THE HUMAN TOUCH OF AUTOMOTIVE TECHNOLOGY

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FIRST HALF-YEAR

2009

PWO

00 CONTENT

01
LETTER TO SHAREHOLDERS

Dear Shareholders and Business Associates,

The car industry has once again regained some of its footing after the severe declines experienced at the end of last year and the first months of this year. We are still a long way from normal conditions however, as the current figures show when compared with those of the previous year.

The PWO Group also recorded a noticeable improvement in the second quarter of this year compared with the first quarter. And most importantly: since June our EBIT has been positive once again, which is due in no small part to the tough cost-cutting measures that we have been consistently implementing since the crisis began.

The situation remains challenging however. In the PWO Group, revenues and output each shrank by around 35% in the first half of 2009 compared with the same period last year, while in the second quarter the decline was still 31% and 29% respectively. Despite the improving situation throughout the course of the quarter, a net loss of EUR -3.1 million for the second quarter could not be avoided. For the first half of the year, a net loss of EUR -7.7 million was recorded.

Since March, the number of standby orders has been increasing once again and this trend is growing appreciably. In this respect, one can assume with some degree of confidence that the industry has already reached its low point. It would be premature however to assume that this equates a sustained reversal of the negative trend. The measures introduced in many countries to stimulate car sales may have eased the sales slumps, but they will not have a long-term effect. The future still holds a multitude of uncertainties in this respect, especially on how the job market will perform and with it consumer demand for cars. Moreover, it has been noted that the scrapping incentive, particularly in Germany, has for the most part only benefited the small and lower middle-sized car segments of the market and therefore is not helping all car manufacturers.

The PWO Group, which focuses on car safety and comfort, is benefiting from the sales-stimulating measures for small cars only to a limited degree, as the equipment manufactured by the company, often using high-quality and innovative new technologies, is not the main feature in such cars.

In view of this, we made every effort from a very early stage to lower costs as much as possible everywhere in the Group and adjust to the clearly reduced production volumes.

On the other hand, we can look to the future optimistically due to our sales success and the numerous national and international projects we have planned. This optimism is to a large extent independent of whether markets recover or not, since these projects primarily affect new car models and the international expansion of our scope of delivery for existing platforms.

Of course, we will therefore consistently advance all of our development activities and series preparations for all new projects. We will also continue with our strategic investments at home and abroad.

To safeguard the jobs of our permanent staff at the Oberkirch production site, and with it keep our market-leading production and development expertise, we have been selectively using the instrument of short-time since the beginning of February and are adapting its scope flexibly to suit current developments.

Protecting our liquidity remains the top priority. By now, we have secured our borrowing requirements for this current financial year and even for part of next year.

Oberkirch, August 2009
The Management Board

02
PWO SHARES

PWO STOCK PERFORMS WELL THROUGH THE FIRST HALF OF 2009

PWO stock outperformed its benchmark indices, SDAX and Prime Automobile, during the first six months of 2009. While the SDAX had increased by 3.7% on June 30, 2009 compared with the closing price at the end of 2008, PWO stock rose 12.3% from EUR 16.48 to EUR 18.50.

The Prime Automobile Index climbed by 4.4% over the same period. Overall, PWO stock consistently outperformed the SDAX Index during the first six months of 2009.

Progress-Werk Oberkirch AG's Management and Supervisory Boards proposed an earnings performance-based dividend of EUR 0.55 for the 2008 financial year at the Annual General Meeting on 26 May 2009. The dividend for the previous year was EUR 1.30. The Annual General Meeting was once again a harmonious affair with this and every other proposal put forward by management being approved by a large majority.

The 2008 Annual Report was presented on 16 April 2009.

Other Information	
Number of shares issued at end of reporting period	2,500,000
Number of treasury shares held as at 30/06/2009	0
Dividend per share (in EUR) for FY 2008	0.55
Shareholder structure	
Consult Invest Beteiligungsberatungs-GmbH, Böblingen	55.282%
Free float	44.718%
- of which Delta Lloyd, Amsterdam	5.120%

03
THE COMPANY | Spotlight on costs

EMERGING STRONGER AND MORE COST CONSCIOUS FROM THE CRISIS

The worldwide economic crisis is impacting the international automotive industry across the entire value-added chain. Naturally, the PWO Group is also affected from this. The global decline in unit sales as a result of the crisis will result in an unprecedented decline in top line revenue.

Given the fact that it is currently impossible to foresee the extent of any potential recovery of the worldwide automotive industry, which may only set in next year, we are currently only expecting a slight increase in revenue for the 2010 financial year.

In light of this outlook, we have made it our primary objective to leverage every financially sound savings potential with great determination and as quickly as possible. We are putting everything under the microscope, even our long established processes and structures. Every single item of expenditure is under review regardless of the savings volume of every measure implemented.

The main focus here is on the upstream and downstream areas of production. The production processes themselves and their related logistics are being constantly enhanced through our ongoing improvement process. Of course the Group's long-term, strategic growth plan remains unaffected from these measures.

