The Human Touch of
Automotive Technology

Man. Machine.
Superior products.

PWO

00

Figures at a glance

in EUR thousand	2005	2006	2007	2008	**2009**
Group revenue	219,706	225,339	259,566	260,356	**206,371**
Total group output	221,121	227,048	262,600	264,810	**206,752**
Materials expenses	114,293	117,750	141,332	149,306	**112,067**
Staff expenses	60,241	62,760	68,765	70,652	**67,065**
EBITDA	29,052	31,938	32,908	24,184	**12,179**
EBIT	15,522	15,792	16,719	7,715	**-4,949**
Net profit for the year	7,915	8,840	7,673	1,351	**-8,949**
Cash flow from operating activities	16,267	25,296	17,902	25,031	**6,008**
Cash flow from investing activities	−16,517	−13,179	−26,007	−33,937	**−12,658**
Cash flow from financing activities	700	−7,828	−958	13,497	**10,858**
Net change of cash flow	450	4,289	-9,063	4,591	**4,208**
Equity in % of balance sheet total	40.7	41.8	40.0	33.1	**30.0**
Return on Equity in % (Based on EBT)	19.8	18.5	16.8	3.8	**negative**
Return on Equity in % (Based on net profit)	12.4	12.9	10.0	2.0	**negative**

For a detailed overview of the key financials, please refer to the management report on page 42.

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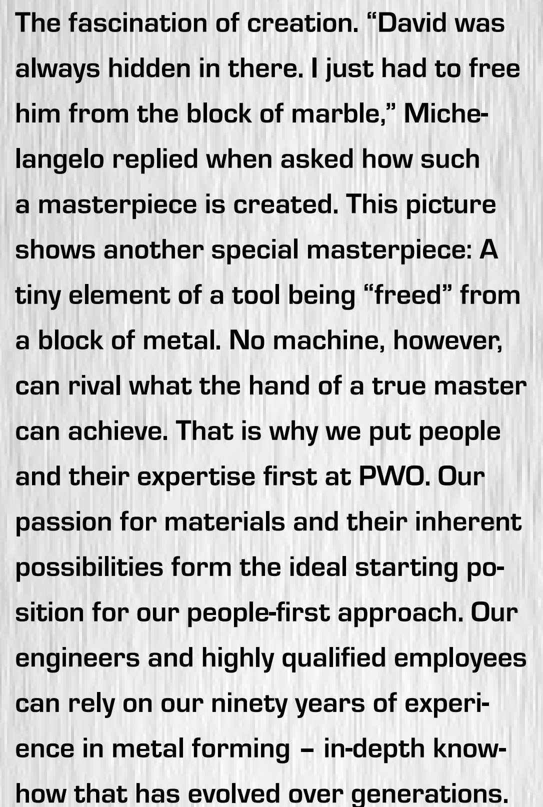


The fascination of creation. “David was always hidden in there. I just had to free him from the block of marble,” Michelangelo replied when asked how such a masterpiece is created. This picture shows another special masterpiece: A tiny element of a tool being “freed” from a block of metal. No machine, however, can rival what the hand of a true master can achieve. That is why we put people and their expertise first at PWO. Our passion for materials and their inherent possibilities form the ideal starting position for our people-first approach. Our engineers and highly qualified employees can rely on our ninety years of experience in metal forming – in-depth know-how that has evolved over generations.

Experience isn’t everything. Enthusiasm is needed to bring ideas into implementation.

Every day, this unique experience in tool engineering fuels our global success and competitiveness in a different way. The highest precision in tool engineering is paramount in achieving superior manufacturing quality. More often than not, we are also able to offer more cost efficient alternatives. Customers continue to be delighted that we offer the best value for money.

01

Management's Letter to Shareholders

Dear Shareholders,

Following the unprecedented severe sales slump in the car industry in autumn 2008, our focus for 2009 was primarily aimed at coming to terms with the results of the crisis and mitigating damage to the company. Although we took action early in 2008 and implemented adjustment measures, the fine tuning of these measures posed a particular challenge to the company and its staff during 2009. This was especially the case, as we had to continuously focus on maintaining a balance between ensuring the absolutely essential short-term liquidity and allowing the minimum amount of expenditures and investments needed to realize medium-term company plans.

In 2009, we succeeded in guiding the company through one of the most difficult years in its history and our banking partners were there to help us every step of the way. Our employees are another major reason that we managed to be so successful.

During the course of 2009, we were not able to make up for the high EBIT losses suffered in the first half of the year. But the effects of our cost reduction measures and increasing revenues from series production helped improve the company's earnings situation over the course of the year. The third quarter showed revenue of EUR 54.3 million and EBIT managed to break even. In the fourth quarter of 2009, we were already able to show revenues of EUR 61.6 million and EBIT of EUR 2.3 million. The EBIT margin stood at 3.7 percent and therefore clearly positive in the fourth quarter.

Although we may have put the worst part of the economic downturn behind us, it will take some time until our total revenue, which amounted to EUR 206.4 million in 2009, returns to the level of 2007 when it was recorded at EUR 260 million. This means that we will conduct business very carefully for the foreseeable future.

The company's substantially reduced cost base will help us achieve this goal. In our attempts to lower running costs, we have not only adapted the workforce at home and abroad to the current market demands, we have also saved on other expenses which will altogether serve to strengthen our future earnings situation.

We signed a new supplementary collective labour agreement at the Oberkirch production site, thereby laying the groundwork for ensuring its future existence. All involved parties committed to extensive efforts to strengthen the production site in the short-term and to use the next few years creating structures that will enable the location to compete successfully. Since the supplementary collective labour agreement extends up to 2016, it affords the company planning security for a relatively long time. In return, we plan to invest EUR 30 million and create new jobs in the next few years.

The newer production sites abroad were also able to further stabilise their business operations, having been subjected to the same adjustment measures that were implemented in Germany. They are now making good headway towards contributing to Group earnings rather than imposing burdens.

Despite the remaining insecurity and existing risks, we can approach 2010 and the coming years with confidence. Slight growth has been projected for the European market for premium vehicles, which play a major role in our business. There are even considerably more positive prospects for some of the foreign markets.

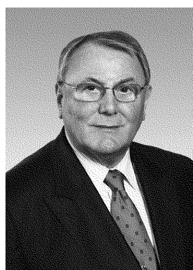
At PWO, we will be launching several large series productions in 2010 and 2011 that will lead to growth independent of market developments. We are currently placing a strong emphasis on initiating these start-ups smoothly to ensure that we rapidly reach the stage of efficient production.

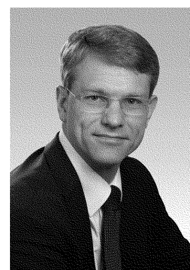
Last but not least, we are committing considerable efforts to securing further growth and a larger market share in the next years. As leading innovators in complex metal forming, we have a first class position for realising major cost cutting potential for our customers, especially in view of the growing competition in the automotive sector. Reducing CO2 emissions by lightweight engineering is currently a very significant issue.

Moreover, we have also started to address the markets for technologically less sophisticated products in Mexico and China and have met with strong customer interest. Our goal is to offer products at competitive prices that exceed the quality and reliability of former suppliers over the long-term. Thanks to our considerable expertise in production processes we are able to make competitive offers and still retain the necessary profit margins.

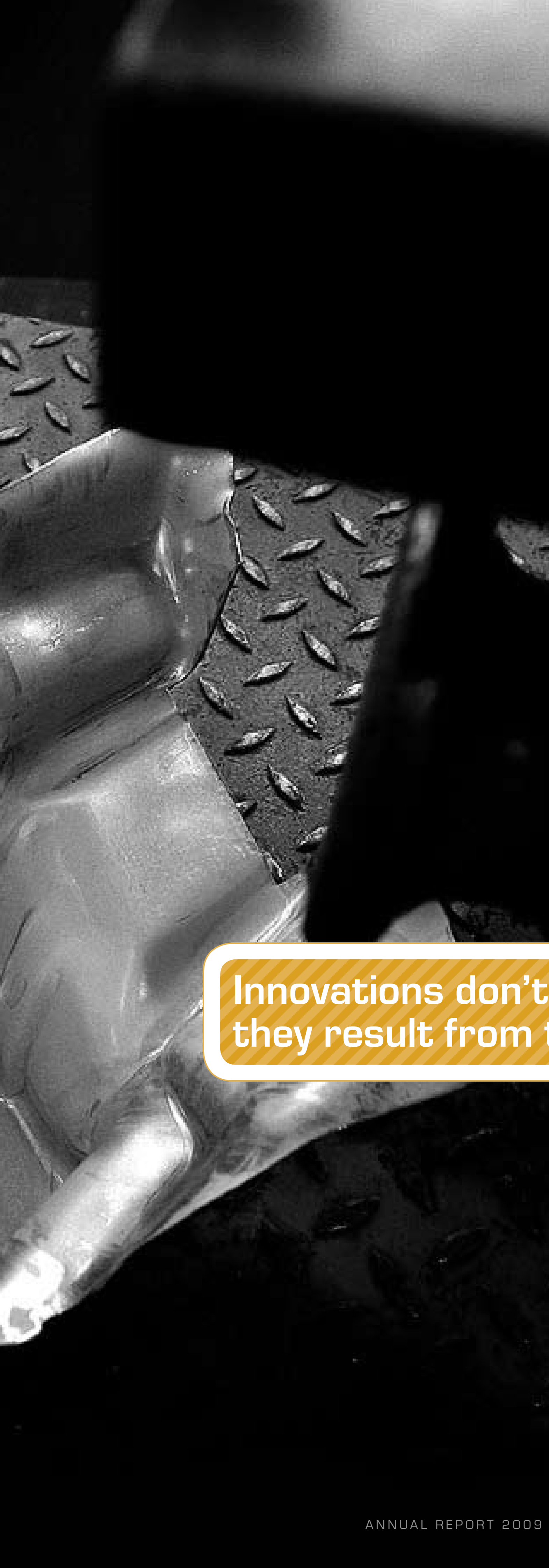
We would like to take this opportunity to give special thanks to our employees. They again showed their dedication by working with the highest commitment and exceptional responsibility and therefore enabled PWO to successfully master the 2009 financial year. The Management Board is strongly committed to ensuring the future job safety of all employees.

We would also like to thank our shareholders for placing their trust in us during these turbulent times. We are certain that PWO will continue to grow again and return to its former profitability in the coming years – and we are undertaking the utmost efforts to make this happen as soon as possible.





Karl M. Schmidhuber (Vorsitzender) | Bernd Bartmann | Dr. Winfried Blümel



We aim to provide precisely the right solutions for our customers' needs – while always aspiring to the highest quality levels. Achieving this may involve taking surprising turns, but choosing the road most travelled never leads to new discoveries. And sometimes a detour will get you there faster. This applies to the heat shields shown in the picture: After the first stage of shaping it is almost impossible to tell that this weirdly shaped steel sheet will soon be transformed into two identical highly precise manufactured parts. This process takes manufacturing speed, shape retention, efforts to minimise material consumption and quality requirements to a new level.

Innovations don't happen by accident, they result from thinking things through.

02 Report of the Supervisory Board

In the following, the Supervisory Board of Progress-Werk Oberkirch Aktiengesellschaft reports on its activities during the 2009 financial year. The report focuses on the cooperation between the Supervisory Board and the Management Board, key issues covered during Supervisory Board meetings, with particular attention paid to the treatment of the annual and consolidated financial statements, and finally committee work.

During the 2009 financial year, the Supervisory Board fulfilled its duties and responsibilities as defined by German law, the Articles of Association of Progress-Werk Oberkirch AG and the Rules of Procedure formulated for the Supervisory Board. The Supervisory Board is committed to ensuring continuous cooperation with the Management Board. This is centred around regular dialogue on all significant company issues. The Supervisory Board regularly acted in an advisory capacity and supervised the management of business affairs regarding their legality, expediency and profitability.

The Supervisory Board was directly involved in all decisions of material importance to the company. In particular, the definition of the Group's strategic direction resulted from close collaboration between the Management and Supervisory Boards.

The Management Board regularly provided detailed verbal and written Management Board reports to the Supervisory Board in a timely and comprehensive manner. This communication addressed all significant issues concerning market trends, short-term and long-term business planning, the current course of business and the state of affairs within the Group. This includes the risk situation, as well as risk management, investment activities, development projects and the strategic development of the Group. All significant business transactions and events were thoroughly discussed by the Supervisory Board on the basis of detailed reports provided by the Management Board.

The Supervisory Board critically reviewed all information provided by the Executive Board regarding plausibility. The Management Board provided reports that fully satisfied the Supervisory Board's requirements regarding scope and subject.

Departures from specified performance targets and forecasts, as well as measures aimed at rectifying such developments, were outlined by the Management Board on a case-by-case basis and subsequently reviewed by the Supervisory Board. The Supervisory Board thoroughly examined and discussed reports and proposals put forward by the Management Board. On the basis of this review, the Supervisory Board gave its approval in cases where legal provisions or the Articles of Association necessitated such approval.

In view of the difficult developments seen in the automotive and supplier industries, the Supervisory Board increased its efforts in the 2009 financial year. The Supervisory Board convened on four occasions during the 2009 financial year, on April 1, May 26, September 24 and December 16. The meetings were attended by all members. In its meetings, the Supervisory Board regularly and thoroughly examined the financial situation as well as the operative and strategic development of the Group.

Between meetings, the Management Board issued verbal or written reports to immediately and thoroughly inform the Supervisory Board of extraordinary business transactions. Such reports were made when transactions were deemed vital to the assessment of the Group's situation, development and management. The Management Board presented issues requiring Supervisory Board approval for deliberation in a timely manner.

As Chairman of the Supervisory Board, I maintained regular close contact with the Management Board, and I stayed informed concerning the current course of business and important business transactions. I informed members of the Supervisory Board of current developments and discussed these with them, also outside of Supervisory Board meetings.

During the reporting year, there were no conflicts of interest among the members of the Management or Supervisory Board that would require immediate disclosure to the Supervisory Board, as well as instruction of the Annual General Meeting. The law firm Gleiss Lutz, in which Supervisory Board member Dr. Gerhard Wirth is a partner, gave legal advice to PWO Unitools regarding a minor matter of employment law. These services were approved by the Supervisory Board.

Plenary meetings

In the 2009 financial year, the activities of the plenum of the Supervisory Board of Progress-Werk Oberkirch AG focused on issues relating to revenue and earnings, cash flows and capital expenditure as well as the overall employment situation. There was also particular focus on development projects, which form an integral basis for future growth within the Group.

In the context of the severe global recession, one focus of the Supervisory Board was the international expansion of the Group. In view of the above-average growth that is expected of the Chinese automotive market, particular points of interest were the discussion of further investments in the Suzhou production site, as well as its medium to long-term prospects and risks.

Due to the ongoing challenging circumstances surrounding the international automotive markets, current market developments and their consequences for the Group were regularly and carefully discussed.

The primary topics of every meeting were the current liquidity situation, measures needed to adjust to changing circumstances as well mid-term planning regarding employment, balance sheet planning and financing. The Management Board presented scenario analyses and corresponding projections of business development depending on alternative market trends and evaluated them with regard to the Group's current situation. The plenum of the Supervisory Board used these as a basis for intensive discussion and made resolutions in agreement with the Management Board.

The Group's medium-term plans for the growth of revenue and earnings, capital expenditures and business development for all locations as a whole were checked. Their financing, risks and alternative scenarios were also discussed. In spite of the complicated market development, no events occurred during the financial year that may be classified as extraordinary or problematic.

At its meeting on December 16, 2009, the Supervisory Board and Management Board jointly approved the Declaration of Compliance for Progress-Werk Oberkirch AG, as required under Section 161 of the Stock Corporation Act (Aktiengesetz – AktG). This Declaration relates to the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of June 18, 2009, as posted in the electronic federal gazette by the German Federal Ministry of Justice. All departures from the Code's recommendations were specified. The Management and Supervisory boards adapted the Declaration of Compliance in February 2010 as the result of a separate resolution due to the intended introduction of a deductible in the directors and officers' (D&O) insurance cover for the Supervisory Board.

In the meeting on December 16, 2009, the Supervisory Board also performed its assessment of its own efficiency. The focus of this review was the thoroughness and regularity with which the Supervisory Board fulfilled its obligation regarding questions to be directed to the Management Board. The report of the Management Board relating to corporate governance at Progress-Werk Oberkirch Aktiengesellschaft, as published in the annual report for the 2009 financial year, also applies to the Supervisory Board.

02

Pursuant to Section 315a of the German Commercial Code (Handelsgesetzbuch – HGB), no consolidated financial statement was prepared according to the HGB. The accounting and annual financial statements of Progress-Werk Oberkirch Aktiengesellschaft, the consolidated financial statements and the combined management report for the parent company and the Group, as well as the related-party disclosure of the Management Board pursuant to Section 312 AktG were audited and furnished with an unqualified audit opinion by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart – the legal successor of Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, which was elected to be the auditor by the Annual General Meeting of May 26, 2009, and which was subsequently mandated by the Supervisory Board.

The audit opinion furnished by Ernst & Young GmbH with regard to related-party disclosure was as follows: "In accordance with our duty and based on our audit and assessment, we hereby confirm that the details specified within the disclosure report are accurate." As regards information disclosed in accordance with Section 289 (4) and Section 315 (4) HGB, please refer to page 64 and 65 of the management report.

The audit reports compiled by the auditor and the Management Board's proposal to carry the net retained profits forward to the next year were forwarded to all members of the Supervisory Board in a timely manner. These were discussed extensively at the Audit Committee meeting on March 8, 2010, as well as at the Supervisory Board meeting on March 25, 2010. The auditor attended both meetings and presented the significant findings of his audit.

The Supervisory Board independently examined the annual financial statements and consolidated financial statements as well as the related-party disclosure and the Management Board proposal regarding the appropriation of the net result. Following the recommendation of the Audit Committee, the auditor's results were approved in the Supervisory Board meeting on March 25, 2010.

There were no objections raised after the conclusion of the final examination. The Supervisory Board approved the annual financial statements and consolidated financial statements, concluding their validity. The Supervisory Board raised no objections to the statement issued by the Management Board at the end of the related-party disclosure report.

Furthermore, the Supervisory Board agreed with the proposal for the appropriation of the net result for 2009. At the Annual General Assembly on May 26, 2010, the Supervisory Board and Management Board proposed to forego dividend payments due to the unsatisfactory development of earnings based on the background of poor sales in the automotive industry and to protect the finances of the Group.

Committee work

In order to ensure the efficient discharge of its duties, the Supervisory Board established a Personnel Committee and an Audit Committee in accordance with its Rules of Procedure. It conferred on them certain rights to the extent permissible under law. The committees are responsible for preparing the relevant topics and resolutions to be discussed by the plenum.

The Supervisory Board Chairman heads the Personnel Committee and regularly reports to the plenum on committee activities. The Personnel Committee is responsible for preparing the HR-related decisions made by the Supervisory Board as well as deciding directly on employment contracts and retirement benefit agreements entered into with members of the Management Board. It also represents the company in dealings with Management Board members and grants authorisation for outside or competing offices held by members of the Management Board. In addition, the Personnel Committee has the authority to grant loans to Management and Supervisory Board members and authorise contracts with Supervisory Board members for duties beyond their activities as members of the Supervisory Board.

The Personnel Committee had no issues to decide on during the period under review.

In the past financial year, the Audit Committee met on four occasions. It particularly addressed the annual accounts for the 2008 financial year, the quarterly reports for the 2009 financial year, issues concerning the fundamental structure and further development of risk management and the internal controlling system as well the effects of the Act to Modernise Accounting Law. In addition, it received reports from the Management Board, with special attention to the Group's profitability, evaluation issues including those regarding investments, control and financial reporting and internal auditing. The Audit Committee regularly assessed the alignment of the Group's current developments with ongoing plans and discussed appropriate action.

Furthermore, the Audit Committee obtained the auditor's Declaration of Impartiality pursuant to Section 7.2.1 of the German Corporate Governance Code and monitored the auditor's impartiality. The allocation of mandates to the auditor for services unrelated to auditing was also addressed. During the year in review, the Audit Committee found no evidence that cast doubt on the auditor's impartiality. For this reason, it did not initiate measures to ensure this impartiality.

In a meeting on October 29, 2009, the Audit Committee discussed the audit mandate for the auditor.

In the financial year under review, the committees included the following members:

Personnel Committee
Dieter Maier (Chairman)
Dr. jur. Klaus-Georg Hengstberger
Ulrich Ruetz
Audit Committee
Dr. jur. Klaus-Georg Hengstberger (Chairman)
Dieter Maier
Herbert König

Changes at Board level

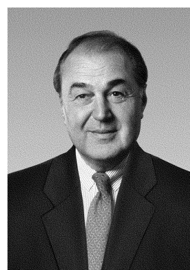
There were no changes to the structure of the Management Board or Supervisory Board during the 2009 financial year.

Message of Gratitude from the Supervisory Board

The Management Board showed exceptional commitment in successfully coping with the extraordinary challenges facing PWO during one of the worst crises that the industry has ever had to weather, and succeeded in advancing the Group's strategic development during these difficult times. This commitment strengthened the competitive potential and future prospects of PWO Group on the international automotive market in spite of the worldwide crisis in automotive manufacturing.

The Supervisory Board would like to offer special thanks to all employees at all of the Group's production sites. Their consistently high level of commitment and particularly their understanding for the necessary cuts in the 2009 financial year significantly contributed to stabilising the company.

Oberkirch, March 25, 2010



Dieter Maier (Chairman)

It's often the simplest solutions that have the most complicated beginnings. Our toolmakers try out many courses and their experience helps them find the best way as quickly as possible. Computers can be a great help during the development of new tools, but the tiniest of details decides whether a tool is capable of achieving excellent results at top production rates. This is where designers' many years of expertise and passion for the product are essential. What leads to the best solution is more than just the sum of its parts.

Only experience and passion deliver the best results, not computers.

03

Corporate Governance

The principles of corporate governance and Articles of Association of PWO correspond to the standards of good corporate governance embraced by the German business community. All shareholders receive fundamentally equal treatment. The unrestricted purchase and disposal of PWO shares is guaranteed.

Legal framework

As a stock corporation under German law, Progress-Werk Oberkirch AG is subject to the relevant statutory provisions pertaining to the management and supervision of such entities. Its management and control structure is divided into a Management Board consisting of at least two members and a six-member Supervisory Board. The Supervisory Board is composed of both shareholder and employee representatives, in accordance with the One-Third Participation Act for Supervisory Boards. The Supervisory Board has formed the committees set out in its Rules of Procedure and reports on their activities in its report on the financial year.

The Management Board is solely responsible for the operational management and strategic development of the company. The Supervisory Board monitors and advises the Management Board in these matters. The company's principles of corporate management and supervision are based on the German Corporate Governance Code. The Declaration of Compliance relating to this Code has been published on the PWO web site at www.progress-werk.de under Investor Relations/Corporate Governance and is included at the end of this chapter.

Principles of Corporate Governance

The Management Board is committed to a policy of extensive public communication that observes and surpasses the statutory requirements and stock exchange regulations governing timely reporting in observance of the principle of shareholder equality (annual and interim reports as well as ad hoc announcements, directors' dealings and any changes to shareholder voting rights necessitating disclosure upon receipt of information by the company).

Accordingly, it has continuously expanded its communication activities within the capital markets. Management takes questions at capital market conferences and promptly publishes information that PWO views as important and necessary for the assessment of the company's prospects. All reports and releases are documented at www.progress-werk.de. You can also find information there regarding the Annual General Meeting, the Articles of Association and professional activities and other offices of the Supervisory Board members.

The Management Board feels a special obligation to the company's shareholders. As owners of the company, they act as entrepreneurs by providing the capital needed to maintain and extend PWO's market position. The Management Board is committed to continually strengthening the competitiveness of Progress-Werk Oberkirch AG and its subsidiaries, while generating the most attractive return possible on the capital provided, at a level that is sustainable in the long-term. This also means taking measures to minimise corporate risk, including the implementation of a modern and efficient risk management system, which is regularly upgraded. This risk management system is continually adapted and developed to adhere to changing legal requirements and to factor in the changed risk situation of the company due to its international expansion.

The Management Board and Supervisory Board firmly believe that the best interests of all stakeholders in PWO and its subsidiaries, in particular the employees of these companies, are best served by strengthening the company's competitive position, managing risks responsibly and achieving an attractive return on equity to secure its financial needs.

Interaction between the Management Board and Supervisory Board

The Management Board and Supervisory Board work in close cooperation for the benefit of the company. The duties of the Boards and guidelines for their interaction are set out in separate Rules of Procedure for each of the two bodies. These Rules are written in accordance with those specified in the German Corporate Governance Code. This pertains in particular to the rights and duties of Board members – insofar as the company has not departed from specific recommendations – and the assignment of responsibilities.

Offices held by Management Board members

Outside of PWO Group, Karl M. Schmidhuber currently holds the office of Chairman of the Advisory Board at Beru-Eichenauer GmbH, Hatzenbühl. The other two Management Board members do not currently hold positions outside of the Group.

Contract terms of the Management Board members

Karl Schmidhuber: until May 17, 2012
Bernd Bartmann: until December 31, 2012
Dr. Winfried Blümel: until April 18, 2012

Compensation Report

Management Board compensation

The Supervisory Board of Progress-Werk Oberkirch AG has held the view for many years that employees' wages and salaries and the compensation of the Management Board members should have a balanced relationship. The Management Board supports this view entirely because it holds the same belief.

Even during the severe slump in 2009, there was no risk of an inappropriate divide between the average pay for employees and the compensation of Board members. The members of the Management Board forewent a much higher percentage of income.

Compensation of the Management Board members contains fixed and performance-based elements. They also receive non-cash compensation and compensation in the form of post-employment benefits. Variable income includes annually recurring components based on profit after tax. An absolute limit has been defined for these components to ensure that external events cannot cause extraordinary increases in certain years. There are no components with a long-term incentive such as share options or comparable instruments. Consequently, it is not necessary to implement a system limiting these long-term variable income components.

In the 2009 financial year, total Management Board compensation amounted to EUR 648 thousand (prev. year: EUR 746 thousand). Variable income totalled EUR 0 (prev. year: EUR 117 thousand) reflecting the negative net profit of PWO in the 2009 financial year. Benefits for insurance and company cars accounted for EUR 67 thousand (prev. year: EUR 64 thousand). In addition, from their second term of office, members of the Management Board are covered by a provision for retirement, invalidity and widow's pensions. Individual details regarding pension expenses are given in the table "Management Board compensation".

03

Pensions are paid to members of the Management Board who have reached the current pensionable age of 65 or, in the event that they leave the company having reached the age of 60, as long as they have also been granted a full retirement pension under statutory retirement pension rules. Based on an individual contractual arrangement, one former member of the Management Board received a pension before the age of 65.

In order to qualify for a retirement pension, members of the Management Board must have completed an uninterrupted period of service of at least three years (waiting period until the benefits vest) on commencement of the period of pension provision unless a non-cancellable pension entitlement was already established prior to commencement of the period of pension provision.

The monthly retirement pension payable to a member of the Management Board is specified in the pension agreement. The amount of any early retirement pension is calculated on the basis of the retirement pension sum, which is reduced for the entire period during which the pension is drawn by 0.25 percent for each month remaining before the member reaches the age of 65. Pension payments will be adjusted to reflect future increases in the cost of living for 4-person households of salaried and non-salaried employees on average incomes as reported by the Federal Statistics Office in Wiesbaden.

The company has formed pension provisions in line with IFRS for future pension claims of members of the Management Board. During the reporting year, EUR 182 thousand (prev. year: EUR 175 thousand) was allocated to these pension provisions for active members of the Management Board. This amount includes the service cost without interest cost.

Management Board compensation

in EUR thousand	Karl M. Schmidhuber (Chairman)		Bernd Bartmann		Dr. Winfried Blümel		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Basic annual salary	**239**	223	**162**	162	**180**	180	**581**	565
Other benefits	**21**	21	**23**	21	**23**	22	**67**	64
Performance-based bonus	**0**	47	**0**	35	**0**	35	**0**	117
Total compensation	**260**	291	**185**	218	**203**	237	**648**	746
Pension expenses								
Annual payment on commencement of pension (age 65) as of Dec. 31	**96**	96	**72**	72	**72**	72	**240**	240
Allocation to pension provisions HGB in financial year	**95**	193	**46**	44	**35**	33	**176**	270

No commitments have been made to provide any further benefits to Management Board members in the event of termination of their activities. Equally, during the year under review, no members of the Management Board received benefits or corresponding undertakings from third parties in relation to their work on the Board.

The individual levels of compensation for the Management Board members are detailed in the table on page 16.

Supervisory Board compensation

Supervisory Board compensation is set out in the Articles of Association of Progress-Werk Oberkirch AG. The board members receive a fixed annual sum of EUR 3 thousand and EUR 500 by way of variable compensation for every percent of dividend in excess of 4 percent. Expenses are also reimbursed.

The chairman of the Supervisory Board receives double, and his deputy one and a half times this amount. No further compensation is granted for committee work carried out by Supervisory Board members. For the 2009 financial year, members of the Supervisory Board received compensation of EUR 23 thousand (prev. year: EUR 86 thousand) calculated according to the profit appropriation proposal to the Annual General Meeting which included foregoing payment of dividends.

The individual levels of compensation for the Supervisory Board members are detailed in the table below.

Shares held by the governing bodies

At the end of the 2009 financial year, the Deputy Chairman of the Supervisory Board, Dr. jur. Klaus-Georg Hengstberger, held 55.282 percent of the shares outstanding in PWO via Consult Invest Beteiligungsberatungs-GmbH, Böblingen, of which he is the Managing Director. There were no transactions in the past financial year that oblige reporting under Section 15a of the Securities Trading

Supervisory Board compensation

in EUR thousand	Fixed compensation		Variable compensation		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
Dieter Maier (Chairman)	**6**	6	**0**	17	**6**	23
Dr. jur. Klaus-Georg Hengstberger (Deputy Chairman)	**5**	5	**0**	12	**5**	17
Katja Hertwig	**3**	3	**0**	9	**3**	12
Herbert König	**3**	3	**0**	9	**3**	12
Ulrich Ruetz	**3**	3	**0**	9	**3**	12
Dr. Gerhard Wirth	**3**	3	**0**	9	**3**	12
Total	**23**	23	**0**	63	**23**	86

03

Adjusted Declaration of compliance 2009*

The Management Board and Supervisory Board hereby declare that Progress-Werk Oberkirch AG will comply with the recommendations of the German Corporate Governance Code from June 18, 2009, as promulgated by the Government Commission, with the following exceptions:

Point 3.8

The D&O insurance policy does not include a deductible for Management or Supervisory Board members. In line with the Act on the Appropriateness of Management Board Remuneration (VorstAG) regarding mandatory deductibles, a transitional period applies until June 30, 2010. As of July 1, 2010, the legally required arrangement of deductibles will be implemented.

