

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
	<i>Of which attributable to:</i>		
	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	2008
	EUR'000	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
<i>Of which attributable to:</i>		
Owners of PWO AG	-5,140	-2,991
Minority interests	0	-207

Note no.	2009 EUR'000	2008 EUR'000	
14	Property, plant and equipment	97,161	98,907
15	Intangible assets	11,289	12,043
	Deferred tax assets	1,765	1,396
	Non-current assets	110,215	112,346
16	Inventories	42,312	46,713
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 Statement of Changes in Equity

Equity attributable to shareholders of PWO AG

EUR'000	Cumulative income and expense directly recognised in equity							Total equity
	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Cash flow hedge	Total	Minority interest	
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	<i>of which cash and cash equivalents from continued activities</i>	7,704	2,265
	<i>of which cash and cash equivalents not from continued activities</i>	0	65
21	<i>of which bank borrowing repayable on demand</i>	-4,213	-2,951

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.

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.

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.

- 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 as 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.

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

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

EUR '000	Deferred tax assets		Deferred tax liabilities	
	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 Beteiligungsberatung-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).

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
<i>of which experiential adjustments</i>	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.

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.

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.

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.

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:

EUR '000	Minimum lease payments		Present value of minimum lease payments	
	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
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.

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.

EUR '000	Carrying Amount	Carrying Amount
	2009	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

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.

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
<i>of which neither overdue nor impaired</i>	32,236	26,196
<i>of which < 30 days overdue (but not impaired)</i>	3,674	4,540
<i>of which > 30-90 days overdue (but not impaired)</i>	1,133	3,898
<i>of which > 90-180 days overdue (but not impaired)</i>	927	821
<i>of which > 180-360 days overdue (but not impaired)</i>	246	1,903
<i>of which > 360 days overdue (but not impaired)</i>	504	876

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
<i>of which repayment of principal</i>	34,948	44,256	7,588	86,792
<i>of which interest payment</i>	1,958	4,001	606	6,565
Liabilities to leasing companies	0	0	0	0
<i>of which repayment of principal</i>	0	0	0	0
<i>of which interest payment</i>	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
<i>of which repayment of principal</i>	36,262	23,036	9,488	68,786
<i>of which interest payment</i>	1,006	2,926	952	4,884
Liabilities to leasing companies	674	3	0	677
<i>of which repayment of principal</i>	662	3	0	665
<i>of which interest payment</i>	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 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.

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	Redemption 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

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:

EUR '000	Measurement category as per IAS 39	Carrying amount		Fair Value	
		2009	2008	2009	2008
ASSETS					
Trade and other receivables	LaR	38,720	38,234	38,720	38,234
Other financial assets		1,535	2	1,535	2
<i>of which derivatives with hedging relationship</i>	n.a.	1,535	0	1,535	0
<i>of which derivatives without hedging relationship</i>	FAHFT	0	2	0	2
<i>of which deposits > 3 months</i>	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
<i>of which variable interest rate</i>		43,943	46,226	43,943	46,226
<i>of which fixed interest-rate</i>		42,849	22,560	45,922	24,480
Liabilities to leasing companies	n.a.	0	665	0	677
<i>of which variable interest-rate</i>		0	0	0	0
<i>of which fixed interest rate</i>		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
<i>of which derivatives with hedging relationship</i>	n.a.	856	2,964	856	2,964
<i>of which derivatives without hedging relationship</i>	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
<i>of which derivatives with hedging relationship</i>	0	1,535	0	1,535
<i>of which derivatives without hedging relationship</i>	0	0	0	0
LIABILITIES				
Other financial liabilities	0	1,532	0	1,532
<i>of which derivatives with hedging relationship</i>	0	856	0	856
<i>of which derivatives without hedging relationship</i>	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.

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
<i>of which due to disposal</i>	44	106
<i>of which due to re-measurement</i>	0	0
<i>of which due to impairment/impairment reversal</i>	-841	-26
<i>of which due to currency effects</i>	-138	378
Financial Assets Held for Trading (FAHfT)	0	-10
<i>of which due to disposal</i>	0	0
<i>of which due to re-measurement</i>	0	-10
Financial Liabilities Measured at Amortised Cost (FLAC)	658	294
<i>of which due to disposal</i>	378	333
<i>of which due to re-measurement</i>	0	0
<i>of which due to impairment/impairment reversal</i>	0	0
<i>of which due to currency effects</i>	280	-39
Financial Liabilities Held for Trading (FLHfT)	-190	-513
<i>of which due to disposal</i>	315	0
<i>of which due to re-measurement</i>	-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.

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	Consolidation	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
<i>of which non-current assets</i>	<i>50,737</i>	<i>24,214</i>	<i>21,312</i>	<i>12,372</i>	<i>-185</i>	<i>108,450</i>
Liabilities	16,595	5,807	7,346	12,493	100,958	143,199
Investments	9,028	414	1,514	3,486	-457	13,985

Segment information by locations

EUR '000	Germany	Rest of Europe	NAFTA region	Asia	Consolidation	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
<i>of which non-current assets</i>	<i>52,888</i>	<i>25,650</i>	<i>24,332</i>	<i>9,326</i>	<i>-1,246</i>	<i>110,950</i>
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 Beteiligungsberatung-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

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

Jan 01, 2009	Depreciation/amortisation					Dec 31, 2009	Book values	
	Additions	Reclassi- fications	Disposals	Currency change	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.

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 México)	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

Jan 01, 2008	Depreciation/amortisation					Dec 31, 2008	Book values	
	Additions	Reclassi- fications	Disposals	Currency change	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	

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