HWA

ENGINEERING SPEED

HALF-YEAR REPORT

2023

INTERIM MANAGEMENT REPORT

DEAR SHAREHOLDERS,

For HWA AG, the first half of 2023 was characterised by a high order backlog in relation to the production of Mercedes-AMG customer sports vehicles and decisions still pending in relation to development projects, also on the part of Mercedes-AMG.

Both vehicle production and the after-sales business in Mercedes-AMG GTx customer sport, which performed very well compared to the previous year, continue to be affected by disruptions in the supply chains and thus the continuous supply of materials, albeit to a much lesser extent. This has been successfully managed by HWA AG to date.

A development order from DeTomaso-Automobili provided additional capacity utilisation in the development areas of HWA AG in the reporting period, which completed the planned development of an LMDh engine for the customer Michelotto, as well as the development of the new Mercedes-AMG GT2 vehicle, which has now been handed over to production.

In addition, HWA AG's general cost-cutting and transformation programme continues unabated in order to ensure the optimal structural positioning and alignment of the organisation for the requirements of the future.

HWA AG has planned a positive EBIT in the very low single-digit million range for 2023 as a whole. We are pursuing this goal with the highest priority and consider ourselves to be on a solid path in this regard - with the necessary keen eye for developments relating to the supply of materials and the commissioning of development projects.

In the second half of the year, HWA AG's vehicle production will also be fully utilised, in particular by the production of the Mercedes-AMG GT2 and GT3 vehicles.

The production of powertrains for the customer Pagani was successfully completed in the first half of 2023.

The same applies to the Apollo IE vehicles for the customer Apollo.

HWA AG still aims to acquire and launch new development projects in the second half of 2023, including in new potential markets for HWA AG or with its own HWA products.

To summarise, from today's perspective we still believe it is realistic to achieve the economic targets set for 2023.

1. BACKGROUND INFORMATION ON THE GROUP

LEGAL AND ECONOMIC POSITION OF THE COMPANY IN 2023

HWA AG was founded in 1998 under the name H.W.A. GmbH. It became a stock corporation (AG) under German law in 2006. The shares of HWA AG have been traded on the Open Market segment of the Frankfurt Stock Exchange since 19 April 2007. The company operates in Germany as an individual entity.

As the parent company, HWA AG, Affalterbach, holds the majority of the voting rights in and exercises joint management over the following legal entities:

- HWA US Inc., Wilmington, Delaware, USA (100%)
- HWA AUS Pty Ltd, Mornington, Victoria, Australia (100%)
- HYRAZE GmbH, Affalterbach, Germany (100%)

The first two above-mentioned legal entities serve as sales and support companies for the respective local markets in the USA and Australia.

HYRAZE GmbH has since been renamed HWA Cars GmbH and will realise HWA AG's own vehicle projects in the future.

The consolidated financial statements include the parent company, HWA US Inc., HWA AUS Pty Ltd. in Australia and HWA Cars GmbH as fully consolidated companies.

HWA AG's two business divisions, Motor Racing and Vehicles/Vehicle Components, develop, design and produce high-performance technological products for use in racing series and provide comprehensive services.

There were no significant activities in the motor racing division in the first half of 2023. HWA does not currently have any racing projects of its own.
The second business division, Vehicles/Vehicle Components, focuses on the provision of development, production and services for the automotive industry and other customer groups. As a highly

specialised service provider, HWA AG uses its racing-specific expertise to carry out development and production orders for various customers.

Spare parts and services are also provided locally at the Affalterbach site and worldwide.

HWA AG no longer holds any shares in PACETEQ GmbH as at the reporting date.

RESEARCH AND DEVELOPMENT

Across all activities and business areas, HWA AG also has extensive resources at its disposal, which are the prerequisite for the competitive development of racing vehicles, customer sports and small series vehicles as well as vehicle units and components. For example, the use of the latest IT solutions in simulation and design ensures that all developments are state of the art. The company also has extensive expertise and a wide range of resources to develop electrical and electronic systems for racing and small series vehicles as well as vehicle components independently, customised and specific to the application. This includes the creation and programming of corresponding control electronics as well as their simulation and evaluation.

HWA AG has built up an excellent and very well-functioning infrastructure over the past few years in order to be able to guarantee an appropriate service for customers operating worldwide in the GT customer sport sector. This enables thorough testing and maintenance of vehicles at the racetrack, in-house or directly on site.

HWA AG will pay particular attention to research and development in the future, also in order to open up new business areas and opportunities, including outside motorsport, so that the high standard of all current and future products and the resulting competitive advantage can continue to be guaranteed.

2. ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

After a strong recovery in 2022, the global economy is growing more slowly in the first half of the year.
The problems in the supply chains have largely been resolved and the easing of the zero-COVID strategy in China is increasing the global production of goods.
However, the global framework conditions remain difficult. Global inflation continues to act as a brake, as it reduces purchasing power.

The central banks' fight against inflation is reducing economic activity in some sectors. For example, higher interest rates, coupled with high inflation, are having a negative impact on the development of important sectors of the economy.
In addition, the armed conflict between Russia and Ukraine continues to cause uncertainty.

AUTOMOTIVE MARKET AND OTHER RELEVANT MARKETS

The majority of international automotive markets recorded increases in new registrations in the first half of 2023. The first half of the previous year was characterised by turbulence such as the start of the Russian war of aggression against Ukraine, extensive lockdowns in Chinese metropolitan regions and disrupted supply and logistics chains. The current improved supply situation is leading to increased vehicle availability on the markets. However, the current positive figures are deceptive, as they include catch-up effects from the previous year and the decline in overall economic demand due to high inflation rates will make future quarters challenging.

In Europe, around 6.6 million new vehicles were registered from January to June, compared to around 5.6 million in the previous year. The German market recorded an increase of around 13% compared to the same period last year. A total of 1.4 million vehicles were registered in Germany.

The US market for passenger cars recorded a significant increase of around 13% compared to the first half of 2022.

Approximately 11.1 million cars were sold in China, which corresponds to an increase of around 9% compared to the same period last year.

The Mercedes-Benz Cars & Vans brand sold a total of 1,237,600 units in the first half of 2023, around 6% more than in the same period of the previous year. In Europe, Mercedes-Benz Cars sold a total of 321,021 vehicles (prior-year period: 301,252), of which 119,029 were sold in Germany. In China, the largest single market, 374,578 units were sold compared with 350,698 units in the previous year.

Overall, these figures point to a recovery in this area of the global economy.

The market for e-mobility in Germany shrank again by a comparatively moderate 2%, partly due to the discontinuation of state subsidies. A good 299,500 e-cars and plug-in hybrids were registered here in the first half of 2023, which is one in five cars overall.

BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

a. Business development and forecast performance of the company

In general, HWA AG's business, in particular Mercedes-AMG customer sport, has stabilised further compared to the previous year. In economic terms, most business areas are performing as expected; only in the development areas and the associated support areas is the order situation in the first half of the year unsatisfactory.

Overall, the HWA Group was able to fulfil its original expectations with a total operating performance of EUR 42.6 million in the first half of the year, compared to EUR 46.0 million in the same period of the previous year.

b. Results of operations

In the first six months of 2023, HWA's sales revenue totalled EUR 42.4 million after EUR 41.4 million in the same period of the previous year.

Total operating performance fell from EUR 46.0 million in the first half of 2022 to EUR 42.6 million in the first half of 2023 due to a significantly lower change in inventories of work in progress and finished goods.

The cost of materials at the end of the first half of 2023 totalled EUR 28.3 million compared to EUR 27.6 million in the same period of 2022, which can be explained by the change in the product mix. The relative increase in the cost of materials can be explained by the relatively high proportion of production volumes in total output, which are material-intensive.

Other operating expenses remained constant in the reporting period compared to the previous year, from 5.8 million euros to 5.7 million euros, but are made up differently. HWA's cost and efficiency programme continues to have an impact, while variable reimbursements to customers linked to sales have the opposite effect.
EBIT was negative at minus 4.1 million euros, compared to plus 0.7 million euros in the previous year, mainly due to underutilisation in the development areas.

After taxes and interest, the result is minus 4.6 million euros compared to 0.3 million euros in 2022.

HWA US achieved a slightly positive result, while HWA AUS recorded a slightly negative result.

HYRAZE GmbH (HWA Cars GmbH) made no contribution to earnings in the reporting period and has since been renamed HWA Cars GmbH.

c. Net assets and financial position

The Group's total assets increased from 62.7 million euros as at 31 December 2022 to 64.3 million euros in the reporting period.

On the assets side, a reduction in fixed assets from 14.5 million euros to 13.3 million euros is offset by an increase in current assets from 45.4 million euros to 48.2 million euros. This increase is mainly due to the increase in inventories and receivables.

On the liabilities side, this is accompanied by a reduction in equity to 20.5 million euros and an increase in liabilities from 32.8 million euros to 38.1 million euros. The reduction in equity results from the negative result in the first half of 2023.

Liabilities to banks fell from 15.0 million euros to 14.4 million euros and trade payables fell from 12.3 million euros to 10.2 million euros. Liabilities to shareholders increased from 3.5 million euros to 11.6 million euros.