We plan to include a regulation in the Articles of Association stating that the deductible will amount to one half of the annual fixed salary of a Supervisory Board member. The company holds the view that this is an appropriate arrangement.

Point 5.3.3

The Supervisory Board continues to regard the formation of a Nomination Committee as unnecessary. Since the Supervisory Board comprises only six members, it is agreed that it is appropriate that the entire Supervisory Board should be involved with the nomination of Supervisory Board candidates.

Point 5.4.1

There is currently no age limit for membership in the Supervisory Board. The company will also refrain from introducing such an age limit because it would unduly limit the pool of qualified candidates.

Point 5.4.6

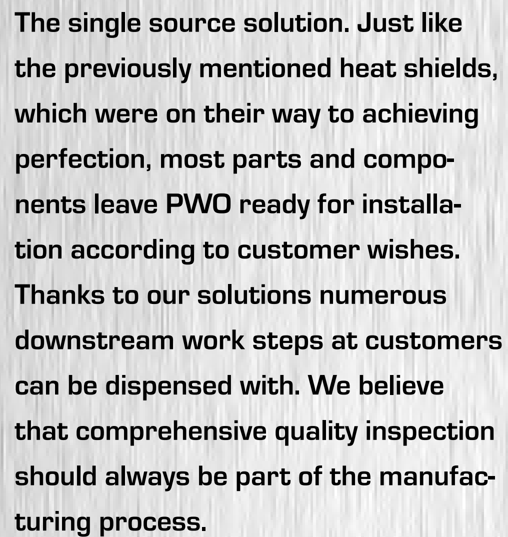
There is no separate compensation granted to Supervisory Board members for membership in committees. Section 11 of the Articles of Association excludes such compensation.

The recommendations of the Government Commission German Corporate Governance Code from June 18, 2009 (published on August 5, 2009), and from June 6, 2008 (published August 8, 2008) have been complied with since the issuance of the last Declaration pursuant to Section 161 AktG in December 2008, with the exception of those points specified.

Oberkirch, February, 2010
Progress-Werk Oberkirch AG

The Supervisory Board The Management Board

* Adjusted by the Management Board and the Supervisory Board due to the planned introduction of deductibles to the D&O policy for the Supervisory Board. In the December 2009 version of the Declaration of Compliance, the arrangement of deductibles was not planned.



The single source solution. Just like the previously mentioned heat shields, which were on their way to achieving perfection, most parts and components leave PWO ready for installation according to customer wishes. Thanks to our solutions numerous downstream work steps at customers can be dispensed with. We believe that comprehensive quality inspection should always be part of the manufacturing process.

**Single source solutions.
Zero errors. Standard at PWO.**

04

PWO Share Performance

In the year under review the Management Board of Progress-Werk Oberkirch AG consistently strengthened the company's profile on the capital markets and stepped up PR activities. A number of analyst, investor and media gatherings were held in Frankfurt in 2009 to present the strategy pursued by the company as well as business developments. This enabled us to establish new contacts with investors. We placed special emphasis on our PR during the second half of 2009 when the quarterly results clearly showed the effects of our cost reduction measures.

PWO Share Performance 2009

The 2009 XETRA opening price of the PWO share stood at EUR 17.11. The share exhibited a net increase of 17 percent, rising up to EUR 20.00 on the last day of trading, which also marked its annual high. On March 13, 2009, the share price reached its low point at EUR 14.77. This was a consequence of general market trends that lasted up through mid-March. The share price recovered well from this low, closing the year up 35.4 percent from that point. The PWO share also significantly outperformed its sector index with this result. The DAXsector Automotive Price Index only grew by 0.9 percent, barely an increase on its opening price. The SDAX Price Index was up by 21 percent, however, and showed a somewhat higher price increase than PWO's share.

The PWO share price development mirrored general market trends over large parts of the year. The market correction that had begun the previous year continued to impact share prices until March, albeit less severely, and was followed by a recovery move that lasted until September. The following months were a phase of consolidation for the PWO share price while the SDAX price continued to rise. By December, the temporary performance gap between the PWO share and the market had been more or less reduced. In contrast, the DAXsector Automotive plotted more of a sideward course with substantial fluctuations during the rest of the year after making up for the slump in the first three months of the year.

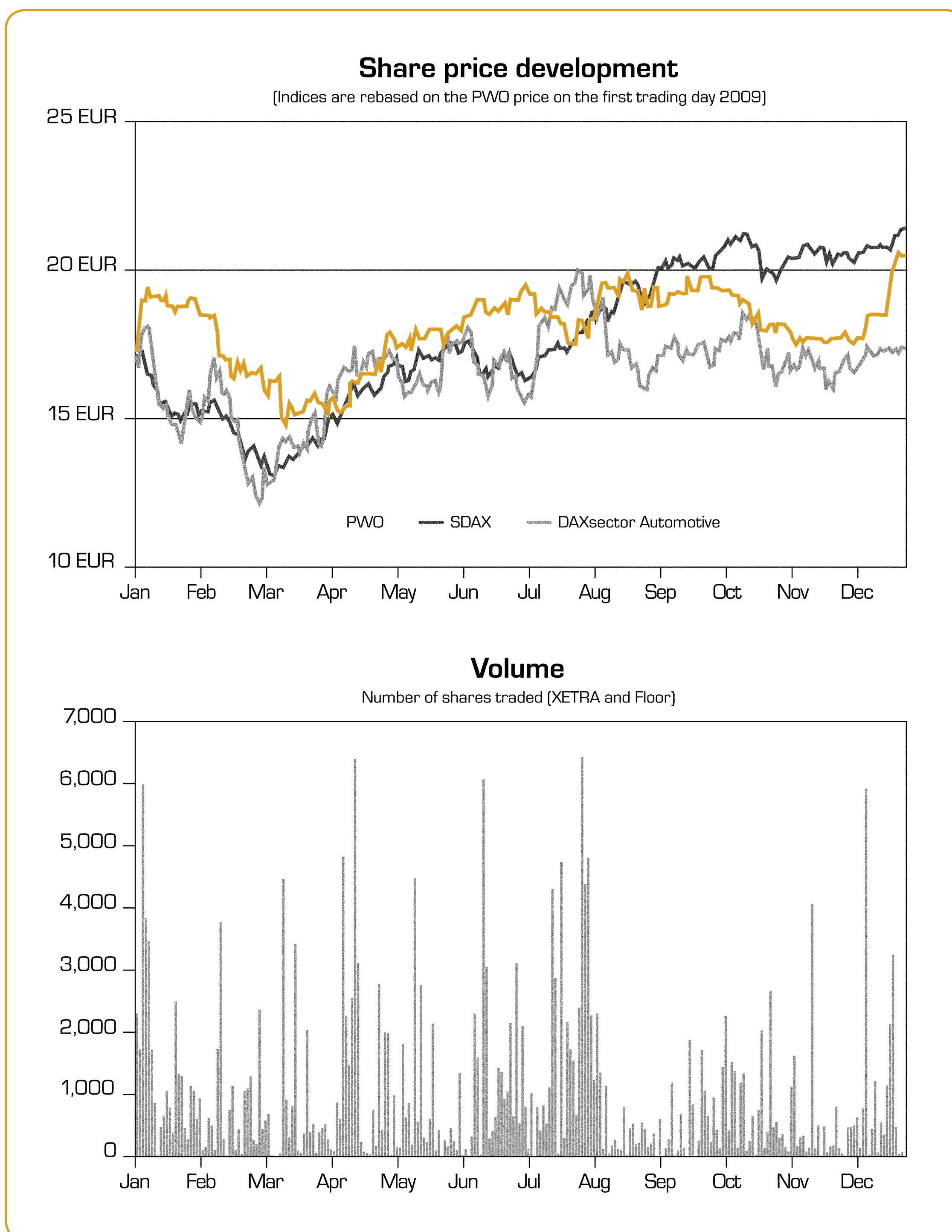
The average daily volume of PWO shares traded stood at 1,054 shares, after last year's figure of 1,331.

Equity structure and changes

Details of PWO's equity structure and authorised capital can be found on page 64 of the management report. Changes relating to capital and reserves are set out in the Statement of Changes in Equity on page 76, which forms an integral part of the annual financial statements. There were no changes to the scope or structure of share capital in the period under review.

As in the past, no share options have been offered as a form of remuneration to employees or members of the PWO Management Board. From an administrative point of view, the link between individual staff performance and the company's share price is insignificant and share options do not provide any additional incentive.

The development of the share in the year 2009



04

Shareholder structure

There were no changes to the shareholder structure in the period under review. No announcements in accordance with section 15a of the Securities Trading Act (Directors' Dealings) were received by the company.

Consult Invest Beteiligungsberatungs-GmbH,
Böblingen: 55.282 percent
Free Float: 44.718 percent

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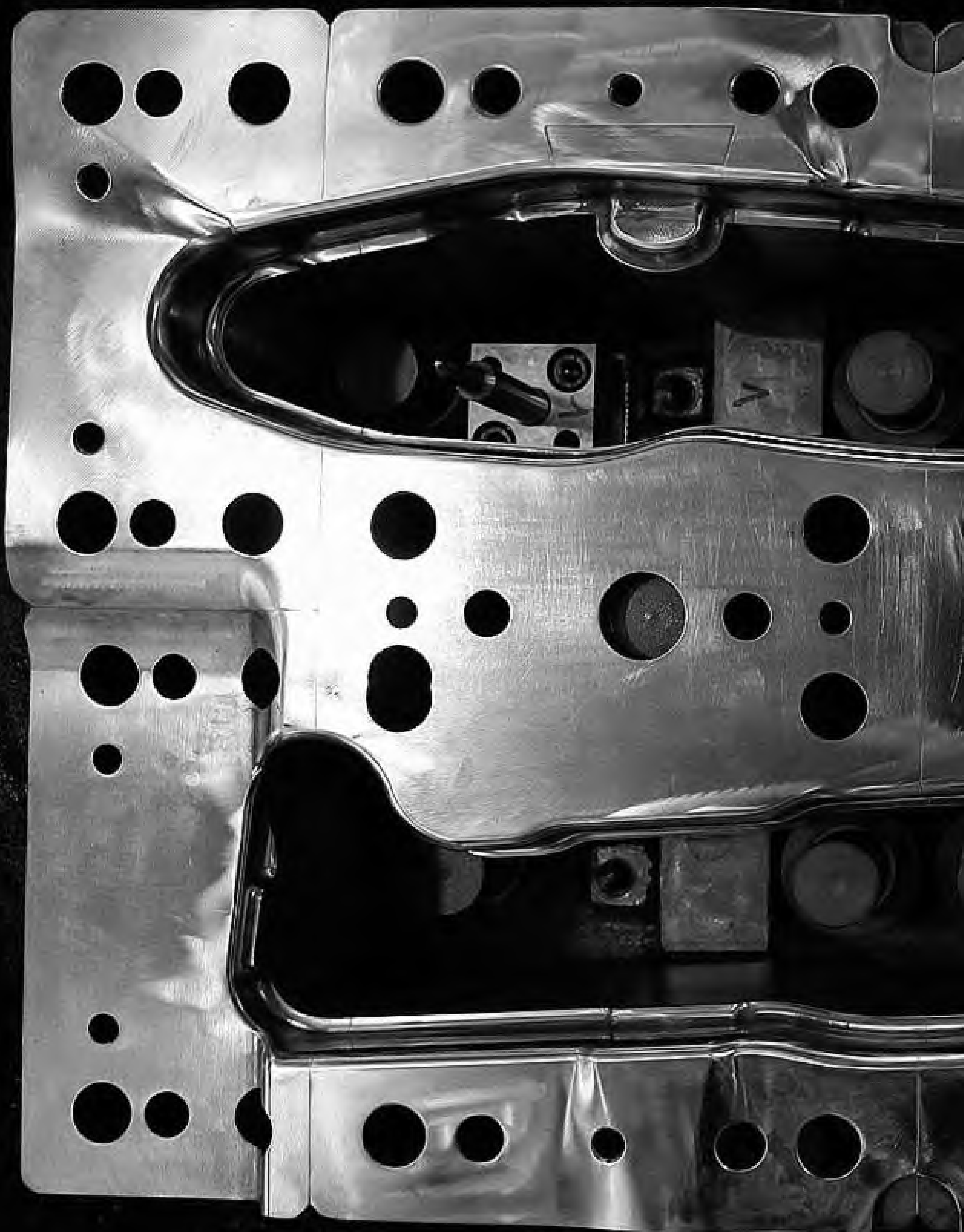
		2005	2006	2007	2008	**2009**
Key figures						
Group revenue	EUR m	219.71	225.34	259.57	260.36	**206.37**
EBIT	EUR m	15.52	15.79	16.72	7.72	**-4.95**
Revenue per share	EUR	105.63	90.12	103.84	104.16	**82.56**
Earnings per share	EUR	3.80	3.54	3.10	0.58	**-3.58**
Dividend per share	EUR	1.10	1.20	1.30	0.55	**0.00**[1)]
Book value per share	EUR	25.44	27.52	30.72	27.19	**24.59**
Valuation ratios						
XETRA-share price, yearly high	EUR	37.20	41.88	39.30	35.55	**20.00**
XETRA-share price, yearly low	EUR	29.41	33.02	32.50	16.05	**14.77**
XETRA-share price, closing	EUR	34.50	36.00	35.00	16.48	**20.00**
Market capitalisation	EUR m	86.25	90.00	87.50	41.20	**50.00**
Net debt	EUR m	40.54	33.06	49.86	67.19	**79.09**
Enterprise value (EV)	EUR m	126.79	123.06	137.36	108.39	**129.09**
Price/Sales		0.33	0.40	0.34	0.16	**0.24**
Price/Earnings		9.08	10.17	11.29	28.41	**negative**
Price/Book		1.36	1.31	1.14	0.61	**0.81**
Dividend yield	%	3.19	3.33	3.71	3.34	**–**
EV/Sales		0.58	0.55	0.53	0.42	**0.63**
EV/EBIT		8.17	7.79	8.22	14.04	**negative**

All data based on the XETRA year end closing price. 1) Proposal to the 87th ordinary Annual General Meeting.



PWO has its roots in the beautiful Ortenau region in Baden. Just like our Swabian neighbours, we regard saving as a virtue, especially when it comes to material input. For this reason, our tools are not only tailored to achieve highest production quality but also to keep material input as low as possible. This picture from our Czech site PWO UNITOOLS CZ a.s. in Valašské Meziříčí shows that these lofty convictions make successful exports as well.

Uncompromising on quality, frugal on materials input - our customers love it.

05

The Company

Transforming nine decades of experience into innovation, exceeding customer expectations by delivering ever better solutions, always on the lookout for ways to improve the quality and reliability of delivery of our supply chain, striving to leverage our strengths to generate growth – regardless of market conditions. That is what PWO stands for. Every day, we put these principles into action all over the world as the life span of a solution made by PWO always lasts several years. These principles are realised in vehicles worldwide. There is a little bit of PWO in most cars because we serve many of the major automobile manufacturers and supply companies in Europe and North America. This is our greatest success, and at the same time our largest responsibility.

PWO stands for reliability

In the ninetieth year of our company's existence, market developments led to the most trying times we have ever had to face. The ensuing setbacks were difficult, and sometimes even painful, to deal with. Fortunately, we only had to suffer a temporary, albeit considerable, deviation from our growth course.

We plan to be back on our accustomed course by 2010. In the decade leading up to 2007 before the crisis in the financial market spread to the real economy in 2008, our success was characterised by an average growth of 10 percent per year in revenue. This was accompanied by rising profitability which was reflected in annual average increase in EBIT of 11 percent. Even large investments in the company's internationalisation during this period did not halt this trend.

Instead of focusing on a fixed growth rate, our current strategy aims to limit the risks to our business model and consequently ensure the reliability of company developments. This approach best serves the interests of all PWO stakeholders: customers, employees, banks as well as our shareholders in the final instance.

Setting up the fundamental structure of the business model is just a first step and ensuring its reliability requires new efforts every day. This entails safeguarding the quality and dependability of supply for current customer orders to ensure minimal fluctuation in existing business while putting ourselves in the best possible position to fulfil new orders. First and foremost, this means a growth strategy that is based on the company's strengths instead of relying on market growth.

This is our philosophy and it is currently proving its worth: We are expecting a healthy revenue increase based solely on our revised production portfolio, i.e. the launch and ramp-up of new series minus discontinuations of old series, in 2010 and the following years. This will take place independently of any increased demand for existing series productions driven by a future market recovery.

PWO stands for growth

We aim to gain higher market shares by offering innovative solutions to fulfil customer needs and by continually expanding our product range. These are our strong points. Our creative product design and production processes regularly enable us to exceed customer expectations concerning function, precision and weight, while adhering to price targets at the same time. In short: we aim to grow by offering superior solutions.

One key success factor is the fact that we make our own tools. In most instances, tools are the deciding factor in the efficiency of a production process, and therefore also represent a major portion of the unit cost of a component or sub-assembly group. That's why more than 400 employees involved in development and tool-making work hand in hand to come up with solutions for our customers.

We currently manufacture more than 1,000 different components. This extensive product range is unrivalled worldwide and makes a major contribution to our strong market position. Our developers are capable of thinking outside the box and can draw from our many years of expertise in a wide range of different application areas. These capabilities often culminate in the development of groundbreaking solutions.

Naturally, this positioning also supports the company's growth strategy which seeks to remain independent of general market development. At the moment, we are reaping the benefits of our product range expansion in the area of seat structures and seat adjustment systems, as well as steering columns and shock absorber struts. We have concentrated on achieving a stronger positioning in these markets for the last few years.

Our range of competence and skills covers a number of further applications that we would like to develop in the years to come. We are also committed to constantly increasing our share in our customers' outsourcing volumes.

That is why we do not see ourselves included in market researchers' criticism of the current global overcapacities of the automotive industry and the discussions on how to reduce them. We may need to make up for the current cyclical slump, but we have never had structural overcapacities nor will we in the future.

Our product range is not noticeably affected by current market conditions either. At the moment, industry efforts are concentrated on CO2 reductions. This focus will lead to new lightweight engineering solutions, but will not cause our products to be replaced by other materials.

The functions of our products call for the use of steel or aluminium. These functions can require certain characteristics such as magnetism, thermal conductivity, specific forming behaviours during accidents or fixed energy absorption rates. Materials that could replace steel do exist in some areas. However, these are either very expensive, as in the case of magnesium, which we could process in sheet-form, or they are not only expensive but also years away from being suitable for large series production in automotive manufacturing, which is the case with carbon fibre.

Currently, the focus is on new innovative product solutions implementing either reduced material input or high-strength steels. Our reputation for finding these kinds of solutions stems from our many years of expertise as well as our past successes in devising ways to substitute heavy and expensive cast parts with components or sub-assembly groups made of lighter sheet metal.

The introduction of electric vehicles will not have a strong impact on our product portfolio as we hardly provide any components that are influenced by the drivetrain. In fact, we look forward to their arrival on the market as we have already secured our position with leading providers of electric drive systems, which will generate additional mid and long-term revenue with new applications in this area.

Accordingly, we take a decidedly optimistic view of our future growth opportunities. Market opportunities exist and we are in a first-class position to exploit and harness these opportunities for the further development of PWO.

05

PWO stands for earnings capacity

Our main focus is on enhancing the earning power of the company, and not primarily on increasing revenue. This means not accepting orders that do not allow for an adequate margin, even in the current market phase. While this may occasionally entail lower short-term growth, it protects the long-term competitive abilities of our company.

Our customers also increasingly prefer to rely on suppliers with a strong balance sheet from whom they can expect absolute delivery reliability throughout the entire life cycle of a series production. Our strong balance sheet helped us get through the crisis. Although a lot of strain was put on the company, our relative position in the industry has actually improved as a result.

Furthermore, we increase our level of productivity every year, which makes us better equipped to handle the permanently high pressure on margins that characterises our industry, also in the course of fulfilling existing orders. In this way, we have been able to give new impetus to the competitive strengths and capacity utilization of our established production sites for many years now.

In 2009, our Oberkirch location was particularly successful in acquiring large-volume orders. Despite competition from countries with lower wages and automotive suppliers building new production sites abroad, we were consistently able to come out on top with our winning combination of superior product concepts and efficient production processes characterised by automation levels.

Because we have the capability to quickly adjust internal processes to rapidly changing levels of standby orders without adversely affecting process efficiency, we are able to safeguard our earning power in times of above-average market volatility. This means that we are able to manufacture products in different batch sizes while keeping our earning power stable.

Furthermore, we successfully implemented our process of internationalisation in building and developing three new production sites in the Czech Republic, Mexico and China at the same time. We managed to achieve this without putting undue strain on the Group's financial capacities.

This new chapter in the company's history began with the acquisition of the Czech production site in 2005. Shortly after that, we entered the Mexican and Chinese markets. A considerable amount of our resources was tied into this geographical expansion and we were not able to realise every step as quickly as we wanted to. But our EBIT margin only dropped by less than one percentage point to 6.4 percent between 2004 and 2007.

We are now reaching the end of this period of financial burdens. The production sites in the Czech Republic and Mexico have received enough orders to ensure solid capacity utilization for the next years. We can expect tangible improvements to the earning situation as a result of their process stabilisation. In China, we are currently building a completely new production site which is still in the early stages of development. However, we are now finished with the expensive phase of upfront investments.

The cost reduction measures implemented in response to the market slump are now bearing fruit. Small savings in several areas add up to considerably lower fixed costs, allowing rising revenue to have a greater impact on earnings than was previously the case. The course is now set for a period of tangible profit growth.

The PWO-Sites

PWO
Germany
Czech Republic
Canada
Mexico
China

Co-operation partners
Argentina
Brazil
Great Britain
India
Portugal
Spain
South Africa

Lined up in rank and file and ready to be installed. That's how our products leave our sites. The picture shows crossbeams for a car cockpit including all necessary attachments for the steering wheel, gear shift, airbags, centre console and much more. But they are not leaving our sights yet. Packaging, transport and delivery are integral parts of our supply chain, as well as integrating delivered products into subsequent customer production processes. We don't expect our customers to adapt to us, we adapt to them – seamlessly.

Crossbeams on their way to customers – but not out of our sight.

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06

Management Report for the PWO Group

This publication contains the combined management report for Progress-Werk Oberkirch AG and the PWO Group for the financial year ending December 31, 2009. The Group prepares its financial statements in accordance with the IFRS international accounting standards, while Progress-Werk Oberkirch AG prepares its financial statements in line with the provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

The composition of the consolidated Group is described in detail in the Notes to the Annual Report. There was no evidence that changes to the consolidated Group had a material influence on the earnings, financial and asset positions

Group profile

PWO is one of the world's leading automotive suppliers of high-end metal components and subsystems designed to contribute to the safety and comfort of motor vehicles. These product areas are reporting sustained above-average growth irrespective of market cycles. This is due to the fact that safety requirements are constantly on the rise in all vehicle classes and sales regions.

The Group specialises in developing and manufacturing components and subsystems made of steel, stainless steel and aluminium, the emphasis being on mass production in volumes often reaching several million units per batch.

In this context, we focus on the areas in which our products cannot be replaced by other materials, or can only be replaced with difficulty, in other words, at great cost.

We are the world's leading producer of deep-drawn electric motor housings, with an annual production of over 80 million units. We mainly manufacture the housings at the Oberkirch site and have developed the world's fastest transfer process for complex metal forming for this purpose.

PWO positions itself as a leading innovator in both customer-oriented product development and the corresponding manufacturing processes. We regularly roll out ground-breaking innovations in modern mass production for the global automotive industry.

In engineering, the power to innovate is critical for the quality of parts, production speed and integration into downstream metal forming processes. The fact that we make our own tools is one of our unique selling points.

From this position as market leader, we have also begun to tap the market segment for somewhat less technically complex products. This especially applies to our sites in the emerging countries Mexico and China.

This product area has generated strong interest from both existing and potential new customers. PWO is highly credible as a high-tech supplier that is able to surpass previous market participants in terms of both sustainable quality and delivery reliability in this segment.

The high degree of transparency in the way we do business allows us to implement standards worldwide that enable us to remain competitive with our offers in the market and still achieve the necessary profit margins in the process.

About a third of PWO's revenue is generated in each of the areas:

- Mechanical components for electrical and electronic systems
- Safety components for airbags, seats and steering
- Structural components and subsystems for the vehicle body and chassis

This means that we are the only manufacturer in the world to offer such a broad product range and be in a position to cover the entire value chain from made-to-order and customer-related development to tool and series production.

We supply mechanical components for electrical and electronic systems as well as safety components for airbags, seats and steering. Together, these account for around two-thirds of revenue and are primarily made for well-known international TIER 1 suppliers, who then deliver these components in their systems for numerous vehicle models and various manufacturers. Structural components and subsystems for vehicle bodies and chassis are typically supplied directly to automotive manufacturers for specific models.

We are not substantially dependent on the success of individual vehicle models thanks to high revenue from products for TIER 1 suppliers and supply orders for a broad range of vehicles in different categories.

The Group is headquartered in Oberkirch, in the south west of Germany and is therefore located in one of the centres of German automotive manufacturing. Across the globe, PWO is also maintaining its own production sites in Canada, the Czech Republic, China and Mexico. Other countries or regions are covered by cooperation partners. The Group employed an average of 1,932 staff during the year under review.

Economic environment

Macroeconomy

The financial crisis that began towards the end of 2008 led to a shortage of liquidity on the financial markets and caused companies all over the world to focus on securing their own liquidity – not least because the supply of credit from the banking sector was hugely disrupted.

An immediate consequence was a strong negative effect on stock cycles. Internal stock levels were reduced, orders were cancelled and investments reduced to a minimum. The upstream production sectors and producers of capital goods suffered the most. World trade was also greatly affected as exports collapsed.

Consumer activity was almost the only factor supporting the economy in most places. In the final quarter of 2008, and the first quarter of 2009 in particular, the world economy slid into the deepest recession since the Second World War.

The wide-ranging rescue measures of governments and central banks first saw success with the stabilisation of the international financial system, which enhanced the liquidity situation on the financial markets.

Worldwide measures to revive the global economy also began to have an effect from early summer 2009, with the campaign to support the automotive industry (many countries introduced so-called scrappage premiums) being a prime example.

These measures led to a turnaround in the stock cycle, depleted inventories were replenished and the entire flow of goods started its revival.

The capital goods sector also showed a slight recovery, albeit starting from a much lower level.

Industrialised and emerging nations have found themselves back on an expansion course since the second quarter of 2009. However, the momentum and depth of the recovery remain fragile.

The tangible slowdown in industrial production in Germany is a prime example of this, starting from the end of the third quarter of 2009 and continuing during the fourth quarter. The stimulating stock cycle from summer 2009 has now run its course.

Germany's gross domestic product (GDP) contracted by a total of 5.0% in 2009, as a consequence of which the country suffered one of the steepest declines among the OECD countries. The OECD countries reported an average decrease in GDP of about 3.5%, with OECD countries in the Eurozone recording a decline of 4.0%.

Sector development | Automotive sector

According to the German Automotive Industry Association (VDA), the international car industry performed better than originally anticipated in 2009.

A worldwide drop of up to 20% was forecast for new registrations of private cars at the beginning of the year.

However, government incentive programmes in many countries and the sales boom in China ensured that global car sales were down by just 3%.

In Western Europe, 13.6 million new vehicle registrations were recorded in 2009. This exceeds the previous year's figure by a mere 1%, with the strongest growth registered in countries that introduced scrapping programmes at an early stage: Germany +23% and France +11%. The Italian car market fell marginally short of the previous year's level (-0.2%).

In the United Kingdom and Spain, the scrapping programmes also helped during the year. Sales for 2009 as a whole, however, dropped by 6% and 18% respectively due to the steep decline at the beginning of the year.

The financial and economic crisis led to a 27% plunge in demand in the new EU countries. The number of new registrations increased only in the Czech Republic (+13%) and Slovakia (+7%), while sales stagnated in Poland.

The sharpest declines were recorded in Romania (-60%), Bulgaria (-49%) and the Baltic States (-71%). In Russia 49% fewer cars were sold than in the previous year.

In the US market, sales of light vehicles for 2009 as a whole fell by 21% to 10.4 million. German manufacturers were able to continue increasing their share in the light vehicle market for the fifth year running, now holding 7.3%. Sales in the USA stabilised towards the end of the year.

Japan recorded a 7% drop in new vehicle sales to 3.9 million units in 2009, with business picking up towards the end of the year.

In India (+17%) and China, sales of new vehicles recorded dynamic growth in the year under review. Sales in China rose by more than 47% to 8.4 million units after the Chinese government halved the sales tax for small vehicles with engine sizes of up to 1.6 litres in February.

The German market was strongly influenced by extraordinary factors in 2009. Substantial structural changes were made in the wake of the so-called scrapping incentive. Manufacturers that were primarily involved in the small and subcompact vehicle segment, as well as in the compact class, were able to markedly increase sales.

Suppliers from France, Italy, Korea and Japan gained the most from this situation. According to statistics from the (German) Federal Motor Transport Authority, there were almost twice as many registrations of subcompact vehicles in 2009 as in the previous year (+97%).

The small vehicle segment grew by a total of 66% and the compact class by 31%. However, the upper mid class (-16%), the premium class (-18%) and sports cars (-26%) suffered heavy losses.

Altogether, domestic registrations increased by 23% to more than 3.8 million cars. As larger vehicles hardly benefited from the scrapping incentive and the market for diesel powered vehicles collapsed, German manufacturers were only able to increase incoming domestic orders by a below-average 16%.

Without the scrapping incentive, the VDA estimates that there would probably have been one million less registrations in 2009 – which would have been a serious decline compared to the previous year's total.

