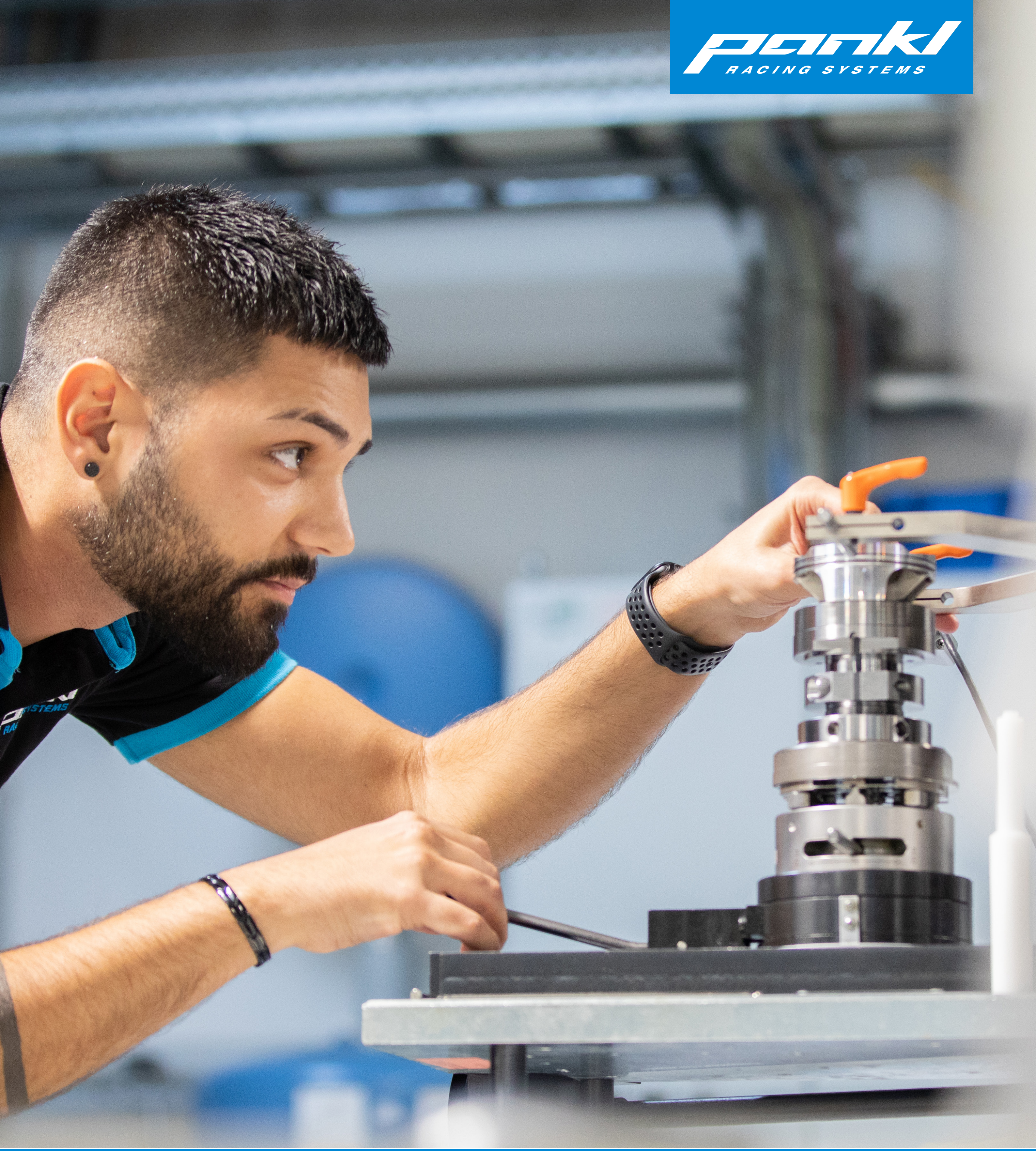

Annual Report 2021

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PANKL KEY FIGURES

EARNINGS RATIOS	2019	2020	2021	CHG
Sales revenues	233,129	190,676	285,104	22.3%
Operating earnings before depreciation (EBITDA)	31,987	24,059	41,439	29.5%
Operating earnings (EBIT)	8,870	532	15,532	75.1%
Earnings before income taxes (EBT)	5,620	-3,743	13,217	135.2%
Net earnings after income taxes	4,737	-2,526	11,794	149.0%
EBITDA margin	13.7%	12.6%	14.5%	5.9%
EBIT margin	3.8%	0.3%	5.4%	43.2%
BALANCE SHEET RATIOS				
Total assets	266,077	263,191	352,913	32.6%
Net working capital [2]	87,550	72,918	96,323	10.0%
Capital employed [3]	228,965	201,391	239,473	4.6%
Shareholders' equity	100,768	97,528	130,688	29.7%
Shareholders' equity in % of total assets	37.87%	37.1%	37.0%	-2.2%
Net debt [4]	128,197	103,863	108,785	-15.1%
Gearing [5]	127%	106%	83%	-34.6%
CASH FLOW AND CAPITAL EXPENDITURE				
Cash flow from operating activities	27,763	34,964	19,542	-29.6%
Operating free cash flow	6,822	27,543	-9,271	-235.9%
Capital expenditure in fixed assets	22,615	11,465	23,992	6.1%
EMPLOYEES				
Number of employees per 31.12.	1,937	1,805	2,193	10.5%
VALUE CREATION				
ROCE (Return on capital employed)[6]	3%	0%	6%	88.3%
ROE (Return on equity) [7]	5%	-3%	10%	116.4%

2) Net working capital = inventories + trade accounts receivable, other short-term receivables – trade accounts payable, short-term provisions, other short-term debt
3) Capital employed = shareholders' equity including minorities + financial liabilities (short-term, long-term) – cash & cash equivalents
4) Net debt = financial liabilities (short-term, long-term) – cash & cash equivalents
5) Gearing = net debt / shareholders' equity including minorities
6) ROCE = NOPAT (net operating profit after taxes) / average capital employed
7) ROE = earnings after taxes / average shareholders' equity

LEADING SYSTEMS SUPPLIER
AND DEVELOPMENT PARTNER

It is the primary strategic aim of Pankl Group to be the leading systems supplier and development partner for engine and drivetrain systems. This position as a systems supplier being able to provide customers with services ranging from development and calculations to production and assembly and to testing and maintenance of high-performance components differentiates us from our competitors. We focus on niche markets such as international motor racing, the international luxury and high-performance automotive industry and aerospace. All our strategic measures aim at profitable growth. Our strategy is therefore based on the following principles:

PRODUCT DEVELOPMENT AND INNOVATION

An innovative mindset with careful consideration of all parameters is one of the strategic pillars of the company. Especially in motor racing, technological leadership is the most important success factor. Therefore, we consider ourselves a development partner in dynamically loaded engine and drivetrain systems. We put major emphasis on ongoing research and development work.

KNOW-HOW TRANSFER

While the motor racing market is characterised by very short-term planning horizons and short product lifecycles, the high-performance market allows the execution of longer-term projects. The major requirement of aerospace customers is complete process reliability and quality assurance. A permanent know-how transfer between the divisions leads to incremental improvements.

CUSTOMER SATISFACTION

We aim to serve our customers‘ needs by constant further development and improvement of all components and systems and by flexibility to react to customer requirements and change requests. This is ensured by our global network of companies with facilities in Austria, Germany, United Kingdom, Slovakia, Japan and the United States.

EMPLOYEES AS SUCCESS FACTOR

Our employees are the most important success factor of the company. Therefore, we pursue responsible human resources policies. Pankl provides exciting jobs in an international group and focusses on the satisfaction of each single employee as well as individually adjusted personal development models.

CHIEF EXECUTIVE OFFICER'S REPORT

Due to the Coronavirus pandemic, we have been experiencing exceptional circumstances for more than two years. Ever new mutations race through the world in different waves. Governments, companies and citizens are fully focussed on containing the pandemic and handling the impacts of various measures against the spread of the virus.

In the second year of the pandemic, in comparison to 2020 there were less dramatic economic impacts from "Corona measures" due to increasing immunisation from vaccination campaigns and numerous infections. However, major issues were caused by supply chain problems as an indirect consequence of the Corona crisis. In particular, the automotive sector suffered as a result from an acute lack of semiconductors.

In motor racing, developments normalised after we suffered a significant decline of the usual F1 revenues in the first quarter. The high-performance business was well utilised throughout the whole year and generated satisfactory results despite supply chain problems. Fortunately, also the aerospace segment started a slow recovery from the second quarter onwards.

During the year 2022, it seems that the health situation is slowly normalising despite high levels of infections. From mid-year onwards, we are, however, confronted with economic challenges we have not seen for a long time: A comeback of high inflation rates due to strong increases in raw material and energy prices. In the fiscal year 2022, our major tasks will be to minimise the impact of fast rising prices and to solve continuing supply chain problems.

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

Kapfenberg, February 2022

Wolfgang Plasser
CEO

LEGAL REPRESENTATIVES OF THE COMPANY

MANAGEMENT BOARD

WOLFGANG PLASSER
Chief Executive Officer (CEO)
Responsible for the aerospace division
Appointed until 31 May 2027
Other board positions:
- CEO of SHW AG
- CEO of Pankl AG
- Member of the management board of Pierer Industrie AG

THOMAS KARAZMANN
Chief Financial Officer (CFO)
Responsible for the departments finance, personnel, legal and IT
Appointed until 30 November 2026
Other board positions:
- CFO of SHW AG
- Member of the management board of Pankl AG

CHRISTOPH PRATTES
Chief Operating Officer (COO)
Responsible for the racing and high-performance divisions
Appointed until 31 July 2025

STEFAN SEIDEL
Chief Technical Officer (CTO)
Responsible for the departments distribution and R&D in the racing and high-performance divisions
Appointed until 31 July 2025

SUPERVISORY BOARD

STEFAN PIERER
Chairman
Elected until the end of the AGM which votes on the discharge for the fiscal year 2021.