The cash flow from operating activities is negative at minus 9.2 million euros, which is mainly due to the negative result and the temporary increase in inventories and receivables. This was offset by the cash flow from financing activities due to the raising of shareholder loans totalling EUR 8.0 million. Cash and cash equivalents were also negative at minus 6.5 million euros as at the reporting date, which was also the case in 2022 at minus 5.2 million euros.

Liquidity management ensures that HWA AG and its subsidiaries can fulfil their payment obligations on time as far as possible. To this end, the Group records the cash flows from operating activities and financial transactions in a rolling plan.

d. Capital expenditure

Investment activity was also reduced to the minimum necessary as at 30 June 2023. Around 0.1 million euros had been invested by 30 June.

The investments mainly relate to IT infrastructure and technical equipment and machinery as well as operating equipment.

e. Employees

As of 30 June 2023, HWA AG had 272 employees (30 June 2022: 260). In addition, two employees worked at HWA US and one at HWA Australia.

3. FORECAST, OPPORTUNITY AND RISK REPORT

In principle, the management report contains forward-looking statements that are based on current estimates of the Executive Board regarding future developments. These estimates and statements are not to be understood as guarantees that these developments will prove to be correct in the future. The future development of HWA AG is dependent on a number of risks and uncertainties, various factors of which are beyond the control of HWA AG. These are described in the following opportunity and risk report, but are not limited to the risks described here. The actual results and successes of HWA AG may therefore differ significantly from the forward-looking statements made.

FORECAST

The recent past has shown worldwide that planning, estimates and forecasts can quickly become obsolete due to factors that cannot be influenced, such as pandemics and wars, but also other economic or macroeconomic issues. The Executive Board believes that this will continue to be the case.

For HWA AG, the first half of 2023 has shown that even complex global economic systems can recover relatively quickly and adapt to new conditions, but that new problems can also arise relatively quickly. To summarise, we can speak of a significant increase in uncertainty. This applies to external influences, such as customer orders or a shortage of skilled labour, but also to internal company factors such as employee turnover.

Supply chains are functioning much more robustly again for HWA AG and good output volumes can be achieved in vehicle production and also in the area of customer sport after sales thanks to stringent production and sales planning and implementation.

The motor racing division will only be of secondary importance for HWA AG in 2023. HWA AG will not conduct its own racing activities in 2023. However, the market will be continuously analysed for possible options.

In the Vehicles/Vehicle Components division, 2023 has not yet met the original expectations, particularly in the area of development, as firmly planned development projects could not be started as budgeted.

HWA expects a strong increase in sales in the second half of 2023, particularly in the area of development, as further development projects have been commissioned and started in the meantime. This also applies to vehicle production, as the Mercedes-AMG GT2 vehicles ordered by Mercedes-AMG will be produced and delivered in the second half of 2023.

Both the sales target issued for 2023, which is lower than in the previous year, and EBIT in the very low single-digit million euro range can still be realised from today's perspective.

OPPORTUNITIES AND RISKS

As mentioned above, the Management Board of HWA AG currently believes that it is realistic to achieve the economic targets set for 2023.

The risks for HWA AG are partly related to the global risks already described, with uncertainty about additional negative effects on the company. These include rising prices, including procurement costs, energy costs and gas supply, as well as the availability of materials, but also issues relating to employees and skilled labour.
Other specific risks mainly relate to the order situation in the development areas and the customer portfolio or customer diversification.
These specific identified risks must continue to be minimised on an ongoing basis and HWA AG's business model must be placed on a strong and fluctuation-resistant foundation.

In order to be able to identify, analyse and evaluate potential risks as quickly as possible, HWA AG relies on a comprehensive information system that enables management to introduce effective strategies and measures at an early stage.

In the Vehicles/Vehicle Components division, HWA AG is dependent on constant capacity utilisation, particularly in the development areas.
The same applies to vehicle production for the manufacture of GT racing cars.

The current project situation in the area of development for the second half of 2023 also looks significantly better than in the comparable first six months.
Projects that have already begun are being continued and new ones are being added, filling HWA AG's order book. And this is happening both in the conventional environment of conventional combustion engines and in the area of new technologies, as well as sustainability and electrification.
Whether this trend will continue in 2024 is not yet clear from today's perspective.
In future, HWA aims to increase its efforts to develop its own products and bring them to market.
The aim is to further reduce dependence on existing major customers.
This will partly require the company's own financial resources, which will be released, among other things, through the realised sale of HWA AG's operating properties with simultaneous long-term leaseback. The resulting effect on earnings is already included in the aforementioned earnings forecast.

As already mentioned, the motor racing segment is currently of no significant importance for HWA AG. This is also expected to be the case in the second half of 2023.

