



ANNUAL REPORT 2007

CLK-GTR:

Number of cylinders/-formation: 12-cylinder

60°-V-motor, 4 valves per cylinder

Engine capacity cm³: 6898

Bore and stroke mm: 89,0 x 92,4

Rated horsepower kW (PS): 450 (612) by 6800 1/min

Torque Nm: 775 by 5250 1/min

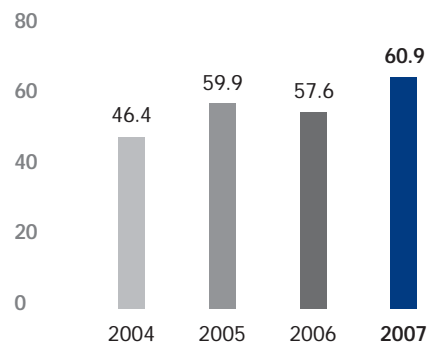
Max. rpm: 7200 1/min



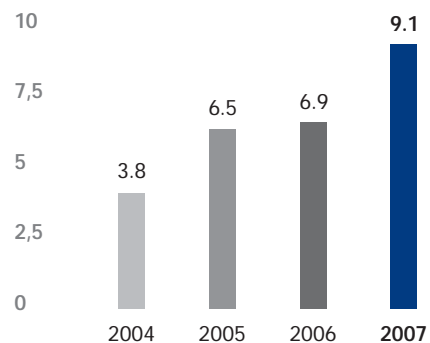


FINANCIAL RATIOS 2007 IN COMPARISON

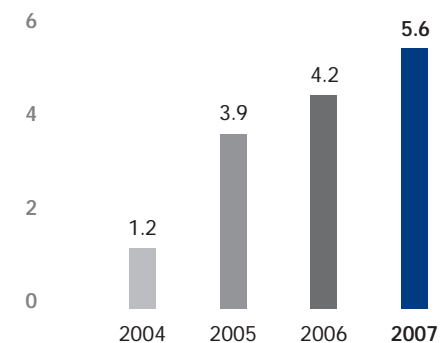
Sales income
(in million Euro)



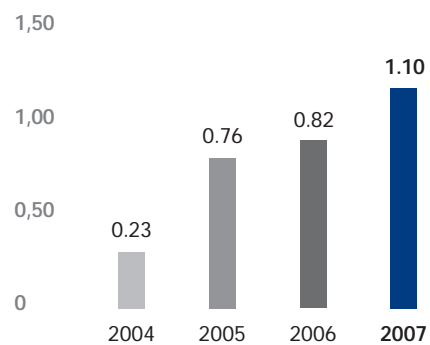
EBIT
(in million Euro)



Net result
(in million Euro)



Earnings per share
(in Euro)

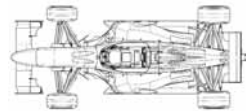
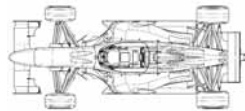
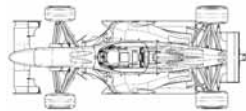
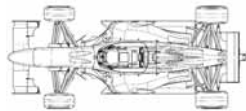
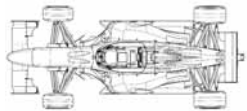
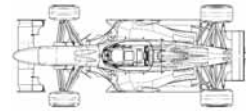
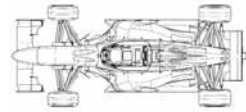
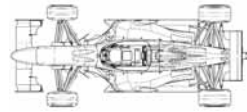
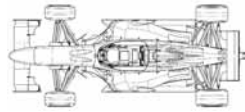
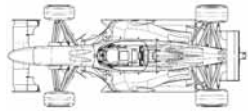


in million Euro	2004	2005	2006	2007
Sales income	46.4	59.9	57.6	60.9
EBITDA	6.1	9.0	9.7	12.0
EBITDA margin (in %) ¹	13.1	15.0	16.8	19.7
EBIT	3.8	6.5	6.9	9.1
EBIT margin (in %) ¹	8.3	10.8	12.0	15.0
Net result	1.2	3.9	4.2	5.6
Earnings per share (in Euro) ²	0.23	0.76	0.82	1.10

1) in percent of sales income

2) based on key date

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*Hans-Juergen Mattheis
Spokesperson for the Board*



*Gerhard Ungar
Executive Board*

Dear Shareholders, dear Ladies and Gentlemen,

The business year 2007 was indeed successful for HWA AG. It was a special year. From the viewpoint of revenues and all important yield ratio values, we achieved the best figures of our nine year company history. Beyond this, we established the company on the Frankfurt Stock Exchange in April.

Your company has increased sales income by 5.6 percent to 60.9 million Euro, and has increased its results prior to taxes and interest (EBIT) by 31.7 percent to 9.1 million Euro compared to the previous year. The profit-sales ratio (as based on EBIT) increased from 11.9 to 15.0 percent due to the over-proportional increase in profits. In the light of these numbers, we have significantly exceeded our original revenue expectations of about 58 million Euro and only a slightly improved profit-sales ratio. First and foremost, we attribute this positive business development to the ladies and gentlemen staff members of HWA AG. We would most heartily like to thank them for their dedicated performance and the outstanding hard work brought with their know-how. We thank our customers and business partners for their trust and collaboration displayed. We could only have achieved these positive results with the commitment of all participants.

Next to the excellent business figures, HWA AG has stepped up the success ladder with a further important and joyful step during the report year: Due to the IPO executed under the Entry Standard of the German Stock Exchange on April 19, 2007, we are the first racing company in Germany to be publicly listed.

We thank the shareholders who have invested into the business model, into the executing persons, as well as into the future perspectives of HWA. We are happy to be able to return a bit of the trust put forward to us already in



the first year upon the IPO. The Executive Board and the Supervisory Board will propose a dividend pay-out of 0.75 Euro per share in the Annual Meeting of Shareholders on May 23, 2008.

A dividend yield of 2.8 percent may be computed for 2007 as based on the year-end price of 27 Euro.

The healthy financial structure of HWA is a solid foundation for the further sustainable development of the company. Business during the initial months of the year 2008 has started well, and the outlook for the business year 2008 is positive. An important reason for this is the growth within the business domain of Automobiles / Automobile Components. At our headquarters in Affalterbach, Germany, we have significantly invested during the past recent months and have extended production and logistics space enormously. We shall yield the fruits of these investments already in this year. Our sports objective is the winning of the German Touring Car Masters (DTM).

The Mercedes-Benz automobiles built by HWA have won seven of ten races held by the DTM during the year 2007.

During Autumn 2007, we greeted the Nasser Bin Khaled (NBK) Holding headquartered in Qatar as new major shareholder in our company. NBK is one of the largest economic holdings of Qatar, and for HWA not only an investor but also a strategic partner. In the future, we mutually want to perform operations in the Arabic area.

Yet, we do not want to be satisfied with the status quo. We always expose ourselves to new challenges. For the year 2008, we will pursue all within our might in order to achieve our ambitious goals. We want to be successful within the DTM from a sports view. It is an additional motivation to present you with economic success. In the year 2008, we celebrate the tenth anniversary of HWA. The Management Board and staff members shall further work on the success of your company with much commitment, passion and creativity in order to again achieve the best benchmarks for revenue and profits during the running business year.

Affalterbach, dated April, 2008

Hans-Juergen Mattheis
Spokesperson for the Board

Gerhard Ungar
Executive Board

SUPERVISORY BOARD REPORT



*Professor Juergen Hubbert
Chairman of the Supervisory Board*

Dear Shareholders,

The business year 2007 was a good year for HWA AG. Both business domains, the Automobile Race Sports domain and the Automobiles / Automobile Components domain, contributed to the success of the company. The highlight of the year 2007 was the IPO. As of April 19, 2007, the company is publicly listed with Entry Standard qualification in the Open Market segment of the Frankfurt Stock Exchange. The now-presented report is therefore the first audit and control certificate of the Supervisory Board since the IPO of the company. The Supervisory Board has actively escorted the Executive Board in a relevant manner with consultation and discussions in the course of this process and also during the course of changes for the company resulting thereof. At the same time, the Supervisory Board has implemented those tasks assigned by law and by the Articles of Association in a dutiful manner. The Supervisory Board supported the Executive Board of the company in the course of strategic management affairs, and has monitored the Executive Board during the management of operational business. For this, the Executive Board regularly reported in written and oral form in a timely and extensive manner, especially with regard to all relevant questions of corporate planning, of business operations, of strategic planning and as well as for risk positioning and risk management. Furthermore, the Chairman of the Supervisory Board remained in continuous contact with the CEO beyond the scope of meetings.

Structure of the Supervisory Board

The Supervisory Board is composed of six members in accordance with the articles of association. As of March 3, 2007, the Supervisory Board is newly appointed upon the decision of the annual meeting performed. Since this time, the body is composed of the following members: Professor Juergen Hubbert (Chairman), Hans Werner Aufrecht (Deputy Chairman), Christian Wolff, Certified Engineer Willibald Doerflinger, Rolf Krissler and Eva Maria Aufrecht.

Supervisory Board Meeting and Contents

During the reporting period 2007, the Supervisory Board came together in three Supervisory Board meetings as planned, and informed itself intensively about the situation of the company together with the Executive Board in order to comply with its duly tasks. These Supervisory Board meetings were held on March 3, July 19, and October 23, respectively at the headquarters of the company in Affalterbach, Germany. The Supervisory Board was

always fully represented during the meetings. The revenue and profit development, investment planning, as well as the further outlook of the company was regularly part of the consultation agenda of the Supervisory Board. The Chairman was always informed about significant business affairs during talks held with the CEO, also outside of regularly performed Supervisory Board meetings.

