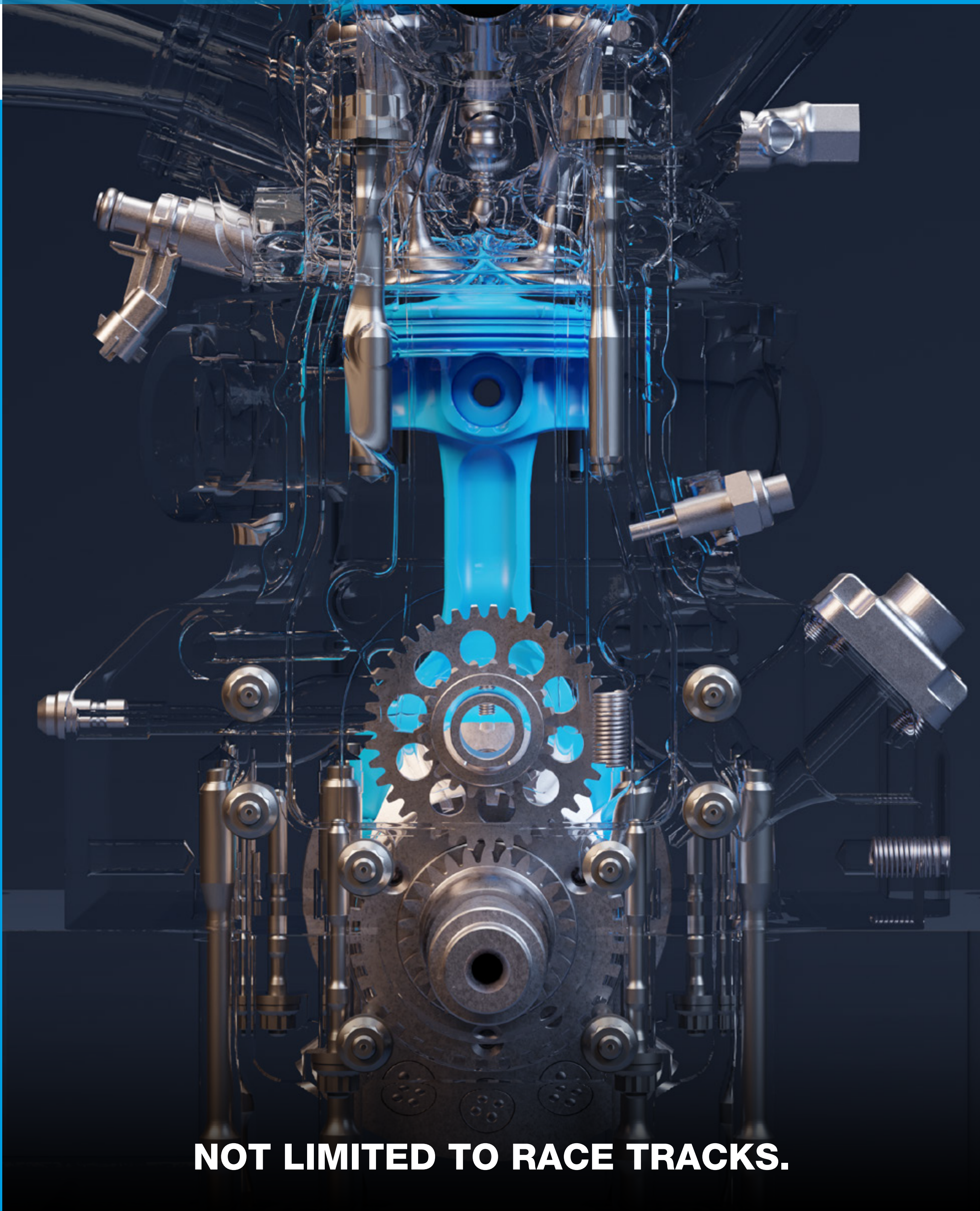
ANNUAL REPORT
2023



pankl
RACING SYSTEMS

PANKL KEY FIGURES

PROFITABILITY RATIOS

		2021	2022	2023	VDG
Revenues	€k	285,104	369,303	409,474	10.9%
Operating earnings before depreciation (EBITDA)	€k	41,439	46,962	54,864	16.8%
Operating earnings (EBIT)	€k	15,532	19,013	24,915	31%
Earnings before income taxes (EBT)	€k	13,217	15,708	17,574	11.9%
Earnings after income taxes	€k	11,794	12,296	13,602	10.6%
EBITDA margin		14.5%	12.7%	13.4%	-
EBIT margin		5.4%	5.1%	6.1%	-

BALANCE SHEET RATIOS

		2021	2022	2023	VDG
Total assets	€k	352,913	360,956	370,422	2.6%
Working capital employed[2]	€k	98,358	131,463	133,069	1.2%
Capital employed[3]	€k	239,473	281,559	285,023	1.2%
Shareholders' equity	€k	130,688	140,373	147,525	5.1%
Equity in % of total assets		37%	39%	40%	-
Net debt[4]	€k	108,785	141,198	137,515	-2.6%
Gearing[5]		83%	101%	93%	-

CASH FLOW AND CAPITAL EXPENDITURE

		2021	2022	2023	VDG
Cash flow from operating activities	€k	19,542	5,547	47,321	753.0%
Free Cashflow	€k	-9,271	-25,318	23,134	-
Capital expenditure	€k	23,992	32,766	38,956	18.9%

EMPLOYEES

	2021	2022	2023	VDG
Number of employees per 31.12. (excl. leasing)	2,152	2,388	2,434	1.9%

VALUE CREATION

	2021	2022	2023	VDG
ROCE (return on capital employed)[6]	6.9%	7.1%	8.8%	-

[2] Working capital employed = total inventory + trade accounts receivable and other receivables - trade accounts payable and other current liabilities
[3] Capital employed = shareholders' equity including minorities + financial debt (short-term, long-term) – cash and cash equivalents
[4] Net debt = financial liabilities (short term, long term) – cash and cash equivalents
[5] Gearing = net debt / shareholders' equity including minorities
[6] ROCE = EBIT / average capital employed

PANKL
BELIEVES
IN THE
FUTURE

pankl RACING SYSTEMS

TABLE OF **CONTENTS**

2023 AT A GLANCE

REVENUES

€409M

EBIT

€25M

EMPLOYEES

2,434

ANNUAL REPORT **2023**

THE CORPORATE PRINCIPLE „High Tech, High Speed, High Quality“ drives 2,434 employees daily to innovate and make Pankl Racing Systems a technology pioneer and global market leader.

THE SUCCESS of Pankl directly correlates with investments for the future. Hence, Pankl Group invests heavily in employee qualifications and development as well as modern, eco-friendly production plants.

It is vital that companies plan their investments in a strategic manner to master future challenges and ensure sustained success.
PANKL BELIEVES IN THE FUTURE.

LEADING SYSTEMS SUPPLIER
AND DEVELOPMENT PARTNER

Pankl Racing Systems AG develops, manufactures, maintains, and distributes high-tech mechanical systems for dynamic components in the global niche markets of international motor racing, the luxury and high-performance automotive industry and aerospace. We aim to have systems of Pankl Racing Systems built in every fast premium racing or high-performance vehicle and any aircraft.
The primary strategic aim of Pankl Racing Systems is to be the leading systems supplier and development partner for engine and drivetrain systems. As systems supplier Pankl provides customers services ranging from development and calculation to production and assembly and to testing and maintenance of high-tech components. This is what separates us from the competition. Measures taken to that end aim at steady and sustained growth.

RESEARCH AND DEVELOPMENT

A major strategic pillar of the Company is innovative thinking taking care of all possible parameters. Technology leadership is the most important success factor especially in motor racing. Hence, Pankl Racing Systems considers itself a development partner for dynamically loaded engine and drivetrain systems and puts particular emphasis on continuous research and development activities.

PRODUCTION AND PROCESSING

Pankl Racing Systems has state-of-the-art machinery and high-precision measurement equipment to manufacture products with complex geometries out of a diverse range of materials maintaining strict tolerances. The Company's strengths are precision, speed, and flexibility, which are showcased daily anew.

TEST AND PERFORMANCE

Pankl's state-of-the-art testing equipment assures that highly dynamic and safety critical requirements as well as minimised fuel consumption are provided throughout the entire component development.

SERVICE AND SUPPORT

We satisfy the specific needs of Pankl Racing Systems customers through ongoing development and improvement of all components and systems as well as flexibility in dealing with amendments and change requests. We do this via a global network of companies in Austria, Germany, the UK, Slovakia, China, Japan, and the USA.

CHIEF EXECUTIVE OFFICER'S **REPORT**

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN!

Pankl Racing Systems AG was again very successful in the fiscal year 2023 despite an adverse economic environment. Revenues grew by 11% to €409.5m, EBITDA of €54.9m and EBIT of €24.9m marked new records. We improved profitability, the EBITDA margin increased by 0.7 percentage points to 13.4% and the EBIT margin by 1 percentage point to 6.1%. These favourable developments were mainly due to new orders and rising order quantities for premium engine components as well as our improving ability to pass on inflationary cost increases to customers.

In the past fiscal year, the motor racing market was stable with high earnings quality in particular in the engine components area. Preparations for the new 2026 F1 engine have already started, and we are pleased that there are two additional engine manufacturers and other new interested parties. We expect a continuously strong racing business also in the coming years.

The high-performance market was very strong in the first half of the year. In the second half we experienced signs of cooling but were still able to grow revenues more than inflation and improved earnings in an appropriate manner.

Aerospace demand grew fast and strongly after the Covid crisis and could by far not be satisfied due to global raw material shortages. Pankl was affected as well, especially in the first half of the year.

In the first quarter of 2023, we completed and put into operation the new aerospace production facility in Kapfenberg. This has created the spatial conditions that we can exploit existing massive potentials especially in the area of jet engine shafts in the medium term. In 2023, these factors had, however, adverse impacts on revenues and earnings. Hence, we expect a significant improvement of our aerospace business in 2024.

In the first quarter of 2023, we completed and put into operation the new aerospace production facility in Kapfenberg. This has created the spatial conditions that we can exploit existing massive potentials especially in the area of jet engine shafts in the medium term. In 2023, these factors had, however, adverse impacts on revenues and earnings. Hence, we expect a significant improvement of our aerospace business in 2024.

Pankl as a high-tech niche player is well positioned compared to others. But we expect stagnating revenues in 2024 as well. The general post-Covid boom is over for now and business becomes more volatile and challenging. We will, however, promptly take and implement the appropriate measures so that we can still produce solid results in the fiscal year 2024 despite an adverse economic environment.

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, 23 February 2024

Wolfgang Plasser
CEO

HIGH TECH

„OUR ROLE AS TECHNOLOGY LEADER IS THE KEY TO OUR SUCCESS AND PART OF THE PANKL DNA“

Stefan Seidel
CHIEF TECHNICAL OFFICER

GROWTH DRIVES THE FUTURE

GROWTH NEEDS INNOVATION AND INVESTMENTS WITH FORESIGHT.

Pankl pursues the aim to be able to manufacture in a climate-neutral manner in all production facilities globally. Pankl has taken the first steps in the Kapfenberg facility and has initiated the Pankl High Tech Park, a first CO2-neutral lighthouse project.
The Pankl aerospace division has grown significantly over the years. It originally started in a small room in Bruck upon Mur. Today it needs a whole 7,500 square metre production facility to supply renowned aerospace customers. Pankl Aerospace Systems Europe has started production of its components in the new Kapfenberg facility from April 2023 onwards.
Interior spaces were specifically designed so that there is sufficient space for expansion. Some indoor spaces satisfy special requirements regarding temperature, humidity, and similar matters.

Pankl Group started another major investment for the future in 2023. In March, we broke ground for the Pankl Academy. For the first time in group history, we build an education centre for group-wide training. The state-of-the-art education facility is located in the Kapfenberg city centre and will be the global Pankl training headquarters. A new apprentice workshop will lift the quality of apprenticeships to new levels in upper Styria.

The new state-of-the-art apprentice workshop will comprise 1,500 square metres and will be equipped with ten lathe and milling machines each, two major CNC centres and two surface grinding machines. Apprentices start their training programme in the metalworking shop to broaden manual skills. Then training at the machines starts and eventually first CNC programming principles are taught. Digitisation is also a major factor in technical apprenticeships.

Pankl Academy will not just be a training centre for the Styrian facilities but will be a modern education centre for all employees of the global Pankl Group from California to China. We provide employees room for further development to always be able to produce top performance components for the market. Pankl Group attempts to facilitate knowledge transfer in an efficient manner without excessive travel activities. The realisation of the Pankl Academy shows that Pankl is not just a future-orientated company but also that it has big visions.