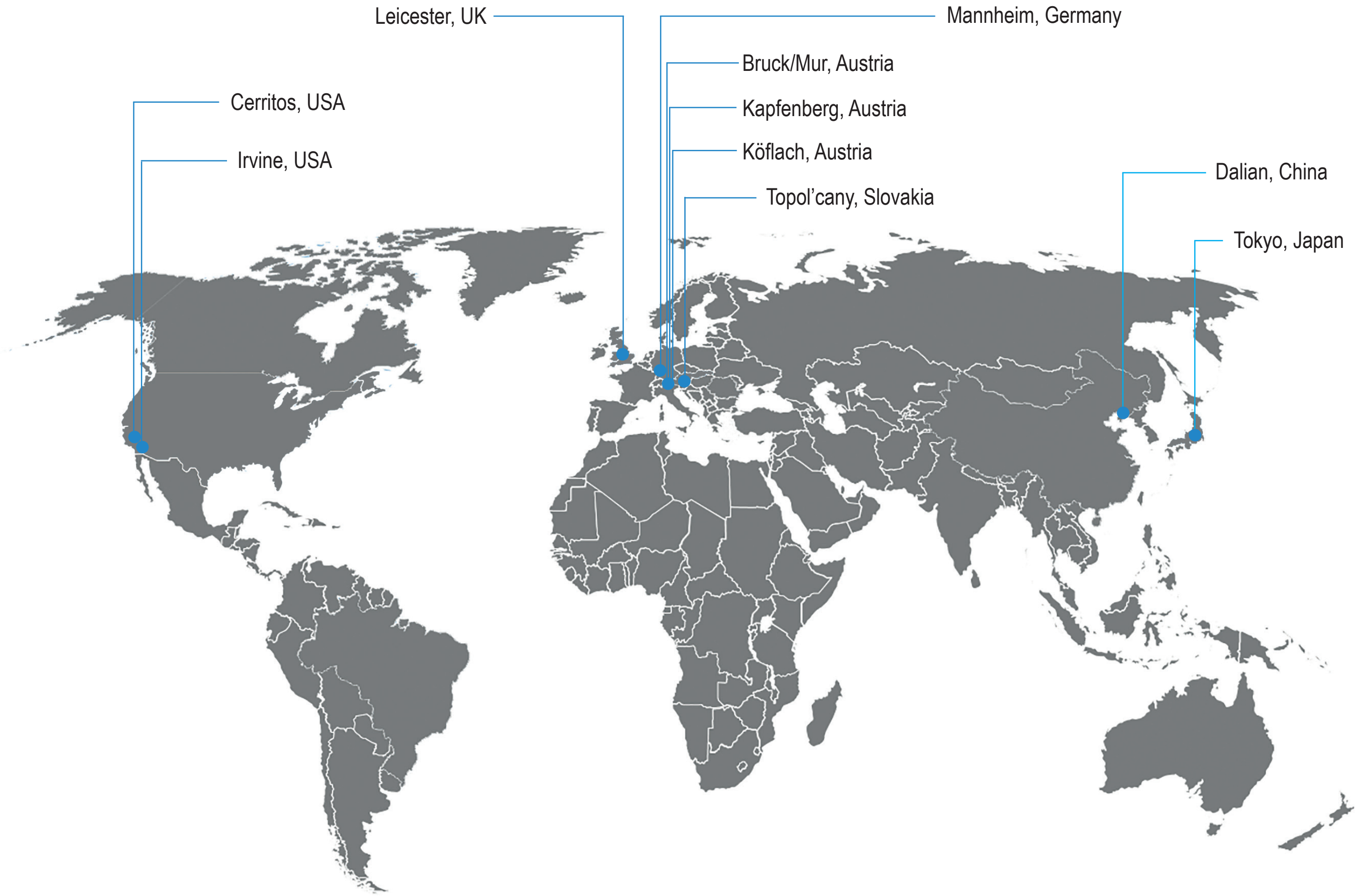
JOSEF BLAZICEK
Deputy Chairman
Elected until the end of the AGM which votes on the discharge for the fiscal year 2021.

ALFRED HÖRTENHUBER
Member
Elected until the end of the AGM which votes on the discharge for the fiscal year 2021.

KLAUS RINNERBERGER
Member
Elected until the end of the AGM which votes on the discharge for the fiscal year 2021.

FRIEDRICH ROITHNER
Member
Elected until the end of the AGM which votes on the discharge for the fiscal year 2021.

PRODUCTION FACILITIES



2,141 Total

Locations

Kapfenberg, Bruck/Mur, Köflach, Mannheim, Topoľčany, Leicester, Irvine, Cerritos, Dalian, Tokio

SUPERVISORY BOARD CHAIRMAN’S REPORT

In the fiscal year 2021, 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 November 2021, the Audit Committee held its meetings. On 24 November 2021, 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 2021. In March 2022, 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 24 March 2022, 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 2021” according to Article 11 of the EU Directive 537/2014). These documents and reports were then presented to the Supervisory Board in the subsequent meeting together with the management reports.

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

The auditor confirmed that the accounting systems and the financial statements per 31 December 2021 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 2021 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 2021 and the management report for the fiscal year 2021. The financial statements of the Company for the fiscal year 2021 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 2021 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, 24 March 2022

Stefan Pierer
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT
OF PANKL RACING SYSTEMS AG FOR THE FISCAL YEAR 2021

1. ECONOMIC ENVIRONMENT

1.1 Market

Pankl Racing Systems AG 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 Racing Systems AG 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 CO2 emissions.

1.3 Aerospace

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

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

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

1.4 Other

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

2. DEVELOPMENT OF PANKL GROUP

2.1 Revenues and Earnings

€k	2019	2020	2021
Earnings ratios			
Sales revenues	233,129	190,676	285,104
Operating earnings before depreciation (EBITDA)	31,987	24,059	41,439
Operating earnings (EBIT)	8,870	532	15,532
Earnings before income taxes (EBT)	5,620	-3,743	13,217
Net earnings after income taxes	4,737	-2,526	11,794
EBITDA margin	13.7%	12.6%	14.5%
EBIT margin	3.8%	0.3%	5.4%

In the fiscal year 2021, revenues of Pankl Group increased by 49.5% to €285.1m compared to 2020.

The USA continued to be the largest single geographic market accounting for 26.3% of revenues. The largest European markets were Austria (26.1% of revenues), Germany (12.5% of revenues) and Italy (10.6% of revenues). In 2021, operating earnings of Pankl Group amounted to €15.5m compared to €0.5m in 2020 which was heavily impacted by the Corona pandemic.

Adding back depreciation of €25.9m resulted in EBITDA of €41.4m or 14.5% of revenues versus €24.1m or 12.6% of revenues in the previous year.

The net financial result amounted to €-2.3m (2020: €-4.3m) and was positively impacted by foreign exchange differences. Group net earnings after income taxes amounted to €11.8m versus €-2.5m in the previous year. Consolidated net earnings after income taxes and minorities increased from €-2.1m in 2020 to €12.0m in 2021.

2.2 Capital Expenditure

In the fiscal year 2021, capital expenditure in tangible (including rights of use) and intangible assets amounted to €24.3m (2020: €11.9m) and was broken down in fixed assets categories as follows: tangible fixed assets €24.0m (2020: €11.5m) and intangible assets €0.3m (2020: €0.4m).

2.3 Cash Flow

€k	2018	2019	2020	2021
Cash flow and capital expenditure				
Cash flow from operating activities	11,729	27,763	34,964	19,542
Operating free cash flow	-13,698	6,822	27,543	-9,271
Capital expenditure in fixed assets	26,742	22,615	11,465	23,992
Acquisition-related investments	0	842	0	12,359

In the fiscal year 2021, cash flow from results amounted to €30.0m and was hence significantly higher than in 2020 which was heavily impacted by the Corona pandemic (2020: €19.5m). During the year, working capital increased by €23.4m to €96.3m due to the growth in revenues (2020: €72.9m). Accounting for other long-term assets and liabilities gives cash flow from operating activities of €19.5m versus €35.0m in 2020.

Cash flow from investing activities amounted to €-28.8m adjusted for non-cash investment transactions (2020: €-7.4m). Out of this amount €12.4m were attributable to the net cash outflow from the acquisition of Krenhof AG. Operating free cash flow amounted to €-9.3m versus €27.5m in 2020. This was due to increased capital expenditure and the build-up of working capital.

Cash flow from financing activities amounted to €32.4m (2020: €-1.3m). This amount included an €18m shareholder contribution for the funding of the Krenhof AG acquisition. As of 31 December 2021, Pankl Group had cash and cash equivalents of €57.8m (31.12.2020: €32.6m).

2.4 Balance Sheet and Financial Position

€k	2019	2020	2021
Balance sheet ratios			
Total assets	266,077	263,191	352,913
Net working capital [1]	87,550	72,918	96,323
Capital employed [2]	228,965	201,391	239,473
Shareholders‘ equity	100,768	97,528	130,688
Shareholders‘ equity in % of total assets	37.9%	37.1%	37.0%
Net debt [3]	128,197	103,863	108,785
Gearing [4]	127%	106%	83%

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

As of 31 December 2021, total assets amounted to €352.9m and hence increased by €89.7m versus the previous year (31 December 2020: €263.2m).

As of 31 December 2021, shareholders’ equity in % of total assets remained largely unchanged compared to the previous year and amounted to 37.0%. (31.12.2020: 37.1%). Net debt of the Group amounted to €108.8m versus €103.9m at the end of the previous year. Gearing improved from 106% in 2020 to 83% in 2021 due to the increase in shareholders’ equity from €97.5m to €130.7m.

2.5 Environment and Sustainability

Acting in an environmentally responsible und sustainable manner is of highest priority to Pankl Group. In the reporting period, energy expenses amounted to 2.4% of turnover, which was significantly higher than in the previous year (2020: 1.9%). This was due to the general development of prices in the energy sector. Pankl Group did not incur any expenses in connection with the acquisition of CO2-certificates and is not included in the National Allocation Plan (NAP). Already in the fiscal year 2014, Pankl Group extended its environment management system by the ISO 14001 standard and since then has been further strengthening it on an ongoing basis.

2.6 Major Events During the Fiscal Year

On 12 January 2021, the Company acquired 94% of the shares of Krenhof AG located in Köflach, Austria. As of 1 January 2021, the forging business of Krenhof AG excluding its real estate assets was merged into Pankl Schmiedetechnik GmbH to integrate Krenhof AG into the Pankl Group. The remaining Krenhof AG was then merged into Pankl Immobilienverwaltung GmbH. Pankl Schmiedetechnik GmbH with its two production facilities in Kapfenberg and Köflach was renamed into Krenhof GmbH.

3. SEGMENT REPORT

3.1 Racing / High-Performance

The Racing / High-Performance Segment revenues increased from €157.8m in 2020 to €256.3m in 2021. From this increase in revenues of €98.5m, an amount of €47.6m was generated by the forging business of Krenhof AG. Operating earnings (EBIT) increased from €0.5m or 0.3% of revenues in 2020 to €12.8m or 5.0% of revenues in 2021.

3.2 Aerospace

The aerospace business was impacted by the crisis with a time lag. Hence, 2021 aerospace revenues of €30.7m were below the level in the previous year (2020: €33.2m). Operating earnings (EBIT), however, increased from €1.0m or 3.0% of revenues in 2020 to €2.0m or 6.5% of revenues in 2021.

3.3 Other

Other Segment revenues amounted to €4.1m (2020: €5.6m), EBIT amounted to €0.7m (2020: €-1.0m).

4. RESEARCH, DEVELOPMENT, INNOVATION UND QUALITY

Technological leadership is one of the major success factors in the motor racing and high-performance businesses and in aerospace. Hence, research and development activities are of major importance for the companies of Pankl Group. In 2021, expenses for intense research and development activities amounted to €20.2m (2020: €15.7m).

4.1 Racing / High-Performance Segment

The application of new or improved **materials** leading to more efficient operation of components is essential for successful development work and hence future progress. In 2021, we advanced development work in the areas of high-strength and temperature-resistant aluminium alloys and titanium alloys with improved stiffness and better resulting endurance characteristics. We also worked on fibre-reinforced aluminium-metal-matrix-composites to achieve significant increases in load capacity for high-performance pistons.

Lightweight construction continues to be a dominating R&D theme within the area of **product development** in motor racing and the high-performance automotive market. In 2021, we achieved major progress, such as the development of a 3D-printed titanium wheel carrier with substantially lower weight and a market-ready carbon-fibre drive shaft. We also worked successfully on an efficiency enhanced high-performance engine featuring a new combustion process.

In the **e-mobility** area we developed a forging process to manufacture the required components during being awarded a large contract from a major OEM. In the forging area we also developed new processes to achieve perfect surfaces focussing on “visible motor bike parts”.

We achieved productivity improvements in the **additive manufacturing** subdivision by developing new high-speed print parameters. We developed process and heat treatment parameters for a new corrosion-resistant steel and experimented with new alloys also in the aluminium area.

4.2 Aerospace Segment

There were also continuous development efforts in the aerospace area. In our in-house test bench, we developed and tested new qualification components in rear rotor drive shafts.