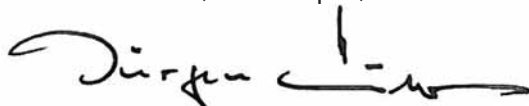
Audit Certification and Annual Financial Statement

CPA Joachim Lutz, Dipl. oec., Weilheim-Teck in Germany, was assigned with the audit certification procedure for the Annual Financial Statement of the company in accordance with the decision made during the Annual Meeting of Stockholders as of March 3, 2007. The Annual Financial Statement and the Management Report as completed by the Executive Board was inspected by the auditor and provided with an unlimited audit certificate.

The Annual Financial Statement and Management Report was presented to all members of the Supervisory Board in time. It was extensively consulted upon during the balance sheet meeting of the Supervisory Board. The auditor took part in this meeting and reported about significant events of his audit. He remained available for supplementary questions of the Supervisory Board. The Supervisory Board consented to the audit results of the auditor upon its own intensive inspection. The Supervisory Board approved the Annual Financial Statement on March 27, 2008 in accordance with § 172 sentence 1, German Companies Act AktG. The Annual Financial Statement has thus been established. The Supervisory Board has intensively discussed the pay-out of a dividend together with the Executive Board upon its proposal made, and has approved the proposal of the Executive Board regarding the use of the balance sheet profits.

The Supervisory Board thanks the members of the Executive Board and all staff members for the work performed during the fiscal year 2007 and congratulates them to the achieved success.

Affalterbach, dated April, 2008



Professor Juergen Hubbert
Chairman of the Supervisory Board



AUTOMOBILE
RACING SPORTS



ENGINE DEVELOPMENT
FORMULA 3



AUTOMOBILES /
AUTOMOBILE COMPONENTS



PROGRAMMED
FOR GROWTH

JANUARY

Stuttgart, January 26, 2007

The new Mercedes-Benz C Class is presented to the world public and celebrates its premiere. Mika Haekkinen starts for the third time during the 2007 season

FEBRUARY

World premiere of the racing version of the AMG Mercedes C Class DTM at the Geneva Automobile Salon, then its racing premiere on April 22 at the Hockenheim Race-track

Mercedes-Benz DTM racing pilot Susie Stoddart (24) presents the new race car at the Geneva Automobile Salon, Switzerland together with Dr. Dieter Zetsche (53), CEO of the Daimler AG. The new AMG Mercedes-Benz C Class, which is also based on the new Mercedes-Benz C Class, experiences its racing premiere at the Hockenheim Race-track on April 22.

MAY

May 6, 2007 – DTM Oschersleben

The Team AMG Mercedes racing pilot Gary Paffett wins. Paul di Resta (JAWA4U.de AMG Mercedes C Class) occupies second place in a 2005 racecar. The Scotsman, master of the Formula 3 Euroerie 2006, drove over the finishing line 3.7 seconds behind Gary Paffett after 44 exciting laps. Paul di Resta ranks number 3 with twelve points in the total evaluation, achieving the same amount of points as the Audi race pilots Mattias Ekstroem und Martin Tomczyk.

May 20, 2007 – DTM Lausitzring

Win for HWA pilot Mika Haekkinen

May 30, 2007

Announcement in Affalterbach: Significant development of the company building. „We want to push our activities in the area of street sports cars, and will expand our capacities in the areas of production and logistics by further 8,500 m² to 18,500 m².“ says Hans-Juergen Mattheis, Spokesman of Management Board.

MARCH

In ten months, from the idea to the racetrack

Technicians and engineers of HWA AG build a racing car based on the street version of the C Class promising the same success.

Norbert Haug, Mercedes-Benz motorsport manager:

„The C Class can indeed be called *Champion Class* with its DTM history. No other model has won a similar amount of races and championships. The racing version of the new C Class as presented in Geneva, Switzerland experiences its DTM premiere parallel

to the market launch of the *Series C Class*. 54 victories were achieved in 106 DTM races held up to now for the C Class, and 4 title wins and 2 vice championship wins in the six years of their deployment, in total.“

March 30, 2007 – Press Conference

Held at the company headquarters of Affalterbach, Germany, with regard to the planned IPO of HWA. Next to the Supervisory Board, Norbert Haug and the Mercedes pilots Bernd Schneider, Bruno Spengler, and Mathias Lauda participate on the event.

APRIL

April 19, 2007

Present at the IPO of HWA AG in Frankfurt, amongst others: Mika Haekkinen and Bernd Schneider on the trading floor.

April 22, 2007

Race in Hockenheim
Six AMG Mercedes C Class listed for points.

TIMELINE 2007

SEPTEMBER

September 2, 2007
Bruno Spengler occupies second place as best HWA racedriver in the eighth race of the DTM 2007 held on the Nuernburgring.

September 23, 2007
The HWA race pilot Jamie Green is the winner of the Salzgitter AMG Mercedes C Class 2007 in Barcelona.

DECEMBER

December 4, 2007
Successful completion of the transaction with NBK
The sales price per share amounts to 27 Euro. The shareholders Hans Werner Aufrecht, of the Doerflinger Private Foundation, as well as marchsixteen possess almost 60 percent of the shares of HWA AG upon completion of the transaction, and NBK holds 25 percent

NOVEMBER

November 19, 2007
Statement of Intent made by NBK (Nasser Bin Khaled Holding from Qatar) to sharehold 25 percent of HWA AG.

The three sellers Hans Werner Aufrecht, Doerflinger Private Foundation, as well as marchsixteen will sell shares in an equal exchangeable amount in proportion to the share ratio held by them.

OCTOBER

October 14, 2007
HWA Jamie Green wins the final in Hockenheim – Bruno Spengler is vice champion of the DTM 2007. Thus, HWA wins six of ten races held.

JULY

July 15, 2007
HWA Mika Haekkinen wins in Mugello.

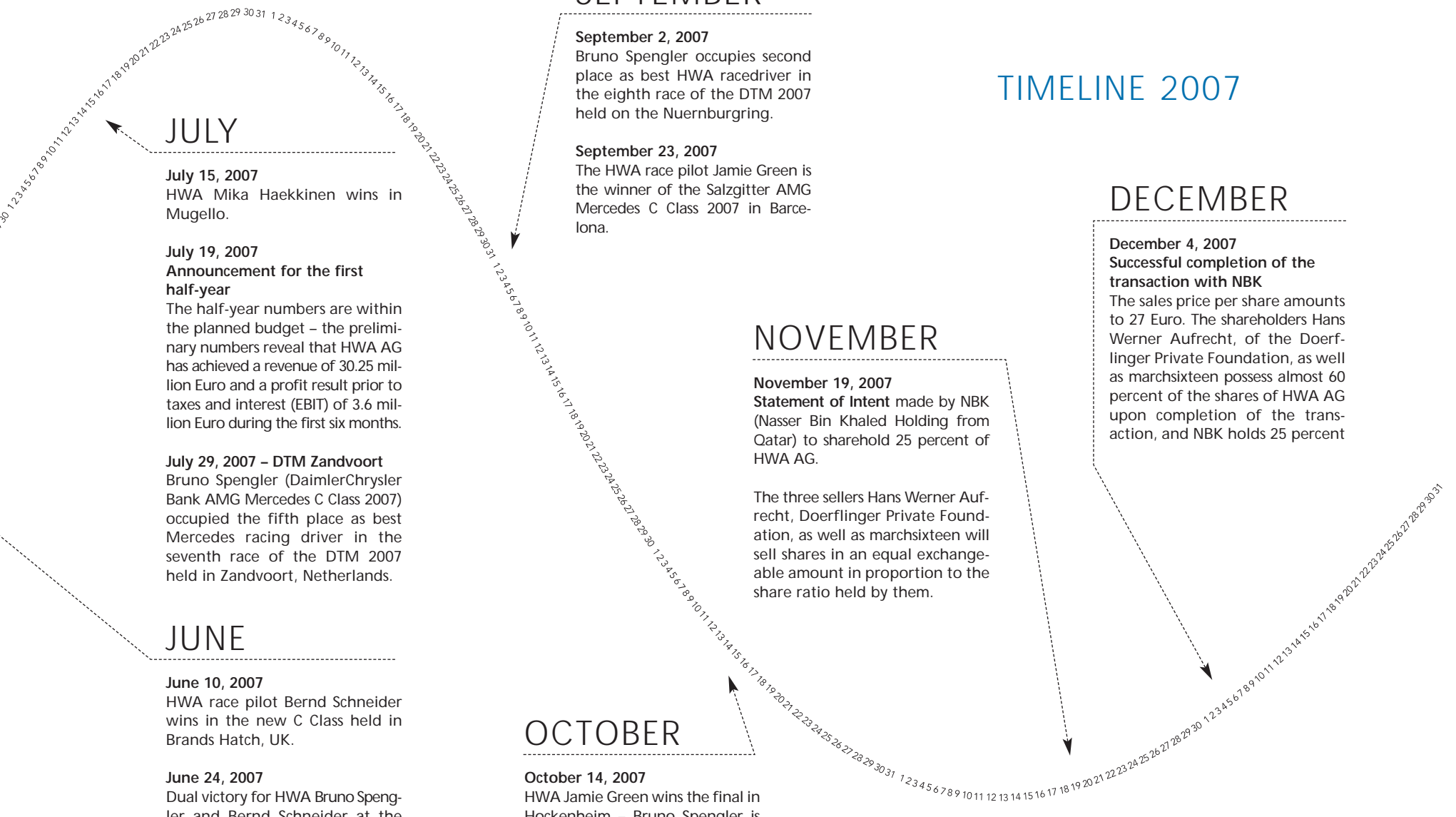
July 19, 2007
Announcement for the first half-year
The half-year numbers are within the planned budget – the preliminary numbers reveal that HWA AG has achieved a revenue of 30.25 million Euro and a profit result prior to taxes and interest (EBIT) of 3.6 million Euro during the first six months.