Following the expiry of the scrapping incentive, domestic sales in November lagged about 6% below those for the same month in the previous year, with December down some 5%.

Overall, German manufacturers recorded an unsatisfactory 17% fall in exports, exporting some 3.4 million units in 2009. However, the major portion of the collapse came in the first half-year. Orders from abroad have been up again since August 2009, increasingly gaining momentum in the process.

In the last five months of 2009, orders from abroad were up by some 16% compared to the same period in the previous year. In fact, 23% more private cars were exported in December, although this figure is distorted somewhat by the very low baseline figure from the previous year.

Production at German factories also rose markedly in the fourth quarter of 2009, albeit compared with an equally low baseline figure. Due to the weak first half-year, only about 5 million cars were produced in the whole of 2009 – about 10% less than the previous year.

Sector development | Industry Suppliers

The revenue of suppliers to the German automotive industry also stabilised in the fourth quarter of 2009. Revenue for the full year fell by a good 25% to EUR 49.8 billion compared with 2008. This is roughly equivalent to the 2001 level. Domestic business fared somewhat better than overseas business, with these figures down -24% and -30% respectively.

In October 2009, suppliers were able to record more orders than in the comparable month in the previous year for the first time since April 2008. However, although domestic customer orders rose by 13%, orders from overseas customers still fell by 6%.

06

Strategy and management

Corporate Strategy

PWO has a mature business model that is designed to limit risks by virtue of its customer-oriented development and production approach, as well as the broad range of applications, customers and vehicles we deliver components for.

In the early 1990s, we focused exclusively on the automotive industry, rapidly building up and expanding our present customer base and product portfolio. We have now become one of the world's leading suppliers in our field, and have positioned ourselves as a global, strategic partner for our customers. This sets us apart from most of the competition.

This success can only be achieved with a permanently high innovative capacity for developing product solutions and their related production processes, so that customers' requirements are always met or exceeded, especially as regards function, precision, weight and price.

In the future, we will also expand our activities in the emerging nations of Mexico and China, in the large segment covering less complex metal components.

Our aim is to offer our customers in these countries competitive solutions at a higher level of quality than that of existing suppliers in these countries. This will help us substantially enhance our growth prospects for the future.

More than customer satisfaction, maintaining success in such an intensively competitive sector as the automotive industry also requires a high degree of stringency in the inhouse management of processes in order to secure and increase the Group's profitability.

In the 2009 financial year, we emphatically proved our ability to react to all market conditions with the necessary speed.

The Group's profit situation improved accordingly from quarter to quarter following the collapse of the market at the end of 2008 and start of 2009.

Although capacity utilisation continued to be substantially lower than in the past, a distinctly positive EBIT was posted in the fourth quarter of 2009.

Although the automotive industry may have overcome the low point in its current cycle, it has not yet got back to a level which makes sustainable profitability possible.

A broad spectrum of estimates has been released regarding the future development of the sector. These range from an anticipated speedy return to the previously successful combination of prestige, speed and customisation, to a general turning away from the automobile as a status symbol.

We will continue to closely align our corporate strategy with the development of the market and customers' wishes in future. We believe the cornerstones of our strategy – customer satisfaction and cost conscious in-house management – will continue to drive our mission to gain additional market shares and in doing so grow more strongly than the automotive sector as a whole.

Corporate Management

The PWO Group operates five production sites. The Group is managed from Oberkirch, where its competency and technology centre is located and its innovative energy is pooled. Group-wide business processes are also developed and optimised here.

In recent years, we have comprehensively reviewed all in-house processes and documented their individual components within the framework of the PWO Production System. This creates the required transparency which enables us to specifically manage individual steps, optimise the principles of lean management and continue our systematic development. Our sites are constantly competing with each other for in-house best practices solutions covering all areas of business.

All sites around the Group are consistently managed using this system. However, the newest companies in Mexico and China have adapted their production capacity to the local technological requirements. Nevertheless, our zero-error philosophy applies worldwide without any exceptions.

What was originally introduced as a system for continuously increasing productivity and flexibility has shown itself to be a key tool in quickly adapting the Group to the decline in capacity utilisation, not least during the automotive industry's recent sales crisis. It has therefore made a major contribution to the successful combating of the current challenges.

Thanks to the complete transparency of our business procedures, we were able to analyze the necessary adjustment measures individually before making decisions. This in turn allowed us to make targeted changes to our plans while at the same time completely maintaining the stability of the entire system.

Our individual production locations are responsible for supplying their respective regional markets. In line with this approach, our Oberkirch site produces mainly for Western Europe. The Czech Republic serves Central and Eastern Europe, Canada and Mexico supply the northern and southern NAFTA zones, while our Chinese facility supplies its own regional market.

The Group has a highly qualified in-house tool engineering function, which underlines the PWO's innovative strength. The Group mainly produces its tools in-house at its facilities in Oberkirch, Germany and Valašské Meziříčí, Czech Republic.

The other sites are also gradually expanding their tool engineering expertise, with the Kitchener site in Canada leading the way.

This core competency is complemented by our cooperation with external toolmakers, whom we draw on to cover capacity bottlenecks or as cost-effective suppliers of simpler components.

PWO's internal operations take the form of a seamless value chain. Made to order and customer specific development, tool engineering and batch-production personnel cooperate in integrated teams at every stage in the process chain – from product enquiries to launching series production.

The respective teams also regularly oversee proceedings during ongoing production and are continuously developing improvements to productivity and quality.

06

Net assets, financing and results of operations | Overview of key figures

	2005	2006	2007	2008	2009
Income statement (EUR thousand)					
Group revenue	219,706	225,339	259,566	260,356	206,371
Total group output	221,121	227,048	262,600	264,810	206,752
Materials expenses	114,293	117,750	141,332	149,306	112,067
Staff expenses	60,241	62,760	68,765	70,652	67,065
Other operating expenses	20,251	17,397	23,038	25,115	20,577
EBITDA	29,052	31,938	32,908	24,184	12,179
EBIT	15,522	15,792	16,719	7,715	-4,949
Net profit for the year	7,915	8,840	7,673	1,351	-8,949
Structure of the income statement					
Group revenue	99.4 %	99.2 %	98.8 %	98.3 %	99.8 %
Total group output	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Materials expenses	51.7 %	51.9 %	53.8 %	56.4 %	54.2 %
Staff expenses	27.2 %	27.6 %	26.2 %	26.7 %	32.4 %
Other operating expenses	9.2 %	7.7 %	8.8 %	9.5 %	10.0 %
EBITDA	13.1 %	14.1 %	12.5 %	9.1 %	5.9 %
EBIT	7.0 %	7.0 %	6.4 %	2.9 %	-2.4 %
Net profit for the year	3.6 %	3.9 %	2.9 %	0.5 %	-4.3 %
Figures per share					
Average weighted number of shares (in millions)	2.08	2.50	2.50	2.50	2.50
Earnings per share (EUR)	3.80	3.54	3.10	0.58	-3.58
Dividend per share (paid out in EUR)	1.10	1.20	1.30	0.55	0.00*
XETRA-share price at year-end (EUR)**	34.50	36.00	35.00	16.48	20.00
Employees by location as of December 31					
PWO AG, Germany	943	958	993	1,054	1,052
PWO Canada Inc., Canada	158	147	118	106	106
PWO UNITOOLS CZ a.s., Czech Republic	201	211	237	319	299
PWO & BMC High-Tech Metal Components, China (JV)	0	8	10	2	0
PWO High-Tech Metal Components, China	0	0	0	36	80
PWO de México S.A. de C.V., Mexiko	0	0	352	368	279
Apprentices within the Group	78	82	91	125	149
Total	1,380	1,406	1,801	2,010	1,965

* Proposal to 87th Annual General Meeting

** Figures for 2009 and the previous years changed to XETRA-prices

	2005	2006	2007	2008	2009
Balance sheet (EUR thousand)					
Non-current assets	85,115	82,156	97,220	112,346	110,215
Inventories	38,326	41,023	43,887	46,713	42,312
Trade receivables	30,606	32,427	44,767	38,234	38,720
Cash	1,468	6,779	1,953	2,265	7,704
Other current assets	932	2,130	3,963	5,565*	5,713
Subscribed capital	6,391	6,391	6,391	6,391	6,391
Total equity	63,595	68,788	76,789	67,980	61,465
Interest-bearing borrowings	42,004	39,843	51,815	69,451	86,792
Pension provisions	22,486	23,203	24,100	24,914	25,930
Trade payables	13,963	16,035	20,693	23,238	13,772
Other liabilities	14,399	16,646	18,393	19,540	16,705
Balance sheet total	156,447	164,515	191,790	205,123	204,664
Structure of the balance sheet					
Non-current assets	54.4 %	49.9 %	50.7 %	54.8 %	53.8 %
Inventories	24.5 %	24.9 %	22.9 %	22.8 %	20.7 %
Trade receivables	19.6 %	19.7 %	23.3 %	18.6 %	18.9 %
Cash	0.9 %	4.1 %	1.0 %	1.1 %	3.8 %
Other current assets	0.6 %	1.3 %	2.1 %	2.7 %	2.8 %
Subscribed capital	4.1 %	3.9 %	3.3 %	3.1 %	3.1 %
Total equity	40.7 %	41.8 %	40.0 %	33.1 %	30.0 %
Interest-bearing borrowings	26.8 %	24.2 %	27.0 %	33.9 %	42.4 %
Pension provisions	14.4 %	14.1 %	12.6 %	12.2 %	12.7 %
Trade payables	8.9 %	9.7 %	10.8 %	11.3 %	6.7 %
Other liabilities	9.2 %	10.1 %	9.6 %	9.5 %	8.2 %
Balance sheet total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cash flow (EUR thousand)					
Cash flow from operating activities	16,267	25,296	17,902	25,031	6,008
Cash flow from investing activities	-16,517	-13,179	-26,007	-33,937	-12,658
Cash flow from financing activities	700	-7,828	-958	13,497	10,858
Net change in cash and cash equivalents	450	4,289	-9,063	4,591	4,208
Principal financial indicators					
Return on Equity in % (Based on EBT)	19.8	18.5	16.8	3.8	negative
Return on Equity in % (Based on net profit)	12.4	12.9	10	2.0	negative
Net debt as % of equity	64	48	65	99	129

* of which EUR 1,262 thousand went towards selling held non-current assets

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Review of Revenue and Earnings

The PWO Group posted revenue of EUR 206.4 million in the financial year 2009. This corresponds to a decline of 20.7% compared to EUR 260.4 million in the previous year. While revenue from tooling operations remained unchanged at EUR 27.1 million, revenue from delivered components and systems fell by 23.1%, from EUR 233.3 million to EUR 179.3 million. We have drawn some important conclusions from this wide range of different developments.

The decline in revenue from series production reflects last year's massive collapse in automotive sales internationally – particularly in vehicles which profited less from governmental sales support promotions for smaller cars around the world. This can therefore be attributed to the 2008/09 global recession which in turn was the result of the international financial markets crisis.

In contrast, the sustained high revenue from tooling operations is a pointer to the future: 2009 maintained a high level after the 32% increase in 2008.

High revenues from tooling operations are the precursor for new series production ramp-ups. The majority of the record volume of new orders received in recent years will enter production in 2010 and 2011. This shows that the PWO Group's fundamental growth track is still very much intact.

The slump in sales in the automotive industry reached its low point at the turn of the 2008/09 year. Following the drastic reductions in demand from automobile manufacturers and TIER 1 suppliers, industry-wide supply chains almost completely dried up.

PWO was able to record a slight increase in revenue over the course of the first quarter of 2009 on the back of the gradual increase in call orders from our customers. Initially, series sales were mainly driven by efforts to replenish the supply chain into the second quarter. The previous hugely negative inventory cycle began to turn around in Q2 2009 and is now having a positive effect as supply chains are being restocked.

During the rest of the second half of the year, business then also started to recover again in terms of consumer demand. This was largely driven by increasing exports from German manufacturers and gradual revival in North America.

In the year under review, total output amounted to EUR 206.8 million after EUR 264.8 million in the previous year. This decline was somewhat stronger than the fall in revenue due to the reduction in inventories, in contrast to the previous year when they were increased. Other operating income also rose slightly.

Our highly flexible structures allowed us to react very rapidly to the major changes in the market. Material expenses were reduced by 24.9% more than the revenue slump in series production.

We achieved this by consistently insourcing services otherwise given to third parties. This had the positive effect that it secures jobs at PWO and also allowed us to record a very strong, almost 45%, reduction in this expenses item.

Expenses from raw materials, consumables and supplies as well as merchandise purchased fell by a below-average amount. However, this was solely due to the relatively higher share of revenue from tooling operations in total revenue.

Procurement management for intermediate products is closely linked to output at PWO. The Group does not have purchase commitments for raw materials that do not relate to call orders from customers. Therefore, no intermittent stock increases with corresponding prefinancing obligations were made above and beyond the normal fluctuations.

Staff costs fell by a considerably below-average 5.1% to EUR 67.1 million, after coming in at EUR 70.7 million in the previous year. The know-how that our employees have built up over the course of many decades forms part of the core of our competitive edge.

Therefore, the most important aim of our HR policy in the 2009 financial year was to secure the jobs of our experienced core workforce. We achieved this aim by making systematic use of the option of short-time working, in addition to the insourcing measures already mentioned. There were no practicable alternatives to the intermittent substantial rise in the staff expense ratio.

In contrast, the 18% reduction in other operating expenses is due to the major cut in expenses for temporary workers, which we reduced by more than half.

In addition, costs from external services in connection with development cooperations in the previous year were no longer incurred, and start-up input was reduced at the three newest foreign sites in 2009.

Depreciation/amortisation rose slightly, mainly as a result of the international expansion. Although sites in Mexico and China recorded higher depreciation/amortisation, this figure fell at other sites, including in Germany.

In addition, an impairment to the goodwill of PWO de México totalling EUR 0.7 million was applied. The related goodwill has now been completely written down. This impairment was performed due to the effects that the economic crisis had on the US automotive market.

In the year under review, EBIT amounted to EUR -4.9 million, after EUR 7.7 million in the previous year. This includes EUR 1.5 million in exchange rate losses, which particularly affected our sites in the Czech Republic and NAFTA region.

We limit currency risks by hedging the budgeted exchange rates of our orders. Due to the most recent upheaval on the international financial markets, the exchange rate losses presented were incurred from the market valuation of hedging transactions. Due to the increased long-term bank liabilities, the financial result deteriorated slightly from EUR -5.1 million in 2008 to EUR -5.5 million in the year under review.

Pre-tax earnings therefore came in at EUR -10.5 million compared to EUR 2.6 million in the previous year. With a tax credit of EUR 1.5 million, the PWO Group posted a net loss of EUR -8.9 million for 2009 (previous year: EUR 1.4 million), with earnings per share of EUR -3.58 (previous year: EUR 0.58).

Segment reporting

In accordance with the Group corporate management, our individual production sites form the basis of our segment reporting by region. The geographical segments are determined on the basis of the location of the Group's assets. Accordingly, segment revenue is classified according to the location of the assets.

Revenue continues to consist of the three strategic product areas 'mechanical components for electrical and electronic systems', 'safety components for airbags, seats and steering' and 'structural components and subsystems for vehicle body and chassis'.

The segment entitled 'Germany' relates to Oberkirch. The 'Rest of Europe' corresponds to the Czech Republic, while 'NAFTA' covers our sites in Canada and Mexico and 'Asia' refers to our activities in China.

Supplies and services provided between individual sites primarily relate to the tools made by our subsidiary at the Valašské Meziříčí site in the Czech Republic for other companies in the Group. These are consolidated at Group level.

The headquarters of the PWO Group in Oberkirch and therefore of the Germany segment is our largest production site by a large margin. It is here that the parent company Progress-Werk Oberkirch AG is based, which is responsible for operations at the Oberkirch site as well as for providing the management structures of the Group.

In the Germany segment, revenue and total output fell more sharply than the overall Group level, by -21.6% and -22.2% respectively in the 2009 financial year. This was particularly due to German automotive manufacturers' caution regarding call orders at the start of the financial year.

Revenue amounted to EUR 164.7 million after coming in at EUR 210.0 million in 2008. Total output reached EUR 163.4 million after EUR 210.1 million in the previous year.

Staff costs were reduced by a below-average amount in Oberkirch. Our site in Oberkirch forms the hub of the Group's innovation and know-how, and as a result, our measures for retaining jobs particularly focused on this site.

In contrast, there was an above-average drop in other operating expenses due to the strong reduction in temporary staff as well as the fall in material expenses on the back of the lower volume of purchased services.

Depreciation/amortisation came in at EUR 11.0 million, slightly down on the previous year mark of EUR 11.4 million. In the year under review, EBIT for the Oberkirch site came to EUR 1.7 million, after being reported at EUR 11.4 million in the previous year.

The net financial result deteriorated from EUR 2.8 million to EUR 3.3 million due to increased bank borrowings.

On the back of the tax credit of EUR 0.5 million for 2009 compared to the tax expense of EUR 2.4 million for 2008, the Germany segment reported a net loss of EUR 1.2 million for the financial year 2009 after recording a net profit of EUR 6.2 million in the previous year.

The site in the Czech Republic, which is represented in the “Rest of Europe” segment, continued its dynamic growth in 2009. The momentum was sustained from the previous year when the site was able to launch a number of series production ramp-ups. Revenue was up 22.6% to EUR 20.6 million in the year under review, following EUR 16.8 million in 2008.

In other words, revenue has more than doubled since 2007. However, we had planned an even more substantial increase for the site, and had already set up the required structures accordingly.

The rise in revenue in 2009 was solely due the increased volume of components and assembly and welding groups that were in the start-up and ramp-up phase. Revenue from tooling operations, which has traditionally been important for the site, remained almost unchanged in 2009.

In the past (including 2008), total output was often substantially higher than revenue due to tool engineering – which often meant substantial changes in inventories due to the time lag involved in billing.

Due to the inventory cycle, stockpiles were not increased in the year under review, while all tools held as own stock in the previous year were invoiced in 2009.

On balance, total output for the year under review was therefore only slightly up on revenue. This figure came in at EUR 21.1 million, up 2.9% on the previous year mark of EUR 20.5 million.

In 2009, segment EBIT improved to EUR -0.9 million, after EUR -1.5 million in the previous year. Earnings were still impacted by the start up of a second 1,250 tonne large press and the resultant ramp-up costs as well as currency losses.

The latter came to EUR 1.0 million, and the site would therefore have posted a neutral earnings figure excluding this effect.

Our production sites in Canada and Mexico together make up the NAFTA segment. On the back of the serious crisis in the US automotive market, revenue from this segment fell by 32.5% in 2009, down from EUR 39.7 million to EUR 26.8 million. Both sites recorded similar declines in revenue.

Total output fell to EUR 26.5 million after EUR 40.2 million in the previous year. Despite wide-ranging adjustments at both sites, EBIT fell to EUR -4.0 million, after being reported at EUR -1.3 million in the 2008 financial year.

The Mexican site was negatively impacted by an increase in depreciation/amortisation, expenses linked to construction at the site, and currency losses totalling EUR 0.6 million.

Although revenue and total output in the Asia segment started the 2009 financial year at a low level, both figures grew considerably with the launch of series production in China. Both figures were up from EUR 0.4 million in the previous year to EUR 1.7 million and EUR 1.8 million respectively in 2009.

This output was exclusively generated by our subsidiary in Suzhou. As planned, we withdrew from our previous joint venture at the start of 2009 by selling our stake.

Setting up our subsidiary also resulted in ramp-up losses as anticipated in 2009. In addition, this site was also negatively impacted by lower call orders than planned.

All in all, EBIT from the Asia segment came in at EUR -1.1 million in the 2009 financial year (previous year EUR -1.0 million). This figure includes earnings of EUR 1.0 million generated from the sale of our stake in the joint venture.

The breakdown of revenue by product area changed in the 2009 financial year primarily as a result of series ramp-ups and discontinuations.

The share of revenue attributable to 'structural components and subsystems for vehicle body and chassis' fell substantially, from 33.3% in the previous year to 29.1% in 2009. This was due to the completion of a large series production order of module carriers.

Follow-up orders will be ramped up from 2010, which will once again balance out the revenue shares of the three product areas in the coming years.

The revenue share from the other two product areas 'mechanical components for electrical and electronic systems' and 'safety components for airbags, seats and steering' therefore grew in the year under review. However, absolute revenue figures were still substantially down on previous years due to the market development.

Financial position, net assets and investments
PWO Group's total assets only changed slightly in the year under review, falling marginally from EUR 205.1 million to EUR 204.7 million.

Non-current assets were down slightly as a result of the company significantly reducing its investment volume in response to the slump in demand created by the economic crisis, and to safeguard its liquidity. Technical equipment and prepayments rendered dropped as a result, but land and property increased due to the development of the Chinese subsidiary. In 2009, long-term assets totalled 53.8% of the total assets, one percentage point less than in the previous year.

Among current assets, the capital tied up in inventories was reduced and liquidity was increased in turn. Trade receivables showed very little change.

The Group's equity dropped to EUR 61.5 million (previous year: EUR 68.0 million) as a result of retained profit being lower than on the balance sheet date in 2009. The volume of liabilities went up correspondingly.

With regard to their terms to maturity, we deliberately chose long terms in the year under review, as interest rates are currently very attractive. Long-term loans therefore made up 39.9% of the balance sheet total at the end of 2009 compared to 29.5% in the previous year.

This was the result of a significant increase in long-term interest-bearing loans and a slight decrease of short-term loans.

There was also a steep drop in trade payables during the year under review, after recoding a high volume at the end of 2008 due to reasons relating to balance sheet date reporting.

Gearing (net debt as a percentage of equity) increased to 129% after 99% in the previous year and the equity ratio reached 30% after 33%.

Although both figures did not meet our internal long-term goals for the second year running as of the balance sheet date in 2009, we managed to overcome the most serious crisis in the automotive sector in post-war times with a total assets figure that lies above average in our industry. We are now focusing on strengthening our own capital resources again, not least due to the funding requirements for our growth.

PWO Group's cash flow from operating activities went down considerably in the year under review as a result of lower income and due to the lower volume of current liabilities (trade payables) on the balance sheet. In the year under review, it amounted to EUR 6.0 million compared to EUR 25.0 million in the previous year.

As previously mentioned, investments were reduced significantly. As a result, cash flow from investing activities dropped from EUR -33.9 million in the previous year to EUR -12.7 million in the 2009 financial year. EUR 9.0 million of the investments relate to our German site in Oberkirch (previous year: EUR 14.8 million).

After the extensive measures under our lean management concept in the previous years, which were aimed at improving workflows along the value added chain, there was enough leeway in 2009 to reduce the investment volume to the absolute minimum.

We managed our investments in Canada according to the same principles. These investments amounted to EUR 0.4 million (2008: EUR 0.5 million).

In 2009, we were able to reduce the large amount of investment in our Czech site to a minimum once it had been fully developed, without negatively affecting the continuously high volumes of production ramp-ups.

This investment amounted to EUR 0.4 million in the year under review (previous year: EUR 7.9 million). We invested a total of EUR 4.6 million (previous year: EUR 11.9 million) in our sites in Mexico and China, which are still being developed. EUR 3.5 million of these investments went to China (previous year: EUR 9.3 million).

As a result of the lower investment volume, we were able to reduce our net borrowings in 2009, despite significantly reducing the number of trade payables.

The cash flow from financing activities went down from EUR 13.5 million to EUR 10.9 million. At EUR 1.4 million, almost 58% less was distributed for dividends than in the previous year.

Orders

Planning for future models is being continued in the automotive industry despite difficult economic conditions. This provides us with new opportunities, as our growth in periods of average economic development is largely governed by series ramp-ups and completions as opposed to the development of sales figures in the industry.

We were again very successful in acquiring new orders in the financial year 2009.

After a leading international automotive group selected PWO to develop and manufacture the European order volume of module carriers for a new global vehicle production platform in 2007, we also won the contract for North America in 2009.

We also gained an order from a German premium manufacturer for the development and production of module carriers for two of their high volume production platforms. The total volume of both of these major orders is around EUR 180 million. The corresponding series production ramp-ups are planned for 2011.

In addition to delivering for large international platforms, we are aiming to serve a wide range of smaller order volumes with staggered ramp-up and completion dates.

We also successfully acquired new orders in this area in 2009. This allows us to ensure that our order structure is well balanced, limiting risks for future capacity utilisation.

In addition, business at our Mexico site recorded particularly upbeat development. We were able to replace series production projects which were coming to an end with new orders from the same customers. The site was also successful in positioning itself as a supplier of more complex components, increasing future value creation at the site.

Negotiations about additional new contracts are now at an advanced stage. This volume of new orders will once again lead to a substantial increase in capacity utilisation within the Group in the coming years.

General statement on the Group's business position

In 2009, PWO successfully mastered one of the most challenging years in its corporate history. The Group was able to overcome the earnings pressure from substantially reduced call orders by introducing wide-ranging cost reduction measures and making moves to secure financing. PWO's management has therefore proved itself once again, with the company emerging from the crisis stronger in this current recovering general operating environment.

At present, we are seeing a slow but continuous rise in call orders for series production from our customers. Additional growth is anticipated on the back of a substantial number of new ramp-ups in series production in 2010 and in the following years. We will therefore likely return to a level of capacity utilisation which would pave the way for us to again record net profits and satisfactory margins. We have already secured the financing for ongoing business in 2010 and we are planning to conclude unresolved investment financing agreements as soon as individual investment decisions have been made.

From an internal point of view, we are now once again excellently positioned to continue the sustained successful company development we experienced up to 2008 – the year in which the financial market crisis hit the real economy.

All current assessments from market researchers believe that the general economic data coming from the national economy and automotive industry will gradually normalise, with no renewed substantial drop in demand expected. Last but not least, we can assume that governments and central banks around the world will sustain their efforts to protect the real economy from the remaining risks in the banking sector wherever possible. We are therefore looking forward with confidence and with the conviction that the company can continue its successful development in the years to come.

Employees

Given the dramatic slump in sales in the international automotive industry, we were left with no choice but to make rapid and considerable adjustments to our costs in the 2009 financial year. This was vital to securing the liquidity of the Group and further support from banks. By the same token, we were also looking to avoid placing the long-term development of the Group in jeopardy by introducing measures that were focussed purely on the short-term.

With regard to personnel, we initially had to make adjustments in headcount among temporary staff at the Oberkirch site. Although temporary contracts offer this flexibility, it was still a very difficult decision to make as many of our temporary workers have been closely connected with the company for a number of years.

At the peak of the crisis, we reduced the number of temporary workers by over 100. However, we were able to re-employ a number of these workers over the course of 2009 as call orders improved. At the same time, we also focused on systematically implementing the necessary adjustment measures, retaining our core workforce wherever possible and occupying promising functions within the Group with selected existing personnel or additional specialist employees if required.

Our employees support this course of action by understanding the pressing need for these measures. They have once again underlined their commitment and flexibility in these highly difficult, uncertain times.

Our staff also made financial contributions. Over a number of months, we made extensive use of the option of short-time work at the Oberkirch and Kitchener sites.

In Oberkirch, were able to successfully finalise a new supplementary collective labour agreement for the period up to the end of 2016, replacing the existing agreement. The new deal delivers additional planning reliability for a relatively long period of time.

Thanks to the considerable efforts of our employees, the site was largely protected from the financial and economic crisis, and structures were set up to keep us competitive in the years to come. The latter allow wide-ranging new orders worth several hundred million Euros to be carried out in Oberkirch at competitive prices. We are injecting a further EUR 30 million in investments in this area in Oberkirch in the next few years.

This not only secures existing jobs, it also paves the way for new jobs potentially being created. Oberkirch is and will remain PWO Group's most important production site.

Despite having to contend with challenging times in the year under review, we never wavered from our commitment to train young people and provide them with opportunities to make a successful career entry.

On average, we provided 125 training positions in 2009 (previous year: 94). Our employees in the various departments continued to offer young trainees their complete commitment, even under the difficult conditions on the back of short-time. This commitment was once again rewarded with outstanding graduation marks.

Two of the trainees who completed their courses with the best marks were women industrial clerks. One of our mechatronic engineering trainees even gained recognition from the Baden-Württemberg Chamber of Industry and Commerce for the state's best final exam marks.

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For this reason, we not only conduct training in Germany, but also at our foreign locations. China has been one particular area of focus since 2008, where an average of 13 employees were in training in the year under review (previous year: 4).

All in all, the PWO Group employed an average of 1,807 employees (excluding trainees) in 2009, after employing 1,845 people in the previous year.

At the Oberkirch site, we expanded the core workforce slightly to 1,054 by taking on a number of former trainees full time with a view to the anticipated future growth (previous year: 1,045).

Headcount was once again reduced at the Canadian site, where wide-ranging personnel adjustment measures were already implemented in the past. The number of employees fell to 106, after 109 in the previous year.

In the Czech Republic, headcount was increased from 282 to 308 on the back of ramping up a new forming press.

New production ramp-ups also meant an increase in headcount in China to 52 employees. In the previous year we had just 20 employees in the country, 6 of whom belonged to the former joint venture. In contrast, we had to reduce headcount to 287 employees in Mexico due to the slump in order volumes (previous year: 389).

In the year under review, we also once again invested in the training and professional development of our workforce in an effort to broaden their expertise in the long-term. Despite the negative impacts of the economic crisis, we invested EUR 2.1 million in this area, matching our investment from the previous year.

Further information

Product and process innovations

PWO has built up an excellent reputation for permanent product and process innovation. We are committed to providing highly creative concepts at every stage of new projects – from material input and product design to developing production techniques. We are dedicated to continually improving ongoing series production and increasing its productivity and quality levels.

We regularly break new ground with innovations such as solutions that use sheet forming for specific tasks, and in doing so replace previously expensive processes like forging and casting. PWO is also set apart from its competition by product design that substantially reduces the amount of material input required, that minimises the complexity of a solution and that completely cuts out previous downstream processing steps or integrates these into a fully automated forming process.

This makes us a popular first port of call for automotive manufactures and TIER 1 suppliers. These groups are increasingly moving away from their tried and tested solutions in search of concepts that would help position them successfully for the future.

We also tap additional potential by offering increasingly modular product designs. This not only cuts development and production costs, but also provides customers with substantially more flexibility during series production. Individual basis modules can also be transported to different locations regionally, and are not assembled until they arrive at a plant close to our customers' production sites.

