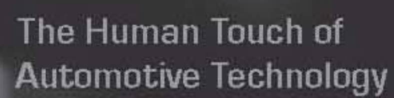

INTERIM FINANCIAL REPORT

2ND QUARTER / 1ST HALF-YEAR

PWO

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01 LETTER TO SHAREHOLDERS

Dear shareholders and business associates,

At the outset of 2010, nobody from the worlds of economic research or business would have dared to hope for such a rapid upturn as has actually occurred in the first quarter. The second quarter has now confirmed that this was no temporary development, but that the trend is stable.

In the second quarter of the 2010 financial year, we again exceeded the already very positive figures achieved in the previous quarter. With revenue of EUR 63.4 million, we are now just 12 percent below the revenue of the second quarter of 2008 – the last quarter before the crisis. And profitability is also returning to its previous strength.

As a result, we have reason to look forward with optimism. Particularly since our customers' call-off orders for the second half of 2010 also allow us to anticipate a continuation of a stable high volume.

For this reason, we are correspondingly adjusting our previous forecast of approximately 15 percent revenue growth, and a positive net result for the year.

We are now expecting revenue growth in excess of 20 percent to more than EUR 250 million for the 2010 financial year, and EBIT of around EUR 15 million. Following an EBIT result of EUR -4.9 million in the 2009 financial year, this rapid turnaround is extremely gratifying.

There is no doubt that risks also remain in the current upturn, and the forthcoming major series start-ups have still yet to be implemented successfully. In overall terms, however, the risks have reduced considerably.

Particularly gratifying factors in this respect are also the identifiable improvements in the stabilisation of our foreign sites' processes: we aim to achieve a clearly positive EBIT result in the Czech Republic this year, and, in Mexico, we have passed the peak of start-up losses, and will report strong growth over the next few years.

Growth prospects are also extremely gratifying in China. We are currently negotiating numerous further orders, and aim to bring our site to breakeven by 2012. The objective is to acquire the right projects in order to maintain a balance between growth and earnings on the one hand, and risks, investment necessities, and the site's technical performance on the other hand.

China offers the potential to become one of the key drivers of our growth after 2012. Due to the typically long lead times for our orders, we can nevertheless make our preparations in a calm manner, and we are not obliged to enter into excessive short-term risks in order to establish ourselves well on the market.

The key parameters have been set to allow PWO to grow revenue and earnings sustainably and above the sector average in the future, and for PWO's stable business model to allow it to successfully continue the trend of the pre-crisis years.

Oberkirch, August 2010
The Management Board

02 PWO SHARES

SHARP RISE IN PWO SHARE PRICE IN THE SECOND QUARTER

Following on from the sharp rise in German automotive manufacturers' exports, the entire sector formed a focus for the stock market, and significantly outperformed the overall market in the second quarter. The PWO share achieved a sharp price rise in June, from EUR 25.00 to its 52-week of EUR 31.00 (XETRA prices). The second-quarter closing price was EUR 29.50.

The share price rose by a total of 14 percent over the course of the quarter under review. As a consequence, it has appreciated by around 70 percent since November 2009, at which time it had consolidated at just over EUR 17.00 at times.

Although the 17 percent improvement in the DAXsector Automotive sector index was somewhat better than the improvement in the PWO share price, its 24 percent increase since November 2009 is nevertheless significantly behind that of our share.

The PWO share price also outperformed the broader SDAX Performance Index, Deutsche Börse's medium-sized company index. At the end of the second quarter of 2010, this index was almost unchanged compared with the end of the first quarter; it has risen by 13 percent since November 2009.

We have utilised our business's good performance and the stock market's high degree of interest in the automotive sector to further expand our investor relations activities. We presented PWO's strategy and prospects at roadshows in Frankfurt, Zurich and London, as well as at a conference in Stuttgart, and we made many new contacts in the course of these activities. Our share is also attracting increasingly strong interest in the stock-market-related press, and is being discussed in a positive light.

Other information	
Number of shares issued at the end of the reporting period	2,500,000
Number of treasury shares held as of 31/06/2010	0
Dividend per share (in EUR) for FY 2010	0.00

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

VALUE ADDED AS A CORE COMPETENCY: CROSS-MEMBERS - MULTIFUNCTIONALITY, SAFETY AND COMFORT ALL INCLUDED

Together with its international cooperation partners, PWO shipped 1.2 million cross-members annually to global automotive manufacturers. This documented the success of a new technology: PWO's innovative Modular Beam concept. In 2014, PWO and its cooperation partners will ship almost twice as many cross-members, at 2.35 million units. Preparations for the start-up of series production are currently in full swing.

What makes the Modular Beam concept so successful? The short answer is: more value-added! Especially with these cross-members, this core competency of PWO literally comes to bear. PWO's Modular Beam represents the successful synthesis of high-end solutions from areas that could not diverge more widely.