We continued the R&D project “Power Gearbox” in jet engines for fixed-wing aircraft. We finalised several prototype variants and conducted comprehensive tests in the gearbox test bench.

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 quality and process supervision.

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

5. PERSONNEL AND SOCIAL REPORT

In the fiscal year 2021, Pankl Group employed 2,141 persons (2020: 1,844 persons) on average. 1,390 persons from the total were employed in Austria (2020: 1,092 persons) and 751 persons were employed in the international group companies (2020: 752 persons).

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

- Racing / High-Performance Segment: 1,979 (2020: 1,672) persons
- Aerospace Segment: 162 (2020: 172) persons
- Other Segment: 0 (2020: 0) persons

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

5.1 Health and Safety

In 2021, as in previous years, Pankl put substantial emphasis on the health and safety of its employees. The annual spring and flue immunisation programmes were carried out in co-operation with Medicon under strict security measures.

In 2021, we were also able to offer the Corona vaccination on 10 days. It was possible to offer employees to be vaccinated at the workplace due to the good co-operation with Medicon. To reach as many colleagues as possible we offered every type of vaccine approved in Austria at least for one day. This initiative was well received within the Company. In total, 271 vaccinations were carried out.

We continued the Pankl Health Corner in all Austrian facilities. New tips and tricks are presented monthly which feature also on the SharePoint page "Human Resources", which can be accessed for free and without limitations.

Unfortunately, also in 2021 some scheduled initiatives had to be postponed due to Covid restrictions. We expect to be able to offer them again in 2022.

5.2 Pankl in Motion

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

5.3 Training and Personnel Development

We aim at continuous and individual promotion and advancement for all groups of employees. Also in 2021, due to Covid restrictions some trainings had to be delayed or carried out virtually. In the fiscal year 2021, despite Covid restrictions we carried out 9,707 training hours and spent €125,912 on external training courses of our employees.

In April 2021 we carried out a sentiment check in all Austrian facilities. The focus was on the following areas: satisfaction and solidarity with the workplace, colleagues, and management. Based on the results in the various profit centres we carried out discussions within the departments. In these sessions, the results were analysed, scrutinised and further measures discussed. In a next step, results of the department dialogues were reconciled with management and prepared for implementation.

The "Pankl Academy Training Catalogue" represents the available internal training programmes for Pankl Group in Austria. The available training courses can be broken down in the following areas: management and leadership competency, professional and methodical expertise, health and safety, apprentice education and our internal Pankl Academy. In addition to the trainings offered in the Training Catalogue, there are a variety of additional, mainly professional trainings which are organised for employees.

Pankl also provides two training courses for trainee management, which aim at building the managers of tomorrow from within the organisation. These courses are the SLP (Strategic Leadership Programme) and the ELP (Executive Leadership Programme).

5.4 Pankl Career through Apprenticeship

Internal apprenticeships are a significant component of our personnel policies as employees contribute substantially to the success of the Company. Unfortunately, also in this area there was only a minimum of external activities due to Covid restrictions.

Apprentice colleges were carried out under strict security measures to allow apprentices' participation. These are part of the Pankl Apprentice Academy and contribute to the further development primarily of personal and social competences. In five modules the following areas are taught: teamwork, self-confidence, communication and presentation skills, conflict resolution, and entrepreneurial thinking. This specific form of training is Pankl tradition and of strategic importance for the Group. In September 2021, 30 young persons decided to start an apprenticeship at Pankl in Austria.

5.5 Recruiting

The jobs market recovered quickly from the Covid pandemic. Increasing customer demand required a swift response to adjust personnel levels. In 2021, we hired 184 new employees in the Austrian facilities, seven times more than in 2020. The main reasons for this additional personnel requirement were, among other things, the implementation of an additional shift for serial production and the extension of the machine park. Towards the end of the year, we initiated a poster campaign with a regional focus on Bruck / Mürzzuschlag and Leoben.

Digitalisation has been impacting our recruitment activities already for several years. We use the recruitment management tool eRecruiter, in which all job applications are automatically stored in a digital format. In 2021, we received 1,298 job applications. From this amount we got 1,103 job applications via the Pankl homepage or the internal recruitment tool. This shows that our various communication activities have significantly improved the profile of Pankl as a top employer in the region. 14% of applications were proactive and we carried out nearly 300 job interviews.

In addition to own channels, Pankl Group uses a solid base of career platforms such as www.karriere.at or www.stepstone.at, which are very popular in Austria. We use such platforms to advertise job openings to attract the best possible range of candidates. Towards the end of the year, we implemented the www.willhaben.at platform to increasingly address candidates for the production area.

Important recruitment tools have always been career exhibitions. In 2021, Pankl took part in seven such exhibitions in Austria, six of which were carried out online. Candidates were able to communicate with each other by chat and were able to directly file applications. A special highlight was the implementation of a chatbot during exhibitions. This allowed us to assess whether potential candidates feature a qualification profile suitable for Pankl already ahead of any interviews.

In November 2021 we implemented a new incentive programme called "employees recruit employees", where current employees receive a bonus for recommendations which lead to a new employment. This campaign was well received by our colleagues and opens additional channels for successful recruitment.

5.6 Online Marketing & Social Media

In 2021, online communication was further expanded with the aim to position Pankl as a successful and crisis resistant company in the region and to be perceived by its population to be a secure and forward-looking employer.

Pankl publishes contents regularly on social networks such as Facebook, Instagram and LinkedIn to further improve employer attractiveness. In the first half of the year, our focus was mainly on advertising Pankl apprenticeships. At the same time, we worked on a new and modern image campaign for "Careers through Apprenticeship". In autumn, we rolled out the apprentice campaign "Our Work Moves the World" with a major focus on social media to address parents and future apprentices in a cool and contemporary manner. This image campaign aimed to feature technical Pankl apprenticeships as exciting and future oriented.

In 2021, we continued to fill the "Pankl News" page on our website regularly with new contents to provide a platform for new events. This owned-media-channel is used to regularly circulate information on great projects, exciting events, or insights into the Company. Some of the published content was even picked up by local media and used for their reports.

In Summer 2021, we produced a new image video for Pankl to present the future oriented, high-tech image with a state-of-the-art clip for employees to better identify with the Company. This short clip shows in less than one minute that the company development of Pankl moves with the times. This video will also be used to address high potentials in career exhibitions and presentations and to establish a positive image within a few seconds.

On social media networks we increasingly advertised job openings to get attention to the fact that we are hiring. We combine image contents with job ads. We re-designed our digital advertising contents to put focus on our modern and future oriented social media image.

We also focussed increasingly on community management. A major topic of the community management on the Pankl pages were the different opinions on Covid vaccination and critical comments on Covid-related matters.

In 2021, our digital strategy was not just confined to the publication of our own contents. We developed an advertising concept to place contents in a cost-effective manner on social networks and the Google search engine to reach our target audience with advertising messages. We used this concept primarily for our initiatives “Your Career at Pankl” and “Our Work Moves the World”. We instantly analysed and adapted our campaigns using real-time analytics. We managed to increase the messaging rate, in particular for “Career through Apprenticeship”, and improved active social media sourcing by reaching new fans and followers.

5.7 Work and Family

Combining work and family life is a major topic. That is why Pankl tries to actively take part, support and advise employees in the times before and after childbirth and the time after parental leave. Flexitime solutions for parents are defined individually and after extensive consultation. Working hours can be defined in a flexible manner within the framework. Pankl conducts special interviews with parents to facilitate their return to Pankl after parental leave. In these conversations, special emphasis is put on individual wishes and requirements as well as mutually beneficial solutions.

Pankl employees in the Austrian facilities receive financial grants for childcare, childbirth and marriage. In 2019, Pankl was awarded to be one of the top three most family friendly employers in Styria which confirms that the path we adopted leads to sustained success.

5.8 Diversity

The percentage of women working at Pankl Group is, as is typical for our industry, relatively small. We put a lot of effort into attracting young women to technical professions to be able to fulfil our future requirements for technically qualified female expert workers internally. In the past years, the percentage of female employees increased continuously in particular in the production departments. In 2021, about 30% of technical apprentices in year one was female. As an international company, it is very important for Pankl that there is open and respectful interaction between employees of different cultures and origin. This shows in the global scale of our Company and the many nationalities represented among our staff.

6. RISK AND OPPORTUNITIES MANAGEMENT

6.1 Major Risks, Uncertainties and Opportunities

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

6.2 Risk Report

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

6.3 Covid-19

There continue to be great uncertainties with regards to the future development of the Covid pandemic. In Europe and globally, new waves of infections are likely until populations are sufficiently immunised. The results are extensive personnel absenteeism and restrictions by national authorities to contain the spread of the virus. This may lead to direct and indirect adverse effects on Pankl Group business segments such as lack of personnel, delays or cancellations of motor sports events, sudden production downtimes at customers or suppliers, supply chain disruptions and delays or cancellations of customer projects.

Pankl Group carefully monitors market conditions to be able to react promptly to changes with regards to both suppliers and customers. We implemented strict liquidity monitoring on a weekly basis for all subsidiaries to continuously secure sufficient liquidity. We hold a safety stock of critical production resources to be able to deal with sudden supply chain interruptions.

We implemented strict measures to prevent Covid outbreaks in the various Pankl Group facilities to avert production losses and to maintain operational safety. These measures contain comprehensive testing strategies, the use of FFP2 face masks and contact reduction via access restrictions, virtual meetings, and teleworking.

6.4 Internal Control System

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

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

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

6.5 Financial Instruments

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

7. SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

7.1 Future Development and Outlook

There continue to be great uncertainties when a complete economic recovery from the Covid crisis and the related impacts on supply chains may happen. Hence, also in 2022 the key to success is an ability to react promptly to unexpected developments. The strategic expansion in the forging division allowed us to increase our internal value chain, which will support a continuous upward trend for Pankl Racing Systems AG in 2022.