When conceiving these solutions, we are able to draw on our comprehensive expertise which is based on the wide range of applications spread throughout our broad product range and which makes our market positioning truly unique.

By fully integrating product and process development efforts in joint teams, we ensure that our solutions deliver in line with our customers' needs while strictly adhering to their cost specifications.

This approach creates a firm sense of corporate responsibility and an awareness of cost issues throughout the entire value chain.

Our own tool engineering function represents a vital component of our high-precision and efficient production processes. In tool engineering, the two decisive factors are the precision of a product and the potential speed of the production process without any loss of quality.

Tools that offer absolute precision are essential when producing components that often have functional features requiring tolerances of just a few thousandths of a millimetre. These tools even have to be built much more precisely than the components they are subsequently used to produce.

Marketing and sales

The significantly reduced level of capacity utilisation throughout the entire automotive industry at present is leading to shifts in our customers' demands. There is a trend towards insourcing among manufacturers and TIER 1 suppliers that possess internal know-how in the field of metal forming as well as their own pressing plants.

This trend does not impact ongoing series production orders, as changes to the supply chain in our field are generally difficult to undertake and cause unattractive high levels of costs. However, outsourcing volumes are tending to be lower, at least for the time being, while manufacturers change models.

Nevertheless, excluding a few exceptions, our customers are not making any new investments in pressing systems.

This presents additional opportunities for PWO. Given the reduced profitability in the automotive industry, demand is increasingly focusing on suppliers that can offer significant additional cost cutting potential through in-house development know-how, in addition to pure outsourcing options. This is one area in which PWO is certainly leading the way.

Thanks to the transparency of the automotive industry, where decisions about new vehicle models have a long lead-up period, we are able to precisely position ourselves in terms of sales.

Our broad product range also often allows us to offer our customers solutions in areas that they have not yet ordered in, increasing our share of their procurement volumes in the process.

We are also able to rely on a number of key unique selling points: our innovation in product and process development, our ability to deliver high volumes reliably, our reputation for first-class quality throughout the entire lifecycle of series production as well as our global presence. This really sets us apart from the competition.

Research and development

PWO only produces in response to customer orders. Accordingly, most of our development expenses are incurred as part of customer projects.

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Quality management
Zero-error quality is the benchmark for all products and processes in the automotive industry. However, on average this objective is far from being achieved across the industry. As a manufacturer of safety components such as parts for airbags or air suspension systems, seat locking mechanisms, steering column brackets and vehicle body and chassis structures, PWO sets itself the strictest possible quality targets regardless of customer specifications.

The objective is to come as close as possible to zero-error quality by implementing comprehensive quality control concepts in development, tool engineering and production.

This means that we rely on integrated, automated quality testing in production to a large extent. A series of measuring and testing robots, sensors and/or cameras form an integral part of the production process. This allows us to ensure that we do everything possible to deliver zero-error quality to our customers.

Our quality assurance concepts are then implemented by our partners in the plant and test engineering field through the deployment and ongoing development of their own technology. This allows us to set ourselves apart from the competition in this area too.

We have embedded our zero-error philosophy along the entire internal value chain in the PWO Production System and clearly present the respective performance of all individual teams around the Group at each site.

This ensures healthy competition for achieving the top quality. The ongoing rise in our performance also serves to secure our profitability as error costs are permanently reduced.

Logistics and procurement
We work with steel, stainless steel and aluminium, and obtain our raw materials on world markets. Our procurement team has always been able to ensure that temporary spikes in demand globally do not represent a significant problem for the Group. Short-term materials scheduling is based on forecasts of the volume of goods for which our customers give us binding notification of their requirements. We generally deliver within a tight timeframe of just a few days to the location agreed with the customers.

In an effort to diversify our procurement sources, we have finalised supply agreements with different suppliers for staggered periods of time. In addition, we also require special steel alloys for a substantial portion of our product range. In this area, we often work closely with well-established partners from the European steel industry from the development phase onwards. These partners then supply our Group's international sites. We do not enter into any obligations for minimum purchasing quantities in supplier agreements for either standard or special steel alloys.

It is not possible to diversify our supplier base for the large amount of energy and water required for the forming process. However, we enjoy high levels of supply security in this area.

With a view to securing our profitability, we are implementing permanent process improvements in all departments as part of our PWO Production System. These should lead to continuous reductions in the amount of resources required for each production unit.

This does not just encompass our own inventory management, but also that of our suppliers, allowing us to realise efficiency enhancements along the extended value creation and quality chain.

Occupational safety and environmental protection

Occupational safety and environmental protection remain top priorities at PWO, even in difficult economic times.

In the year under review, we used the phase of lower capacity utilisation to expand our occupational safety management system. This is designed to reduce the number of accidents further and keep this figure at a permanently low level. To this end, the system for assessing dangers in working with hazardous substances, which was introduced in 2007, has been developed further and expanded to include all tasks.

Across the entire company, including manufacturing, employees now have more rapid and simpler IT-supported access to alarm plans, escape and rescue routes, operating instructions for all systems in the workplace as well as in-depth background information on occupational safety.

An intranet-based electronic accident database also transparently and comprehensively records every injury sustained at work. This allows managers to conduct targeted searches of the injuries sustained under their jurisdiction and implement the appropriate countermeasures without delay.

The first results from the accident analyses reflected the technical and organisational occupational safety standards at PWO by revealing that by far the greatest cause of injuries at work was employee conduct.

In response, we provided further training on conduct-related occupational safety to all managers in the year under review.

Working groups on conduct-related occupational safety were established in all manufacturing departments. These groups meet at regular intervals to define safe conduct for their respective department and monitor how this conduct is being implemented.

Their work is monitored and coordinated by top managers, meaning that occupational safety management is structurally embedded on every hierarchical level.

Given the overall restrictive management of investments in the reporting year, investments in environmental protection were also limited in 2009. However, we were able to complete the planned measurement segments in the compressed air network, paving the way for more precise monitoring from now on.

As expected, we were able to considerably reduce the consumption of all utilities (water, electricity, compressed air, etc.) in the financial year 2009. Increases were also recorded in relation to production hours or total output as expected because basic consumption gains in relative importance when capacity utilisation falls.

Pleasingly, the key figures for the 2009 financial year were not significantly worse than in the previous year at full capacity. This success is down to all employees who shut down systems and whole areas as a matter of course during periods where they were not being used.

The hard work of administrative departments has also played a role, as they provided effective support to our savings measures through targeted order and personnel planning which optimised the relationship between supplier call orders, lot sizes and inventories.

Risk report

Description of the risk management strategy

The aim of our risk management strategy is to avoid or limit operating risks as far as possible and financially viable. We do not expose ourselves to additional risks of a financial nature that are not necessarily the result of our operating business, such as by taking open derivatives positions. The finance department is not managed as a profit centre.

We have also aligned our business model and operating processes to fundamentally limit risks. We are constantly working to bolster this positioning further:

- As an innovation leader, we set standards in our product areas instead of simply following them.
- As a quality leader, we deliver practically zero-error quality, and are therefore only exposed to very low risks associated with product failure.
- Our broad, diversified product range makes us largely independent of any fluctuations in demand in the individual product areas, as well as of the market success of individual vehicle models.
- The flexibility of our machine pool allows us to optimise the utilisation of production capacities, even if our order structure changes over time.
- We are one of the key suppliers for our customers thanks to our global positioning, this boosts revenues across the Group, including at our long-established German site.
- By setting up sites in regions with sustained high levels of outsourcing volumes, we can limit the risks of insufficient structural capacity utilisation.

Main features of risk management at PWO

PWO's tried and tested risk management system was continually optimised in the financial year 2009. Although no fundamental changes were made, the principles formulated by the Management Board were adjusted and documented according to our risk management handbook where required. This handbook systematically records, describes and evaluates risks and how risks are dealt with.

Risk owners report to the Management Board on a regular basis each month or immediately in the event that major new risks are identified.

The performance of our risk management system is reviewed internally at frequent intervals. This system was again reviewed by the auditor as part of the annual financial statements and its effectiveness confirmed.

The risk management system is applied consistently across the entire Group. The system is currently at different stages of rollout at the individual production companies depending on their respective stages of site development.

The system has now been introduced in full in Germany, Canada and the Czech Republic. We began rolling the system out at our Mexican site in 2007 and we have since introduced a wide range of core elements adjusted to fit the specific situation on the ground.

The site in China is still being established and is only contributing very low revenue at present. As a result, the business processes there are less complex and can still be monitored with selected building blocks from our risk management system.

Main features of the internal controlling and risk management system

In accordance with Section 289 (5) of the German Commercial Code (Handelsgesetzbuch – HGB), being a capital market-oriented stock corporation as defined in Section 264d HGB, we have the duty to describe the main features of the internal controlling and risk management system relating to the accounting process.

There are no legal definitions for the internal control and risk management system with regard to the accounting process.

We regard the internal control and risk management system as a comprehensive system and follow the definitions of the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf, of the accounting-related internal control system (IDW standard 261 [19] et seq.) and the risk management system (IDW standard 340 [4]).

According to these standards, an internal control system comprises all principles, processes and measures introduced by the company's management, which are aimed at the organisational implementation of managerial decisions for ensuring:

- The effectiveness and viability of the company's business activities (including safeguarding its assets as well as the prevention and disclosure of damage to assets).
- The compliance and reliability of the internal and external accounting processes.
- Compliance with all legal requirements relevant to the Group.

The risk management system comprises all organisational regulations and measures required for uncovering risks and for handling risks arising from business activities.

With regard to the accounting process, PWO has implemented the following structures and processes:

The Management Board carries the sole responsibility for the internal control and risk management system with regard to the Group's accounting process. All strategic units are included in a defined management and reporting structure.

The principles, structural and workflow organisation, and the processes of the accounting-related internal control and risk management system are described in a manual that is regularly revised to reflect current external and internal developments.

Business transactions are recorded at the level of the operating units using a consistent, primarily SAP-based accounting system which among others also permits sanity checks of the accounting processes of the strategic units.

The principles, structure and process organisation and the processes of the internal control and risk management system for accounting throughout the Group are documented in a manual that is adapted in line with external and internal developments at regular intervals.

With regard to the accounting process, we deem all features of the internal control and risk management system as being important if they could have a significant influence on the preparation and the overall presentation of the annual financial statements, including management report. These are as follows:

- Identifying the main risks and controlling areas relevant to the accounting process.

- Controls for monitoring the accounting process and results at a managerial level and at a level of the strategic units.

- Preventive control measures in the finance and accounting system and in operative, performance-related company processes, which generate essential information for the preparation of the annual financial statements as well as the management report, including functional separation and pre-defined authorisation processes in relevant areas.

- Measures that ensure the proper IT-supported processing of accounting-related issues and data.

- Measures for monitoring the accounting-related internal control and risk management system.

Changes in the risk situation in 2009

In 2009, the PWO Group was exposed to substantially increased risks from the effects of the financial market crisis and the resultant heavy recession in many economies worldwide.

The global automotive industry was hit harder than most sectors. At the same time, banks were substantially limited in their role as a refinancer of the real economy due to the massive requirement for write-offs on products that turned “toxic”.

PWO reacted to this situation with wide-ranging, fast-working cost reductions. It also made securing liquidity a top priority and postponed or reduced investment volumes wherever possible. The capital tied up in current assets was also cut again.

At the same time, the Group stepped up its communications with partner banks and established relations with new partners.

Overall, PWO succeeded in securing its liquidity in the 2009 financial year and avoiding the substantial risks described.

Market risks

Market risks include securing sufficient capacity utilisation for our production sites with suitable orders for series production that provide the right margins for our capital-intensive business.

In periods of usual fluctuations in the automotive industry, our growth is significantly governed by the margins between the completion of existing series production orders and the ramp-up of new orders in connection with our customers launching new vehicle models.

When it comes to existing series production orders, market risks particularly relate to ramp-up postponements for new projects as well as sales fluctuations in series production caused by adjustments in the planned volumes on the customer side.

We can effectively counter these market risks thanks to our broad product range featuring over 1,000 different components and sub-assemblies produced to meet customer-specific requirements.

We do not rely on large individual orders in specific sub-segments of the market to effectively utilise capacity in our machine pool. Instead, we can focus our sales efforts on gaining additional orders that optimise our capacity utilisation in terms of production periods and requirements for our machine pool. These orders should also enable us to offer our customers innovative solutions in product and process development that offer such substantial added benefits that PWO is able to generate more attractive margins as a result.

In addition, such a high volume of ongoing series production orders means that fluctuations in individual orders generally balance each other out and therefore stabilise our revenue during series production periods.

This prevents us becoming dependent on major customers as revenue generated from transactions with individual companies in the automotive industry is always distributed across a wide range of individual projects – each one subject to independent contracts and covering a specific set of products with different durations and volumes. The probability of a simultaneous failure of all our projects is extremely low.

Customers also incur payment obligations if a contract is terminated that contains payback agreements for the entire contractual term with regard to defined services to be rendered by our company. Whenever a particular project involves investment or up-front financing for the work to be undertaken, we also ensure that the project-related market risks are contractually covered under terms normal for our market.

However, by its very nature, this setup cannot protect the Group against the most recent slump in sales experienced by the entire automotive industry, which hit worldwide with almost unprecedented ferocity.

We are largely able to counter market slumps, such as in 2008/2009, by adjusting our cost base thanks to the relatively long lead times for series production ramp-ups in our business.

We did this systematically and successfully in the year under review. We anticipate that market volatilities will again reflect previous cycles in the future, allowing our setup to prove its stability once more.

We are also focusing on permanently increasing the flexibility of all business processes. This allows us to produce smaller order volumes economically and react with more flexibility to fluctuations in demand.

The constant intensification in competition is also typical for the automotive supply industry, and this has been particularly tangible of late.

As an innovation leader, we can offer our customers quantifiable added value. We are also constantly enhancing the efficiency of all company processes. Our sustained long-term positive development pays testament to the fact that we are in the position to successfully circumnavigate risks.

Performance and quality-related risks

The principal risks which the Group is exposed to include those relating to performance and quality. Nowadays, series production for the international automotive industry means sustainably delivering on the requirements of best possible reliability and quality in processes and as a supplier in large volume series production for years on end.

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Above all, lapses in performance can cause significant damage to a supplier's reputation as well as financial damage. This can seriously weaken the supplier's position when conducting regular price negotiations during the term of an existing order and when bidding for new orders.

Consequently, it is vital to maintain a reputation for reliable processes and performance in order to safeguard and increase the capacity of the Group to generate earnings. Therefore, performance and quality management is an integral part of all our business processes and corporate decisions.

As part of our PWO Production System, the progress and stability of our processes are documented, making them transparent, and in doing so paving the way for permanent systematic improvements.

A vital element of this system is the ability of our staff to identify potential risks to performance before they arise on the basis of the data they receive during the production process, and to quickly take the correct course of action.

This involves the preventive servicing of metal forming presses, welding and assembly systems, and tools, to minimise any disruption and downtime.

In addition, we aim to ensure that a product can be made on at least two suitable machines so that production can continue in the event of a malfunction.

In many areas of our product range, we are now setting market standards for the efficient series production of complex components.

In addition to fulfilling the requirements of our customers as well as our legal obligations, we feel obligated in our role as a manufacturer of safety components to go above and beyond that level and maintain especially high quality standards.

For this reason, we have established a zero-error philosophy throughout the entire Group and are gradually building up the necessary processes so that we do not just deliver on this aim, but also trace our performance in this area throughout the production process and provide customers with appropriate documentary evidence.

This again sets us apart from our competitors and highlights our market-leading position.

We are constantly seeking to fine-tune the levels of consistency and product quality at our established sites in Germany, the Czech Republic and Canada, and gradually transfer these standards to our newer sites in Mexico and China.

Overall, the markets in both these countries do not as yet require the highly complex, fully automated production processes we have in Oberkirch, where wage levels are much higher, as well as at Kitchener (Canada) and Valašské Meziříčí (Czech Republic).

As a result there is greater room for manoeuvre in the scheduling of the production process, which helps limit risk.

Management risks at international sites

As part of our internationalisation strategy, we have expanded our location portfolio with production sites in the Czech Republic, Mexico and China in the last few years.

We limit performance and quality risks at these sites with consistent Group-wide business and production processes that are documented and monitored using our PWO Production System.

After some unsatisfactory management of ramping up new series production in the financial year 2008, the Czech and Mexican sites have now implemented much more stable processes. China remains in its set-up phase as planned.

The sites are located in regions with sustained high demand for our services from local automotive manufacturers and suppliers.

Also during this currently weak phase of development in the industry, we remain convinced that we can acquire a sufficient number of orders in a reasonable amount of time to utilise capacity at the sites, and to achieve the appropriate return on capital for the investments undertaken.

With a view to limiting risks and avoiding redundant capacity, investment decisions are exclusively made on the basis of the orders in hand.

In China, risks consist of start-up investments which not only include production plants, but also infrastructure as we are establishing this facility from scratch. We are therefore monitoring the development here very closely.

Risks to accounts receivable

Risks to accounts receivable tended to rise during the downturn in the automotive industry. The declining market volumes and the resultant increase in discounts for buyers of new cars (on the back of the fierce competition) are substantially impacting the already limited profitability of manufacturers and suppliers.

2009 once again saw a substantial number of insolvencies among suppliers, including a number of well-known and major names.

Market consolidation is also evident among manufacturers – particularly brand takeovers, as well as some closures also being discussed.

We supply international automotive manufacturers and their suppliers that have been successfully established on the market for many decades.

This generally limits the risks we are exposed to in our accounts receivable. At the same time, we closely track market developments and customer behaviour in an effort to identify possible warning signs ahead of time, and we introduce countermeasures wherever possible. We have also taken out trade credit insurance to provide additional cover.

Abroad, too, we mostly work with existing Group customers during the initial phase of a new location. We usual develop a long-term trust-based cooperation with these customers, virtually eliminating the possibility of more major risks occurring.

Overall, it is our belief that the Group is not exposed to any substantial risks in relation to receivables. Whether we supply them directly or indirectly, our products are always vitally necessary to the manufacturer's production process.

Moreover, we are increasingly being engaged as a sole supplier. Where individual problems arise, partners in the supply chain have to and indeed do find constructive solutions.

Financial risks

Potential financial risks primarily include those associated with financing, interest rates and currency movements. In the wake of the financial market crisis and its spill-over into the real economy – especially the automotive industry – there was a rise in financial risk which is not be understated.

This specifically related less to the PWO Group itself, and more to the general limited availability of external funding provided by banks. PWO has earned a well-established reputation as a successful company with sound financial figures and low levels of volatility.

The in part very long-term relationships with our partner banks that we have built up have proved to be highly durable, allowing us to jointly master a difficult year such as 2009. Our access to sufficient refinancing funding was never in serious doubt during the year under review.

This was in no small part thanks to the comprehensive measures introduced in 2008 with the aim of cost-cutting and reducing the company's financing requirements. In addition, a substantial portion of (at that time) short-term bank borrowings were secured for the long term in 2008.

Financing risks may also occur in relation to the investment of cash and cash equivalents and our stock of derivative financial assets, were banks to default on their obligations.

We control this risk through diversification and the careful selection of counterparties. At present, no items of cash and cash equivalents or derivative financial assets are overdue or impaired.

Interest rate risks are limited through an appropriate combination of short and long-term borrowing. Investments and pre-financing associated with long-term customer contracts are always financed on a long-term, project-specific basis. We also make use of interest rate swaps when funds are borrowed on the basis of a variable interest rate.

When it comes to currency risks, there has been a substantial rise in volatility in the past few years. This is due to an increasing number of financial investors becoming involved in the foreign exchange markets, as is also the case in the raw materials markets. Their investment decisions follow different cycles to the development of the real economy, resulting in fluctuations. We are anticipating sustained high levels of volatility for the future.

In an effort to limit currency risks in our operating business, we conclude hedging transactions across the Group. In addition, these procurement risks are structurally limited since all raw, auxiliary and operating materials required for the Oberkirch and Czech Republic sites (and for our overseas production sites in the event that particular steel grades and alloys are not available in North America or Asia) are purchased in Europe.

As a result, our long-term supplier contracts are concluded in Euros. Therefore the main currency risks arise from salaries payable in the local currency.

In Canada, the exchange rate differences between the Euro and the Canadian dollar, as well as between the Canadian dollar and the US dollar, are of significance for the Group, as this location serves the entire North American region.

Procurement risks

The raw, auxiliary and operating materials we need for production primarily include steel and, albeit to a much lesser extent, aluminium.

We buy these materials on the world market and have no influence over the factors that determine prices and supply. The situation on the raw materials markets eased somewhat in 2009 on the back of the worldwide recession. However, future price increases, additional volatility in price development and occasional supply bottlenecks are anticipated.

These are likely to result from the sustained rise in demand for these metals from emerging economies, especially China and India, and the long-term rise in metal ore and energy prices, which in turn make steel production more expensive. In addition, there is currently no foreseeable end to financial speculation on the raw materials market.

To reduce our exposure to procurement risks, we have established long-standing relationships and framework agreements with our suppliers covering all essential raw, auxiliary and operating materials.

Thanks to our long-term, trust-based cooperations with our customers, we have always succeeded in agreeing acceptable solutions with them when prices rise in the procurement markets.

By the same token, if prices fall then these reductions are also passed on to our customers. Given the global slump in economic output in 2009, the procurement situation was largely comfortable both in terms of volumes and prices.

Risk of damages

We safeguard against the risk of damages by taking out suitable insurance policies. The level of cover they provide is under continuous review throughout the Group and is adjusted where necessary to ensure that we are protected at all times.

In addition, we continued to establish our business continuity management concept at our largest site in Oberkirch in 2009. This is a company-specific emergency and crisis management system which allows us to systematically prepare for dealing with mission-critical crisis situations.

IT risks

The PWO Group has a wide-ranging, modern IT infrastructure which makes a substantial contribution to constantly boosting efficiency within the Group.

In addition to the applications used in the administrative area and product development, we also rely on electronic data processing software in production, especially for monitoring processes.

In addition, we are connected to the infrastructure of our customers, suppliers and production partners, making a fully automated exchange of data possible.

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We rely on well established standard software for limiting risks in this area, adapting it to suit our individual requirements.

Specialist personnel also constantly and comprehensively monitor our Group IT processes in an effort to ensure that systems remain fully functional, and that risks are countered ahead of time.

General statement on the financial situation of the Group

The deep recessions experienced by many national economies, the global financial market and the automotive industry appear to have bottomed over the course of 2009. As a result, the risk situation for the PWO Group has also eased substantially.

However, recovery from this economic trough is also linked to substantial risks, and it will take several years, at least in the automotive industry, before production can return to pre-crisis levels.

We are therefore still closely monitoring the Group's risk situation with a view to reacting to any possible resurgent or new risks ahead of time, and to being able to implement appropriate countermeasures.

The Group has substantially adjusted its cost base, and in doing so boosted its future earnings potential. The management is now focused on turning this potential into real profits, and in doing so reduce the negative impacts on the balance sheet that the Group has had to contend with since 2008.

Compensation report

The corporate governance report on pages 14 to 18 contains the compensation report with separate sections focusing on the Management Board and Supervisory Board. The compensation report is part of the management report.

Changes to the Management and Supervisory Boards

There were no changes to the structure of the Management Board or Supervisory Board during the financial year 2009.

Section 289a of the German Commercial Code (HGB): Annual Corporate Governance Statement

The Annual Corporate Governance Statement of Progress-Werk Oberkirch AG is published on the company's website at www.progress-werk.de/investorrelations/corporate-governance.html.

Disclosures required under Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

The required details according to Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB) are presented and explained below:

The company's issued share capital amounts to EUR 6,391 thousand, and is divided into 2,500,000 ordinary bearer shares each with a notional, rounded par value of EUR 2.56. All shares confer the same rights and come with a voting right at the Annual General Meeting.

There are no restrictions on voting rights or the transfer of shares. Equally, there are no preferences or special rights with powers of control.

Shareholders are referred to the provisions contained in the Germany Stock Corporation Act (AktG) on the rights and obligations of those holding shares. The Management Board is not aware of any limitations agreed between shareholders which affect the voting rights or the transfer of shares.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, announced that it held a shareholding of 55.282%.

The Management Board is not aware of other holdings greater than 10% of voting rights. Employees do not hold shares in the company as defined in Section 315 (4) no. 5 of the German Commercial Code (HGB).

According to the Articles of Association, the Management Board consists of two or more members. They are appointed for a maximum of five years. There is a provision for members to be reappointed or their term of office extended, in each case for no more than five years.

The Supervisory Board decides on the number of members of the Management Board, appointments and the revocation of appointments, and the signing, modification and cancellation of employment contracts to be concluded with members of the Management Board.

The Supervisory Board may designate a Chairperson or Spokesperson for the Management Board. If there is good cause to do so, the Supervisory Board may revoke an appointment to the Management Board before expiry of the term of office.

Section 179 (1) and Section 119 (1) no. 5 of the German Stock Corporation Act requires that all changes to the Articles of Association be approved by a resolution of the Annual General Meeting.

In contrast with Section 179 (2) Clause 1 of the German Stock Corporation Act, Section 15 of the Articles of Association stipulates that resolutions on changes to the Articles of Association can be taken by the AGM on the basis of a simple majority of the voting rights held by those with a voting share in the nominal capital, unless a greater majority is required under statutory legislation.

The Supervisory Board is also authorised to decide on changes to the Articles of Association where such changes merely affect the wording, but not the sense.

Following a resolution of the AGM on May 26, 2009, the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the share capital of the company in the period up to May 26, 2014, by issuing new individual bearer shares for cash contributions on one or more occasions by up to EUR 3,195,574.26 (authorised capital). Shareholders must be offered subscription rights.

However, the Management Board is authorised, subject to the consent of the Supervisory Board, to remove the fractional part of any subscription right and to exclude the subscription right of shareholders up to a par value of EUR 319,557.43, in order to offer the new shares to employees of the company and its Group companies.

No material agreements were made for the event of a change of control after a takeover offer, with the exception of the usual standard provisions relating to loan contracts with banks and customer contracts. There are no compensation agreements with the Management Board or employees for the event of a change of control after a takeover.

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Significant events after the balance sheet date
After the balance sheet date, there were no significant events that required reporting.

Report on related parties
As required by Section 312 of the German Stock Corporation Act, the Management Board has prepared a report on relations with Consult Invest Beteiligungsberatungs-GmbH, Böblingen.

As in previous years, the report concludes with the following declaration: 'No transactions subject to reporting requirements took place during the year under review'

Forecast report
Economic environment | Macroeconomy
Although the global recession had already bottomed out in early summer 2009, the subsequent recovery, which has mainly been aided by governments issuing economic stimulus packages, remains weak.

Numerous setbacks in the fourth quarter of 2009, particularly in Germany, illustrated this. Investment activities remained at a very low level, and industrial production dropped back considerably, especially after the scrappage premium came to a close. It had previously stimulated vehicle sales. In addition, incoming orders from the industry were down in December.

This situation is exacerbated at the international level by the enormous debt of many countries, the continuing weak condition of the US real estate market, and the lack of upward momentum in the US labour market.

Data remain contradictory. Although the Indicator of Economic Sentiment issued by the Centre for European Economic Research (ZEW) in January 2010 dropped to its lowest point since July 2009 for the fourth month running, companies' sentiment and business forecasts rose, according to the ifo Business Climate Index.

German growth forecasts for 2010 range between 1% and just over 2%. The German government anticipates that economic output will grow by around 1.5%. There is no conviction that the upturn will prove sustainable and stable given that financial policies are losing their momentum, borrowing conditions are restrictive, and the labour market situation is tense.

Forecasts for the Eurozone also remain subdued. In the view of a number of well-known European economic research institutes, real GDP is set going to rise by just 0.2% in each of the first two quarters of 2010.

The OECD expects growth in the Eurozone to reach only 0.9% in 2010. Its forecasts for other European countries, such as the United Kingdom, are similarly reserved.

Economic environment | Automotive sector
According to the VDA, the German automotive sector will focus primarily on the impending normalisation of its business environment, in other words, the period after the scrappage premium has been abolished when sales will no longer benefit from the scrappage premium stimulus.

Consumer confidence is particularly important when considering the future development of the German automotive sector.

Consumers became less confident in the winter of 2009/2010, mainly due to fears of rising unemployment. Data collected by the consumer research institute GfK Group, Nuremberg, confirms this point.

Incoming order volumes of German manufacturers in the months after the scrappage premium provided the first indicators of this situation. Although, at first glance, year-on-year comparisons still look rather stable (-6% in October and November, -3% in December), it must be taken into account that levels had already dropped considerably in late 2008. In November 2008, for instance, figures fell by as much as -28%.

In January 2010, domestic orders lagged 16% behind the previous year's volume due to the scrappage premium no longer being in force. After seasonal adjustments, however, they at least reached December's level.

As this latest trend is likely to continue in the near future, the hopes of automotive manufacturers, similar to those of the German economy as a whole, are focusing on export revival in 2010.

Although total order volumes from abroad were still 10% lower in the year under review than in 2008, they have risen by 16% in the last five months. Exports were up by 15% in the fourth quarter.

This positive trend also continued at the start of 2010. Orders from abroad exceeded the January 2009 order volume by 38%, and, at 264,500 vehicles, German manufacturers sold 18% more vehicles abroad than a year ago.

As a result, the export revival exerts a stabilising effect on domestic production: in December, production of German manufacturers rose again by a significant 24%. Thanks to higher demand for exports, German companies produced 17% (362,700) more vehicles in January 2010.

In overall terms, the VDA forecasts that, despite lower domestic order volumes, domestic automotive production in 2010 will at least reach last year's level due to the recovery of foreign markets, and due to German manufacturers securing a larger market share.

Economic environment | Supplier industry

At the end of 2009, sales of the German supplier industry rose again for the first time since September 2008.

However, the growth rate of almost 2% among suppliers is also primarily due to the base effect of a weak previous year; sales were down by more than 20% in November 2008.

Sales in Germany increased by 1%, and by almost 4% abroad. Incoming order trends encouraged positive sentiment.

The corresponding index of the Federal Statistics Office continued its stabilising path in November 2009, the latest available month. Orders were up by a total of 24%. Domestic orders rose by 29%. In November, foreign customers ordered 16% more than in the previous year.

