The Human Touch of Automotive Technology

INTERIM FINANCIAL REPORT

3rd QUARTER / 9 MONTHS 2010

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01 LETTER TO SHAREHOLDERS

Dear shareholders and business associates,

Trends during the third quarter and first nine months of 2010 not only represent a clear turnaround compared with the 2009 crisis year. We have further expanded our strong operating development over the course of 2010.

Given stable series revenues compared with the second quarter – and even a slight rise in total revenues including tools - we have significantly raised operating EBIT, in other words, EBIT before currency effects, compared with the second quarter. As a consequence, we have also exceeded the strong EBIT of the first quarter, and achieved the highest level in the course of the financial year to date.

The almost complete discontinuation of the high currency gains of the second quarter exerted a negative effect on the third quarter. These are nevertheless accounting effects resulting from higher volatilities on currency markets, and do not reflect our sites' operating trends.

We are, in any case, assuming that we will achieve our forecast revenue growth in excess of 20 percent in 2010 to more than EUR 250 million, and EBIT of around EUR 15 million, also excluding currency gains. For this reason, this forecast remains valid.

We are well within the target corridor for our full-year forecast with revenue during the first nine months of EUR 191.8 million and reported EBIT of EUR 11.5 million, and third-quarter revenue of EUR 67.0 million and EBIT of EUR 4.3 million before currency effects.

The pleasing third-quarter trend again results from further profitability growth at our highly efficient Oberkirch site, the Group's expertise and technology centre.

There are also positive trends emerging at our foreign sites: we reported very strong third-quarter growth in the Czech Republic, and we are meanwhile posting figures there that are clearly and sustainably in the black before currency effects.

The Canadian site has also achieved significant growth, and is compensating for the start-up costs for forthcoming major series productions. Mexico and China were stable during the quarter under review, but will still continue to require resources for their further expansion in the future.

In overall terms, the quarter under review has confirmed the expected positive revenue trend. The further gains to our operating profitability show that the Group is able to boost its earnings despite the fact that internationalisation continues to demand significant efforts.

The high growth rates that are already foreseeable until 2012 will help us to undertake these efforts successfully. New orders, which will particularly have an effect from 2013 in terms of revenue and earnings, show that growth also extends beyond 2012.

Among other things, the attractive orders that we have won during the course of this financial year include a further platform for a major European manufacturer that we will supply from our German and Czech sites. And last, but not least, we are meanwhile also receiving orders to equip electric vehicles, which additionally expand our product range, without thereby entailing a decline in other orders for combustion engine vehicles.

And all these topics do not yet include mention of the substantial growth in Chinese production. This is because, given the long lead times for our projects, which lend our business model its high degree of stability, orders in China that we acquire today will not achieve any significant revenue level for the Group over the next two years.

For this reason, we have every reason to take an optimistic view of the future beyond the current and coming next two years.

Oberkirch, November 2010
The Management Board

02 PWO SHARES

SHARE REACHES NEW YEAR-HIGH IN THIRD QUARTER

We continued our intensive investor relations work in the third quarter of 2010, and, in addition to various conference calls, again presented PWO's strategy and prospects at roadshows for investors and analysts in Frankfurt and London.

We also mandated two new Designated Sponsors, and added a further analyst to our coverage list. In overall terms, we are currently detecting a significant rise in interest in our shares, which is visible, among other things, in the growing number of recommendations and reports in the media that cover the capital markets, and in stock market circulars.

Above all, the very gratifying price performance of our shares continues, and daily trading turnover is recovering. Following a powerful share price increase of around 70 percent between November 2009, when the share had meanwhile consolidated at prices slightly above EUR 17.00, and the start of the quarter under review, a further share price increase of 9.5 percent to an XETRA closing price of EUR 32.29 was registered at the end of the quarter.

With an increase of almost 90 percent since November 2009, the PWO share has far outperformed the SDAX Performance Index, the Deutsche Börse's index for the medium-sized companies sector, as well as the DAXsector Automobile sector index. Since then, the SDAX has appreciated by a good 20 percent, and the DAXsector Automobile by almost 40 percent.

During the quarter under review, the PWO share slightly underperformed the SDAX, which appreciated by 11.9 percent during the quarter, and the automotive index, which was up by 17.8 percent.

Other information	
Number of shares issued at the end of the reporting period	2,500,000
Number of treasury shares held as that 30/09/2010	0
Dividend per share (in EUR) for FY 2009	0.00

Shareholder structure	
Consult Invest Beteiligungsberatungs-GmbH, Böblingen	55.282 %
Free float	44.718 %
– of which Delta Lloyd, Amsterdam	5.120 %

PWO: FIRST SUPPLIER TO WIN THE LEAN PRODUCTION AWARD FOR THE SECOND TIME

At its Oberkirch site, Progress-Werk Oberkirch AG has again won the renowned Automotive Lean Production Award in the "national medium-sized company" category.

The prize is awarded by the Agamus Consult management consultancy, and the leading specialist magazine "AUTOMOBIL-PRODUKTION". The Lean Production Award is the key benchmark for gauging how successfully the European automotive industry has introduced efficient structures and processes, and is driving ahead with permanent improvements.

We introduced the Lean Management System at our Oberkirch site in 2004, and we have been permanently expanding it since then. The award, which we have already received for the second time since 2007, is a recognition of the extensive measures that we have implemented in the meantime.

Among other things, these include wide-reaching investments in the reorganisation of our site layout along the value stream. To this end, workflows within departments were optimised, departments and production plants were relocated at the site in order to achieve continuous goods flows, and last, but not least, significant investments were also realised with the new logistics hall.