Kapfenberg, 25 February 2022

The Management Board of Pankl Racing Systems AG

Wolfgang Plasser
CEO

Thomas Karazmann
CFO

Christoph Prattes
COO

Stefan Seidel
CTO

CONSOLIDATED FINANCIAL STATEMENTS 2021
OF PANKL RACING SYSTEMS AG ACCORDING TO IFRS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
of Pankl Racing Systems AG for the Fiscal Year 2021

	Notes	01.01.2021-31.12.2021 €k	in %	01.01.2020-31.12.2020 €k	in %
SALES REVENUES	9	**285,104**	**100.0**	**190,676**	**100.0**
Cost of goods sold	10	-231,346	-81.1	-159,851	-83.8
Gross profit		**53,758**	**18.9**	**30,825**	**16.2**
Distribution expenses	11	-14,944	-5.2	-10,543	-5.5
Administration expenses	13	-35,559	-12.5	-25,834	-13.5
Other operating income	15	12,797	4.5	6,245	3.3
Other operating expenses	14	-520	-0.2	-161	-0.1
Operating earnings (EBIT)		**15,532**	**5.4**	**532**	**0.3**
Financial income		1,055	0.4	5	0.0
Financial expenses		-3,370	-1.2	-4,280	-2.2
Financial result	16	-2,315	-0.8	-4,275	-2.2
Earnings before income taxes (EBT)		**13,217**	**4.6**	**-3,743**	**-2.0**
Income taxes	17	-1,423	-0.5	1,217	0.6
NET EARNINGS AFTER INCOME TAXES		**11,794**	**4.1**	**-2,526**	**-1.3**
Attributable to:					
Shareholders of parent company		**12,044**	**4.2**	**-2,143**	**-1.1**
Minorities		**-250**	**-0.1**	**-384**	**-0.2**
EARNINGS PER SHARE					
- Undiluted = fully diluted earnings per share	18	3.91	€	-0.70	€

CONSOLIDATED STATEMENT OF COMPREHENSIVE RESULTS
of Pankl Racing Systems AG for the Fiscal Year 2021

	Notes	2021 €k	2020 €k
Net earnings after income taxes		**11,794**	**-2,526**
Items which are not shown in the profit and loss account:			
Actuarial profits / losses from pension plans and similar schemes	32	-182	245
Deferred taxes from actuarial profits / losses from pension plans and similar schemes	32	45	-61
Cash flow hedging reserve		-82	0
Items which were or may be shown in the profit and loss account:			
Foreign exchange differences from net investments in foreign businesses		-82	-968
Foreign exchange differences from foreign subsidiaries		3,120	-1,565
Other results of the period		2,819	-2,349
Total comprehensive results		**14,613**	**-4,875**
Attributable to shareholders of the parent company		14,863	-4,875
Attributable to minorities		-250	0

CONSOLIDATED BALANCE SHEET

of Pankl Racing Systems AG per 31 December 2021

	Notes	31.12.2021 €k	31.12.2021 in %	31.12.2020 €k	31.12.2020 in %
ASSETS					
Long-term assets					
Goodwill	23	12,432	3,5	11,967	4.5
Other intangible assets	22	1,517	0,4	1,811	0.7
Tangible fixed assets	21	116,532	33,0	96,263	36.6
Rights of use	21	19,243	5,4	16,963	6.3
Financial fixed assets	25	29	0,0	6	0.0
Deferred tax assets	24	4,447	1,3	5,101	1.9
Total long-term assets		**154,200**	**43,7**	**132,111**	**50.2**
Short-term assets					
Inventories	26	88,914	25,2	61,318	23.3
Trade accounts receivable	27	32,169	9,1	21,475	8.2
Other short-term receivables and assets	28	19,216	5,4	15,589	5.9
Current tax assets		585	0,2	121	0.0
Cash and cash equivalents	29	57,829	16,4	32,577	12.4
Total short-term assets		**198,713**	**56,3**	**131,080**	**49.8**
TOTAL ASSETS		**352,913**	**100,0**	**263,191**	**100.0**

	Notes	31.12.2021 €k	31.12.2021 in %	31.12.2020 €k	31.12.2020 in %
LIABILITIES					
Shareholders' equity					
Share capital	30	3,080	0.9	3,080	1.2
Capital reserves	30	34,532	9.8	39,334	14.9
Perpetual bond	30	10,000	2.8	10,000	3.8
Retained earnings	30	82,522	23.4	44,735	17.0
Equity of parent's shareholders		130,134	36.9	97,149	36.9
Minorities	30	554	0.2	379	0.1
Total shareholders' equity		**130,688**	**37.0**	**97,528**	**37.1**
Long-term debt					
Long-term loans	31	124,275	35.2	92,117	35.0
Long-term finance lease liabilities	31	14,271	4.0	13,034	5.0
Personnel related provisions	32	6,231	1.8	3,054	1.2
Long-term provisions	34	208	0.1	366	0.1
Other long-term debt	33	4,539	1.3	115	0.0
Deferred tax liabilities	24	72	0.0	103	0.0
Total long-term debt		**149,596**	**42.4**	**108,789**	**41.3**
Short-term debt					
Short-term loans and short-term portion of long-term loans	31	23,503	6.7	27,483	10.4
Short-term finance lease liabilities	31	4,565	1.3	3,806	1.4
Other short-term debt	33	19,541	5.5	14,045	5.5
Trade accounts payable		24,548	7.0	10,794	4.1
Current tax liabilities	17	290	0.1	358	0.0
Other provisions	34	182	0.1	388	0.1
Total short-term debt		**72,629**	**20.6**	**56,874**	**21.6**
Total debt		**222,225**	**63.0**	**165,663**	**62.9**
TOTAL LIABILITIES		**352,913**	**100.0**	**263,191**	**100.0**

CONSOLIDATED CASH FLOW STATEMENT[1]

of Pankl Racing Systems AG for the Fiscal Year 2021

	Notes	01.01.2021-31.12.2021 €k	01.01.2020-31.12.2020 €k
NET EARNINGS AFTER INCOME TAXES		11,794	-2,526
Cash flow from operating activities derived from net earnings after income taxes:			
Depreciation		25,907	23,527
Profit / loss from the sale of fixed assets		-542	-223
Other non-cash items		-4,050	845
Income taxes paid		-1,217	721
Interest paid		-1,695	-2,475
Interest received		4	5
Change of long-term provisions	34	-240	-403
CASH FLOW FROM RESULTS		**29,961**	**19,471**
Change of trade accounts receivable		-4,879	4,549
Change of other receivables and assets		-1,139	-684
Change of inventories	26	-18,606	9,982
Change of short-term assets		**-24,624**	**13,847**
Change of trade accounts payable		11,173	-2,224
Change of provisions		-2,276	282
Change of income tax and other short-term liabilities		3,320	2,926
Change of short-term debt		**12,217**	**984**
Change of deferred taxes	24	296	-1,769
Change of foreign exchange differences		-1,432	2,417
Change of other long-term assets / debt		3,124	14
Change of long-term assets / debt		**1,988**	**662**
CASH FLOW FROM OPERATING ACTIVITIES		**19,542**	**34,964**
Capital expenditure in tangible fixed assets	21	-17,571	-7,820
Proceeds from the sale of fixed assets		1,472	868
Capital expenditure in intangible assets	22	-346	-469
Capital expenditure in financial assets	25	-9	0
Capital expenditure for acquisition of subsidiaries		-12,359	0
CASH FLOW FROM INVESTING ACTIVITIES		**-28,813**	**-7,421**

Loan increases	VI	108,207	15,118
Loan repayments	VI	-92,186	-9,582
Change of current bank account balances	VI	2,825	-2,851
Dividend payments		0	0
Repayments of lease liabilities		-4,287	-4,065
Other financing activities		17,861	128
CASH FLOW FROM FINANCING ACTIVITIES		**32,420**	**-1,252**
CHANGE OF CASH AND CASH EQUIVALENTS		**23,149**	**26,291**
Cash and cash equivalents at the beginning of the period.	29	32,577	8,237
Cash impact of foreign exchange differences		2,104	-1,951
Change of cash and cash equivalents		23,148	26,291
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**57,829**	**32,577**

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

SCHEDULE OF CONSOLIDATED SHAREHOLDERS' EQUITY

of Pankl Racing Systems AG for the fiscal year 2021

€k	Share capital	Capital reserves	CF hedging reserve	Perpetual bond	Retained earnings Reserves from forex differences	 IAS 19 reserve for actuarial profits / losses	 Other retained earnings	**Equity attributable to shareholders of parent company**	Share of minorities	**Total**
Balance per 31.12.2020 (= 01.01.2021)	**3,080**	**39,334**	**0**	**10,000**	**-6,651**	**-540**	**51,926**	**97,149**	**379**	**97,528**
Earnings after taxes	0	0	0	0	0	0	12,044	12,044	-250	11,794
Results directly shown in equity	0	0	-82	0	3,038	-136	0	2,820	0	2,820
Total results	**0**	**0**	**-82**	**0**	**3,038**	**-136**	**12,044**	**14,864**	**-250**	**14,614**
Transactions with equity holders										
Acquisition of minority stakes without change of control	0	121	0	0	0	0	0	121	425	546
Capital contribution	0	18,000	0	0	0	0	0	18,000	0	18,000
Reclassification of capital reserve into free reserve	0	-22,923	0	0	0	0	22,923	0	0	0
Dividend payments		0	0	0	0	0	0	0	0	0
Balance per 31.12.2021	**3,080**	**34,532**	**-82**	**10,000**	**-3,613**	**-676**	**86,893**	**130,134**	**554**	**130,688**

€k	Share capital	Capital reserves	CF hedging reserve	Perpetual bond	Retained earnings Reserves from forex differences	 IAS 19 reserve for actuarial profits / losses	 Other retained earnings	**Equity attributable to shareholders of parent company**	Share of minorities	**Total**
Balance per 31.12.2019 (= 01.01.2020)	**3,150**	**37,784**	**0**	**10,000**	**-4,119**	**-723**	**54,068**	**100,160**	**608**	**100,768**
Earnings after taxes	0	0	0	0	0	0	-2,142	-2,142	-384	-2,526
Results directly shown in equity	0	0	0	0	-2,532	183	0	-2,349	0	-2,349
Total results	**0**	**0**	**0**	**0**	**-2,532**	**183**	**-2,142**	**-4,491**	**-384**	**-4,875**
Transactions with equity holders										
Acquisition of minority stakes without change of control	0	121	0	0	0	0	0	0	0	0
Capital contribution	0	1,600	0	0	0	0	0	1,600	0	1,600
Dividend payments	-70	-50	0	0	0	0	0	-120	155	35
Balance per 31.12.2020	**3,080**	**39,334**	**0**	**10,000**	**-6,651**	**-540**	**51,926**	**97,149**	**379**	**97,528**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Fiscal Year 2021

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 2021 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 31.12.2021 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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR-reform – phase 2
- Amendments to IFRS 4 Insurance Contracts – extension of the preliminary exemption to apply IFRS 9
- Amendments to IFRS 16 Leases: lease concessions from 30 June 2021 due to Covid pandemic

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

4. New Standards and Interpretations to be Applied in the Future

4.1 Application of New Standards and Interpretations from 2021

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

Standard / Amendment	To be applied from by IASB	Endorsement by EU	To be applied from in EU
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use	01.01.2022	Yes	01.01.2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	01.01.2022	Yes	01.01.2022
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	01.01.2022	Yes	01.01.2022
Improvements to IFRS 2018 – 2020 Amendments in IFRS 1, IFRS 9, IFRS 16 and IAS 41	01.01.2022	Yes	01.01.2022
IFRS 17 Insurance Contracts (including amendments to IFRS 17)	01.01.2023	Yes	01.01.2023

IASB and IFRIC issued further standards and interpretations, which do not yet have to be applied in the fiscal year 2022 or which have not yet been adopted by the EU-Commission. These are the following standards and interpretations:

Standard / Amendment	To be applied from by IASB	Endorsement by EU	To be applied from in EU
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (including delay of coming into force)	01.01.2023	No	
Amendments to IAS 1 and IFRS Practice Statement 2 – notes on accounting and valuation methods	01.01.2023	No	
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates	01.01.2023	No	
Amendments to IAS 12 Income Taxes – deferred tax related to assets and liabilities arising from a single transaction	01.01.2023	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 €12,432k (2020: €11,967k). Item 22 (Goodwill) contains further information on impairment tests.

- Deferred tax assets are stated to the extent to which it is likely that they will be used. The assessment of such future usability is based on factors like past profitability, operating plans, expiry period of tax losses carried forward and tax planning strategies. If actual results come in below estimates, write-offs of deferred tax assets may be required affecting the profit and loss account. Per 31.12.2021, deferred tax assets from tax loss carry-forwards amounted to €4,358k (2020: €4,316k). Item 23 (Deferred Tax Assets) contains further details on deferred tax assets.

- Valuation of inventories is influenced by estimates regarding future sales potential and probability that available stock can be used in production processes. Per 31.12.2021, inventories amounted to €88,914k (2020: €61,318k).

- 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 €6,231k (2020: €3,054k). Item 31 (Liabilities for Employee Benefits) contains further information.