RISK REPORT ON THE USE OF FINANCIAL INSTRUMENTS

In addition to sales and turnover risks, financial risks must also be taken into account. Trade receivables that were recognised in the company's balance sheet at the end of the first half of 2023 and classified as a risk have been individually impaired.

HWA AG only enters into derivative financial instruments to hedge the risks of corresponding underlying transactions. Exchange rate risks mainly arise on the procurement side in British pounds and US dollars. The development of these exchange rates is constantly monitored in order to be able to react to any exchange rate fluctuations and, if necessary, to hedge the risks with derivative financial instruments. There was no exchange rate hedging for procurement transactions as at 30 June.

The opportunity/risk profile of HWA AG continues to change from a one- to two-project company to a multi-project organisation. The implemented information system is reliable in identifying potential risks in order to initiate countermeasures at an early stage.

NON-FINANCIAL PERFORMANCE INDICATORS

The value of HWA AG is largely determined by non-financial performance indicators in addition to the key financial figures. These relate to the company's relationships with customers and employees as well as its technological position. Taken together, the information allows conclusions to be drawn about the extent to which HWA AG is successful,

- retain competent and committed employees as an attractive and responsible employer.
- to develop products that will continue to fulfil customer requirements in the future.
- To sustainably increase customer benefit through the range of products and services and to organise production processes in such a way that resources are conserved.

HWA AG is convinced that these aspects are essential components of a forward-looking competitive positioning.

In accordance with legal requirements, the company has an occupational safety specialist who trains employees annually on the subject of occupational health and safety, as well as a corresponding specialist for fire protection.

HWA AG has an integrated quality management system that conforms to the 9001:2015 standard and has been successfully audited by DEKRA Certification GmbH.

HWA also confirms its commitment to environmental management by achieving and maintaining DIN ISO EN 14001 and the FIA Sustainability Accreditation Standard.

At an operational level, HWA AG also calculates non-financial key figures in the areas of personnel and quality, which are also used to manage the company.

Affalterbach, 27 October 2023

Martin Marx (CEO)

Gordian von Schöning (CTO)

HWA AG - FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDING 30 JUNE 2023
CONSOLIDATED BALANCE SHEET

			30 June 2023	31 December 2022
ASSETS		EUR	EUR	EUR
A.	FIXED ASSETS			
I.	Intangible assets			
	1. Internally generated industrial rights and similar rights and assets	652,208		1,007,958
	2. Purchased concessions, industrial and similar rights and assets, and licences to such rights and assets	48,639		77,231
			700,847	**1,085,189**
II.	Tangible assets			
	1. Land and buildings	8,462,524		8,902,732
	2. Technical equipment and machinery	1,304,026		1,344,567
	3. Other equipment, operating and office equipment	889,543		994,926
	4. Prepayments and assets under construction	1,954,074		1,954,074
			12,610,167	**13,196,299**
III. Financial assets				
	Shares in associates	0		262,894
			13,311,014	**14,544,382**
B.	CURRENT ASSETS			
I.	Inventories			
	1. Raw materials, consumables	30,313,861		28,825,590
	2. Work in progress and finished goods	11,725,849		12,048,642
	3. Advance payments	370,559		171,655
	4. Advance payments received on inventories	-397,866		-2,486,486
			42,012,403	**38,559,401**
II.	Receivables and other assets			
	1. Trade receivables	4,765,991		3,630,647
	2. Other assets	1,157,782		1,143,068
			5,923,773	**4,773,715**
III.	Cash in hand and at banks		**302,539**	**2,071,755**
			48,238,715	**45,404,871**
C.	PREPAID EXPENSES AND DEFERRED INCOME		**152,578**	**266,849**
D.	DEFERRED TAX ASSETS		**2,599,073**	**2,458,293**
			64,301,380	**62,674,395**

EQUITY AND LIABILITIES		EUR	30 June 2023 EUR	31 December 2022 EUR
A.	**EQUITY**			
I.	**Subscribed capital**		**6,591,105**	**6,591,105**
II.	**Capital reserves**		**13,826,392**	**13,826,392**
III.	**Revenue reserves**			
	1. Legal reserve	511,500		511,500
	2. Other revenue reserves	1,310,000		1,310,000
			1,821,500	**1,821,500**
IV.	**Difference in equity from currency translation**		**-354,543**	**-150,416**
V.	**Retained profits/accumulated losses brought forward**		**3,189,212**	**1,319,021**
VI.	**Net loss (previous year: net income)**		**-4,578,367**	**1,870,191**
			20,495,300	**25,277,793**
B.	**PROVISIONS**			
	1. Tax provisions	147,406		210,990
	2. Other provisions	3,492,543		3,191,808
			3,639,949	**3,402,798**
C.	**LIABILITIES**			
	1. Liabilities to banks	14,437,849		15,031,591
	2. Loan liabilities to shareholders	11,610,424		3,500,000
	3. Trade payables	10,152,265		12,337,983
	4. Other liabilities of which from taxes EUR 532 (PY: EUR 605 thousand) of which in part of social security EUR 1 (PY: EUR 3 thousand)	1,883,402		1,890,988
			38,083,940	**32,760,562**
D.	**PREPAID EXPENSES AND DEFERRED INCOME**		**2,082,191**	**1,233,242**
			64,301,380	**62,674,395**

