

# HALF YEAR REPORT 2007



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## Highlights and key figures

### Highlights First Half Year 2007

- Successful listing on Frankfurt Stock Exchange (Entry Standard) on 19 April 2007
- First-half revenues of EUR 30.25 million
- EBIT margin of 11.9%
- Return on sales of 7.6%
- Earnings per share of EUR 0.45
- Operating cash flow of EUR 3.36 million
- First half performance in line with expectations

Key balance sheet figures (HGB)	Half year to 30.06.2007 EUR '000	Year ended 31.12.2006 EUR '000
Cash and cash equivalents	6,357	4,235
Equity	23,383	21,097
Total assets	35,187	36,124
Equity ratio	66%	58%

Key earning figures (HGB)	Half year to 30.06.2007 EUR '000	Year ended 31.12.2006 EUR '000
Revenues	30,250	57,648
EBIT	3,600	6,912
Profit for period	2,286	4,172
Earnings per share	0.45	0.82
Employees	224	224

## INTERIM MANAGEMENT REPORT

Dear shareholders,

We are happy to present the first half year report of HWA AG as a stock exchange listed company. Business during the first six months of 2007 came up to our expectations. The performance of all three business units, automobile racing, engine development, and development and construction of vehicles and vehicle components was in line with budget. In spite of heavy, non-recurring development expenses in connection with a model change in the AMG Mercedes C class of the German Touring Car Masters Championship (DTM) and the extraordinary expenses of HWA's IPO on the Frankfurt Stock Exchange, we were able to maintain the earnings power of the Company and report correspondingly satisfactory figures.

### Sales and earnings

HWA AG's sales revenues for the first half of 2007 were EUR 30.25 million (m). The highest proportion came from automobile racing, followed by development and construction of vehicles and vehicle components, and engine development. EBIT for the half year amounted to EUR 3.6m, resulting in an EBIT margin of 11.9%. There was a small financial profit of EUR 25,000. The profit before income taxes came to EUR 3.63m. Profit after taxes for the first half of 2007 amounted to EUR 2.29m, equivalent to earnings per share of EUR 0.45.

### Note

As a result of the Company's becoming a public limited company (AG) and the reorganisation of the business units, the figures for the first half of 2006 are no longer comparable with those for the first half of 2007. The comparative figures in the

financial section are therefore for the whole of 2006. These half-yearly financial statements are unaudited and have been prepared in accordance with the German Commercial Code (HGB). The Company is currently in the process of transition to accounting in accordance with IFRS. The first IFRS annual financial statements will be prepared for 2007.

### Finances

HWA AG's financial position at 30 June 2007 was very sound. Total assets were almost unchanged at EUR 35.19m (31.12.2006: EUR 36.12m). The equity ratio improved from 58% to 66%.

Cash flow during the reporting period was positive. Cash flow from operating activities amounted to EUR 3.36m. After deduction of the cash outflow from investing activities of EUR 0.43m, free cash flow for the first half year was EUR 2.93m. Repayment of borrowings resulted in a cash outflow from financing activities of EUR 0.81m.

### Assets and liabilities

At the end of the first half-year trade receivables amounted to EUR 4.1m (31.12.2006: EUR 5.2m). Trade payables were EUR 2.45m (31.12.2006: EUR 2.63m).

## Business Units

HWA AG is organised into three business units. The automobile racing unit consists chiefly of the AMG Mercedes team in the German Touring Car Masters Championship (DTM). The unit for development and construction of vehicles and vehicle components for the international automotive industry and the unit for engine development, where HWA AG manufactures and services racing engines for the Formula 3 Euroseries and the British Formula 3 Series, complete the portfolio.

### Automobile racing



In the automobile racing unit, HWA AG manages two racing teams in the popular DTM Championship. HWA AG has the exclusive contract for designing and manufacturing Mercedes racing cars and engines for DaimlerChrysler, and is responsible for all technical services. The Company acts as a service provider for DaimlerChrysler Group in the DTM. HWA AG also supports the racing teams under contract with HWA AG, which use last year's racing cars. Racing drivers Mika Häkkinen, Bernd Schneider, Bruno Spengler, and Jamie Green drive for the HWA teams.

