# THE HUMAN TOUCH OF AUTOMOTIVE TECHNOLOGY

## INTERIM REPORT – THIRD QUARTER AND FIRST NINE MONTHS

2007


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**Dear Shareholders and Business Associates,**

PWO succeeded in maintaining its forward momentum in the third quarter of the current financial year. Indeed, our performance over the first nine months is sustainably above our original targets, and on this basis we have revised upwards our forecasts for revenue and EBIT to be generated in the 2007 financial year as a whole.

We now anticipate that revenue will rise to EUR 255 million, compared with the previous figure of approx. EUR 250 million. Thus, the company is expected to grow by 13 per cent in the current financial year, buoyed by substantial organic growth at our German location as well as by the inclusion of our new Mexican subsidiary. We have also set our sights on lifting EBIT above last year's threshold of EUR 15.8 million, the objective being to move well beyond the EUR 16 million mark.

Our strategy of international expansion has thus already borne fruit at this early stage of development: we have gained a foothold in new sales markets abroad, while at the same time limiting the costs of expansion by taking a circumspect approach to the management of risks generally associated with the establishment of new business sites. As a result of this incisive approach, the successful performance of our German plant has more than offset the costs attributable to expansion.

Our optimism also extends to business performance in years to come. As announced just after the end of the quarter under review, the second phase of plant expansion in the Czech Republic has now begun, and we are also in the process of establishing our own subsidiary in Suzhou, China. This company will manufacture other products than those currently being made by PWO's Chinese joint venture, thus adding to the overall portfolio. These programmes are to be seen as the basis of further growth in the two regions as a whole.

In addition, we have again increased our production capacity at the company's Oberkirch facility by introducing a new 920-tonne press at the beginning of October. This new piece of equipment will allow us to implement a range of process innovations in terms of precision, productivity and ease of maintenance, thus further bolstering our competitive position and showcasing our expertise as a high-tech operator. What is more, the company has already secured a number of production orders to be covered by the newly introduced resources, thus ensuring solid capacity utilisation from start-up and safeguarding jobs at the facility.

Product and process innovation is a significant source of competitive strength for PWO. Our well-conceived lean production processes have set standards within the international arena. We draw pride from the recent "Automotive Lean Production Award" bestowed on our company within the "Domestic SME" category. It clearly bears testimony to our success in achieving best-in-class production efficiency at our Oberkirch site and places us in the European premier league of automotive suppliers.

In the coming years, we shall use this position as a launch pad for further profitable growth within the international markets.

Oberkirch, 8 November 2007
The Management Board

# BUSINESS ENVIRONMENT

### General business climate

Economic development in Europe, and in Germany in particular, is being driven to an increasing extent by domestic consumer demand. Whereas GDP growth within the eurozone has slackened over recent weeks, growth in private consumption has been gathering pace after an initial period of stagnation induced by the rise in German value-added tax.

One of the principal contributors to European growth in private consumption has been the favourable trend in the job market. This applies in particular to Germany, where domestic demand had been adversely affected well into 2007 by the increase in VAT implemented by the government at the beginning of the year. Within this context, lower unemployment has clearly had a favourable impact, providing fresh impetus for consumer spending as a whole.

In the United States, by contrast, the crisis sparked off by sub-prime mortgage lending has dented consumer confidence and dampened economic growth. Sustained weakness within the area of consumer demand – recently compounded by a significant increase in crude oil prices denominated in US dollars – is considered to be one of the key risks to the US economy at this moment in time.

On a more positive note, growth in other overseas markets, with the Far East leading the way, has remained buoyant. Generating double-digit growth rates, the Chinese economy continues to be one of the most powerful engines within the global economy.

### Sector trends

The significant decline in new car registrations in Germany should be viewed against the backdrop of substantial market activity in the previous year, mainly as a result of pre-emptive purchases made in 2006 to circumvent the rise in VAT at the beginning of 2007. On this basis, the level of new vehicle registrations in the first three quarters of 2007 was eight per cent lower than in the same period a year ago. However, according to data published by the Verband der deutschen Automobilhersteller (VDA), Germany's automobile industry association, seasonally adjusted figures of new vehicle registrations in September point to sales volumes that are comparable to the average levels recorded in previous years.

German manufacturers appear to have fared slightly better than their foreign counterparts. In September, domestic orders were 25 per cent down on last year's figure – for the same reasons outlined above. However, calculated on a seasonally adjusted basis, they too gained considerable momentum, increasing by 4 per cent compared with the previous month. According to the VDA, this most recent upturn in the market, together with the confident mood in evidence at this year's IAA motor show, would appear to suggest an improvement in the level of domestic business in the coming year at the latest.