The new apprentice workshop is scheduled to be finalised in the Spring of 2025. Apprentices in the 2025 term will already be able to start in the new Academy. The remaining office infrastructure will also be ready to move in at that time and first trainings will commence in the upper floors of the Pankl Academy. The building structure is already completed, and the exterior façade is in process to be installed. At the same time work is carried out on the interior. Outside spaces such as parking spaces, green areas and the arena take shape. The arena will be a stepped seating area like in an auditorium, which will be used for public viewings or lectures in summer.


pankl

HIGH SPEED

„OUR HIGH-SPEED APPROACH AND INNOVATIVE SOLUTIONS ALLOW US TO MEET TODAY'S CHALLENGES AND SECURE POLE-POSITION FOR SUCCESS IN THE FUTURE!“

Tanja Pfeifer
BUSINESS UNIT MANAGER

The Management Board (from left to right): Thomas Karazmann, Wolfgang Plasser, Christoph Prattes, Stefan Seidel

COMPANY **LEGAL REPRESENTATIVES**

MANAGEMENT BOARD

WOLFGANG PLASSER
Chief Executive Officer (CEO)

Appointed until 31 May 2027

Responsible for the Aerospace Segment

Other management board mandates:
– Chairman of the management board of SHW AG
– Member of the management board of Pankl AG
– Member of the management board of Pierer Industrie AG

THOMAS KARAZMANN
Chief Financial Officer (CFO)

Appointed until 30 November 2026

Responsible for the areas finance, personnel, legal and information technology

Other management board mandates:
– Member of the management board of SHW AG
– Member of the management board of Pankl AG

CHRISTOPH PRATTES
Chief Operating Officer (COO)

Appointed until 31 July 2025

Responsible for the areas racing and high performance

Other management board mandates:
– Member of the management board of Pankl AG

STEFAN SEIDEL
Chief Technical Officer (CTO)

Appointed until 31 July 2025

Responsible for the areas distribution and research and development in the Racing/High Performance Segment

SUPERVISORY BOARD

STEFAN PIERER
Chairman

Elected until April 2027

JOSEF BLAZICEK
Deputy Chairman

Elected until April 2027

ALEX PIERER
Member

Elected until April 2027

FRIEDRICH ROITHNER
Member

Elected until April 2027

KLAUS RINNERBERGER
Member

Elected until April 2027

RUDOLF WIESBECK
Member

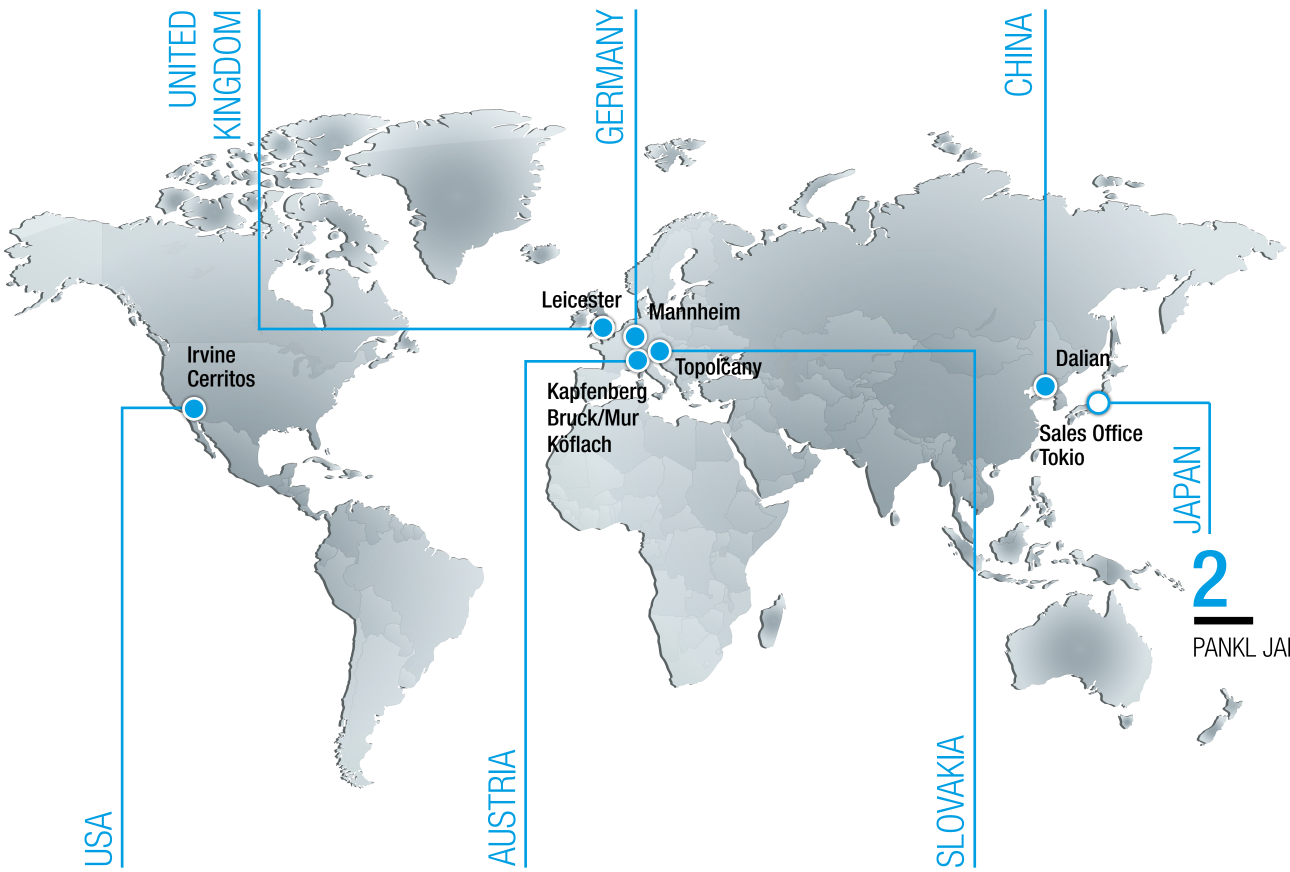
Elected until March 2028

PRODUCTION FACILITIES

53
PANKL RACING SYSTEMS UK

34
PANKL TURBOSYSTEMS

130
PANKL COOLING SYSTEMS



2
PANKL JAPAN

263
CP-CARRILLO
PANKL AEROSPACE SYSTEMS

1,597
PANKL RACING SYSTEMS
Drivetrain Systems
High Performance Systems
Engine Systems
PANKL AEROSPACE SYSTEMS EUROPE
KRENHOF

340
PANKL AUTOMOTIVE SLOVAKIA

Average number of employees (without leasing)

PANKL RACING SYSTEMS AG

Pankl **Racing**

ENGINE

Pankl Racing Systems
Engine Systems
Bruck an der Mur (AT), 100%

CP-Carrillo
Irvine, CA (US), 100%

Pankl Racing Systems UK
Trading as Northbridge
Leicester (UK), 100%

Pankl Japan
Tokio (JP), 100%

Pankl Turbosystems
Mannheim (DE), 100%

DRIVETRAIN

Pankl Racing Systems
Drivetrain Systems
Kapfenberg (AT), 100%

Pankl **High Performance**

Pankl Racing Systems
High Performance Systems
(Profit Center Unit: PHTC, Transmission, PAMTEC)
Kapfenberg (AT), 100%

Krenhof
Köflach (AT), 100%

Pankl Automotive Slovakia
Topoľčany (SK), 100%

Pankl Cooling Systems
Dalian (CN), 100%

Pankl **Aerospace**

Pankl Aerospace Systems Europe
Kapfenberg (AT), 100%

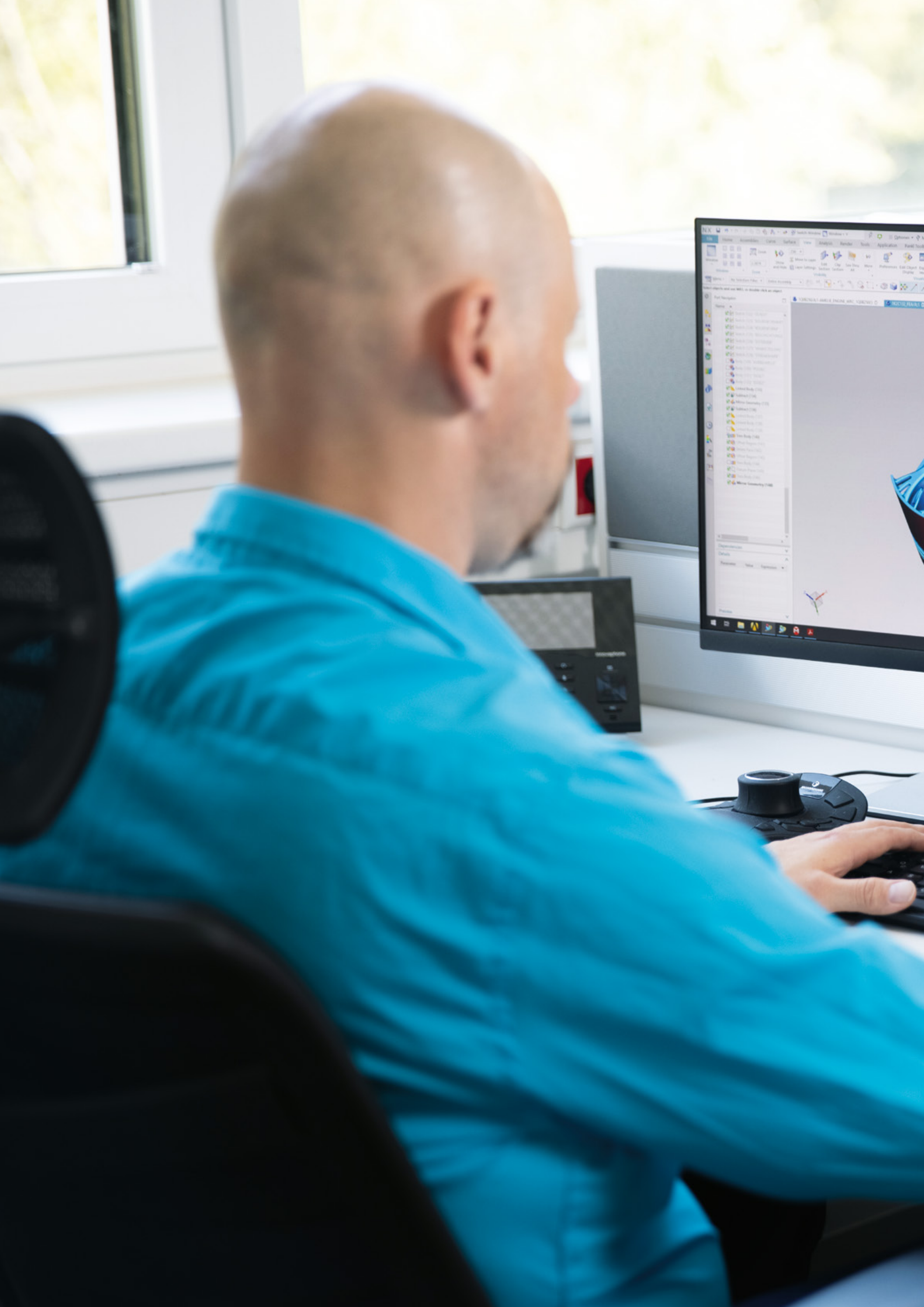
Pankl Aerospace Systems
Cerritos, CA (US), 100%

SHARE OF TOTAL REVENUES

90% RACING & HIGH PERFORMANCE

10% AEROSPACE

The figures show the share of total revenues by Segment in the period 1.1.2023 until 31.12.2023



HIGH QUALITY

„USING STATE-OF-THE-ART VIRTUAL TOOLS WE SHAVE THE LAST OUNCE OFF COMPONENTS AND POWER THE FASTEST RACING ENGINES IN THE WORLD.“

Michael Reisenhofer
HEAD OF RESEARCH AND DEVELOPMENT

SUPERVISORY BOARD CHAIRMAN'S **REPORT**

OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2023

In the fiscal year 2023, the Supervisory Board carried out the tasks as required by law and the Articles of Association in its four 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 December 2023, the Audit Committee held its meetings. On 6 December 2023, 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 2023. On 15 February 2024, 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 21 March 2024, 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 31 December 2023" 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 31 December 2023 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 31 December 2023 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 31 December 2023 and the management report for the fiscal year 2023. The financial statements of the Company for the fiscal year 2023 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 2023 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, 21 March 2024

Stefan Pierer
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT

OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2023

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 / high-performance cars, and 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 / turbo supercharger systems, drivetrain / 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

PROFITABILITY RATIOS

€k	2021	2022	2023
Revenues	285,104	369,303	409,474
Operating earnings before depreciation (EBITDA)	41,439	46,962	54,864
Operating earnings (EBIT)	15,532	19,013	24,915
Earnings before income taxes (EBT)	13,217	15,708	17,574
Earnings after income taxes	11,794	12,296	13,602
EBITDA-margin	14.5%	12.7%	13.4%
EBIT margin	5.4%	5.1%	6.1%

In the fiscal year 2023, revenues of Pankl Group increased by 11% to €409m compared to 2022.

Based on total revenues, Austria and the USA were the largest geographical markets. They accounted for 25.3% of revenues each.

The largest European markets were Austria (25.3%), Germany (18.6%) and Italy (7.6%).

In 2023, we increased EBIT to the new record level of €24.9m (2022: €19.0m). The EBIT margin amounted to 6.1% of revenues compared to 5.1% in 2022.

Adding back depreciation of €29.9m resulted in EBITDA of €54.9m or 13.4% of revenues versus €47.0m or 12.7% of revenues in the previous year

The net financial result amounted to €-7.3m (2022: €-3.3m) and was negatively impacted by increasing interest expenses caused by the ECB rate hikes. Group net earnings after income taxes amounted to €13.6m versus €12.3m in the previous year. Consolidated net earnings after income taxes and minorities increased from €12.7m in 2022 to €13.6m in 2023.