As a result, this value stream orientation results in a marked reduction in transportation and warehousing costs, as well as lower inventory levels, and consequently a lower level of capital tied up in the production area.

In addition, we have developed a former traditional tool making business into a highly modern and efficient industrial internal supplier that maintains tools in order to make them available again on a just-in-time basis for manufacturing. This makes smaller batch sizes and the related frequent re-equipping feasible, thereby also further reducing inventories.

Tribute was also paid in a special way to our consistent application of the Constant Improvement Process (CIP) – it can certainly be said of the plant in Oberkirch that CIP is literally lived and breathed. The technological efforts could not unfold their full effect without our consistent search for, and recording of, waste during the value-creation process, rapid and sustainable processing of the measures thereby induced, and fast decision-making on the part of management.

We also achieved an above-average rating in terms of the criterion of flexibility. Thanks to our highly streamlined processes, we are able to respond to changes in customer requirements in the shortest possible time. This has made a significant contribution to allowing us to master the recent automotive industry crisis so successfully – during both the rapid downturn in mid-2008 and the current very rapid upturn.

Overall, we achieved outstanding ratings for our Lean Management System in all relevant areas. It comprises not only the production processes. We are meanwhile working on a "lean" basis in all areas of the site – in tool making, development and sales, logistics, and administration. This has allowed us to achieve a further quantum leap in the efficiency of the Oberkirch location.

For instance, the evaluation team that awarded the prize confirmed that we have meanwhile become the benchmark in our sector in terms of OEE (Overall Equipment Effectiveness), and failure costs. These savings are also transparent in monetary terms thanks to our efficient (cost) controlling.

We not only apply the system at our German site, but we also implement those elements of the system at the Group's international sites that are appropriate for managing the relevant local production structures. As a consequence, our international sites also occupy top positions in their markets.

GENERAL BUSINESS CLIMATE

Although economic research institutes note in their autumn surveys that the global economic recovery has lost momentum, particularly due to the economic slowdown in the USA and Japan that has been observable since the spring, they state at the same time that the German economy is in a firm upturn, and that the recovery has gained breadth thanks to the accelerating domestic economy.

The expansion is no longer driven only by strong export growth and positive inventory effects. Instead, both private consumer spending and corporate investments are advancing at a marked pace. Sentiment indicators have run at a very high level since the start of the fourth quarter, and new industrial orders remain on an uptrend.

SECTOR TRENDS

The automotive industry has reported robust growth during the first three quarters of 2010 on a global comparison, according to the German Automobile Industry Association (VDA). There are nevertheless significant regional variations.

For instance, European market performance was somewhat restrained following the discontinuation of the last state incentive programs in the spring. Western European car sales were still down by around 3 percent year-on-year in the first nine months of 2010.

There were pronounced recovery trends in the third quarter, however. For example, although September sales were still down year-on-year, they were up by almost 7 percent compared with the previous month. A similar picture also emerges in the new EU countries where demand is gradually stabilising, although car sales are still at a markedly lower level. Until September, new registrations were still 10 percent below the previous year.

Global car sales are being driven particularly by strong growth in Asian markets and Russia. The Russian market is benefiting from incentive programs for vehicles produced domestically, and was up by 18 percent in the first nine months. Car sales in India rose by 32 percent between January and September of this year. On the Chinese market, automobile sales were up by 38 percent, and in Indonesia (+69 percent) and Thailand (+60 percent), car sales growth ran even higher during the first seven months of this year.

Despite recent slight dampeners, the Japanese new car business was also very robust, with an almost 20 percent increase since the start of the year. Sales figures in the USA have recently also reported stronger growth again. Compared with what was, however, a weak prior-year figure, 28 percent more light vehicles (cars and light trucks) were sold on the US market in September. Light vehicles sales were up by 10 percent since the start of the year.

German car manufacturers have benefited significantly from a strong export economy over the course of the year to date, which has been characterised by strong growth rates until recently. After exports in September 2010 reported further growth of more than 5 percent compared with September of the previous year, more than 3.1 million automobiles have been shipped to foreign customers since the start of the year. This corresponds to growth of 31 percent.

German automobile manufacturers boosted September sales by 18 percent on the US market, reflecting more lively demand there. Almost 650,000 light vehicles with German brand logos have already been sold since the start of the year in the USA. This represents growth of 15 percent, and consequently significantly stronger growth than the overall market.

Despite the somewhat restrained trend of the German domestic market, domestic production reports significant growth of 14 percent to 4.1 million units since the start of the year due to strong demand from abroad. Production figures for the first three quarters are now only 5 percent below the previous record level of 2008.

OPERATING EBIT MARGIN REACHES HIGHEST LEVEL SINCE THE START OF THE CURRENT FINANCIAL YEAR

In the third quarter of 2010, and during the first nine months of the year, we also continued to achieve significantly higher revenues and earnings than in the relevant comparable periods of the previous year. Revenue amounted to EUR 67.0 million in the quarter under review (p/y: EUR 54.3 million), total output to EUR 66.8 million (p/y: EUR 55.6 million), and EBIT to EUR 2.8 million (p/y: EUR 0.0 million). The Group reported a balanced result at the net income level (p/y: EUR -1.5 million). Over the nine-month period, revenue amounted to EUR 191.8 million (p/y: EUR 144.8 million), total output to EUR 196.9 million (p/y: EUR 149.9 million), EBIT to EUR 11.5 million (p/y: EUR -7.2 million), and net income for the period to EUR 3.6 million (p/y: net loss of EUR -9.3 million).