Overseas business is continuing to expand at pace: incoming orders from abroad rose by nine per cent between January and September. Despite the weak US dollar, German manufacturers were able to propel their exports by 11 per cent, gaining ground in some of the world's key markets. Their traditional home market, Western Europe, generated growth of 13 per cent in the period up to July, while the UK, as the principal market for exports, and the new EU states produced growth rates in excess of 20 per cent.

Exports to the US rose by three per cent in the period up to August, thus bucking the downward trend witnessed in this market as a whole, while the volume of new vehicles destined for the Russian market almost doubled. Germany's export business within the automobile sector is currently powering ahead with all guns blazing, which has had a tangible impact on the automotive economy as a whole: at present, three out of four cars produced in Germany are sold abroad.

Against this backdrop, automobile production in Germany rose significantly in the first three quarters of 2007 – by six per cent. This figure was outpaced by non-domestic production, which grew by an impressive nine per cent – a testament to the growing significance of international production facilities within the German automotive industry.

Given the high level of demand from abroad, the VDA is confident that this favourable trend will continue over the coming months.

# REVIEW OF INCOME STATEMENT

## STRONG GROWTH IN REVENUE AND TOTAL OUTPUT FURTHER EXPANSION OF EBIT

The PWO Group succeeded in maintaining its forward momentum in the third quarter and first nine months of 2007. Sales revenue increased from EUR 54.3 million a year ago to EUR 63.1 million in the third quarter of the current financial year and from EUR 167.5 million to EUR 190.9 million calculated on the basis of the first nine months. In the same periods, total output, i.e. net sales plus inventory changes plus work performed by the enterprise and capitalised, rose from EUR 56.5 million to EUR 66.0 million and from EUR 172.5 million to EUR 193.3 million.

Within this context, the trends witnessed in the first six months of the financial year continued into the third quarter: expansion was driven on the one hand by the inclusion of our Mexican subsidiary Cartec, S.A. de C.V. since January 5, 2007, and on the other hand by significant organic growth generated at our Oberkirch facility. The latter was induced mainly by more expansive series production in the wake of buoyant exports within the German automobile industry.

As anticipated, growth associated with tooling revenues, which traditionally tend to produce lower margins, slackened over the course of the third quarter of 2007. In the third quarter the revenue amounted to EUR 3.8 million (previous year: EUR 5.2 million). In the first nine months, revenue within this area amounted to EUR 13.6 million, compared with EUR 12.7 million.

Overall, temporary expenses attributable to international expansion had a visible impact on the EBIT margin in the third quarter and the first nine months, with the latter contracting to 5.8 per cent – down from 6.2 per cent a year ago – in the third quarter and to 6.6 per cent, compared with 7.0 per cent, in the first nine months. Having said this, we managed to increase EBIT in absolute terms by EUR 0.3 million to EUR 3.8 million in Q3 2007 and by EUR 0.7 million to EUR 12.7 million in the first nine months. Thus, we are well above our original target of achieving unchanged EBIT in the 2007 financial year as a whole.

As anticipated, the decline in our EBIT margin is attributable on the one hand to the inclusion of our Mexican subsidiary, whose earnings performance has yet to reach the average level recorded within the Group. On the other hand, our programme of international expansion has been accompanied by tangible increases in other operating expenses.

Recent trends witnessed in other areas of our overall cost structure also remained unchanged in the period under review: our staff cost ratio decreased as a result of productivity gains made at our Oberkirch facility as well as the below-average expense ratio recorded at our Mexican facility. By contrast – and this is a situation generally seen in low-wage countries – our subsidiary in Mexico recorded a higher material cost ratio, which has an impact on the average figure posted for the PWO Group as a whole.

Depreciation and amortisation in relation to revenue was visibly lower in the third quarter. This figure is expected to rise as the company's investment budget is put into action in the fourth quarter. Having said that, the thus resulting depreciation and amortisation expense will not come into full effect in the current financial year. In absolute terms, finance costs rose over the course of the third quarter and the first nine months. However, expressed in relation to revenue, the ratio remained stable year on year in the first nine months of 2007.

The tax rate increased as a result of temporary factors associated with Germany's corporate tax reform, which involved adjustments within the area of deferred taxes. The net profit for the first nine months of 2007 remained appropriately unchanged year on year at EUR 6.2 million and was only marginally down in Q3 from EUR 1.8 million a year ago to EUR 1.7 million in the current financial year. Taking into account the reduction in German taxation levels, we expect to see a significant improvement in the Group's tax rate in the coming year. Minority interests remained at a low level in both reporting periods.

With the number of shares remaining unchanged at 2.5 million, earnings per share for the third quarter and the first nine months stood at EUR 0.71 and EUR 2.49 respectively, which was comparable to the result posted for the same periods a year ago.

# SEGMENT REPORTING

## OBERKIRCH SITE CONTINUES TO FLOURISH
## START OF PRODUCTION IN THE CZECH REPUBLIC AND MEXICO

Starting with the 2006 annual report, we adjusted our segment reporting to embrace an approach that is even more transparent than that chosen in the past. Our primary segments are represented by geographical regions, based on the respective locations covered by the PWO Group. The same method is applied to our interim reports.