It is immediately clear that the cross-member performs a bearing function. It integrates numerous components such as the steering column along with the steering wheel, the glove compartment, the air conditioning system with its related management functions ("HVAC": Heating, Venting, Air Conditioning), the audio and video management systems, the navigation system, various airbags, and even pedals and switches, and, last but not least, the entire cockpit.

Each of these "carriers" must meet high specific requirements. In a crash, for instance, the airbag carriers must sustain enormous impacts without the functionality of the other components that are fitted to the cross-member being negatively affected, or the steering column must meet the highest requirements with respect to torsional strength.

Ever larger cockpits with an increasing number of features also generally require rising performance reserves on the part of the cross-member. Here, the PWO solution is distinguished by, as the name suggests, modular, and thereby almost unlimited, variability.

It is enhanced even further by PWO's know-how when various materials such as steel, aluminium or magnesium need to be combined. This naturally also includes permanent quality inspection that is embedded within the ongoing production process, and which is largely automated.

PWO's Modular Beam concept thereby not only allows the utilisation of a basic module that can be fitted as desired with any additional components from an automotive manufacturer, but also permits the application of a basic module for global utilisation on vehicle platforms, and in their relevant regional models.

As a consequence, PWO can ship to international automotive manufacturers worldwide, and on a just-in-time basis harnessing sophisticated logistics. This ensures transportation security, dimensional accuracy, high packaging density, and thereby lower costs.

Secondly, the modular construction approach, together with variable materials input, innovative securing technologies, and optimise component carriers, result in a substantial weight saving. As a result, the PWO Modular Beam also contributes to reducing fuel consumption, and consequently CO_2 emissions.

Cross-members, however, must also fulfil further requirements. Particularly in the case of side-impact accidents, they represent central security elements since they absorb energy, directing the energy around the passenger compartment and thereby protecting it from deformation. Here, PWO, with its numerous variants in terms of cross-sections, profiles and reinforcing elements, as well as material and fastening options, offers vehicle safety at the highest level. Deformations are effectively prevented – accompanied by minimised materials input at the same time.

Last, but not least, PWO's Modular Beam makes significant contributions to improving comfort within the vehicle. This is because noise, vibration, harshness ("NVH") are factors that should be ruled out as far as possible in automobiles. At the same time, however, the individual "sound design" or "sound track" forms part of each vehicle's fixed image for most car buyers, and represents one of the most important purchasing incentives.

Since the cross-member makes a significant contribution to the vibration and noise behaviour of a car's interior, manufacturers' NVH requirements are correspondingly high, and also differ greatly. Consequently PWO is capable of supplying the appropriate cross-members, whether for luxurious calm or a sports car sound track.

In this context, manufacturers' NVH requirements to absorb undesirable vibrations are stringently satisfied without succumbing to the classic dilemma of only achieving less vibration accepting greater mass, and thereby higher weight. Particularly in the case of NVH performance, the PWO Modular Beam proves persuasive with its optimal results that are simultaneously accompanied by an excellent "weight and cost ratio".

PWO's performance in the development of customer-individual cross-members, together with its ability to supply globally, has made us one of the most important suppliers to the global automotive industry in this area. As a consequence, cross-members will make significant contributions to the Group's growth up to 2012 and beyond.

GENERAL BUSINESS CLIMATE

The German economy is on a recovery path according to economists and the federal government. Macroeconomic activity has accelerated in the second quarter of 2010. Along with catch-up effects in the construction sector, this is particularly due to growing dynamism in the industrial sector: demand for capital goods and growing capacity utilisation are creating positive impulses. Above all, however, companies are confident in their sentiment towards their export business. Private consumption is clearly lagging behind this trend.

The global economy, which is meanwhile almost booming again, primarily due to strong growth in Asia, particularly China, has prompted the International Monetary Fund to significantly upgrade its global growth forecast for this year from 4.0 percent to 4.5 percent. All forecasters are nevertheless placing greater emphasis on enumerating the risks to their forecasts. These have recently even risen further as part of the widening state indebtedness and flagging state support impulses, particularly in the USA.

SECTOR TRENDS

According to the German Automobile Industry Association (VDA), the German automotive industry is recovering from the crisis faster than expected. Car exports were up by 44 percent year-on-year in the first half of 2010, and domestic car production increased by 23 percent. Export orders increased by a good 28 percent in the first half of 2010. China and the USA were the principal demand-drivers. The VDA, however, remains cautious, and "only" expects export growth of at least 20 percent to more than 4.2 million cars for the full 2010 year. This level would exceed the pre-crisis year of 2008, and would almost match the record year of 2007. The VDA anticipates growth of at least 10 percent to 5.5 million new cars for German domestic production. Here, too, the high production level of 2008 would almost be achieved once again.

The Asian markets are the principal growth-drivers, according to the VDA. The Chinese car market, for instance, has grown by more than 50 percent over the first five months. The US market is also reporting solid growth with light vehicle shipments up by almost 17 percent in the first half of 2010. In this context, German group brands have slightly outperformed the US market at +18 percent.