July 29, 2007 – DTM Zandvoort
Bruno Spengler (DaimlerChrysler Bank AMG Mercedes C Class 2007) occupied the fifth place as best Mercedes racing driver in the seventh race of the DTM 2007 held in Zandvoort, Netherlands.

JUNE

June 10, 2007
HWA race pilot Bernd Schneider wins in the new C Class held in Brands Hatch, UK.

June 24, 2007
Dual victory for HWA Bruno Spengler and Bernd Schneider at the Norisring, Germany. Victory for Bruno Spengler. Bernd Schneider takes the second place.



A SUCCESSFUL IPO

On April 19, 2007, the public listing of HWA AG was performed at the Frankfurt Stock Exchange in the segment Entry Standard. The company filed a stock exchange brochure for admission to quotation of 5.115 million shares to the German Financial Supervisory Administration (BaFin) for the purpose of approval. The public authorities certified this brochure.

Prior to the planned IPO, a restructuring of the equities held by the company start-up entrepreneur Hans Werner Aufrecht was executed. In the course of a preparatory settlement for succession of the 69 year old start-up entrepreneur, the Austrian financial investor Christian Wolff participated in a sharehold to the company by means of his holding company marchsixteen and their co-investors. In the course of the public listing, legacy shareholders positioned about 10 percent of the whole sharehold capital with institutional investors. A capital increase was not executed in connection with the initial public offering. For this reason, HWA AG did not receive any revenues due to the stock emission.

Legacy shareholders position 10 percent of the shares on the capital market

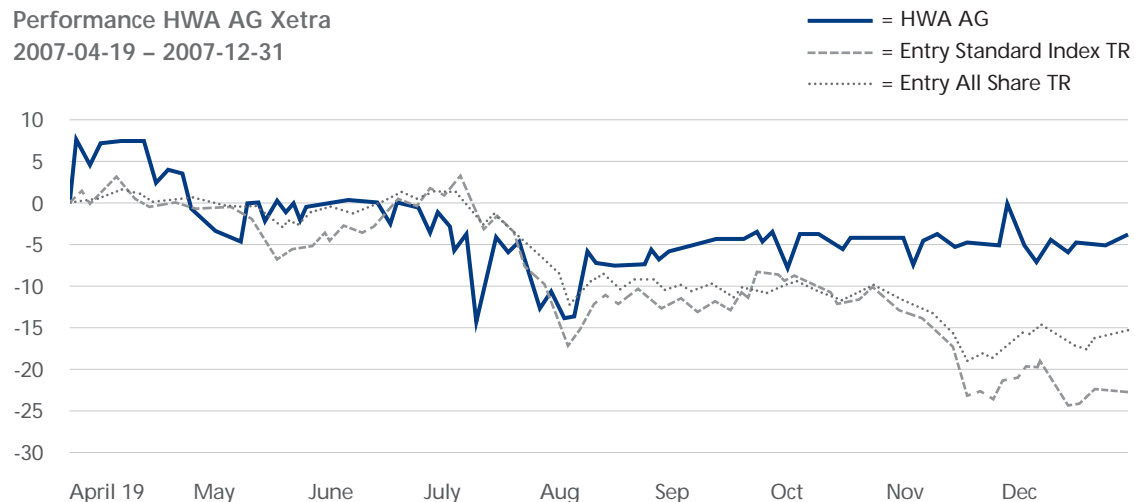
IPO a success story for the company

The IPO received great attention in the media. In the presence of the HWA Mika Haekkinen and Bernd Schneider, the Chairman of the Supervisory Board, Professor Juergen Hubbert and his deputy representative, the start-up entrepreneur Hans Werner Aufrecht, as well as the members of the Supervisory Board Christian Wolff, Willibald Doerflinger and Rolf Krissler, the IPO was a great success for the company.

Market trading unfolded at 25.13 Euro for the first price rating of HWA stocks. It was 2.5 percent above the IPO price for institutional investors. The company achieved a market capitalization of about 128 million Euro during the first day of its public listing.

The initial market share price was 2.5 percent above the IPO listing price

Performance HWA AG Xetra
2007-04-19 – 2007-12-31



Share Price Increase for HWA

In spite of worldwide stock exchange volatility and share price declined in the second half of the year 2007, HWA stocks enjoyed a positive development. The shares developed relatively stable in an upwards direction compared to the Entry Standard Index. The index listed at 843.44 points at the turn of the year. That was a setback of about 24 percent compared to the beginning of the year. HWA stock reached its peak on April 20, one day after its IPO public listing at 31.80 Euro. That meant a share price gain of about 27 percent. At the end of the year, the share certificate closed at 27.00 Euro on December 28, 2007. This was a growth of 7.4 percent above the first IPO listing price and an increase of about 10 percent compared to the IPO evaluation price. With this share price gain, HWA AG stocks belong to the few successful new emissions of the year 2007.

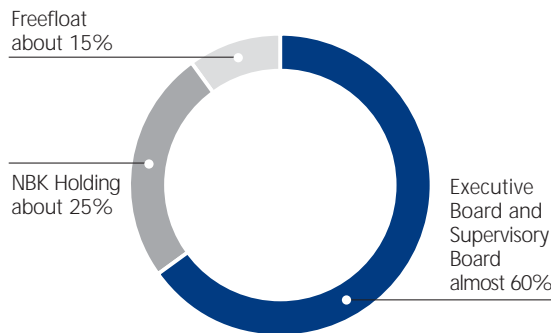
HWA stocks closed about 10 percent above the listing price at the year's end

In the almost nine months of its public listing, HWA stocks achieved a market trade volume of 1,957 stocks per day on the average. Market capitalization amounted to about 138 million Euro on December 31, 2007.

Investor Relations

Continuous contact with our investors is important for us and self-evident. In the completed fiscal year, the company presented itself at the Entry and General Standard Conference of the German Stock Exchange and at the Baader Small and Midcap Conference. Roadshows were performed in Germany, Austria and Switzerland. The Executive Board was available for questions and answers in numerous talks with investors and analysts, as well as for press representatives. In these talks, the Executive Board presented the business model to interested investors, and explained the results, as well as the opportunities and risks of HWA. Beyond this, investors, analysts, and press representatives of economic and financial media used the opportunity to gain insight into the comprehensive development and production performances during a firm visit to the company headquarters in Affalterbach, Germany.

Shareholder Structure as of December 31, 2007



Note: HWA AG is not committed to deliver information about the shareholder structure due to its public listing status as Entry Standard, and deems the information about sharehold property of the according large shareholders to be non-binding. Accordingly, the information is not verified.

In the year 2007, Dresdner Kleinwort published Research Notes about the shares next to those published by further brokerages. Furthermore, the economic media actively reported about HWA, amongst others in a continuous fashion, the Boersenzeitung, and magazines such as the Euro am Sonntag, Der Aktionaer, Nebenwerte Journal and Focus, as well as stock exchange information publishers such as Betafactor, Platow Boerse, Der Aktieninvestor, Extrachancen and Sunday Market.

An active amount of press coverage in economic media

The website www.hwaag.com offers detail information surrounding HWA stocks for shareholders and interested investors under the category Investor Relations. For this, press releases, half-year reports, business reports, as well as presentations belong to this media outlet. Furthermore, the possibility exists to list one's self to the e-mail distributor for future breaking news of the company.

Special interest to HWA AG was pronouncedly displayed by investors from the Arabic world. The company took part in initial talks with Nasser Bin Khaled (NBK) Holding in October

2007. In the beginning of December, the HWA shareholders Hans-Werner Aufrecht, Doerflinger Private Foundation and marchsixteen sold a comprehensive 25 percent of the shares of the HWA AG to the NBK Holding from their 80 percent sharehold. The three legacy shareholders sold shareholds to equal parts in relationship to their sharehold ratio.

NBK Holding purchased 25 percent of the stocks of HWA

NBK Holding is one of the most important industrial and commercial holdings in the Arabic world and deems its entry into HWA AG as a long-term strategic investment.

Even in the future, the company will inform institutional investors, analysts, private investors transparently and comprehensively in an unbiased fashion and will remain available for an open dialog.

The objective of the company is to position its shares as dividend papers and as growth values and not only be a automobile racing sports and luxury type stock.

Share Ratio Values

Security Registration Number (WKN)	AOLR4P
ISIN	DE000AOLR4P1
Stock Exchange Abbreviation	H9W
Trade Segment	Entry Standard (partial area of the Open Market) of the Frankfurt Stock Exchange
Type of Security	Common stock registered to the holder without nominal value (no-par value share)
Stated Capital	5,115,000.00 Euro
Number of Shares	5,115 million units
IPO Public Listing	April 19, 2007
Initial Share Price	25.13 Euro
Designated Sponsors	Dresdner Kleinwort Close Brothers Seydler AG

A SUCCESSFUL IPO



ICE DEVELOPMENT 2007

START 25.13

CLOSE 27.00

PI DFI



PAGE

RADIO

THE COMPANY

December 15, 2006: Transformation of the name to HWA AG

From the very first day, HWA was a profitable company

HWA AG – The Company

Upon establishment under the name of H.W.A GmbH at the end of the year 1998, the company launched its business operations in 1999. The company transformed its legal form to a stock company upon the decision made for legal form transformation on December 4, 2006. The transformation to the name “HWA AG” was entered into the commercial registry of the District Court Stuttgart on December 15, 2006.

