



**THE HUMAN TOUCH OF AUTOMOTIVE TECHNOLOGY**  
INTERIM FINANCIAL REPORT - THIRD QUARTER AND NINE MONTHS

2008

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**PWO**

## 00 CONTENTS

01	LETTER TO SHAREHOLDERS	3		
02	PWO SHARES	4		
03	THE COMPANY	5		
04	INTERIM MANAGEMENT REPORT	6		
	BUSINESS ENVIRONMENT	6   EARNINGS REPORT	8   SEGMENT REPORTING	9
	FINANCIAL POSITION AND CASH FLOWS	10   NEW BUSINESS	11	
	CAPITAL EXPENDITURE	11   EMPLOYEES	12   FORECAST	13
05	INTERIM FINANCIAL STATEMENTS	15		
	Group Income Statement	15		
	Group Balance Sheet	17		
	Group Statement of Changes in Equity	18		
	Group Cash Flow Statement	19		
06	NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	20		
	BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS	20		
	SCOPE OF CONSOLIDATION	20   CURRENCY TRANSLATION	20	
	SEGMENT REPORTING	21   EVENTS AFTER THE REPORTING DATE	21	
07	FINANCIAL CALENDAR   BOARD MEMBERS   CONTACT	22		

## 01 LETTER TO SHAREHOLDERS

### Dear Shareholders and Business Associates,

PWO Group continued to grow in the third quarter. Revenue and output increased very positively during the first nine months of 2008, up by 7.0 percent and 7.9 percent respectively. This positive development results from ramping up and commissioning new serial productions.

Our original expectations and plans were however higher. At the end of July we were well above plan but in August we experienced our customers making larger shifts of standby orders from August to September. We were however still in plan at the end of August. At this point customer standby orders were being postponed without reductions. It was only from mid September that standby orders started to deteriorate.

At the end of September there were indications that we had to expect a drastic reduction in production numbers at our largest customer and the skidmarks in the automotive industry started to become clearer, we issued an ad-hoc release to inform the capital market at an early stage, that we were expecting a slowdown and had to adjust our revenue and earnings forecasts.

We would like to reiterate: We have not lost orders for serial production, but there has been a decline in customers' standby orders, because they are reducing their own production.

PWO is in a position to react to changes in customers' standby orders with flexibility, even if all measures

require a certain lead, before their full impact unfolds. Adjustments immediately implemented in September however only delivered results in October and were only in part able to compensate the negative effects seen in the second half of September.

For the fourth quarter we are expecting a decline in revenue in the region of at least 20 percent compared to the previous year. The exact figures for customers' standby orders for November and December are not available yet. When it comes to operating earnings (EBIT) we will not reach the previous year's figures, but we are assuming that in 2008, as in the future, PWO will continue its investor-driven dividend policy.

We are also going to strictly maintain our international growth strategy, as there is no alternative for long-term success. Naturally we will be taking the necessary action as a result of temporary market developments and adjusting our structures where required as well as revaluing capital expenditure measures.

In the future PWO will continue to build on the prospects which the company has created for itself as a global partner to the international automotive industry.

Oberkirch, 5 November 2008  
The Management Board

## 02 PWO SHARES

### STOCK UNDER CONSIDERABLE PRESSURE RECENTLY, BUT STILL OUTPERFORMING THE SDAX

During the first nine months of 2008, PWO stock clearly outperformed the SDAX price index and the DAX automobile sector index. After an initial bout of more considerable market induced volatility the share tended sideward in a limited bandwidth from the beginning of February to the end of September. Until 26 September the share had only lost 3.5 percent from its opening share price of EUR 35.00 at the beginning of the year. At that point the SDAX price index had already slumped by 30 percent because of the international crisis on financial markets. The DAX automobile sector traded 18 percent lower than at the beginning of the year.

It was only as the financial crisis escalated dramatically in the last days of September, that the PWO share was unable to fully extract itself from collapsing share prices at global stock exchanges. By the end of October, the PWO share price had dropped by a total of 39 percent to EUR 21.00 against the beginning of

the year. In this period the SDAX dropped by 48 percent and the DAX automobile sector was able to limit its losses on the back of the special development of the VW share to 6 percent.