Even more important than the turnaround compared with the 2009 crisis year, however, were the continued high level of series called orders in the third quarter of 2010, and the significant enhancement of Group operating profitability over the course of this financial year.

In this connection, higher volatility levels on international currency markets should be taken into consideration. These were reflected in the financial figures, but do not derive from our sites' operating trends.

The high currency gains generated in the second quarter of 2010 were discontinued in the third quarter, for example. This place the corresponding burden on the reporting quarter's result. Over the course of the 2010 financial year, we booked currency effects of EUR 0.4 million in the first quarter, of EUR 1.3 million in the second quarter, and of EUR -1.5 million in the third quarter.

When adjusted to reflect these effects, EBIT amounted to EUR 3.9 million in the first quarter, EUR 3.2 million in the second quarter, and EUR 4.3 million in the third quarter.

As a consequence, third-quarter operating profitability was expanded significantly, not only compared with the previous quarter, but it also represents the highest level achieved during the current financial year.

These developments were all the more satisfying insofar as, as announced, third-quarter tool revenues, which tend to have lower margins, more than doubled to EUR 6.9 million, compared with EUR 3.2 million in the previous quarter.

As a rule, the timing of our generation of these revenues is very close to those resulting from series start-ups. In the current financial year, they particularly relate to major orders for cross-members, which are currently in the start-up phase. In overall terms, we achieved tool revenues of EUR 13.2 million during the nine-month period, and for the full year we anticipate a volume amounting to a good EUR 20 million, in other words, further growth in the final quarter.

With regard to comments concerning operating profitability trends on a detailed basis, we refer the reader at this juncture to the following segmental trends report, in order to avoid repetitions.

GERMANY REMAINS HIGHLY PROFITABLE, FOREIGN SITES STABLE IN OPERATING TERMS

The marked enhancement of Group operating profitability was achieved particularly at the German site, where EBIT advanced significantly in the third quarter of 2010 compared with the same quarter of the previous year. This location further expanded its profitability thanks to its high efficiency and overall cost consciousness on the part of our staff, without this being attributable to substantial individual special effects.

Given slight revenue growth to EUR 48.7 million compared with the previous quarter (Q2: EUR 47.5 million), this site achieved EBIT of EUR 4.6 million (Q2: EUR 4.2 million). During the first nine months of 2010, revenue of EUR 143.4 million was generated (p/y: EUR 112.9 million), total output of EUR 150.7 million (p/y: EUR 118.5 million), EBIT of EUR 13.2 million (p/y: EUR -2.7 million), as well as net income for the period of EUR 7.5 million (p/y: a net loss of EUR -3.7 million).

Our Czech site, which forms the Rest of Europe segment, boosted its revenue very significantly to EUR 6.8 million in the third quarter of 2010 (Q2: EUR 5.3 million). This helped EBIT to increase by 10.6 percent before currency effects, and despite a higher materials cost ratio. As a consequence, this site is on its way to reporting a clearly positive EBIT result in 2010. Before currency effects, EBIT of EUR 1.1 million was achieved during the first nine months.

During the nine-month period, revenue amounted to EUR 17.3 million (p/y: EUR 12.4 million), total output to EUR 20.5 million (p/y: EUR 15.8 million), EBIT including currency effects to EUR 0.2 million (p/y: EUR -0.7 million), and the net loss for the period to EUR -0.8 million (p/y: net loss of EUR -1.4 million).

In the NAFTA segment, our two sites in Canada and Mexico were combined. Our Canadian site significantly expanded its third-quarter revenues compared with the second quarter thanks to car sales growth in North America. It is currently focusing on preparing for production of the new cross-members, as a consequence of which third-quarter EBIT both before and after currency effects was slightly above breakeven, as in the second quarter.

In Mexico, revenues in the quarter under review were stable compared with the previous quarter. EBIT before currency effects was slightly improved despite expenses for the expansion of the site (please also refer to comments made in the "Investments" chapter), but currency effects exerted a somewhat greater burden than in the previous quarter, and further expenses will also be required in the future in order to bring the location nearer to the Group's high-tech standard.

In overall terms, revenue in the NAFTA segment was improved to EUR 27.7 million during the first nine months of 2010 (p/y: EUR 18.7 million), total output to EUR 29.8 million (p/y: EUR 18.8 million), EBIT including currency effects to EUR -1.0 million (p/y: EUR -3.0 million), and the net loss for the period to EUR -1.7 million (p/y: net loss of EUR -3.1 million). At both sites, extensive new series start-ups are in preparation both this and next year, as a consequence of which we anticipate significant revenue and earnings growth in the coming years. Charges arising from start-up costs cannot be excluded in the short term in this connection, however.

During the quarter under review, we continued to build up our new site in China, which forms our Asia segment. The change in revenue, which amounted to EUR 1.2 million, compared with EUR 1.4 million in the second quarter, was within the range of normal business fluctuations for a site that is still small. The same also applies for EBIT before currency effects, which amounted to EUR -0.6 million, compared with EUR -0.4 million. Since here, however, the previous quarter's positive currency result reduced significantly over the course of the quarter under review, EBIT including currency effects weakened to EUR -1.3 million, compared with EUR 0.1 million.

During the first nine months of 2010, revenue and total output of EUR 3.4 million was achieved (p/y: EUR 0.9 million), EBIT including currency effects of EUR -1.2 million (p/y: EUR -0.6 million as the result of one-off disposal gains), and a net loss for the period of EUR -1.6 million (p/y: EUR -0.9 million). This site is still reporting figures in the red, in line with its budget, and will prospectively continue to do so during the next two years. However, rising volumes resulting from series production start-ups, for which we are currently in far advanced negotiations, should help to achieve breakeven during this period.