CONSOLIDATED INCOME STATEMENT

		1 January to 30 June 2023	1 January to 30 June 2022
	EUR	EUR	EUR
1. Sales revenue	42,431,939		41,364,357
2. Change in finished goods inventories and work in progress	-682,300		3,703,871
3. Other own work capitalised	-		-
4. Other operating income of which income from currency translation EUR 90,000 (PY: EUR 253 thousand)	815,013		950,976
		42,564,652	**46,019,204**
5. Cost of materials			
a) Cost of raw materials, consumables and supplies	22,733,133		22,723,998
b) Cost of purchased services	5,589,177		4,858,223
6. Personnel expenses			
a) Wages and salaries	9,775,509		9,050,361
b) Social security and post-employment costs	1,725,278		1,554,703
Thereof for old-age pensions EUR 28,000 (PY: EUR 28 thousand)			
7. Depreciation, amortisation and write-downs			
a) of intangible fixed assets and tangible fixed assets	1,119,385		1,245,082
b) on current assets, insofar as these exceed the usual depreciation and amortisation in the corporation	-		-
8. Other operating expenses of which expenses from currency translation EUR 365,000 (PY: EUR 0 thousand)	5,694,393		5,847,780
		46,636,875	**45,280,147**
9. Earnings before interest and taxes (EBIT)	-	**-4,072,223**	**739,057**
10. Other interest and similar income	-107,480		-146,454
11. Interest and similar expenses	527,799		349,968
12. Income taxes of which income from change in recognised deferred taxes EUR -142,000 (PY: EUR -104 thousand)	-151,651		-82,117
13. Earnings after taxes		**-4,555,851**	**324,752**
14. Other taxes	22,516		19,595
15. Net income for the year (PY: net loss for the year)		**-4,578,367**	**305,157**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023

GENERAL INFORMATION

The consolidated financial statements were prepared on the basis of the consolidation regulations under commercial law. In addition, the provisions of the German Stock Corporation Act (AktG) were required to be observed.

To improve the clarity of presentation in the consolidated financial statements, some of the "of which" items are shown in the notes to the consolidated financial statements rather than in the consolidated balance sheet or consolidated income statement.

The financial year of the Group and the consolidated companies corresponds to the calendar year. The consolidated financial statements were prepared as at 30 June 2023 and cover the period from 1 January to 30 June.

The consolidated balance sheet and the consolidated income statement are structured in accordance with Sections 294 et seq. HGB. The notes to the consolidated financial statements have been prepared in accordance with the provisions of Sections 313 and 314 HGB. The income statement has been prepared using the nature of expense method in accordance with Section 275 (2) HGB.

Unless otherwise specified, amounts are reported in full euros.

REGISTER INFORMATION

The company has been entered into the commercial register of Stuttgart Local Court under the name HWA AG, domiciled in Affalterbach, and the number HRB 721692.

CONSOLIDATED GROUP

In these consolidated financial statements, the companies specified in the list of shareholdings were included in accordance with the principles of full consolidation/equity consolidation unless they were not consolidated due to their immateriality. They were included in accordance with Section 290 (2) HGB and Section 311 (1) HGB.

The following companies were included in the consolidated financial statements of HWA AG:

The company	Seat	Shares	Consolidation
HWA US Inc.	Wilmington, USA	100,0%	Full consolidation
HWA AUS Pty Ltd	Mornington, Australia	100,0%	Full consolidation
HWA Cars GmbH (formerly Hyraze GmbH)	Affalterbach	100,0%	Full consolidation

The shares in Pacteq GmbH were sold by HWA AG in the 2023 financial year. The company was deconsolidated.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements were prepared in accordance with the principles of commercial law.

Capital is consolidated in accordance with the revaluation method. All assets and liabilities of the subsidiary are then recognised at their fair value at the acquisition date or at the date when a controlling influence is obtained. Any positive difference which arises when the acquisition costs are offset against the revalued equity attributable to the parent company is reported as goodwill under intangible assets and is amortised over the respective useful life.