Overall, we were able to install cost-cutting measures which delivered savings in excess of more than EUR 3 million per annum in a relatively short amount of time. Additional cost-cutting measures with similar savings potentials are currently being looked into. Beyond this, adjustment measures will be implemented immediately should revenue development drop notably below the current, cautious estimates.

The current individual measures comprise renegotiating or adjusting service, rental and delivery contracts as well as reviewing the use of consumption material which is not used in production.

A considerable portion of these cost-cutting measures work on a longer-term and sustainable basis. This means that we can take advantage of the next upturn in our industry based on considerably reduced costs.

04
INTERIM MANAGEMENT REPORT | Business environment

GENERAL BUSINESS CLIMATE

The sharp economic downturn of the first months of the current financial year has, for the time being at least, come to an end if recent indicators are anything to go by. The massive state economic stimulus packages and bank bailout programmes seem to be having an effect.

After the improved mood and expectation indicators of the spring, the so-called "hard" indicators have also finally improved slightly and are better than expected in some instances. In Germany for example, exports increased slightly in June, the manufacturing sector recorded an improved order situation in May and industrial production grew.

Increasingly better reports regarding economic growth are also coming from the United States and especially China. The improved news is also reflected positively in the upwardly revised economic forecasts, including amongst others those from the International Monetary Fund, both for this year and next. The German federal government is now expecting a slight increase in gross domestic product (GDP) for the second quarter of the year over the first.

Forecasters are still pointing however to the ever-present high risk of setbacks. In particular, risks are feared from a possible drop in demand due to rising unemployment and a significant increase in insolvencies.

SECTOR TRENDS

According to the German Automobile Industry Association (German abbreviation: VDA), new car registrations in the domestic market increased by 26% to 2.06 million in the first half of 2009. In June alone, 427,000 new cars were registered in Germany. This was an increase of 40% over the figure for June 2008 and was the highest figure for any June since reunification.

This development is largely due however to the effects of car tax reclassification and the scrapping incentive, which has boosted sales of small cars and those in the compact class in particular. According to the VDA, there is no doubt that the success of these measures has been uneven in its distribution.

Based on the 420,000 applications that the German Federal Office of Economics and Export Control (German abbreviation: BAFA) has processed up to now, it can be seen that over half of all registrations related to the scrapping incentive are for cars manufactured by German companies. The scrapping incentive has also changed the buyer structure, at least for the time being: for the year so far, the number of new car registrations by private owners has more than doubled while sales in the commercial sector have declined considerably as a result of the economic crisis.

The number of domestic incoming orders received in June by German car manufacturers was on the same level as the previous year. For the first six months of the year on the other hand, the number of domestic orders exceeded the figure for the previous year by 24%. The order backlog therefore continues to remain very high according to the VDA and this will help stabilise production in the second half of the year.

Since the domestic market grew by 426,000 units in the first six months of the year, this gives a total volume of over 3.5 million cars, even if figures for the second half of the year only reach the same level as the previous year. Due to the large order backlog, the VDA expects an overall market size for 2009 that could pass the 3.5 million mark. Next year however, this level will "definitely not be attainable".

According to the VDA, the situation in many foreign markets continues to remain dissapointing even if some improvement has started to show, thanks in no small way to the many incentive schemes introduced. In Europe as a whole, new car registrations were only 5% below the figure for the previous month.

For the first five months of 2009, new car registrations in Western Europe were 13% below the figure for the previous year; in the new EU states, registrations were down 26%. The US market for light vehicles declined in the first half of 2009 by 35%, although German manufacturers fared better here, suffering a drop of "only" 24% and increasing their market share by over one percentage point to 7.4%.

04
INTERIM MANAGEMENT REPORT | Business environment

The VDA expects decent growth in the Chinese market in 2009 while the US market is expected to remain weak.

Exports of cars manufactured by German companies were down 23% to 289,000 cars in June. For the first six months of the year, the decline was 35%. Foreign orders however, which had previously declined by 26% this year, were down only 20% in June and, seasonally adjusted, have actually been continuously increasing since February. This would suggest that the low point could by now have been reached in the export sector as well.

In view of the weak foreign markets, car production for the first half of the year was 24% below the figure for the previous year at 2.3 million. In June, a drop of 10% was recorded; seasonally adjusted however, manufacturing has actually tended to grow significantly over the past two months.

According to the VDA, the worldwide decline in the car market has made things particularly difficult for suppliers. In the first four months of this year, their domestic revenues declined by one-third while their foreign business declined by 46%. The association describes the financing situation of the sector as still being critical with the same applying to commercial credit insurance.

INTERIM MANAGEMENT REPORT | Earnings report

EARNINGS PERFORMANCE CONSIDERABLY BETTER IN SECOND QUARTER

The market is slowly recovering from the massive slump in sales and production in the automotive industry in the fourth quarter of 2008 and the first quarter of 2009.