- For accounts receivable there are uncertainties regarding estimates for impairments according to IFRS 9 as well as for the Fair Value to be used. Per 31.12.2021, trade accounts receivable amounted to €32,169k (2020: €21,475k), €427k of which were valued at Fair Value (2020: €362k).

6. Climate Change Related Notes

In the preparation of the consolidated financial statements, management took into account 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 the production of renewable energy on-site to supply plants and equipment.
- 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	
€	**31.12.2021**	**31.12.2020**	**01.01.2021-31.12.2021**	**01.01.2020-31.12.2020**
US-Dollar	1.1326	1.2271	1.1816	1.1470
British Pound	0.8403	0.8990	0.8584	0.8893
Japanese Yen	130.3800	126.4900	130.3200	121.8842
Chinese Renminbi Yuan	7.1947	8.0225	7.6069	7.8975

8. Changes in the Scope of Consolidation

In the year 2021, the number of consolidated companies developed as follows:

	Fully consolidated companies
Balance per 31.12.2020	12
Additions in the scope of consolidation	1
Deductions by mergers	-1
Balance per 31.12.2021	**12**
of which foreign companies	*8*

On 11/01/2021, Pankl Racing Systems AG assumed control of Krenhof AG via the acquisition of 94% of the shares of the company. We established the following fair values of the acquired assets and assumed liabilities at the time of acquisition:

	11.01.2021 €k
ASSETS	
Long-term assets	
Other intangible assets	206
Tangible fixed assets	22,066
Financial fixed assets	675
Rights of use	235
Deferred tax assets	812
Total long-term assets	**23,994**
Short-term assets	
Inventories	8,989
Trade accounts receivable	5,815
Other short-term receivables and assets	2,951
Cash and cash equivalents	4,562
Total short-term assets	**22,317**
Acquired assets	**46,311**
Long-term debt	
Long-term loans	11,150
Long-term lease liabilities	235
Other long-term debt	1,224
Long-term provisions	3,334
Total long-term debt	**15,943**
Short-term debt	
Deferred tax liabilities	1,140
Short-term loans and short-term portion of long-term loans	840
Other short-term debt	4,047
Trade accounts payable	1,480
Total short-term debt	**7,507**
Assumed debt	**23,450**

The actual cash outflow from the acquisition was as follows:

€k	
Purchase price	16,921
- Acquired cash and cash equivalents	-4,562
Net cash outflow from the acquisition	12,359

The purchase price allocation of Krenhof AG results in a negative difference in the amount of €4,571k, which is shown in the profit and loss account in the operating results.

III. Segment Reporting

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

RACING / HIGH-PERFORMANCE

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

AEROSPACE

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

OTHER

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

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

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

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

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

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

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

Revenues within a segment are consolidated.

In the fiscal year 2021, segment information for the described segments was as follows:

€k	Racing / High-Performance	Aerospace	Other	**Total**	Recon-ciliation	**Group**
01.01.2021-31.12.2021						
Segment revenues	256,323	30,706	4,127	**291,156**	-6,052	**285,104**
thereof intra-group sales	*1,821*	*111*	*4,120*			
thereof external revenues	*254,511*	*30,594*	*8*			
Operating earnings (EBIT)	12,818	1,992	722	**15,532**		**15,532**
EBIT in % of segment revenues	5.0%	6.5%	17.5%	**5.3%**		**5.4%**
Interest expenses	-2,456	-696	-862	**-4,014**	1,759	**-2,255**
Interest income	1,528	0	250	**1,778**	-1,759	**19**
Segment assets	212,875	29,964	40,421	**283,260**	69,653	**352,913**
Segment liabilities	52,241	4,975	1,170	**58,386**	163,839	**222,225**
Segment capital expenditure	21,857	932	1,531	**24,320**	0	**24,320**
Segment depreciation	-20,158	-2,582	-3,167	**-25,907**	0	**-25,907**
thereof impairments				***0***		***0***

€k	Racing / High-Performance	Aerospace	Other	**Total**	Recon-ciliation	**Group**
01.01.2020-31.12.2020						
Segment revenues	157,790	33,231	5,561	**196,582**	-5,906	**190,676**
thereof intra-group sales	*540*	*27*	*5,339*			
thereof external revenues	*157,250*	*33,204*	*222*			
Operating earnings (EBIT)	534	1,012	-1,014	**532**	*0*	**532**
EBIT in % of segment revenues	0.3%	3.0%	-18.2%	**0.3%**		**0.3%**
Interest expenses	-3,416	-809	-686	**-4,911**	2,551	**-2,360**
Interest income	2,171	1	384	**2,556**	-2,551	**5**
Segment assets	157,991	31,479	30,335	**219,805**	43,386	**263,191**
Segment liabilities	23,971	4,282	3,594	**31,847**	133,816	**165,663**
Segment capital expenditure	9,638	1,336	935	**11,909**	0	**11,909**
Segment depreciation	-17,954	-2,818	-2,755	**-23,527**	0	**-23,527**
thereof impairments	*0*	*0*	*0*	***0***	*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, revenue is realised depending on the degree of completion.

9. Sales Revenues

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

	01.01.2021-31.12.2021		**01.01.2020-31.12.2020**	
€k	Revenues	Share	Revenues	Share
Austria	74,278	26.1%	40,501	21.2%
USA	75,081	26.3%	51,774	27.2%
Germany	35,740	12.5%	18,826	9.9%
Italy	30,163	10.6%	22,513	11.8%
United Kingdom	28,338	9.9%	21,608	11.3%
France	13,131	4.6%	8,845	4.6%
Asia	9,378	3.3%	8,235	4.3%
Others	18,995	6.7%	18,374	9.6%
Total	**285,104**	**100.0%**	**190,676**	**100.0%**

Expected revenues from customer contracts, which were concluded as an obligation in 2021 or earlier periods and which were not or only partly completed amounted to €0k for the fiscal year 2021 (2020: €0k). Pankl Group applies the exception of IFRS 15.121 which allows not to show expected revenues from customer contracts as long as these contracts have a maturity of up to one year.

10. Cost of Goods Sold

€k	**01.01.2021-31.12.2021**	**01.01.2020-31.12.2020**
Material expenses and expenses for external services	107,094	74,935
Personnel expenses	82,311	52,215
Depreciation of intangible assets and tangible fixed assets	20,357	18,490
Other operating expenses	21,584	14,211
Total	**231,346**	**159,851**

11. Distribution Expenses

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Personnel expenses	10,286	7,309
Depreciation of intangible assets and tangible fixed assets	634	574
Other operating expenses	4,024	2,660
Total	**14,944**	**10,543**

12. Research and Development Expenses

In 2021, the research and development expenses shown in the profit and loss account amounted to €20,234k (2020: €15,748k).

13. Administration Expenses

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Personnel expenses	19,536	14,058
Depreciation of intangible assets and tangible fixed assets	4,916	4,463
Other operating expenses	11,107	7,313
Total	**35,559**	**25,834**

14. Other Operating Expenses

Other operating expenses amounted to €520k (2020: €161k) and contained primarily foreign exchange losses in the amount of €261k.

15. Other Operating Income

Other operating income amounted to €12,797k (2020: €6,245k) and contained primarily subsidies and other contributions amounting to €3,975k (2020: subsidies and other contributions €2,823k), which referred primarily to R&D grants for Austrian companies.

16. Financial Result and Income from Equity Investments

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

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Interest and similar income	19	5
Foreign exchange differences	1,020	0
Other financial income	16	0
Financial income	1,055	5

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Interest and similar expenses	-2,255	-2,360
Foreign exchange differences	0	-1,144
Other financial expenses	-1,115	-776
Financial expenses	-3,370	-4,280
Financial result	**-2,315**	**-4,275**

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	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Current tax expenses	-954	-715
Deferred taxes	-469	1,932
Income taxes	**-1,423**	**1,217**

The companies of Pankl Group were included in the Pierer Konzerngesellschaft mbH Group from the 2014 tax assessment onwards. The appropriate tax rate according to Austrian law is 25% (2020: 25%). The corporation tax rates of foreign subsidiaries range from 19% to 30%.

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

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Earnings before income taxes	13,217	-3,743
Implied 25% income taxes thereof	*3,304*	*-936*
Impact of foreign tax rates	-21	-76
Permanent differences and tax calculation adjustments	-2,264	-301
Taxes from previous years	-11	-190
Not capitalised tax loss carry-forwards of foreign subsidiaries	409	398
Other impacts	6	-112
Effective tax expenses	**1,423**	**-1,217**

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 31.12.2021, the company did not hold any own shares. In the fiscal year 2021, earnings per share amounted to €3.91.

		01.01.2021-31.12.2021	01.01.2020-31.12.2020
Earnings after taxes	€k	11,794	-2,526
Earnings after taxes attributable to the shareholders of the parent	€k	12,044	-2,143
Average number of shares in issue	Shares	3,080,000	3,080,000
Undiluted = fully diluted earnings per share	€ per share	3.91	-0.70

Austrian Public Companies Law requires the unconsolidated financial statements of Pankl Racing Systems AG as of 31.12.2021 prepared in accordance with the Austrian accounting regulations to be the basis of the dividend distribution.

It is proposed for the fiscal year 2021, that Pankl Racing Systems AG pays out of a balance sheet profit of €14,102k a dividend of €1.20 per share (amounts to €3,696k in total) and to carry the remainder forward for new account.

19. Audit Expenses

In the reporting period, the expenses incurred by the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft amounted to €180k (2020: €172.5k) for the annual and group audit and €19k (2020: €38k) for advisory and other services.

20. Employees

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

Average for the year, headcount	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Employees by segment		
Racing / High-Performance Segment	1,979	1,672
Aerospace Segment	162	172
Employees by geographic region		
Austria	1,390	1,092
Slovakia	322	339
USA	245	220
United Kingdom	36	42
Germany	25	26
Asia	123	125
Employees by type of employment		
Blue-collar workers	1,360	1,104
White-collar employees	781	740
Total	**2,141**	**1,844**

In the fiscal year 2021, personnel expenses amounted to €112,133k (2020: €73,582k). The significant increase compared to the previous year is primarily due to the expiry of the Austrian furlough schemes and the acquisition of Krenhof AG.