The first half of 2007 was very satisfactory for HWA AG. There were races in Hockenheim, Oschersleben, EuroSpeedway Lausitz, Brands Hatch, and Norisring. All five pole positions were won by HWA AG's drivers, as well as four races.

The races in Mugello and Zandvoort will be followed by further races at Nürburgring (2 September), in Barcelona (23 September) and in Hockenheim (14 October).

### Vehicles and vehicle components

This business unit designs and manufactures vehicles and vehicle components, especially for the premium segment of the international automotive industry. After the end of the current season sales revenues will be low, deriving from various minor contracts for the second half of the year.

Since the beginning of 2007 the unit has however been concentrating on development activities for additional new contracts. To make this growth possible, capacity in manufacturing and logistics is being increased all the time. We are currently working as fast as possible to complete a new factory building at our Affalterbach location. This will triple the manufacturing space, so that HWA AG will in future be able to accept more new interesting contracts for the international automotive industry.

## Engine development



The engine development unit designs and manufactures racing engines for various Formula 3 championships in Germany and internationally. It uses Mercedes-Benz production engines in cooperation with DaimlerChrysler AG. In the engine segment, all races of Formula 3 Euroseries and of the British Formula 3 have been won by drivers using HWA engines. A total of 52 engine packages were leased to Formula 3 teams in 2006, and the number has risen to 75 in the current year, an increase of more than 44%. This confirms the Management Board's assessment that this is a rapidly growing market.

## Staff

At 30 June 2007 HWA AG employed a staff of 224. In the process of expanding capacity at our Affalterbach location, it is planned to take on additional staff. The Company is confident that it will be able to find suitable employees at short notice.

## Outlook

The Management Board expects sales revenues for the full year 2007 to be in line with budget and roughly at the same level as in the past year. After rationalising costs, the Board is however confident that the return on sales will be higher than last year. Based on the organic growth already underway and possible acquisitions and expansion the Management Board is expecting a significant increase in sales revenues and earnings in 2008.

## IPO

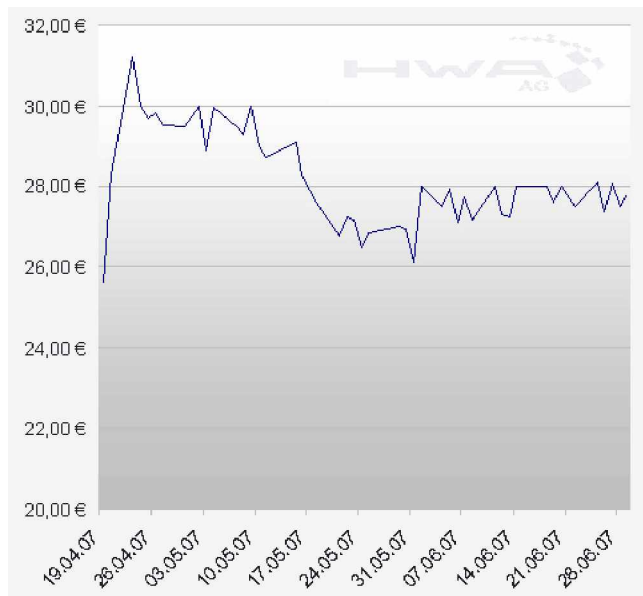
On 19 April 2007 HWA AG was listed without a capital increase on the Frankfurt Stock Exchange in the Entry Standard segment. A prospectus for admission of 5.155 million shares was successfully submitted to the German Federal Financial Supervisory Authority (BaFin) for approval. HWA's free float currently amounts to about 10%. The remaining roughly 90% is held by members of the Supervisory and Management Boards. The largest individual holding is that of the Company's founder, Hans Werner Aufrecht.

The listing received wide media coverage: with the presence of HWA racing drivers Mika Häkkinen and Bernd Schneider, together with the Chairman of the Supervisory Board, Jürgen Hubbert, and his deputy, Company founder Hans Werner Aufrecht, it was a very successful event for the Company.

The purpose of the Company's listing is to initiate a new phase of development and growth. The Entry Standard segment of the Frankfurt Stock Exchange was selected so that the Company could grow into its new role as a publicly owned company gradually. Listing also allows Management to raise additional capital for potential acquisitions or expansion. Given the Company's healthy cash flow, the organic growth currently underway can be funded from internal resources.