Along with exports, foreign production is becoming an increasingly important strategic pillar for German manufacturers. German manufacturers' foreign production has almost tripled since 1994. Whereas almost one third of German manufacturers' production was attributable to abroad at that time, at 5.6 million cars by 2010, this figure will rise to over 50 percent, according to the VDA. Asian sites are gaining particular significance: more than every fourth car produced by German manufacturers abroad is produced in China today, compared with only every tenth vehicle five years ago.

While the export motor is humming, the German domestic car market is overshadowed by the previous year's high registration volumes, precipitated by the new vehicle tax rules and the environmental premium. At 1.5 million units, 29 percent fewer cars were registered in the first half of 2010 than in the previous year. German manufacturers' domestic orders were also down 25 percent year-on-year at the end of June. The VDA anticipates new car registration volumes of just under 3 million units for the full 2010 year. With respect to market structure, the VDA expects a return to ratios prevailing before the environmental premium: German manufacturers' market share has again exceeded the 70 percent mark, having fallen temporarily to 62 percent in 2009. The market share of mini, small and compact cars is normalising, and again amounts to a good 50 percent (2009: 62 percent). The medium class segment is regaining market shares, by contrast.

Despite the high rate of decline in Germany, Western Europe reported shipment growth of 2 percent to 7 million vehicles in the first half-year. Here, the first quarter was still benefiting from lively, incentive-led demand. Shipment volumes were down 14 percent year-on-year in the new EU countries, but demand declines have been flattening out for some months.

SECOND QUARTER OF 2010 EVEN STRONGER THAN THE FIRST QUARTER

We have again exceeded the already strong trend of the first quarter in the second quarter of the 2010 financial year. With revenue of EUR 63.4 million (p/y: EUR 49.1 million), total output of EUR 65.3 million (p/y: EUR 51.2 million), and EBIT of EUR 4.5 million (p/y: EUR -2.2 million), we have made good progress on our path to our former strength.

All cost ratios improved due to the significant year-on-year increase in capacity utilisation, thereby contributing to the profitability enhancement. The materials expense ratio normalised on a quarterly comparison, rising from 51.1 percent in the first quarter of 2010 to 52.7 percent in the second quarter. The personnel expense ratio reported a growth-led decline from 29.1 percent to 28.5 percent, whereas the other operating expense ratio was up from 8.6 percent to 9.0 percent mainly due to higher expenses for temporary help labour.

After unchanged financing expenses of EUR 1.5 million compared with 2009, and a tax expense of EUR 0.9 million (p/y: tax income of EUR 0.5 million), the net result for the period amounted to EUR 2.0 million (p/y: EUR -3.2 million), and earnings per share to EUR 0.82 (p/y: EUR -1.27).

In the first half-year, revenue of EUR 124.8 million (p/y: EUR 90.5 million), total output of EUR 130.1 million (p/y: EUR 94.2 million), EBIT of EUR 8.7 million (p/y: EUR -7.2 million), and a net result for the period of EUR 3.6 million (p/y: EUR -7.7 million) were achieved. Earnings per share amounted to EUR 1.45 (EUR -3.09).

Two factors are of significance in order to understand figure trends. Firstly, relatively low tool sales of EUR 6.3 million were generated in the first half of 2010. We anticipate approximately EUR 18 million for the full year. Since tool sales generally generate lower margins than series sales, this exerted a positive impact on profitability in the first half of 2010. The split of consolidated revenue between tools and series business is presented in the notes to the financial statements in each interim financial report.

Secondly, following currency hedging expenses of EUR 1.5 million in 2009, we benefited from currency gains of EUR 1.7 million in the first half of 2010. It is difficult to forecast the future trend of this item due to the current high volatility is on currency markets. For this reason it is uncertain whether gains of similar magnitude will continue to impact over the full 2010 year.

GERMANY REMAINS HIGHLY PROFITABLE; FOREIGN SITES ON THE UP

All our locations reported year-on-year growth. This was already to be expected at the end of the crisis. A further particularly gratifying factor is that the site in the Czech Republic has continued its earnings improvements on a sequential comparison of the second quarter with the first.

Our German site at Oberkirch, which comprises the Germany segment, delivers the most significant earnings contributions. In the second quarter of 2010, it reported stable revenue trends, and EBIT of EUR 4.2 million was essentially at the first quarter's level of EUR 4.4 million. Here, overall revenue of EUR 94.7 million was achieved in the first half of 2010 (p/y: EUR 69.8 million), total output of EUR 101.1 million (p/y: EUR 73.7 million), EBIT of EUR 8.6 million (p/y: EUR -4.1 million), and a net result for the period of EUR 4.8 million (p/y: EUR -4.0 million). The Oberkirch site is already preparing itself for the start-up of new major series productions in both the second half of 2010 and in 2011, which will lead to continued growth over the coming years.