In addition, the carrying amount of goodwill is tested for impairment on an annual basis, as well as during the year if there are indications of possible impairment. If goodwill impairment is identified, an unscheduled write-down is performed.

Receivables and liabilities between affiliated companies in the consolidated Group are eliminated in full.

Expenses and income between affiliated companies in the consolidated Group are eliminated in full. If there is still purchased merchandise on hand as at the end of the reporting period, intercompany profits included in this are eliminated.

The equity investment in associates is measured using the book value method pursuant to Section 312 (1) sentence 1 HGB.

ACCOUNTING POLICIES

The following accounting policies were the decisive factor in the preparation of the annual financial statements.

The annual financial statements of the companies included in the consolidated financial statements of HWA were prepared in line with uniform accounting policies.

Internally generated **intangible assets** are recognised at their production cost and amortised over their expected useful lives.

Purchased **intangible assets** are recognised at cost of acquisition and where appropriate are amortised on a straight-line basis over their useful life of three or five years.

Tangible assets are recognised at cost of acquisition or construction and depreciated where appropriate.

Depreciation of property, plant and equipment is performed on a straight-line basis over their expected useful life. In accordance with tax regulations. low-value assets with a value of up to EUR 1,000.00 (since 1 January 2023, until 31 December 2022 EUR 800.00) are written off immediately and recognised as disposals in the year of addition. Additions to property, plant and equipment are depreciated pro rata temoris.

Inventories of **raw materials, consumables and supplies** are capitalised at the average cost or at net realisable values, whichever is lower.

Finished goods inventories and work in progress are valued at cost of production, including direct material, labour and other costs, as well as indirect material costs and production overheads. Interest expense and general administrative overheads were not capitalised.
All recognisable risks of holding **inventories** arising in connection with slow-moving stocks, reduced market values and lower replacement costs are reflected in appropriate write-downs.

Receivables and other assets are recognised at their nominal value. For risks attaching to individual items, specific provisions are made; general credit risk is the subject of general provisions. In accordance with Section 253 (4) HGB, material long-term receivables and other assets are discounted using the relevant average market interest rate for the past seven financial years in line with their remaining term.

Cash and cash equivalents are recognised at the lower of cost or fair value.

Expenses prior to the balance sheet date are recognised under **prepaid expenses** if they represent expenses for a specific period thereafter.

Deferred taxes are calculated based on temporary differences (including those not likely to reverse in the foreseeable future) between the carrying amounts of assets, liabilities and accruals for the purposes of financial accounting and their carrying amounts for tax purposes, and on tax loss carry-forwards. The amounts of the resulting tax burden or tax relief are calculated using the rates of taxation expected to apply to the company at the time the differences are reversed, and are not discounted. The option under Section 274 (1) sentence 2 HGB is exercised where permitted and any resulting overall tax relief is recognised as a deferred tax asset.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. The amounts provided are the amounts deemed necessary in prudent commercial judgement, taking account of anticipated future price and cost increases. In accordance with Section 253 (2) sentence 1 HGB, material long-term provisions are discounted using the relevant average market interest rate for the past seven financial years in line with their remaining term.

Liabilities are recognised at the settlement amount.

The acquisition cost of **assets and liabilities denominated in foreign currencies** is translated at the mean spot rate on the transaction date. Assets and liabilities with remaining terms of one year or less are generally measured using the mean spot rate as of the balance sheet date. Assets and liabilities with a remaining term of more than one year are recognised at the mean spot rate as of the balance sheet date, taking account of the realisation and imparity principle.
Deferred income comprises proceeds that are received before the reporting date but represent Income for a certain period after that date.

Where **valuation units** are defined in Section 254 HGB are formed, the following accounting policies are applied:

Derivative financial instruments are used at HWA AG for hedging purposes only. Economic hedging relationships are accounted for by forming valuation unit: The countervailing positive and negative changes in value are recognised gross in the income statement.

With the exception of equity (subscribed capital, reserves, retained profits/accumulated losses brought forward at historical exchange rates), the asset and liability items of the annual financial statements prepared in foreign currencies were translated into euros at the respective mean spot rate as of the reporting date. The items of the income statement are translated into euros at the average exchange rate. The resulting currency translation difference is reported within Group equity after reserves in the item "Difference in equity from currency translation".

CONSOLIDATED BALANCE SHEET DISCLOSURES

DEVELOPMENT WORK

HWA AG mainly performes development work as part of customer orders. In 2019, development costs for the R4T engine in the amount of EUR 3,557 thousand were capitalised for the first time under internally generated intangible assets. The company sees a wide range of opportunities to use this in-house development in motorsports in various different racing classes in the future, and therefore considers the prospects for future sources of income to be good.