Within the German region, our Oberkirch site succeeded in emulating its positive performance of the second quarter and achieved solid results in Q3, despite the fact that this period is traditionally considered less buoyant due to seasonal factors. Achieving a year-on-year increase in revenue of 10.3 per cent as well as a 9.2 per cent gain in total output and an increase in its EBIT margin, the Oberkirch location continues to progress above target. This positive trend is expected to continue into the fourth quarter of the current financial year. Our product mix within the German market remains favourable. In parallel, we have been reaping the rewards of higher productivity.

Business performance at our plant in the Czech Republic, which forms part of the "Rest of Europe" region, was dominated by the conclusion of installation work on a new 1,250-tonne transfer press. The associated tooling sets have now also been completed. Correspondingly, total output amounting to EUR 2.5 million in Q3 exceeded the figure of EUR 2.3 million posted for the same period a year ago, whereas revenue of EUR 1.9 million (previous year: EUR 3.1 million) remained below last year's total due to specific accounting and invoicing procedures.

In view of the fact that the relatively low-margin tooling revenues were not billed in the reporting period and corresponding earnings contributions have yet to be accounted for, our Czech location posted a break-even EBIT figure for the third quarter, compared with an above-par result a year ago.

As outlined on previous occasions, the new press will be taken into service during the fourth quarter of the current financial year. Growth in revenues and earnings will continue in 2008 in parallel with the ramp-up of the new press. At the same time, we are confident that the plant can develop at pace with the help of additional orders and production equipment.

The NAFTA segment includes our two sites in North America and Mexico. Year-on-year growth in revenue and total output in the NAFTA region was attributable to the inclusion of our Mexican subsidiary, which generated revenue of EUR 5.4 million and an identical figure in total output in the third quarter. In the first nine months of 2007 both revenue and total output each amounted to EUR 9.5 million. EBIT generated in Mexico remained positive in the third quarter despite the start-up of series production over the course of the reporting period.

After nine months our Mexican subsidiary has almost matched the figure posted for the 2006 financial year as a whole (when it was not part of the PWO Group) and continues to operate from a profitable base. On the basis of Mexico's current performance, it would appear likely that our forecast for the full 2007 financial year, which includes a revenue target of approx. EUR 20 million and the first positive contribution to Group earnings, can be met.

Our Canadian enterprise again had to contend with sluggish demand within the area of ongoing series production in the third quarter, as a result of which it was unable to achieve improvements in revenue, total output and EBIT in the period under review. However, we believe that business performance will stabilise at the current level. What is more, we have already implemented additional measures that are designed to secure an acceptable profit margin in the financial year as a whole.

Our Chinese unit, allocated to the Asian region, commenced series production in the third quarter of 2007, albeit with relatively low throughput volumes. EBIT could be improved and was compensated in the third quarter. Two additional production orders are expected to be phased in over the course of 2008. Our forecast for the 2007 financial year as a whole suggests a low level of revenue at our Chinese plant, accompanied by limited start-up costs.

# REVIEW OF BALANCE SHEET AND CASH FLOW

## BALANCE SHEET AND CASH FLOW AGAIN DOMINATED BY SIGNIFICANT OUTPUT LEVELS

Over the course of the first six months of 2007 the balance sheet total of the PWO Group had shown signs of significant expansion compared with the figure of EUR 164.5 million posted at the end of FY 2006, mainly as a result of the inclusion of Cartec, and significant output volumes at the end of the second quarter. As anticipated, this trend was reversed to a large extent in the third quarter, with the balance sheet total increasing by just EUR 2.2 million to EUR 187.1 million.

In line with our forecasts, the substantial level of receivables and other assets was scaled down over the course of the third quarter. In contrast, inventories were expanded slightly in response to ongoing growth. Including an increase in cash by EUR 2.4 million, current assets rose on balance by EUR 0.6 million over the course of the quarter. In the same period, non-current assets increased by EUR 1.6 million as a result of more expansive capital expenditure.

The equity ratio remained unchanged at 40 per cent in the third quarter, marginally lower than the figure of 42 per cent recorded at the end of the 2006 financial year.

As anticipated, PWO's overall gearing, i.e. net debt in relation to equity, declined to a level of 61 per cent at the end of Q3 2007, compared with 64 per cent at the beginning of the quarter. Thus, it remains higher than the figure of 48 per cent recorded at the end of FY 2006 as a result of factors relating to the balance sheet date, and well within the strategic range of 50 to 80 per cent defined by the company as a medium-term target.

The increase in total assets, i.e. the balance sheet total, was financed predominantly by net profit for the third quarter in the amount of EUR 1.7 million. In addition, non-current liabilities rose to a lesser extent by EUR 0.5 million.