The profit warning issued for the current financial year on 29 September also contributed to the decline in the PWO share price. Response from the financial community was positive in so far that making an early announcement was seen to be an important contribution to transparency and was consequently understood as a trust building measure.

Our new investor, Dutch Delta Lloyd Asset Management NV, increased its stake in Progress-Werk Oberkirch AG to 5.12 percent on 10 October 2008, after it had notified us on 21 July 2008 that it held a stake of 3.05 percent. PWO would like to thank the company for its confidence.

#### Other information

Number of shares issued at end of reporting period	2,500,000
Number of treasury shares held as at September 30, 2008	0
Dividend per share (in EUR) for FY 2007	1.30

#### Shareholder structure

Consult Invest Beteiligungsberatungs-GmbH, Böblingen	55.282%
Free float	44.718%
- of which Delta Lloyd, Amsterdam	5.120%

## 03 THE COMPANY | PWO growth strategy

### GROWTH IN NEW PRODUCT FIELDS

In the last few years we have developed a growth strategy which rests on a number of different pillars: Expanding the product range, increasing the value added per product and internationalisation. We would like to take this opportunity to explain the key characteristics of our product range expansion.

In the meantime we have established ourselves in product areas which we either did not serve in the past or only served to a limited degree. We generate additional revenue as soon as a new vehicle model is launched which comprises PWO components and we start serial production. This also applies in case sales of this model are lower than the previous vehicle as we are providing for PWO additional components.

Seating is one of the areas in which we have systematically enhanced our expertise in recent years. We have even developed several new solutions for which a patent application has already been submitted. In the future this is to be further developed to become a construction kit solution which can be flexibly used in different vehicles or platforms.

About four years ago we newly positioned our activities in the field of steering column components and have received a number of interesting orders for serial production since then. Among other things,

are in a position to replace for a number of components expensive casting by a deep drawn manufacturing process thus producing weight-optimised steel components at considerably lower cost.

In the area of shock absorber strut components we started developing and producing a pneumatic spring pot in 2001. Pneumatic shock absorbers are typically available in the luxury car segment as a standard or optional extra to increase comfort. We have now in the meantime also developed solutions for steel spring and therefore created access to a much wider market.

In addition to that, we are very successful with our new generation of cross-beams which are ideally tailored for use in platform concepts thanks to their reinforced modular design based on the construction kit principle.

In total we expect from that expansion of our product range additional revenue of more than EUR 60 million per annum from 2012 onwards, although - as a result of the current weakness in the automotive industry - ramp-ups during the first years might be flatter than we our clients had assumed so far.



## 04 INTERIM MANAGEMENT REPORT | Business environment

### GENERAL BUSINESS CLIMATE

Current consensus forecasts by the leading German economic research institutes are pointing toward a global economic slowdown prompted by global commodity price driven inflation hikes, price slumps in real estate markets in a number of countries as well as the international financial crisis.

Many industrialised countries are teetering on the brink of recession. This refers to the US in particular, which is highly dependent on the financial and construction sectors, but also includes Germany. Growth rates in emerging markets are also to decline considerably. The institutes are forecasting a gradual recovery of the global economy from mid 2009 under the express condition that the banking sector can be stabilised in the coming months. If this fails, the result would be a credit crunch, collapsing investments and an even more substantial decline in production.

According to the International Monetary Fund (IMF), real global economic growth is going to be solely fuelled by emerging markets in 2009. Given that growth rates in those countries are also declining considerably, global economic growth is going to decline from 3.9 percent in 2008 to 3.0 percent next year. Growth in industrialised nations is going to drop to 0.5 percent in 2009 on the back of 1.5 percent in 2008. The IMF forecasts that the USA (+0.1%) and the Eurozone (+0.2%) will experience stagnation, while France, Italy, Spain and Great Britain will slide into recession.