2.2. CAPITAL EXPENDITURE

In the fiscal year 2023, capital expenditure in tangible (including rights-of-use) and intangible assets amounted to €39.3m (2022: €33.7m) and was broken down in fixed assets categories as follows: tangible fixed assets €39.0m (2022: €32.8m) and intangible assets €0.3m (2022: €0.9m).

2.3. CASH FLOW

CASH FLOW AND CAPITAL EXPENDITURE

€k	2021	2022	2023
Cash flow from operating activities	19,542	5,547	47,321
Operating free cash flow	-9,271	-25,318	23,134
Capital expenditure	23,992	32,766	38,956

In the fiscal year 2023, cash flow from results amounted to €43.3m and was hence higher than in the previous year (2022: €38.3m). During the year, working capital increased only by €1.6m or 1.2% to €133.1m (2022: €131.5m) despite the growth in revenues. Accounting for other long-term assets and liabilities gives cash flow from operating activities of €47.3m versus €5.5m in 2022. Cash flow from investing activities amounted to €-24.2m adjusted for non-cash investment transactions (2022: €-30.9m).

Operating free cash flow amounted to €23.1m versus €-25.3m in 2022. This was due to inventory optimisation measures and the mentioned reduced capital expenditure.

Cash flow from financing activities amounted to €-17.5m (2022: €-14.4m). As of 31 December 2023, Pankl Group had cash and cash equivalents of €23.9m (31.12.2022: €19.5m).

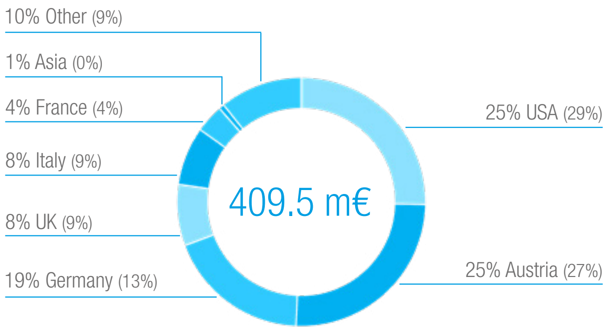
2.4. BALANCE SHEET AND FINANCIAL POSITION

BALANCE SHEET RATIOS

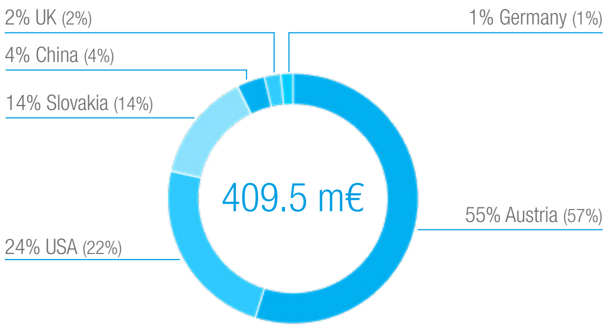
€k	2021	2022	2023
Total assets	352,913	360,956	370,422
Working capital employed[2]	98,358	131,463	133,069
Capital employed[3]	239,473	281,559	285,023
Shareholders' equity	130,688	140,373	147,525
Equity in % of total assets	37%	39%	40%
Net debt[4]	108,785	141,198	137,515
Gearing[5]	83%	101%	93%

[2] Working capital employed = total inventory + trade accounts receivable and other receivables - trade accounts payable and other current liabilities
[3] Capital employed = shareholders' equity including minorities + financial liabilities (short-term, long-term) – cash and cash equivalents
[4] Net debt = financial liabilities (short-term, long-term) - cash and cash equivalents
[5] Gearing = net debt / shareholders' equity including minorities

REVENUES BY GEOGRAPHIC REGION
31.12.2023



REVENUES BY PRODUCTION FACILITY
31.12.2023



The figures in brackets refer to the percentages in 2022

As of 31 December 2023, total assets amounted to €370.4m and hence increased by €9.4m versus the previous year (31 December 2022: €361.0m).

As of 31 December 2023, shareholders' equity in % of total assets increased slightly compared to the previous year and amounted to 39.8%. (31.12.2022: 38.9%). Net debt of the Group amounted to €137.5m versus €141.2m at the end of the previous year. Gearing decreased from 101% in 2022 to 93% in 2023 due to the increase in shareholders' equity from €140.4m to €147.5m and the decrease in net debt.

Pankl Group continued the extension of its environmental management system according to ISO 14001 and successfully certified its production facilities in China. In 2023, Pankl Group acquired CO2-certificates from CarboCert, which were recorded in the CSA-Register to document the Group's commitment to climate neutrality. All Pankl Group facilities were subject to a comprehensive energy audit. 70% of the Group's electricity needs derive from green sources. These initiatives show that Pankl Group actively promotes eco-friendly practices and aims to reach its environmental targets.

2.5. ENVIRONMENT AND SUSTAINABILITY

Acting in an eco-friendly manner and sustainable management have highest priority in Pankl Group. In the fiscal year 2023, energy expenses amounted to 2.0% of revenues (2022: 2.4% of revenues). Pankl Group successfully completed the installation of 800kWp of photovoltaic plants showing its commitment to sustainable energy production.

2.6. MAJOR EVENTS DURING THE FISCAL YEAR

In the fiscal year 2023 there were no major events in the Pankl Group.

3. SEGMENT REPORTING

3.1. RACING/HIGH PERFORMANCE

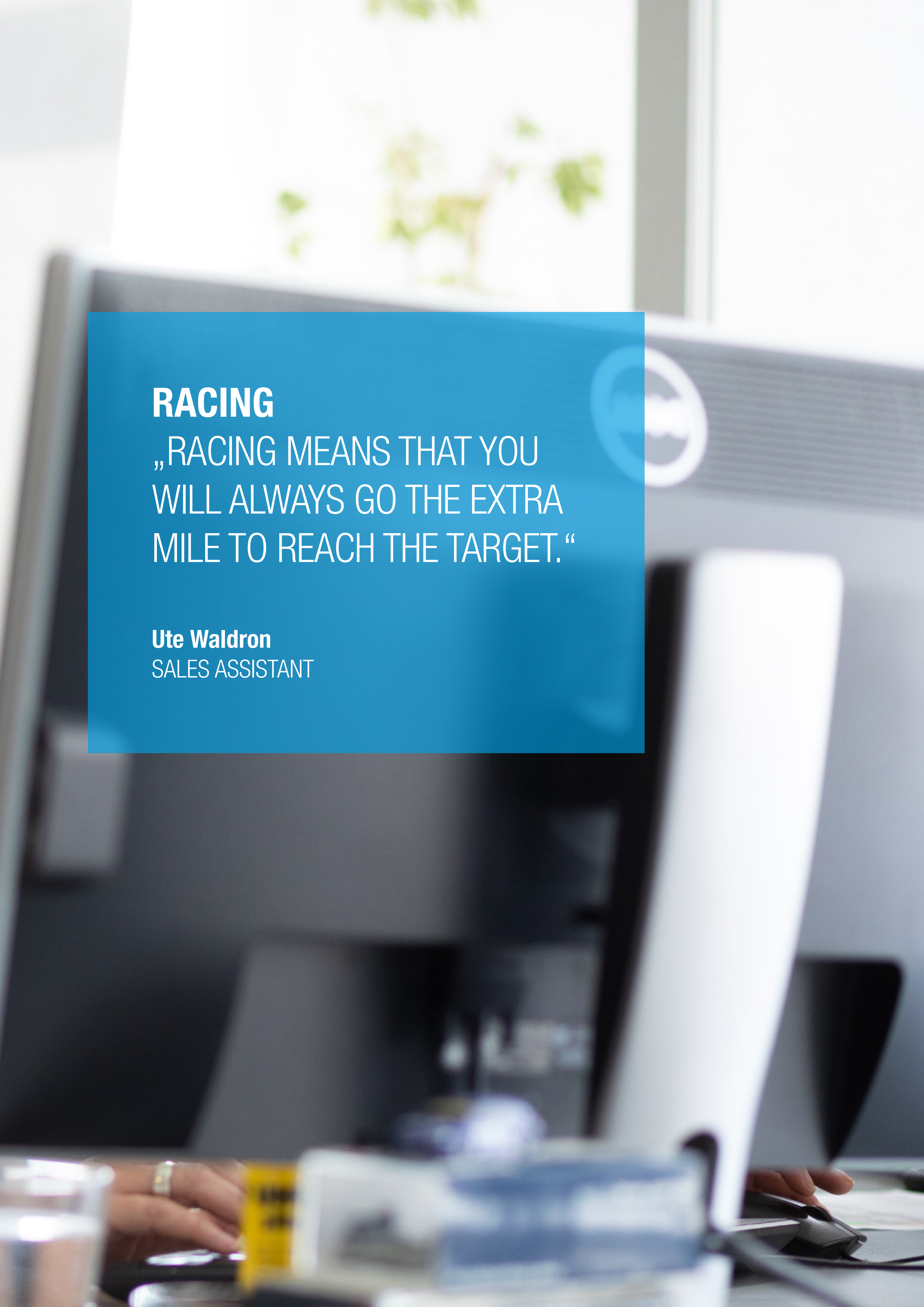
The Racing/High Performance Segment revenues increased by €39.3m from €332.1m in 2022 to €371.4m in 2023. Operating earnings (EBIT) increased by €6.4m from €18.0m or 5.4% of revenues in 2022 to €24.4m or 6.6% of revenues in 2023. This was mainly due to the excellent development in the racing business.

3.2. AEROSPACE

Aerospace Segment revenues increased again from €39.2m in 2022 to €40.5m in 2023. However, primarily the Austrian aerospace company was adversely affected by non-recurring expenses from the start of production in the new Kapfenberg facility. Hence, operating earnings (EBIT) deteriorated from €2.5m or 6.5% of revenues in 2022 to €-1.0m or -2.6% of revenues in 2023.

3.3. OTHER

Other Segment revenues amounted to €6.4m (2022: €5.3m), EBIT amounted to €1.6m (2022: €-1.5m).



RACING

„RACING MEANS THAT YOU WILL ALWAYS GO THE EXTRA MILE TO REACH THE TARGET.“

Ute Waldron
SALES ASSISTANT

4. RESEARCH, DEVELOPMENT, INNOVATION AND QUALITY

Technological leadership is one of the major success factors in the motor racing and high performance businesses as well as in aerospace. Hence, research and development activities are of major importance for the companies of Pankl Group. In 2023, expenses for intense research and development activities amounted to €24.2m (2022: €20.9m).

4.1. SEGMENT RACING/HIGH PERFORMANCE

Materials:
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 2023, novel deformations in eccentric processes could be researched and tested to produce more complex forgings and to ensure a process-reliable reduction in the use of materials.

Through targeted surface treatments of the raw material, improvements in the properties of visible components could be achieved. In addition, cast forging materials from different suppliers could be qualified.

Pankl Group is a member of the Austrian Society for Metallurgy and Materials (ASMET) and hosted the 97th meeting of the Technical Committee for Heat Treatment and Hardening Technology in 2023. During this, Pankl gave an exciting specialist lecture on "partial carburising of components".

Process Optimisation:
In process optimisation, a forging process for pistons with undercut including heat treatment and inline process monitoring at product level were further developed to be able to systematically avoid the causes of errors.

In addition, two tests were carried out at the process level regarding tool damage and wear. Attempts to optimise surface-layer welding should lead to resource conservation of the applied material while at the same time increasing tool life. Tests were also carried out with state-of-the-art coating systems; these are intended to have a positive impact on tool damage behaviour.

As part of the "High Efficient Transmission for Electric Vehicles" (HETEV) project, a process development for the forging production of chassis parts made of metal matrix composites was carried out together with the Research Promotion Agency (FFG) in 2023.

A test procedure for the noise behaviour of components and assembly validation of drive joints for fully electric vehicles (FEV) was also successfully developed. This noise behavior is particularly important for purely electric driving of vehicles, as the electric motors are very quiet compared to internal combustion engines. Lattice and cell structures could be integrated into chassis components; these support the ultimate lightweight construction of vehicle parts.

In the simulation department, the existing calculations were optimised, the cluster structure was revised and redesigned and the computational fluid dynamics area (CFD) was strengthened. This area includes flow and combustion simulations as well as cooling calculations. Furthermore, Pankl Group successfully commissioned a plasma nitriding system in 2023 and carried out a substantiation run ("initial sampling") for a customer. This brought another important finishing process in-house, further increasing the Pankl Group's vertical range of production.

Product Development:
In the area of product development, lightweight construction continues to be a dominant development topic in the racing and high-performance automotive areas. The product portfolio was expanded to include a 3D-printed top frame or halo for monoposto racing vehicles. In the automotive sector, processes were developed for eleven different components.

Since 2023, a highly dynamic and realistic chassis test, which is controlled for component forces and damper stroke, can be carried out.

In the connecting rod and piston-crankshaft design department, a new parting plane for racing connecting rods was designed to increase accuracy when installed. In addition, the topology on the piston could be optimised.

A new test standard automation system was commissioned in the testing department. In addition, the MonoF1 could be further developed with a potential new product, the pre-chamber.

Additive Manufacturing:
In 2023, the first additively manufactured rocker for Track Only sports cars was successfully developed and tested.