In contrast to the balance sheet, cash flow reflects the company's business performance from an operating performance and is not impacted by the effects of consolidation. As anticipated, cash flow increased considerably in the third quarter of 2007, thus reversing the trend seen in the second quarter, which had been dominated by factors relating to the balance sheet date. Benefiting from dynamic business in the period under review and the targeted reduction in funds committed within the area of current assets, we generated net cash from operating activities of EUR 7.4 million, after EUR 3.8 million over the entire course of the first half. With an aggregated cash flow of EUR 11.2 million for the first nine months, we have thus almost matched the annual figure of EUR 12.1 million posted a year ago.

Cash flow was more than sufficient to cover investments of EUR 4.4 million channelled into the maintenance of operations in the first nine months as well as the combined payment of EUR 4.7 million in interest and dividends. Maintenance-related capital expenditure included investments in property, plant and equipment as well as intangible assets (particularly for the introduction of SAP software) at our Oberkirch facility in the amount of EUR 4.2 million, in addition to investments in Canada totalling EUR 0.2 million.

Investments earmarked for the expansion of operations amounted to EUR 7.7 million in total and included EUR 3.6 million for a new press at our Oberkirch plant, EUR 3.6 million for the expansion programme implemented in the Czech Republic and EUR 0.5 million for our locations in China and Mexico. Additionally, a total of EUR 4.5 million had been channelled into investments within the area of financial assets in the first quarter of 2007. Overall, investing activities accounted for EUR 16.6 million.

In the first nine months, financing activities produced an outflow of EUR 0.4 million, as a result of which the net change in cash and cash equivalents in the period under review was minus EUR 5.8 million.

# NEW BUSINESS

## THRIVING NEW-ACCOUNT BUSINESS IN FIRST NINE MONTHS OF 2007

The PWO Group again succeeded in adding new series production accounts to its customer base in the first nine months of the 2007 financial year. Within this context, all three product segments recorded encouraging growth rates, thus underlining the competitive prowess of PWO as a market player.

Within the area of mechanical components for electrical and electronic applications we were again able to draw strength from our ability to produce precision components in a high-speed operating environment.

Our business activities within the seating sector, which has benefited from consistent expansion over recent years, continued to produce exponential growth. We intend to extend production capacities for these components and assemblies in the near future, the prime objective being to strengthen the competitive position of our facilities in the Czech Republic and Canada.

Within the area of steering-column adjusters we have now positioned ourselves as a respected partner within the European supplier network of complete steering systems. In pursuing this game plan, we have gained a firm foothold in a sector previously untapped by our company. What is more, we are currently recording a sizeable increase in the level of incoming orders within this area.

Last but not least, we were able to secure a large-scale contract in the region of EUR 170 million from a major vehicle manufacturer, the focus being on the development and production of cockpit module carriers for a new vehicle platform spanning several models. The duration of this contract is in the region of ten years. This has further bolstered our activities in the area of structural components and subsystems for vehicle bodies and chassis.

The overall volume of new series production orders for metal components and assemblies is thus around ten per cent higher than in the previous year, without having accounted for the large-scale contract for cockpit module carriers. The new orders will gradually be phased in over the coming years, thus contributing to our Group's growth targets as time progresses.

# CAPITAL EXPENDITURE

## INVESTMENT VOLUME FOR 2007 STILL REMAINS LARGELY UNUTILISED

Our annual investment budget for the current financial year remains unchanged at approx. EUR 25 million for the Group as a whole. Within this context, our main focus will be on the Oberkirch site. The investment budget earmarked for this location is approx. EUR 17 million. Of this total, EUR 10 million is to be directed at production activities, and EUR 7 million is to be invested in efficiency improvements within the area of infrastructure and data processing.

The majority of the investment budget set aside for our Oberkirch plant relates to maintenance of current operations. Having said that, we will also spend a total of EUR 3.6 million in a new 920-tonne press to expand production capacity at this location.

In the third quarter investments amounting to EUR 6.1 million were put in place at Group level, compared with EUR 6.0 million in the first half of 2007. The main emphasis in the period under review was on the Oberkirch plant with investments of 3.6 million. These are accounted for with EUR 1.7 million invested in the above-mentioned press as well as funds channelled into a new assembly line and the implementation of SAP software.

In parallel, capital expenditure on our plant in the Czech Republic amounted to EUR 2.1 million, the main focus being on a new transfer press and the expansion of local tooling facilities. In Mexico investments accounted for EUR 0.3 million. In line with requirements, the level of investment spending in Canada and China remained negligible.

# PEOPLE

## STAFFING LEVELS REMAIN LARGELY UNCHANGED IN THIRD QUARTER

Despite significant growth recorded in the PWO Group as a whole, the expansion of our workforce was relatively modest over the course of the first nine months of 2007, with staffing levels rising from 1,731 at the end of the first half to 1,752 at the end of the first nine months. Thus, the relative increase in our overall headcount remained below recent revenue growth – a tribute to ongoing productivity gains accompanying corporate expansion.