The company was created due to a spinoff from the luxury tradesman specialist of the brand name Mercedes-Benz AMG as established by Hans Werner Aufrecht in 1967. At the time, Aufrecht sold the AMG Engine and Development GmbH as a majority sharehold to Daimler AG at the end of the year 1998. The spinoff of the business domain Automobile Racing Sports was executed within the framework of the transaction. It held the present team of AMG Mercedes within DTM, as well as parts of the business domain Automobiles / Automobile Components. It was then transferred to HWA AG. The company took over about 80 staff members from Mercedes AMG in the course of the company foundation.

HWA AG was not a classical start-up company, but was a profitable company from the very beginning. In the past nine years, the company developed positively due to steady-state revenue growth and due to profit increases. In the year 2007, HWA achieved the highest values for revenue and yields in its company history.

On April 19, the public listing of HWA AG was performed at the Frankfurt Stock Exchange in the segment Entry Standard. In the course of the public listing, legacy shareholders positioned about 10 percent of the whole sharehold capital with institutional investors, in all amounting to 5.115 million Euro.

Successful Business Development and Positive Profit Situation

In the fiscal year 2007, HWA AG increased its sales income by 3.3 million Euro or 5.6 percent to 60.9 million Euro (previous fiscal period: 57.6 million Euro).

Within Germany, the revenue volume amounted to 54.6 million Euro (previous fiscal period: 51.1 million Euro). This is an increase of 3.5 million Euro or 6.8 percent. In foreign countries, the company achieved revenues amounting to 6.2 million Euro (previous fiscal year: 6.5 million Euro). The decline amounted to 0.3 million Euro or -4.3 percent.

Significantly Higher EBITDA and EBIT

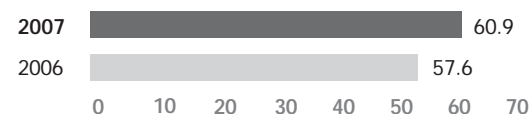
HWA improved its results prior to interest, taxes and depreciation (EBITDA) in the fiscal period by 2.3 million Euro or by more than 23 percent to 12.0 million Euro (previous fiscal year: 9.7 million Euro). The according margin rose by 2.9 percent points from 16.8 to 19.7 percent.

For results prior to interest and taxes (EBIT), the company displayed an increase to 9.1 million Euro (previous fiscal year: 6.9 million Euro). This is an increase of 2.2 million Euro or 31.9 percent. The EBIT margin rose by 3.0 percent points to 15.0 percent (previous fiscal year: 12.0 percent).

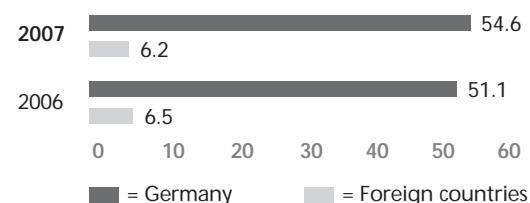
EBT Displays Two-Digit Growth

Financial results display a light positive increase by 35 thousand Euro during the completed fiscal period. HWA AG has achieved a pre-tax result (EBT) amounting to 9.1 million Euro (previous fiscal year: 6.9 million Euro). This is an increase of 2.2 million Euro or 32.5 percent compared to the previous year. A 3.9 percent point higher EBT margin amounting to 15.0 percent results from this improvement (previous fiscal year: 12.0 percent)

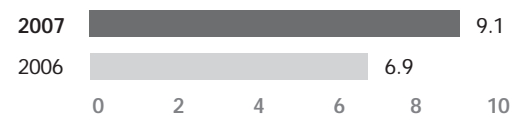
Sales income 07/06
in million Euro



Revenues based on regions 07/06
in million Euro



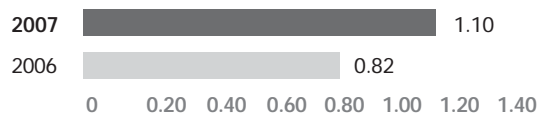
EBT 07/06
in million Euro



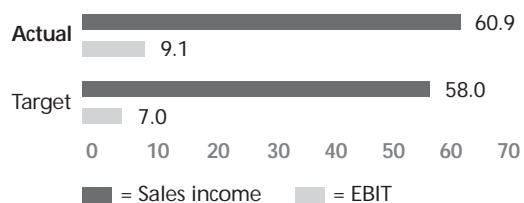
Annual profits 07/06
in million Euro



Results per share 07/06
in Euro



Target-actual comparison
in million Euro



Annual Profits Grow

Upon deduction of yield taxes (tax ratio: 38.0 percent), HWA AG achieved an annual profit of 5.6 million Euro (previous fiscal year: 4.2 million Euro). This is an increase in net profits by 1.4 million Euro or 34.4 percent. Thus, the company has increased the proportion of the annual profits versus revenues from 7.2 percent in the fiscal year 2006 to 9.2 percent in the fiscal reporting period.

Under inclusion of the profit brought forward from the previous year amounting to 15.3 million Euro and under the deduction of allocations performed into legally specified reserves, the balance sheet profits of 2007 amounted to 20.6 million Euro (previous fiscal year: 15.3 million Euro). The equity ratio of the company rose from 58.4 to 61.8 percent.

Strong Dividend Payments

As based on the computation of 5.115 million shares, the results per share displayed a growth to 1.10 Euro (previous fiscal year: 0.82 Euro) for HWA AG during the fiscal period 2007. This resembles a strong increase of 0.28 Euro or 34.1 percent.

The Executive Board and the Supervisory Board will propose a dividend pay-out of 0.75 Euro per share in the Annual Meeting of Shareholders on May 23, 2008, as based upon the balance sheet profits of 2007.

HWA has significantly exceeded the planned numbers with the results of the fiscal year 2007. The planned budget assumed a revenue of 58 million Euro and an EBIT of 7.0 million Euro. The most significant reason for the positive financial statement was the unexpected high yields achieved in the business domain Automobiles / Automobile Components during the end of the year.

The above mentioned ratio values for the result situation also contain one-time development expenses in connection with the model change of the Mercedes-Benz C Class within DTM. The extraordinary expenses incurred due to the public listing of HWA shares at the Frankfurt Stock Exchange to the amount of 0.3 million Euro are also considered.

HWA AG Business Domains

The operational business of HWA AG was focussed on the development and manufacture of high-end technology in the luxury segment of racing sports cars and vehicles. The automobile sports specialist structures its activities into two business domains: On the one hand, as a full service provider for Automobile Racing Sports, and on the other hand, as a development partner and manufacturer of Automobiles / Automobile Components for the premium segment of the automobile market.

Business Development of Automobile Racing Sports

The participation on the racing series of the German Touring Car Masters (DTM) composes the core operations of the business domain Automobile Racing Sports. Under the contract of the Motor Sports Department of the Daimler AG, the official racing team of HWA AG competes as "Team AMG Mercedes" in the racing sports series. The service portfolio is structured for all tasks needed for the successful implementation of racing operations. HWA is responsible for the full development and structuring of racing vehicles including their engines. The company manages the operations of the racing team from the conception over to planning, until preparation and execution of race events. This task scope also includes the support and the assignment of race drivers, as well as the implementation of brand name promotion and the acquisition of sponsors, in close consultation with Daimler AG. Beyond this, HWA also supports and produces automobile race cars and engines for external clients who participate on the DTM with their own race sports teams. The company takes full responsibility for the complete technical support of all race sports cars. The company performs the marketing activities for all vehicles together with Daimler AG. In all, the company deployed ten race sports cars in the DTM within the fiscal period. HWA was again successful within all DTM domains in the year 2007. The race drivers Mika Haekkinen and Jamie Green, as well as Bernd Schneider and Bruno Spengler were members of both HWA teams. Haekkinen was able to achieve victories in DTM races held at the Eurospeedway Lausitz, Germany, and at Mugello, Italy. Green was successful at the races held in Barcelona, Spain and at the Hockenheimring, Germany. Spengler won in Nuernberg at the Norisring, Germany, and Schneider in Brands Hatch, UK. The HWA race pilots won six of ten DTM races during the year 2007. Furthermore, the race pilot of Team AMG Mercedes, Gary Paffet, won a victory at the race held in Oschersleben, Germany.

HWA is responsible for the complete implementation and structure of the official "Team AMG Mercedes"

The HWA race pilots won six of ten DTM races during the year 2007

ANNUAL FINANCIAL STATEMENT 2007: GOAL OUTPERFORMED

REVENUE
EUR 60.9 Mio.
2007



DTM experienced a new record number of visitors

Thus, the race sports cars developed by HWA emerged as the winner of seven of ten races and were the strongest force of the race series during the past year. Bruno Spengler also secured the vice championship for himself. In the past years, "Team AMG Mercedes" won various race series in the course of 120 races and 22 championship titles held.

The DTM is the core market of HWA within the motor sports arena. The fascination for automobile racing sports found no end, also in the year 2007. The race series was again a full success. The race series experienced a new record breaking level with 832,000 visitors at the racetrack. TV live broadcasting, as well as re-live programmes and sponsor activities at a high level made the race series a profitable enterprise for all participants. Live broadcasts of the races in television achieved average viewer numbers of 1.42 million per event. According to a survey performed by SPORT+MARKT AG, DTM is the most popular motor sports series after Formula 1, with an awareness level of 89 percent.

