



Press Release regarding the First Half of 2006

## **PWO remains on track after first six months**

Oberkirch, 2 August 2006 – Progress-Werk Oberkirch AG can look back on an encouraging first six months of the 2006 financial year. In the first half of the financial year consolidated revenue rose by 3.3 per cent to EUR 113.3 million (6M 2005: 109.7). Group revenue for the second quarter totalled EUR 55.9 million (Q2 2005: 58.2). Total output, i.e. net sales plus inventory changes plus work performed by the enterprise and capitalised, for the PWO Group increased by 6.5 per cent to EUR 116.0 million in the first half (6M 2005: 108.9); in the second quarter it amounted to EUR 56.8 million (Q2 2005: 57.2).

Growth was driven by all three operating units: while PWO AG in Oberkirch/Germany expanded total output by 5.4 per cent year on year in the first half, taking this figure to EUR 97.2 million (6M 2005: 92.2), PWO Canada increased total output by 18.1 per cent to EUR 17.6 million (6M 2005: 14.9) and PWO Unitools, Czech Republic, propelled it to EUR 4.5 million (Q2 2005: 1.8). As regards year-on-year comparisons, it should be noted that PWO Unitools did not join the consolidated group until April 2005 and that PWO Canada recorded positive foreign exchange effects. The more pronounced growth of total output in relation to revenue was attributable to a rise in inventory levels by EUR 2.6 million as a result of initial tool-related outlays, while inventories had been scaled back by EUR 1.1 million in the same period a year ago.

The ratio of material costs stood at 51.6 per cent in the first half of 2006, as opposed to 50.1 per cent in the same period a year ago. At the same time, productivity levels increased further year on year, thus enhancing bottom-line results. The ratio of staff costs for the first half receded from 28.2 per cent to 27.8 per cent. The cost ratio associated with other operating expenses was considerably lower despite a rise in costs for the deployment of temporary staff: it fell from 8.7 per cent to 7.2 per cent. This was attributable to the transition from operating to finance lease agreements, effective from the 2005 financial statements. Thus, the majority of leasing costs are now accounted for under depreciation and amortisation. Correspondingly, the latter increased significantly compared with the preceding year.

In total, consolidated earnings before interest and taxes (EBIT) amounted to EUR 8.5 million in the first six months of FY 2006 (6M 2005: 8.4) and EUR 4.6 million in the second quarter (Q2 2005: 4.6). The slight year-on-year decline in the EBIT margin reflects the temporary rise in external services associated with tool manufacture over the course of the first quarter as well as the different cycle of inventory changes in the current financial year. The Group's headquarters in Oberkirch (PWO AG) generated EBIT of EUR 7.1 million in the first half (6M 2005: 7.3). PWO recorded a rise in EBIT from EUR 1.0 million in the first half of 2005 to EUR 1.3 million in the first six months of the current financial year, which represents a 30 per cent increase. Within this context, it should be noted that results were influenced only slightly by foreign exchange effects. The Czech subsidiary Unitools, which is currently being expanded, continued to perform well. It posted above par results both for the first six months and the second quarter.

With interest expense remaining virtually unchanged and the tax rate improving slightly, consolidated net profit amounted to EUR 4.5 million in the first six months (6M 2005: 4.3) and EUR 2.5 million in the second quarter (Q2 2005: 2.4). For the first six months of 2006, earnings per share



(EPS) stood at EUR 1.78, compared with EUR 2.05 a year ago, while EPS for the second quarter amounted to EUR 1.00, after EUR 1.15 in Q2 2005. The figures for the preceding year have been adjusted for the increase in share capital that took place in October 2005.

Against the backdrop of more dynamic business, the balance sheet total for the Group as a whole increased slightly year on year. The Group saw a further improvement in its financing structure: induced by positive earnings, equity rose by EUR 1.5 million to EUR 65.1 million; the equity ratio climbed to 41.2 per cent in the first half, compared with 40.7 per cent at the year-end of 2005. Interest-bearing borrowings were scaled back by EUR 1.9 million.

In the first six months, cash flow from operating activities expanded by 38 per cent year on year, taking the total to EUR 8.4 million. Investing activities increased within the parameters of normal business development from EUR 2.0 million in the first quarter of 2006 to EUR 3.1 million in the second quarter. Capital expenditure in the first six months totalled EUR 5.1 million, compared with EUR 4.7 million in the preceding year. Cash flows from financing activities are dominated by the net reduction in loans. Given the fact that the dividend payment was executed over the course of the second quarter, the level of cash and cash equivalents used can be considered normal for this specific period of the financial year.

The current level of customer scheduling for the second half suggests a solid performance in terms of revenue as well as earnings. Operating against this backdrop, PWO is forecasting year-on-year growth in FY 2006, both in terms of revenue and profit. Beyond this, the substantial volume of incoming orders at the Group's Czech-based unit bear testimony to PWO's outstanding market position in Europe. The Group remains committed to leveraging further market potential by continuing to expand its global presence.

### **Progress-Werk Oberkirch AG**

The Management Board