This can be seen in the monthly trends of the PWO Group's series sales. Following the low point in December, sales have increased by nearly three-quarters until June. In terms of quarterly revenue, we achieved an 18.6% increase from EUR 41.4 million in the first quarter to EUR 49.1 million in the second. However, in spite of these minor recoveries, comparisions with the previous year still show significant declines. Revenue for the quarter under review was 31.5% below the same period in the previous year (EUR 71.7 million) and the six month period posted a decline of 34.7% at EUR 90.5 million after acheiveing EUR 138.6 million in the previous year.

The picture was similar for total output, sinking 29.0% to EUR 51.2 million in the quarter under review (2008: EUR 72.1 million). The six month period shows a decline of 35.1% to EUR 94.2 million (2008: EUR 145.1 million). The considerably lower change in inventories in the first quarter of 2009 as compared to the previous year left total output showing a greater decline than revenue in the first half. This trend reversed itself in the quarter under review – signalling an improvement in the situation.

This trend of improvement is more clearly reflected in EBIT. While April posted a loss of more than EUR 2 million, June was able to post a figure in the black for the first time this finanicial year. However, the continuing low capacity utilization meant that costs still could not be covered in the second quarter. EBIT came in at EUR -2.2 million for the second quarter (2008: EUR +4.6 million). This includes non-liquidity related exchange rate losses of EUR 1.1 million. The EBIT for the first six months amounted to EUR -7.2 million (2008: EUR +8.4 million). This includes non-liquidity related exchange rate losses of EUR 1.4 million.

Material input fell in line with total output for the quarter and first half, keeping the expense ratio steady at 55.3%. On the other hand, most of the other expense ratios, especially the staff expense ratio, increased at the Oberkirch site – in spite of short-time being implemented since February. Due to the increased number of employees (see details in the employees section), the ratio rose from 25.9% to 36.6%. However, even the trend here is positive in that after posting 41.2% in the first quarter, the ratio declined to 32.8% for the second (2008: 26.4%).

Despite the high level of investment in the previous year, depreciation and amortization in the first half fell by EUR 0.4 million to EUR 7.8 million. In the quarter under review, the figure remained at the previous year's level at EUR 4.0 million.

As was the case in the first quarter, other operating expenses were kept noticeably under the previous year's level by reducing the headcount of temporary workers as well as various cost-cutting measures in other areas.

Other operating income decreased in the second quarter after the first quarter posted a significant increase mainly due to the sale of our stake in the Chinese joint venture (resulting sale price: EUR 0.8 million). The six month period closed other operating income of EUR 2.6 million (2008: EUR 2.5 million).

Finance costs rose due to higher credit liabilities in both quarters. After six months it totalled EUR 2.7 million (2008: EUR 2.2 million). EBT amounted to EUR -3.6 million in the quarter under review (2008: EUR +3.5 million) and after six months EUR -9.9 million (2008: EUR +6.2 million). After tax credits (2008: tax expenses) due to respective losses before taxes, net profit for the period attributable to PWO AG shareholders amounted to EUR -3.1 million for the second quarter (2008: EUR +2.4 million) and EUR -7.7 million for the first half of 2009 (2008: EUR +4.4 million). Earnings per share of EUR -1.27 (2008: 0.96) were posted for the second quarter of 2009. The first half of 2009 totalled EUR -3.09 (2008: EUR +1.75).

04
INTERIM MANAGEMENT REPORT | Segment reporting

RECOVERY IN THE FIRST HALF BRINGS OBERKIRCH AND CZECH REPUBLIC EBIT TO BREAK-EVEN POINT

After a very disapointing first quarter 2009 growth in the international car industry has improved slightly in the second quarter. Since then, our European plants have also been showing improved growth once again. It remains true however that comparisons with the previous year still show significant decreases both in revenues and total output.

At the German production site, Oberkirch, which makes up the German segment of the business, revenues and total output each increased by over 16% in the second quarter of 2009 compared with the below average first quarter. However, revenues of EUR 38.1 million (2008: EUR 58.0 million) in the second quarter of 2009 were still 34.4% lower than those for the second quarter of 2008 while revenues of EUR 70.8 million (2008: EUR 113.1 million) for the first half of the year were 37.4% lower than those for the first half of 2008. Total output decreased by 32.3% from EUR 58.6 million in the second quarter of 2008 to EUR 39.6 million in the second quarter of 2009, while it decreased 37.8% from EUR 118.4 million in the first half of 2008 to EUR 73.7 million in the first half of 2009.

These decreases are clearly reflected in the EBIT. After implementing rigid cost saving measures, we were however able to once again reach break-even point in the second quarter of the year while, for the months of May and June, figures were in the black. While EBIT was at EUR -4.0 million for the first quarter of 2009 (2008: EUR 4.2 million), the loss diminished to EUR -0.1 million in the second quarter (2008: EUR 4.1 million). For the first six months of the year, EBIT is therefore EUR -4.1 million (2008: EUR 8.3 million).