## HWA stock

The HWA AG share listed on 19 April 2007 at a price of EUR 25.13 per share. Within a few days the price had climbed to EUR 31.80, its highest level to date. The volatility of the market meant that the price subsequently fell back again, and at the end of June the stock stood at EUR 27.30.



## Key figures and information

Security identification number (WKN)	A0LR4P
ISIN	DE000A0LR4P1
Stock exchange symbol	H9W
Trading segment	Entry Standard (part of Open Market), Frankfurt Stock Exchange
Share type	Ordinary no par value bearer shares
Authorised capital	EUR 5,115,000.00
Number of shares	5.115 million
First listing	19 April 2007
Listing price	EUR 25.13
Designated sponsors	Dresdner Kleinwort Close Brothers Seydler AG

## Investor relations

With the publication of these half year financial statements and a Dresdner Kleinwort research note on HWA AG, the Company is intensifying its IR activities. During the first half of the year the Company participated in investors conferences, such as the General and Entry Standard Conference of Deutsche Börse AG and the Baader Small and Mid Cap Conference. Roadshows are planned for the autumn. The Company is being positioned not just as an automobile racing and luxury product stock, but also as a security with regular dividends and capital appreciation.

## HWA AG Half Year Financial Statements

### Balance Sheet – Assets (HGB)

<b>ASSETS</b>		<b>30.06.2007</b>	<b>31.12.2006</b>
		EUR	EUR '000
<b>A.</b>	<b>Non-current assets</b>		
<b>I.</b>	<b>Intangible assets</b>		
	EDP software and licenses	1,035,012.26	1,070
<b>II.</b>	<b>Property, plant and equipment</b>		
1.	Land and buildings	12,247,897.75	12,600
2.	Plant and machinery	1,623,017.36	2,030
3.	Other assets, plant and office equipment	3,609,384.97	3,904
4.	Payments in advance and assets under construction	88,274.20	0
		<b>17,568,574.28</b>	<b>18,534</b>
<b>III.</b>	<b>Financial assets</b>		
	Other loans	165,016.22	187
		<b>18,768,602.76</b>	<b>19,791</b>
<b>B.</b>	<b>Current assets</b>		
<b>I.</b>	<b>Inventories</b>		
1.	Raw materials and supplies	4,741,252.68	5,799
2.	Work in progress	87,263.79	463
3.	Finished goods	0.00	0
		<b>4,828,516.47</b>	<b>6,262</b>
<b>II.</b>	<b>Accounts receivable and other current assets</b>		
1.	Trade receivables	4,105,485.09	5,156
2.	Amounts due from subsidiaries and associates	0.00	29
3.	Amounts due from stockholders	150,815.17	15
4.	Other current assets	674,011.10	505
		<b>4,930,311.36</b>	<b>5,705</b>
<b>III.</b>	<b>Investments</b>		
	Other investments	4,000,000.00	0
<b>IV.</b>	<b>Cash and cash equivalents</b>	2,357,346.96	4,235
		<b>16,116,174.79</b>	<b>16,202</b>
<b>C.</b>	<b>Prepaid expenses</b>	302,586.10	131
		<b>35,187,363.65</b>	<b>36,124</b>

## HWA AG Half Year Financial Statements

### Balance Sheet – Equity and Liabilities (HGB)

<b>EQUITY AND LIABILITIES</b>		<b>30.06.2007</b>	<b>31.12.2006</b>
		EUR	EUR '000
<b>A.</b>	<b>Equity</b>		
<b>I.</b>	<b>Share capital</b>	5,115,000.00	5,115
<b>II.</b>	<b>Revenue reserves</b>		
1.	Statutory reserve	322,898.94	209
2.	Other revenue reserves	500,000.00	500
		<b>822,898.94</b>	<b>709</b>
<b>III.</b>	<b>Net profit for the period</b>	17,444,926.49	15,273
		<b>23,382,825.43</b>	<b>21,097</b>
<b>B.</b>	<b>Provisions</b>		
1.	Provisions for taxation	600,030.00	1,858
2.	Other provisions	4,282,447.06	5,102
		<b>4,882,477.06</b>	<b>6,960</b>
<b>C.</b>	<b>Liabilities</b>		
1.	Amounts due to banks	4,201,835.86	5,012
2.	Trade payables	2,453,828.10	2,632
3.	Other payables	266,397.20	377
	thereof taxes: EUR 243,142.53 (2006: EUR 353,000)		
	thereof social security: EUR 4,755.98 (2006: Nil)		
		<b>6,922,061.16</b>	<b>8,021</b>
<b>D.</b>	<b>Accrued liabilities</b>	0.00	46
		<b>35,187,363.65</b>	<b>36,124</b>