FINANCING STRUCTURE REMAINS STABLE DESPITE HIGH-GROWTH

We have stringently restricted the tying up of capital in the balance sheet over the course of 2010. Total assets expanded only moderately, despite high growth.

Higher inventories and receivables were essentially financed by a below-average expansion of trade creditors, as well as higher equity due to improved profitability. Total assets were even reduced by around EUR 1 million over the course of the third quarter.

As a consequence, the key balance sheet ratios remained stable over the course of the third quarter, and also unchanged compared with the end of the 2009 financial year. The equity ratio amounted to 30.4 percent as of the September 30, 2010 balance sheet date (end-2009: 30.0 percent), and net debt fell slightly to EUR 77.7 million (end-2009: EUR 79.1 million).

Gearing (net debt expressed as a percentage of equity) has meanwhile improved slightly to 118.1 percent (end-2009: 128.7 percent). This reflects a positive effect of the fall in net debt accompanied by a rise in equity.

We will continue this trend over the next two years, and significantly reduce gearing by further improving both of these quantities.

Cash flow from operating activities amounted to EUR 17.4 million during the nine-month period. As a consequence, we are well on the way to achieving our objective of free cash flow breakeven in the 2010 financial year (after investments and interest paid), although we are still budgeting a marked increase investments for the fourth quarter, to around EUR 20 million for the full year.

Cash outflows for investments totalled EUR 11.6 million over the first nine months of 2010, and EUR 3.6 million of interest payments were disbursed. Free cash flow correspondingly amounted to EUR 2.2 million.

Free cash flow was still negative in the third quarter. This was nevertheless within the scope of normal business fluctuations, since investments over the course of the year are managed in line with the operating budgets for series start-ups, and cannot be optimised to quarterly reporting dates.

SUCCESSFUL NEW BUSINESS IN 2010

In order to limit risk, we generally aim for a broad diversification in our orders so that we remain independent of the market success of individual vehicle models, and independent of the awarding of major orders for individual products.

Given average life cycles for series productions of 6-8 years, each year we replace around 15 percent of Group revenue through new orders. Accordingly, along with individual major orders, we are also constantly acquiring a number of smaller and medium-sized orders. In this context, normal lifetime volumes range from the low single-digit to the mid-double-digit level in millions of euros.

Due to the long lead times in our business, we are currently already winning orders whose production kick-offs are planned for the second half of 2012, and even for 2013.

In overall terms, we have been successful in important tenders for our sites in 2010, and have won orders for new series productions across the entire spectrum of our product solutions.

Particular highlights included an order for the production of air suspension components for a premium model. We are also involved in the equipping of future electric vehicles.

Last, but not least, our internationalisation strategy is again paying off: both our German and Czech sites will be supplying various components for a new major platform of a European manufacturer in the future, which amounts to a significant order volume in total.

INVESTMENTS RISE OVER THE COURSE OF THE YEAR AS PLANNED

During the first nine months of the 2010 financial year, we invested a gross amount, in other words, before investment disposals of EUR 0.2 million, of EUR 11.8 million (p/y: EUR 9.5 million). Of this amount, EUR 5.3 million was attributable to the third quarter (p/y: EUR 2.2 million). As a consequence, we have significantly expanded our investment activity over the course of the year under review, in line with our operating budgets, and as announced.

At the sites in Oberkirch and Canada, investments during the quarter under review were continued particularly in the production plants for the future major series production of cross-members. A total of EUR 2.2 million was invested in Oberkirch (p/y: EUR 1.6 million), and of EUR 0.9 million in Canada (p/y: EUR 0.2 million).

Our Mexico site formed the second investment focus of the third quarter of 2010, EUR 2.0 million (p/y: EUR 0.2 million). Following a relatively low level of investments over the course of the year to date, we registered the addition of a 1,200 tonne press in the third quarter, which will start up in the fourth quarter. This will represent a key step on the site's way to high-tech components production, which is essential with regard to the high reputation on customer markets that the PWO Group enjoys.

No significant investments were required at the sites in the Czech Republic and China in the third quarter. Accordingly, we have kept budgets very tight there by way of cash flow optimisation within the Group, and have invested only EUR 0.1 million in each case (p/y: EUR 0.1 million).

Investment projects are running to schedule in overall terms, as a consequence of which we will realise the planned volume in the 2010 financial year. This volume will amount to slightly below or slightly above EUR 20 million irrespective of the status of implementation and invoicing as of the December 31 balance sheet date.

SLIGHT EXPANSION IN NUMBER OF EMPLOYEES

We retained our core workforce during 2009, thereby retaining experience and know-how within the PWO Group. In view of the continued high growth, and in preparation for forthcoming future series start-ups, we are meanwhile beginning to again recruit additional staff on a targeted basis, particularly at our foreign sites.

For example, the average number of staff employed within the Group rose to 1,981 over the first nine months of 2010, of which 127 were trainees. An average of 1,967 staff members were employed over the first half of 2010, including 133 trainees.

In this regard, the average 1,048 employees excluding trainees at the Oberkirch site remained at the average level of the first half-year of 1,045.

We registered the largest increase in employee figures in Canada, where major series production activities will start up next year. Here, the average staff number excluding trainees increased to 121 (average for the first half-year: 114). At the site in the Czech Republic, the number of employees rose to 306 (303), in China to 91 (87), and in Mexico to 288 (286).

OPPORTUNITIES AND RISKS

The performance of the PWO Group continues to be generally influenced by the same opportunities and risks set out in the 2009 annual report. This applies to both the Group and our segments.