In the view of the VDA, 2010 will nevertheless prove challenging for German suppliers, as the question of financing will gain importance once the market recovers.

According to banks' estimates, total financing requirements in the automotive supply industry are set to rise by up to 20%, mainly for financing supplies during the period of growing demand.

Opportunities and risks

The risks for the year under review described in the risk report apply also to 2010 and subsequent financial years. There are no additional material risks for the Group or its segments.

The main risks and opportunities for the coming years arise from automotive sector trends. The risks to the company's earnings performance are far less than in the previous year.

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Although forecasts for the global economy at the start of 2010 remain highly uncertain, and the recovery of the international automotive sector is expected to be somewhat restrained, all market research institutes are of the opinion that the worst is over in the market for medium and upper class vehicles, which is particularly important to us. Falling sales in the small vehicle segment following the withdrawal of governments' economic stimulus packages affect us to only a minor extent.

Opportunities arise from potentially better than expected sales volumes resulting from extensive start-ups in series production within the Group, and our expanded international position.

The much steadier production processes at the sites in the Czech Republic and Mexico should improve income in 2010.

However, the focus of managing the Group in the current financial year will remain in ensuring stringent cost management and in closely monitoring market developments.

In the course of the ramp-up of new series productions, investments are set to exceed the much lower volume of the previous year by a wide margin again.

Around 15% of the financing for these start-ups and the planned business expansion for the current financial year has largely been secured. Unfunded tranches will be arranged as required.

Given the significant shift towards longer term interest-bearing loans that we realised in 2009 (60% of the total volume as on December 31, 2009; previous year: 47%), the company's borrowing situation was placed on an even more stable basis, and planning was made more secure.

Improving the balance sheet figures is also of key importance. The equity ratio fell in line with income. It proved possible to limit this decrease to 30% during the latest crisis, an above-average outcome in our industry.

In our opinion however, the equity ratio fell to the lower end of the strategically desirable range for a global supplier of large OEMs and TIER 1 manufacturers. This has made it even more important to strengthen the company's equity with funds that we generate ourselves.

Outlook for the PWO Group

The following statements on the outlook for the PWO Group generally also apply to Progress-Werk Oberkirch AG. The site in Oberkirch – by far the Group's largest production site – forms part of this company.

We generate most of our growth from successfully acquiring new orders for series productions. Orders have an average term of five to seven years, and every year we replace 15% to 20% of our revenue volume with new series start-ups and ramp-ups.

Fluctuating acquisition volumes or time lapses between completions and ramp-ups can therefore influence the Group's development in the short to medium term to a larger degree than market developments.

We are only expecting moderately increasing sales in the automotive sector in the market segments relevant to us for the coming years, due to the continuing uncertainties in the overall economic environment.

Our planning is primarily based on the anticipated development of our series production ramp-ups.

Our books already include extensive orders for the next three to six years, since lead times in our industry are long. We have calculated their volumes on the basis of current sales expectations and adjusted our planning accordingly.

In 2010, extensive series productions for module carriers, vehicle body and seat components are set to start up with an anticipated lifetime revenue of around EUR 345 million.

Further start-ups for module carriers, chassis and steering column components are scheduled for 2011 with anticipated lifetime revenue of around EUR 150 million. Ramp-ups are set to continue into 2012. In addition, new series from previous years will then have achieved a sustainable level.

We are therefore again facing a period of strong growth. We expect revenue to rise by around 15% in 2010 alone, and growth over the coming years is likely to remain at that level.

We are aiming to clearly break the EUR 300 million barrier by 2012, and increase our revenue by more than 50% compared to 2007/2008.

In parallel, our aim is to restore the Group's profitability to previous years' levels, and improve on these.

Apart from the positive effects from rising capacity utilisation, we also no longer need to invest large amounts in developing and extending our foreign sites and production start-ups.

As these sites grow and their processes become more stable, they will gradually contribute positively to the Group's earnings.

In 2008 and 2009, we considerably lowered our cost basis and significantly reduced our break-even point. Many of these cost reductions will remain in effect during the upturn.

Overall, we are aiming by 2012 to return to our profitability level from before the crisis, and prior to beginning our strategic foreign expansion, as well as to again generate an EBIT margin in the upper single-digit range.

In terms of EBITDA, this corresponds to an increase of more than 300%.

We therefore have every reason to be optimistic about the future. We will direct our entire energy towards seizing the opportunities available to us in order to consistently strengthen our company.

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Management Report for Progress-Werk Oberkirch AG

Progress-Werk Oberkirch AG (the "parent company") prepares its financial statements in accordance with the accounting standards set out in the German Commercial Code (HGB), whereas the Group's financial statements are drawn up under IFRS. The accounting standards applied to the parent company's 2009 financial statements are unchanged from the previous year.

The parent company is headquartered in Oberkirch, Baden-Württemberg, which also acts as the headquarters of the Group. It is the largest production site and a competence centre for technology, manufacturing and the PWO Production System. It also coordinates central functions such as Marketing and Sales, Finances, Controlling and Personnel.

PWO Group has been pursuing an international expansion strategy for a number of years and has taken over or set up three additional production facilities abroad in order to do so. In line with this development, Group functions and structures are being established in Oberkirch step by step.

For example, a tight rein is kept on the finances and controlling of our international subsidiaries as a means of limiting our exposure to risk. In an effort to limit the overheads of Group management, international sites are retaining extensive authority, especially at operating level.

The general statements made in this combined management report for the PWO Group and PWO AG apply equally to PWO AG, especially where they relate to market trends, strategy and business control as well as operating risks and opportunities. Changes in staffing are set out in a separate section on page 51.

As in the Group, the parent company's revenue and total output, amounting to EUR 164.7 million and EUR 162.5 million respectively, fell considerably short of the previous year's levels as a result of the global recession and its serious effects on the international automotive sector.

By responding rapidly and by insourcing all third party services, it was possible to realise an above-average reduction in material input. In addition, the high costs of the previous year in connection with development cooperations in the tool engineering sector were no longer incurred in 2009. The materials expenses ratio dropped to 53.6% in 2009 (previous year: 55.3%).

Although staff expenses were also reduced, the staff expenses ratio rose significantly from 27.6% to 34.0%. It was essential to retain the core workforce due to the strategic importance of the Oberkirch site as the Group's competence centre and the additional collective labour agreement concluded for the site.

Other operating expenses, on the other hand, fell considerably. The corresponding expenses ratio was reduced by more than one percentage point to 7.9%.

Depreciation and amortisation decreased slightly in the year under review. Despite the lower volume of all expense items, the 22.4% slump in total output proved unavoidable. In the year under review, EBIT for PWO AG came to EUR 1.0 million, after being reported at EUR 10.1 million in the previous year.

Increased interest charges resulting from higher bank borrowings had a negative effect on the financial result. In addition, an impairment loss needed to be applied to the carrying amount of the stake in PWO de México. As an impairment to financial assets, this reduced the financial result by EUR 3.4 million.

The total net financial result amounted to EUR -6.4 million (previous year: EUR -2.5 million). The result from ordinary activities for the year under review therefore totalled EUR -5.4 million (previous year: EUR 7.6 million).

In the 2009 financial year, tax income amounted to just EUR 0.2 million (previous year: tax expenses of EUR 2.0 million). PWO AG therefore reported a net loss of EUR 5.2 million (previous year: net profit of EUR 5.6 million).

The balance sheet profit amounted to EUR 10 thousand (previous year: EUR 2.9 million). The reported balance sheet profit was offset against the retained profit carried forward from 2008 of EUR 1.5 million, and EUR 3.7 million was withdrawn from other revenue reserves.

PWO AG's total assets increased by 3.0% to EUR 154.0 million in the year under review. The main reason for this was the rise in financial assets by a good 24% as a result of the continued strategic development of the new foreign sites in 2009.

Non-current assets therefore rose by 7.3% to EUR 83.8 million, and its share in total assets went up to 54.4% (previous year: 52.3%).

The corresponding fall in current assets is mainly due to the inventories item, which decreased by almost 15%. The optimised materials management in the purchasing department had a particularly positive effect in this respect. Receivables were up only slightly, and cash on hand was increased to account for potential risks.

Bank borrowings rose by 53.4% to EUR 44.5 million (previous year: EUR 29.0 million), mainly due to our sales markets being affected by the crisis. As planned, a small portion of these liabilities was used to finance investments.

After growing in the previous year, trade payables dropped by 28.9% to EUR 9.5 million. Total liabilities in the year under review were up by 28.3% to EUR 57.2 million.

Equity was down to EUR 66.9 million. As of the balance sheet date on December 31, 2009, the equity ratio therefore amounted to 43.4%, compared to 49.1% in 2008.

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Group Income Statement

Note no.		2009 EUR'000	2008 EUR'000
6 |	Revenue	206,371	260,356
	Change in inventories of finished and unfinished goods	-2,032	1,641
7 |	Work performed by the enterprise and capitalised	2,413	2,813
	Total output	**206,752**	**264,810**
8 |	Other operating income	5,136	4,447
	Expenses from raw materials, consumables and supplies as well as merchandise purchased	-97,042	-122,196
	Expenses from services provided	-15,025	-27,110
	Materials expenses	**-112,067**	**-149,306**
	Wages and salaries	-55,073	-58,653
	Social security and post-employment expenses	-11,992	-11,999
9 |	**Staff expenses**	**-67,065**	**-70,652**
	Amortisation of intangible non-current assets and depreciation of property, plant and equipment	-17,128	-16,469
10 |	Other operating expenses	-20,577	-25,115
	Earnings before interest and taxes (EBIT)	**-4,949**	**7,715**
	Financial income	80	80
11 |	Financial expenses	-5,581	-5,179
	Net financial result	**-5,501**	**-5,099**
	Earnings before taxes (EBT)	**-10,450**	**2,616**
12 |	Income tax expenses	1,501	-1,265
	Net profit	**-8,949**	**1,351**
	Of which attributable to:		
	Owners of PWO AG	*-8,949*	*1,440*
	Minority interests	*0*	*-89*
		-8,949	***1,351***
13 |	Earnings per share in EUR (diluted = basic) related to earnings allocated to shareholders of PWO AG	-3.58	0.58

Consolidated Statement of Total Comprehensive Income

	2009 EUR'000	2008 EUR'000
Net profit	**-8,949**	**1,351**
Other comprehensive income		
Derivative financial instruments		
Net gains (losses) from cash flow hedges	3,385	-3,098
Tax effect	-889	589
Unrealised gains/losses from derivative financial instruments	**2,496**	**-2,509**
Currency translation	1,313	-2,040
Other comprehensive income / (expense)	**3,809**	**-4,549**
Total comprehensive income after tax	**-5,140**	**-3,198**
Of which attributable to:		
Owners of PWO AG	-5,140	-2,991
Minority interests	0	-207

Group Balance Sheet | **Assets**

Note no.		2009 EUR'000	2008 EUR'000
	Land and buildings	41,263	34,737
	Technical equipment and machinery	43,446	47,569
	Other equipment, operating and office equipment	6,368	6,506
	Prepayments and assets under construction	6,084	10,095
14 |	**Property, plant and equipment**	**97,161**	**98,907**
	Contract and customer-related development services	1,778	842
	Industrial property rights and similar rights	4,045	4,834
	Goodwill	5,338	5,908
	Assets identifiable as part of PPA	128	383
	Prepayments	0	76
15 |	**Intangible assets**	**11,289**	**12,043**
	Deferred tax assets	**1,765**	**1,396**
	Non-current assets	**110,215**	**112,346**
	Raw materials and supplies	10,778	13,391
	Work in progress	15,203	16,189
	Finished goods and merchandise	16,331	17,073
	Prepayments	0	60
16 |	**Inventories**	**42,312**	**46,713**
	Trade and other receivables	38,720	38,234
	Other assets	3,246	2,904
	Other financial assets	1,535	2
	Income tax receivables	932	1,397
17 |	**Receivables and other assets**	**44,433**	**42,537**
18 |	**Cash and cash equivalents**	**7,704**	**2,265**
19 |	**Assets and asset groups held for sale**	**0**	**1,262**
	Current assets	**94,449**	**92,777**
	Total assets	**204,664**	**205,123**

Group Balance Sheet | **Equity and Liabilities**

Note no.		**2009** EUR'000	2008 EUR'000
	Subscribed capital	6,391	6,391
	Capital reserves	17,155	17,155
	Revenue reserves	37,773	45,601
	Translation reserve	146	-1,167
20 |	**Total equity**	**61,465**	**67,980**
	Interest-bearing borrowings	51,844	32,527
	Provisions for pensions	24,580	23,594
	Other provisions	4,565	3,631
	Deferred tax liabilities	754	766
	Non-current liabilities	**81,743**	**60,518**
	Trade payables	13,772	23,238
	Payments received on account of orders	1,261	763
	Interest-bearing borrowings	34,948	36,924
	Other liabilities	8,593	10,000
	Other financial liabilities	1,532	3,452
	Income tax liabilities	0	30
	Current portion of provisions for pensions	1,350	1,320
	Liabilities which are classified as for disposal	0	898
	Current liabilities	**61,456**	**76,625**
21 |	**Total liabilitites**	**143,199**	**137,143**
	Total equity and liabilities	**204,664**	**205,123**

07 Group Statement of Changes in Equity

	Equity attributable to shareholders of PWO AG							
				Cumulative income and expense directly recognised in equity				
EUR'000	Sub-scribed capital	Capital reserve	Revenue reserve	Currency trans-lation	Cash flow hedge	Total	Minority interest	**Total equity**
As of Jan 1, 2009	**6,391**	**17,155**	**47,727**	**-1,167**	**-2,126**	**67,980**	**0**	**67,980**
Net profit			-8,949			**-8,949**		**-8,949**
Other income/ expense				1,313	2,496	**3,809**		**3,809**
Total net profit	**6,391**	**17,155**	**38,778**	**146**	**370**	**62,840**	**0**	**62,840**
Dividend payment			-1,375			**-1,375**		**-1,375**
As of Dec 31, 2009	**6,391**	**17,155**	**37,403**	**146**	**370**	**61,465**	**0**	**61,465**
As of Jan 1, 2008	**6,391**	**17,312**	**49,537**	**755**	**383**	**74,378**	**2,411**	**76,789**
Net profit			1,440			**1,440**	-89	**1,351**
Other income/ expense				-1,922	-2,509	**-4,431**	-118	**-4,549**
Transactions with minority interests		-157				**-157**		**-157**
Total net profit	**6,391**	**17,155**	**50,977**	**-1,167**	**-2,126**	**71,230**	**2,204**	**73,434**
Dividend payment			-3,250			**-3,250**		**-3,250**
Minority interests						**0**	-2,204	**-2,204**
As of Dec 31, 2008	**6,391**	**17,155**	**47,727**	**-1,167**	**-2,126**	**67,980**	**0**	**67,980**

Group Cash Flow Statement

Note no.		2009 EUR'000	2008 EUR'000
	Net profit	-8,949	1,351
	Depreciation/reversal of write-downs for property, plant and equipment	17,128	16,469
12 |	Income tax expense/refund	-1,501	1,265
11 |	Interest income and expense	5,501	5,099
	Change in current assets	3,171	2,509
17 |	Increase in non-current liabilities (excluding financial credits)	316	-841
17 |	Change in current liabilities (excluding financial credits)	-12,736	5,657
12 |	Income taxes paid	755	-3,405
	Other non-cash expenses/income	2,270	-3,204
	Gain/loss on disposal of property, plant and equipment	53	131
	Cash flows from operating activities	**6,008**	**25,031**
19 |	Income from disposal of companies	716	0
	Proceeds from disposal of property, plant and equipment	611	26
	Payments for investments in property, plant and equipment	-12,530	-30,725
	Payments for investments in intangible assets	-1,455	-3,238
	Cash flows from investing activities	**-12,658**	**-33,937**
	Acquisition of minority shares	0	-2,600
20 |	Dividends paid	-1,375	-3,250
	Interest paid	-3,793	-3,139
	Interest received	45	47
	Proceeds from borrowings	25,468	32,283
	Repayment of loans	-9,487	-9,844
	Cash flow from financing activities	**10,858**	**13,497**
	Net change in cash and cash equivalents	4,208	4,591
	Effects from changing group consolidation	-65	0
	Effects of exchange rate changes on cash and cash equivalents	-31	-7
	Cash and cash equivalents as of Jan 1	-621	-5,205
	Cash and cash equivalents as of Dec 31	**3,491**	**-621**
18 |	*of which cash and cash equivalents from continued activities*	*7,704*	*2,265*
	of which cash and cash equivalents not from continued activities	*0*	*65*
21 |	*of which bank borrowing repayable on demand*	*-4,213*	*-2,951*

Notes to the consolidated financial statements

Company Information

The consolidated financial statements of Progress-Werk Oberkirch AG (PWO AG) for the financial year ending December 31, 2009, were authorised by the Management Board on the basis of a resolution passed on February 18, 2010, and were subsequently submitted to the Supervisory Board for examination. PWO AG is an exchange listed stock corporation headquartered in Oberkirch, Germany. The company's shares are traded on XETRA, within the Regulated Market in Frankfurt and Stuttgart, as well as within the Regulated Unofficial Market in Berlin, Düsseldorf, Hamburg-Hannover and Munich.

PWO is one of the leading automotive suppliers of high-end metal components and subsystems designed to contribute to the safety and comfort of motor vehicles. These areas are showing sustained above average growth irrespective of market cycles. This is due to the general increase in comfort and safety demanded by buyers in all vehicle classes and sales regions.

Accounting Policies

1 | Basis of preparation of Financial Statements

The consolidated financial statements are prepared using the historical cost principle with the exception of derivative financial instruments carried at fair value. The income statement has been presented on the basis of the nature of expense method. The consolidated financial statements are presented in thousands of Euros. Unless otherwise indicated, all values are rounded up or down to the nearest thousand (EUR thousand) according to the commercial method.

Statement of compliance with IFRS

The consolidated financial statements of Progress-Werk Oberkirch AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and as applicable in the European Union, as well as the additional requirements set out in Section 315 a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

Principles of consolidation

The consolidated financial statements comprise the financial statements of Progress-Werk Oberkirch AG and its subsidiaries for each financial year ending December 31. Subsidiaries are fully consolidated effective from the acquisition date. Consolidation ends as soon as the parent ceases to control the subsidiary. The financial statements of the subsidiaries are prepared using uniform accounting policies for the same reporting periods as the financial statements of the parent company.

Business combinations are accounted for by applying the purchase method (IFRS 3). According to the purchase method, the acquirer allocates the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values applicable at the acquisition date.

Insofar as it is positive, the remaining difference is reported as goodwill; insofar as it is negative, the remaining difference is recognised in profit or loss. Sales, expenses and income as well as receivables and liabilities between consolidated entities are set off against each other (IAS 27). Deferred taxes are recognised for consolidation procedures with income tax effects.

The consolidated financial statements include six foreign entities held either directly or indirectly. Details relating to ownership interests, equity and profit of the consolidated entities are outlined below:

The companies PWO & BMC Holding Co. Ltd., Hong Kong and PWO & BMC High-Tech Metal Components (Suzhou) Co. Ltd., China were deconsolidated in the year under review.

For further information, please refer to note 19.

Annual Improvement Project 2008

As part of the first annual improvement process, the IASB published its first improvement standard in May 2008, which includes a large number of IFRS amendments. First-time application gives rise to no significant effects on the consolidated financial statements.

EUR '000	Ownership interest	Net profit/loss	Equity
PWO Canada Inc., Kitchener, Ontario, Canada	100 %	-1,036	10,907
PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic	100 %	-1,700	3,403
PWO Holding Co., Ltd., Hongkong, China	100 %	-201	-495
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-2,252	2,253
PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-26	0
PWO de México S.A. de C.V., Puebla, Mexico [2]	100 %	-2,963	4,491

[1] Indirect holding

[2] Indirect holding through PWO Canada Inc. in the amount of 1 %

2 | Changes in accounting policies

The applied accounting policies are generally consistent with those applied in the previous year:

The Group implemented the following new and revised IFRS standards and interpretations in the financial year 2009. Should the application of a standard or interpretation have an impact on the description of net assets, financial position and results of operations, these effects are subsequently specified in detail.

IFRS 2 | Share-based Payment

In January 2008, an amendment to IFRS 2 was published, which more precisely defines vesting conditions and regulates the accounting treatment of cancellations. In June 2009, the IASB published a further revision of IFRS 2 on the scope of cash-settled share-based payment arrangements within a company, and how they should be accounted for. Since no events have occurred that fall under the area of application of these new amendments, there are no effects on the net assets, financial position and results of operations of the Group.

IFRS 7 | Financial Instruments: Disclosures
The revised standard foresees additional specifications regarding the determination of fair value and liquidity risk. The amendment requires a quantitative analysis of the determining of fair values on the basis of a three-level disclosure hierarchy for each type of financial instrument recorded at fair value.

In addition, a reconciliation from the opening to the closing balance is prescribed for level 3 fair value measurements, as well as disclosures of key reclassifications between level 1 and 2 of the assessment hierarchy.

Furthermore, the amendment clarifies the requirements for disclosure of the liquidity risk for derivative-based business transactions, and assets used for the purposes of liquidity management.

The notes relating to the calculation of fair values are presented in note 23. The disclosures concerning liquidity risk underwent no fundamental revision as part of the revision, and are featured in note 22.

IFRS 8 | Operating Segments
From the time of its coming into force, IFRS 8 replaces IAS 14 Segment Reporting. Following their adoption by the Group, the relevant IFRS 8 identified operating segments correspond to the former IAS 14 identified segments. Disclosures in accordance with IFRS 8, including adjusted comparative information, are illustrated in note 29.

IAS 1 | Presentation of Financial Statements
This standard requires separate presentations for changes to equity that result from transactions with owners in their capacity as owners, and other changes to equity.

The statement of changes in equity accordingly solely comprises details for transactions with shareholders, while all remaining changes in equity are presented in the form of a reconciliation for individual components of equity.

In addition, the standard introduces a statement of comprehensive income, in which all items of income and expense in the separate income statement, as well as all profit or loss items recognised in equity are presented either as an individual statement or as two related statements.

IAS 23 | Borrowing Costs
Revised IAS 23 requires the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The amended version must be applied for annual periods beginning on or after January 1, 2009.

The amendment has no primary impact on the Group's net assets, financial position and results of operations, since no substantial borrowing costs directly attributable to a product required capitalisation since the time of the amendment's coming into force.

IFRIC 9 | Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

The amendment to IFRIC 9 requires an entity to provide an assessment as to whether an embedded derivative is to be separated from a host contract if an entity reclassifies a hybrid financial asset from the "at fair value through profit or loss" category.

This assessment is to be made on the basis of circumstances that existed on the later of the following two dates: the time at which the entity became a party to the contract, or the time at which contract terms were revised in such a way as to significantly alter cash flows. IAS 39 indicates that always when the fair value of an embedded derivative cannot be reliably determined, the entire structured instrument must remain classified as at fair value through profit or loss.

IFRIC 13 | Customer Loyalty Programmes

According to IFRIC 13, customer award credits must be accounted for as a separately identifiable component of the sales transactions in which they are granted. A part of the fair value of the consideration received is deferred and allocated to the award credits.

Subsequently this part will be recognised as revenue in the period in which the award credits are redeemed. This Interpretation has no impact on the Group's net assets, financial position and results of operations, as the Group has not entered any such transactions.

3 | Summary of significant accounting policies

Assets classified as for disposal

The available-for-sale assets reported in the previous year comprise non-current assets for which the carrying value is recovered through a completed sales transaction and not through continuing use. These assets are recognised at the lower of either carrying amount or fair value less costs to sell.

Currency Translation

The consolidated financial statements are presented in Euros, the functional currency of the parent company. The financial reports 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.

In this context, all balance sheet items of the foreign consolidated entity included in the consolidation scope were translated to Euros by applying the relevant mean rate of exchange at the balance sheet date. Expenses and revenue in the Group income statement were translated using the year-average exchange rate. The net profit for the year from the translated income statement was transferred to the balance sheet. Exchange differences are recognised directly in equity as a currency translation difference.

On January 1, 2009, the functional currency of PWO UNITOOLS CZ was changed from the Czech koruna to the Euro (IAS 21). This was a result of the increasing influence of the Euro on revenues, materials and other costs in particular.

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Foreign currency transactions are translated initially between the functional currency and the foreign currency at the spot rate prevailing on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate. All exchange differences are recorded in the periodic net profit or loss.

Non-monetary items that are measured at cost in a foreign currency are translated at the foreign exchange rate prevailing on the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated at the rate that was prevailing at the time the fair value was determined.

Goodwill arising in connection with the acquisition of a foreign operation and fair-value adjustments to carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. The following exchange rates were used for currency translation purposes within the consolidated financial statements:

Profit realisation

Revenue is recognised when it is likely that the economic benefits of the transaction will accrue to the Group, and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or claimable, minus cash discounts, as well as VAT or other rebates. The Group acts as principal in all sales transactions.

Revenue is recognised from the sale of products when the key opportunities and risks associated with the sold products pass from the seller to the buyer. This normally occurs when goods are delivered. Interest income from financial instruments carried at amortised cost is recognised on the basis of the effective interest rate.

This is the rate that exactly discounts future cash payments or receipts through the expected term of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial asset or financial liability. Interest income is reported as part of financial income in the income statement. Dividend income is recognised when the legal claim to payment arises. Lease payments under an operating lease are reported on a straight-line basis over the lease term.

		Year-end exchange rate		**Average exchange rate**	
		31/12/2009	31/12/2008	**2009**	2008
China	CNY	9.77	9.61	9.52	10.22
Hong Kong	HKD	11.09	10.83	10.80	11.45
Canada	CAD	1.50	1.72	1.59	1.56
Mexico	USD	1.43	1.40	1.39	1.47
Czech Republic	CZK	26.41	26.59	26.45	24.96

Tax

Deferred taxes are recognised using the balance sheet liability method for all temporary differences existing at the balance sheet date between tax valuation rates and the carrying amounts under IFRS. Excluded are non-tax-deductible goodwill and temporary differences originating from initial recognition of an asset or liability in a business transaction which is not a business combination, and which at the time of the transaction, influences neither IFRS results for the period nor the taxable results.

Deferred tax assets are recognised for the carry-forwards of unutilised tax losses and unutilised tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes attributable to items accounted for directly in equity are recognised in equity rather than through the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to set off current tax assets and current tax liabilities, and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (IAS 39). Insofar as, in the case of financial assets, trade and settlement date occur on different dates, the settlement date is applied for the purpose of initial recognition.

Financial instruments are measured at cost on initial recognition; transaction costs are generally included in initial measurement. Subsequent measurement of financial instruments is dependent on how these instruments are allocated to the categories as per IAS 39: they are measured either at fair value or at amortised cost. IAS 39 differentiates between primary and derivative financial instruments.

Primary financial instruments particularly relate to trade receivables and payables, other financial assets, cash and cash equivalents, bank borrowings and other financial liabilities.

These items are measured at amortised cost. In the case of trade receivables and payables, other liabilities as well as cash, the carrying amount mainly corresponds to fair value.

PWO employs currency-related derivatives in the form of interest-rate swaps, foreign exchange swaps, options and foreign exchange forward contracts to hedge interest-rate and exchange-rate risks. They are carried at fair value both at the time of purchase and as part of subsequent measurement. In the case of derivative financial instruments which do not fulfil the criteria of a hedging transaction, gains or losses from changes in the fair value are reported immediately in profit or loss.

As regards changes in the fair values of derivative financial instruments designed to hedge future cash flows (cash flow hedges), the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

When the transaction underlying the hedge comes into effect, the associated gains and losses are rebooked from equity to profit or loss. The fair value of exchange-listed derivatives corresponds to the positive or negative market value. In the absence of market values, these are calculated on the basis of recognised valuation techniques, for instance, by applying discounted cash flow analysis or option pricing models.

In the case of current financial assets and financial liabilities, the carrying amount constitutes a reasonable approximation of the fair value. The Group determines on every reporting date whether there are indications that a financial asset or a group of financial assets may be impaired.

To date, the Group has not elected to designate financial assets as at fair value through profit or loss upon initial recognition. In the case of financial liabilities, to date the Group has not elected to designate financial liabilities as at fair value through profit or loss upon initial recognition.

The Group has to date not made use of the option of designating financial liabilities as “Financial Liabilities at Fair Value Through Profit or Loss” when entering them on the balance sheet for the first time.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Depreciation is performed on the basis of the straight line method. Certain items of machinery as well as contract-related tools were depreciated according to the units-of-production method, based on the number of units produced in the reporting year, calculated in terms of the total number of items specified or planned in the order.

Government grants are recognised when there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attached to it. Grants related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

Leases

On initial recognition, finance lease arrangements, in other words, leases that transfer all the risks and opportunities connected with the ownership of an asset to the Group, are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between financial expenses and the repayment of the outstanding lease liability; the financial expense is allocated to periods during the lease term so that the residual carrying amount of the lease liability is subject to a constant interest rate.

Leased property is depreciated over the useful life of the property. If, however, the transfer of property to the Group is not guaranteed at the end of the lease term, the leased property is completely depreciated over the shorter of the two periods, either the expected useful life or the lease term.

Lease payments under an operating lease are expensed on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs for 2009 amounted to EUR 72 thousand.

Intangible assets

Individually acquired intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets include goodwill, patents, customer-oriented development services, software, customer relations, competition prohibitions, licences and similar rights.

The Group applies the straight-line method to amortise intangible assets with finite useful lives over the expected useful life to the estimated residual value. Excluded from this are customer-oriented development services, which are amortised based on their volume. Goodwill is not amortised on a scheduled basis. Instead, it is subject to an annual impairment test. With the exception of goodwill, the Group has identified no intangible assets with indefinite useful lives.

Development costs are capitalised, if the recognition criteria of IAS 38 are met. After initial capitalisation, the asset is carried at cost less accumulated amortisation and impairment losses.

Capitalised development costs include all directly attributable individual costs as well as proportionate overheads, and are amortised over the planned product life span (5 to 7 years). The amortisation of capitalised development costs form part of production costs and are allocated to the components through which they have been incurred.

An impairment test relating to goodwill, other intangible assets with a finite useful life, as well as property, plant and equipment is performed annually if there are specific indications that an asset may be impaired. An impairment loss is expensed if the recoverable amount of the asset is less than its carrying amount.