4.2. SEGMENT AEROSPACE

In 2023, numerous development projects were started together with leading aerospace customers, with the focus being on the development of complex manufacturing processes. These projects will also be pursued in 2024 and concern both rear rotor shafts for new helicopter models and engine shafts for fixed-wing aircraft and helicopters.

Furthermore, process developments and prototype production in the unmanned aircraft application area as well as numerous projects within the framework of the existing EASA Part 21J design approval were carried out.

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.


KRENHOF

HIGH PERFORMANCE

„HIGH PERFORMANCE MEANS BETTER; FASTER AND MORE EFFICIENT THAN THE COMPETITION.“

Helmut Perl
PRODUCTION MANAGER FINISHING

5. PERSONNEL AND SOCIAL REPORT

In the fiscal year 2023, Pankl Group employed 2,419 persons (2022: 2,288 persons) on average. 1,597 persons from the total were employed in Austria (2022: 1,513 persons) and 822 persons were employed in the international group companies (2022: 775 persons).

The average number of employees is broken down in the Segments as follows:

- Racing/High Performance Segment 2,242 employees (2022: 2,116 employees)
- Aerospace Segment 177 employees (2022: 172 employees)

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.

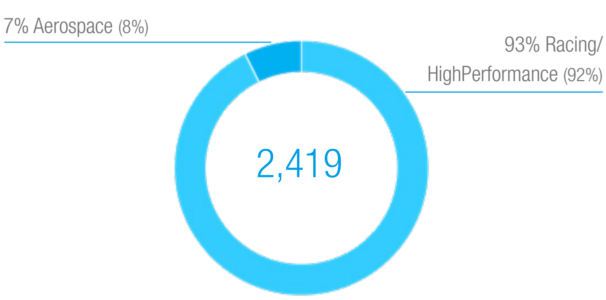
5.1. ATTRACTIVE EMPLOYER

Pankl's goal is to be an attractive employer worldwide. The Group would like to recruit qualified employees, develop them professionally and personally and retain talent in the long-term. The aim is to strengthen the employer brand regarding diversity and to expand awareness among new target groups.

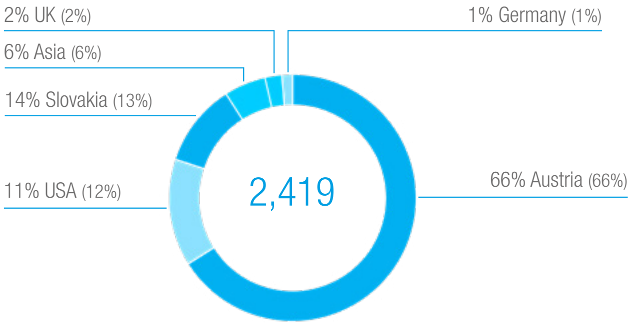
For Pankl, a human resources policy that promotes the compatibility of family and career is a key feature of its attractiveness as an employer. We are continuously working on developing family-friendly working time models and a childcare allowance is paid out once a year for each child.

There are numerous collective agreement regulations in the company that are intended to make it easier for employees to reconcile professional requirements and private needs and to individually design their own working model. In addition to working time flexibility and the use of flexitime, variable part-time and shift models, childcare options near the workplace and Home Office are established.

EMPLOYEES BY SEGMENT
31.12.2023



EMPLOYEES BY GEOGRAPHIC REGION
31.12.2023



The figures in brackets refer to the percentage share in the previous year.

An employee survey in 2023 allowed us to evaluate psychological stress in the workplace across the European facilities. We achieved very good results compared to other Austrian companies, both in terms of white-collar employees and blue-collar workers. Pankl Group features very good results with a response rate of 84.4% in Austria and 82.4% from all European facilities.

5.2. HEALTH AND SAFETY

Pankl Racing Systems AG continued to attach great importance to the health and safety of its employees. To make an important contribution to the health of employees, an extended preventive examination was offered at the Austrian and US locations. The annual spring and flu vaccination campaigns are an established and important part of health promotion in the Pankl Group. Employees can discuss matters with an occupational psychologist if they wish to.

At CP-Carrillo there is a special incentive system with which employees can reduce their health insurance costs by 5-10%, among other things through proven health training and carrying out preventive examinations with colonoscopy and mammography.

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 monthly. 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 regional fruits (twice a week) and a free tea bar. The employees of the canteens in the Kapfenberg and Bruck upon Mur locations as well as Slovakia ensure a healthy, balanced, and regional lunch, which is supported by the company with a meal subsidy. At Pankl Turbosystems, the company also contributes to the cost of lunch.

In 2023, the focus in promoting occupational safety and health protection in the Austrian locations was on work equipment. Employees were granted a subsidy for optical safety glasses and computer work glasses and were able to purchase customised hearing protection.

Since 2023, new hazardous substances at Krenhof Köflach can only be released via the prevention team and the fire protection officer. In addition, machine safety in tool making and operational markings were re-evaluated and improved.

At Pankl Automotive Slovakia, employees who are exposed to dangerous conditions in production are paid a “recondition stay” every two years. Employees also receive regular vouchers for pharmacies.

The “Safety Walk & Talk” was introduced already in 2022. This project involves selected managers to deal with the topics personal protective equipment, cleanliness and order, ergonomics, and psychological stress in the workplace. The project consists of quarterly visits by managers to pre-defined workplaces. The aim is to have a direct conversation with the production employees about the specified key topics. The presence of managers on site also conveys the high value of this topic to the employees. We noticed a very positive development in 2023 via the increasing trust of employees in open communication and managers’ insights into each area and the different ways of working.

As part of the onboarding process, employees are introduced to the topic of occupational safety through awareness-raising training. Training courses on night work, cooling lubricants and other dangerous working materials were also rolled out.

With the Pankl Protected project, the Pankl Group has launched an intensive training campaign together with the Austrian General Accident Insurance Institute (AUVA). The relevant topic blocks are divided for production team leaders, employee team leaders, department heads, production managers and operations managers. In addition to raising awareness, the aim is, among other things, to increase basic knowledge, get to know internal processes, increase personal responsibility, and reduce accidents at work. Last but not least, this allows security professionals to receive the best possible support. The training series is repeated every two to three years.

PANKL IN MOTION

Through the health program “Pankl in Motion”, which covers the areas relaxation, exercise and nutrition, interesting lectures and workshops as well as heart strength coaching, heart rate variability measurements and health consultations were also offered in 2023.

Pankl supports its employees at all locations in selected sporting events, such as marathons and cycling races, by paying the entire entry fee. In addition, the training of the Pankl in Motion football team, full-body workouts and yoga classes continued in Austria. At the CP Carillo fitness studio, three training sessions with a fitness trainer take place twice a week. Sports units have also been added specifically for Pankl Group apprentices, which take place bi-weekly during working hours. The apprentices at Krenhof Köflach GmbH are in active contact with the local disabled sports club. At Pankl Automotive Slovakia, employees receive massage treatments subsidised by the company.

Pankl Group aims to regularly provide employees at all locations with new offers and discounts. In addition to a wide variety of discounts in regional fitness studios and public swimming pools as well as the internal CP Carillo fitness studio, discounts were also offered in tennis, football, and boxing clubs in 2023.

To support sporting activities of employees during their leisure time and as a thank you for the services provided in the 2023 financial year, each employee was given a bicycle as a gift. Pankl Group also supports its employees in Austria through a bicycle leasing campaign with a subsidy of 50% of the leasing rate. These bicycles can be used entirely privately by employees.

5.3. TRAINING AND PERSONAL DEVELOPMENT

The continuous and individual support and development of all employees is a goal of Pankl Group. Also in 2023, a specially designed Pankl Academy training catalog being valid for all Austrian locations and supplemented with a few topics, was created. Pankl Racing Systems AG uses its internationality and creates the opportunity for employees to orientate themselves worldwide and to develop further within the company with long- or short-term assignments abroad in other locations.

In 2023, employees at the Austrian locations completed a total of 2,155 training days. The investment costs in training and further education were about €321k in 2023. Individual training, sector-specific training and cross-location training were carried out using the e-learning tool established in 2023.

At all Pankl Racing Systems AG locations, further training needs for the coming year were determined together with managers in 2023 and the training and development plan for 2024 was created from this.

In addition to the wide range of training courses, the annual employee appraisal was held across the board in 2023 as an important management tool. In this meeting, successes from the previous year and goals for the coming year were discussed and career development and training measures were determined.

To provide employees with the best possible support, a strategy workshop was organised for all HR Business Partners in 2023. This is intended to ensure individual advice and further development for employees. A mentoring program is also offered to employees. Employees can discuss their needs and development opportunities with the assigned mentor and implement them together with the human resources department.

A new “Technical Information for Employees” project was started at Krenhof Köflach GmbH in 2023. This project is intended to provide employees with an improved understanding of general and technical company processes.

So-called “Learning Journeys” started at Pankl Aerospace in 2023, in which employees from different departments and functions travel to their respective counterparts to exchange learning and experiences, help each other based on specific problems, and develop solutions together.

To do this, a plan with topics and learning objectives is drawn up in advance, presented, evaluated, and translated into appropriate actions.

Executive Management Development
The Pankl Group's executive management program, which started in 2022 and is designed for shift workers and team leaders from production and production-related areas, was continued in 2023. As part of four soft skills modules on personality and leadership skills and two specialist modules, participants from different locations are trained together to become qualified executive managers. In addition to theoretical input, the focus is on carrying out a subject-related continuous improvement process, which enabled the participants to apply the knowledge they had learned directly in their area of work.

There is a junior development program within the aerospace division at the US locations. Employees are trained over two years by Pankl Aerospace Systems Europe in Kapfenberg and then sent to a US location as Intercompany Transferees at their request. There they take on important projects on their own responsibility.

5.4. CAREER THROUGH APPRENTICESHIP

Apprentice training is a key aspect of the personnel strategy. About €18m are currently being invested in the construction of the new Pankl Academy in Kapfenberg. This means that the prerequisites are created to further expand the number of apprentices.

As of 31 December 2023, 135 apprentices (2022: 124), including seven apprentices from Spain, were employed in Austria, and trained in eleven apprenticeships. In 2023, 54 new apprentices began their training at the Austrian locations.

A key goal is to continue to employ apprentices in the Pankl Group after their graduation. In this way, the company secures the need for skilled workers and at the same time helps to enable young people to have a successful start to their professional career.

To better demonstrate the benefits of a technical apprenticeship, Pankl Racing Systems AG organises an open training workshop day twice a year, where the apprenticeships on offer are presented. In addition to a tour of the company, visitors get an overview of the activities of the respective apprenticeships.

The basic training for all technical apprenticeships and special training is carried out at the Pankl Academy, enabling future skilled workers to get to know the company and its operations in the best possible manner. Pankl offers all new apprentices remedial teaching for vocational school, provides subject-specific support lessons, and co-operates with the respective schools in all matters. Pankl organises tours of school classes through the company and invites them to the training workshop. At Pankl Automotive Slovakia, students receive special support with their final papers.

Different apprenticeship initiatives are supported at Krenhof Köflach GmbH. An apprentice gala took place in 2023. Parents' days and team building events also take place regularly. There is membership and co-operation with the Styrian Training Association.

Pankl Racing Systems AG apprentices who have successfully completed their apprenticeship are given a guarantee of employment. If apprentices are interested in an apprenticeship with a high school diploma, this is possible with the support of Pankl Group at the Austrian Institute for Economic Development (WIFI). Two students from the Joanneum Aviation University of Applied Sciences in Graz are currently working at Pankl Aerospace Systems in California for seven months as part of their internship in their master's degree. After completing their studies in summer 2024, they will work at Pankl Aerospace Systems for three to five years.

5.5. DIVERSITY AND EQUAL OPPORTUNITIES

Promoting diversity and inclusion plays an important role in being an employer. Pankl Group attaches particular importance to ensuring that all employees are treated fairly and respectfully. Social justice is promoted while discrimination and inequality are combated and avoided. This is the only way to create a working atmosphere in which people with different backgrounds, cultures and world views are valued and in which mutual trust is the basis. As an international group, Pankl Racing Systems AG values the diversity that is expressed in the origins, culture, language, and ideas of its employees.

Pankl Group is very international. In 2023, 1,597 employees from 31 nations worldwide (2022: 14 nations) were employed in Austria. To improve team spirit and communication Pankl Group offers employees multilingual operational documentation as well as language courses (especially for German). Pankl Group co-operates with the CINT platform, which supports international employees by assisting them with questions about living and working in Styria.

Pankl supports women and girls in getting them excited about technical careers. Pankl took part in “Girlsday 2023”. Every year Pankl launches a campaign on its digital channels for International Women's Day. The Company presents itself and a potential career path in the Pankl Group to a female audience. In addition, Pankl Group takes part in the “Female Future” career and education day, which is organised by the Joanneum University of Applied Sciences in Kapfenberg especially for women. On International Women's Day, little gifts await the women who work at Pankl Automotive Slovakia.

6. RISK AND OPPORTUNITIES MANAGEMENT

6.1. MAJOR RISKS, OPPORTUNITIES AND UNCERTAINTIES

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. Risks should be identified early on and, if possible, dealt with proactively to limit or completely avoid their occurrence and possible negative effects.