The recovery in the macroeconomy, particularly also in the automotive industry, is proving, over the course of 2010, significantly better than expected as recently as last spring. This has had a particularly positive effect on the export-oriented German economy. And the German automotive industry has already also been reporting additional stimuli, since German manufacturers' premium models are in particular demand in Asia.

This trend has continued in the quarter under review, and there is no sign of any change in this context for the remaining months of the current financial year.

As a result, overall macroeconomic and business cycle data are currently tending to generate opportunities for additional growth due to series call orders above expectations, rather than additional risks arising from renewed setbacks.

Although, as a consequence of this pleasing trend, the risks of rising raw materials prices, particularly in the case of steel, are meanwhile gauged to be higher than as recently as the start of the year, we are nevertheless confident that we can achieve amicable solutions with our customers in this respect in the future, as we have done in the past.

Significant risks nevertheless continue to exist in the currency exchange rate area, particularly with respect to the exchange rates of the US dollar, the Czech krone, and the Chinese renminbi against the euro. High fluctuations that can arise on a short-term basis due to currency market volatility were clearly evident in the quarter under review.

Risks to earnings continue to exist arising from the creation of our new locations, and from the management of the start-up of new major series productions – particularly at our Canadian site, which is significantly smaller than our site in Germany. However, we assess the resultant risks as limited for the remaining months of the 2010 financial year.

POSITIVE PROSPECTS FOR MACROECONOMY AND SECTOR

Economic research institutes are forecasting that Germany's gross domestic product will grow by 3.5 percent in real terms in 2010, despite the considerable remaining risks due to economic uncertainties on important foreign markets, and despite the fact that some Eurozone countries' debt crisis, and crisis of confidence, are far from over.

Although they expect that the rate of economic recovery – including in the Eurozone – will diminish compared with the first half of the year due to the slowing global economic expansion, domestic demand will be stimulated by further labour market improvement, and the continuation of favourable overall monetary conditions, while production growth will lose momentum particularly due to the flagging dynamism of exports.

As a consequence, stimuli to German car manufacturing will essentially come from accelerating domestic demand over the further course of the year. In fact, the VDA regards the September German order volume figures as comprising the turnaround: although nine-month order volumes were still down year-on-year, orders from Germany in September were up by more than 10 percent. The VDA expects a resumption of growth in registration figures by the year-end.

2010 REVENUE AND EBIT FORECAST CONFIRMED

Following the end of the second quarter of 2010, we significantly raised our forecasts for the current financial year, and published our expectation of revenue growth of more than 20 percent compared with 2009 to more than EUR 250 million, and EBIT of around EUR 15 million.

The quarter under review confirmed the expected positive revenue trend, and the further increase in our operating profitability shows that the Group is able to further boost its earnings, although its internationalisation continues to require significant efforts and resources.

We are well within the target corridor for our full-year forecast with revenue during the first nine months of EUR 191.8 million and EBIT of EUR 11.5 million, and third-quarter revenue of EUR 67.0 million and EBIT of EUR 4.3 million before currency effects.

The targeted customer call orders for the remaining months of 2010 point to a continued good sales position that underpins our revenue and earnings expectations. As a consequence, we look ahead with confidence, and we are confirming the targets that we have communicated for the current financial year.

	3rd Quarter 2010		3rd Quarter 2009	
	EURk	% share	EURk	% share
Revenue	67,003	100.3	54,334	97.7
Changes in inventories / work performed by the enterprise and capitalised	-215	-0.3	1,306	2.3
Total output	**66,788**	**100.0**	**55,640**	**100.0**
Other operating income	-291	-0.4	984	1.8
Costs of materials	34,613	51.8	29,438	52.9
Staff costs	18,946	28.4	17,733	31.9
Depreciation and amortisation	4,058	6.1	4,373	7.9
Other operating expenses	6,124	9.2	5,075	9.1
EBIT	**2,756**	**4.1**	**5**	—
Finance costs	1,642	2.4	1,528	2.7
EBT	**1,114**	**1.7**	**-1,523**	**-2.7**
Taxes on income	1,109	1.7	17	—
Net result for the period	**5**	—	**-1.540**	**-2,7**
Earnings per share in EUR	0.00	—	-0.62	—

	9 Months 2010		9 Months 2009	
	EURk	% share	EURk	% share
Revenue	191,846	97.4	144,799	96.6
Changes in inventories / work performed by the enterprise and capitalised	5,042	2.6	5,080	3.4
Total output	**196,888**	**100.0**	**149,879**	**100.0**
Other operating income	3,330	1.7	3,598	2.4
Costs of materials	102,132	51.9	81,525	54.4
Staff costs	56,438	28.7	52,253	34.9
Depreciation and amortisation	12,591	6.4	12,215	8.1
Other operating expenses	17,567	8.9	14,653	9.8
EBIT	**11,490**	**5.8**	**-7,169**	**-4.8**
Finance costs	4,886	2.5	4,289	2.9
EBT	**6,604**	**3.3**	**-11,458**	**-7.7**
Taxes on income	2,980	1.5	-2,188	-1.5
Net result for the period	**3,624**	**1.8**	**-9,270**	**-6.2**
Earnings per share in EUR	1.45	—	-3.71	—

Consolidated statement of comprehensive income

	30/09/2010	30/09/2009
	EURk	EURk
Result for the period	**3,624**	**-9,270**
Other comprehensive income		
Derivative financial instruments		
Net gains (- losses) from cash flow hedging	176	2,902
Tax effect	3	-735
Unrealised gains / losses from derivative financial instruments	**179**	**2,167**
Currency translation	521	928
Other comprehensive income after tax	**700**	**3,095**
Total comprehensive income after tax	**4,324**	**-6,175**