However, compared with the headcount of 1,396 recorded a year ago, the number of people employed within the Group has risen significantly over the first nine months. This is attributable chiefly to the inclusion of our Mexican subsidiary, which has low wage costs but below-average productivity – a situation frequently seen in low-wage economies.

The Oberkirch location accounted for 1,040 employees on average in the first nine months of 2007, compared with 1,033 in the first half of 2007. Staffing levels at our Czech plant remained largely unchanged at 211 in the first nine months, compared with a headcount of 207 in the first half of 2007.

The same applies to Canada, where 145 people were employed – unchanged on the figure reported for the first six months of the financial year. Our Mexican subsidiary expanded its workforce to 347 on average in the first nine months, up from a headcount of 338 in the first half of 2007. In the first nine months of 2007 ten members of staff were employed in China on average, after a headcount of nine in the first half of the year.

In response to the programme of corporate expansion pursued by PWO, we increased the number of vocational trainee positions in the period under review. At present, our vocational training scheme includes 71 school-leaver trainees at Group level, compared with a total of 64 last year. In embracing vocational training, we will secure essential resources needed for future growth.

# INTERNATIONAL GROWTH STRATEGY AT PWO: ON TRACK TO BECOMING A GLOBAL PLAYER

In 2003, we made a strategic decision that involved positioning the PWO Group within the international arena. Since then, we have expanded the Management Board, established and successfully integrated new subsidiaries in the Czech Republic and Mexico, taken decisive steps to further strengthen our operations in Eastern Europe and accomplished market entry in China.

Our objective for business development over the next three years, in the period leading up to 2010, is to unlock additional growth opportunities in these three regions. This game plan will involve focusing on rapid organic growth within our existing client base, the objective being to meet customer demand for high-quality PWO services at international production sites. In parallel, we intend to leverage PWO's outstanding reputation within the marketplace for the purpose of attracting new customers.

Small-scale acquisitions that complement our overall positioning within the market may prove advantageous in certain cases. For instance, we might consider such a move if it adds to our scope of technical expertise within a specialist area or provides us with access to new markets in order to service a major international project.

By applying this strategy, we intend to expand revenue to EUR 350 million by 2010 as part of our initial efforts, while at the same time strengthening the overall earnings performance of the Group. However, this should only be seen as a first milestone on our route to establishing ourselves as a global player.

The action plan recently implemented for the purpose of extending our international presence has already provided us with a solid foundation when it comes to positioning ourselves as a potential strategic partner to customers operating within the global arena. It is thanks to these accomplishments that we are now in the enviable position of being able to conduct contract negotiations for projects extending well beyond the year 2010. Furthermore, we are currently assessing growth opportunities in other regions that are home to firmly established automobile industries.

One of the key determinants within this area is the estimated volume of production units for metal components and subsystems. We specialise in mass-produced components. Therefore, our principal course of action for regions which are as yet unable to accommodate large production volumes is to enter into cooperation agreements or joint ventures – a route that has already proved successful in the past. In line with our well-established approach within this area, we remain fully committed to monitoring the risks associated with international expansion and minimising them to the greatest extent possible.

One of the key factors in restricting risk exposure is that we only invest in new production facilities when two-thirds of their overall capacity has been covered by incoming orders. In addition, we apply uniform internal processes at a global level, which are subject to continuous improvement within the framework of the PWO Production System. What is more, all sites operating within the Group use standardised tooling concepts.

Looking at the bigger picture, our aim is to guide the PWO Group into a new dimension over the coming five years. Growth will be driven by an incisive campaign to capture new local markets. In pursuing this approach, we believe that it will be possible for us to shape future growth in a diversified manner and without being overly exposed to economic developments in a specific region.

# OUTLOOK

On the whole, we are encouraged by the progression of business over the course of the current financial year. Our operational activities in Germany, in particular, highlight the enormous potential that can be unlocked with the aid of best-in-class products and pioneering processes. Drawing on our expertise within this area, we are able to offset the costs of international expansion in the early phase of business development.

We anticipate that the positive performance achieved by the Group will continue into the fourth quarter. Viewed from this perspective, we are going to move beyond our original forecast of revenue in the region of EUR 250 million and EBIT comparable to last year's figure of EUR 15.8 million. Calculated on the basis of our updated forecasts, we expected to generate revenue of EUR 255 million and EBIT that is well above EUR 16 million.

The opportunities and risks associated with the future course of business remain largely unchanged from those discussed in the 2006 annual report. As regards our updated estimates for the 2007 financial year, the material risks associated with the fourth quarter are centred around the completion of scheduled orders.