As announced, our Czech site, which makes up the Rest of Europe segment was also able to grow strongly in the second quarter of the year with revenues there increasing to EUR 6.4 million (2008: EUR 4.8 million) and total output growing to EUR 6.0 million (2008: 4.4 million). For the first half of 2009, revenues amounted to EUR 10.3 million (2008: 7.2 million) and total output was EUR 10.6 million (2008: 7.8 million). At this new site, declining standby orders from existing production are still being clearly overcompensated for with new serial production start-ups. After the first 1,250 tonne large machine press was commissioned in 2008 and put to use throughout the course of the year, the second large machine press was put into operation at the beginning of this year.

Due to the new start-ups, the EBIT was still only EUR -0.5 million (2008: EUR -0.2 million) at the end of the first quarter. We are working intensively on gaining back these start-up losses. This has allowed us to break even in the second quarter, which means that the EBIT for the first half of the year reached EUR -0.5 million (2008: EUR 0.1 million).

Our production sites in Canada and Mexico together make up PWO's NAFTA region. Canada actually recorded a sequential increase in revenues in the second quarter but due to the very significant downturn in the North American market however, capacity utilization remained very low. The EBIT deficit therefore did not change in the second quarter compared with the first. In Mexico, the downturn was not quite as strong in the first quarter but the recovery in the second quarter was well below average, which meant that the EBIT could not recover.

Overall, revenues and total output for in the NAFTA segment for the second quarter of 2009 fell from EUR 10.3 million and EUR 10.5 million respectively for the same period last year to EUR 6.5 million and EUR 6.6 million respectively this year. For the first half of 2009, revenues and total output fell from EUR 20.5 million and EUR 20.6 million respectively in the first half of 2008 to EUR 12.4 million and EUR 12.5 million respectively this year. The EBIT for the second quarter of 2009 amounted to EUR -1.4 million (2008: EUR 0.4 million) while the figure for the first half of the year was EUR -2.6 million (2008: 0.4 million).

We did not achieve any considerable revenues in Asia in the first half of 2009 as we have separated from our joint venture and our own subsidiary company did not start production until after the end of the first quarter. As expected, the company recorded a start-up loss of EUR 0.6 million for the first half of 2009.

04
INTERIM MANAGEMENT REPORT | Financial position and cash flows

BORROWING REQUIREMENTS MET FOR 2009 / 2010 PARTIALLY COVERED ADDITIONAL AGREEMENTS WITH FINANCING PARTNERS COMPLETED

There was again a slight rise in the PWO Group's balance sheet total in the second quarter of 2009, corresponding to improving business trends, from EUR 205.1 million at 31 December 2008 to EUR 212.5 million on the reporting date.

The increase resulted mainly from gains on the asset side – higher current assets, especially an increase in cash reserves. Due to the loss for the period, equity fell to EUR 60.6 million on the liabilities side after posting EUR 68.0 million at the end of the 2008 financial year. The equity ratio decreased accordingly from 33.2% to 28.5%.

We also reduced trade payables from EUR 37.5 million at the beginning of the year to EUR 29.4 million due to business conditions.

Due to this, among other reasons, there was an increase in interest bearing borrowings from EUR 69.4 million to EUR 92.2 million. Gearing (net debt as a percentage of equity) climbed to 141% at the reporting date from 99% at the beginning of the year.

We were able to increase our credit liabilities in cooperation with our financial partners who are continuing to support us through the current crisis.

Cash flow from operating activities stood at EUR -7.7 million (2008: EUR 11.7 million) in the first half of 2009. The repayment of current liabilities (without financial loans) of EUR 8.9 million, due mainly to the reduction in trade payables, made a significant contribution to the negative balance. Excluding this reduction in current liabilities, cash flow would have evened out despite the loss for the period.

The borrowing requirements from operating activities, investments of EUR 7.2 million (2008: EUR 12.1 million) and interest paid of EUR 1.9 million (2008: EUR 1.5 million) were financed by credit liabilities, which increased by EUR 10.3 million overall. Accordingly, cash and cash equivalents declined by EUR 8.5 million.

Investments of EUR 4.8 million were made at the Oberkirch production site. Virtually no investments were made in Canada in the period under review. Investments at both of these sites totalled EUR 6.2 million in the previous year. A total of EUR 2.4 million (2008: EUR 5.9 million) was invested in our newest international production sites. There was no internal financing in the first half of 2009.

SATISFACTORY DEVELOPMENT IN NEW BUSINESS

Planning for future models continues in the automotive industry in spite of difficult economic conditions. This offers new pportunities for us and we are working hard on them with great committment.

Our high level of technical expertise and our globally competitive cost structures enabled us to have continued success in gaining new contracts during the first half of 2009. The focus of our management is to achieve a balanced mix in our order structure with orders to supply large, international platforms on the one hand and a higher number of smaller orders on the other. In doing so, we limit our risk as regards future capacity utilization.

After a leading international automotive group selected PWO to develop and manufacture the European order volume of the module carrier for a new global vehicle production platform in 2007, we also won the order volume for North America in the first quarter. 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. In total, the large orders are worth around EUR 180 million and will ensure a high level of capacity utilization at both the European and North American PWO production sites in future. The series ramp-ups are scheduled for 2011. Opportunities for bids on larger, platform orders in our product areas were not available in the second quarter, so new business focussed on smaller, diverse project bids.