No further costs were incurred for in-house developments. Smaller development projects also are not recognised due to their lack of materiality.

LIST OF SHAREHOLDINGS

In the United States of America (headquarters: state of Delaware), the subsidiary "HWA US Inc." was founded in 2016 with capital of EUR 239,900.20 (USD 250 thousand). HWA AG holds a 100% share in this subsidiary. The company was fully consolidated in the consolidated financial statements.

In Australia, the subsidiary "HWA AUS Pty Ltd." was founded in 2017 with capital of EUR 10,047.56 (AUD 15,000). HWA AG holds a 100% share. The company was fully consolidated in the consolidated financial statements.

The subsidiary Hyraze GmbH was founded in the 2020 financial year with share capital of EUR 25,000. On 28 June 2023, Hyraze GmbH was renamed HWA Cars GmbH. The company is fully consolidated in the consolidated financial statements.

In the 2020 financial year, the subsidiary Paceteq GmbH was founded with share capital of EUR 25,000, in which HWA held a 15% stake as at the last reporting date. The company was included in the consolidated financial statements as an associated company accounted for using the equity method. The shares in Paceteq GmbH were sold in March.

INVENTORIES

In addition to customary reservations of title, there are the following additional charges on inventories: a blanket assignment and collateral assignment of HWA's inventories to the principal banks to secure the working capital facilities and the KFW loan received in the amount of EUR 3,000 thousand. The US warehouse was also assigned as collateral to the Dörflinger management company.

Advance payments received are openly offset against inventories and have a remaining term of up to one year.

RECEIVABLES AND OTHER ASSETS

EUR 0 thousand (previous year: EUR 0 thousand) of the trade receivables have an expected remaining term of more than one year.

DEFERRED TAXES

Deferred taxes result from the following circumstances:

	30.6.2023		31.12.2022	
	Deferred tax assets TEUR	Deferred tax liabilities TEUR	Deferred tax assets TEUR	Deferred tax liabilities TEUR
from fixed assets				
- internally generated intangible assets	2	176		247
- tangible assets		1	2	
- financial assets		87		87
from inventories	932		768	
from receivables	9		1	
from prepaid expenses and deferred income	49	4	42	
from loss carry-forwards	1.791		1.897	
from other provisions	91		79	
from unrealised gains	6	13	30	
Without netting	**2.880**	**281**	**2.819**	**361**
Of which curent	343	5	325	3
Netting	-281	-281	-361	-361
Carrying amount	**2.599**	**0**	**2.458**	**0**

Deferred taxes were calculated in the financial year at a tax rate of 27% (previous year: 27%).

EQUITY AND AUTHORISED CAPITAL

On 28 July 2020, the Annual General Meeting of HWA AG passed a resolution to cancel the existing authorised capital and to create new authorised capital with the option to exclude subscription rights. Since then, the Management Board has been authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 27 July 2025 by up to a total of EUR 2,996,957.00, i.e. 50% of the current share capital of EUR 5,991,914.00, against cash and/or non-cash contributions by issuing new no-par value bearer shares.

In the 2022 financial year, the Management Board of HWA AG resolved to increase the company's share capital by 10% against cash contributions using the Authorised Capital 2020. To this end, the company's share capital was increased by a nominal amount of EUR 599,191.00 from EUR 5,991,914 to EUR 6,591,105.00 by issuing a total of 599,191 new no-par value bearer shares with the simplified exclusion of shareholders' subscription rights.

PROVISIONS

Other provisions were mainly recognised for outstanding invoices, holiday entitlements, anniversary benefits and other personnel expenses.

LIABILITIES

Of the liabilities to banks, EUR 9,673 thousand (previous year: EUR 9,360 thousand) have a remaining maturities of up to one year and EUR 4,765 thousand (previous year: EUR 5,432 thousand) have remaining maturities of more than one year. Of this amount, EUR 0 thousand (previous year: EUR 263 thousand) has a remaining maturities of more than five years. EUR 8,468 thousand is secured by charges on real property.

Liabilities to shareholders take the form of three loans with different residual terms.

In addition to the customary retentions of title, the following further encumbrances exist: a blanket assignment and assignment as security to the principal banks exists for the inventories of HWA AG to secure the working capital lines. The US warehouse of the subsidiary HWA US was also pledged as security for further loans totalling EUR 3.5 million.

The liabilities to shareholders exist in the form of a loan with a remaining term of more than one year.

Trade payables and other liabilities have a remaining term of up to one year.

Collateral has been provided for these liabilities to the usual extent as customary in the industry and where required by law.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

There are payment obligations under rental and leasing agreements In the amount of EUR 4,502 thousand. The agreements come to an end between 2023 and 2027. The lessor or landlord bears all risks. The purchase commitment stands at EUR 5,189 thousand.