ASSETS	30/09/2010	31/12/2009
	EURk	EURk
Property, plant and equipment	98,831	97,161
Intangible assets	11,053	11,289
Deferred tax assets	1,683	1,765
Non-current assets	**111,567**	**110,215**
Inventories	47,065	42,312
Receivables and other assets	51,462	44,433
Cash and cash equivalents	6,514	7,704
Current assets	**105,041**	**94,449**
Total assets	**216,608**	**204,664**

EQUITY AND LIABILITIES	30/09/2010	31/12/2009
	EURk	EURk
Equity	**65,789**	**61,465**
Interest-bearing loans	51,216	51,844
Pension provisions	25,260	24,580
Other provisions	4,816	4,565
Deferred tax liabilities	1,187	754
Non-current liabilities	**82,479**	**81,743**
Current portion of pension provisions	1,350	1,350
Trade payables and other liabilities	33,986	25,158
Interest-bearing loans	33,004	34,948
Current liabilities	**68,340**	**61,456**
Total equity and liabilities	**216,608**	**204,664**

Consolidated statement of changes in equity

EURk	Subscribed capital	Capital reserves	Revenue reserves	Currency differences	Cash flow hedge	Total equity
	Equity attributable to PWO AG shareholders					
				Cumulative income and expenses reported directly in equity		
As at 01/01/2010	6,391	17,155	37,403	146	370	**61,465**
Net result for the period			3,624			**3,624**
Other comprehensive income				521	179	**700**
Total comprehensive income	**6,391**	**17,155**	**41,027**	**667**	**549**	**65,789**
Dividend payment						**0**
Capital increase from shareholder funds	1,109		-1,109			**0**
As at 30/09/2010	**7,500**	**17,155**	**39,918**	**667**	**549**	**65,789**
As at 01/01/2009	6,391	17,155	47,727	-1,167	-2,126	**67,980**
Net result for the period			-9,270			**-9,270**
Other comprehensive income				928	2,167	**3,095**
Total comprehensive income	**6,391**	**17,155**	**38,457**	**-239**	**41**	**61,805**
Dividend payment			-1,375			**-1,375**
As at 30/09/2009	**6.391**	**17.155**	**37.082**	**-239**	**41**	**60.430**

	30/09/2010	30/09/2009
	EURk	EURk
Net result for the period	3,624	-9,270
Depreciation/reversal of write-downs on property, plant and equipment	12,591	12,215
Income tax expense/refund	2,980	-2,188
Interest income and expenses	4,886	4,289
Change in current assets	-12,011	-4,425
Change in non-current liabilities (excluding financial loans)	-316	-50
Change in current liabilities (excluding financial loans)	6,953	-7,858
Income tax paid	-523	450
Other non-cash expenses/income	-641	2,882
Gains/losses from disposal of property, plant and equipment	-134	0
Cash flow from operating activities	**17,409**	**-3,955**
Cash inflow from disposal of property, plant and equipment	148	0
Cash outflow for investments in property, plant and equipment	-10,359	-8,689
Cash outflow for investments in intangible assets	-1,436	-786
Cash flow from investing activities	**-11,647**	**-9,475**
Dividends paid	0	-1,375
Interest paid	-3,590	-2,966
Cash inflow from drawing down of loans	10,692	23,949
Cash outflow for redemption of loans	-15,762	-9,913
Cash flow from financing activities	**-8,660**	**9,695**
Cash-effective changes in cash and cash equivalents	-2,898	-3,735
Exchange-rate-related changes in cash and cash equivalents	-57	-4
Cash and cash equivalents as of January 1	3,491	-621
Cash and cash equivalents as of September 30	**536**	**-4,360**
of which cash and cash equivalents	*6,514*	*6,564*
of which bank borrowings repayable on demand	*-5,978*	*-10,924*

06 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The condensed interim consolidated financial statements as of September 30, 2010 were prepared in accordance with IAS 34 "Interim Financial Reporting". They do not contain all the information and disclosures required for consolidated financial statements as of the financial year-end, and for this reason should be read in conjunction with the annual consolidated financial statements as of December 31, 2009. The interim consolidated financial statements and management report are subjected to neither an external audit nor an auditor's review.

The accounting methods applied in the interim consolidated financial statements correspond to those of the consolidated financial statements as of December 31, 2009. These methods were described in detail in the 2009 annual report (please refer to notes 1 to 3).

Scope of consolidation

The interim consolidated financial statements as of September 30, 2010 include six foreign companies that PWO AG controls either directly or indirectly. No changes have occurred to the scope of consolidation compared with December 31, 2009.

Foreign currency translation

The interim consolidated financial statements are prepared in euros, the parent company's functional currency. The interim financial statements of the companies within the consolidated Group prepared using foreign currencies are translated according to the functional currency concept (IAS 21). Each company within the Group determines its own functional currency. The items contained in the financial statements of the companies concerned are measured using this functional currency. All balance sheet items of the foreign consolidated Group entities were translated to euros by applying the mid currency exchange rate prevailing on the balance sheet date. Expense and income items in the consolidated income statement are translated using the average exchange rate. The net result arising from the translated income statement was transferred to the balance sheet. Exchange differences are recognised directly in equity.