Business at our Mexico site was particularly noteworthy. We were able to replace series production projects which are coming to an end with new orders. The location was also successful in positioning itself as a supplier of more complex components, increasing future value creation at the site.

STRICT BUDGETING OF INVESTMENTS VISIBLE IN FIGURES

In our line of work, there are generally three types of investments: investments for expansion, maintenence investments and project-related investments. With the present market environment, an investment of the first type is of course not currently on the agenda. However, this does not cast doubt over the development of our international production sites, it is just a matter of adapting the timeframe for expansion to current market conditions.

Maintenance investments are taken on a case-by-case basis, with each being carefully reviewed taking current market conditions into account. Any such investments which are not deemed urgent are put aside until later to preserve liquidity resources. Project-related investments come as part of new series production ramp-ups and therefore continue to be funded in full. They are currently the deciding factor as far as the amount of our investment volume is concerned.

In line with this management, we invested EUR 5.4 million into the Group in the first quarter 2009 – especially as part of the current and coming series production orders as well as the construction of our production site in China. In the second quarter, investments were reigned in to EUR 1.8 million. Investments totalled then EUR 7.2 million for the first half of 2009, staying well below the previous year's level of EUR 12.1 million.

The second quarter saw investments of EUR 1.4 million, mainly in the Oberkirch site, to continue the measures launched in the first quarter. At our China site, investments dropped from EUR 1.9 million in the first quarter to EUR 0.1 million in the second. A total of 0.2 million was invested in the Mexican site for improving production processes and another EUR 0.1 million was invested into the other two sites.

04
INTERIM MANAGEMENT REPORT | Employees

NUMBER OF EMPLOYEES DECLINES IN THE FIRST HALF OF THE YEAR

The average number of people employed by the company in the first half of the year was 1,935. This was above the previous year's figure of 1,878 – due mainly to growth that occurred in the 2008 financial year especially at the Czech site and at our new subsidiary in China. As ever, we place great emphasis on the training of young people. The number of apprentices for the first half of 2009 was 118 – 38 more than the average for the first half of 2008.

The adjustment measures implemented since the end of the 2008 financial year were nevertheless evident. At the end of December 2008, 2,010 people were employed by the company. At the reporting date of 30 June 2009, the number of employees in the company was 1,913.

In Germany, we employed an average of 1,154 people in the first half of 2009 (2008: 1,104). The increase of 50 employees firstly resulted from 24 additional employees. Secondly, we hired new employees in selected areas.

The numbers mentioned do not include the temporary workers. Their number has been reduced by more than 100.

At our plant in Canada, we had to reduce the number of employees from 117 last year to 110 this year due to the weak market environment.

Our site in the Czech Republic grew very strongly in the last financial year as a result of the upsurge in production there. A second large machine press went into operation in the first quarter of the year for further new serial production start-ups. Correspondingly, the average number of employees at this plant increased to 318 in the first half of 2009 (2008: 259). A structural adjustment of the indirect areas was introduced and started in the second quarter. The number of employees was reduced accordingly by six since the end of the first quarter.

Earnings growth in Mexico was lower than expected in 2009. In addition, the Mexican site was negatively affected by an ever-declining number of standby orders. We therefore significantly reduced the average number of employees there to 298 (2008: 382).

At our newly-established subsidiary in China, which was founded last year and began operating in April of this year, an average of 56 people were employed thorugh the first six months of the year. This company was only set up in mid-2008. At that time however, we were represented in China with a joint venture – the shares in which we have since sold – where, in line with our shareholding, nine people were employed.

04
INTERIM MANAGEMENT REPORT | Forecast

OPPORTUNITIES AND RISKS

The performance of the PWO Group continues to be influenced by the same opportunities and risks set out in the 2008 Annual Report. This applies to the group as well as to our segments.

Following the dramatic slowdown in the fourth quarter of 2008 and production stops by our customers over the New Year period, capacity utilization continued to be very low at the beginning of 2009. The initial signs of recovery came in March, with a more tangible upturn recorded in the second quarter.

The outlook for the 2009 financial year remains uncertain. The economic stimulation programmes launched by governments worldwide have at last had positive effects and the general talk is of an end in the downward spiral. On the other hand however, the likelyhood of increasing unemployment throughout the year and an increasing number of insolvencies remain great sources of uncertainty.

Support for the automotive sector through the introduction of scrapping incentives in Germany has provided a boost for manufacturers and suppliers in the car segment. However, this scheme has only benefited the PWO Group to a small extent.

The sales crisis on the international automotive markets is making operational development more difficult at our latest production sites in the Czech Republic, China and Mexico, and means additional efforts are required to achieve and move beyond break-even.

Potential further negative effects in the sector owing to the future performance of two leading US manufacturers, General Motors and Chrysler, cannot be ruled out. Although the situation in this area eased somewhat during the second quarter. We enjoy direct customer relationships with both companies through our North American subsidiaries. However, on a Group level these do not make a significant contribution to revenue and earnings.