The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount is the higher of an asset's net realisable value and its value in use. The net realisable value is the amount that can be realised from the sale of an asset in a normal market transaction less costs to sell.

Value in use is calculated using the discounted cash flow method on the basis of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life. The cash flows are derived from long-term corporate planning; current developments are taken into account.

The long-term corporate planning strategy approved by the Supervisory Board runs until the end of the detailed planning period in 2012 (for the company segments PWO UNITOOLS CZ a.s. and PWO Canada Inc.). The Management Board extended the planning for company segment PWO de México S.A. de C.V. until 2014, in order to model long-term projects.

Management expects significant sales growth for all units, which will be generated especially from new orders as well as the building up of customer relationships already existing within the Group.

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Furthermore, due to increases in productivity and efficiency as well as quality improvements, the materials input will decrease. As a consequence, proportionate staff expenses will also decline. This will feed through to an increase in EBIT overall.

Cash flows are discounted using risk-adjusted pre-tax capitalisation rates at the balance sheet date. In the case of impairment testing of goodwill associated with PWO UNITOOLS CZ a. s. and PWO Canada Inc., a capitalisation rate (Weighted Average Cost of Capital – WACC) of 10.41 % (previous year: 11.32 %) and 11.80 % (previous year: 10.10 %) was applied respectively with regard to the first phase. The second phase (growth rate in perpetuity) was calculated with a growth rate of 1.0 % (previous year: 1.0 %) in each case.

In the case of impairment testing of goodwill associated with PWO de México S.A. de C.V., a capitalisation rate (weighted average cost of capital – WACC) of 14.36 % (previous year: 16.66 %) was applied with regard to the first phase. Due to higher inflation expectations, the second phase (growth rate in perpetuity) was calculated with a growth rate of 2.0 % (previous year: 2.0 %).

Assumptions that have been made are subject to a certain level of sensitivity. While a change to one of the reasonably foreseeable assumptions made to determine the value in use for PWO UNITOOLS CZ a.s. and PWO Canada Inc. is fundamentally possible based on reasonable judgement, we believe it unlikely that this carrying amount results in the carrying amounts of goodwill for these company units exceeding their recoverable amounts to a significant extent, since the actual recoverable amounts of the company units PWO UNITOOLS CZ a.s. and PWO Canada Inc. exceed their carrying amounts by EUR 6,282 thousand (previous year: EUR 6,425 thousand) and EUR 3,043 thousand (previous year: EUR 7,164 thousand), respectively.

The goodwill for the company unit PWO de México S.A. de C.V. was written down in full following comparison of value in use and carrying amount as of the balance sheet date, after expectations in the development of the American automotive market temporarily worsened because of the financial crisis. The impairment loss is reported under amortisation/write-offs in the income statement.

Where there is an indication that a write-down performed in previous years is no longer applicable, the write-down is reversed up to a maximum of the amortised carrying amount, with the exception of goodwill.

Inventories

Inventories of raw materials, consumables and supplies are recognised at the lower of average purchase price or realisable value. Unsalable or obsolete materials are written off accordingly. Work in progress and finished goods are measured at the lower of cost or net realisable value on the basis of item-by-item calculations based, in turn, on current operational accounting. In addition to direct costs, cost includes appropriate portions of material and production overheads as well as production-related depreciation and production-related administration costs. Costs arising from general administration and borrowing costs are not capitalised.

Tooling and development contracts are measured at cost. In this context, the maximum cost is recognised as the selling price plus revenue generated via series production.

Revenue is recognised when the Group has transferred to the buyer the significant risks and opportunities relating to the ownership of the goods.

Cash

Cash includes cash on hand and short-term bank deposits with an original remaining term of less than 90 days.

Provisions

Pension provisions are measured on an annual basis for the consolidated financial statements by independent appraisers using the internationally accepted projected unit credit method in accordance with IAS 19. As part of this process, besides pensions and acquired vested rights to future pension payments known at the reporting date, expected future increases in salaries and pensions are taken into account. Pension commitments are calculated on the basis of actuarial methods. Actuarial gains and losses are recognised through profit or loss if the actuarial gains and losses not recognised at the beginning of the financial year exceed ten per cent of the present value of the obligation at that date (corridor method).

Past service cost is expensed on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is expensed immediately.

Other provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are discounted.

4 | Key discretionary judgements, estimates and assumptions

In compiling the consolidated financial statements, the Management Board made discretionary decisions, estimates and assumptions which affect the level of reported income, expenses, assets and liabilities. The actual figures may diverge from these estimates.

Note 30 explains the most important discretionary decisions, future-related assumptions, and other key sources of estimating uncertainties existing on the reporting date, on the basis of which there is a significant risk that a key adjustment of the carrying amounts of assets and liabilities will be necessitated within the next financial year.

5 | Published standards that do not yet require mandatory application

Revision of IAS 32 | Classification of subscription rights

The amendment to IAS 32 was published in October 2009 and is applicable to financial years beginning on or after the February 1, 2010. This revision comprises an adjustment of the definition of a financial liability in such a way that certain subscription rights may be classified as equity instruments.

This applies if these rights are granted to current owners of non-derivative equity instruments of the same class of a company on a proportional basis, in order to acquire a fixed number of equity instruments of the company at a fixed price in any given currency.

Revision of IAS 39 | Qualifying hedged items

The amendment to IAS 39 was published in July 2008 and is to be applied retrospectively for financial years beginning on or after July 1, 2009. It clarifies that it is permitted to designate only a part of the change in fair value or the cash flow fluctuations of a financial instrument as a hedged item. These include also the designation of inflation as a risk or portion of a financial instrument in specific cases.

IFRS 1 | First-Time Adoption of International Financial Reporting Standards

The revised Standard IFRS 1 was issued in November 2008 and must be applied by entities for financial years beginning on or after July 1, 2009. Revisions of the Standard are limited to editorial changes and restructuring of the standard, and did not include any changes to the accounting and measurement principles for first-time appliers of IFRS.

IFRS 3 | Business Combinations (revised) and IAS 27 | Consolidated Financial Statements (revised)

The revised Standard IFRS 3 was issued in January 2008 and must be applied by entities for financial years beginning on or after July 1, 2009. The Standard was amended extensively as part of the convergence project implemented by the IASB and FASB.

The main revisions pertain to the introduction of a choice in measuring non-controlling interests (previously termed “minority interests”), which are to be measured either at fair value or at the proportionate share of identifiable net assets of the acquired company.

Particularly noteworthy is the revaluation through profit or loss of any existing ownership interests at the date of initially obtaining control (step acquisitions) as well as the mandatory recognition at the acquisition date of any consideration contingent on future events, as well as the recognition through profit or loss of transaction costs.

These revisions affect recognised goodwill, results of the period under review in which a company was acquired, and future results. The transitional provisions include prospective application of the amendments. There are no changes in respect of assets and liabilities that arise from business combinations prior to the initial application of the new standards.

The revised Standard IAS 27 was published in January 2008, and is to be applied for the first time in the financial year that starts on or after July 1, 2009. The standard requires that the disposal of shares in a subsidiary that does not lead to a loss of control should be recognised as a transaction with owners in their nature as owners. As a consequence, such a transaction can generate neither goodwill nor gains and losses.

Where control of a subsidiary is lost, the remaining stake should be re-measured at fair value and recognised as part of the calculation of the disposal results. Losses incurred by the subsidiary should be distributed among the parent company owners and non-controlling interests (previously termed "minority interests") if this results in the non-controlling interests reporting a negative balance.

The transitional regulations include prospective application. As a consequence, there are no changes for assets and liabilities that result from such transactions before the time of first-time application of the new standard.

Changes to IFRS 5 in the context of IFRS 2008 improvements

The changes resulting from the 2008 improvement project were published in May 2008 and are to be applied for the first time in the financial years beginning on or after January 1, 2009, with the exception of IFRS 5, which is to be applied from July 1, 2009.

With the revision of IFRS 5 it became clear that all assets and liabilities of a subsidiary, where a planned disposal leads to loss of control of this subsidiary, must be classified as "held for sale" when the entity retains a non-controlling interest in the former subsidiary after the disposal.

IFRIC 12 | Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and must be applied by entities for financial years beginning on or after January 1, 2008. This Interpretation was adopted into EU law in March 2009, with the announcement that it should be implemented in the EU at the beginning of the first financial year after June 30, 2009, at the latest.

This Interpretation sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements.

IFRIC 15 | Agreements for the Construction of Real Estate

IFRS Interpretation 15 was issued in July 2008 and must be applied by entities for financial years beginning on or after January 1, 2009.

This Interpretation was adopted into EU law in July 2009, with the announcement that it should be implemented in the EU at the beginning of the first financial year after December 31, 2009, at the latest. It provides guidelines as to the timing and scope of income recognition from projects for construction of real estate.

IFRIC 16 | Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was issued in July 2008 and must be applied by entities for financial years beginning on or after October 1, 2008. This Interpretation was adopted into EU law in June 2009, with the announcement that it should be implemented in the EU at the beginning of the first financial year after June 30, 2009 at the latest.

IFRIC 16 offers guidelines, firstly, for recognising foreign currency risks that can be hedged as part of the hedging of a net investment, secondly, for determining which Group companies can hold hedging instruments to hedge net investments, and thirdly, for determining a foreign currency gain or loss, which upon disposal of the hedged foreign operation is reclassified from equity into profit or loss. This interpretation is to be applied prospectively.

IFRIC 17 | Distribution of Non-Cash Assets to Owners

IFRIC Interpretation 17 was issued in November 2008 and must be applied by entities for financial years beginning on or after July 1, 2009.

It provides guidelines for the recognition and measurement of obligations for the distribution of non-cash assets to owners. The interpretation refers in particular to the timing of recognition of a liability, measurement of debt and of related assets, and the timing of the de-recognition of these assets and the recognised liability. This interpretation is to be applied prospectively.

IFRIC 18 | Transfers of Assets from Customers

IFRIC Interpretation 18 was issued in January 2009 and must be applied by entities for reporting periods beginning on or after July 1, 2009.

This interpretation provides guidelines for the accounting treatment of agreements in which an entity receives an item of property, plant and equipment or cash from a customer that the entity must then use, for example, to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. In particular, the interpretation clarifies the recognition criteria for assets transferred from customers as well as the timing and scope of income recognition for such business transactions. This interpretation is to be applied prospectively.

The IASB and IFRIC have published the following standards and interpretations, whose application for the financial year 2009 was not yet required. These standards and interpretations had not yet been recognised by the EU, and are not applied by the Group.

Revision of IFRS 1 | Additional Exemptions for First-time Adopters

The revision of IFRS 1 was issued in July 2009 and must be applied by entities for financial years beginning on or after January 1, 2010. IFRS 1 was changed in order to facilitate additional exemptions of full retrospective IFRS application for the measurement of assets in the “oil and gas” sector as well as for leasing relationships.

Revision of IFRS 2 | Group Cash-settled Share-based Payment Transactions

The revision of IFRS 2 was issued in June 2009 and must be applied by entities for financial years beginning on or after January 1, 2010.

The revision of IFRS 2 changed the definition of share-based payment transactions and the scope of IFRS 2, and included additional guidelines for the accounting treatment of group share-based payments. To this end the rule stipulates that a company recognises goods or services received according to the regulations for equity-settled share-based payments, if an entity’s own equity instruments are granted in return or when the company has no obligation regarding the settlement of the share-based payment agreement.

In all other cases, the agreement is recognised as a cash-settled share-based payment. These principles are valid irrespective of any intercompany rebate agreement. In the context of the revision, the regulations in IFRIC 8 Scope of IFRS 2, and IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions were absorbed into IFRS 2, and both interpretations were superseded.

Improvements to IFRS 2009

The improvements to IFRS 2009 are a collection of standards that were published in April 2009, and deal with revisions in different IFRSs. The application dates and transitional regulations are specified for each revised standard. Unless otherwise below indicated, single provisions apply for the first time for the financial year beginning on or after January 1, 2010. The Group has not yet applied the following changes:

- IFRS 2 | Share-based Payment: It was clarified that the transfer of a business division into the founding of a joint venture as well as business combinations of companies under common control do not fall under the scope of IFRS 2. The amended version must be applied for financial years beginning on or after July 1, 2009.

- IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations: It was clarified that in general only non-current assets and asset sale groups classified as "held for sale", and discontinued divisions are relevant to disclosure requirements for IFRS 5. The disclosure requirements included in other IFRSs are only then to be adhered to if current standards or interpretations of these disclosures regarding assets under IFRS 5 and discontinued divisions are expressly required.

- IFRS 8 | Operating Segments: It was clarified that segmental assets and liabilities must only be disclosed if these assets and liabilities form the subject of regular reporting to the company officers.

- IAS 1 | Presentation of Financial Statements: Financial instruments classified as assets and liabilities as held for trading in accordance with IAS 39: Recognition and Measurement may not be automatically classified as current.

- IAS 7 | Cash Flow Statements: It was clarified that only those expenses that lead to a recognition of an asset can be classified as cash flows from investing activities.

- IAS 17 | Leases: The special guidelines on classification of leasing agreement for land were cancelled. General guidelines will apply in the future.

- IAS 18 | Revenue: The board drafted additional guidelines in response to the question whether a company acts as principal or agent. No time constraints are provided for application of this revision in an annex to IAS 18, which is not a component of the standard. It therefore comes into force upon publication.

- IAS 36 | Impairment of Assets: It was clarified that a cash generating unit, to which acquired goodwill in the context of a business combination is allocated, must not be larger than an operating segment as per IFRS 8 prior to aggregation according to the related criteria specified.

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- IAS 38 | Intangible assets: If an intangible asset acquired in the context of a business combination is only identifiable together with another intangible asset, the acquirer may recognise this group of intangible assets as a single asset, if single assets of this group have the same useful lives.

  Furthermore, it was determined that the methods for assessing the fair value of intangible assets acquired in the framework of a business combination, as set out in the standard, feature only examples.

  The company has the option of employing other methods. The amended version must be applied to financial years beginning on or after July 1, 2009.

- IAS 39 | Financial Instruments: Recognition and Measurement: An early redemption option is deemed closely related to the host contract, when the exercise price of the early redemption option is measured in a way that the lender will thereby be refunded the approximate cash value of the interest disadvantage for the remaining term of the host contract.

  Furthermore, it was determined that the exemption for contracts between acquirer and seller to buy or to sell a company at a future point in time, are valid only for binding forward contracts but not for derivative contracts, for which additional measures are necessary.

  The third new regulation states that if the hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any gain or loss on the hedging instrument previously recognised rating equity is recycled into profit or loss in the same period in which the financial asset or liability affects profit or loss.

- IFRIC 9 | Reassessment of Embedded Derivatives: IFRIC 9 does not apply at the time of a corporate acquisition to a potential reassessment of an embedded derivative in contracts which were acquired in the context of a business combination or business units under common control, or at the founding of a joint venture.

  This revision first applies to financial years beginning on or after July 1, 2009.

- IFRIC 16 | Hedges of a Net Investment in a Foreign Operation: Hedging instruments can be held by any entity with the Group, as long as the designation, documentation and effectiveness preconditions are fulfilled.

  This revision first applies to financial years beginning on or after July 1, 2009.

IFRS 9 | Financial Instruments: Recognition and Measurement

IFRS 9 was issued in November 2009 and must be applied by entities for financial years beginning on or after January 1, 2013.

The IASB developed this standard is the first part of the project that comprehensively re-regulated the accounting treatment of financial instruments, and contains new regulations relating to the classification and measurement of financial assets.

Accordingly, financial assets are dependent on their respective characteristics, and taking the business model or business models into consideration, are reported at either amortised cost or fair value through profit or loss.

All equity investments in the scope of IFRS 9 are to be measured at fair value in the balance sheet, with value changes recognised in profit or loss, except for those equity investments where the entity has made an irrevocable election at initial recognition to measure them at fair value through other comprehensive income (FVTOCI), with only dividend income recognised in profit or loss.

Revision of IFRS 1 | Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The revision of IFRS 1 was issued in January 2010 and must be applied by entities for financial years beginning on or after July 1, 2010. The revision enables IFRS first-time users to avail of existing transitional provisions under the IFRS 7 Improving Disclosures amendment, published in March 2009.

IAS 24 | Related Party Disclosures

The revision of IFRS Standard 24 was issued in November 2009 and must be applied by entities for financial years beginning on or after January 1, 2011.

This revision amends, firstly, the definition of related parties, and, secondly, state-controlled companies are exempted from disclosure requirements for transactions with the state and with other companies controlled by the same state. This standard is to be applied retrospectively.

Revision of IFRIC 14 | Prepayments of a Minimum Funding Requirement

The revision of IFRIC 14 was issued in November 2009 and must be applied by entities for financial years beginning on or after January 1, 2011.

Published in July 2007, the application of IFRIC 14, which determine how entities should determine the limits on the amount of surplus in a defined benefit pension plan that they recognised as an asset, had unintended consequences for companies in certain countries.

The latest revision is intended to enable companies to recognise prepayments for minimum funding requirements as an asset.

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IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued in November 2009 and must be applied by entities for annual periods beginning on or after July 1, 2010.

This interpretation clarifies that an entities equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability.

The equity instruments are measured either at fair value or at fair value of the liability extinguished, depending on which can be more reliably ascertained. Any difference between the carrying amount of the financial liability extinguished and the fair value of the issued equity instrument is included in the entity's profit or loss for the period.

Notes to the Income Statement

6 | Revenue

A breakdown of Group revenue by region and product area is presented as part of segment reporting (see Note 29)

7 | Work performed by the enterprise and capitalised

Work performed by the enterprise and capitalised includes EUR 966 thousand (previous year: EUR 842 thousand) development costs requiring capitalisation according to IAS 38. Development costs mainly consist of investment in the development of a module carrier. A series order has existed for this project since 2008.

8 | Other operating income

Other operating income primarily includes the cancellation of deferred liabilities, canteen sales and licence income. Aperiodic expenses amounted to EUR 1,085 thousand (previous year: EUR 947 thousand).

9 | Staff expenses and employees

EUR '000	2009	2008
Personnel expense		
Wages and salaries	55,073	58,653
Social security and pension expenses	11,992	11,999
Total	**67,065**	**70,652**
Year-average number of employees by divisions (excluding apprentices)		
Development and sales	122	123
Production and materials management	1,125	1,187
Tool center	443	433
Administration	117	102
Total	**1,807**	**1,845**
Apprentices	125	94

10 | Other operating expenses

Other operating expenses mainly include maintenance expenses, outward freight charges, expenses attributable to temporary staff, rent and leasing costs, as well as expenses for legal, auditing and consultancy services, insurance premiums, and staff travel costs. On December 31, 2009, expenditure for rental agreements amounted to EUR 760 thousand (previous year: EUR 756 thousand) and operating leases amounted to EUR 466 thousand (previous year: EUR 394 thousand). Aperiodic expenses amounted to EUR 133 thousand (previous year: EUR 30 thousand).

11 | Financial expenses

Financial expenses are comprised of interest payable to banks in the amount of EUR 3,965 thousand (previous year: EUR 3,620 thousand), interest payable for pension provisions in the amount of EUR 1,470 thousand (previous year: EUR 1,373 thousand), interest payable for financial leases in the amount of EUR 12 thousand (previous year: EUR 84 thousand), as well as interest payable for age-related part-time employment in the amount of EUR 134 thousand (previous year: EUR 102 thousand).

Of the interest payable to banks, financial liabilities not measured at fair value through profit or loss generated interest payments in the amount of EUR 3,640 thousand (previous year: EUR 3,167 thousand).

12 | Income tax expense

Income tax expense breaks down as follows:

EUR '000	2009	2008
Actual taxes	-120	1,965
Deferred tax	-1,381	-700
Total	**-1,501**	**1,265**

No deferred taxes were recognised for temporary differences related to retained profits from subsidiaries totalling EUR 3,093 thousand (previous year: EUR 3,666 thousand), since these profits are to be used to fund the further expansion of business at the individual locations.

The differences between expected income tax expense based on the calculated interest rate and current income tax expense have been outlined in the following reconciliation. The tax rate applied is based on the domestic income tax rate.

EUR '000	2009	2008
Earnings before income tax	**-10,450**	**2,616**
Theoretical tax expense at 27.38 % (previous year: 27.38 %)	-2,861	716
Change in theoretical tax expense due to different tax rates applicable to foreign entities	54	169
Tax increase due to non-deductible expenses	103	110
Tax increase (+) / decrease (-) in previous years	-89	-84
Tax effects from tax rate changes	-113	-99
Effects from non-capitalised loss carryforwards	1,366	454
Other effects	39	0
Taxes on income	**-1,501**	**1,265**

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The deferred tax assets and liabilities associated with the relevant balance sheet items are presented below.

	Deferred tax assets		Deferred tax liabilities	
EUR '000	**2009**	2008	**2009**	2008
Intangible assets, tangible assets and financial assets	49	364	3,198	3,084
Other assets	398	867	567	176
Tax loss carryforwards and tax credits	2,592	843	0	0
Provisions	1,623	1,561	0	0
Liabilities	128	265	14	10
Sub-total	**4,790**	**3,900**	**3,779**	**3,270**
Offset	-3,025	-2,504	-3,025	-2,504
Consolidated balance sheet amount	**1,765**	**1,396**	**754**	**766**

Please refer to note 30 for further information.

13 | Earnings per share

EPS (earnings per share) is calculated by dividing the profit or loss attributable to equity holders of PWO AG by the average number of total shares issued in the financial year. No measures with dilutive effects were recorded in the period under review.

	2009	2008
Earnings after tax in EUR thousand	-8,949	1,440
Average number of shares outstanding	2,500,000	2,500,000
Earnings per share in EUR	-3.58	0.58

Notes To The Balance Sheet

14 | Property, plant and equipment

The change in consolidated fixed assets is presented in the statement of changes to fixed assets (appendix to the notes to the consolidated financial statements). The following useful lives were applied:

	Years
Software	3 to 5
Buildings	25 to 50
Technical equipment and machinery	2 to 10
Operating and office equipment	3 to 14
IT hardware	3 to 5

15 | Intangible assets

Development costs of EUR 1,778 thousand (previous year: EUR 842 thousand) that require capitalisation under IAS 38 are amortised using the units of production method as soon as development is complete and production of series parts commences. On December 31, 2009, the carrying amount of SAP software was EUR 2,489 thousand (previous year: EUR 3,230 thousand), which will be amortised on a straight-line basis over the next three years (previous year: 4 years).

As at December 31, 2009, goodwill amounted to EUR 4,331 thousand for PWO UNITOOLS CZ a.s. and EUR 1,007 thousand for PWO Canada Inc. Changes to goodwill arise from amendments in exchange rates, and from the complete write-down of goodwill for PWO de México S.A. de C.V. in the amount of EUR 680 thousand.

16 | Inventories

Of the total amount of inventories in the amount of EUR 42,312 thousand (previous year: 46,713 thousand) at the balance sheet date, tool replacement components in the amount of EUR 3,618 thousand (previous year: EUR 3,580 thousand) are carried at their net realisable value.

In the period under review, a valuation adjustment of EUR 267 thousand (previous year: EUR 110 thousand) was expensed.

17 | Receivables and other assets

As of December 31, 2009, allowances for trade receivables and other receivables amounted to EUR 2,096 thousand (previous year: EUR 1,261 thousand). Prior to the valuation adjustments, the carrying amount of trade receivables and other receivables was EUR 40,816 thousand (previous year: EUR 39,495 thousand). The changes to the adjustment account were as follows:

EUR '000	2009	2008
Value adjustment account as of January 1	1,261	1,252
Additions	873	75
Utilisation	-41	-29
Releases	0	-31
Currency translation effects	3	-6
Value adjustment account as of December 31	**2,096**	**1,261**

The impairments, which comprise specific valuation adjustments assessed on a case-by-case basis, suitably reflect the risk of default. In the year under review, the addition, and consequently the increase, of valuation adjustments related to a few specific cases. In the case of default, the receivable in question is written off accordingly.

Other assets in the amount of EUR 123 thousand (previous year: EUR 0 thousand) and income tax receivables in the amount of EUR 704 thousand (previous year: EUR 789 thousand) are classified as non-current.

18 | Cash and cash equivalents
Cash and cash equivalents include cash in hand as well as short-term bank deposits. Deposits at banks bear interest at a variable rate for short-term call deposits. As of December 31, 2009, the Group had access to unutilised lines of credit where all conditions required for use had already been met.

For the purposes of the consolidated cash flow statement, cash and cash equivalents in the amount of EUR 7,704 thousand (previous year: EUR 2,265 thousand) as of December 31, 2009 consist of cash in hand and on deposit.

19 | Assets classified as for disposal
On January 1, 2009, a 50 % stake in the joint venture PWO & BMC Holding Co., Ltd., Hong Kong, China, was sold. The sale generated disposal proceeds of EUR 781 thousand. The cash-effective disposal proceeds, adjusted to reflect cash outflow, amounted to EUR 716 thousand. The stake was reported among "non-current assets available-for-sale" as of December 31, 2008.

In the previous year, assets and liabilities sold were reported among non-current assets and groups of assets held for sale, and the liabilities in direct connection with non-current assets held for sale. Non-current assets held for sale include cash and cash equivalents in the amount of EUR 65 thousand.

The main classifications of assets and liabilities for the previous year are as follows:

EUR '000	2009	2008
Assets		
Property, plant and equipment	0	614
Financial assets	0	393
Inventories	0	82
Receivables and other assets	0	108
Cash and cash equivalents	0	65
Assets held for sale	**0**	**1,262**

EUR '000	2009	2008
Liabilities		
Trade payables	0	206
Other liabilities	0	692
Liabilities directly connected with assets held for sale	**0**	**898**

In segment reporting, the assets and liabilities in the previous year shown are included in the “Asia” segment. They are not included in the notes to other balance sheet items.

Income and expenditure for last year is as follows:

EUR '000	2009	2008
Revenue	0	405
Miscellaneous income	0	131
Expenses	0	-811
Net financial result	0	1
Impairment loss from fair value re-measurement	0	-489
Pre-tax result	**0**	**-763**
Income tax expense	0	0
Result after tax	**0**	**-763**

20 | Subscribed capital and reserves

Subscribed and approved capital

Following a resolution of the AGM on May 26, 2009, the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the share capital of the company in the period up to May 26, 2014, through the issue of new bearer shares against cash contributions on one or more occasions by up to EUR 3,196 thousand.

The fully paid subscribed capital at the reporting date was EUR 6,391 thousand (2008: EUR 6,391 thousand), divided into 2,500,000 shares with a notional par value of EUR 2.56 per share.

On February 15, 2008, Consult Invest Beteiligungs-beratungs-GmbH, Böblingen, announced that it held a shareholding of 55.282 %.

On July 21, 2008, Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, Netherlands, announced that it held a shareholding of 3.05 %.

On October 15, 2008, Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, Netherlands, announced that it held a shareholding of 5.12 %.

Capital reserves

The capital reserves includes amounts attributable to the share premium.

Revenue reserves and other equity

Revenue reserves include current and previous years' earnings generated, but not yet distributed, by PWO AG and consolidated subsidiaries.

The differences of EUR 146 thousand (previous year: EUR -1,167 thousand) arising from the earnings-neutral foreign currency translation of foreign subsidiary financial statements are reported separately.

In addition, this item includes the components of the profit or loss resulting from a cash flow hedging instrument, which is calculated as an effective hedge.

Proposed and distributed dividends

At December 31, 2009, PWO AG reported a balance sheet profit of EUR 10 thousand. It will be proposed at the Annual General Meeting that no dividend is distributed for the financial year 2009.

In the 2009 financial year, a total dividend of EUR 1,375,000.00 was paid for the 2008 financial year (EUR 0.55 per dividend- entitled share).

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21 | Liabilities

Pension provisions

Provisions for pensions and similar obligations are formed on the basis of pension plan entitlements for retirement, invalidity and survivors dependents' benefits. All pension obligations are based on salary and the length of service. The direct and indirect obligations include those arising from current pensions as well as benefits for pensions and retirement allowances payable in the future.

The majority of pension provisions for defined benefit pension plans concern PWO AG. A pension provision amount of EUR 106 thousand (previous year: EUR 79 thousand) relates to PWO de México S.A. de C.V.

The provisions for defined benefit plans are calculated using the projected unit credit method in accordance with IAS 19. This entails recognising pension obligations using the present value of pension claims earned as of the measurement date, taking into account the likely future increases in pensions and salaries.

PWO Canada Inc. has defined contribution pension plans. These give rise to an expense of EUR 33 thousand (previous year: EUR 42 thousand).

Employee contributions to the statutory state pension scheme amounted to EUR 5,774 thousand (previous year: EUR 5,620 thousand).

Defined benefit obligations have been measured on the basis of the following actuarial assumptions:

	2009	2008
Interest rate	5.25 %	5.75 %
Staff turnover rate	2.5 %	2.5 %
Future salary trend < 40 years	3.5 %	3.5 %
Future salary trend > 40 years	2.5 %	2.5 %
Future pension adjustments	2.0 %	2.0 %

The 10 % corridor rule is applied when measuring pension provisions and determining pension costs. Actuarial gains and losses are not recognised to the extent that they are not in excess of 10 % of the total amount of the obligation.

The following net obligations arise:

EUR '000	**2009**	2008
Present values of benefits	28,809	26,300
Actuarial gains (-) and losses (+)	-2,708	-976
Unrecognised past service cost	-171	-410
Balance sheet values as of December 31	**25,930**	**24,914**

The changes to the cash value of defined benefit obligations were as follows:

EUR '000	2009	2008
Present values of PWO AG benefit claims on January 1	26,221	25,592
Present values of PWO de México benefit claims on January 1	79	62
Interest cost	1,470	1,373
Service cost	606	600
Pension payments rendered	-1,325	-1,243
Actuarial gains (-) and losses (+)	1,731	-273
of which experiential adjustments	*177*	*638*
Past service cost	25	199
Foreign currency differences	3	-10
Present values of benefit claims on December 31	**28,809**	**26,300**

The value of pension provisions and similar obligations reported in the balance sheet changed as follows compared to the previous year:

EUR '000	2009	2008
PWO AG balance sheet values as of January 1	24,835	24,038
PWO de México balance sheet values as of January 1	79	62
Pension obligation expenses	2,339	2,067
Pension payments rendered	-1,325	-1,243
Foreign currency differences	3	-10
Balance sheet values as of December 31	**25,930**	**24,914**

Of the pension provisions reported in the balance sheet, EUR 24,580 thousand (2008: EUR 23,594 thousand) are non-current while EUR 1,350 thousand (2008: EUR 1,320 thousand) are current.