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

The breakdown of fixed assets and their development during the fiscal years 2021 and 2020 is shown in the tables below:

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights of use	Long-term receivables from leasing	Total
01.01.2021-31.12.2021						
Historic cost per 1 January	58,152	168,034	27,664	26,463	87	**280,400**
Foreign exchange differences	183	2,280	636	979	7	**4,085**
Change in scope of consolidation	17,536	30,194	11,408	235	0	**59,373**
Additions	418	8,977	9,211	5,386	0	**23,992**
Deductions	-11	-2,770	-905	-188	-94	**-3,968**
Reclassifications	360	4,159	-4,582	0	0	**-63**
Historic cost per 31 December	**76,638**	**210,874**	**43,432**	**32,875**	**0**	**363,819**
Cumulated depreciation per 1 January	-26,343	-111,375	-19,956	-9,500	0	**-167,174**
Foreign exchange differences	-123	-1,608	-453	-300	0	**-2,484**
Change in scope of consolidation	-5,828	-23,808	-7,330	1	0	**-36,966**
Additions	-2,969	-14,776	-3,353	-3,967	0	**-25,065**
Deductions	10	2,637	862	136	0	**3,645**
Reclassifications	-24	0	24	0	0	**0**
Cumulated depreciation per 31/12	**-35,277**	**-148,930**	**-30,206**	**-13,631**	**0**	**-228,044**
Book value per 31 December	**41,361**	**61,944**	**13,226**	**19,245**	**0**	**135,775**

€k	Land and buildings	Plants and machinery	Other fixed assets and prepayments	Rights of use	Long-term receivables from leasing	Total
01.01.2020-31.12.2020						
Historic cost per 1 January.	**59,037**	**160,681**	**32,493**	**25,483**	**440**	**278,134**
Impact from first application of IFRS 16	0	0	0	0	0	**0**
Foreign exchange differences	-221	-1,894	-812	-998	-30	**-3,955**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	101	4,088	3,314	3,962	0	**11,465**
Deductions	-790	-883	-1,249	-1,984	-323	**-5,229**
Reclassifications	25	6,042	-6,082	0	0	**-15**
Historic cost per 31 December	**58,152**	**168,034**	**27,664**	**26,463**	**87**	**280,400**
Cumulated depreciation per 1 January	-24,666	-100,036	-18,912	-7,225	0	**-150,839**
Foreign exchange differences	139	1,531	427	207	0	**2,304**
Change in scope of consolidation	0	0	0	0	0	**0**
Additions	-2,637	-13,445	-2,676	-3,801	0	**-22,559**
Deductions	790	571	1,240	1,319	0	**3,920**
Reclassifications	31	4	-35	0	0	**0**
Cumulated depreciation per 31/12	**-26,343**	**-111,375**	**-19,956**	**-9,500**	**0**	**-167,174**
Book value per 31 December	**31,809**	**56,659**	**7,708**	**16,963**	**87**	**113,226**

In the fiscal year 2021, additions to rights of use contained an amount of €5,242k which had no cash impact on the balance sheet date. Item 43 (lessee in leasing contracts) contains further details.

Additions to other fixed assets include capital expenditure of €1,379k (2020: €250k) with no cash impact on the balance sheet date. In the cash flow statement, there is a positive impact of €1,129k in the cash flow from investment activities because of capital expenditure with no cash impact on the balance sheet date.

At the balance sheet date, fixed assets amounting to €34,422k (2020: €35,920k) 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 2021, public subsidies for capital expenditure in the amount of €394k (2020: €400k) were recorded in the profit and loss account as a reduction in depreciation.

There are future payment obligations amounting to €17,401k (2020: €3,226k) 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 life**
Intangible assets	2 - 4 years

As of 31.12.2021, impairment tests were calculated using the current five-year plan (2020: five-year plan) and a discount rate (asset specific cost of capital before taxes) of 10.1% (2020: 9.3%).

The breakdown of intangible assets and their development during the fiscal years 2021 and 2020 is shown in the tables below:

€k	Goodwill	Customer base	Other intangible assets	Total
01.01.2021-31.12.2021				
Historic cost per 1 January	15,221	1,791	8,641	**25,653**
Foreign exchange differences	458	26	186	**670**
Changes in the scope of consolidation	0	0	1,592	**1,592**
Additions	0	0	319	**319**
Deductions	0	0	-14	**-14**
Reclassifications	0	0	63	**63**
Historic cost per 31 December	**15,679**	**1,817**	**10,787**	**28,283**
Cumulated depreciation per 1 January	-3,254	-1,791	-6,830	**-11,875**
Foreign exchange differences	7	-26	-120	**-139**
Changes in the scope of consolidation	0	0	-1,492	**-1,492**
Additions	0	0	-842	**-842**
Deductions	0	0	14	**14**
Reclassifications	0	0	0	**0**
Cumulated depreciation per 31 December	**-3,247**	**-1,817**	**-9,270**	**-14,334**
Book value per 31 December	**12,432**	**0**	**1,517**	**13,949**

€k	Goodwill	Customer base	Other intangible assets	Total
01.01.2020-31.12.2020				
Historic cost per 1 January	15,503	2,060	8,341	**25,904**
Foreign exchange differences	-452	-21	-110	**-583**
Changes in the scope of consolidation	0	0	0	**0**
Additions	0	0	444	**444**
Deductions	170	-248	-49	**-127**
Reclassifications	0	0	15	**15**
Historic cost per 31 December	**15,221**	**1,791**	**8,641**	**25,653**
Cumulated depreciation per 1 January	-3,073	-2,060	-5,962	**-11,095**
Foreign exchange differences	-11	21	52	**62**
Changes in the scope of consolidation	0	0	0	**0**
Additions	0	0	-968	**-968**
Deductions	-170	248	48	**126**
Reclassifications	0	0	0	**0**
Cumulated depreciation per 31 December	**-3,254**	**-1,791**	**-6,830**	**-11,875**
Book value per 31 December	**11,967**	**0**	**1,811**	**13,778**

Additions to intangible assets include capital expenditure of €87k with no cash impact on the balance sheet date. In the cash flow statement, there is a positive impact of €59k in the cash flow from investment activities because of capital expenditure with no cash impact on the balance sheet date.

There are future payment obligations amounting to €53k (2020: €0k) 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 (2020: 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 10.1% (2020: 9.3%).

In the fiscal year 2021 as in the previous year, there were no impairments on goodwill.

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

	2021		2020	
Cash flow generating unit	**WACC**	**Free cash flow**	**WACC**	**Free cash flow**
Racing - Drivetrain	3.8%	-40.7%	14.0%	-90.9%
Racing - Engine Europe	5.5%	-47.6%	5.9%	-63.3%
Racing - Engine USA	7.0%	-43.0%	10.1%	-87.1%
High-Performance	3.7%	-35.6%	2.0%	-32.6%
Aerospace	1.7%	-22.0%	0.7%	-13.8%

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

€k	**31.12.2021**	**31.12.2020**
Racing - Engine Europe	4,585	4,401
Racing - Engine USA	4,362	4,081
High-Performance	1,463	1,463
Aerospace	2,022	2,022
Total	**12,432**	**11,967**

24. Deferred Tax Assets

For business transactions which are already recorded in the consolidated financial statements or in the financial statements drawn up for taxation purposes, deferrals and accruals for deferred taxes shall be formed regarding expected future tax impacts (temporary differences). Deferred taxes for tax loss carry-forwards 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	31.12.2021	31.12.2020
Deferred tax assets		
Short-term assets	2,091	1,484
Long-term assets		
Plants and machinery	105	49
Tax loss carry-forwards	4,358	4,316
Short-term liabilities	199	261
Long-term liabilities	2,580	1,602
Total	**9,333**	**7,712**
Netting due to same tax regime	-4,886	-2,611
Deferred tax assets according to balance sheet	**4,447**	**5,101**

€k	31.12.2021	31.12.2020
Deferred tax liabilities		
Short-term assets	-2,461	-1,981
Long-term assets		
Plants and machinery	-2,466	-733
Long-term liabilities	-31	0
Total	**-4,958**	**-2,714**
Netting due to same tax regime	4,886	2,611
Deferred tax liabilities according to balance sheet	**-72**	**-103**

As of 31.12.2021, there was a deferred tax liability of €2,246k (2020: €1,098k) 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 2021, deferred taxes developed as follows:

€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
Net deferred taxes on 1 January	4,998	3,229
Changes in the scope of consolidation	-327	0
Deferred taxes recorded in the profit and loss account	-468	1,932
Deferred taxes not recorded in the profit and loss account	172	-163
thereof from foreign exchange differences	*84*	*-102*
Net deferred taxes on 31 December	**4,375**	**4,998**

In the fiscal year 2021, Pankl Group had the following capitalised tax loss carry-forwards:

	31.12.2021			31.12.2020		
€k	Tax loss carry-forward	Potential deferred tax assets	Recorded deferred tax assets	Tax loss carry-forward	Potential deferred tax assets	Recorded deferred tax assets
Tax group Austria	8,121	2,030	2,030	7,758	1,940	1,940
Tax group USA	14,469	3,575	1,060	10,998	2,792	1,167
	22,590	5,605	3,090	18,756	4,732	3,107

Deferred tax assets were recognised where utilisation is expected within the current planning period 2022 until 2026 for the Austrian tax loss carry-forwards and for parts of the US tax loss carry-forwards.

In the fiscal year 2021, the Slovakian investment subsidy developed as follows:

	31.12.2021			31.12.2020		
€k	Tax subsidy	Potential deferred tax assets	Recorded deferred tax assets	Tax subsidy	Potential deferred tax assets	Recorded deferred tax assets
Slovakia	6,038	1,268	1,268	5,758	1,209	1,209

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

Apart from the positions mentioned, there are no uncertainties regarding income taxes. Per 31.12.2021, there are no contingent assets or liabilities with regards to taxes.

25. Other Long-term Assets (Financial Fixed Assets)

The other long-term assets developed as follows:

€k	Granted loans	Other financial fixed assets	Total
01.01.2021-31.12.2021			
Historic cost per 1 January	6	0	6
Foreign exchange differences	0	0	0
Changes in the scope of consolidation	19	654	673
Additions	0	9	9
Deductions	-2	-657	-659
Historic cost per 31 December	**23**	**6**	**29**
Book value per 31 December	**23**	**6**	**29**

€k	Granted loans	Other financial fixed assets	Total
01.01.2020-31.12.2020			
Historic cost per 1 January	6	0	6
Foreign exchange differences	0	0	0
Changes in the scope of consolidation	0	0	0
Additions	0	0	0
Deductions	0	0	0
Historic cost per 31 December	**6**	**0**	**6**
Book value per 31 December	**6**	**0**	**6**

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	31.12.2021	31.12.2020	Change
Raw and process materials	49,017	32,263	51.9%
Semi-finished products	29,166	18,557	57.2%
Finished products	10,731	10,498	2.2%
Total	**88,914**	**61,318**	**45.0%**

In the fiscal year 2021, inventory write-offs of €7,060k (2020: €5,652k) were recorded for products where the net selling value is lower than historic or production cost. As of 31.12.2021, the book value of inventories valued at net selling price amounted to €3,258k (2020: 3,008k).

At the balance sheet date, inventories in the amount of €0k (2020: €0k) were pledged or restricted in their availability.

27. Trade Accounts Receivable

As of 31.12.2021, trade accounts receivable amounted to, as follows:

€k	31.12.2021	31.12.2020
Trade accounts receivable	32,169	21,475
Thereof against associated companies	*0*	*0*
Total	**32,169**	**21,475**

General and specific value adjustments to receivables developed as follows:

€k	Trade accounts receivable including contract assets
Balance per 1 January 2020	**508**
Foreign exchange differences	-27
Additions	163
Utilisations	-16
Reversals	-165
Balance per 31 December 2020	**463**
Foreign exchange differences	24
Additions	542
Utilisations	-1
Reversals	-33
Balance per 31 December 2021	**995**

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

As of 31.12.2019, there were specific value adjustments for trade accounts receivable of €928k (31.12.2020: €405k). As of 01.01.2021, these contain specific value adjustments from changes in the scope of consolidation in the amount of €379k.

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	**31.12.2021**	**31.12.2020**
Other receivables and assets	10,187	8,201
Deferred assets	1,264	852
Contract assets	7,765	6,536
Total	**19,216**	**15,589**

Contract assets can be reconciled as follows:

€k	**Contract Assets**
Balance per 1 January 2021	**6,536**
Reclassification to trade accounts receivable	-6,699
Contract assets additions	7,578
Changes in the scope of consolidation	0
Impairment changes	-11
Foreign exchange differences	361
Balance per 31 December 2021	**7,765**

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 have a maturity of not more than 3 months from the date of acquisition.

In the cash flow statement 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 „Development 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. In the fiscal year 2021, Pierer Industrie AG granted a shareholder contribution in the amount of €18,000k to fund the Krenhof AG acquisition.