Beyond this, the overall risk structure of the PWO Group has changed as a result of international expansion. The Management Board addresses these risks by keeping a tight rein on business development at the Group's foreign locations. Within this context, we recorded no significant risk-related developments in the Czech Republic or Mexico. At the same time, we were able to keep start-up costs within closely defined parameters at our Chinese plant. In Canada, we remain fully committed to aligning processes more closely with the current level of customer demand for series-produced components.

Overall, we are optimistic about the coming financial year. Our programme of international expansion is designed to generate a significant level of well-structured growth. The general economic climate may produce additional impetus.

Admittedly, the prospects for economic growth within the eurozone over the coming year have deteriorated in the wake of the most recent crisis to have engulfed the international financial markets, as confirmed by Europe's leading economic research institutes. Having said that, private consumption looks set to continue on a path of solid expansion, prompted by the favourable climate within the local job market.

In their joint assessment of the domestic economy, Germany's key research bodies have actually forecast a significant upturn in real consumer spending by private households, up from minus 0.1 per cent in the current annual period to plus 1.9 per cent in the coming year. Provided that oil prices and exchange rates remain relatively stable, consumer prices are again expected to rise by approximately two per cent in 2008.

Economic growth in the US is forecast to reach 2.1 per cent in 2008, while estimates for the emerging economies appear to suggest continued expansion. Against this backdrop, albeit subject to the caveat of a potential hike in oil prices and considerable movements in exchange rates, the general outlook for the European automobile industry is positive.

# PWO SHARES

## TANGIBLE RECOVERY OF SHARE PRICE

Having clawed its way back from a 12-month low of EUR 32.50 over the course of the third quarter, PWO's share price peaked at just over EUR 37 at the beginning of October. In doing so, the company's stock proved its ability to generate forward momentum without having to rely on external market forces. Indeed, PWO shares managed to regain some of the ground lost over the course of the year in relation to the SDAX index.

Looking back, in mid-2007 PWO's stock had fallen below the 200-day moving average, which is considered an important threshold for German small caps. In the ensuing weeks, the company's share price was then caught in a downward spiral. To a large extent, this decline has now been offset.

We are committed to extending our Investor Relations activities on a continual basis, and it is against this background that we organised a number of highly productive meetings with investors in Switzerland and the UK in September and October 2007. We have also been channelling our resources into more expansive press relations in recent months.

This has allowed us to raise investor awareness of PWO's strong fundamental performance and the Group's considerable growth potential. We intend to continue in expanding our activities.

| Other Information | |
|---|---|
| Number of shares issued, at end of reporting period | 2,500,000 |
| Number of treasury shares held as at September 30, 2007 | 0 |
| Dividend per share (in EUR) for FY 2006 | 1.20 |

| Shareholder Structure | |
|---|---|
| Consult Invest Beteiligungsberatungs-GmbH, Böblingen | 50.1% |
| Free float | 49.9% |

# FINANCIAL CALENDAR ++ BOARD MEMBERS ++ CONTACTS

## Financial Calendar (dd/mm/yy)

| | |
|---|---|
| 19/02/08 | Announcement of Preliminary Financial Results for 2007 |
| 10/04/08 | Publication of 2007 Annual Report |
| 08/05/08 | Interim Report Q1 2008 |
| 20/05/08 | Annual General Meeting 2008 |

## Board Members

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

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

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

* Employee Representatives

## Contacts

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# INTERIM FINANCIAL REPORTING IN ACCORDANCE WITH IAS 34

## Statement of compliance, basis of preparation and additional details in accordance with IAS 34

This unaudited interim report has been prepared in accordance with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS). The accounting policies remain unchanged from those applicable to the consolidated financial statements for the financial year ended December 31, 2006, and the comparative period of the year preceding the current interim report. The information furnished in the notes to the consolidated financial statements for 2006 shall apply accordingly to the current interim report. In addition, IAS 34 "Interim Financial Reporting" has been applied.

The amendments to IAS/IFRS standards and interpretations as at January 1, 2007, resulted in no changes to the accounting policies of the Group.

Effective from January 5, 2007, PWO AG acquired a 60 per cent interest in Cartec S.A. de C.V., based in Puebla, Mexico. The entity is included in the consolidated group of PWO AG as part of full consolidation.

Goodwill generated upon first-time consolidation amounts to approx. EUR 1 million. In particular, it reflects the price paid for market entry and the enterprise's qualified staff. As part of the preliminary purchase price allocation an amount of approx. EUR 0.3 million was determined in connection with contractual agreements that protect customer relations and prohibit competition.

The opening balance sheet includes non-current assets (EUR 8.6 million), current assets (EUR 4.0 million) as well as interest-bearing borrowings (EUR 3.0 million and other liabilities EUR 3.6 million).

## Events after the balance sheet date

There were no events of material significance after the balance sheet date necessitating disclosure.