This risk and opportunity report refers in particular to those opportunities and risks that result from an outside-in view. This refers to opportunities and risks that impact the company from outside.

In addition, sustainability issues and the associated opportunities and risks, which are assigned to the areas of energy, climate change, circular economy, employment matters, occupational safety and employee health, equal rights and the fight against corruption and bribery, are becoming increasingly important.

While defining the material topics for the non-financial report, a corresponding materiality analysis was carried out, which, in addition to the outside-in view, also includes those risks and opportunities that arise from the company and can have an impact on the company environment (inside-out consideration). The results of this analysis are presented in the “Materiality Analysis” chapter of the non-financial report. The identification and assessment of climate-related opportunities and risks is also part of risk management.

6.2. RISK REPORT

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

MARKET ENVIRONMENT AND SALES

As an international company, Pankl Group is exposed to macroeconomic risks that can influence supply and demand. These include, among other things, the development of the global economy, geopolitical conflicts, and the global political situation. In addition, impacts from climate policy, international trade restrictions and the introduction of tariffs should also be mentioned.

The European market in particular has been severely affected by the effects of the Ukraine war in recent financial years. There were significant increases in raw material and energy prices as well as uncertainties in their availability throughout the entire supply chain. Both Pankl Group's own locations and its sales markets could be negatively impacted by further developments. Conditions in the global market environment are continuously monitored and appropriate measures are initiated if necessary. Energy price hedging is being implemented for Pankl locations in Austria, which was able to significantly cushion price volatility on the market, particularly in the 2023 financial year.

Pankl Group's wide range of products ensures independence from a few sales regions, customer sectors or large buyers. In 2023, the revenue share of the top 10 customers was 53.5%.

6.3. INTERNAL CONTROL SYSTEM

The risk management and the internal control system are based on the standards of the internationally proven regulations. The aim is to consciously identify and control risks through responsible management.

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.

Compliance with internal guidelines and processes is monitored annually based on the audit plan drawn up by the Internal Audit Department and approved by the Pankl Management Board. The results of the audit are communicated to the Management Board and the responsible management. If necessary, training, and further education are provided to the operational units for the implementation of necessary improvement measures. In addition, the Internal Audit Department regularly carries out ad-hoc inspections, which are initiated by the Management Board or the responsible management. These specifically target 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”).

AEROSPACE

„WHETHER HELICOPTER OR PLANE, DUE TO TOP QUALITY EVERYTHING IS POSSIBLE AT PANKL AEROSPACE.“

Nenad Vujica
TEAMLEAD ASSEMBLY & PAINTING

7. SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

7.1. FUTURE DEVELOPMENT AND OUTLOOK

Despite the ongoing uncertain economic situation, Pankl Group expects moderate growth in 2024. In racing, growth is primarily due to rule changes in the top racing series Formula 1 and MotoGP as well as through expansion of the gearbox segment for motor racing. In the high performance area, there is constant development due to the persistently high demand for high-quality titanium products. In the Aerospace Segment, the focus is on jet engine components. Thanks to the commissioning of the new aerospace plant in the past fiscal year, capacities are available for expected continuous growth.

Kapfenberg, 23.02.2024

The Management Board of Pankl Racing Systems AG

WOLFGANG PLASSER
CEO

THOMAS KARAZMANN
CFO

CHRISTOPH PRATTES
COO

STEFAN SEIDEL
CTO

SCAN AND LEARN MORE

ESG REPORT OF PANKL AG

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 2023

	Notes	2023 €k	2023 in %	2022 €k	2022 in %
SALES REVENUES	9	**409,474**	**100.0**	**369,303**	**100.0**
Cost of goods sold	10	-325,821	-79.6	-297,182	-80.5
Gross profit		**83,653**	**20.4**	**72,121**	**19.5**
Distribution expenses	11	-19,997	-4.9	-18,345	-5.0
Administration expenses Other	13	-44,416	-10.8	-39,343	-10.7
Operating income	15	6,197	1.5	4,961	1.3
Other operating expenses	14	-522	-0.1	-381	-0.1
Operating earnings (EBIT)		**24,915**	**6.1**	**19,013**	**5.1**
Financial income		196	0.0	722	0.2
Financial expenses		-7,537	-1.8	-4,027	-1.1
Financial results	16	-7,341	-1.8	-3,305	-0.9
Earnings before income taxes (EBT)		**17,574**	**4.3**	**15,708**	**4.3**
Income taxes	17	-3,972	-1.0	-3,413	-0.9
NET EARNINGS AFTER INCOME TAXES		**13,602**	**3.3**	**12,295**	**3.3**
Attributable to shareholders of parent company		*13,554*	*3.3*	*12,720*	*3.4*
Attributable to minorities		*48*	*0.0*	*-425*	*-0.1*
EARNINGS PER SHARE					
Undiluted = fully diluted earnings per share	18		4.40 €		4.13 €

CONSOLIDATED
STATEMENT OF COMPREHENSIVE RESULTS
OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2023

	Notes	2023 €k	2022 €k
Net earnings after income taxes		**13,602**	**12,296**
Items which are not shown in the profit and loss account:			
Actuarial profits / losses from pension plans and similar schemes	32	-271	544
Deferred taxes from actuarial profits / losses from pension plans and similar schemes	32	62	-145
Cash flow hedging reserve		-450	1,056
Items which were or may be shown in the profit and loss account:			
Foreign exchange differences from international subsidiaries		-1,415	950
Other results of the period		**-2,074**	**2,405**
TOTAL COMPREHENSIVE RESULTS		**11,528**	**14,701**
Attributable to shareholders of parent company		*11,480*	*15,126*
Attributable to minorities		*48*	*-425*

CONSOLIDATED BALANCE SHEET

OF PANKL RACING SYSTEMS AG PER 31 DECEMBER 2023

ASSETS	Notes	31.12.2023 €k	31.12.2023 in %	31.12.2022 €k	31.12.2022 in %
LONG-TERM ASSETS					
Goodwill	23	12,438	3.4	12,526	3.5
Other intangible assets	22	1,632	0.4	1,805	0.5
Tangible fixed assets	21	123,895	33.4	124,078	34.4
Rights-of-use assets	21	25,904	6.9	17,788	4.8
Financial fixed assets	25	11	0.0	15	0.0
Deferred tax assets	24	5,262	1.4	4,091	1.1
Total long-term assets		**169,142**	**45.7**	**160,302**	**44.4**
SHORT-TERM ASSETS					
Inventories	26	109,812	29.6	112,890	31.3
Trade accounts receivable	27	44,738	12.1	41,390	11.5
Other short-term receivables and assets	28	22,759	6.1	26,889	7.4
Current tax assets		37	0.0	36	0.0
Cash and cash equivalents	29	23,933	6.5	19,449	5.4
Total short-term assets		**201,279**	**54.3**	**200,655**	**55.6**
TOTAL ASSETS		**370,422**	**100.0**	**360,956**	**100.0**

LIABILITIES	Notes	31.12.2023 €k	31.12.2023 in %	31.12.2022 €k	31.12.2022 in %
SHAREHOLDERS‘ EQUITY					
Share capital	30	3,080	0.8	3,080	0.9
Capital reserves	30	34,532	9.3	34,532	9.6
Perpetual bond	30	10,000	2.7	10,000	2.8
Retained earnings	30	99,199	26.8	92,452	25.6
Equity of parent's shareholders		**146,810**	**39.6**	**140,063**	**38.8**
Minorities	30	715	0.2	309	0.1
Total shareholders‘ equity		**147,525**	**39.8**	**140,373**	**38.9**
LONG-TERM DEBT					
Long-term loans	31	99,211	26.8	108,733	30.1
Long-term finance lease liabilities	31	19,587	5.3	12,987	3.6
Personnel-related provisions	32	5,415	1.5	5,691	1.6
Long-term provisions	34	190	0.1	186	0.1
Other long-term debt	33	4,293	1.2	3,913	1.1
Deferred tax liabilities	24	588	0.2	283	0.1
Total long-term debt		**129,284**	**34.9**	**131,793**	**36.5**
SHORT-TERM DEBT					
Short-term loans and short-term portion of long-term loans	31	36,471	9.8	34,758	9.6
Short-term finance lease liabilities	31	6,179	1.7	4,170	1.2
Other short-term debt	33	22,996	6.2	21,602	6.0
Trade accounts payable		24,087	6.5	25,276	7.0
Current tax liabilities		3,707	1.0	2,735	0.8
Other provisions	34	173	0.0	249	0.1
Total short-term debt		**93,613**	**25.3**	**88,791**	**24.6**
Total debt		**222,896**	**60.2**	**220,584**	**61.1**
TOTAL LIABILITIES		**370,422**	**100.0**	**360,956**	**100.0**

CONSOLIDATED CASH FLOW STATEMENT

OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2023

	Notes	01.01.2023 – 31.12.2023 €k	01.01.2022 – 31.12.2022 €k
NET EARNINGS AFTER INCOME TAXES		**13,602**	**12,296**
Cash flow from operating activities derived from net earnings after taxes:			
Depreciation		29,949	27,949
Profit / loss from the sale of fixed assets		-126	-14
Other non-cash items		8,413	-577
Income taxes paid		-3,444	-92
Interest paid		-4,945	-700
Interest received		135	36
Change of long-term provisions	34	-272	-562
CASH FLOW FROM RESULTS		**43,311**	**38,336**
Change of trade accounts receivable		-3,348	-9,221
Change of other receivables and assets		4,130	-7,124
Change of inventories	26	3,078	-23,976
Change of short-term assets		**3,860**	**-40,322**
Change of trade accounts payable		-1,310	950
Change of provisions		-404	68
Change of other debt and income tax liabilities		2,591	6,202
Change of short-term debt		**877**	**7,219**
Change of deferred taxes	24	-866	567
Change of foreign exchange differences		-240	373
Change of other long-term assets / debt		380	-626
Change of long-term assets / debt		**-726**	**314**
CASH FLOW FROM OPERATING ACTIVITIES		**47,321**	**5,547**
Capital expenditure in tangible fixed assets	21	-24,626	-30,376
Proceeds from the sale of fixed assets		832	472
Capital expenditure in intangible fixed assets	22	**-393**	**-962**
CASH FLOW FROM INVESTMENT ACTIVITIES		**-24,188**	**-30,866**

	Notes	01.01.2023 – 31.12.2023 €k	01.01.2022 – 31.12.2022 €k
Loan increases	VI	15,315	292
Loan repayments	VI	-15,852	-20,366
Change of current account balances	VI	-7,702	15,491
Dividend payments		-4,196	-5,196
Repayments of finance lease liabilities		-5,214	-4,735
Other financing activities		194	114
CASH FLOW FROM FINANCING ACTIVITIES		**-17,455**	**-14,401**
CHANGE IN CASH AND CASH EQUIVALENTS		**5,679**	**-39,719**
Cash and cash equivalents at the beginning of the period	29	19,449	57,829
Cash impact of foreign exchange differences		-1,194	1,339
Change of cash and cash equivalents		5,679	-39,719
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**23,933**	**19,449**

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 2023

€k	Share capital	Capital reserves	CF hedging reserve	Perpetual bond
31.12.2022	3,080	34,532	975	10,000
Net earnings after income taxes	0	0	0	0
Results directly shown in equity	0	0	-450	0
Total results	**0**	**0**	**-450**	**0**
Transactions with equity holders				
Transactions with minority interest companies	0	0	0	0
Dividend payments	0	0	0	0
31.12.2023	**3,080**	**34,532**	**525**	**10,000**
31.12.2021	3,080	34,532	-82	10,000
Net earnings after income 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				
Capital contributions	0	0	0	0
Dividend payments	0	0	0	0
31.12.2022	**3,080**	**34,532**	**975**	**10,000**

Retained earnings					
Reserves from forex differences	IAS 19 reserve for actuarial profits / losses	Other retained earnings	Equity attributable to share-holders of parent company	Share of minorities	Total
-2,663	-277	94,417	140,064	309	140,373
0	0	13,554	13,554	48	13,602
-1,415	0	-209	-2,074	0	-2,074
-1,415	**0**	**13,345**	**11,480**	**48**	**11,528**
0	0	-538	-538	358	-180
0	0	-4,196	-4,196	0	-4,196
-4,078	**-277**	**103,028**	**146,810**	**715**	**147,525**
-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	180	180
0	0	-5,196	-5,196	0	-5,196
-2,663	**-277**	**94,417**	**140,064**	**309**	**140,373**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2023

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 1 January until 31 December 2023 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 31.12.2023 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 31st of December. The balance sheet date of Pankl Japan Inc. is the 30th of September.