The Czech location, too, which comprises the Rest of Europe segment, achieved revenue in the second quarter of 2010 that was at the level of the first quarter. In this context, EBIT improved significantly from EUR -0.3 million in the first quarter to EUR +0.3 million in the second quarter, although the site continues to be burdened by negative currency effects.

In the first six months of 2010, revenue was raised to EUR 10.6 million (p/y: EUR 8.5 million), total output to EUR 12.6 million (p/y: EUR 10.6 million), and EBIT was at breakeven despite currency losses of EUR 0.6 million (p/y: EUR -0.5 million). In other words, we have made good progress with the budgeted improvement in this site's operating profitability. The net result for the period amounted to EUR -0.6 million (p/y: EUR -1.0 million).

In the NAFTA region, our two sites in Canada and Mexico were combined. Both sites grew revenue significantly year-on-year in the second quarter of 2010, and have also considerably improved their profitability on a year-on-year comparison. Although Canada is currently still operating at breakeven, and Mexico reported losses in the second quarter of 2010, the turnaround here is nevertheless clearly evident.

In overall terms, the NAFTA segment reported significant improvements in the first half of 2010 in revenue to EUR 17.4 million (p/y: EUR 12.1 million), total output to EUR 19.4 million (p/y: EUR 12.6 million), and EBIT to EUR -0.4 million (p/y: EUR -2.6 million). It should nevertheless be borne in mind that the segment result benefited from EUR 0.5 million of currency gains. The net result for the period amounted to EUR -0.8 million (p/y: EUR -2.5 million).

At both sites, extensive new series start-ups are in planning and 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 nevertheless cannot be excluded in the short term in this connection.

In Asia, production at our site in China is gradually rising. Revenue in the Asia segment amounted to EUR 1.4 million in the second quarter of 2010, following EUR 0.8 million in the first quarter. Profitability also improved. Revenue and total output of EUR 2.2 million was achieved in the first half of 2010 (p/y: EUR 0.1 million), and an unchanged EBIT of EUR 0.2 million. The net result for the period amounted to EUR -0.1 million (p/y: EUR 0.0 million).

While the previous year's result benefited from a positive effect arising from the winding up of our former joint-venture, currency gains exerted a positive impact of EUR 1.1 million in this reporting period. The Chinese company, which is still in the build-up phase, continues to incur losses at the operating level, as planned, and will continue to do so in the near future.

We are currently conducting various talks about future orders in China, some of which are already far advanced. As a consequence, we look with confidence to the future expansion of this location over the coming years.

CONTINUED STABLE FINANCING STRUCTURE

We not only continued to place strong limits on investments in order to spare our financial resources. Our balance sheet management was also directed towards limiting the tying up of resources and the improvement of our financing structure.

For instance, we restricted the rise in total assets to EUR 217.7 million in the first half of 2010, following EUR 204.7 million as of the end of the 2009 financial year, despite high growth. In this context, current assets, in particular, rose in line with our business expansion, while non-current assets remained almost unchanged at the year-end 2009 level due to the low investment level in the first half-year.

With our established PWO production system, we have managed to actively steer our inventory increase, particularly in the current upturn phase. This makes a considerable contribution to limiting our liquidity requirements.

As a consequence, we are in no way affected by the current discussions concerning automotive suppliers' liquidity risks thanks to our strong relationships with our banking partners, particularly in this period of cyclical upturn. Internal financing and our available banking lines are entirely sufficient to finance both current business and forthcoming investments.

At 30.1 percent, our equity ratio was unchanged compared with the end-2009 level of 30.0 percent. Although net debt rose to EUR 79.0 million over the course of the second quarter, following EUR 76.2 million at the end of the first quarter, and gearing (net debt expressed as a percentage of equity) rose correspondingly to 120.6 percent compared with 118.9 percent. This is nevertheless within the range of normal quarterly business fluctuations. In overall terms, our balance sheet ratios have already recovered considerably along with the resumption of automotive sector growth.

In the first half of 2010, cash flow from operating activities of EUR 12.0 million comfortably covered investment cash outflows of EUR 6.4 million, and interest paid of EUR 2.4 million. Free cash flow correspondingly amounted to EUR 3.2 million.

Second-quarter free cash flow was slightly negative, as reflected in the rise in net debt. This was mainly due to normal fluctuations of short-term assets and short-term liabilities.

We nevertheless anticipate free cash flow breakeven for the 2010 financial year. We aim to visibly reduce indebtedness out of our cash flow over the coming years. Our budgeted earnings expansion will result in a strengthening of equity, which will lead to a disproportionate improvement in gearing.

PRESENT AT THE RIGHT TIME IN CHINA

In foreign markets offering high growth potential, we position ourselves at an early stage before our customers face decisions concerning the awarding of orders for series productions as part of model changes on these markets. In this way, we facilitate our access to these tenders, and simultaneously limit our sites' start-up periods.