In view of trends in the overall economy and the automotive sector, the top priority remains securing the liquidity and financing of the PWO Group. PWO management has taken important steps towards realising this since the start of the year. These include stringent evaluation of all investment plans as well as intensive negotiations with our financial partners. We were able to conclude successfully agreements with them to finance our new projects and international activities in particular. Therefore the borrowing requirements of the current year are covered, as are those of next year in part.

04
INTERIM MANAGEMENT REPORT | Forecast

ANTICIPATED EARNINGS PERFORMANCE IN THE 2009 FINANCIAL YEAR

The risks presented for business development in 2009 remain considerable, particularly as the recently evident economic recovery still leaves question marks over the further development of the employment market and therefore consumer demand.

The start-up of new production series, which have now been ordered, are not yet typically having an effect on business performance in the current year and will be gradually ramped up in the following year at the earliest. However, the ordering behaviour of customers has stabilised over the last few weeks and provides hope of further improvements in capacity utilization over the next few months.

To cushion the impact of declines in revenue, business management remains focused on extensive cost limitation. However, future-oriented projects and development activities will be continued without restriction.

On the back of slightly higher order numbers and rigid cost cutting measures, our income development has improved so tangibly since June that we are again recording a positive EBIT, albeit at a low level.

As our major customers have not yet provided any authoritative statements on further development for the 2009 financial year, it is still very difficult for us to predict the possible development in the second half at this point in the year. This sustained uncertainty about the further development does not allow us to make any well-founded projcections at this time. A net profit for the year hardly looks likely at this point in time despite the recent recovery.

05
INTERIM FINANCIAL STATEMENTS | Group Income Statement

	2nd Quarter 2009		2nd Quarter 2008	
	EUR m	% share	EUR m	% share
Revenue	49.1	95.9	71.7	99.4
Changes in inventories/ Work performed by the enterprise	2.1	4.1	0.4	0.6
Total output	**51.2**	**100.0**	**72.1**	**100.0**
Other operating income	0.6	1.2	1.8	2.5
Cost of materials	28.2	55.1	39.4	54.6
Staff costs	16.8	32.8	19.0	26.4
Depreciation and amortisation	4.0	7.8	4.0	5.5
Other operating expenses	5.0	9.8	6.9	9.6
EBIT	**-2.2**	**-4.3**	**4.6**	**6.4**
Finance costs	1.4	2.7	1.1	1.5
EBT	**-3.6**	**-7.0**	**3.5**	**4.9**
Taxes on income	-0.5	-1.0	1.1	1.5
Net profit for the period	**-3.1**	**-6.0**	**2.4**	**3.3**
of which attributable to share-holders of PWO AG	-3.1	—	2.4	—
of which attributable to minority interest	0.0	—	0.0	—
Earnings per share in EUR related to the earnings allocated to the shareholders of PWO AG	-1.27	—	0.96	—

05
INTERIM FINANCIAL STATEMENTS | Group Income Statement

	1st Half-year 2009		1. Half-year 2008	
	EUR m	% share	EUR m	% share
Revenue	90.5	96.1	138.6	95.5
Changes in inventories/ Work performed by the enterprise	3.7	3.9	6.5	4.5
Total output	**94.2**	**100.0**	**145.1**	**100.0**
Other operating income	2.6	2.8	2.5	1.7
Cost of materials	52.1	55.3	80.2	55.3
Staff costs	34.5	36.6	37.6	25.9
Depreciation and amortisation	7.8	8.3	8.2	5.7
Other operating expenses	9.6	10.2	13.2	9.1
EBIT	**-7.2**	**-7.6**	**8.4**	**5.8**
Finance costs	2.7	2.9	2.2	1.5
EBT	**-9.9**	**-10.5**	**6.2**	**4.3**
Taxes on income	-2.2	-2.3	1.9	1.3
Net profit for the period	**-7.7**	**-8.2**	**4.3**	**3.0**
of which attributable to share-holders of PWO AG	-7.7	—	4.4	—
of which attributable to minority interest	0.0	—	-0.1	—
Earnings per share in EUR related to the earnings allocated to the shareholders of PWO AG	-3.09	—	1.75	—

05 INTERIM FINANCIAL STATEMENTS | Group Balance Sheet

ASSETS	30/06/2009	31/12/2008
	EUR m	EUR m
Property, plant and equipment	99.2	98.9
Intangible assets	11.7	12.0
Deferred tax assets	3.0	1.4
Non-current assets	**113.9**	**112.3**
Inventories	47.4	46.7
Receivables and other assets	44.3	42.5
Cash	6.9	2.3
Assets classified as for disposal	0.0	1.3
Current assets	**98.6**	**92.8**
Total assets	**212.5**	**205.1**

LIABILITIES	30/06/2009	31/12/2008
	EUR m	EUR m
Equity	**60.6**	**68.0**
Interest-bearing borrowings	50.2	32.5
Pension provisions	24.1	23.6
Other provisions	3.9	3.6
Deferred tax liabilities	1.0	0.8
Non-current liabilities	**79.2**	**60.5**
Current portion of pension provisions	1.3	1.3
Trade payables and other liabilities	29.4	37.5
Interest-bearing borrowings	42.0	36.9
Liabilities which are classified as for disposal	0.0	0.9
Current liabilities	**72.7**	**76.6**
Total equity and liabilities	**212.5**	**205.1**