The interim consolidated financial statements are based on currency conversion rates according to the following table:

	Closing rate		Average rate	
	30/09/2010	30/09/2009	**9 Months 2010**	9 Months 2009
CAD	1.40	1.57	1.36	1.59
CNY	9.13	9.98	8.96	9.33
HKD	10.60	11.33	10.23	10.58
USD	1.37	1.47	1.32	1.37

Financial instruments

Currency-related derivatives in the form of interest-rate swaps, currency swaps, options and forward currency transactions are initially recognised, and subsequently measured, at fair value. In the case of derivative financial instruments that fail to satisfy hedge accounting criteria, gains or losses from fair value changes are recognised immediately through profit or loss. The effective portion of market value changes of derivative financial instruments used to hedge future cash flows (cash flow hedges) is recognised directly in equity, while the ineffective portion is immediately recognised through profit or loss.

The item is booked out of equity and through profit or loss when the hedged transaction occurs. The fair value of listed derivatives corresponds to positive or negative market value. If no market values exist, these are calculated using recognised finance-mathematical models such as discounted cash flow models or option pricing models.

NOTES TO THE INCOME STATEMENT

Revenue

The Group generates revenue from series productions and tool sales. Tool sales amounted to EURk 13,168 in the first nine months of 2010 (p/y: EURk 16,352).

A breakdown of Group revenue by region and product area is presented as part of segment reporting.

Work performed by the enterprise and capitalised

Of the work performed by the enterprise and capitalised, EURk 719 (p/y: EURk 583) relates to development costs that require capitalisation pursuant to IAS 38. These particularly relate to investments in the development of a cross-member. The series order for this project has existed since 2008. The production start is planned for late 2010.

Other operating income

Other operating income primarily consists of income from currency gains.

Other operating expenses

Other operating expenses primarily consist of expenses for maintenance, temporary help, outward freight charges, rental and lease fees, and expenses for legal, auditing and consultancy costs, insurance premiums, travel expenses and currency losses.

Income tax

The income tax reported in the consolidated income statement is composed as follows:

	9 Months 2010	9 Months 2009
	EURk	EURk
Actual tax	2,416	0
Deferred tax	564	-2,188
Taxes on income	**2,980**	**-2,188**
Income taxes reported in other comprehensive income	-3	735
Total	**2,977**	**-1,453**

06 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE BALANCE SHEET

Cash and cash equivalents

Cash and cash equivalents in the consolidated cash flow statement as of September 30, 2010 of EURk 6,514 (p/y: EURk 7,704) are composed of cash holdings and bank accounts in credit.

Equity

Subscribed capital

The AGM of May 26, 2010 passed a resolution to perform a capital increase from company funds of EURk 1,109, from EURk 6,391 to EURk 7,500, through the conversion of a partial amount of EURk 1,109 of the other revenue reserves reported in the consolidated balance sheet as of December 31, 2009.

The fully paid in subscribed share capital amounted to EURk 7,500 as of September 30, 2010 (p/y: EURk 6,391), which is split into 2,500,000 ordinary shares.

Approved capital

As the result of an AGM resolution of May 26, 2010, the Management Board was authorised, with the Supervisory Board's assent, to increase the company's issued share capital by May 25, 2015, once or on several occasions, by up to EUR 3,000,000.00 in exchange for cash contributions (Approved Capital I/2010).

As the result of an AGM resolution of May 26, 2010, the Management Board was authorised, with the assent of the Supervisory Board, to increase the company's issued share capital by May 25, 2015, once or on several occasions, by up to EUR 750,000.00 in exchange for cash contributions (Approved Capital II/2010).

The AGM of May 26, 2010 passed a resolution to approve the conditional capital increase by up to EUR 3,000,000.00 (Conditional Capital 2010).

Revenue reserve and other equity

As of September 30, 2010, consolidated equity reflects income/expenses arising from the currency translation of foreign subsidiaries of EURk 667 (p/y: EURk -239), and income/expenses from cash flow hedges of EURk 549 (p/y: EURk 41).

Dividends paid

There was no dividend distribution in the 2010 financial year due to the negative business trends in 2009. In the previous year, dividends totalling EURk 1,375 were distributed for the 2008 financial year (EUR 0.55 per ordinary share).

Liabilities

Pension provisions

Pension provisions are measured for the consolidated financial statements on an annual basis by independent appraisers. A revaluation will be performed for the consolidated financial statements as of December 31, 2010.

Other provisions

The reported provisions relate exclusively to personnel provisions (obligations for age-related part-time working and anniversary bonuses).

Financial instruments

All financial instruments reported at fair value are split into three categories defined as follows:

Level 1 | Quoted (unadjusted) prices on active markets for identical assets or liabilities.

Level 2 | Procedures where all input parameters that have a key effect on the reported fair value are either directly or indirectly observable.

Level 3 | Procedures to utilise input parameters that have a key effect on the reported fair value, and which are not based on observable market data.

Financial instruments with positive fair values are included among receivables and other assets, and financial instruments with negative fair values are included among trade payables and other liabilities.

The Group held the following financial instruments measured at fair value as of September 30, 2010/ September 30, 2009:

September 30, 2010	**Level 1** EURk	**Level 2** EURk	**Level 3** EURk	**Total** EURk
ASSETS				
Derivatives with hedging relationship	0	1.537	0	**1.537**
Derivatives without hedging relationships	0	0	0	**0**
LIABILITIES				
Derivatives with hedging relationship	0	694	0	**694**
Derivatives without hedging relationships	0	722	0	**722**

September 30, 2009	**Level 1** EURk	**Level 2** EURk	**Level 3** EURk	**Total** EURk
ASSETS				
Derivatives with hedging relationship	0	778	0	**778**
Derivatives without hedging relationships	0	2	0	**2**
LIABILITIES				
Derivatives with hedging relationship	0	622	0	**622**
Derivatives without hedging relationships	0	571	0	**571**

As of September 30, 2010/ September 30, 2009, there were no reclassifications between Level 1 and Level 2 fair value measurements, and no reclassifications into or out of Level 3 fair value measurements.