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 1 January 2023:

- Amendments to IFRS 17: Accounting for insurance contracts
- Amendments to IAS 1 and the IFRS Guidance Document 2: Information on accounting and valuation methods in the annual financial statements
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IAS 12: Deferred taxes referring to assets and debt which derive from one single transaction.
- Amendments to IFRS 17: Financial assets
- Amendments to IAS 12: Global minimum taxation (Pillar Two Rules)

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. APPLICATIONS OF NEW STANDARDS UND INTERPRETATIONS FROM 2023

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 IASB	Endorsement by EU	To be applied from EU
Amendments to IAS 1: Classification of debt as long- or short-term	01.01.2024	Yes	01.01.2024
Amendments to IFRS 16: Follow-on valuation of sale and leaseback transactions in lease relationships	01.01.2024	Yes	01.01.2024
Amendments to IAS 1: Notes to classify debt as long- or short-term	01.01.2024	Yes	01.01.2024

IASB and IFRIC issued further standards and interpretations, which do not yet have to be applied in the fiscal year 2024 or which have not yet been adopted by the EU-Commission. These are the following standards and interpretations:

Standard / Amendment	To be applied from IASB	Endorsement by EU	To be applied from EU
Amendments to IAS 7 and IFRS 7: Transparency of supplier finance arrangements	01.01.2024	No	
Amendments to IAS 21: Unified approach to evaluate exchangeability	01.01.2025	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 €12,438k (2022: €12,526k). Item 23 (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 31.12.2023, deferred tax assets from tax loss carryforwards amounted to €5,090k (2022: €4,348k). Item 24 (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 31.12.2023, inventories amounted to €109,812k (2022: €112,890k).

- 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 €5,415k (2022: €5,691k). Item 32 (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 31.12.2023, trade accounts receivable amounted to €44,738k (2022: €41,390k), €4k of which were valued at Fair Value (2022: €23k).

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:

	Year-end rate		Average rate	
€	31.12.2023	31.12.2022	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
US-Dollar	1.1050	1.0666	1.0829	1.0500
British Pound	0.8691	0.8869	0.8688	0.8548
Japanese Yen	156.3300	140.6600	153.1758	138.1392
Chinese Renminbi Yuan	7.8509	7.3582	7.6839	7.0744

8. CHANGE IN THE SCOPE OF CONSOLIDATION

In the year 2023, the number of consolidated companies developed as follows:

	Fully consolidated companies
31.12.2022	12
Additions in the scope of consolidation	0
Deductions	0
31.12.2023	**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 shafts, 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 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 2023, segment information for the described segments was as follows:

€k	Racing/High Performance	Aerospace	Other	Total	Reconciliation	Group
01.01.2023 - 31.12.2023						
Segment revenues	371,400	40,483	6,385	418,268	-8,794	409,474
thereof intra-group sales	*1,355*	*72*	*7,366*			
thereof external sales	*370,045*	*40,410*	*-982*			
Operating earnings (EBIT)	24,390	-1,031	1,556	24,915		24,915
EBIT in % of segment revenues	6.6%	-2.6%	24.4%	6.0%		6.1%
Interest expenses	-6,152	-1,235	-1,077	-8,464	3,142	-5,322
Interest income	2,651	2	685	3,338	-3,142	196
Segment assets	255,576	40,790	46,261	342,627	27,794	370,422
Segment liabilities	65,683	11,135	12,864	89,682	133,214	222,896
Segment capital expenditure	27,966	1,614	9,749	39,329		39,329
Segment depreciation	-24,919	-1,109	-3,921	-29,949		-29,949
thereof impairments				*0*		*0*

€k	Racing/High Performance	Aerospace	Other	Total	Reconciliation	Group
01.01.2022 - 31.12.2022						
Segment revenues	332,104	39,151	5,279	376,534	-7,231	369,303
thereof intra-group sales	*1,528*	*44*	*5,660*			
thereof external sales	*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		33,659
Segment depreciation	-23,556	-1,084	-3,308	-27,949		-27,949
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. REVENUES

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

	01.01.2023 - 31.12.2023		01.01.2022 - 31.12.2022	
€k	Revenues	Share	Revenues	Share
USA	103,750	25.3%	105,488	28.6%
Austria	103,744	25.3%	98,432	26.7%
Germany	76,231	18.6%	46,517	12.6%
United Kingdom	32,647	8.0%	31,744	8.6%
Italy	31,139	7.6%	34,195	9.3%
France	15,114	3.7%	14,040	3.8%
Asia	2,801	0.7%	1,719	0.5%
Others	44,048	10.8%	37,168	10.1%
Total	**409,474**	**100.0%**	**369,303**	**100.0%**

Expected revenues from customer contracts, which were concluded as an obligation in 2023 or earlier periods and which were not or only partly completed amounted to €0k for the fiscal year 2023 (2022: €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	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Material expenses and expenses for external services	160,308	146,021
Personnel expenses	112,560	101,950
Depreciation of intangible assets and tangible fixed assets	23,501	21,936
Other operating expenses	29,453	27,276
Total	**325,821**	**297,182**

11. DISTRIBUTION EXPENSES

€k	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Personnel expenses	13,519	12,022
Depreciation of intangible assets and tangible fixed assets	753	700
Other operating expenses	5,726	5,623
Gesamt	**19,997**	**18,345**

12. RESEARCH AND DEVELOPMENT EXPENSES

In 2023, the research and development expenses shown in the profit and loss account amounted to €24,187k (2022: €20,938k).

13. ADMINISTRATION EXPENSES

€k	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Personnel expenses	25,250	22,226
Depreciation of intangible assets and tangible fixed assets	5,694	5,313
Other operating expenses	13,472	11,805
Total	**44,416**	**39,343**

14. OTHER OPERATING EXPENSES

Other operating expenses amounted to €-522k (2022: €-381k) and contained primarily customer receivables write-offs in the amount of €-249k.

15. OTHER OPERATING INCOME

Other operating income amounted to €6,197k (2022: €4,961k) and contained primarily subsidies and other contributions amounting to €4,373k (2022: subsidies and other contributions €3,006k), 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	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Interest and similar income	196	37
Foreign exchange differences	0	685
Other financial income	0	0
Financial income	**196**	**722**
Interest and similar expenses	-5,322	-2,818
Foreign exchange differences	-829	0
Other financial expenses	-1,386	-1,209
Financial expenses	**-7,537**	**-4,027**
Financial results	**-7,341**	**-3,305**

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	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Current tax expenses	-4,675	-3,241
Deferred tax expenses	704	-171
Income taxes	**-3,972**	**-3,413**

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 24% (2022: 25%). The corporation tax rates of foreign subsidiaries range from 21% to 30%.

The reconciliation between the expected income tax expense using the Austrian corporation tax rate of 24% on earnings before tax and the actual income tax expense as shown in the consolidated financial statements is as follows:

€k	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Earnings before income taxes	17,574	15,708
Implied 24% income taxes thereof	*4,218*	*3,927*
Impact of foreign tax rates	37	-54
Permanent differences and tax calculation adjustments	-703	-1,391
Tax loss carryforwards not accounted for in previous years	0	2
Taxes from previous years	-23	-14
Not capitalised tax loss carryforwards of foreign subsidiaries	662	466
Other impacts	-219	477
Effective tax expenses	**3,972**	**3,413**

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 31.12.2023, the company did not hold any own shares. In the fiscal year 2023, earnings per share amounted to €4.40.

		01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Net earnings after income taxes	€k	13,602	12,295
Earnings after taxes attributable to the parent’s shareholders	€k	13,554	12,720
Average number of shares in issue	Shares	3,080,000	3,080,000
Undiluted = fully diluted earnings per share	€ per share	4.40	4.13

Austrian Public Companies Law requires the unconsolidated financial statements of Pankl Racing Systems AG as of 31.12.2023 prepared in accordance with the Austrian accounting regulations to be the basis of the dividend distribution.

It is proposed for the fiscal year 2023, that Pankl Racing Systems AG pays out of a balance sheet profit of €29,782k a dividend of €2.00 per share (amounts to €6,160k 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 Steuerberatungsgesellschaft amounted to €229k (2022: €213k) for the annual and group audit and €5k (2022: €4k) for advisory and other services.

20. EMPLOYEES

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

Average headcount for the year	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Employees by Segments		
Racing/High Performance Segment	2,242	2,116
Aerospace Segment	177	172
Employees by geographic region		
Austria	1,597	1,513
Slovakia	340	299
USA	263	272
United Kingdom	53	42
Germany	34	29
Asia	132	133
Employees by type of employment		
Blue-collar workers	1,567	1,480
White-collar emplyees	852	808
Total	**2,419**	**2,288**

In the fiscal year 2023, personnel expenses amounted to €151,329k (2022: €136,198k).

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 life
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 expected future 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 2023 and 2022 is shown in the tables below:

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights-of-use	Total
01.01.2023 - 31.12.2023					
Historic cost per 1 January	78,211	227,815	50,776	33,768	390,569
Foreign exchange differences	-73	-1,269	379	-600	-2,321
Changes in scope of consolidation	0	0	0	0	0
Additions	496	13,390	10,893	14,176	38,956
Deductions	-347	-9,271	-6,180	-915	-16,714
Reclassifications	687	11,153	-10,106	-1,746	-11
Historic cost per 31 December	**78,974**	**241,819**	**45,003**	**44,683**	**410,479**
Cumulated depreciation per 1 January	-38,307	-161,179	-33,238	-15,980	-248,704
Foreign exchange differences	62	847	259	252	1,420
Changes in scope of consolidation	0	0	0	0	0
Additions	-2,950	-17,096	-4,157	-5,213	-29,416
Appreciation	0	0	0	0	0
Deductions	347	9,183	5,566	922	16,018
Reclassifications	0	-1,233	-6	1,241	2
Impairments	0	0	0	0	0
Cumulated depreciation per 31 December	**-40,848**	**-169,478**	**-31,575**	**-18,778**	**-260,680**
Book value per 31 December	**38,126**	**72,341**	**13,428**	**25,904**	**149,799**

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights-of-use	Total
01.01.2022 - 31.12.2022					
Historic cost per 1 January	76,638	210,875	43,431	32,875	363,817
Foreign exchange differences	117	1,326	356	785	2,585
Changes in scope of consolidation	0	0	0	0	0
Additions	916	12,598	16,708	2,544	32,766
Deductions	-166	-4,533	-1,382	-2,411	-8,492
Reclassifications	706	7,549	-8,336	-25	-106
Historic cost per 31 December.	**78,211**	**227,815**	**50,776**	**33,768**	**390,569**
Cumulated depreciation per 1 January	-35,277	-148,930	-30,204	-13,632	-228,043
Foreign exchange differences	-72	-864	-272	-202	-1,410
Changes in scope of consolidation	0	0	0	0	0
Additions	-3,005	-15,785	-4,023	-4,486	-27,299
Appreciation	0	0	0	0	0
Deductions	47	4,401	1,261	2,315	8,023
Reclassifications	0	0	0	25	25
Impairments	0	0	0	0	0
Cumulated depreciation per 31 December	**-38,307**	**-161,179**	**-33,238**	**-15,980**	**-248,704**
Book value per 31 December	**39,904**	**66,636**	**17,538**	**17,788**	**141,866**

In the fiscal year 2023, additions to rights-of-use assets contained an amount of €14,176k which had no cash impact on the balance sheet date. Item 45 (lessee in leasing contracts) contains further details.

Additions to other fixed assets include capital expenditure of €1,364k (2022: €1,225k) with no cash impact yet on the balance sheet date. In the cash flow statement, there is a positive impact of €139k 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 €30,038k (2022: €30,318k) 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 2023, public subsidies for capital expenditure in the amount of €327k (2022: €361k) were recorded in the profit and loss account as a reduction in depreciation.

There are future payment obligations amounting to €13,463k (2022: €14,029k) 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 31.12.2023, impairment tests were calculated using the current five-year plan (2022: five-year plan) and a discount rate (asset specific cost of capital before taxes) of 11.6% (2022: 11.2%).

The breakdown of intangible assets and their development during the fiscal years 2023 and 2022 is shown in the tables below:

€k	Goodwill	Customer base	Other intangible assets	Total
01.01.2023 - 31.12.2023				
Historic cost per 1 January	15,765	1,796	11,215	28,776
Foreign exchange differences	-83	8	-80	-155
Changes in scope of consolidation	0	0	0	0
Additions	0	0	374	374
Deductions	0	0	-984	-984
Reclassifications	0	0	9	9
Historic cost per 31 December	**15,682**	**1,804**	**10,534**	**28,020**
Cumulated depreciation per 1 January	-3,239	-1,796	-9,410	-14,446
Foreign exchange differences	-5	-8	56	44
Changes in scope of consolidation	0	0	0	0
Additions	0	0	-532	-532
Appreciation	0	0	0	0
Deductions	0	0	984	984
Reclassifications	0	0	0	0
Cumulated depreciation per 31 December	**-3,244**	**-1,804**	**-8,902**	**-13,950**
Book value per 31 December	**12,438**	**0**	**1,632**	**14,070**
01.01.2022 - 31.12.2022				
Historic cost per 1 January	15,679	1,817	10,787	28,283
Foreign exchange differences	86	-21	54	118
Changes 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 31 December	**15,765**	**1,796**	**11,215**	**28,776**
Cumulated depreciation per 1 January	-3,247	-1,817	-9,270	-14,334
Foreign exchange differences	8	21	-21	8
Changes in scope of consolidation	0	0	0	0
Additions	0	0	-650	-650
Appreciation	0	0	0	0
Deductions	0	0	530	530
Reclassifications	0	0	0	0
Cumulated depreciation per 31 December	**-3,239**	**-1,796**	**-9,410**	**-14,446**
Book value per 31 December	**12,526**	**0**	**1,805**	**14,330**

Additions to intangible assets include capital expenditure of €0k (2022: €19k) with no cash impact yet on the balance sheet date. In the cash flow statement, there is a negative impact of €-19k 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 €3k (2022: €262k) 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 (2022: 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 11.6% (2022: 11.2%). As in the previous year, no goodwill was written off in the 2023 fiscal year.