05

INTERIM FINANCIAL STATEMENTS | Group Statement of Changes in Equity

	Equity attributable to shareholders of PWO AG						Minority	Total
	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Cash flow hedge	Total	shares	Group Equity
	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000
as at January 1, 2009	6,391	17,155	47,727	-1,167	-2,126	**67,980**	0	**67,980**
Cash flow Hedge					1,030	**1,030**		**1,030**
Currency translation				655		**655**		**655**
Net profit			-7,730			**-7,730**		**-7,730**
Total net profit	**6,391**	**17,155**	**39,997**	**-512**	**-1,096**	**61,935**	**0**	**61,935**
Dividend payment			-1,375			**-1,375**		**-1,375**
Minority interests						**0**		**0**
as at June 30, 2009	**6,391**	**17,155**	**38,622**	**-512**	**-1,096**	**60,560**	**0**	**60,560**

	Equity attributable to shareholders of PWO AG						Minority	Total
	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Cash flow hedge	Total	shares	Group Equity
	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000
as at January 1, 2008	6,391	17,312	49,537	755	383	**74,378**	2,411	**76,789**
Cash flow Hedge					-113	**-113**		**-113**
Currency translation				-602		**-602**	-118	**-720**
Offset goodwill		-157				**-157**		**-157**
Net profit			4,378			**4,378**	-89	**4,289**
Total net profit	**6,391**	**17,155**	**53,915**	**153**	**270**	**77,884**	**2,204**	**80,088**
Dividend payment			-3,250			**-3,250**		**-3,250**
Minority interests						**0**	-2,204	**-2,204**
as at June 30, 2008	**6,391**	**17,155**	**50,665**	**153**	**270**	**74,634**	**0**	**74,634**

05
INTERIM FINANCIAL STATEMENTS | Group Cash Flow Statement

	30/06/2009	30/06/2008
	EUR m	EUR m
Net profit for year	-7.7	4.3
Depreciation/reversal of write-downs on property,	7.8	8.2
Income tax expense/refund	-2.2	1.9
Interest income and expense	2.7	2.2
Change in current assets	-0.8	-10.9
Increase in non-current liabilities (excluding financial credits)	0.0	0.5
Change in current liabilities (excluding financial credits)	-8.9	8.4
Income taxes paid	0.4	-2.5
Other non-cash expenses/income	1.0	-0.4
Cash flow from operating activities	**-7.7**	**11.7**
Payments for investments in property, plant and equipment	-6.8	-10.5
Payments for investments in intangible assets	-0.4	-1.6
Cash flow from investing activities	**-7.2**	**-12.1**
Acquisition of minority interests	0.0	-2.6
Dividend payment	-1.4	-3.3
Interest paid	-1.9	-1.5
Proceeds from borrowings	18.3	14.9
Repayment of loans	-8.0	-5.8
Cash flow from financing activities	**7.0**	**1.7**
Net change in cash and cash equivalents	-7.9	1.3
Cash and cash equivalents as of January 1	-0.6	-5.2
Cash and cash equivalents as of June 30	**-8.5**	**-3.9**
of which cash and cash equivalents	6.9	2.4
of which bank borrowings repayable on demand	-15.4	-6.3

06
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Basis of preparation of interim financial statements

These condensed consolidated interim financial statements were prepared in accordance with IAS 34 (interim financial reporting). They do not contain all the information and disclosures required for the annual consolidated financial statements and should therefore be read in conjunction with the annual consolidated financial statements as at 31 December 2008. The consolidated interim financial statements and management reports are not subjected to external audit.

Scope of consolidation

The consolidated interim financial statements as at June 30, 2009 include 6 foreign companies which are directly or indirectly controlled by PWO AG. In contrast to 31 December 2008, the companies PWO & BMC Holding Co. Ltd., Hongkong and PWO & BMC High-Tech Metal Components (Suzhou) Co. Ltd., China no longer come within the scope of consolidation.

Accounting policies

The accounting policies used in the preparation of these consolidated interim financial statements are the same as those used for the consolidated financial statements as at 31 December 2008. Detailed information is contained in the notes on the consolidated financial statements of the 2008 Annual Report (cf. Note no. 2).

Currency translation

The functional currency of the PWO Group is the euro. The interim 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. All items contained in the financial statements of the companies concerned are evaluated using this functional currency. All balance sheet items of the foreign consolidated entity were translated to euros by applying the mean rate of exchange at the balance sheet date. Expenses and earnings in the group income statement were translated using the mean exchange rate. The net profit for the year from the translated income statement was taken into the balance sheet. Exchange differences are recognised directly in equity as a currency translation difference.

With PWO de México S.A. de C.V., the functional currency, the Mexican Peso, was retroactively translated into US dollars from the 2007 financial year (cf. Note no. 6 in the consolidated financial statements at 31 December 2008). Therefore, the interim financial statements for the second quarter and the first half of 2008 also feature adjusted figures from the previous year.