In China, we have now reached a point where the country is becoming one of the most important sales markets for German manufacturers' premium models, and we are now present with a local site with particularly high-running production levels, where we can offer quality and supply loyalty that matches the high level typically expected of PWO in Germany. As a consequence, we are now at the right place at the right time to win attractive new orders.

We have also recently already been successful with the acquiring of new orders for the development and production of cross-members in China. Production will commence in 2012. Further promising negotiations are underway.

Given all the growth opportunities, we are nevertheless not losing sight of the technological and business risks, as well as the related investment requirements. This applies to all our sites. In overall terms, we are currently registering a considerable rise in queries for global platforms with high unit numbers. As a result, our global strategy has encountered a high degree of acceptance among our customers.

INVESTMENT BUDGET REMAINS FOCUSED ON NEW START-UPS

The Group's investments remain concentrated on the scheduled measures required as part of forthcoming series start-ups. Additions to property, plant and equipment in the second quarter of 2010 of EUR 2.7 million (p/y: EUR 2.0 million) were somewhat lower than in the previous quarter, when EUR 3.3 million was invested. An amount of EUR 0.5 million was also invested in intangible assets, which was fully incurred at PWO AG. Overall, investments came to EUR 6.5 million (p/y: EUR 7.2 million) in the first half year of 2010.

Of this amount in the quarter under review, EUR 1.1 million (p/y: EUR 1.6 million) respectively EUR 0.9 million (p/y: EUR 0.0 million) was dedicated to our sites in Germany and Canada respectively. After the high of volumes at the start of the year, investments at our Czech location moderated in the second quarter to EUR 0.3 million, in line with our budget (p/y: EUR 0.0 million).

With investments of EUR 0.4 million, preparations were pushed ahead for new projects in Mexico (p/y: EUR 0.2 million). No noteworthy investments were required for the continued start-up of production at our Chinese location (p/y: EUR 0.1 million).

Higher investments are nevertheless scheduled for the second half of this financial year compared with the first half-year as part of the continued preparations for the series start-ups in 2010 and 2011. An overall volume of a good EUR 19 million is budgeted for 2010. As a consequence, and following the crisis-led very low level of EUR 14.0 million in 2009, we are again reaching the sustainable annual volume that is also anticipated in this magnitude for subsequent years.

Around half of the annual budget will be attributable to our largest site in Oberkirch, and the remaining volume relates to the locations in Canada, the Czech Republic and Mexico. The focus in this respect is on project-specific tools, and welding and assembly plants. There is currently no requirement to invest in additional machine capacities, with the exception of Mexico.

EMPLOYEE NUMBERS ESSENTIALLY UNCHANGED

We continue to manage the Group's continued high growth with the existing workforce. We are now reaping benefit from the fact that we retained our core workforce during the 2009 crisis year, thereby keeping experience and know-how within the PWO Group. As a consequence, we can now fully satisfy the short-term rise in customer call orders, and nevertheless make recourse to extremely stable production processes at the same time.

In addition, we have re-employed temporary help employees, who we were required to lay off in 2008, and who had often been connected with the company for many years.

An average of 1,967 staff members were employed within the Group over the first half of 2010, including 133 trainees. This figure changed only very slightly over the course of the reporting year. At Oberkirch, the average staff number of 1,045 excluding trainees in the first half of 2010 was unchanged compared with the first-quarter average.

At our foreign sites, we have implemented a targeted expansion of our workforce in individual areas in preparation for future series start-ups and continued growth. For example, we employed an average of 114 staff in Canada in the first half of the year (first-quarter average: 106), 303 at our Czech site (301), 87 in China (82), and 286 in Mexico (282).

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 significantly better than expected as recently as last spring. Economies around the world have benefited from state economic programmes , and the significant demand recovery that is already underway, particularly in Asia.

This, underpinned even further by the weak euro, has had a particularly positive effect on the export-oriented German economy. And the German automotive industry is already also reporting additional impulses, since German manufacturers' premium models are in particular demand in Asia.

As a consequence, the opportunities connected with additional growth are outweighing the risks of renewed setbacks in terms of macroeconomic and business cycle data.

As a consequence of this 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 continue to achieve amicable solutions with our customers, as in the past.

Marked risks continue to exist in the area of currency exchange rates, particularly with respect to the exchange rates of the US dollar, the Czech crown, and the Chinese renminbi against the euro. It is thought that currency market volatility will rise even further due to the significant expansion in indebtedness among many industrial states.

Last, but not least, the start-ups of major new series are due in the second half of the current financial year. We also believe that the start-up of a major new series can essentially be implemented within budget at our highly efficient and very mature site in Oberkirch, the Group's technology and expertise centre.

At a smaller location, as in Canada, by contrast, unforeseen start-up problems could certainly result in higher charges to profitability than budgeted.