To safeguard loans granted by banks, shareholders and other third parties, inventories and selected items of fixed assets have been assigned to creditors as collateral.

DERIVATIVE FINANCIAL INSTRUMENTS

There were no longer derivative financial instruments as at the end of the reporting date.

DISTRIBUTION RESTRICTION

Due to the capitalisation of internally generated intangible assets, EUR 476 thousand and from the capitalisation of deferred taxes EUR 2,423 thousand are blocked from distribution in accordance with Section 268 (8) HGB.

CONSOLIDATED INCOME STATEMENT DISCLOSURES
SALES REVENUE

Sales revenue breaks down as follows:

	1st half-year 2023 EUR thousand
Sales revenues by region	
Domestic	25.635
Outside Germany	16.797
	42.432

OTHER OPERATING INCOME

Other operating income primarily relates to non-cash benefits of private car use (EUR 115 thousand), the reversal of provisions and value adjustments (EUR 323 thousand), rental income (EUR 224 thousand) and currency effects (EUR 90 thousand).

DEPRECIATION AND AMORTISATION OF CURRENT ASSETS

Depreciation is recognised on inventory items, as potential selling prices below production cost are assumed.

OTHER OPERATING EXPENSES

Other operating expenses mainly consist of operating expenses (EUR 4,037 thousand), sales and administrative expenses (EUR 993 thousand), other personnel expenses (EUR 264 thousand) and miscellaneous expenses (EUR 400 thousand). Miscellaneous expenses mainly relate to value adjustments on receivables (EUR 33 thousand) and exchange rate losses including currency valuations (EUR 365 thousand).

INTEREST EXPENSES

Interest expenses include expenses from the discounting of provisions totalling EUR 1 thousand (previous year: EUR 0 thousand).

INCOME TAXES

Deferred taxes are calculated using the balance sheet liability method if there are differences between assets, liabilities and accruals for the purposes of financial accounting and their carrying amounts for tax purposes, which will reverse again over time.

Deferred taxes result from differences between the carrying amounts of fixed assets, inventories, trade receivables and provisions for the purposes of financial accounting and those for tax purposes. Only temporary differences were recognised to calculate deferred taxes.

Taxes on income mainly relate to the results of ordinary business activity.

The consolidated net income of EUR -4,730 thousand was improved by income taxes totalling EUR 152 thousand. Taxes on income from deferred taxes amounting to EUR 142 thousand.

This also includes deferred taxes resulting from temporary differences between the amounts recognised in the tax accounts and in the commercial accounts. Deferred taxes are calculated based on the tax rates applicable in the individual countries.

Tax expenses included in the consolidated financial statements comprise the following:

	EUR thou-sand	
Earnings before taxes	**-4.730**	
Relevant tax rate		27,0%
Expected tax expense	-1.277	
Deviation from tax base		
Tax allowances and benefits	-143	3,0%
Non-deductible expenses	27	-0,5%
Changes in tax rates		
Foreign tax rates	-29	0,6%
Recognition and measurement of deferred tax as-sets		
Impairment of deferred taxes on loss carry-forwards	1.159	-24,5%
Not recognised	6	-0,1%
Other	2	0,0%
Current tax expense	**-152**	
Effective tax rate		**-3,2%**

The Group has applied a full comparative analysis approach and reported a net balance sheet amount for each country.

OTHER DISCLOSURES

THE SUPERVISORY BOARD

- Hans Werner Aufrecht, businessman, Chairman
- Willibald Dörflinger, entrepreneur, Deputy Chairman
- Gert-Jan Bruggink, equestrian show jumper
- Hussain Ahmad Al-Siddiq, Deputy Chief Executive Officer
- Klemens Große-Vehne, entrepreneur
- Simone Stegmaier, tax consultant

The remuneration of the Supervisory Board for the purposes of Section 113 of the German Stock Corporation Act (AktG) amounted to EUR 10 thousand.

MANAGEMENT BOARD

Martin Marx, CEO, sole Management Board member

In accordance with Section 286 (4) HGB, the total remuneration of the Executive Board pursuant to Section 285 (9) (a) and (b) HGB has not been disclosed.

The Supervisory Board of HWA AG has appointed Mr. Gordian von Schöning as a member of the Management Board with effect from 1 August 2023. Mr. Martin Marx was appointed Chairman of the Management Board.

EMPLOYEES

Average number of employees during the financial year (excluding the Management Board):

Non-salaried staff	139
Salaried staff	136
	275

Three people were employed outside Germany.

Affalterbach, 27 October 2023

The Management Board

Martin Marx (CEO) | Gordian von Schöning (CTO)

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