# GROUP INCOME STATEMENT

| | 3rd quarter 2007 | | 3rd quarter 2006 | |
|---|---|---|---|---|
| | EUR m | % share | EUR m | % share |
| Revenue | 63.1 | 95.6 | 54.3 | 96.1 |
| Changes in inventories / Work performed by the enterprise | 2.9 | 4.4 | 2.2 | 3.9 |
| **Total output** | **66.0** | **100.0** | **56.5** | **100.0** |
| Other operating income | 1.0 | 1.5 | 0.5 | 0.9 |
| Cost of materials | 36.1 | 54.7 | 29.4 | 52.0 |
| Staff costs | 17.2 | 26.0 | 15.2 | 26.9 |
| Depreciation and amortisation | 3.9 | 5.9 | 4.0 | 7.1 |
| Other operating expenses | 6.0 | 9.1 | 4.9 | 8.7 |
| **EBIT** | **3.8** | **5.8** | **3.5** | **6.2** |
| Finance cost | 0.9 | 1.4 | 0.7 | 1.2 |
| **EBT** | **2.9** | **4.4** | **2.8** | **5.0** |
| Taxes on income | 1.2 | 1.8 | 1.0 | 1.8 |
| **Net profit for the period** | **1.7** | **2.6** | **1.8** | **3.2** |
| Earnings per share in EUR | 0.71 | — | 0.71 | — |

# GROUP INCOME STATEMENT

| | 9 months 2007 | | 9 months 2006 | |
|---|---|---|---|---|
| | EUR m | % share | EUR m | % share |
| Revenue | 190.9 | 98.8 | 167.5 | 97.1 |
| Changes in inventories / Work performed by the enterprise | 2.4 | 1.2 | 5.0 | 2.9 |
| **Total output** | **193.3** | **100.0** | **172.5** | **100.0** |
| Other operating income | 2.4 | 1.2 | 1.5 | 0.9 |
| Cost of materials | 102.5 | 53.0 | 89.2 | 51.7 |
| Staff costs | 51.6 | 26.6 | 47.6 | 27.5 |
| Depreciation and amortisation | 11.7 | 6.1 | 12.0 | 7.0 |
| Other operating expenses | 17.2 | 8.9 | 13.2 | 7.7 |
| **EBIT** | **12.7** | **6.6** | **12.0** | **7.0** |
| Finance cost | 2.7 | 1.4 | 2.3 | 1.4 |
| **EBT** | **10.0** | **5.2** | **9.7** | **5.6** |
| Taxes on income | 3.8 | 2.0 | 3.5 | 2.0 |
| **Net profit for the period** | **6.2** | **3.2** | **6.2** | **3.6** |
| Earnings per share in EUR | 2.49 | — | 2.49 | — |

# GROUP BALANCE SHEET

| ASSETS | 30/09/07 | 31/12/06 |
| --- | --- | --- |
| | EUR m | EUR m |
| Property, plant and equipment | 81.7 | 73.3 |
| Intangible assets | 9.2 | 6.7 |
| Financial assets | 0.7 | 0.8 |
| Deferred tax assets | 0.9 | 1.3 |
| **Non-current assets** | **92.5** | **82.1** |
| Inventories | 44.2 | 41.0 |
| Trade and other receivables | 47.1 | 34.6 |
| Cash | 3.3 | 6.8 |
| **Current assets** | **94.6** | **82.4** |
| **Total assets** | **187.1** | **164.5** |

| LIABILITIES | 30/09/07 | 31/12/06 |
| --- | --- | --- |
| | EUR m | EUR m |
| **Equity** | **75.1** | **68.8** |
| Interest-bearing borrowings | 27.1 | 21.0 |
| Provisions for pensions | 22.7 | 21.9 |
| Other provisions | 3.2 | 2.9 |
| Deferred tax liabilities | 1.4 | 1.2 |
| **Non-current liabilities** | **54.4** | **47.0** |
| Current portion of provisions for pensions | 1.3 | 1.3 |
| Trade payables and other liabilities | 34.0 | 28.6 |
| Interest-bearing borrowings | 22.3 | 18.8 |
| **Current liabilities** | **57.6** | **48.7** |
| **Total equity and liabilities** | **187.1** | **164.5** |

# STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

| | Share capital | Capital reserve | Earnings reserve | Cashflow Hedge | Mino-rities | Curreny translation | Group Equity |
|---|---|---|---|---|---|---|---|
| | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) |
| **Stand am 01/01/07** | **6,391** | **17,312** | **44,782** | **30** | **0** | **273** | **68,788** |
| Dividend payment | – | – | -3,000 | – | – | – | **-3,000** |
| Net profit | – | – | 6,207 | – | 25 | – | **6,232** |
| Cash flow Hedge | – | – | – | 257 | – | – | **257** |
| Purchase of | – | – | – | – | 2,418 | – | **2,418** |
| Currency translation | – | – | 81 | – | -193 | 500 | **388** |
| **Stand am 30/09/07** | **6,391** | **17,312** | **48,070** | **287** | **2,250** | **773** | **75,083** |