Outlook for Automobile Racing Sports

In 2008, HWA AG will only be present with nine race cars, instead of ten in the previous year, within the business domain of Automobile Racing Sports. Though, as eleven races are planned to happen instead of ten, one may not assume a reduction of business volume. Bernd Schneider, Bruno Spengler, and Jamie Green shall again sit in the cockpit for HWA in 2008. In this year, Paul di Resta celebrates his debut as HWA race pilot. A special newcomer is in a Mercedes cockpit for DTM now. The touring car championship again presents a former Formula 1 driver, Ralf Schumacher, in the Team AMG Mercedes after Mika Haekkinen.

Business Development of Automobiles / Automobile Components

In the business domain Automobiles / Automobile Components, HWA AG is the leader in development contracts for clients from the automobile industry with its highly specialized race sports know-how. The company is an extremely esteemed development partner especially within the premium segment of the industry. In the past, HWA AG has performed extensive development services for both of the models CLK-GTR and CLK DTM AMG. The 25 models of the CLK GTR quickly found buyers with a sales prices ranging between 1 and 1.5 million Euro. The company successfully delivered the CLK DTM AMG to Mercedes AMG GmbH in a three-fold unit number. The sales price of the CLK DTM AMG was more than

HWA as a development partner for the Premium Segment in race sports

200,000 Euro for the final customer. Upon the demand of customers, HWA furthermore upgrades various models, amongst others, a Mercedes A Class and a 300 SL.

In the business domain Automobiles / Automobile Components, the company has furthermore acquired an excellent reputation in the development and production of race engines. Due to the lease of these high-performance units, a market for secondary utilization is also increasingly emerging. In the fiscal year 2007, the company performed deliveries to various Formula 3 series. The Formula 3 Euro series and the British Formula 3 series were a part of this. Also in the Formula 3 series, the company is able to view upon profits incurred within numerous races and championships. In engine development for the Formula 3 series, HWA AG competes against well-named players such as Toyota, Renault, Honda, Volkswagen. In spite of these large competitors, the market share ranges over 90 percent. In the year 2007, the company leased 78 units in total (previous year: 54 units). That is an increase of about 44.4 percent.

HWA eyes on profits incurred during numerous race and championships of the Formula 3 series

Calendar DTM 2008

2008-04-06	Presentation in Duesseldorf, Germany
2008-04-13	Hockenheim, Germany
2008-04-20	Oschersleben, Germany
2008-05-04	Mugello, Italy
2008-05-18	Europeedway Lausitz, Germany
2008-06-29	Norisring, Germany
2008-07-13	Zandvoort, Netherlands
2008-07-27	Nuerburgring, Germany
2008-08-31	Brands Hatch, UK
2008-09-21	Barcelona, Spain
2008-10-05	Le Mans, France
2008-10-26	Hockenheim, Germany

The market launch of a new project is planned in the business domain Automobiles / Automobile Components

Super sports cars are growing stronger than classical automobiles

The German market dominates the market for super sports cars in Western Europe

Outlook for Automobiles / Automobile Components

In the business domain Automobiles / Automobile Components, the company is occupied with the development of a new project since 2007 already. It is planned that the client will market launch it in 2008.

The market for super sports cars, which is just as relevant for the company, has proven to be one of the growth markets next to the segment for sporty SUVs in the past years. From 2001 to 2006, sales rose for the more than 100,000 Euro high-price labeled super sports cars by about 34 percent to almost 160,000 vehicles worldwide. This is an average annual growth rate of about 6 percent. Thus, the super sports cars significantly outperformed the average growth of the global automobile market displaying 2.5 percent. The reasons for the worldwide positive development of the market for super sports cars are heterogeneous. One may put forward the tendency towards an event society and the interest for the sound and performance of an extravagant sports car. Beyond this, the demographic development and the growing available income play a role. Even the increasingly wider product line offers made contributed to the over-average increase of the sports car market. Numerous new models and model variants have benefited the automobile manufacturers with additional layers of buyers.

From the viewpoint of sales regions, a strong concentration of super sports cars is allocated to Western Europe and especially North America. Almost 70 percent of all vehicle buyers are located in the U.S.A. and Canada. In contrast, only 33 percent of worldwide sales is allocated to classical vehicles in relationship these countries. Also Arabic countries are also an important and growing sales market, especially Dubai and Qatar. For the future, the Asian regions with China and Eastern Europe with Russia are deemed to be prospective and strong growing markets for super sports cars.

More than 20 percent of sales are incurred within Western Europe. The German market dominates here with a proportion of 10.8 percent. In contrast to the slumping trend of the German automobile market of 2007, the segment for super sports cars achieved a significant plus even in Germany. Luxury sports cars in limited series apparently also resisted rising fuel prices and the CO₂ debate, just as recession fears. The market segment of super

*) Source: Challenges and Perspectives in the Market for Super Sports Cars, IFA, working paper no. 1/2007

sports cars possesses its own, largely free-from-crisis, economic cycle. The buyers of these models are primarily so-called high net worth individuals with assets worth more than one million dollars. They are found in the classical sales countries and are also increasingly located in Dubai, Qatar, as well as Russia, Japan and China.

Expansion of Capacities

HWA AG has significant expanded its capacities at their company headquarters in Affalterbach, Germany during the past year. The company has expanded its capacities by almost 8,500 sq. meters, or by about 85 percent of the production space of 18,500 sq. meters, in total, upon erection of the new building. The additional capacities serve the growth of production and logistics in the business domain Automobiles / Automobile Components. The objective is to push business as development and production partner for the international automobile industry with more strength in the future. Upon completion of the new building, the company plans to establish 20 to 25 new employment opportunities in the mid-term. The company expects enhanced revenues resulting from the service and maintenance of automobiles in the future.

Expansion of capacities at company headquarters in Affalterbach, Germany

Outlook for HWA AG

The racing sports company has started positively into the year 2008. Executive Board is optimistic about the outlook for the business domain Automobile Racing Sports and also for the business domain Automobiles / Automobile Components. The driver of growth for HWA will be a new project in the business domain Automobiles / Automobile Components, on the one hand. On the other hand, the Executive Board also expects growth for Automobile Components, such as for engines used for the Formula 3. Revenues shall also be incurred due to the leasing of such and also due to secondary utilization resulting from the sales of these units in the future.

HWA has an optimistic outlook on the future

The company expects a further revenue and profit growth in 2008. A positive impact factor to the balance sheet profit and the results per share is expected due to the declining tax burden resulting from the corporate tax reform in this year. The tax rate will decline to 30 percent (previous fiscal year: 38 percent) in 2008. HWA AG is pursuing a sustainable pay-out of dividends.

COURSE OF BUSINESS IN 2008: THE PLUS SIGN IS EYED





Management Report of HWA AG as of 2007-12-31

1. Legal and Economic Affairs of the Company in the Year 2007

The company established as German Limited GmbH at the end of the year 1998 and launched its business operations in 1999. It has transformed legal form of company into a stock company in the due course of the form transformation decision made on December 4, 2006. The change of form into a stock company under the company name of "HWA AG" was entered into the commercial registry of the District Court Stuttgart on December 15, 2006.

The company stocks are traded on the Frankfurt Stock Exchange in the status of Entry Standard as of April 19, 2007. This stock exchange segment belongs to the open market.

Listed in the status of Entry Standard of the Frankfurt Stock Exchange as of April

The business domain of the company has basically remained unchanged. On the one hand, the company focuses on Automobile Racing Sports. On the other hand, it focuses on the development and manufacture of Automobiles / Automobile Components targeted for the premium segment of the automobile industry.

Complete development and design of race cars including their engines

The participation in the racing series of the German Touring Car Masters (DTM) composes the core operations of the business domain Automobile Racing Sports. Under the contract of the Motor Sports Department of the Daimler AG, the official racing team of HWA AG competes under the name of "Team AMG Mercedes". As a full service provider, the company implements the complete development and structure of race cars including their engines, as well as all further subsequent tasks in conjunction with the operations of the race team, such as preparation and execution of the race, the whole organization of the race operations, including support and assignment of race drivers, as well as the support of further client teams who participate in the DTM, using race cars built by HWA.

In the second business domain Automobiles / Automobile Components, HWA AG performs development contracts with its highly specialized race sports know-how. Furthermore, the company is a highly specialized supplier of the automobile industry, especially for the premium segment. Next to this, the race engine development and production domain has achieved an excellent reputation. Thus, a market for race engine sales emerges next to the lease of such. Teams of different Formula 3 series are served, such as e.g. the Formula 3 Euro series or the British Formula 3 series.

Highly specialized supplier for the premium segment

2. Economic Situation

Worldwide growth held steady with a real growth rate of 3.8 percent during the year 2007. Especially, newly industrialized countries experienced strong economic growth amounting to 7.3 percent and even in Western Europe growth behaved very steady with 2.7 percent. In contrast, economic growth in the U.S.A. underperformed with 2.2 percent (the previous year: 2.9 percent) and also in Japan with 1.9 percent. The real GNP growth of Germany expanded with 2.5 percent (the previous year: 2.9 percent) very solidly in 2007.

The worldwide automobile economy expanded further and more positively with a growth rate of almost 4 percent, in total, in the year 2007. The growth trend of the new industrialized countries of Asia and Latin America, as well as Eastern Europe, continued to progress. In contrast, new vehicle registrations declined in Northern America and Japan. The number of new automobile registrations remained stable in Western Europe compared to the previous year. In contrast, Germany displayed a decline of around 9.2 percent, yet whereby especially sports cars displayed growing registration numbers with 4.4 percent, next to SUVs (+1.8 percent).