On 1 January 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 materials and other costs.

The following exchange rates were used for currency translation purposes within the consolidated interim financial statements:

	Closing rate		Average rate	
	30/06/2009	**30/06/2008**	1st Half-year **2009**	1st Half-year **2008**
CAD	1.63	1.59	1.61	1.54
CNY	9.64	10.85	9.10	10.80
HKD	10.95	12.31	10.33	11.94
USD	1.41	1.58	1.33	1.53

06
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT

Revenue

A breakdown of Group revenue by region and product area is presented as part of segment reporting (see page 22).

Work performed by the enterprise

In the first half of 2009, work performed by the enterprise included development costs of EUR 0.4 million requiring capitalisation according to IAS 38. This particularly relates to investments in the development of a module carrier.

Other operating income

Other operating income primarily includes currency exchange effects, the cancellation of accruals as well as income from the sale of the 50% interest in the Chinese joint venture.

Other operating expenses

Other operating expenses mainly include outward freight charges, expenses attributable to temporary staff, rent and leasing costs, maintenance expenses, currency exchange effects as well as expenses for legal, auditing and consultancy services, expenses associated with staff training and travel costs.

NOTES TO THE BALANCE SHEET

Equity

Subscribed 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 individual bearer shares for cash contributions on one or more occasions by up to EUR 3,195,574.26. Under such circumstances, shareholders will 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.

Revenue reserves and other equity
Income/losses from currency conversion at foreign subsidiaries totalling EUR 0.7 million (2008: EUR -0.7 million) as well as income/losses from hedging cashflow hedges amounting to EUR 1.0 million (2008: EUR -0.1 million) are considered in Group equity.

Dividends distributed
On May 26, 2009, the AGM decided to distribute the proposed dividend of EUR 0.55 per share for the financial year 2008. The payout totalled EUR 1.4 million.

Provisions for pensions

Pension provisions are measured on an annual basis for the consolidated financial statements by independent appraisers. A revalutation is due for the consolidated financial statements on December 31, 2009.

06
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OTHER INFORMATION

SEGMENT REPORTING

Segment information based on the location of assets, divided into the regions Germany, Rest of Europe, NAFTA and Asia:

	1st Half-year 2009		1st Half-year 2008	
Revenue by region	EUR m	%	EUR m	%
Germany	70.8	78.2	113.1	81.6
Rest of Europe	10.3	11.4	7.2	5.2
NAFTA	12.4	13.7	20.5	14.8
Asia	0.1	0.1	0.1	0.1
Consolidation	-3.1	-3.4	-2.3	-1.7
Group	**90.5**	**100.0**	**138.6**	**100.0**
Total output by region				
Germany	73.7	78.2	118.4	81.5
Rest of Europe	10.6	11.3	7.8	5.4
NAFTA	12.5	13.3	20.6	14.2
Asia	0.1	0.1	0.1	0.1
Consolidation	-2.7	-2.9	-1.8	-1.2
Group	**94.2**	**100.0**	**145.1**	**100.0**
EBIT by region				
Germany	-4.1	56.9	8.3	98.8
Rest of Europe	-0.5	6.9	0.1	1.2
NAFTA	-2.6	36.1	0.4	4.8
Asia	-0.7	9.7	-0.3	-3.6
Consolidation	0.7	-9.6	-0.1	-1.2
Group	**-7.2**	**100.0**	**8.4**	**100.0**

06
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Judgement, estimates and assumptions

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

Events after the reporting date

No significant events requiring inclusion in this report occurred after the reporting date, June 30, 2009.

07
RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim 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, 29 July 2009

The Management Board

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

08
REPORT OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The interim financial report for the second quarter and the first half of the 2009 financial year was presented to the Supervisory Board's Audit Committee on 29 July 2009 and explained by the Management Board. The audit committee approved the interim financial report.

Oberkirch, 29 July 2009

Chair of the Audit Committee

Dr. jur. Klaus-Georg Hengstberger

09 FINANCIAL CALENDAR | BOARD MEMBERS | CONTACT

FINANCIAL CALENDAR

04 November 2009
Interim financial report 1st to 3rd quarter 2009

11 March 2010
Publication of provisional annual financial statements 2009 analysts' and press conference

15 April 2010
Presentation of Annual Report 2009

04 May 2010
Interim financial report 1st quarter 2010

26 May 2010
Annual General Meeting 2010

CONTACT

Bernd Bartmann
Chief Financial Officer (CFO)
Phone: +49 (0) 7802 / 84-347
E-mail: ir@progress-werk.de

Charlotte Frenzel
Investor Relations
Phone: +49 (0) 7802 / 84-844
E-mail: ir@progress-werk.de

Progress-Werk Oberkirch AG
Industriestraße 8
77704 Oberkirch
www.progress-werk.de

BOARD MEMBERS

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

Members of the Management Board:
Karl M. Schmidhuber (Chairman)
Bernd Bartmann
Dr. Winfried Blümel

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

* Employee representatives