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:

	2023		2022	
Cash flow generating unit	WACC	Free cash flow	WACC	Free cash flow
Racing - Drivetrain	8.5%	-50.9%	3.8%	-37.5%
Racing - Engine Europe	9.0%	-55.1%	9.3%	-62.0%
Racing - Engine USA	3.1%	-25.5%	5.2%	-37.6%
High Performance	3.3%	-25.1%	0.7%	-8.1%
Aerospace	0.4%	-4.8%	0.7%	-16.0%

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

€k	31.12.2023	31.12.2022
Racing - Engine Europe	4,500	4,453
Racing - Engine USA	4,454	4,588
High Performance	1,463	1,463
Aerospace	2,022	2,022
Total	**12,438**	**12,526**

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 losses carried forward 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	31.12.2023	31.12.2022
Deferred tax assets		
Short-term assets	2,542	2,701
Long-term assets		
Plants	29	39
Tax loss carryforwards	5,090	4,348
Short-term debt	273	104
Long-term debt	3,821	2,005
Total	**11,755**	**9,197**
Netting due to same tax regime	-6,493	-5,106
Deferred taxes according to the balance sheet	**5,262**	**4,091**
Deferred tax liabilities		
Short-term assets	-2,894	-2,941
Long-term assets		
Plants	-4,187	-2,176
Short-term debt	0	0
Long-term debt	0	-272
Total	**-7,081**	**-5,389**
Netting due to same tax regime	6,493	5,106
Deferred taxes according to the balance sheet	**-588**	**-283**

As of 31.12.2023, there was a deferred tax liability of €169k (2022: €1,128k) 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 2023, deferred taxes developed as follows:

€k	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Net deferred taxes on 1 January	3,808	4,375
Deferred taxes recorded in the profit and loss account	704	-171
Deferred taxes not recorded in the profit and loss account	196	-461
thereof from foreign exchange differences	*-34*	*65*
Net deferred taxes on 31 December	**4,674**	**3,808**

In the fiscal year 2023, Pankl Group had the following capitalised tax losses carried forward:

	31.12.2023			31.12.2022		
€k	Tax loss carryforward	Potential deferred tax assets	Recorded deferred tax assets	Tax loss carryforward	Potential deferred tax assets	Recorded deferred tax assets
Tax group Austria	14,552	3,347	2,804	8,665	1,993	1,866
Tax group USA	13,074	3,141	1,086	16,847	4,049	1,125
Total	**27,626**	**6,488**	**3,890**	**25,512**	**6,042**	**2,991**

Deferred tax assets were recognised where utilisation is expected within the current planning period 2024 until 2028 for parts of the Austrian and the US tax losses carried forward.

In the fiscal year 2023, the Slovakian investment subsidy developed as follows:

	31.12.2023			31.12.2022		
€k	Tax subsidy	Potential deferred tax assets	Recorded deferred tax assets	Tax subsidy	Potential deferred tax assets	Recorded deferred tax assets
Slovakia	5,715	1,200	1,200	6,464	1,357	1,357

Recorded deferred tax assets from tax losses carried forward 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 losses carried forward or public subsidies cannot be utilised.

Apart from the positions mentioned, there are no uncertainties regarding income taxes. Per 31.12.2023, there are no contingent assets or liabilities with regards to taxes.

25. OTHER LONG-TERM ASSETS (FINANCIAL ASSETS)

The other long-term assets developed as follows:

€k	Granted loans	Other financial fixed assets	Total
01.01.2023 - 31.12.2023			
Historic cost per 1 January	15	0	15
Foreign exchange differences	-1	0	-1
Changes in scope of consolidation	0	0	0
Additions	0	0	0
Deductions	-3	0	-3
Reclassifications	0	0	0
Historic cost per 31 December	**11**	**0**	**11**
Book value per 31 December	**11**	**0**	**11**
01.01.2022 - 31.12.2022			
Historic cost per 1 January	23	6	29
Foreign exchange differences	0	0	0
Changes in scope of consolidation	0	0	0
Additions	0	0	0
Deductions	-8	-6	-14
Reclassifications	0	0	0
Historic cost per 31 December	**15**	**0**	**15**
Book value per 31 December	**15**	**0**	**15**

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	**31.12.2023**	**31.12.2022**	**Change**
Raw and process materials	54,037	65,525	-17.5%
Semi-finished products	36,160	31,657	14.2%
Finished products	19,615	15,708	24.9%
Total	**109,812**	**112,890**	**-2.7%**

In the fiscal year 2023, inventory write-offs of €7,299k (2022: €6,442k) were recorded for products where the net selling value was lower than historic or production cost. As of 31.12.2023, the book value of inventories valued at net selling price amounted to €2,548k (2022: €2,562k).

At the balance sheet date, inventories in the amount of €0k (2022: €0k) were pledged or restricted in their availability.

27. TRADE ACCOUNTS RECEIVABLE

As of 31.12.2023, trade accounts receivable amounted to, as follows:

€k	31.12.2023	31.12.2022
Trade accounts receivable	44,738	41,390
thereof against associated companies	*0*	*0*
Total	**44,738**	**41,390**

General and specific value adjustments to receivables developed as follows:

	Trade accounts receivable incl. contract assets
Balance per 1 January 2022	**995**
Foreign exchange differences	14
Additions	379
Utilisations	-33
Reversals	-161
Balance per 31 December 2022	**1,194**
Foreign exchange differences	-12
Additions	286
Utilisations	0
Reversals	-122
Balance per 31 December 2023	**1,346**

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

As of 31.12.2023, there were specific value adjustments for trade accounts receivable of €1,168k (31.12.2022: €1,002k).

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	31.12.2023	31.12.2022
Receivables from derivatives	679	1,262
Other receivables and assets	9,685	13,546
Deferred assets	2,025	1,558
Contract Assets	10,370	10,523
Total	**22,759**	**26,889**

Contract assets can be reconciled as follows:

	Contract Assets
Balance per 1 January 2022	**10,523**
Reclassification to trade accounts	-10,376
Receivable contract assets additions	7,162
Additions due to changes in the assessment of the degree of completion	3,311
Impairment changes	-22
Foreign exchange differences	-228
Balance per 31 December 2023	**10,370**

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 3 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.

The IAS 19 reserve contains actuarial losses from provisions for severance payments. As of 31.12.2023, the IAS 19 reserve amounted to €-483k (2022: €-274k) including the share of minorities.

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

31. FINANCIAL LIABILITIES

€k	31.12.2023	31.12.2022
Long-term loans	99,211	108,733
Long-term finance lease liabilities	19,587	12,987
Short-term loans and short-term portion of long-term loans	36,471	34,758
Short-term finance lease liabilities	6,179	4,170
Financial liabilities	**161,448**	**160,647**

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 1 January 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 31.12.2002, 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 01.01.2003 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 €1,096k (2022: €956k) was paid.

Year-end differences (actuarial profits or losses) net of deferred taxes 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	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Net present value of obligation (DBO) = provision for severance payments	**5,691**	**6,231**
+ Current service cost	139	175
+ Interest expense	235	73
- Actual severance payments in the fiscal year	-778	-244
- Profit / loss DBO for past service expenses	-49	0
+/- Transfers	-94	0
+/- Actuarial profits and losses	271	-544
= **Provision for severance payment on 31 December**	**5,415**	**5,691**

As of 31.12.2023, the provision for severance payments contains a voluntary portion in the amount of €855k.

As of 31.12.2023, duration amounted to 12.32 years (2022: 13.00 years). Actuarial profits / losses consisted of the following:

€k	2023	2022
Change of expected values	765	831
+/- Change of demographic assumptions	-20	45
+/- Change of financial assumptions	-474	-1,420
= **Actuarial profit / loss**	**271**	**-544**

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

	2023	2022
Actuarial interest rate	4.48%	4.25%
Increases of wages / salaries	3.50%	4.00%
Pension age (years) for women / men	60-65 years with transitional rules	60-65 years with transitional 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 31.12.2023, 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 persentage points
Actuarial interest rate	6.4%	-5.9%
Expected wages / salaries increases	-6.0%	6.4%

For the fiscal year 2024, we expect current service cost of €118k. The expected duration will be 12.89 years.

33. OTHER SHORT- AND LONG-TERM DEBT

Other short-term debt amounted to €4,293k (2022: €3,913k) and contains provisions for anniversary bonuses in the amount of €4,185k (2022: €3,794k) which can be reconciled as follows:

€k	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Net present value of obligation (DBO) = provision for anniversary bonuses	**3,794**	**4,427**
+ Current service cost	270	364
+ Interest expense	162	53
- Actual bonus payments of the fiscal year	-105	-37
- Profit / loss DBO for past service expenses	0	113
+/- Adjustments due to changes in assessment parameters	64	-1,126
= **Provision for anniversary bonuses per 31 December**	**4,185**	**3,794**

The other short-term liabilities consisted of the following:

€k	31.12.2023	31.12.2022
Liabilities from unconsumed holiday entitlements	3,275	3,141
Liabilities from the accrual of outstanding invoices	6,200	7,145
Liabilities for payments to employees	5,528	5,021
Contract liabilities	1,293	580
Other	6,700	5,715
Total	**22,996**	**21,602**

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 1 January 2023	**580**
Realised revenues included in the balance of contract liabilities at the start of the period	-456
Deductions through payment of customer bonuses	-116
Additions through received customer prepayments	1,101
Additions through accrued expected bonus payments to customers	186
Foreign exchange differences	-2
Balance per 31 December 2023	**1,293**

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 2023, provisions developed as follows:

€k	31.12.2022	Additions	Reversals / utilisations	Currency translation	31.12.2023
Warranties and guarantees	249	-38	-38	0	173
Obligations for remedial actions	186	0	0	4	190
Other long-term provisions	0	0	0	0	0
Total	**435**	**-38**	**-38**	**4**	**363**

€k	31.12.2021	Additions	Reversals / utilisations	Currency translation	31.12.2022
Warranties and guarantees	182	149	82	0	249
Obligations for remedial actions	196	29	29	-10	186
Other long-term provisions	12	0	12	0	0
Total	**390**	**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 1 January 2023	**108,733**	**34,758**	**143,491**	**17,157**
Changes with cash impact				
+ Increases	15,315	0	15,315	14,168
- Repayments	-15,852	0	-15,852	-5,214
+/- Reclassifications	-8,966	8,966	0	-9
+/- Changes of current account balancest	0	-7,702	-7,702	0
+/- Other	-76	450	374	37
Changes without cash impact				
+/- Valuation	56	0	56	-373
Balance per 31 December 2023	**99,211**	**36,471**	**135,682**	**25,767**

VII. RISK REPORT

35. RISK MANAGEMENT

Pankl Group acts globally and is hence confronted with many macroeconomic risks. These include market risks, sector-specific risks, information technology, and financial 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, and 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 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. Despite current trends, the company continues to further develop and optimise combustion engine components to secure market shares primarily in the areas of innovative engine concepts and the sports car segment.

The aerospace market is experiencing a period of strong demand in the commercial aircraft sector, characterised primarily by the replacement of obsolete types and secondarily by increasing demand for transport capacity. Over the next few decades, the world's commercial fleets will need to be equipped with aircraft that can run on sustainable fuels.

In the helicopter sector, a good order situation from the major US and European manufacturers can be seen in almost all segments. Stable, albeit smaller, growth rates can be seen both in the offshore sector, where specially designed twin engines are used, and in the single-engine sector.

Military budgets have been increased massively in recent years due to the changed geopolitical situation and procurement programs are in various stages of implementation. Since the requirements for military platforms are usually very specific and special developments are often required, the implementation time can be considerably longer. This leads to delays in the placing of orders to the supplier industry.

36.2. COMPETITION AND PRICE PRESSURES

The European market in particular has been severely affected by the effects of the war in Ukraine in recent years. There were continued increases in raw material and energy prices as well as delays in their availability throughout the entire supply chain.

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.

Through active planning and consistent portfolio policy, Pankl Group continues to be seen as a reliable supplier in the industry.

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. We obtain most of our raw materials internationally and are hence subject to many risks, including economic or political disturbances, and geopolitical conflicts. Any such issues may adversely impact our supply-chains and the availability of raw materials.

Careful forward-planning of raw material requirements is necessary to continue to be perceived as a reliable supplier in the automotive and aerospace industries. Supply shortages caused by the geopolitical situation, especially the Ukraine conflict, led to reduced medium- and long-term predictability.

37.2. RESEARCH AND DEVELOPMENT

Due to the Pankl Group's type of business, research and development activities are of major importance. In this area there are always risks that projects 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 continuously close co-ordination of development activities with customers.

38. INFORMATION TECHNOLOGY RISKS

The increasing threat to information security also poses risks for Pankl Group regarding the security of information systems and networks as well as the confidentiality of data. Ongoing further developments in IT security measures and the use of the latest IT security technologies are intended to counteract these risks. Cyber-attacks are averted using a multi-level technical concept using current security features such as an intrusion prevention system. In addition, behaviour-based security solutions are used to detect security failures. Incidents are identified and handled using an incident response process. At the same time, regular external and internal vulnerability analyses are carried out and weaknesses are countered with an established patch and update management system. Risk management measures document, evaluate, prioritise and solve issues which arise from regular external and internal security audits.