Similarly, the further expansion of our Chinese site may also be connected with unforeseeable expenses. Customers' changes to call volumes, or delays to start-ups, always have an especially rapid and particularly serious impact on such a young location with as yet low revenue volumes.

SIGNIFICANT INCREASE IN 2010 FORECAST

At an early juncture in the current financial year, we published our forecast of approximately 15 percent revenue growth, and a positive net result for the year.

The first-quarter trend then exceeded our expectations, and this trend has essentially been confirmed in the second quarter. Call orders notified for the second half of 2010 also point to a continued positive development. The trend of the first half-year should nevertheless not be simply extrapolated over the second half of the year.

The second half of a financial year always tends to be somewhat weaker than the first. In addition to the previously mentioned currency risks, and the risks arising from start-up costs for new series productions, it should also be noted that we will achieve the larger proportion of the budgeted 2010 tool revenue of approximately EUR 18 million in the second half of the year. Tool revenues usually generate lower margins than series revenues.

We are nevertheless assuming that we will significantly exceed our previous forecast. We are now expecting revenue growth of more than 20 percent to more than EUR 250 million, and EBIT of around EUR 15 million. Following EBIT of EUR -4.9 million in the 2009 financial year, this means that the turnaround will be realised more rapidly than expected, thereby significantly exceeding the previous budget.

	2nd Quarter 2010		2nd Quarter 2009	
	EURk	% share	EURk	% share
Revenue	63,404	97.1	49,066	95.8
Changes in inventories / own work capitalised	1,904	2.9	2,167	4.2
Total output	**65,308**	**100.0**	**51,233**	**100.0**
Other operating income	2,394	3.7	613	1.2
Costs of materials	34,423	52.7	28,229	55.1
Staff costs	18,628	28.5	16,873	32.9
Depreciation and amortisation	4,270	6.5	3,999	7.8
Other operating expenses	5,887	9.0	4,956	9.7
EBIT	**4,494**	**6.9**	**-2,211**	**-4.3**
Finance costs	1,523	2.3	1,460	2.8
EBT	**2,971**	**4.5**	**-3,671**	**-7.2**
Taxes on income	931	1.4	-503	-1.0
Net result for the period	**2,040**	**3.1**	**-3,168**	**-6.2**
Earnings per share in EUR	0.82	—	-1.27	—

	1st Half-year 2010		1st Half-year 2009	
	EURk	% share	EURk	% share
Revenue	124,843	96.0	90,465	96.0
Changes in inventories / own work capitalised	5,257	4.0	3,774	4.0
Total output	**130,100**	**100.0**	**94,239**	**100.0**
Other operating income	3,621	2.8	2,614	2.8
Costs of materials	67,519	51.9	52,087	55.3
Staff costs	37,492	28.8	34,520	36.6
Depreciation and amortisation	8,533	6.6	7,842	8.3
Other operating expenses	11,443	8.8	9,578	10.2
EBIT	**8,734**	**6.7**	**-7,174**	**-7.6**
Finance costs	3,244	2.5	2,761	2.9
EBT	**5,490**	**4.2**	**-9,935**	**-10.5**
Taxes on income	1,871	1.4	-2,205	-2.3
Net result for the period	**3,619**	**2.8**	**-7,730**	**-8.2**
Earnings per share in EUR	1,45	—	-3,09	—

Consolidated statement of comprehensive income

	1st Half-year 2010	1st Half-year 2009
	EURk	EURk
Net result for the period	**3,619**	**-7,730**
Other comprehensive income		
Derivative financial instruments		
Net gains (- losses) from cash flow hedging	-1,974	1,359
Tax effect	578	-329
Unrealised gains/losses from derivative financial instruments	**-1,396**	**1,030**
Currency translation	1,763	655
Other comprehensive income after tax	**367**	**1,685**
Total comprehensive income after tax	**3,986**	**-6,045**

ASSETS	30/06/2010	31/12/2009
	EURk	EURk
Property, plant and equipment	100,607	97,161
Intangible assets	11,187	11,289
Deferred tax assets	2,017	1,765
Non-current assets	**113,811**	**110,215**
Inventories	47,887	42,312
Receivables and other assets	48,679	44,433
Cash and cash equivalents	7,273	7,704
Current assets	**103,839**	**94,449**
Total assets	**217,650**	**204,664**

EQUITY AND LIABILITIES	30/06/2010	31/12/2009
	EURk	EURk
Equity	**65,451**	**61,465**
Interest-bearing loans	53,123	51,844
Pension provisions	25,047	24,580
Other provisions	4,725	4,565
Deferred tax liabilities	766	754
Non-current liabilities	**83,661**	**81,743**
Current portion of pension provisions	1,350	1,350
Trade payables and other liabilities	34,060	25,158
Interest-bearing loans	33,128	34,948
Current liabilities	**68,538**	**61,456**
Total equity and liabilities	**217,650**	**204,664**