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The amounts included in the income statement are composed as follows:

EUR '000	2009	2008
Service cost	606	600
Interest cost	1,470	1,373
Actuarial gains (-) and losses (+)	0	0
Past service cost	263	94
Pension obligation expenses	**2,339**	**2,067**

The service costs and realised actuarial losses are reported under staff costs, while interest expense is reported under finance costs.

The table below presents the obligations for the current and previous reporting periods.

Contributions that required to be paid in the reporting period following the balance sheet date amounted EUR 0 thousand.

Other provisions

Other provisions consist of necessary amounts for personnel-related expenses and other identifiable obligations and risks. The provisions shown in the balance sheet comprise obligations for age-related part-time working and service anniversaries. The changes were as follows:

EUR '000	2009	2008
Status January 1	3,631	3,252
Utilisation	-769	-733
Releases	0	0
Additions	1,703	1,112
Status December 31	**4,565**	**3,631**

Contributions from the Federal Employment Agency in the context of age-related part-time working agreements of retiring employees are recognised as other assets in the amount of EUR 421 thousand (previous year: EUR 220 thousand), and not under provisions.

EUR '000	2009	2008	2007	2006	2005
Present values of benefits	28,809	26,300	25,654	27,948	27,870
Fair value of plan assets	0	0	0	0	0
Plan surplus / deficit	28,809	26,300	25,654	27,948	27,870
Experiential adjustments	177	-638	-104	-177	–*

* In 2005 no actuarial calculations were made.

Interest-bearing loans

Of the interest-bearing loans, EUR 34,948 thousand (previous year: EUR 36,924 thousand) have a maturity of less than one year, and EUR 7,588 thousand (previous year: EUR 9,488 thousand) have a maturity of more than five years. Bank borrowings amount to EUR 86,792 thousand (previous year: EUR 68,786 thousand).

The interest rates associated with the aforementioned borrowings are between 1.30 % and 6.37 %. Bank borrowings repayable on demand amounted to EUR 4,213 thousand (previous year: EUR 2,951 thousand).

Of the bank borrowings, a total of EUR 18,216 thousand (previous year: EUR 17,198 thousand) was secured by way of land charges and mortgages, and EUR 16,632 thousand (previous year: EUR 8,035 thousand) through an assignment of property, plant and equipment. In addition, the usual reservations of ownership exist with respect to the supply of raw materials, consumables and supplies, and goods.

Of the other liabilities, EUR 769 thousand (previous year: EUR 639 thousand) were classified as non-current.

Finance leases and hire purchase agreements

Finance leases for various technical equipment and machinery in some cases incorporate purchase options, or lessor put options.

The assets have a carrying amount of EUR 371 thousand as of December 31, 2009 (previous year: EUR 1,601 thousand). Due to the structure of the leases, the assets are depreciated over their expected useful life, rather than according to the duration of the lease agreement, pursuant to IAS 17.28.

Future minimum lease payments from finance leases and hire purchase agreements are reconciled to their present value as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
EUR '000	**2009**	2008	**2009**	2008
Residual duration up to 1 year	0	677	0	665
Residual duration 1 to 5 years	0	0	0	0
Total minimum lease payments	**0**	**677**	**0**	**665**
Less interest cost	0	-12	0	0
Present value of minimum lease payments	**0**	**665**	**0**	**665**

Contingent liabilities and other financial obligations

A guarantee to secure age-related part-time working credits amounted to EUR 1,996 thousand (previous year: EUR 1,407 thousand).

As at December 31, 2009, other financial obligations including order commitments amounted to EUR 6,968 thousand (previous year: EUR 10,242 thousand). These amounts apply to subsequent financial years according to maturity as follows:

EUR '000	2010 et seq.	2009 et seq.
Obligations arising from non-cancellable lease and rental agreements		
Residual duration up to 1 year	970	496
Residual duration 1 to 5 years	368	200
Residual duration > 5 years	5	0
Total	**1,343**	**696**

EUR '000	2010 et seq.	2009 et seq.
Order commitments from investment orders (tangible and intangible assets)		
Residual duration up to 1 year	5,493	8,384
Residual duration 1 to 5 years	132	1,162
Residual duration > 5 years	0	0
Total	**5,625**	**9,546**

22 | Financial risk management

The Group's financial risk management system is geared towards the uncertainties arising from the future development of financial markets, and aims to minimise adverse consequences for the overall financial strength of the Group.

The risk management system falls within the remit of the Management Board, which defines the general principles and procedures of risk management.

Significant risks are explained below:

Credit risk

To reduce default risk in the case of primary financial instruments, various hedging measures are implemented, including intensive receivables management and credit checks based on credit information and historical data. The credit risk (default risk) of financial assets is addressed by using appropriate valuation allowances.

PWO supplies only established international automobile manufacturers and their suppliers. Today's leading automotive suppliers are integrated into the overall supply chain to such an extent that isolated cases of risk must be, and are, addressed with constructive solutions developed by the industry as a whole.

As an additional instrument of risk mitigation, the Group entered into an agreement for trade credit insurance, which covers a significant proportion of receivables.

As regards investments of cash and cash equivalents, as well as the portfolio of derivative financial assets, the Group is exposed to potential losses associated with credit risks to the extent that the financial institutions in question fail to meet their obligations.

PWO counteracts this exposure to risk by diversifying, and by applying particular prudence when selecting its counterparties. At present, no items of cash/cash equivalents or derivative financial assets are overdue or impaired as a result of default.

As of December 31, 2009, the maximum credit risk of financial assets in the event of counterparty default was equivalent to the carrying amounts of these instruments.

EUR '000	Carrying Amount **2009**	Carrying Amount 2008
Financial assets	0	0
Trade and other receivables	38,720	38,234
Derivative financial assets with hedging relationships	1,535	0
Derivative financial assets without hedging relationships	0	2
Deposits > 3 months	0	0
Cash and cash equivalents	7,704	2,265

The analysis of overdue but not impaired trade and other receivables as at December 31, 2009 is as follows:

EUR '000	**2009**	2008
Trade and other receivables	38,720	38,234
of which neither overdue nor impaired	*32,236*	*26,196*
of which < 30 days overdue (but not impaired)	*3,674*	*4,540*
of which > 30-90 days overdue (but not impaired)	*1,133*	*3,898*
of which > 90-180 days overdue (but not impaired)	*927*	*821*
of which > 180-360 days overdue (but not impaired)	*246*	*1,903*
of which > 360 days overdue (but not impaired)	*504*	*876*

No signs of impairment exist with respect to unimpaired trade and other receivables as of the balance sheet date. No new terms were negotiated as of the balance sheet date (or the balance sheet date of the previous year) for trade and other receivables due to their being overdue or impaired.

Liquidity risk

PWO has access to sufficient lines of credit furnished by several banks. Financing risks are mitigated by selecting an appropriate combination of short- and long-term loans. Investments and pre-financing associated with long-term customer contracts are always financed on a long-term, project-specific basis. The Group has hedged approximately half of its financing instruments on a long-term basis and at fixed interest rates. Additional derivative interest rate hedges will be entered into insofar as such transactions are necessary.

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The following table shows the maturities of undiscounted cash flows from the Group's financial liabilities on the balance sheet date:

EUR '000	< 1 year	1 to 5 years	> 5 years	**Total**
December 31, 2009				
Bank borrowings	36,906	48,257	8,194	**93,357**
of which repayment of principal	*34,948*	*44,256*	*7,588*	*86,792*
of which interest payment	*1,958*	*4,001*	*606*	*6,565*
Liabilities to leasing companies	0	0	0	**0**
of which repayment of principal	*0*	*0*	*0*	*0*
of which interest payment	*0*	*0*	*0*	*0*
Trade payables	13,772	0	0	**13,772**
Derivative financial instruments with hedging relationships	856	0	0	**856**
Derivative financial instruments without hedging relationships	487	233	0	**720**

EUR '000	< 1 year	1 to 5 years	> 5 years	**Total**
December 31, 2008				
Bank borrowings	37,268	25,962	10,440	**73,670**
of which repayment of principal	*36,262*	*23,036*	*9,488*	*68,786*
of which interest payment	*1,006*	*2,926*	*952*	*4,884*
Liabilities to leasing companies	674	3	0	**677**
of which repayment of principal	*662*	*3*	*0*	*665*
of which interest payment	*12*	*0*	*0*	*12*
Trade payables	23,238	0	0	**23,238**
Derivative financial instruments with hedging relationships	1,596	1,354	0	**2,950**
Derivative financial instruments without hedging relationships	128	416	2	**546**

The amounts of derivative financial instruments with hedging relationships presented in the preceding table correspond to undiscounted cash flows on a gross basis. The following table shows the corresponding reconciliation of these amounts to their carrying amounts:

EUR '000	< 1 year	1 to 5 years	> 5 years	Total
December 31, 2009				
Inflow	9,283	0	0	**9,283**
Outflow	-10,139	0	0	**-10,139**
Net balance	**-856**	**0**	**0**	**-856**

Interest-rate risk

In order to assess risks arising from changes in interest rates, financial instruments have been categorised, as a matter of principle, into those with fixed and those with variable interest obligations, in accordance with IAS 32. Risks arising from changes in interest rates exist in the case of variable interest rate loans. These risks are hedged using interest-rate swaps. Interest rate risks are addressed in the form of sensitivity analyses (IFRS 7). These present the effects of changes in market interest rates on interest payments, interest income and expense, other elements of income/expense and, where applicable, equity.

The interest rate sensitivity analyses are based on the following assumptions: changes in the market interest rates of primary fixed interest financial instruments only have an influence on the net result if the instruments are measured at fair value. Accordingly, all fixed interest financial instruments measured at amortised cost are not subject to interest-rate risks in the meaning of IFRS 7. In consideration of the principle of materiality, currency derivatives are not accounted for in the interest rate sensitivity analyses.

PWO is exposed to interest rate risk mainly within the Eurozone, in the Czech Republic and in Canada. If market interest rates had been 100 basis points higher at December 31, 2009, earnings before tax would have been EUR 101 thousand (previous year: EUR 177 thousand) lower. If market interest rates had been 100 basis points lower at December 31, 2009, earnings before tax would have been EUR 90 thousand (previous year: EUR 201 thousand) higher.

Currency risk

Currency risk is the risk of foreign-exchange-rate-induced fluctuations in balance sheet items. A sensitivity analysis is conducted for each currency that constitutes a significant risk to the company. This analysis is based on the following assumptions:

At the balance sheet date, the EUR/USD and EUR/CZK exchange rates represent a significant currency risk to the Group.

As regards the sensitivity analysis, the Group takes into account all monetary financial instruments that are not denominated in the functional currency of the respective separate entities. Thus, a foreign-exchange-related-related difference arising from the translation of financial statements into the currency used by the Group (translation risk) is not taken into account.

According to IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. Therefore, in the case of derivative financial instruments, only currency derivatives are included in the sensitivity analysis, since interest rate derivatives are not exposed to currency risk.

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The hypothetical effect on profit or loss and equity for each separate primary item included in the sensitivity analysis is determined by comparing the carrying amount (calculated on the basis of the closing rate) with the translation amount, which in turn is determined by applying a hypothetical exchange rate.

If the EUR had appreciated by 10 % against the CZK at December 31, 2009, earnings before tax would have been EUR 599 thousand (previous year: EUR 1,601 thousand) higher, and equity would have been EUR 926 thousand (previous year: EUR 1,778 thousand) lower.

If the EUR had depreciated by 10 % against the CZK at December 31, 2009, earnings before tax would have been EUR 733 thousand (previous year: EUR 1,957 thousand) lower, and equity would have been EUR 926 thousand (previous year: EUR 1,778 thousand) higher.

If the EUR had appreciated by 10 % against the USD at December 31, 2009, earnings before tax would have been EUR 147 thousand higher (previous year: EUR 70 thousand lower), and equity would have been EUR 833 thousand (previous year: EUR 1,160 thousand) lower.

If the EUR had depreciated by 10 % against the USD at December 31, 2009, earnings before tax would have been EUR 179 thousand (previous year: EUR 86 thousand) lower, and equity would have been EUR 719 thousand (previous year: EUR 1,160 thousand) higher.

Capital management

The primary objective of capital management within the Group is to maintain a high credit rating and a good equity ratio. In order to maintain the Group's capital structure, adjustments can be made to shareholder dividend payments, or new shares can be issued.

The monitoring of capital is performed via the gearing ratio, which corresponds to net financial liabilities in relation to equity. According to internal Group guidelines, the target gearing is in the range of 60 % to 80 %. As of December 31, 2009, and December 31, 2008, there were no changes made to the objectives and guidelines. Net financial liabilities encompass interest-bearing loans less cash.

EUR '000	**2009**	2008
Interest-bearing loans	86,792	69,451
Less cash and cash equivalents	-7,704	-2,265
Net financial liabilities	**79,088**	**67,186**
Total equity	61,465	67,980
Gearing ratio	**129 %**	**99 %**

23 | Financial instruments

On December 31, 2009, the following derivative financial instruments were open:

EUR'000	Nominal amount	Redemp-tion 2009	Fixed rate	Residual amount	Variable rate	Term	Fair value
Interest-rate swap	2,679	383	383	3.70 %	6-month EURIBOR	2003 to 2010	-8
Interest-rate swap	3,094	412	413	3.68 %	3-month EURIBOR	2003 to 2010	-9
Interest-rate swap	1,800	180	810	3.98 %	6-month EURIBOR	2004 to 2014	-37
Interest-rate swap	1,500	300	750	4.92 %	6-month EURIBOR	2007 to 2012	0
Interest-rate swap	3,000	0	3,000	1.84 %	3-month EURIBOR	2009 to 2011	-21
Interest-rate swap	1,000	0	1,000	3.15 %	3-month EURIBOR	2009 to 2014	-35
Interest-rate swap	1,000	0	1,000	3.15 %	3-month EURIBOR	2010 to 2014	-11
Interest-rate swap	1,000	0	1,000	3.15 %	1-month EURIBOR	2009 to 2014	-43
Interest-rate swap	2,587	0	2,587	5.22 %	6-month USD-LIBOR	2009 to 2011	-214
Interest-rate swap	1,189	0	1,189	6.08 %	3-month USD-LIBOR	2009 to 2011	-93
Interest-rate swap	3,500	500	2,500	4.19 %	6-month EURIBOR	2008 to 2014	-129
Interest-rate swap	900	180	270	3.86 %	6-month EURIBOR	2006 to 2011	-7
Interest-rate swap	1,000	0	1,000	3.15 %	3-month EURIBOR	2009 to 2014	-35
Interest-rate swap	1,704	243	1,095	3.85 %	6-month CZK-PRIBOR	2007 to 2014	-34
FX forward contract	29,051	0	29,051	-	-	2010 to 2014	679*

* Application of hedge accounting

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The market value changes of derivative financial instruments used to hedge future cash flows were reported directly in equity in an amount of EUR 370 thousand (previous year: EUR 2,126 thousand). In the framework of hedge accounting, EUR 1,041 thousand (previous year: EUR 383 thousand) was derecognised from equity and booked through revenue in the income statement. Of the amount de-recognised, EUR 0 thousand (previous year: EUR 0 thousand) was due to hedge ineffectiveness.

On the balance sheet date, the assumption was that all planned transactions will be realised. Furthermore, it is expected that the hedged cash flows will fall within the timeframe in the following table, and have an effect on gains and losses.

The following table lists the carrying amounts and fair values according to valuation categories and classes:

		Carrying amount		**Fair Value**	
EUR '000		**2009**	2008	**2009**	2008
ASSETS	Measurement category as per IAS 39				
Trade and other receivables	LaR	**38,720**	**38,234**	**38,720**	**38,234**
Other financial assets		**1,535**	**2**	**1,535**	**2**
of which derivatives with hedging relationship	n.a.	*1,535*	*0*	*1,535*	*0*
of which derivatives without hedging relationship	FAHfT	*0*	*2*	*0*	*2*
of which deposits > 3 months	LaR	*0*	*0*	*0*	*0*
Cash and cash equivalents	LaR	**7,704**	**2,265**	**7,704**	**2,265**
LIABILITIES					
Interest-bearing loans		**86,792**	**69,451**	**89,865**	**71,383**
Bank borrowings	FLAC	86,792	68,786	89,865	70,706
of which variable interest rate		*43,943*	*46,226*	*43,943*	*46,226*
of which fixed interest-rate		*42,849*	*22,560*	*45,922*	*24,480*
Liabilities to leasing companies	n.a.	0	665	0	677
of which variable interest-rate		*0*	*0*	*0*	*0*
of which fixed interest rate		*0*	*665*	*0*	*677*
Trade payables	FLAC	**13,772**	**23,238**	**13,772**	**23,238**
Other financial liabilities		**1,532**	**3,452**	**1,532**	**3,452**
of which derivatives with hedging relationship	n.a.	*856*	*2,964*	*856*	*2,964*
of which derivatives without hedging relationship	FLHfT	*676*	*488*	*676*	*488*
of which aggregated according to IAS 39 measurement categories:					
Loans and Receivables (LaR)		46,424	40,499	46,124	40,499
Financial Assets Held for Trading (FAHfT)		0	2	0	2
Financial Liabilities Measured at Amortised Cost (FLAC)		100,564	92,024	103,637	93,944
Financial Liabilities Held for Trading (FLHfT)		676	488	676	488

The company applies the following hierarchy for determining and measuring the fair value of financial instruments according to valuation procedures:

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

Level 2 | Procedures in which all input parameters, which primarily affect the recognised fair value, are either directly or indirectly observable.

Level 3 | Procedures using input parameters, which primarily affect the recognised fair value, and not based on observable market information.

As at December 31, 2009, the following financial instruments carried at fair value were open:

EUR '000	Level 1	Level 2	Level 3	Total
ASSETS				
Other financial assets	0	1,535	0	**1,535**
of which derivatives with hedging relationship	*0*	*1,535*	*0*	*1,535*
of which derivatives without hedging relationship	*0*	*0*	*0*	*0*
LIABILITIES				
Other financial liabilities	0	1,532	0	**1,532**
of which derivatives with hedging relationship	*0*	*856*	*0*	*856*
of which derivatives without hedging relationship	*0*	*676*	*0*	*676*

As at December 31, 2009, there were no reclassifications between assessments at fair value of Step 1 and Step 2 and no reclassifications into or from values at fair value of Step 3.

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The following comprehensive income and expenses rose with respect to the position of financial instruments measured at fair value as of December 31, 2009:

Comprehensive income and expenditure of assets carried at fair value:

EUR '000	2009
Reported in the income statement:	
Derivatives without hedging relationship	0
Reported in equity:	
Derivatives with hedging relationship	1,520

Comprehensive income and expenditure of liabilities carried at fair value:

EUR '000	2009
Reported in the income statement:	
Derivatives without hedging relationship	-505
Reported in equity:	
Derivatives with hedging relationship	-65

The income or expenditure from the fair value measurement of derivatives without hedging relationship is reported in other operating income or other operating expenses

The following table illustrates the net gains and losses on financial instruments (excluding derivative financial instruments which are included in hedge accounting):

EUR '000	2009	2008
Loans and Receivables (LaR)	**-935**	**458**
of which due to disposal	*44*	*106*
of which due to re-measurement	*0*	*0*
of which due to impairment/impairment reversal	*-841*	*-26*
of which due to currency effects	*-138*	*378*
Financial Assets Held for Trading (FAHfT)	**0**	**-10**
of which due to disposal	*0*	*0*
of which due to re-measurement	*0*	*-10*
Financial Liabilities Measured at Amortised Cost (FLAC)	**658**	**294**
of which due to disposal	*378*	*333*
of which due to re-measurement	*0*	*0*
of which due to impairment/impairment reversal	*0*	*0*
of which due to currency effects	*280*	*-39*
Financial Liabilities Held for Trading (FLHfT)	**-190**	**-513**
of which due to disposal	*315*	*0*
of which due to re-measurement	*-505*	*-513*

Other Information

24 | Research and development costs

There were no research costs. Of the customer-oriented development costs in the amount of EUR 6,765 thousand (previous year: EUR 7,020 thousand), a total of EUR 966 thousand (previous year: EUR 842 thousand) was capitalised in intangible assets.

25 | Management Board and Supervisory Board compensation

Overall Management Board compensation is composed of a fixed basic salary component and a variable component. For the 2009 financial year, Management Board compensation due in the short term amounted to EUR 648 thousand (previous year: EUR 746 thousand). This includes performance-based components amounting to EUR 0 thousand (previous year: EUR 117 thousand). Service cost for pension commitments to members of the Management Board amounted to EUR 182 thousand in the 2008 year (previous year: EUR 175 thousand).

Total Supervisory Board compensation for the 2009 financial year amounted to EUR 23 thousand (previous year: EUR 86 thousand).

The Corporate Governance report contains the compensation report with separate sections focusing on the Management Board and the Supervisory Board. The compensation report is part of the management report.

Pension payments for former members of the Management Board of PWO AG and their surviving dependents amounted to EUR 219 thousand (previous year: EUR 214 thousand). At the reporting date, the corresponding pension provision amounted to EUR 1,962 thousand (previous year: EUR 2,006 thousand).

26 | Auditor's fee

The auditor's fee for the consolidated financial statements that was recognised as an expense, and disclosed in accordance with Section 314 (1) No. 9 of the German Commercial Code (Handelsgesetzbuch – HGB) was as follows:

EUR '000	2009	2008
Audit	222	128
Other certification or valuation services	0	0
Tax consultancy services	60	39
Other services	0	3
Total	**282**	**170**

In the financial year under review, the auditor's fee that was recognised as an expense included an amount of EUR 87 thousand not attributable to the reporting period (previous year: EUR 11 thousand).

No further certification and valuation services were utilised.

27 | Related party disclosures

Related parties include the ultimate parent company as well as the members of the Management and Supervisory Boards. In the financial year under review, with the exception of dividends paid, there were no relationships between the Group and the ultimate parent company. There were no relationships with related parties as regards the supply of goods or the rendering of services.

For further information, please refer to the dependent company report (related party disclosure) included as part of the management report.

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Key management compensation, the disclosure of which is governed by IAS 24, includes the income of the Management Board and the Supervisory Board. Further details relating to individual compensation of the Management Board and Supervisory Board are presented in the Compensation Report. The Compensation Report is a part of the combined management report.

28 | Additional information on the cash flow statement

In the cash flow statement, cash flows are presented on the basis of IAS 7. The amounts taken into consideration in the cash flow statement comprise cash and bank borrowings due on demand. The bank borrowings repayable on demand, amounting to EUR 4,213 thousand (2008: EUR 2,951 thousand), have been included in the balance sheet as "current interest-bearing borrowings".

29 | Segment Reporting

The aim of segment reporting is to provide information about key Group activities.

In line with the Group's policy implemented by the Management Board, it is our individual production sites which form the basis of our primary segment reporting by region.

The segments are determined on the basis of the location of the Group's assets. Correspondingly, the revenues of these segments are also allocated according to the location of assets. The regions are categorised as "Germany", "Rest of Europe", "NAFTA Region" and "Asia". The NAFTA region thus comprises locations in Canada and Mexico.

Revenues, assets, liabilities and depreciation/amortisation between the individual segments are eliminated in the column "consolidation effects". This column also contains items that cannot be allocated to individual segments. Segment data is calculated in agreement with the accounting policies applied in the consolidated financial statements.

As at December 31, 2009, just as in 2008, no customers were identified with whom the Group achieved at least 10 % sales revenue.

Segment information by locations

EUR '000	Germany	Rest of Europe	NAFTA region	Asia	Consoli-dation	Group
2009 financial year						
Total revenue	164,737	20,597	26,831	1,720	0	**213,885**
Internal revenue	-3,186	-3,293	-1,035	0	0	**-7,514**
External revenue	**161,551**	**17,304**	**25,796**	**1,720**	**0**	**206,371**
Total output	**163,425**	**21,053**	**26,475**	**1,835**	**-6,036**	**206,752**
Key income	3,502	399	1,780	1,442	-1,987	**5,136**
Key expenses	154,255	20,497	29,023	4,102	-8,168	**199,709**
Depreciation/ amortisation	11,014	1,849	3,251	298	716	**17,128**
Earnings before interest and tax (EBIT)	**1,658**	**-894**	**-4,019**	**-1,123**	**-571**	**-4,949**
Interest income	115	3	61	1	-100	**80**
Interest expense	3,468	1,197	653	363	-100	**5,581**
Earnings before tax (EBT)	**-1,695**	**-2,088**	**-4,611**	**-1,485**	**-571**	**-10,450**
Income tax	-513	-388	-612	0	12	**-1,501**
Assets	121,720	38,666	33,419	17,322	-6,463	**204,664**
of which non-current assets	*50,737*	*24,214*	*21,312*	*12,372*	*-185*	*108,450*
Liabilities	16,595	5,807	7,346	12,493	100,958	**143,199**
Investments	9,028	414	1,514	3,486	-457	**13,985**

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Segment information by locations

EUR '000	Germany	Rest of Europe	NAFTA region	Asia	Consoli-dation	Group
2008 financial year						
Total revenue	209,968	16,826	39,746	405	0	**266,945**
Internal revenue	-3,365	-3,085	-139	0	0	**-6,589**
External revenue	**206,603**	**13,741**	**39,607**	**405**	**0**	**260,356**
Total output	**210,120**	**20,491**	**40,215**	**405**	**-6,421**	**264,810**
Key income	3,077	803	1,718	417	-1,568	**4,447**
Key expenses	190,417	20,998	40,123	1,567	-8,032	**245,073**
Depreciation/ amortisation	11,351	1,824	3,081	208	5	**16,469**
Earnings before interest and tax (EBIT)	**11,429**	**-1,528**	**-1,271**	**-953**	**38**	**7,715**
Interest income	67	23	11	3	-24	**80**
Interest expense	2,874	1,219	602	508	-24	**5,179**
Earnings before tax (EBT)	**8,622**	**-2,724**	**-1,862**	**-1,458**	**38**	**2,616**
Income tax	2,402	-645	-504	0	12	**1,265**
Assets	124,155	42,603	35,058	11,441	-8,134	**205,123**
of which non-current assets	*52,888*	*25,650*	*24,332*	*9,326*	*-1,246*	*110,950*
Liabilities	22,679	11,929	9,813	8,555	84,167	**137,143**
Investments	14,825	7,872	3,098	9,340	-1,172	**33,963**

Segment assets and liabilities correspond to values from the balance sheets of single Group companies.

Major non-cash items in the reporting affect the write-off to goodwill in the amount of EUR 698 thousand (previous year: EUR 0 thousand) held in the NAFTA region segment, as well as allocation to the provisions in the Germany segment in the amount of EUR 1,703 thousand (previous year: EUR 1,112 thousand)

In the following table, the external sales are split according to three strategic product areas: mechanical components for electrical and electronic applications, safety components for airbags, seats and steering, structural components and subsystems for vehicle bodies and chassis. The product segments are discussed in the management report.

Segment information by product areas

EUR '000	2009	2008
Revenue		
Mechanical components for electrical and electronic applications	67,090	79,300
Safety components for airbags, seats and steering	79,223	92,900
Structural components and subsystems for vehicle bodies and chassis	60,058	88,156
Total	**206,371**	**260,356**

30 | Discretionary judgements, estimates and assumptions

The Group performs impairment tests for goodwill at least once a year. This requires estimates to be made with regard to the value in use of cash generating units to which goodwill is allocated.

For the purpose of estimating value in use, the Group is required to determine, on the basis of estimates, the projected future cash flows associated with the relevant cash-generating unit, as well as to select an appropriate discount rate in order to determine the present value of the aforementioned cash flows.

On December 31, 2009, the carrying amount of goodwill was EUR 5,338 thousand (previous year: EUR 5,908 thousand).

Deferred tax assets are recognised for all unutilised tax losses carried forward, to the extent that it is probable that future taxable profit will be available against which the unused tax losses can actually be utilised.

As of December 31, 2009, deferred tax assets relating to as yet underutilised tax loss carryforwards had been formed in an amount of EUR 2,592 thousand (previous year: EUR 843 thousand)

Of this amount, EUR 430 thousand was attributable to PWO AG, EUR 340 thousand to PWO Canada Inc., EUR 1,117 thousand to PWO UNITOOLS CZ a.s. and EUR 705 thousand to PWO de México S.A. de C.V. These corporate units reported a loss in the current and preceding period.

It is assumed that the deferred tax assets will retain their value due to the planned business development for the subsequent years.

The process of determining the level of deferred tax assets requires significant judgement with regard to the timing and amount of future taxable profit as well as the future tax planning strategies.

At December 31, 2009, the recognised value of tax losses at the balance sheet date converted into Euros was EUR 10,965 thousand (previous year: EUR 4,009 thousand), while that of unrecognised tax loss carryforwards which may be utilised for a limited period of time was EUR 2,591 thousand (previous year: EUR 2,196 thousand).

Of this amount, EUR 1,062 thousand lapses in 2018, and an amount of EUR 1,529 thousand lapses in 2019. Further details can be found in note 12.

Expense relating to defined benefit pension plans is determined on the basis of actuarial methods.

Actuarial valuation is conducted on the basis of assumptions in respect of discount rates, the expected rate of return on plan assets, future rates of salary increase, mortality and future pension increases.

In view of the long-term orientation of such plans, these estimates are associated with significant uncertainty.

Development costs are capitalised according to the accounting method shown. The initial capitalisation of costs is based on the assessment of the Group that technical and economic feasibility has been established.

For the purpose of determining the amounts to be capitalised, the Group makes assumptions regarding the amount of expected future cash flows from the project, the applicable discount rates and the period over which the expected future benefit will accrue.

The carrying amount of capitalised development costs on December 31, 2009, was EUR 1,778 thousand (previous year: EUR 842 thousand). This amount mainly consists of investments in the development of a module carrier. For this project the series order is available since 2008.

31 | Corporate relationships

These consolidated financial statements themselves are included in the consolidated financial statements of Consult Invest Beteiligungsberatungs-GmbH, Böblingen, as the ultimate Group holding company, and the latter financial statements are published in the Electronic Federal Gazette.