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 24%. 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 €-1,218k or €+1,218k respectively (2022: €-1,126k or €+1,126k 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 24%. 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 €-173k or €+173k respectively (2022: €-393k or €+393k 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:

	31.12.2023	31.12.2022
Racing/High Performance Segment	0.20%	0.20%
Aerospace Segment	1.10%	1.50%

Applying these parameters for trade accounts receivable and contract assets resulted in the following general value adjustments for the fiscal year 2023:

	Racing / High Performance	Aerospace	Total
Balance per 1 January 2023	91	102	193
Changes	-1	-14	-15
Balance per 31 December 2023	**90**	**88**	**178**

39.4. LIQUIDITY RISKS

An important aim of financial risk management in 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
31.12.2023					
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	36,471	36,471	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	24,087	24,087	0	0
Other short-term term financial debt - finance lease liabilities	Not applicable	6,179	6,179	0	0
Other short-term financial liabilities	Financial Liabilities at Amortised Cost	11,749	11,749	0	0
Long-term finance lease liabilities	Nicht anwendbar	19,587	0	19,526	61
Other long-term debt	Financial Liabilities at Amortised Cost	108	0	108	0
Long-term loans	Financial Liabilities at Amortised Cost	99,211	0	71,185	28,026
Total		**197,392**	**78,486**	**90,819**	**28,087**
31.12.2022					
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 short-term financial debt	Financial Liabilities at Amortised Cost	12,188	12,188	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**

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

		Cash flow 2024			Cash flow 2025 until 2028			Cash flow from 2029		
€k	Book value	Interest fixed	Interest variable	Repay-ment	Interest fixed	Interest variable	Repay-ment	Interest fixed	Interest variable	Repay-ment
31.12.2023										
Short-term loans and short-term portion of long-term loans	36,471	-373	-860	-36,471	0	0	0	0	0	0
Long-term loans	99,211	-1,313	-617	0	-4,558	-1,699	-71,185	-1,215	0	-28,026
Trade accounts payable	24,087	0	0	-24,087	0	0	0	0	0	0
Short-term finance lease liabilities	6,179	-369	-382	-6,179	0	0	0	0	0	0
Long-term finance lease liabilities	19,587	-18	-68	0	-670	-607	-19,526	0	-3	-61
Other long-term debt	108	0	0	0	0	0	-108	0	0	0
Other short-term financial debt	11,749	0	0	-11,749	0	0	0	0	0	0
Total	**197,392**	**-2,073**	**-1,927**	**-78,486**	**-5,228**	**-2,306**	**-90,819**	**-1,215**	**-3**	**-28,087**

		Cash flow 2023			Cash flow 2024 until 2027			Cash flow from 2028		
€k	Book value	Interest fixed	Interest variable	Repay-ment	Interest fixed	Interest variable	Repay-ment	Interest fixed	Interest variable	Repay-ment
31.12.2022										
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 debt	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
Total	**198,230**	**-1,400**	**-1,122**	**-76,510**	**-3,338**	**-2,961**	**-93,050**	**-77**	**-1,439**	**-28,670**

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. This happens for customers, suppliers, the Management Board and the managing directors of associated companies. 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.

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	31.12.2023			31.12.2022		
€k	Nominal value	Book value	Fair value	Nominal value	Book value	Fair value
Derivates for hedging						
Interest rate swap Maturity until 31.12.2025	10,000	0	505	10,000	0	886
Interest rate swap Maturity until 31.12.2025	4,000	0	171	6.000	0	373
Loan linked floor Maturity until 31.12.2025	10,000	0	2	10,000	0	3
Loan linked floor Maturity until 31.12.2025	4,000	0	1	6,000	0	1

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	Valuation according to IFRS 9 Amortised historic cost	FVTPL	FVOCI (with reclass-ification)	FVOCI (with-out reclass-ification)
31.12.2023							
Cash and cash equivalents	Hold	23,933	23,933	23,933	0	0	0
Trade accounts receivable	Hold (Sell)	44,738	44,738	44,734	4	0	0
Financial fixed assets - long-term loans granted	Hold	11	11	11	0	0	0
Other short-term financial debt - derivates with positive market value	FVOCI	679	679	0	0	0	679
Total		**69,362**	**69,362**	**68,679**	**4**	**0**	**679**
31.12.2022							
Cash and cash equivalents	Hold	19,449	19,449	19,449	0	0	0
Trade accounts receivable	Hold (Sell)	41,390	41,390	41,368	23	0	0
Financial fixed assets - long-term loans granted	Hold	15	15	15	0	0	0
Other short-term financial debt - derivates with positive market value	FVOCI	1,262	1,262	0	0	0	1,262
Total		**62,116**	**62,116**	**60,831**	**23**	**0**	**1,262**

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	Financial	Non-financial	Fair value	Valuation according to IFRS 9: Amortised historic cost	FVTPL	FVOCI (with reclass-ification)	FVOCI (without reclass-ification)	Valuation according to IFRS 16
31.12.2023										
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	36,471	36,471	0	36,471	36,471	0	0	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	24,087	24,087	0	24,087	24,087	0	0	0	0
Other short-term financial debt -finance lease liabilities	Not applicable	6,179	6,179	0	6,179	0	0	0	0	6,179
Other short-term debt	Financial Liabilities at Amortised Cost	26,703	11,749	14,954	11,749	11,749	0	0	0	0
Long-term financial lease liabilities	Not applicable	19,587	19.587	0	19,587	0	0	0	0	19,587
Other long-term debt	Financial Liabilities at Amortised Cost	4,293	108	4,185	108	108	0	0	0	0
Long-term loans	Financial Liabilities at Amortised Cost	99,211	99,211	0	93,469	93,469	0	0	0	0
Total		**216,531**	**197,392**	**19,139**	**191,650**	**165,883**	**0**	**0**	**0**	**25,767**

€k	Valuation category according to IFRS 9	Book value	Fair Value	Valuation according to IFRS 9: Amortised historic cost	FVTPL	FVOCI (with reclass-ification)	FVOCI (without reclass-ification)	Valuation according to IFRS 16	Non-financial
31.12.2022									
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	34,758	34,758	34,758	0	0	0	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	25,276	25,276	25,276	0	0	0	0	0
Other short-term financial debt -finance lease liabilities	Not applicable	4,170	4,170	0	0	0	0	4,170	0
Other short-term debt	Financial Liabilities at Amortised Cost	24,338	12,188	12,188	0	0	0	0	12,150
Long-term finance lease liabilities	Not applicable	12,987	12,987	0	0	0	0	12,987	0
Other long-term debt	Financial Liabilities at Amortised Cost	3,913	119	119	0	0	0	0	3,794
Long-term loans	Financial Liabilities at Amortised Cost	108,733	108,733	108,733	0	0	0	0	0
Total		**214,174**	**198,230**	**181,074**	**0**	**0**	**0**	**17,157**	**15,944**

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
01.01.2023 - 31.12.2023 **Loans and receivables**					
at Amortized Cost	106	0	-249	0	-143
At Fair Value through Profit or Loss (Designated)	-334	0	0	0	-334
At Fair Value through Profit or Loss (Trading)	0	0	0	0	0
Financial liabilities					
At Amortised Cost	-4,230	0	0	0	-4,230
Total	**-4,458**	**0**	**-249**	**0**	**-4,707**
01.01.2022 - 31.12.2022 **Loans and receivables**					
at Amortised Cost	32	0	-240	0	-208
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	**-2,302**	**0**	**-240**	**0**	**-2,542**

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	31.12.2023	31.12.2022
Shareholders‘ equity	147,525	140,373
Total assets	370,422	360,956
Shareholders‘ equity in % of total assets	39.8%	38.9%

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.

	31.12.2023	31.12.2022
Financial liabilities	161,448	160,647
Cash and cash equivalents	-23,933	-19,449
Net debt	137,515	141,198

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:

	31.12.2023	31.12.2022
Shareholders' equity	147,525	140,373
Net debt	-137,515	-141,198
Gearing	-93.2%	-100.6%

	31.12.2023	31.12.2022
Net debt	137,515	141,198
EBITDA	54,864	46,962
Dynamic gearing	2.5	3.0

44. LEASING CONTRACTS AS LESSEE

Per 31.12.2023, leasing contracts as lessee were as follows:

	Present value	Interest	Repayment value
Up to 1 year	6,961	782	6,180
From 1 to 5 years	20,884	1,358	19,526
More than 5 years	64	2	61
Total	**27,909**	**2,142**	**25,767**

From 01.01.2023 leasing liabilities developed as follows:

Leasing liabilities per 1 January 2023	**17,157**
+ Additions	14,168
- Repayments	-5,213
+ Changes in scope of consolidation / others	28
+/- Foreign exchange differences	-373
Leasing liabilities per 31 December 2023	**25,767**

In the fiscal year 2023, interest expenses from leasing liabilities amounted to €670k (2022: €478k), expenses for short-term leasing contracts amounted to €97k (2022: €166k) and expenses for leasing contracts with low values amounted to €12k (2022: €38k).

Per 31.12.2023 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 (2022: €0k).

The average incremental borrowing rate of interest for leasing relationships amounted to 3.87% (2022: 2.75%).
In 2023, income from the sub-renting of rights-of-use amounted to €65k (2022: €13k).

45. LEASING CONTRACTS AS LESSOR

In the fiscal year 2023, 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 2023 and 2022, there were no transactions with related persons (except for management board and supervisory board remuneration, please see Item 48). Business transactions with related companies can be summarised as follows:

€k	Revenues	Expenses	Receivables	Payables	Other income
31.12.2023					
KTM Group	79,850	973	2,835	0	109
SHW Group	1,470	-239	327	404	0
Pankl AG	0	1,083	1,656	0	0
Pierer Konzerngesellschaft mbH	0	5,811	1,081	14,538	0
Pierer Mobility Group	0	13	0	0	0
Total	**81,320**	**7,642**	**5,899**	**14,942**	**109**
31.12.2022					
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 Konzerngesellschaft 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**

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

47. LEGAL REPRESENTATIVES OF PANKL RACING SYSTEMS AG

In the fiscal year 2023 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 2023 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 Friedrich Roithner
- Mr Klaus Rinnerberger
- Mr Alex Pierer
- Mr Rudolf Wiesbeck

48. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

In the fiscal year 2023, the Management Board remuneration consisted of salaries, benefits, bonuses, and payments into the employee pension fund and amounted in total to €2,268k (2022: €2,358k).

In the period from 1.1.2023 until 31.12.2023, the Supervisory Board remuneration amounted to €26k (2022: €22k).

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

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	2023	2022	Acquired on
Pankl Racing Systems UK Ltd.	Leicester (UK)	100%	100%	07.03.1998
Pankl Holdings, Inc.	Irvine (US)	100%	100%	07.03.1998
Pankl Japan, Inc.	Tokio (JP)	100%	100%	09.04.1998
CP-CARRILLO, Inc.	Irvine (US)	100%	100%	03.08.1998
Pankl Aerospace Systems, Inc.	Cerritos (US)	100%	100%	25.04.2000
Krenhof GmbH	Kapfenberg (AT)	100%	100%	04.08.2020
Pankl Immobilienverwaltung GmbH	Kapfenberg (AT)	94%	94%	13.01.2005
Pankl Aerospace Systems Europe GmbH	Kapfenberg (AT)	100%	100%	29.09.2006
Pankl Automotive Slovakia s.r.o.	Topolcany (SK)	100%	100%	24.11.2006
Pankl Turbosystems GmbH	Mannheim (DE)	100%	70%	28.09.2012
Pankl Cooling Systems (Dalian) Co. Ltd.	Dalian (CN)	100%	100%	01.07.2019

XII. DECLARATION OF LEGAL REPRESENTATIVES

The Management Board approved the consolidated financial statements on 23.2.2024 (2022: 24.2.2023) 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, 23.02.2024

The Management Board of Pankl Racing Systems AG

WOLFGANG PLASSER
CEO

THOMAS KARAZMANN
CFO

CHRISTOPH PRATTES
COO

STEFAN SEIDEL
CTO

AUDIT OPINION
REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT REPORT

We have audited the consolidated financial statements of

Pankl Racing Systems AG,
Kapfenberg,

and its subsidiaries (the Group) which comprise the consolidated profit and loss account, the consolidated statement of comprehensive results, the consolidated balance sheet per 31 December 2023, 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 comply with the legal requirements and present fairly, in all material aspects, the consolidated financial position of the Group as of 31 December 2023, 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.

OTHER INFORMATION

The legal representatives are responsible for the other information. The other information includes all information in the annual report, except for the consolidated financial statements, the group management report and the auditor's report. The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinion on the consolidated financial statements does not cover this other information and we provide no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read this other information as it becomes available and to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be misstated.

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 intends 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 processes.

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
Nach unserer Beurteilung ist der Konzernlagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden und steht in Einklang mit dem Konzernabschluss.

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 Public Auditor responsible for the engagement is Mr. Alexander Gall.

Linz,
27 February 2024

KPMG Austria GmbH
Auditing and tax consulting company

Alexander Gall
Auditor

This report is a translation of the German audit report according to section 273 of the Austrian Commercial Code (UGB). The translation is presented for the convenience of the reader only. The German wording of the audit report is solely valid and is the only legally binding version. Section 281 (2) UGB applies.

IMPRINT

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