The institutes are expecting German gross domestic product (GDP) to drop by 0.7 percent in the second half of 2008, with an increase of 1.8 percent for the full year. Given considerable uncertainty, the institutes have complemented their basic scenario for 2009, which they have described as being by no means optimistic, with a risk scenario. The probability of the latter materialising was said to have increased considerably in recent weeks.

In the basic scenario GDP is forecast to increase by only 0.2 percent. In the risk scenario the economy will cool more substantially and for a longer period of

time. It assumes that as a result of the financial crisis the cost of raising finance is going to increase significantly and in turn will reduce capital expenditure. Consumer spending is also to slow and unemployment to rise. The risk scenario paints the picture of a global recession which would send GDP in Germany down by 0.8 percent.

### SECTOR TRENDS

The financial crisis has reached the real economy. Its impact on the international automotive industry is especially severe as consumers cut back on big ticket purchases such as cars, given increased uncertainty.

According to figures published by the European Automobile Manufacturers' Association (ACEA), September registrations of new cars reached 1.3 million in Europe, down 8 percent on the previous year. This means that not only did the usual increase in sales in September after the summer break fail to materialise, but sales reached the lowest level for this month since 1998.

In Western Europe sales were down by a good 9 percent to 1.2 million vehicles. Sales collapsed in Spain (-32%) and the UK (-21%), where the real estate and financial crisis had a substantial impact. This was the fifth consecutive month of declining sales in Spain. In Italy, September vehicle sales were down by 6 percent on the previous year.

After extremely soft sales in August in France, September car sales were up by 8 percent on the previous month. Incentives as a result of the "bonus malus" system, which has been in place since the beginning of the year and gives preference to domestic manufacturers, in conjunction with calendar effects, may have had a balancing impact. In new EU countries there is an increase of 3 percent in new registrations so far this year, but economic conditions are now also deteriorating in this region.

## 04 INTERIM MANAGEMENT REPORT | Business environment

So far this year vehicle sales in Europe are down on the previous year by more than 4 percent at 11.7 million.

According to the Association of German Automotive Manufacturers (VDA), the German car market was also impacted by mounting uncertainty among consumers. But new registrations in September were only down 1.5 percent, considerably less than the European average. In the full year 2008 German sales volumes are going to be a good 1 percent above the previous year, but demand in Germany has also been adversely affected in the last few weeks by turbulence on financial markets.

The brakes seem to be clearly on when it comes to September orders domestically and abroad (Germany -7%, abroad -10%). According to the VDA, the current development is an indication that it is going to be difficult for the association to reach its newly registered vehicles forecast of 3.2 million units in 2008.

German vehicle exports increased by 2 percent in September. In the first three months of 2008 exports came in close to previous year's high levels at around 3.2 million vehicles. Since the beginning of the year around 4.3 million vehicles were produced in Germany, an increase of about 1 percent.

In the USA the automotive industry is in the midst of a severe recession. Vehicle sales in September were down about 22 percent compared to previous year levels, light trucks were even down 31 percent. The impact has been particularly severe on large saloon cars (-29%) and SUVs (-32%), but even small cars saw a significant decline in September, down -20%.



## 04 INTERIM MANAGEMENT REPORT | Earnings report

### GROWTH IN REVENUE AND OUTPUT CONTINUES EBIT BELOW PREVIOUS YEAR LEVEL

We continued our growth in the third quarter and subsequently during the first nine month period of 2008, even if growth rates were below those of the first half-year. Revenue for the quarter under review rose 4.0 percent to EUR 65.6 million. EUR 6.3 million of that was attributable to revenue from tooling operations after EUR 3.8 million in the previous year. Output was up by 1.4 percent to EUR 66.9 million. Sales from series production were already significantly lower than planned, however.

In the first nine months revenue was increased by 7.0 percent to EUR 204.2 million (2007: EUR 190.9 million). Of that figure, EUR 15.3 million (2007: EUR 13.6 million) was accounted for by revenue from tooling operations. As a result of a rise in inventories in finished an unfinished goods the first quarter of 2008, output increased at a substantially higher rate of 9.7 percent to EUR 212.0 million (2007: EUR 193.3 million).