Consolidated statements 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			3,619			**3,619**
Other comprehensive income				1,763	-1,396	**367**
Total comprehensive income	**6,391**	**17,155**	**41,022**	**1,909**	**-1,026**	**65.451**
Dividend payment						**0**
Capital increase from company funds	1,109		-1,109			**0**
As at 30/06/2010	**7,500**	**17,155**	**39,913**	**1,909**	**-1,026**	**65,451**
As at 01/01/2009	6,391	17,155	47,727	-1,167	-2,126	**67,980**
Net result for the period			-7,730			**-7,730**
Other comprehensive income				655	1,030	**1,685**
Total comprehensive income	**6,391**	**17,155**	**39,997**	**-512**	**-1,096**	**61,935**
Dividend payment			-1,375			**-1,375**
As at 30/06/2009	**6,391**	**17,155**	**38,622**	**-512**	**-1,096**	**60,560**

	30/06/2010	30/06/2009
	EURk	EURk
Net result for the period	3,619	-7,730
Depreciation/reversal of write-downs on property, plant and equipment	8,533	7,842
Income tax expense/refund	1,871	-2,204
Interest income and expenses	3,244	2,761
Change in current assets	-9,822	-778
Change in non-current liabilities (excluding financial loans)	-204	17
Change in current liabilities (excluding financial loans)	7,502	-8,943
Income tax paid	-72	448
Other non-cash expenses/income	-2,696	970
Gain/loss from disposal of property, plant and equipment	9	0
Cash flow from operating activities	**11,984**	**-7,617**
Cash inflow from disposal of property, plant and equipment	14	0
Cash outflow for investments in property, plant and equipment	-5,896	-6,839
Cash outflow for investments in intangible assets	-554	-397
Cash flow from investing activities	**-6,436**	**-7,236**
Dividends paid	0	-1,375
Interest paid	-2,364	-1,912
Cash inflow from drawing down of loans	2,014	18,289
Cash outflow for redemption of loans	-6,942	-8,003
Cash flow from financing activities	**-7,292**	**6,999**
Cash-effective changes in cash and cash equivalents	-1,744	-7,854
Exchange-rate-related changes in cash and cash equivalents	-158	-7
Cash and cash equivalents as of January 1	3,491	-621
Cash and cash equivalents as of June 30	**1,589**	**-8,482**
of which cash and cash equivalents	*7,273*	*6,946*
of which bank borrowings repayable on demand	*-5,684*	*-15,428*

ACCOUNTING POLICIES

The condensed interim consolidated financial statements as of June 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 financial statements and interim management report are subjected to neither an 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 June 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 table below.

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) are 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.

	Closing rate		**Average rate**	
	30/06/2010	30/06/2009	**1st Half-year 2010**	1st Half-year 2009
CAD	1.30	1.63	1.37	1.61
CNY	8.31	9.64	9.07	9.10
HKD	9.53	10.95	10.32	10.33
USD	1.22	1.41	1.33	1.33

NOTES TO THE INCOME STATEMENT

Revenue

The Group generates revenue from series productions and tool sales. Tool sales amounted to EURk 6,253 in the first quarter (p/y: EURk 11,288).

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 449 (p/y: EURk 397) 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. Production is planned to start in late 2008.

Other operating income

Other operating income primarily consists of currency gains.

Other operating expenses

Other operating expenses primarily consist of expenses for maintenance, temporary help, outward freight charges, rental and lease fees as well as 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:

	1st HY 2010	1st HY 2009
	EURk	EURk
Actual tax	1,428	-1,588
Deferred tax	443	-617
Taxes on income	**1,871**	**-2,205**
Income taxes reported in other comprehensive income	-578	329
Total	**1,293**	**-1,876**

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 June 30, 2010 of EURk 7,273 (p/y: EURk 6,946) is 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 capital amounted to EURk 7,500 as of June 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 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 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 June 30, 2010, consolidated equity reflects income and expenses arising from the currency translation of foreign subsidiaries of EURk 1,909 (p/y: EURk -512), and income/expenses from cash flow hedges of EURk –1,026 (p/y: EURk -1,096).

Dividends paid

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

Liabilities

Pension provisions

Pension provisions are measured on an annual basis by independent appraisers for the consolidated financial statements. 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 June 30, 2010/June 30, 2009:

June 30, 2010	Level 1 EURk	Level 2 EURk	Level 3 EURk	Total EURk
ASSETS				
Derivatives with hedging relationships	0	932	0	**932**
Derivatives without hedging relationships	0	0	0	**0**
LIABILITIES				
Derivatives with hedging relationships	0	2,244	0	**2,244**
Derivatives without hedging relationships	0	766	0	**766**

June 30, 2009	Level 1 EURk	Level 2 EURk	Level 3 EURk	Total EURk
ASSETS				
Derivatives with hedging relationships	0	0	0	**0**
Derivatives without hedging relationships	0	2	0	**2**
LIABILITIES				
Derivatives with hedging relationships	0	1,374	0	**1,374**
Derivatives without hedging relationships	0	566	0	**566**

As of June 30, 2010/June 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, the NAFTA region, 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 unattributable to individual segments. Segment data are calculated in accordance with accounting methods applied in the interim financial statements.