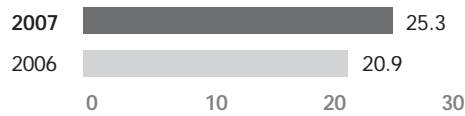
Registration numbers for sports cars overperformed

3. Business Development and Revenue Situation

Sales income rose by 5.6 percent to 60.9 million Euro (the previous year: 57.6 million Euro). This was allocated to Germany with 54.6 million Euro (the previous year: 51.1 million Euro), and to foreign countries with 6.2 million Euro (the previous year: 6.5 million Euro). Revenues in the domain Automobile Racing Sports declined slightly and as accordingly considered within the planned budget. In contrast, the domain Automobiles / Automobile Components achieved significant revenue gains due to increased development work per-

formed as contracted by third parties. The leasing business with Formula 3 engines also developed itself positively.

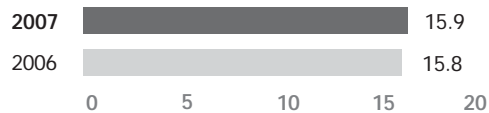
Material expenses 07/06
in million Euro



Material expenses increased by 21.4 percent to 25.3 million Euro. This increase resulted in part due to higher expenses for purchased services as a result of increased development service, as well as due to a change of account statements for purchased development services that were booked under other operational expenses up to now. Within the account for material expenses, service expenses to the amount of 5.4 million Euro (the previous year: 4.8 million Euro) were removed from the account for raw materials and supplies and allocated to the account for expenses of purchased services.

Furthermore, it became necessary to perform a fiscal clearing act especially for the storage stocks of DTM and Formula 3 parts. The proportion of material expenses versus total performance increased from 36.5 percent to 41.7 percent.

Personnel expenses 07/06
in million Euro

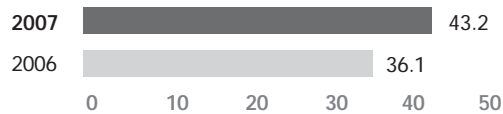


Personnel expenses increased moderately by 1.4 percent to 15.9 million Euro.

HWA achieved an EBIT of 9.1 million Euro in 2007. This resembles 15.0 percent of the total performance. In the year 2006, EBIT displayed a proportion of 12.1 percent of the total performance amounting to 6.9 million Euro.

Upon balancing the revenue with the total expenses, an annual net profit of 5.6 million Euro remains compared to 4.2 million Euro of the previous year. The proportion to the total performance increased from 7.3 percent to 9.2 percent.

Balance sheet total 07/06
in million Euro



4. Financial Situation

The balance sheet total increased from 36.1 million Euro to 43.2 million Euro as compared to the previous year.

The proportion of fixed assets declined from 54.8 percent to 47.8 percent, whereby an increase of 0.9 million Euro to 20.7 millions was achieved in absolute terms. Responsible for this are the accounts for advance payments and assets under construction amounting

to 3.4 million Euro (the previous year: 0 Euro). Investments into the new building are especially booked into these accounts (see the chapter Investments).

As in the previous year, race sports parts and parts for the CLR-GTR that were not needed any more were depreciated in 2007 too. For this to occur, the according storage stock was replenished in the course of project completion within the domain Automobiles / Automobile Components for 2007. For the following projects, no significant storage supplies were needed to be held at the balance sheet key date. In the course of this consideration, the evaluation reduction for stocks held in raw materials and supplies from 5.8 million Euro to 3.2 million Euro is deemed to be adequate. The accounts for unfinished services refer to development services that had incurred up to the balance sheet key date, were not yet compensated for with the contractors.

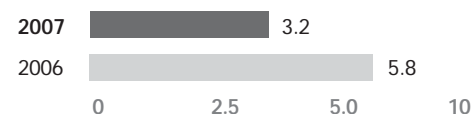
The balance of accounts receivable from trades performed increased slightly by 0.6 million Euro to 5.8 million Euro in absolute terms. Assets declined from 14.3 percent to 13.4 percent relative to the balance sheet total. The increase of other assets to 1.2 million Euro resulted from advance payments made for VAT.

The liquidity cash flow resulting from the invoicing of development contracts was invested into securities that can again be liquidated in the short-term.

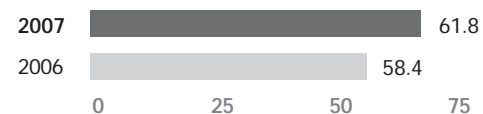
The equity ratio increased from 58.4 percent to 61.8 percent. Yet not considered is the planned dividend pay-out of 3.8 million Euro.

In contrast, the proportion of accounts payables increased from 22.1 percent to 26.1 percent. The most significant reason for this is found in the acceptance of a loan for the financing of the new building. The contractual agreements for this were completed before the invoicing of the development performances were recognizable. The acceptance of the loan serves a strategy approach for the purpose of the congruent scheduling of financial funds, as well as for the securing of a low interest rate level.

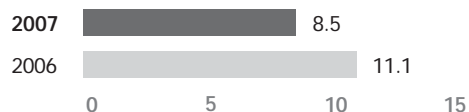
Raw materials and supplies 07/06
in million Euro



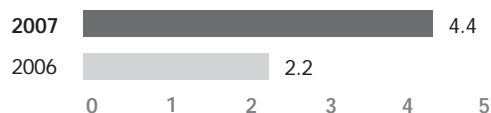
Equity ratio 07/06
in percent



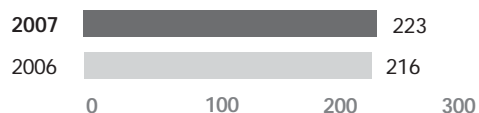
Operative cash flow 07/06
in million Euro



Investments 07/06
in million Euro



Personnel 07/06
in absolute numbers



Currency risk resulting from operative business is small

The cash flow from running operations has behaved somewhat less fortunate, and now amounts to 8.5 million Euro compared to 11.1 million Euro in the previous year. This is basically the result of reductions within reserve accounts and the increase of accounts receivable. The cash flow resulting from investment activities has further declined mainly because of the investments into the new building (from -2.0 million Euro in the previous year to -3.8 million Euro), whereas cash flow resulting from financial activities increased due to the acceptance of the loan amounting to 2.4 million Euro.

5. Investments

Investments into material and immaterial assets amounting to 4.4 million Euro (previous year: 2.2 million Euro) were significantly higher compared to the previous year.

HWA especially invested into a new building, which will be completed in Spring 2008. Upon completion of this building project, the activities are to be concentrated on the business domain Automobiles / Automobile Components, and the production capacity will be expanded significantly. Furthermore, the logistical processes will be improved, thus cost efficiency will be increased. In the year 2007, 3.4 million Euro were invested into the new building, whereby the total investment sum was budgeted at 5.5 million Euro.

6. Personnel

In the year 2007, 223 staff members (previous year: 216 staff members), including Executive Board, were employed on the average:

- 98 employees
- 123 shop workers
- 2 apprentices/trainees

7. Opportunities and Risks

Management implements instruments in order to be able to recognize risks at the earliest stage. For this, external and internal factors are considered. Basically, loss risks and market risks resulting from fluctuations in currency exchange rates, interest rates, or market price may be derived from traditional financial instruments such as accounts payables for trades, which are exposed in the balance sheet.

Yet, currency risks resulting from operative business exist only to a small proportion as the far greater part of the business is processed in Euro.

Derivative financial instruments of the company are implemented as SWAP business. From this part of business, interest rate and currency risks may unfold.

Liquidity surplus is invested into the money market in a profitable manner, or in securities with short-term liquidation capability. The policies to which investing adheres to are low risk and quick availability.

Again, the situation of the national economy developed positively in 2007. In general for 2008, one may assume a favourable economic development again, whereby insecurity has increased due to the subprime crisis in the U.S.A. The worldwide demand has risen within the automobile industry. The expectations of the newly industrialized countries, especially China, are extremely high. Sales risks may unfold due to the insecurity resulting from the general economic development, the environmental debate (fine particle stress, CO₂ emission), and from a rising fuel price. It is presently not expected that significant negative impacts unfold from this within the segment of exclusive vehicles.

Good outlook for exclusive cars

Due to close customer contact and year-long market knowledge, the Executive Board quickly identifies tendencies and can react to such in a timely manner. In order to establish an adequate price level, outstanding technical features as based on an innovative development and additional factors, such as brand name image and product quality, occupy an increasing important role. Product quality and also exclusivity and the fascination put forward from cars, which is directly derived from race cars, have a significant impact on the decision making process of customers in the course of the sales of such a vehicle.

The main business domain remains the execution of race sports as contractor for Daimler AG. Basically, a dependency risk exists here with Daimler AG. Yet, the Executive Board of HWA AG holds the conviction that this risk may be controlled in the mid-term as a close and intensive contact exists to the decision makers of race sports within and without Daimler AG, and that future plannings are mostly known.

Dependency: controllable risk

An additional threat risk for the German Touring Car Masters, and thus for HWA, is derived from the dependency to sponsors who finance the race series.

The media performs a significant contribution to the success of the German Touring Car Masters. Public interest induced from reports about race sports is vital. Especially live TV broadcasts and also re-runs are indispensable requirements for the activities of automobile brand names and sponsors towards the security of the German Touring Car Masters.

Presently, a threat to the security of the German Touring Car Masters does not exist. The race series is extremely successful. The participating automobile brand names weigh DTM highly as marketing instrument. The sponsors of the race series are happy about the growing number of visitors to the races, from year to year, as well as about the increased media reporting performed. Alone in 2007, over 800,000 visitors watched the races at the race tracks. Live broadcasting of the races in television experienced viewer numbers of an average of 1.42 million viewers per event, which resembles an average market share of 12.8 percent. In the fiscal year, reporting performed in the print media has risen to an average circulation volume of 134 million units per event. DTM has established itself within the race sports series in the media and with the audience next to Formula 1 and could again win Ralf Schumacher as prominent "audience magnet".