The increase in the material cost quota which has been noticeable during the entire financial year continued in the third quarter. While these mainly consisted of start-up costs for new serial production at foreign facilities, impacts are now also being recorded from increasing commodity and energy prices.

Typically, after such considerable price increases, negotiations with our customers are initiated to achieve a roll-over of costs. Considering the current development in the industry it is worth assuming that these negotiations are going to be much more difficult than was the case in the past.

In addition to that, higher other operating expenses have impacted the quarter under review and the nine month period. Material items include external services, temporary workers and freight charges. In an effort to cut costs in the future we are optimising our logistics, reducing external services and cutting back on the deployment of temporary workers.

In total EBIT in the third quarter 2008 fell to EUR 2.8 million after EUR 3.8 million in the previous year. The September was particularly weak in that period. As a result of a very strong EBIT result in the second and third quarters of last year the first nine months of 2008 saw a decline to EUR 11.0 million after EUR 12.7 million in the previous year. Translation risks impacted the quarterly result, they largely balanced out in the nine month period.

Financing costs increased slightly in the period under review and in the nine month period. This is the result of our recent capital expenditure as well as a result of the crisis on financial markets leading interest spreads to rise.

The Group's tax rate improved especially because of the corporation tax law reform in Germany. In the nine month period it declined by more than six percentage points to 31.6 percent compared to the previous year. Overall, consolidated net profit for the third quarter attributable to PWO shareholders stood at EUR 1.1 million (2007: EUR 1.7 million). Earnings per share amounted to EUR 0.44 after EUR 0.71. In the nine month period consolidated net profit attributable to PWO shareholders amounted to EUR 5.4 million (2007: EUR 6.2 million). Earnings per share over the same period were EUR 2.14 (2007: EUR 2.48).

## 04 INTERIM MANAGEMENT REPORT | Segment reporting

### FURTHER HIGH GROWTH OF OUR CZECH PRODUCTION SITE

At our Oberkirch site, which makes up the segment Germany revenue was up by 5.8 percent to EUR 53.1 million in the third quarter. While inventories were increased in the previous year, they were reduced in the period under review. This resulted in output reaching EUR 52.1 million and coming in below the EUR 53.4 from the previous year. In the nine month period, output increased by 10.0 percent to EUR 170.5 million.

During the summer months we recorded first declines in standby orders by our customers. This is not unusual for this period of the year as it is the holiday season. But in the period under review this revenue was not made up for in September, as is usually the case. In conjunction with the increasing cost ratio in materials and other operating expenses, this resulted in an EBIT figure of EUR 3.3 million, which was lower than the previous year's figure of EUR 3.9 million and unchanged in the nine month period.

Our Czech site which makes up the Rest of Europe segment continues to show strong growth. Revenue for the quarter under review rose 63.2 percent to EUR 3.1 million. Change of inventories of finished and unfinished goods rose significantly due to pre-production work in the area of tooling which caused revenue in the first nine months of EUR 10.3 million (+77.6%) and output of EUR 12.8 million (+85.5%) was achieved. EBIT in the third quarter remained unchanged at break even compared to the previous year, amounting to EUR 0.1 million (2007: EUR 0.3 million) for the nine month period. After the weak earnings development of the site due to ramp-up costs in the first half of 2008 we had expected a stabilisation but not a turnaround in the third quarter - especially as inventories are only planned to be invoiced in the fourth quarter which means that resulting earnings can only be derived at that time.

We are confident about the future earnings development of the site: The new employees at the site receive further intensive training and support from German senior executives in implementing process improvements.

In addition to that, the ramp-up of the new 1,250 ton press requires a complex commissioning management, as the press is equipped with a great number of tool units. Commissioning of the second 1,250 ton press, which is currently being installed, will benefit from these experiences.

Our production sites in Canada and Mexico together make up PWO's NAFTA region. Business at our Canadian plant remained sluggish in the third quarter, with fewer standby orders from North American customers. Ramp-ups of larger-scale serial production (of a volume that might compensate for this downturn) are not expected until 2010/11. As a result of swift and stringent cost adjustments the site however remained profitable in the third quarter.