OTHER NOTES

Segment reporting

The segments are determined according to the location of Group assets. These segments' revenues are correspondingly allocated according to the assets' locations. The sites are allocated to the regions of Germany, Rest of Europe, NAFTA, and Asia. The NAFTA region comprises the sites in Canada and Mexico.

Net results, assets, liabilities and depreciation/amortisation between individual segments are eliminated in the "consolidation" column. This column also includes items that are not attributable to individual segments. Segment data are calculated in accordance with the accounting methods applied in the interim financial statements.

No individual customer within the Group generated more than 10 percent of revenue as of September 30, 2010 and September 30, 2009 respectively.

Segment assets and liabilities correspond to the values derived from the individual Group companies' financial statements.

Segment information by regions	Germany	Rest of Europe	NAFTA	Asia	Consoli-dation	Group
9 Months 2010	EURk	EURk	EURk	EURk	EURk	EURk
Total revenue	147,266	18,963	29,895	3,417	0	**199,541**
Internal revenue	-3,871	-1,633	-2,191	0	0	**-7,695**
External revenue	**143,395**	**17,330**	**27,704**	**3,417**	**0**	**191,846**
Total output	**150,710**	**20,488**	**29,793**	**3,384**	**-7,487**	**196,888**
Key income	2,039	163	1,608	517	-997	**3,330**
Key expenses	131,481	18,948	29,871	4,565	-8,728	**176,137**
Depreciation/amortisation	8,042	1,525	2,514	499	11	**12,591**
Earnings before interest and tax (EBIT)	**13,226**	**178**	**-984**	**-1,163**	**233**	**11,490**
Interest income	463	0	0	2	-414	**51**
Interest expense	3,030	1,150	762	409	-414	**4,937**
Earnings before tax (EBT)	**10,659**	**-972**	**-1,746**	**-1,570**	**233**	**6,604**
Taxes on income	3,186	-185	-43	0	22	**2,980**
Assets	118,636	41,773	43,695	16,953	-4,449	**216,608**
of which non-current assets	*47,140*	*24,721*	*25,289*	*12,930*	*-196*	*109,884*
Liabilities	19,907	7,205	12,072	13,648	97,987	**150,819**
Investments	4,618	2,032	5,111	192	-158	**11,795**

Segment information by regions 9 Months 2009	Germany EURk	Rest of Europe EURk	NAFTA EURk	Asia EURk	Consoli-dation EURk	Group EURk
Total revenue	114,641	14,916	19,394	885	0	**149,836**
Internal revenue	-1,787	-2,556	-694	0	0	**-5,037**
External revenue	**112,854**	**12,360**	**18,700**	**885**	**0**	**144,799**
Total output	**118,454**	**15,846**	**18,798**	**969**	**-4,188**	**149,879**
Key income	2,078	209	1,403	1,112	-1,204	**3,598**
Key expenses	114,926	15,385	20,791	2,491	-5,162	**148,431**
Depreciation/amortisation	8,273	1,339	2,447	144	12	**12,215**
Earnings before interest and tax (EBIT)	**-2,667**	**-669**	**-3,037**	**-554**	**-242**	**-7,169**
Interest income	22	3	45	1	-19	**52**
Interest expense	2,508	1,067	462	323	-19	**4,341**
Earnings before tax (EBT)	**-5,153**	**-1,733**	**-3,454**	**-876**	**-242**	**-11,458**
Taxes on income	-1,447	-348	-383	0	-10	**-2,188**
Assets	129,762	39,755	35,607	13,668	-5,600	**213,192**
of which non-current assets	*50,992*	*24,529*	*22,094*	*10,984*	*-172*	***108,427***
Liabilities	19,687	5,902	9,126	8,185	109,861	**152,761**
Investments	6,382	218	853	2,139	-117	**9,475**

Discretionary decisions, estimates and assumptions

In preparing the interim financial statements, the Management Board must perform a number of assessments, apply estimates, and make assumptions that affect the application of accounting policies within the Group, and influence the recognition of assets and liabilities as well as income and expenses. The actual amounts may not coincide with the estimated amounts.

Events after the balance sheet date

No significant events occurred after the September 30, 2010 balance sheet date that require reporting.

07 REPORT OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The interim financial report for the third quarter of 2010 and the first nine months of 2010 was presented to the Supervisory Board's Audit Committee on October 27, 2010, and explained by the Management Board. The Audit Committee concurred with the interim financial report.

Oberkirch, October 27, 2010

Audit Committee Chair

Dr. jur. Klaus-Georg Hengstberger

FINANCIAL CALENDAR

November 23, 2010
German Equity Forum, Frankfurt

March 15, 2011
Analysts' conference

April 14, 2011
Presentation of the 2010 annual report

May 4, 2011
Interim financial report for Q1 2011

May 25, 2011
2011 AGM, Oberkirch

BOARD MEMBERS

There were no changes to the Management Board or Supervisory Board during the period under review.

Management Board members
Karl M. Schmidhuber (Chairman)
Bernd Bartmann
Dr. Winfried Blümel

Supervisory Board members
Dieter Maier (Chairman)
Dr. jur. Klaus-Georg Hengstberger (Deputy Chairman)
Katja Hertwig *
Herbert König *
Ulrich Ruetz
Dr. Gerhard Wirth

* Employee representatives

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