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

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

Company	Loan amount 31.12.2021	Loan amount 31.12.2020	Currency
Pankl Racing Systems UK Ltd.	1,614,923	1,614,923	GBP
CP-CARRILLO, Inc.	1,000,000	1,000,000	USD
Pankl Holdings, Inc.	28,820,000	29,140,000	USD

The **IAS 19 reserve** contains actuarial losses from provisions for severance payments. As of 31.12.2021, the IAS 19 reserve amounted to €-673k (2020: €-537k) including the share of minorities.

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

31. Financial Liabilities

€k	31.12.2021	31.12.2020
Long-term loans	124,275	92,117
Long-term finance lease liabilities	14,271	13,034
Short-term loans and short-term portion of long-term loans	23,503	27,483
Short-term finance lease liabilities	4,656	3,806
Financial liabilities	166,705	136,440

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 into 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 were paid into a state approved employee pension fund. In the past fiscal year an amount of €803k (2020: €703k) was paid.

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

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

	€k	01.01.2021-31.12.2021	01.01.2020-31.12.2020
	Net present value of obligation (DBO) = provision for severance payments	**3,054**	**3,138**
+	Current service cost	184	145
+	Interest expense	64	35
-	Actual severance payments in the fiscal year	-301	-19
-	Profit / loss DBO for past service expenses	-39	0
+	Changes in the scope of consolidation	3,232	0
+/-	Transfers	-145	0
+ / -	Actuarial profits / losses	182	-245
=	**Provision for severance payments per 31 December.**	**6,231**	**3,054**

As of 31.12.2021, the provision for severance payments contains a voluntary portion in the amount of €875k.

As of 31.12.2021, duration amounted to 13.94 years (2020: 15.76 years). Actuarial profits / losses consisted of the following:

	€k	2021	2020
	Change of expected values	70	-157
+	Change of demographic assumptions	2	40
+ / -	Change of financial assumptions	110	-128
=	Actuarial profit / loss	182	-245

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

	2021	2020
Actuarial interest rate	1.15%	1.10%
Increases of wages / salaries	2.75%	2.50%
Pension age (years) for women / men	60-65 years with transition rules	60-65 years with transition rules

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

Employee fluctuation is calculated in a company specific manner and takes into account 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 31.12.2021, a change (+/- 0.5 percentage points) of the actuarial interest rate and the wages / salaries increases has the following impacts on the net present value of the future payments:

	Net present value of obligation	
Parameter	-0.5 percentage points	+0.5 percentage points
Actuarial interest rate	7.2%	-6.6%
Expected wages / salaries increases	-6.5%	7.0%

For the fiscal year 2022, we expect current service cost of €82k. The expected duration will be 12.94 years.

33. Other Short- and Long-term Liabilities

Other short-term liabilities amounted to €4,539k (2020: €115k) and contain provisions for anniversary bonuses in the amount of €4,427k (2020: €0k) which can be reconciled as follows:

	€k	**01.01.2021-31.12.2021**	**01.01.2020-31.12.2020**
	Net present value of obligation (DBO) = Provision for anniversary bonuses	**0**	**0**
+	Changes in the scope of consolidation	1,222	0
+	Initial recognition	3,293	0
+	Current service cost	62	0
+	Interest expense	-48	0
-	Actual bonus payments of the fiscal year	-71	0
+/-	Transfers	-62	0
+ / -	Adjustments due to changes in assessment parameters	31	0
=	**Provision for anniversary bonuses per 31 December**	**4,427**	**0**

The other short-term liabilities consisted of the following:

€k	**31.12.2021**	**31.12.2020**
Liabilities from unconsumed holiday entitlements	2,741	1,395
Liabilities from the accrual of outstanding invoices	4,951	2,819
Liabilities for payments to employees	4,124	879
Contract liabilities	392	381
Other	7,333	8,571
Total	**19,541**	**14,403**

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 2021	**381**
Realised revenues which were included in the balance of contract liabilities at the start of the period	-144
Deductions through payment of customer bonuses	-61
Additions through received customer prepayments	172
Additions through provisions for expected future customer bonus payments	44
Balance per 31 December 2021	**392**

34. Provisions

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

Provisions are formed if the 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 2021, provisions developed as follows:

€k	31.12.2020	Changes in the scope of consolidation	Additions	Reversals / utilisations	Currency translation	31.12.2021
Warranties and guarantees	210	68	54	-154	4	182
Obligations for remedial actions	203	0	170	-190	13	196
Other long-term provisions	341	0	0	-369	40	12
Total	**754**	**68**	**224**	**-713**	**57**	**390**

€k	31.12.2019	Changes in the scope of consolidation	Additions	Reversals / utilisations	Currency translation	31.12.2020
Warranties and guarantees	106	0	166	-62	0	210
Obligations for remedial actions	26	0	178	0	-1	203
Other long-term provisions	658	0	0	-300	-17	341
Total	**790**	**0**	**344**	**-362**	**-18**	**754**

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 2021	**92,117**	**27,483**	**119,600**	**16,840**
Changes with cash impact				
+ Increases	108,207	0	108,207	0
- Repayments	-92,186	0	-92,186	-4,287
+/- Reclassifications	6,805	-6,805	0	0
+/- Changes of current account balances	0	2,825	2,825	0
+/- Other	-140	0	-140	0
Changes without cash impact				
+ Increases and first application of IFRS 16			0	5,242
+/- Liabilities release in connection with Covid subsidies	-2,795	0	-2,795	0
+/- Changes in the scope of consolidation / others	11,990	0	11,990	235
+/- Valuation	277	0	277	806
Balance per 31 December 2021	**124,275**	**23,503**	**147,778**	**18,836**

VII. Risk Report

35. Risk Management

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

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

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

36. Market Risks

36.1 Economic Risks

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

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

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

36.2 Competition and Price Pressures

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

37. Sector-specific Risks

37.1 Changes in the Supply Market

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

37.2 Research and Development

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

38. IT-Risks

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

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

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

39. Financial Risks

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

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

39.1 Currency Risks

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

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

Based on the assumptions mentioned above, an increase (decrease) in the value of the Euro by 10% compared to all other currencies would have resulted in a decrease (increase) in net income (after taxes) and equity in the amount of €-1,290k or €+1,290k respectively (2020: €-283k or €+283k 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 analysed by a sensitivity analysis. This analysis shows the effect of hypothetical changes in market interest rates on the net profit (after tax) and on equity. The calculations were based on the balance sheet values at the balance sheet date. It was assumed that the risk at the balance sheet date is basically the same as during the fiscal year. The tax rate applied was the group tax rate of 25%. Furthermore, the analysis assumed that all other factors, especially exchange rates, remain constant.

Based on the assumptions mentioned above, an increase (decrease) in market interest rates by 50 basis points at the balance sheet date would have resulted in a decrease (increase) of the net income (after taxes) and equity by €-130k or €+130k respectively (2020: €-48k or €+48k 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:

	31.12.2021	31.12.2020
Racing / High-Performance Segment	0.10%	0.05%
Aerospace Segment	0.80%	1.00%

Applying these parameters for trade accounts receivable and contract assets resulted in the following general value adjustments for the fiscal year 2021:

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

€k	Racing / High-Performance	Aerospace	Total
Balance per 1 January 2020	13	45	**58**
Changes	21	-12	**9**
Balance per 31 December 2020	34	33	**67**

39.4 Liquidity Risks

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

The maturities of financial liabilities were as follows:

€k 31.12.2021	Valuation category according to IFRS 9	Book value	Maturities Up to 1 year	From 1 to 5 years	More than 5 years
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	23,503	23,503	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	24,548	24,548	0	0
Other short-term financial debt – finance lease liabilities	Not applicable	4,565	4,565	0	0
Other financial short-term liabilities	Financial Liabilities at Amortised Cost	8,412	8,412	0	0
Other short-term financial debt – derivatives with negative market value	Trading/Hedging Instrument	109	109	0	0
Long-term finance lease liabilities	Not applicable	14,271	0	11,369	2,902
Other long-term debt	Financial Liabilities at Amortised Cost	0	0	0	0
Long-term loans	Financial Liabilities at Amortised Cost	124,387	0	80,289	44,098
Total		**199,795**	**61,137**	**91,658**	**47,000**

€k 31.12.2020	Valuation category according to IFRS 9	Book value	Maturities Up to 1 year	From 1 to 5 years	More than 5 years
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	27,483	27,483	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	10,794	10,794	0	0
Other short-term financial debt – finance lease liabilities	Not applicable	3,806	3,806	0	0
Other financial short-term liabilities	Financial Liabilities at Amortised Cost	4,108	4,108	0	0
Long-term finance lease liabilities	Not applicable	13,034	0	10,197	2,837
Other long-term debt	Financial Liabilities at Amortised Cost	115	0	115	0
Long-term loans	Financial Liabilities at Amortised Cost	92,117	0	82,005	10,112
Total		**151,457**	**46,191**	**92,317**	**12,949**

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

€k 31.12.2021	Book value	Cash flow 2022 Interest fixed	Cash flow 2022 Interest variable	Cash flow 2022 Repay-ment	Cash flow 2023 until 2026 Interest fixed	Cash flow 2023 until 2026 Interest variable	Cash flow 2023 until 2026 Repay-ment	Cash flow from 2027 Interest fixed	Cash flow from 2027 Interest variable	Cash flow from 2027 Repay-ment
Loans	147,779	-1,354	-463	-23,504	-3,576	-1,076	-80,177	-890	-247	-44,098
Trade accounts payable	24,548	0	0	-24,548	0	0	0	0	0	0
Short-term finance lease liabilities	4,565	-344	-38	-4,565	0	0	0	0	0	0
Long-term finance lease liabilities	14,271	0	-16	0	-929	-60	-11,369	-102	0	-2,902
Other long-term liabilities	112	0	0	0	0	0	-112	0	0	0
Other short-term financial debt	8,412	-35	0	-8,412	0	0	0	0	0	0
Other short-term financial debt - derivatives with negative market value	109	0	0	-109	0	0	0	0	0	0
Total	**199,796**	**-1,733**	**-517**	**-61,138**	**-4,505**	**-1,136**	**-91,658**	**-992**	**-247**	**-47,000**

€k 31.12.2020	Book value	Cash flow 2021 Interest fixed	Cash flow 2021 Interest variable	Cash flow 2021 Repay-ment	Cashflow 2022 until 2025 Interest fixed	Cashflow 2022 until 2025 Interest variable	Cashflow 2022 until 2025 Repay-ment	Cash flow from 2026 Interest fixed	Cash flow from 2026 Interest variable	Cash flow from 2026 Repay-ment
Loans	119,600	-1,271	-235	-27,483	-1,439	-212	-82,005	-29	-317	-10,112
Trade accounts payable	10,794	0	0	-10,794	0	0	0	0	0	0
Short-term finance lease liabilities	3,806	-302	-56	-3,806	0	0	0	0	0	0
Long-term finance lease liabilities	13,034	-33	-15	0	-834	-69	-10,197	-129	-1	-2,837
Other long-term liabilities	115	0	0	0	0	0	-115	0	0	0
Other short-term financial debt	4,108	-2	0	-4,108	0	0	0	0	0	0
Total	**151,457**	**-1,608**	**-306**	**-46,191**	**-2,273**	**-281**	**-92,317**	**-158**	**-318**	**-12,949**

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 of time. Foreign exchange balances are converted using the exchange rate at the balance sheet date. Variable interest payments are estimated based on the most recent interest rate fixing before the balance sheet date. Financial liabilities repayable at any time are allocated to the group with the shortest maturity.