DTM race series enjoys growing visitor numbers and media presence

The quality management system in accordance with DIN EN ISO 9001:2000 as introduced in 2002 was re-certified in the year 2005. Internal value add processes are aligned to this, which undergo continuous control and possible improvement.

Quality management system secures continuous control and improvement

Presently, risks are not recognizable that could be deemed as threatening to the security of the company, as single factor or as a factor in combination with other risks.

8. Research and Development

In all business domains, HWA AG possesses resources that are necessary for the development and design of race cars, automobiles and automobile components. This also includes computer-supported automobile design via CAD and FEM, as well as computer-supported automobile simulation programs.

The whole range of electrical and electronic systems for race cars, automobiles and automobile components can be developed. This also includes the creation and programming of engine electronics, and also the adaptation of vehicle sensors to evaluation electronics, including the development of hardware attached to such.

Furthermore, the company is equipped with the full infrastructure, which is necessary for the testing and maintenance of race cars, automobiles, automobile components and engines, as well as for such needed in running operations, or for such on-site at the race track, or for such at customer sites.

Complete infrastructure provided for the testing and maintenance of race cars and engines

Annually, DTM race cars are developed from the existing resources. The same applies for the engines, which are further developed for Formula 3 and for DTM. In the business domain Automobiles / Automobile Components, development contracts are performed as granted by third parties. Thus, up-to-date development services are performed for series type vehicles of an automobile manufacturer.

9. Course of Business and Probable Development of the Company

The deployment of HWA in DTM in the coming season 2008 will be similar as in 2007. One race more will be held compared to 2007, meaning eleven DTM races, but only nine race cars will be deployed, instead of ten. The cost savings increment due to the reduced number of cars outweighs the equation, yet the strategy also reduces the revenues somewhat. From the viewpoint of revenues, the business domain Automobiles / Automobile Components will behave at the same level as in 2007. The activities in the business sub-domain Engine Leasing for Formula 3 will develop stronger, in spite of large competition. Almost all teams of the Formula 3 Euro series drive with Mercedes engines built by HWA. Revenue increases are planned here in the course of further Formula 3 race series.

HWA expands the leasing business for engines in the Formula 3

10. Events upon Completion of the Fiscal Year 2007

Upon completion of the fiscal year, no new events happened that are of significant importance for HWA, and that could lead to a deviant assessment of the company.

DTM 2007: MERCEDES C CLASS WINS 7 OF 10 RACES





Green
www.DTM.tv

SALZGITTER

SALZGITTER

BOSCH

SCOTTLER
H&R



Annual Financial Statement Tables of HWA AG as of 2007-12-31

Income Statement 2007

	Euro	2007 Euro	2006 in million Euro
1. Sales income	60,863,408.22		57.6
2. Reduction of stocks for finished and unfinished goods and services	46,744.85		0.4
3. Other operational yields	1,627,685.31		1.5
		62,444,348.68	58.7
4. Material expenses			
a) Expenses for raw materials and supplies	16,677,486.60		20.1
b) Expenses for purchased services	8,667,825.01		0.8
5. Personnel expenses			
a) Wages and salaries	13,904,488.07		13.7
b) Social contributions and expenses for pensions, Proportion incurred for pensions Euro 17,830.02 (previous year kEuro 9)	2,035,857.22		2.0
6. Depreciation performed to immaterial asset objects of fixed and material assets	2,936,924.46		2.9
7. Other operational expenses	9,119,159.95		12.4
		53,341,741.31	51.8
8. Other interests and similar yields	1,774,814.95		1.3
9. Interests and similar expenses	1,739,342.80		1.3
		35,472.15	0.0
10. Results due to regular business operations		9,138,079.52	6.9
11. Taxes for income and yield	3,493,532.83		2.7
12. Other taxes	36,425.91		0.1
		3,529,958.74	2.8
13. Annual profits		5,608,120.78	4.2
14. Profit brought forward from the previous year		15,273,340.49	11.3
15. Allocations to legally specified reserves		280,406.04	0.2
16. Balance sheet profits		20,601,055.23	15.3

Balance Sheet Statement as of December 31, 2007

Assets

	Euro	2007 Euro	2006 kEuro
A. FIXED ASSETS			
I. Immaterial asset objects			
EDP software and licenses		1,059,915.82	1,070
II. Equipment assets			
1. Property and buildings	11,973,325.71		12,600
2. Technical facilities and machines	1,200,647.05		2,030
3. Other assets, operational and business equipment	2,850,480.02		3,904
4. Advance payments and building assets	3,405,556.10		0
		19,430,008.88	18,534
III. Financial assets			
Other loan exposures		167,288.39	187
		20,657,213.09	19,791
B. CURRENT ASSETS			
I. Supplies			
1. Raw materials and operational supplies	3,177,282.51		5,799
2. Unfinished goods and services	416,000.00		463
		3,593,282.51	6,262
II. Accounts receivable and other asset objects			
1. Accounts receivable for goods and services	5,774,986.94		5,156
2. Accounts receivable from subsidiary companies	0.00		29
3. Accounts receivable against companies, for which a sharehold relationship exists	48,481.72		0
4. Accounts receivable against shareholders	0.00		15
5. Other asset objects	1,202,720.70		505
		7,026,189.36	5,705
III. Securities			
Other securities		8,451,331.41	0
IV. Cash reserves, cash balances held at credit institutes		2,923,536.79	4,235
		21,994,340.07	16,202
C. PRE-PAYMENTS AND ACCRUED INCOME		567,244.49	131
		43,218,797.65	36,124

Balance Sheet Statement as of December 31, 2007

Liabilities

	Euro	2007 Euro	2006 kEuro
A. EQUITY CAPITAL			
I. Issued Capital		5,115,000.00	5,115
II. Retained earnings			
1. Legally specified reserves	489,010.98		209
2. Other retained earnings	500,000.00		500
		989,010.98	709
III. Balance sheet profits		20,601,055.23	15,273
		26,705,066.21	21,097
B. PROVISIONS			
1. Tax provisions	828,000.00		1,858
2. Other provisions	4,300,108.48		5,102
		5,128,108.48	6,960
C. ACCOUNTS PAYABLE			
1. Accounts payable towards credit institutes	7,441,881.71		5,012
2. Accounts payable for goods and services	3,191,700.73		2,632
3. Other accounts payable	627,290.52		377
Proportion of taxes due, Euro 458,231.59 (previous year kEuro 353)			
		11,260,872.96	8,021
D. PRE-PAYMENTS AND ACCRUED INCOME		124,750.00	46
		43,218,797.65	36,124

Cash Flow Statement 2006 / 2007

	2007 in million Euro	2006 in million Euro
Annual results	5.6	4.2
Depreciation to equipment	2.9	2.9
Changes to provisions	-1.8	1.2
Other payment-ineffective expenses / yields	0.2	-0.1
Cashflow in accordance with DVFA/SG	6.9	8.2
Losses / profits resulting from equipment removals	0.0	0.0
Changes to current assets and short-term liabilities resulting from running operations	0.0	0.0
Supplies	2.7	0.9
Customer accounts payable	-0.8	3.1
Other accounts payable, and pre-payments and accrued income	-1.1	2.2
Supplier debts	0.6	-2.0
Received payments	0.0	-0.5
Other accounts payable, and pre-payments and accrued income	0.3	-0.8
Cash flow resulting from running operations	8.5	11.1
Deposits resulting from equipment removals	0.6	0.2
Investments made to fixed assets	-4.4	-2.2
Cash flow resulting from investments	-3.8	-2.0
Deposits resulting from equity inflow	0.0	0.0
Balance of borrowing accounts for loan repayments / acceptances	2.4	-1.6
Cash flow resulting from financing activities	2.4	-1.6
Financial cash assets at year's beginning	4.2	-3.3
Changes within the Fiscal Year	7.1	7.5
Cash assets at the end of the fiscal period	11.3	4.2

Development of Fixed Assets 2007

in kEuro	Purchasing and manufacturing costs				Accumulated depreciations				Book values	
	2007-01-01	Inflows	Outflows	2007-12-31	2007-01-01	Inflows	Outflows	2007-12-31	2007-12-31	2006-12-31
I. Immaterial asset objects										
EDP software and licenses	2,035	332	27	2,339	965	342	27	1,280	1,060	1,070
II. Equipment assets										
1. Property and buildings	17,338	99	0	17,437	4,738	726	0	5,464	11,973	12,600
2. Technical facilities and machines	7,203	14	44	7,173	5,173	832	32	5,973	1,201	2,030
3. Other assets, operational and business equipment	9,178	520	697	9,000	5,274	1,037	161	6,150	2,850	3,904
4. Advance payments and facility assets under construction	0	3,406	0	3,406	0	0	0	0	3,406	0
	33,719	4,039	742	37,016	15,185	2,595	194	17,586	19,430	18,534
III. Financial assets										
Other loan exposures	187	4	23	167	0	0	0	0	167	187
	35,941	4,375	792	39,523	16,150	2,937	221	18,866	20,657	19,791

HWA AG, Affalterbach, Germany

Notes for 2007

General Notes

The presented Annual Financial Statement was compiled in accordance with §§ 242 ff. and §§ 264 ff. German Commercial Code HGB, as well as in accordance with the relevant regulations of the German Companies Act AktG and the Articles of Association. The regulations for large corporations duly apply.

The Income Statement is compiled in accordance with the total cost approach.

The company stocks are traded in the status of Entry Standard, a partial domain of the Open Market on the Frankfurt Stock Exchange, as of April 19, 2007. Inclusion in the status Entry Standard does not mean a public stock market listing within an organized market in the sense of § 2 subchapter 5 of the German Security Trade Law (WpHG).