| | Share capital | Capital reserve | Earnings reserve | Cashflow Hedge | Mino-rities | Curreny translation | Group Equity |
|---|---|---|---|---|---|---|---|
| | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) | EUR (k) |
| **Stand am 01/01/06** | **6,391** | **17,312** | **38,835** | **0** | **0** | **1,057** | **63,595** |
| Dividend payment | – | – | -2,750 | – | – | – | **-2,750** |
| Net profit | – | – | 6,231 | – | – | – | **6,231** |
| Cash flow Hedge | – | – | – | -53 | – | – | **-53** |
| Purchase of | – | – | – | – | – | – | **0** |
| Currency translation | – | – | – | – | – | -227 | **-227** |
| **Stand am 30/09/06** | **6,391** | **17,312** | **42,316** | **-53** | **0** | **830** | **66,796** |

# GROUP CASH FLOW STATEMENT

| | 30/09/2007 | 30/09/2006 |
|---|---|---|
| | EUR m | EUR m |
| Net profit before interest payments and taxes on income | 11.3 | 11.6 |
| Depreciation/reversal of write-downs on property, plant | 11.7 | 12.0 |
| Change in deferred tax assets | 0.4 | 0.1 |
| Change in current assets | -11.9 | -9.2 |
| Increase in non-current liabilities (excl. financial credits) | 1.2 | 0.7 |
| Change in current liabilities (excl. financial credits) | 2.0 | 1.1 |
| Change in income tax liabilities | -0.1 | 0.0 |
| Income taxes paid | -3.4 | -4.0 |
| Gains/losses on the disposal of prop., plant and equip. | 0.0 | -0.2 |
| **Cash flow from operating activities** | **11.2** | **12.1** |
| Payments for investments in financial assets | -4.5 | 0.0 |
| Proceeds from disposal of prop., plant and equip. | 0.0 | 1.2 |
| Payments for investments in prop., plant and equip. | -10.4 | -9.4 |
| Payments for investments in intangible assets | -1.7 | -0.2 |
| **Cash flow from investing activities** | **-16.6** | **-8.4** |
| Payments for dividends | -3.0 | -2.8 |
| Interest paid | -1.7 | -1.3 |
| Proceeds from borrowings | 11.0 | 2.8 |
| Repayment of loans | -6.7 | -5.6 |
| **Cash flow from financing activities** | **-0.4** | **-6.9** |
| **Net change in cash and cash equivalents** | **-5.8** | **-3.2** |
| Cash and cash equivalents at the beginning of the period | 3.8 | -0.5 |
| **Cash and cash equivalents at the end of the period** | **-2.0** | **-3.7** |
| of which cash | 3.3 | 0.5 |
| of which bank borrowings repayable on demand | -5.3 | -4.2 |

# GROUP SEGMENT REPORTING

| Sales by region | 9 months 2007 | | 9 months 2006 | |
|---|---|---|---|---|
| | EUR m | % | EUR m | % |
| Germany | 152.2 | 79.7 | 139.4 | 83.2 |
| Rest of Europe | 5.8 | 3.0 | 7.6 | 4.5 |
| NAFTA | 34.8 | 18.2 | 24.9 | 14.9 |
| Asia | 0.2 | 0.1 | 0.0 | 0.0 |
| Consolidation | -2.1 | -1.0 | -4.4 | -2.6 |
| **Group** | **190.9** | **100.0** | **167.5** | **100.0** |

| Total output by region | 9 months 2007 | | 9 months 2006 | |
|---|---|---|---|---|
| | EUR m | % | EUR m | % |
| Germany | 155.0 | 80.2 | 146.1 | 84.7 |
| Rest of Europe | 6.9 | 3.6 | 6.8 | 3.9 |
| NAFTA | 34.5 | 17.9 | 24.7 | 14.3 |
| Asia | 0.2 | 0.0 | 0.0 | 0.0 |
| Consolidation | -3.3 | -1.7 | -5.1 | -2.9 |
| **Group** | **193.3** | **100.0** | **172.5** | **100.0** |

| EBIT by region | 9 months 2007 | | 9 months 2006 | |
|---|---|---|---|---|
| | EUR m | % | EUR m | % |
| Germany | 11.6 | 91.3 | 10.4 | 86.7 |
| Rest of Europe | 0.3 | 2.4 | 0.4 | 3.3 |
| NAFTA | 1.2 | 9.4 | 1.4 | 11.7 |
| Asia | -0.3 | -2.4 | 0.0 | 0.0 |
| Consolidation | -0.1 | -0.7 | -0.2 | -1.7 |
| **Group** | **12.7** | **100.0** | **12.0** | **100.0** |

Since the Annual Report 2006, our primary segments are represented by geographical regions, based on the respective locations covered by the PWO Group.