As of June 30, 2010 and June 30, 2009, there were no customers identified with whom the Group generated at least 10 percent of its revenue.

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	Consolidation	Group
1st Half-year 2010	EURk	EURk	EURk	EURk	EURk	EURk
Total revenue	97,345	12,111	18,459	2,168	0	**130,083**
Internal revenue	-2,635	-1,556	-1,049	0	0	**-5,240**
External revenue	**94,710**	**10,555**	**17,410**	**2,168**	**0**	**124,843**
Total output	**101,109**	**12,624**	**19,391**	**2,247**	**-5,271**	**130,100**
Key income	1,253	127	1,336	1,236	-331	**3,621**
Key expenses	88,260	11,700	19,386	2,993	-5,885	**116,454**
Depreciation/amortisation	5,457	1,022	1,721	326	7	**8,533**
Earnings before interest and tax (EBIT)	**8,645**	**29**	**-380**	**164**	**276**	**8,734**
Interest income	296	0	0	1	-255	**42**
Interest expense	2,055	781	435	270	-255	**3,286**
Earnings before tax (EBT)	**6,886**	**-752**	**-815**	**-105**	**276**	**5,490**
Taxes on income	2,072	-143	-40	0	-18	**1,871**
Assets	120,890	39,956	41,998	19,824	-5,018	**217,650**
of which non-current assets	*47,570*	*25,077*	*25,104*	*14,236*	*-193*	*111,794*
Liabilities	21,162	6,239	8,102	14,362	102,334	**152,199**
Investments	2,462	1,885	2,203	58	-158	**6,450**

Segment information by regions	Germany	Rest of Europe	NAFTA	Asia	Consoli-dation	Group
1st Half-year 2009	EURk	EURk	EURk	EURk	EURk	EURk
Total revenue	70,788	10,323	12,426	70	0	**93,607**
Internal revenue	-952	-1,838	-352	0	0	**-3,142**
External revenue	**69,836**	**8,485**	**12,074**	**70**	**0**	**90,465**
Total output	**73,688**	**10,570**	**12,580**	**70**	**-2,669**	**94,239**
Key income	1,251	101	923	1,050	-711	**2,614**
Key expenses	73,716	10,334	14,453	927	-3,245	**96,185**
Depreciation/amortisation	5,302	871	1,637	23	9	**7,842**
Earnings before interest and tax (EBIT)	**-4,079**	**-534**	**-2,587**	**170**	**-144**	**-7,174**
Interest income	5	3	26	1	-19	**16**
Interest expense	1,543	721	322	210	-19	**2,777**
Earnings before tax (EBT)	**-5,617**	**-1,252**	**-2,883**	**-39**	**-144**	**-9,935**
Taxes on income	-1,588	-250	-347	0	-20	**-2,205**
Assets	129,148	40,747	35,484	12,847	-5,677	**212,549**
of which non-current assets	*51,129*	*24,905*	*23,691*	*11,316*	*-167*	*110,874*
Liabilities	18,966	5,629	10,647	7,427	109,279	**151,948**
Investments	4,758	127	427	2,041	-117	**7,236**

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 June 30, 2010 balance sheet date that require reporting.

07 ASSURANCE OF THE LEGAL REPRESENTATIVES

"We assure that, to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with the description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year."

Oberkirch, July 29, 2010

The Management Board

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

08 REPORT OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The interim financial report for the second quarter of 2010 in the first half of the 2010 financial year was presented to the Supervisory Board's Audit Committee on July 29, 2010, and explained by the Management Board. The Audit Committee concurred with the interim financial report.

Oberkirch, July 29, 2010

Audit Committee Chair

Dr. jur. Klaus-Georg Hengstberger

09 FINANCIAL CALENDAR | BOARD MEMBERS | CONTACT

FINANCIAL CALENDAR

November 2, 2010
Interim financial report for Q3 and 9M 2010

November 23, 2010
German Equity Forum, Frankfurt

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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Future-oriented statement forecasts
This interim financial report contains future-oriented statements that are based on current assumptions, expectations, estimates, forecasts and other information currently available to the PWO Management Board, and on assumptions, expectations, estimates, forecasts and budgets that are derived from these. The future-oriented statements should not be understood as guarantees of future developments and results that are mentioned therein. Various known and unknown risks and uncertainties as well as other factors may result in actual developments and results diverging significantly from estimates that mentioned here explicitly or are contained implicitly. These factors include those that PWO has described in published reports, and which are available on the PWO website at www.progress-werk.de. Irrespective of statutory regulations, PWO accepts no obligation to update such future-oriented statements, and to adjust them to future events or developments.