Balance Sheet and Evaluation Methods

For the most part, the following balance sheet and evaluations methods were relevant for the compilation of the Annual Financial Statement. Deviations unfolded in the course of the declaration of development costs (in the reported fiscal year, Euro 2 million), which were declared within the expenses for purchased services of the accounts for material expenses as of the beginning of the reported fiscal year. Previously, such was declared under the accounts for other operational expenses.

Purchased **immaterial asset objects** are declared to their purchasing costs, and are reduced by planned depreciations (3 and 5 years, linear method) in accordance with their lifecycle use, provided such are exposed to wear-and-tear.

Fixed assets are declared to their purchasing and manufacturing costs, and are reduced by planned depreciations, provided such are exposed to wear-and-tear.

The asset objects of the fixed assets are depreciated in a linear fashion in accordance with their forecasted lifecycle usage. Asset objects of low value to an amount of Euro 410.00

are fully depreciated in the year of inflow; their immediate outflow shall be assumed. Depreciation of fixed asset inflows are performed time-based.

As a principle, accepted loans for **financial assets** are declared to their nominal value

Stocks for **raw materials and supplies** are declared as assets to their average market prices under consideration of the minimum value principle.

The **unfinished and finished goods** are to be evaluated based on individual calculation at their manufacturing costs, whereby manufacturing and material overhead costs are also to be considered next to directly attributable material direct costs, manufacturing costs, and extra itemized costs. Borrowing costs, as well as costs for general administration were not declared as an asset object.

Unfinished services (development services contracted by third parties) are evaluated to their material and manufacturing costs incurred plus an adequate surcharge for overhead as unfolded up to the balance sheet key date.

All recognizable risks within **the storage assets**, which result from over-average storage duration, reduced utility, and lower re-purchasing costs, are considered by implementing adequate devaluations.

The storage assets are free from titles of third parties, with exception to common commercial property reservations.

Accounts payable and other asset objects are declared to their nominal value. All accounts with risks attributed are treated with adequate individual value corrections; general credit risks are treated with lump-sum discounts.

Other securities are declared in accordance with their purchasing costs.

Accounts for tax provisions and other provisions consider all uncertain accounts payable and threatening losses from floating business deals. They have been declared to such an amount as to which reasonable commercial assessment is necessary.

Accounts payable have been declared to their due re-payment sum.

Foreign currencies were converted under consideration of the minimum and maximum value principle.

Explanations to the Balance Sheet

Fixed Assets

The developments of individual fixed asset accounts is displayed within the Assets Analysis Overview.

Pre-Payments and Accrued Income

A disagio to the amount of k Euro 19 is contained within this account.

Equity Capital, Issued Capital

The share capital is allocated into 5,115,000 shares of piece of owner.

Under the approval of the Supervisory Board, the Executive Board is duly authorized to increase share capital by the emission of new shares against deposits performed until March 2, 2012, in one step or in several steps, to the amount of up to Euro 2,557,500.00 (approved capital sum), in total, even under due exclusion of legally specified subscription rights as specified in certain cases.

Balance Sheet Profits

A profit brought forward to the amount of kEuro 15,273 is contained within the balance sheet profits; in accordance with § 150 chapter 2 German Companies Act AktG, kEuro 280 (=5%) was declared to the benefit of legally specified provisions resulting from the balance sheet profits of the fiscal year.

Shareholds Declared in Accordance with § 20 German Companys Act AktG

The Aufrecht GmbH, headquartered in Affalterbach, Germany, has declared that they possess more than 25% of the company shares as of February , 2007.

Provisions

For the most part, other provisions were created for holiday claims and extraordinary compensations, fees of professional associations, guarantee and damage compensation claims, outstanding supplier invoices, as well as for jubilee funds.

Accounts Payable

From accounts payable towards credit institutes, the sum of kEuro 5,682 possesses a remaining term of 2 to 5 years, the sum of kEuro 89 possesses a remaining term of more than 5 years; the sum of kEuro 6,991 has been secured in the course implementing mortgage liens. The remaining accounts payable possess a remaining term of up to one year.

Other Financial Commitments

	kEuro
Payment commitments resulting from service, rent, and leasing agreements	1,100
Purchasing obligations resulting from granted investment contracts	3,575

The contracts end between 2008 and 2015.

Derivative Financial Instruments

As of December 31, 2007, an interest and currency swap exists, which was closed on August 22, 2006:

Interest rate %	Base value	Term of time	Market value
3.75	kEuro 2.858 /		
2.60	kCHF 4.511	2009-12-31	124

The base sums are reduced in half-year steps in accordance with the reduction of the long-term bank loan. The evaluation is based on generally accepted evaluation models (Black-Scholes, Heath-Jarrow-Morton).

Explanations to the Income Statement

Sales Income Based on Regions	2007		2006	
	kEuro	%	kEuro	%
Domestic	54,637	89.8	51,139	88.7
Foreign countries	6,226	10.2	6,509	11.3
	60,863	100.0	57,648	100.0

Other Operational Yields

For the main part, yields in other accounting periods result from yields incurred by fixed asset outflows (kEuro 46), yields incurred due to the liquidation of provisions (kEuro 769), as well as from DTM credit notes of the years 2005 and 2006 (kEuro 550).

Other Operational Expenses

Expenses of previous years amount to kEuro 518, and mostly refer to DTM expenses of the year 2006.

Other Information

Supervisory Board

Prof. Juergen Hubbert, Businessman	Chairman as of March 30, 2007
Hans Werner Aufrecht, Businessman	Chairman until March 30, 2007 Deputy Chairman as of March 30, 2007
Rolf Krissler, Tax consultant	Deputy Chairman until March 30, 2007
Dr. Christian Nordberg, Lawyer	until March 3, 2007

Christian Wolff, Businessman	as of March 3, 2007
Eva-Maria Aufrecht	as of March 30, 2007
Willibald Doerflinger, Businessman	as of March 30, 2007

The total compensations of the Supervisory Board amounted to Euro 19,500.00

Executive Board

Hans-Juergen Mattheis	Spokesperson of Executive Board as of March 30, 2007
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Gerhard Ungar

Personnel

Average number of employed staff members during the fiscal year:

Industrial hired workers	123
Employees	98
	221
Apprentices/Trainees	2
	223

Profit Use Proposal

In consensus with the Supervisory Board, the Executive Board proposes to allocate the balance sheet profits of Euro 20,601,055.23 to a pay-out amounting to Euro 3,836,250.00 (0.75 Euro per share) to the shareholders, and to bring the remaining amount of Euro 16,764,805.23 forward into a new fiscal period.

Affalterbach, dated March 2008
Executive Board

Audit Certificate

I, the undersigned auditor, have audited the Annual Financial Statement composed of the Balance Sheet and Income Statement, as well as the Notes, under the inclusion of bookkeeping data and the Management Report of the company HWA AG, headquartered in Afflerbach, Germany for the fiscal year during from January 1 until December 31, 2007. The bookkeeping data and the compilation of the Annual Financial Statement and Management Report in accordance with German commercial regulations are within the responsibility scope of the legally authorized representatives of the company. My task is to deliver an assessment of the Annual Financial Statement under the inclusion of bookkeeping data and about the Management Report as based on the audit performed by me.

I have performed my annual financial statement audit in accordance with § 317 German Commercial Law HGB under consideration of the German principles for an orderly audit as determined by the German CPA Institute (IDW). In accordance with the above mentioned, the audit is to be planned and executed in a manner so that incorrectnesses and breaches, which significantly impact the relayed picture of the asset, financial, and yield situation as presented by the Annual Financial Statement and by the Management Report, are recognized with sufficient probability. In the course of the determination of the audit tasks, knowledge about business operations and about the economic and the legal environment of the company, as well as about expectations regarding possible errors are considered. Within the framework of the audit, the effectivity of the internal controlling system as to accounting issues, as well as to verifications provided for accounting entries within the accounting books, and as to the Annual Financial Statement and Management Report, is

mainly to be assessed on the base of survey samples taken. The audit is composed of the assessment of the implemented Principles for Balance Sheet Statements and the relevant estimates of the legal representatives, as well as the assessment of the whole presentation of the Annual Financial Statement and the Management Report.

I am the opinion that my audit has created a sufficiently secure information base for my assessment.

My audit has produced no objections.

According to my assessment as based on the knowledge gained during the audit, the Annual Financial Statement complies with legal regulations, and delivers an accordingly true picture of the asset, financial, and yield situation of the company as fitting to the real situation, under consideration of the principles of orderly bookkeeping. The Management Report is consistent with the Annual Financial Statement; in all, it delivers a realistic picture of the situation of the company, and presents the opportunities and risks of the future development correctly.

Weilheim/Teck, dated March 27, 2008

Joachim Lutz
Certified Public Accountant

Financial Calendar

January 30, 2008	Release of preliminary figures for the business year 2007
April 2, 2008	Release of final figures for the business year 2007
May 23, 2008	Annual General Meeting of HWA AG in Affalterbach
May 26, 2008	Ex-Dividend day
August 6, 2008	Release of preliminary figures for the first half year 2008
August 26, 2008	Release of the half year report 2008

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HWA AG
Investor Relations / Press Relations
Benzstrasse 8
71563 Affalterbach
Phone +49 (0) 71 44/87 17-279
Fax +49 (0) 71 44/87 18-111
Email ir@hwaag.com

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HWA AG

Benzstraße 8

71563 Affalterbach

Phone +49 (0) 71 44 / 87 17-0

Fax +49 (0) 71 44 / 87 17-100

info@hwaag.com

www.hwaag.com