40. Other Risks

40.1 Legal Risks

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

40.2 Operational and Environmental Risks

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

40.3 Personnel Risks

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

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

40.4 Information Security and Data Protection

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

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

40.5 COVID-19

There continue to be great uncertainties with regards to the future development of the Covid pandemic. In Europe and globally, new waves of infections are likely until populations are sufficiently immunised. The results are extensive personnel absenteeism and restrictions by national authorities to contain the spread of the virus. This may lead to direct and indirect adverse effects on Pankl Group business segments such as lack of personnel, delays or cancellations of motor sports events, sudden production downtimes at customers or suppliers, supply chain disruptions and delays or cancellations of customer projects.

Pankl Group carefully monitors market conditions to be able to react promptly to changes with regards to both suppliers and customers. We implemented strict liquidity monitoring on a weekly basis for all subsidiaries to continuously secure sufficient liquidity. We hold a safety stock of critical production resources to be able to deal with sudden supply chain interruptions.

We implemented strict measures to prevent Covid outbreaks in the various Pankl Group facilities to avert production losses and to maintain operational safety. These measures contain comprehensive testing strategies, the use of FFP2 face masks and contact reduction via access restrictions, virtual meetings, and teleworking.

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 €k	31.12.2021 Nominal value	 Book value	 Fair value	31.12.2020 Nominal value	 Book value	 Fair value
Derivates for hedging						
Interest rate swap Maturity until 31.12.2025	10,000	0	-79	0	0	0
Interest rate swap Maturity until 31.12.2025	8,000	0	-42	0	0	0
				0	0	0
Loan linked floor Maturity until 31.12.2025	10,000	0	6	0	0	0
				0	0	0
Loan linked floor Maturity until 31.12.2025	8,000	0	2	0	0	0

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 reclassification	FVOCI without reclassification
31.12.2021							
Cash and cash equivalents	Hold	57,829	57,829	57,829	0	0	0
Trade accounts receivable	Hold (Sell)	32,169	32,169	32,169	0	0	0
Financial fixed assets - long-term loans granted	Hold	29	29	29	0	0	0
Total		**90,027**	**90,027**	**90,027**	**0**	**0**	**0**

€k	Valuation category according to IFRS 9	Book value	Fair value	Valuation according to IFRS 9 Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification
31.12.2020							
Cash and cash equivalents	Hold	32,577	32,577	32,577	0	0	0
Trade accounts receivable	Hold (Sell)	21,475	21,475	21,113	362	0	0
Financial fixed assets - long-term loans granted	Hold	6	6	6	0	0	0
Total		**54,058**	**54,058**	**53,696**	**362**	**0**	**0**

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

€k	Valuation category according to IFRS 9	Book value	Fair value	Valuation according to IFRS 9: Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification	Valuation according to IFRS 16	Non-financial
31.12.2021									
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	23,503	23,503	23,503	0	0	0	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	24,548	24,548	24,548	0	0	0	0	0
Other short-term financial debt - Finance lease liabilities	Not applicable	4,565	4,565	0	0	0	0	4,565	0
Other short-term liabilities	Financial Liabilities at Amortised Cost	19,831	8,412	8,412	0	0	0	0	11,419
Long-term finance lease liabilities	Not applicabler	14,271	14,271	0	0	0	0	14,271	0
Other long-term liabilities	Financial Liabilities at Amortised Cost	4,599	112	112	0	0	0	0	4,487
Long-term loans	Financial Liabilities at Amortised Cost	124,275	124,275	124,275	0	0	0	0	0
Other short-term financial debt – derivatives with negative market value	FVOCI	109	109	0	0	0	109	0	0
Total		**215,701**	**199,795**	**180,850**	**0**	**0**	**109**	**18,836**	**15,906**

€k	Valuation category according to IFRS 9	Book value	Fair value	Valuation according to IFRS 9: Amortised historic cost	FVTPL	FVOCI with reclassification	FVOCI without reclassification	Valuation according to IFRS 16	Non-financial
31.12.2020									
Short-term loans and short-term portion of long-term loans	Financial Liabilities at Amortised Cost	27,483	27,483	27,483	0	0	0	0	0
Trade accounts payable	Financial Liabilities at Amortised Cost	10,794	10,794	10,794	0	0	0	0	0
Other short-term financial debt - Finance lease liabilities	Not applicable	3,806	3,806	0	0	0	0	3,806	0
Other short-term liabilities	Financial Liabilities at Amortised Cost	14,403	4,108	4,108	0	0	0	0	10,295
Long-term finance lease liabilities	Not applicable	13,034	13,034	0	0	0	0	13,034	0
Other long-term liabilities	Financial Liabilities at Amortised Cost	115	115	115	0	0	0	0	0
Long-term loans	Financial Liabilities at Amortised Cost	92,117	92,117	92,117	0	0	0	0	0
Total		**161,752**	**151,457**	**134,617**	**0**	**0**	**0**	**16,840**	**10,295**

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
01.01.2021-31.12.2021					
Financial Assets at Amortised Cost	25	0	-482	-1	**-458**
Financial liabilities at FVTPL	0	0	0	0	**0**
Financial Liabilities at Amortised Cost	-1,801	0	0	0	**-1,801**
Total	**-1,776**	**0**	**-482**	**-1**	**-2,259**

€k	From interest	From fair value valuation	From Write-offs	From results of disposals	Net results
01.01.2020-31.12.2020					
Financial Assets at Amortised Cost	4	0	-27	0	**-23**
Financial liabilities at FVTPL	-9	0	0	0	**-9**
Financial Liabilities at Amortised Cost	-1,867	0	0	0	**-1,867**
Total	**-1,872**	**0**	**-27**	**0**	**-1,899**

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	31.12.2021	31.12.2020
Shareholders' equity	130,688	97,528
Total assets	352,913	263,191
Shareholders' equity in % of total assets	37.0%	37.1%

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

€k	**31.12.2021**	**31.12.2020**
Financial liabilities	166,705	136,440
Cash and cash equivalents	-57,829	-32,577
Net debt	108,876	103,863

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

€k	**31.12.2021**	**31.12.2020**
Shareholders' equity	130,688	97,528
Net debt	108,876	103,863
Gearing	83.3%	106.5%

€k	**31.12.2021**	**31.12.2020**
Net debt	108,876	103,863
EBITDA	41,439	24,059
Dynamic gearing (years)	2.6	4.3

44. Leasing Contracts as Lessee

Per 31.12.2021, leasing contracts as lessee were as follows:

	Present value	**Interest**	**Repayment value**
Up to 1 year	4,565	407	4,972
From 1 to 5 years	11,369	953	12,322
More than 5 years	2,902	102	3,004
Total	**18,836**	**1,462**	**20,298**

From 01.01.2021 leasing liabilities developed as follows:

Leasing liabilities per 1 January 2021	**16,840**
+ Additions	5,242
- Repayments	-4,287
+ Changes in scope of consolidation / other	235
+/- Foreign exchange differences	806
Leasing liabilities per 31 December 2021	**18,836**

In the fiscal year 2021, interest expenses from leasing liabilities amounted to €450k (2020: €482k), expenses for short-term leasing contracts amounted to €277k (2020: €32k) and expenses for leasing contracts with low values amounted to €110k (2020: €58k).

Per 31.12.2021 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 (2020: €79k).

The average incremental borrowing rate of interest for leasing relationships amounted to 2.8% (2020: 2.9%).

In 2021, income from the sub-renting of rights of use amounted to €0k (2020: €193k).

45. Leasing Contracts as Lessor

In the fiscal year 2021, 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 2021 and 2020, there were no transactions with related persons (except for management board and supervisory board remuneration, please see Item 52). Business transactions with related companies can be summarised as follows:

31.12.2021

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

31.12.2020

€k	Revenues	Expenses	Receivables	Liabilities	Other income
KTM Group	38,126	264	1,175	349	20
SHW Group	156	83	65	56	0
Pankl-AG	0	0	1,600	0	0
Pierer Industrie AG	27	1,278	763	45	0
Pierer Konzerngesellschaft mbH	0	428	0	16	0
Pierer Immoreal GmbH	0	679	0	0	0
Total	38,309	2,732	3,603	466	20

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

Expenses contain expenses for software licenses (€516k), participation in the group insurance scheme (€218k), rent expenses (€817k), sponsoring (€500k), salaries (€499k), internal group charges (€571k) and other group services (€23k). All services were invoiced at arm's length basis.

47. Legal Representatives of Pankl Racing Systems AG

In the fiscal year 2021 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 2021 and up until the preparation of these consolidated financial statements, the **Supervisory Board** of Pankl Racing Systems AG consisted of the following persons:

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

48. Management Board and Supervisory Board Remuneration

In the fiscal year 2021, the Management Board remuneration consisted of salaries, benefits, bonuses and payments into the employee pension fund and amounted in total to €1,235k (2020: €1,279k).

In the period from 01.01.2021 until 31.12.2021, the Supervisory Board remuneration amounted to €22k (2020: €22k)

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

X. Events After the Balance Sheet Date

On 20 January 2022, the Austrian parliament voted for a reduction of the corporation tax rate to 24% from 2023 and to 23% from 2024. In future years this will impact the valuation of deferred taxes.

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.

Company	Location		Stake 2021	2020	Acquired on
Pankl Racing Systems UK Ltd.	UK	Leicester	100%	100%	07.03.1998
Pankl Holdings, Inc.	US	Irvine	100%	100%	07.03.1998
Pankl Japan, Inc.	JP	Tokio	100%	100%	09.04.1998
CP-CARRILLO, Inc.	US	Irvine	100%	100%	03.08.1998
Pankl Aerospace Systems, Inc.	US	Cerritos	100%	100%	25.04.2000
Krenhof GmbH (vormals: Pankl Schmiedetechnik GmbH)	AT	Kapfenberg	100%	100%	04.08.2020
Pankl Immobilienverwaltung GmbH	AT	Kapfenberg	94%	94%	13.01.2005
Pankl Aerospace Systems Europe GmbH	AT	Kapfenberg	100%	100%	29.09.2006
Pankl Automotive Slovakia s.r.o.	SK	Topolcany	100%	100%	24.11.2006
Pankl Turbosystems GmbH	DE	Mannheim	70%	70%	28.09.2012
Pankl Cooling Systems (Dalian) Co. Ltd.	CN	Dalian	100%	100%	01.07.2019

XII. Declaration of Legal Representatives

The Management Board approved the consolidated financial statements on 25.02.2022 (2020: 25.02.2021) 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, 25.02.2022

The Management Board of Pankl Racing Systems AG

Wolfgang Plasser
CEO

Thomas Karazmann
CFO

Christoph Prattes
COO

Stefan Seidel
CTO

UNQUALIFIED AUDIT OPINION

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of Pankl Racing Systems AG, Kapfenberg, Austria and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of 31 December 2021, 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 UGB (Austrian Commercial Code).

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

RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is 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, Austrian Generally Accepted Accounting Principles as well as the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), 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 on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 internal control relevant to the audit in order 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management’s 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 internal control that we identify during our audit.

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.

Management is 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 as applied in Austria.

OPINION

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

DECLARATION

Based on our knowledge gained in the course of 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.

RESPONSIBLE ENGAGEMENT PARTNER

The audit partner responsible for the engagement is Mr Helge Löffler.

Linz, 25 February 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Helge Löffler
Auditor

DECLARATION
OF ALL LEGAL REPRESENTATIVES

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

Kapfenberg, 25 February 2022

The Management Board of Pankl Racing Systems AG

Wolfgang Plasser CEO	**Thomas Karazmann** CFO
Christoph Prattes COO	**Stefan Seidel** CTO

SUSTAINABILITY REPORT

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

IMPORTANT ADDRESSES

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