## HWA AG Half Year Financial Statements

Income Statement for half year ended 30 June 2007 (HGB)

	Six months to 30.06.2007	Year ended 31.12.2006
	EUR	EUR '000
<b>Revenues</b>	<b>30,250,106.18</b>	<b>57,648</b>
Changes in inventories of finished goods and work in progress	375,509.23	381
Other operating income	474,099.62	1,479
<b>Total output</b>	<b>30,348,696.57</b>	<b>58,746</b>
Raw materials		
a) Expenses for raw material and consumables used	11,167,161.94	20,092
b) Expenses for services purchased	697,109.93	792
Staff costs		
a) Wages and salaries	6,975,165.44	13,710
b) Social security and pension contributions	1,039,509.32	2,006
Depreciation of property, plant and equipment and amortisation of intangible assets	1,488,589.25	2,876
Other operating expenses	5,380,559.10	12,358
<b>Operating expenses</b>	<b>26,748,094.98</b>	<b>51,834</b>
<b>EBIT</b>	<b>3,600,601.59</b>	<b>6,912</b>
Other interest and similar income	903,977.74	1,272
Interest and similar expenses	878,945.90	1,255
<b>Financial result</b>	<b>25,031.84</b>	<b>17</b>
<b>Profit from ordinary activities</b>	<b>3,625,633.43</b>	<b>6,929</b>
Income tax expense	1,309,328.30	2,696
Other taxes	30,425.13	61
<b>Taxes</b>	<b>1,339,753.43</b>	<b>2,757</b>
<b>Net profit for the period</b>	<b>2,285,880.00</b>	<b>4,172</b>
Profit brought forward from previous year	15,273,340.49	11,310
Allocation to statutory reserve	114,294.00	209
<b>Net profit</b>	<b>17,444,926.49</b>	<b>15,273</b>
Share capital divided into 5.115 million shares		
<b>Earnings per share</b>	<b>0.45</b>	<b>0.82</b>

## HWA AG Half Year Financial Statements

### Cash Flow Statement for the half year to 30 June 2007

	<b>Half year to 30.06.2007</b>
	EUR '000
Profit for the period	2,286
Depreciation and amortisation of non-current assets	1,489
Increase in provisions	-2,078
Other non-cash income and expense	60
<b>Cash flow before changes in working capital</b>	<b>1,757</b>
Losses / gains on disposal of non-current assets	-41
Changes in working capital	
Increase / decrease in inventories, trade and other receivables	1,976
Increase / decrease in trade payables and other liabilities	-335
<b>Cash flow from operating activities</b>	<b>3,357</b>
Proceeds of disposal of non-current assets	266
Investments in non-current assets	-691
<b>Cash outflow from investing activities</b>	<b>-425</b>
Proceeds of equity capital introduced	0
Net borrowings repaid	-810
<b>Cash outflow from financing activities</b>	<b>-810</b>
Cash and cash equivalents at beginning of year	4,235
<b>Net increase in cash and cash equivalents</b>	<b>2,122</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,357</b>

## HWA AG Half Year Financial Statements

### Statement of Changes of Equity as at 30 June 2007

	Share capital	Statutory reserve	Revenue reserves	Net profit for period	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance – 1 January 2007	5,115	209	500	15,273	21,097
Results for period		114		2,172	2,286
<b><u>Balance – 30 June 2007</u></b>	<b>5,115</b>	<b>323</b>	<b>500</b>	<b>17,445</b>	<b>23,383</b>

## Publication details

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