32 | Corporate Governance

The Declaration of Compliance with the German Corporate Governance Code, issued by the Management and Supervisory Boards in February 2010 has been made permanently available to shareholders at www.progress-werk.de.

33 | Events after the reporting date

There were no significant events after the reporting period.

Oberkirch, February 18, 2010

The Management Board

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

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Consolidated Statement of Changes in Non-Current Assets (Appendix to the Notes)

EUR '000	Acquisition and production costs					
Dec 31, 2009	**Jan 1, 2009**	Additions	Reclassi-fications	Disposals	Currency change	**Dec 31, 2009**
Land and buildings	52,576	2,851	4,951	77	694	60,995
Technical equipment and machinery	155,260	4,010	2,788	1,969	2,259	162,348
Other equipment, operating and office equipment	21,607	1,492	268	544	229	23,052
Prepayments and assets under construction	10,095	4,177	-8,073	0	-115	6,084
Property, plant and equipment	**239,538**	**12,530**	**-66**	**2,590**	**3,067**	**252,479**
Contract and customer-related development services	842	966	0	0	0	1,808
Industrial property rights and similar rights	10,014	489	142	0	26	10,671
Goodwill	6,427	0	0	0	109	6,536
Intangible assets identifiable as part of PPA (PWO de México)	885	0	0	0	-20	865
Prepayments	76	0	-76	0	0	0
Intangible assets	**18,244**	**1,455**	**66**	**0**	**115**	**19,880**
Non-current assets	**257,782**	**13,985**	**0**	**2,590**	**3,182**	**272,359**

Depreciation/amortisation						Book values	
Jan 01, 2009	Additions	Reclassi-fications	Disposals	Currency change	**Dec 31, 2009**	**Dec 31, 2009**	**Dec 31, 2008**
17,839	1,750	-6	61	210	19,732	41,263	34,737
107,691	11,074	0	1,368	1,505	118,902	43,446	47,569
15,101	1,907	0	498	174	16,684	6,368	6,506
0	0	0	0	0	0	6,084	10,095
140,631	**14,731**	**-6**	**1,927**	**1,889**	**155,318**	**97,161**	**98,907**
0	30	0	0	0	30	1,778	842
5,180	1,417	6	0	23	6,626	4,045	4,834
519	698*	0	0	-19	1,198	5,338	5,908
502	252	0	0	-17	737	128	383
0	0	0	0	0	0	0	76
6,201	**2,397**	**6**	**0**	**-13**	**8,591**	**11,289**	**12,043**
146,832	**17,128**	**0**	**1,927**	**1,876**	**163,909**	**108,450**	**110,950**

* Impairment Goodwill PWO de México S.A. de C.V.

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Consolidated Statement of Changes in Non-Current Assets (Appendix to the Notes)

EUR '000	Acquisition and production costs					
Dec 31, 2008	**Jan 1, 2008**	Additions	Reclassi-fications	Disposals	Currency change	**Dec 31, 2008**
Land and buildings	45,351	8,284	63	243	-879	52,576
Technical equipment and machinery	146,861	12,575	326	1,676	-2,826	155,260
Other equipment, operating and office equipment	20,176	2,382	103	793	-261	21,607
Prepayments and assets under construction	3,112	7,484	-492	5	-4	10,095
Property, plant and equipment	**215,500**	**30,725**	**0**	**2,717**	**-3,970**	**239,538**
Contract and customer-related development services	0	842	0	0	0	842
Industrial property rights and similar rights	5,526	2,380	2,144	0	-36	10,014
Goodwill	6,559	0	0	0	-132	6,427
Intangible assets identifiable as part of PPA (PWO de Méxoco)	841	0	0	0	44	885
Prepayments	2,204	16	-2,144	0	0	76
Intangible assets	**15,130**	**3,238**	**0**	**0**	**-124**	**18,244**
Non-current assets	**230,630**	**33,963**	**0**	**2,717**	**-4,094**	**257,782**

Depreciation/amortisation						Book values	
Jan 01, 2008	Additions	Reclassi-fications	Disposals	Currency change	**Dec 31, 2008**	**Dec 31, 2008**	**Dec 31, 2007**
16,880	1,470	0	243	-268	17,839	34,737	28,471
98,978	11,740	0	1,177	-1,850	107,691	47,569	47,883
13,987	1,843	0	526	-203	15,101	6,506	6,189
0	0	0	0	0	0	10,095	3,112
129,845	**15,053**	**0**	**1,946**	**-2,321**	**140,631**	**98,907**	**85,655**
0	0	0	0	0	0	842	0
4,038	1,177	0	0	-35	5,180	4,834	1,488
519	0	0	0	0	519	5,908	6,040
239	239	0	0	24	502	383	602
0	0	0	0	0	0	76	2,204
4,796	**1,416**	**0**	**0**	**-11**	**6,201**	**12,043**	**10,334**
134,641	**16,469**	**0**	**1,946**	**-2,332**	**146,832**	**110,950**	**95,989**

08

Auditor's Report

We have issued the following audit opinion for the consolidated financial statements and the Group management report, which is combined with the management report for Progress-Werk Oberkirch Aktiengesellschaft, while noting the separate reporting concerning the audit of the single-entity annual financial statements for the parent company (report also of February 19, 2010):

We have audited the consolidated financial statements prepared by Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the combined management report for both the parent company and the Group for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB is the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting- related internal controlling system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the scope of consolidation, the determination of entities to be included in the scope of consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report for both the parent company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has led to no reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB as well as IFRS overall, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report for both the parent company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Freiburg i. Br., February 19, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nietzer	Ruby
Wirtschaftsprüfer	Wirtschaftsprüfer

09

Balance Sheet PWO AG | **Assets**

Note no.		**2009** EUR'000	2008 EUR'000
	Industrial property rights and similar rights	3,643	4,539
	Prepayments	0	54
	Intangible assets	**3,643**	**4,593**
	Land and buildings	13,964	14,740
	Technical equipment and machinery	18,072	19,146
	Other equipment, operating and office equipment	3,622	4,311
	Prepayments and assets under construction	5,234	3,633
	Property, plant and equipment	**40,892**	**41,830**
	Investments in affiliated companies	28,723	25,149
	Loans to affiliated companies	10,587	6,579
	Long-term financial assets	**39,310**	**31,728**
3 |	**Non-current assets**	**83,845**	**78,151**
	Raw materials and supplies	6,980	9,985
	Work in progress	12,155	13,770
	Finished goods and merchandise	11,453	12,132
4 |	**Inventories**	**30,588**	**35,887**
	Trade receivables	29,524	26,506
	Receivables from affiliated companies	4,453	4,974
	Other assets	2,390	3,638
5 |	**Receivables and other assets**	**36,367**	**35,118**
	Cash in hand, bank deposits	3,038	115
	Current assets	**69,993**	**71,120**
6 |	**Prepaid expenses**	**180**	**234**
	Total assets	**154,018**	**149,505**

Balance Sheet PWO AG | **Liabilities**

Note no.		**2009** EUR'000	2008 EUR'000
	Subscribed capital	6,391	6,391
	Capital reserves	17,753	17,753
	Legal reserves	204	204
	Other revenue reserves	42,500	46,250
	Revenue reserves	**42,704**	**46,454**
	Net retained profits	10	2,854
7 |	**Equity**	**66,858**	**73,452**
	Provisions for pensions and other employee benefits	22,034	21,039
	Other provisions	7,975	10,378
8 |	**Provisions**	**30,009**	**31,417**
	Bank borrowings	44,485	28,978
	Payments received on account of orders	317	247
	Trade payables	9,526	13,406
	Liabilities to affiliated companies	860	1,143
	Other liabilities	1,963	862
9 |	**Liabilities**	**57,151**	**44,636**
	Total equity and liabilities	**154,018**	**149,505**

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Income Statement PWO AG

Note no.		2009 EUR'000	2008 EUR'000
13 |	Revenue	164,737	209,968
	Decline (prev. year: increase) of finished and unfinished goods	-2,297	-1,506
14 |	Work performed by the enterprise and capitalised	19	816
	Total output	**162,459**	**209,278**
15 |	Other operating income	3,558	3,178
	Expenses from raw materials, consumables and supplies as well as merchandise purchased	-69,099	-87,825
	Expenses from services provided	-17,994	-27,954
	Materials expenses	**-87,093**	**-115,779**
	Wages and salaries	-45,284	-48,072
	Social security and post-employment expenses	-9,983	-9,763
16 |	**Staff expenses**	**-55,267**	**-57,835**
	Amortisation of intangible non-current assets and depreciation of property, plant and equipment	-9,785	-9,959
17 |	Other operating expenses	-12,872	-18,776
18 |	Income attributable to loans from financial assets, from affiliated companies: EUR 40 thousand (prev. year: EUR 24 thousand)	40	24
	Other interest and similar income	75	43
19 |	Amortisation of financial assets	-3,400	0
	Interest and similar expenses	-3,115	-2,530
	Financial result	**-6,400**	**-2,463**
	Result from ordinary activities	**-5,400**	**7,644**
20 |	Taxes on income	181	-2,045
	Net loss (prev. year: net income) of the year	**-5,219**	**5,599**
	Retained profits brought forward	1,479	5
	Withdrawal from other revenue reserves (prev. year: appropriations to other revenue reserves)	3,750	-2,750
	Net retained profits	**10**	**2,854**

Accounting Policies

1 | Basis of preparation of Annual financial statements

These financial statements have been prepared in accordance with the provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). The income statement has been presented on the basis of the nature of expense method. The financial statements are presented in thousands of Euros.

There have been no material changes to the accounting policies applied in the previous year.

2 | Summary of key accounting policies

Intangible assets, and property, plant and equipment are measured at cost. Both direct unit costs and applicable production overheads are accounted for when measuring the cost of own work capitalised.

Depreciation of property, plant and equipment is calculated using the straight line method as well as the diminishing balance method. Certain machinery items as well as order-related tools are depreciated using the units of production method, based on the number of units produced in the reporting year, calculated in terms of the total number of items specified or planned in the order. In the case of financial assets, equity rights are measured at the lower of cost or fair value, and loans are generally recognised at nominal value.

Low-value assets with an individual net value of up to EUR 150.00 are fully depreciated and expensed in the year in which they are purchased, on the assumption that they are retired immediately from the balance sheet.

For the purposes of simplicity, an annual tax omnibus position for assets with an individual net value of between EUR 150.00 and EUR 1,000.00 was transferred to the German commercial code (HGB) balance sheet. Annual omnibus positions, whose amounts are of subordinate significance, are depreciated on a lump-sum basis at 20 percent per annum in the year in which they are formed, and in the four subsequent years, in line with tax regulations.

Inventories of raw materials, consumables and supplies are reported at the lower of average cost or current value. Write-downs are applied to unsalable or obsolete materials. Work in progress and finished goods are measured at the lower of cost or fair value on the basis of item-by-item calculations based, in turn, on current operational accounting. General administration expenses and borrowing costs are not capitalised.

Tooling and development contracts are measured at acquisition and production costs. In this context, a loss-free valuation is performed in such a way that maximum cost is equivalent to selling price plus revenue generated through series production.

Receivables and other assets are carried at their nominal values. Unaccrued interest is deducted from non-interest-bearing receivables with a term of more than one year. Foreign-currency items are measured on a loss-free basis. Appropriate specific value adjustments are formed for all risky items; general credit risk is reflected through a lump-sum discount. The discount capitalised in the deferred income item was amortised on a scheduled basis over the term of the loan.

Provisions for pensions and other employee benefits have been measured according to actuarial principles. Provisions for pensions and early retirement obligations have been reported at the level permissible under tax law. The partial values ("Teilwert", relating to allocation from date of entry into service) calculated on the basis of actuarial principles in accordance with Section 6a of the Income Tax Act (Einkommensteuergestz – EStG) are based on a rate of interest of 6 per cent, applying the Richttafeln 2005 G (actuarial mortality assumptions). Other provisions take into account all identifiable risks and uncertain obligations. They are recognised at an amount in line with reasonable commercial assessment.

Liabilities are recognised at their repayment amounts.

Foreign-currency receivables are measured at the lower of cost or the on the basis of the exchange rate prevailing at the balance sheet date. Foreign-currency obligations are generally translated at the lower of either the exchange rate prevailing on the trade date or rates prevailing on the balance sheet date.

Notes to the Balance Sheet

3 | Non-current assets

Changes to fixed assets are presented in the statement of changes in non-current assets (appendix to the notes to the financial statements).

The following useful lives were applied:

	Years
Software	3 to 5
Building	25 to 50
Technical equipment and machines	2 to 10
Operating and office equipment	3 to 14
IT Hardware	3 to 5

4 | Inventories

Inventories were determined predominantly using sampling methods as well as computer-aided workshop inventory methods. In addition to applying these methods, the company continued to apply physical stocktaking procedures.

5 | Receivables and other assets

Receivables from affiliated companies include trade receivables of EUR 4,453 thousand (prev. year: EUR 4,974 thousand).

EUR '000	**2009**	of which remaining term >1 year	**2008**	of which remaining term >1 year
Trade receivables	29,524	0	26,506	0
Receivables from affiliated companies	4,453	0	4,974	0
Other assets	2,390	827	3,638	789
Total	**36,367**	**827**	**35,118**	**789**

6 | Prepaid expenses and accrued income
Prepaid expenses and accrued income of EUR 180 thousand (prev. year: EUR 234 thousand) are attributable to the discount associated with financial borrowings.

7 | Equity

On July 21, 2008, Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, Netherlands, announced that it held a shareholding of 3.05 %.

EUR '000	Subscribed capital	Capital reserves	Legal reserves	Other revenue reserves	Balance sheet profit/loss	Equity PWO AG
as at 01.01.2009	**6,391**	**17,753**	**204**	**46,250**	**2,854**	**73,452**
Dividend payment					-1,375	**-1,375**
Net loss for period					-5,219	**-5,219**
Withdrawal from other revenue reserves				-3,750	3,750	**0**
as at 31.12.2009	**6,391**	**17,753**	**204**	**42,500**	**10**	**66,858**

Following a resolution of the AGM on May 26, 2009, the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the company's share capital in the period up to May 26, 2014, through the issue of new ordinary bearer shares for cash contributions on one or more occasions by up to EUR 3,196 thousand. The fully paid in subscribed capital at the reporting date was EUR 6,391 thousand (2008: EUR 6,391 thousand), divided into 2,500,000 shares with a notional par value of EUR 2.56 per share.

On February 15, 2008, Consult Invest Beteiligungsberatungs-GmbH, Böblingen, announced that it held a shareholding of 55.282 %.

On October 15, 2008, Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, Netherlands, announced that it held a shareholding of 5.12 %.

8 | Provisions
Other provisions include essential amounts associated with personnel-related expenses of EUR 6,169 thousand (prev. year: EUR 7,977 thousand) and other identifiable obligations and risks for which provisions may be recognised under German commercial law. These mainly include expenses for ERA adjustment funds, part-time employment of staff approaching retirement, holiday and flexitime provisions as well as anniversary bonuses.

9 | Liabilities

Of the borrowings from banks, EUR 15,770 thousand (prev. year: EUR 9,206 thousand) was secured by way of land charges and EUR 13,629 thousand (prev. year: EUR 5,640 thousand) was secured through an assignment of property. In addition, the usual reservations of ownership exist from the supply of raw materials, consumables and supplies and goods. Receivables from affiliated companies include trade receivables of EUR 860 thousand (prev. year: EUR 1,143 thousand).

10 | Contingent liabilities

Guarantee liabilities exist amounting to EUR 42,845 thousand (prev. year EUR 36,824 thousand) for credit liabilities of PWO Canada Inc., PWO UNITOOLS CZ a.s., PWO High-Tech Metal Components (Suzhou) Co. Ltd and PWO de México S.A. de C.V.

A surety guarantee to secure age-related part-time working credits existed totalling EUR 1,996 thousand at the reporting date (prev. year: EUR 1,407 thousand).

		of which remaining term	
EUR '000	**2009**	< 1 year	> 5 years
Bank borrowings	44,485	16,760	4,555
Prepayments on orders	317	317	0
Trade payables	9,526	9,526	0
Liabilities to affiliated companies	860	860	0
Other liabilities	1,963	1,871	0
of which from taxes	*1,574*	*1,574*	*0*
of which from social security	*123*	*31*	*0*
Total	**57,151**	**29,334**	**4,555**

		of which remaining term	
EUR '000	**2008**	< 1 year	> 5 years
Bank borrowings	28,978	15,877	4,804
Prepayments on orders	247	247	0
Trade payables	13,406	13,406	0
Liabilities to affiliated companies	1,143	1,143	0
Other liabilities	862	862	0
of which from taxes	*721*	*721*	*0*
of which from social security	*0*	*0*	*0*
Total	**44,636**	**31,535**	**4,804**

11 | Other financial obligations

As of December 31, 2009, other financial obligations, including purchase commitments, amounted to EUR 2,582 thousand (prev. year: EUR 6,484 thousand).

Of these the following are allotted to the next business years according to term:

EUR '000	2010 et seq.	of which remaining term < 1 year	> 5 year
Obligations arising from leasing and rental contracts	1,171	898	5
Order commitments from investment orders	1,411	1,411	0
Total	**2,582**	**2,309**	**5**

EUR '000	2009 et seq.	of which remaining term < 1 year	> 5 year
Obligations arising from leasing and rental contracts	1,284	1,122	0
Order commitments from investment orders	5,200	0	0
Total	**6,484**	**1,122**	**0**

12 | Financial instruments

PWO uses financial instruments in the form of forward currency transactions as well as interest-related derivatives, which are measured at market value, for interest and currency hedging. Interest rate swaps are recorded in other provisions. A measurement unit was not formed.

As of December 31, 2009, the following derivative financial instruments were open:

EUR '000	Nominal amount	Redemption 2009	Residual amount	Fixed rate p.a.	Variable interest rate	Term	Fair value
Interest rate swap	2,679	383	383	3.70 %	6-Month-EURIBOR	2003 to 2010	-8
Interest rate swap	3,094	412	413	3.68 %	3- Month-EURIBOR	2003 to 2010	-9
Interest rate swap	1,800	180	810	3.98 %	6- Month-EURIBOR	2004 to 2014	-37
Interest rate swap	1,500	300	750	4.92 %	6- Month-EURIBOR	2007 to 2012	0
Interest rate swap	3,000	0	3,000	1.84 %	3- Month-EURIBOR	2009 to 2011	-21
Interest rate swap	1,000	0	1,000	3.15 %	3- Month-EURIBOR	2009 to 2014	-35
Interest rate swap	1,000	0	1,000	3.15 %	3- Month-EURIBOR	2010 to 2014	-11
Interest rate swap	1,000	0	1,000	3.15 %	1- Month-EURIBOR	2009 to 2014	-43
FX forward contract	5,908	0	5,908	-	-	2010 to 2014	517

The market values of financial instruments have been determined on the basis of the discounted cash flow method.

US dollar loans with a book value of EUR 2,493 thousand are included in the financial assets. The corresponding market value totalled EUR 2,384 thousand as of December 31, 2009. A write-down in accordance with Section 253 (2) Clause 3 of the German Commercial Code was not applied, as the impairment is only temporary.

10

Notes to the Income Statement

13 | Revenue

EUR '000	2009	2008
Revenue by location		
Germany	111,300	150,632
Rest of Europe	41,540	44,363
North America	5,007	3,962
Other countries	6,890	11,011
Total	**164,737**	**209,968**

EUR '000	2009	2008
Revenue by product area		
Mechanical components for electrical and electronic applications	62,288	74,069
Safety components for airbags, seats and steering	58,583	72,351
Structural components and subsystems for vehicle bodies and chassis	43,866	63,548
Total	**164,737**	**209,968**

14 | Work performed by the enterprise and capitalised

Work performed by the enterprise and capitalised relates primarily to investments in machinery.

15 | Other operating income

This item comprises EUR 1,021 thousand (prev. year: EUR 923 thousand) of aperiodic income. This relates to income from the reversal of provisions, prior-year refunds, etc.

16 | Staff costs and employees

The interest expense attributable to pension provisions in the amount of EUR 1,262 thousand (prev. Year: EUR 1,215) is reported under interest and similar expenses.

18 | Income from loans held as financial assets

Earnings from loans held as financial assets are wholly generated through affiliated companies.

EUR '000	2009	2008
Staff costs		
Salaries and wages	45,284	48,072
Social security and post-employment costs	9,983	9,763
of which pension provisions	*1,350*	*861*
Total	**55,267**	**57,835**
Year average number of employees by divisions (excluding apprentices)		
Development and sales	87	82
Production and materials management	681	681
Tool center	225	225
Administration	61	57
Total	**1,054**	**1,045**
Apprentices	107	85

17 | Other operating expenses

Other operating expenses mainly include outward freight charges, expenses attributable to temporary staff, rent and leasing costs, maintenance expenses as well as expenses for legal, auditing and consultancy services and expenses associated with staff training and travel costs. Expenses also include other taxes of EUR 61 thousand (prev. year: EUR 63 thousand). Aperiodic expenses amounted to EUR 94 thousand (prev. year: EUR 16 thousand).

19 | Amortisation/write-downs applied to financial investments

An extraordinary write-down of EUR 3,400 thousand was applied to the carrying amount for of the equity interest in PWO de México S.A. de C.V.

20 | Taxes on income

Taxes on income and earnings include aperiodic income amounting to EUR 100 thousand (prev. year: EUR 33 thousand).

Other information

21 | Total remuneration of the Management Board and the Supervisory Board

Total Management Board compensation is composed of a fixed basic salary component and a variable component. For the 2009 financial year, Management Board compensation due in the short term amounted to EUR 648 thousand (2008: EUR 746 thousand). This includes performance-based components amounting to EUR 0 thousand (prev. year: EUR 117 thousand).

Total Supervisory Board compensation for the 2009 financial year amounted to EUR 23 thousand (prev. year: EUR 86 thousand).

The Corporate Governance report contains the compensation report with separate sections focusing on the Management Board and the Supervisory Board. The compensation report is part of the management report.

Pension payments for former members of the Management Board of PWO AG and their surviving dependents amounted to EUR 219 thousand (prev. year: EUR 214 thousand). At the reporting date, the corresponding pension provision amounted to EUR 1,600 thousand (prev. year: EUR 1,639 thousand).

22 | Auditor's fee

The auditor's fee per financial year under review as an expense according to Section 314 Para. 1 No. 9 of the German Commercial Code comprises the following:

EUR '000	2009	2008
Audit	222	128
Tax consultancy	60	39
Other services	0	3
Total	**282**	**170**

In the financial year under review, the auditor's fee recognised as expense included an amount of EUR 87 thousand not attributable to the reporting period (prev. year: EUR 11 thousand).

No further certification and valuation services were utilised.

23 | Business relationships with related parties

In the financial year under review there were no relationships with related parties as regards the supply of goods or the rendering of services. For further information, please refer to the dependent company report (related party disclosure) and the management report.

24 | Investments in affiliated companies

As of December 31, 2009, PWO AG held interests in the following companies:

EUR '000	Ownership interest	Year results	Equity
PWO Canada Inc., Kitchener, Ontario, Canada	100 %	-1,036	10,907
PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic	100 %	-1,700	3,403
PWO Holding Co., Ltd., Hong Kong, China	100 %	-201	-495
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-2,252	2,253
PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	-26	0
PWO de México S.A. de C.V., Puebla, Mexico [2]	100 %	-2,963	4,491

[1] Indirect holding

[2] Indirect holding through PWO Canada Inc. in the amount of 1 %

25 | Consolidated financial statements

These consolidated financial statements are included in the consolidated financial statements for Consult Invest Beteiligungsberatungs-GmbH, Böblingen, as the highest group parent company, which in turn are published in the Electronic Bundesanzeiger (Federal Gazette).

26 | Corporate Governance

The Declaration of Conformity issued by the Management and Supervisory Boards in December 2009, and which was adapted in February 2010, in relation to the German Corporate Governance Code is permanently available to shareholders on the company's website.

10

Statement of Changes in Non-Current Assets of PWO AG (Appendix to the Notes)

EUR'000	Jan. 1, 2009	Additions	Reclassifications	Disposals	Dec. 31, 2009
	Acquisition and production costs				
Industrial property rights and similar rights	9,159	300	93	0	9,552
Prepayments	54	0	-54	0	0
Intangible assets	**9,213**	**300**	**39**	**0**	**9,552**
Land and buildings	31,764	93	0	0	31,857
Technical equipment and machinery	108,522	3,537	1,938	450	113,547
Other equipment, operating and office equipment	18,223	523	31	404	18,373
Prepayments and assets under construction	3,633	3,609	-2,008	0	5,234
Property, plant and equipment	**162,142**	**7,762**	**-39**	**854**	**169,011**
Investments in affiliated companies	25,149	6,974	0	0	32,123
Loans to affiliated companies	6,579	4,008	0	0	10,587
Financial assets	**31,728**	**10,982**	**0**	**0**	**42,710**
Total Assets	**203,083**	**19,044**	**0**	**854**	**221,273**

Depreciation/amortisation				Book values	
Jan. 1, 2009	Additions	Reversal of write-downs	**Dec. 31, 2009**	**Dec. 31, 2009**	Dec. 31, 2008
4,620	1,289	0	5,909	3,643	4,539
0	0	0	0	0	54
4,620	**1,289**	**0**	**5,909**	**3,643**	**4,593**
17,024	869	0	17,893	13,964	14,740
89,376	6,387	288	95,475	18,072	19,146
13,912	1,240	401	14,751	3,622	4,311
0	0	0	0	5,234	3,633
120,312	**8,496**	**689**	**128,119**	**40,892**	**41,830**
0	3,400	0	3,400	28,723	25,149
0	0	0	0	10,587	6,579
0	**3,400**	**0**	**3,400**	**39,310**	**31,728**
124,932	**13,185**	**689**	**137,428**	**83,845**	**78,151**

Governing Bodies | **Supervisory Board**

Dieter Maier, Stuttgart
Chairman of the Supervisory Board
Former member of the Management Board of
Baden-Württembergische Bank AG, Stuttgart

Other positions held
Düker GmbH & Co. KGaA, Karlstadt
Member of the Supervisory Board

Dr. jur. Klaus-Georg Hengstberger,
Böblingen
Deputy Chairman of the Supervisory Board
Managing Director of Consult Invest
Beteiligungsberatungs-GmbH, Böblingen

Other positions held
Düker GmbH & Co. KGaA, Karlstadt
Chairman of the Supervisory Board

Katja Hertwig, Durbach *
Production system team employee
Member of the Works Council of PWO AG

Herbert König, Renchen-Erlach *
Industrial clerk and
Chairman of the Works Council of PWO AG

* Employee representatives

Ulrich Ruetz, Ludwigsburg
Former Chairman of the Management Board
of BERU AG, Ludwigsburg

Other positions held
Düker GmbH & Co. KGaA, Karlstadt
Deputy Chairman of the Supervisory Board

Maxxtec AG, Sinsheim
Chairman of the Supervisory Board

Sumida Corporation, Tokio, Japan
Member of the Board

Weber-Hydraulik GmbH, Güglingen
Chairman of the Advisory Board

Wüstenrot Holding AG, Ludwigsburg
Member of the Supervisory Board

Wüstenrot & Württembergische AG, Stuttgart
Member of the Supervisory Board

Dr. Gerhard Wirth, Stuttgart
Lawyer, Partner at Gleiss Lutz law firm, Stuttgart

Other positions held
Karl Danzer GmbH & Co. KG, Reutlingen
Chairman of the Advisory Board

Düker GmbH & Co. KGaA, Karlstadt
Member of the Supervisory Board

Procter & Gamble Holding GmbH, Schwalbach
Member of the Supervisory Board

Governing Bodies | **Management Board**

Dipl.-Ing. Karl M. Schmidhuber, Alzenau
Market and Technology
Chairman

Other positions held
Beru-Eichenauer GmbH, Hatzenbühl
Chairman of the Advisory Board

PWO Canada Inc., Kitchener, Ontario, Canada
Director

PWO Holding Co., Ltd., Hong Kong, China
Director

PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China
Member of the Supervisory Board

PWO de México S.A. de C.V., Puebla, Mexico
Chairman of the Supervisory Board

Bernd Bartmann, Offenburg
Administration/Finance

Other positions held
PWO Holding Co., Ltd., Hong Kong, China
Director

PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China
Member of the Supervisory Board

PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic
Member of the Supervisory Board

Dr.-Ing. Winfried Blümel, Oberkirch
Production and Materials Management

Other positions held
PWO de México S.A. de C.V., Puebla, Mexico
Member of the Supervisory Board

PWO UNITOOLS CZ a.s., Valašské Meziříčí, Czech Republic
Chairman of the Supervisory Board

10

Proposal for the Appropriation of Profits

At the Annual General Meeting, a proposal will be made for using PWO AG's net retained profits of EUR 9,998.98 recorded on December 31, 2009 to be carried forward to new account.

Oberkirch, February 18, 2010

The Management Board

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

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Auditor's Report

We have issued the following audit opinion for the parent company single-entity annual financial statements and for the management report combined with the Group management report, while noting the separate reporting concerning the audit of the consolidated financial statements (report also of February 19, 2010):

We have audited the parent company single-entity annual financial statements, comprising the balance sheet, income statement and notes to the financial statements, together with the financial accounting and the combined management report of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the parent company single-entity annual financial statements and combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the financial accounting , and the combined management report based on our audit.

We have conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: “German Commercial Code”] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the parent company single-entity annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal controlling system and the evidence supporting the disclosures in the financial accounting, the parent company single-entity annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has led to no reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Freiburg i. Br., February 19, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

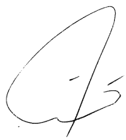
Nietzer — Wirtschaftsprüfer
Ruby — Wirtschaftsprüfer

11 Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.“

Oberkirch, February 18, 2010

The Management Board



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

Financial Calendar

May 4, 2010	Interim Financial Report for the first quarter of 2010
May 26, 2010	Annual General Meeting 2010
August 3, 2010	Interim Financial Report for the first half of 2010
November 11, 2010	Interim Financial Report for the first nine months 2010
April 14, 2011	Annual report 2010
May 4, 2011	Interim Financial Report for the first quarter of 2011
May 25, 2011	Annual General Meeting 2011

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