Ramping up new serial productions at our Mexican site is resulting in noticeable growth both in the quarter under review and the nine month period. On the earnings side, there were still considerable impacts on earnings in Mexico in the quarter under review. This was to a certain extent attributable to exceptionally high currency translation losses in September. Moreover, expenses for process improvements continued to weigh on earnings. On the upside, the site has successfully passed the audit of its largest customer and has thus gained acceptance to the planned high volume tenders.

As a whole, the NAFTA region achieved first half-year revenue of EUR 30.2 million (2007: EUR 34.8 million) and output of EUR 30.8 million (2007: EUR 34.5 million). EBIT in the first nine months of 2008 reached EUR -0.5 million (2007: EUR 1.2 million).

Both revenue and output at our Chinese joint venture remained negligible in the first nine months. We are continuing to establish our own subsidiary as planned. In the first nine months EBIT in the segment Asia reached EUR -0.4 million as planned and came in at previous year levels.

## 04 INTERIM MANAGEMENT REPORT | Financial position and cash flows

### FREE CASH FLOW BEFORE CAPITAL EXPENDITURE IN GROWTH MARKETS REMAINS POSITIVE

The increase in the balance sheet total flattened in the third quarter. In the nine month period the figure climbed to EUR 210.3 million compared to EUR 191.9 million as of 31 December 2007, the increase in the third quarter however only amounted to EUR 2.6 million.

While non-current assets increased in the course of our capital expenditure measures, the high level of receivables at the end of the second quarter declined as planned and announced. On the reporting date receivables and other assets dropped by EUR 3.5 million to EUR 49.6 million.

On the liabilities side, equity increased again in the third quarter as announced. The equity ratio remained unchanged at 36.0 percent compared to the figure at the beginning of the quarter and continues to be below 40.1 percent seen at the end of the financial year 2007. In the first half 2008 equity declined by EUR 2.6 million resulting from taking over the minorities of Cartec.

As of the reporting date, gearing (net debt as a percentage of equity) increased to 86 from 78 at the beginning of the quarter and 65 percent at the end of 2007. The increase in the third quarter is not an expression of operating weakness, but results from changing trade payables into interest bearing borrowings over the balance sheet date. The former we have reduced by EUR 5.0 million in the course of the quarter.

On the reporting date our gearing is slightly above our plan corridor of 50 to 80 percent, the equity ratio is below our target ratio of around 40 percent. In this financial year we are aiming to manage our investments in a way which will get us closer to our target figures.

In the course of the year the banking crisis has not resulted in any change in available funds for financing. About 40 percent of loans are long-term. No material refinance activities in the short-term area are planned for the end of the year.

Cash flow from operating activities increased to EUR 13.4 million in the nine-month period after EUR 11.2 million in the previous year. After nine months it was therefore higher than the half-year 2008 figure of EUR 11.7 million.

A slower increase in the appropriation of funds in current assets compared to the previous year had a particularly positive effect.

Internally generated cash flow continues to fund investments worth EUR 9.8 million at sites in Germany and Canada as well as interest paid amounting to EUR 2.3 million. Free cash flow before investments in growth markets therefore amounted to EUR 1.3 million.

In the previous year, free cash flow after capital expenditure of EUR 8.1 million in Germany and Canada and interest payments of EUR 1.7 million was EUR 1.4 million.

After capital expenditure in growth markets of EUR 9.5 million, the acquisition of a minority stake in Mexico of EUR 2.6 million as well as a dividend distribution of EUR 3.3 million, loans worth EUR 15.9 million were taken in the nine-month period under review. Last year funds raised only amounted to EUR 4.3 million. This significant change is also a result of cash and cash equivalents increasing by EUR 1.8 million, while EUR 5.8 million were repaid in the previous period.

## 04 INTERIM MANAGEMENT REPORT | New business | Capital expenditure

### NEW BUSINESS IMPORTANT STABILISING FACTOR

New business with series production of safety components for the new Ford Fiesta, the Audi A4 and Q5 as well as the new VW Golf and Opel Insignia will be a stabilising factor for our production in the fourth quarter 2008 and will prevent an even stronger slump of activities.

In North America we are expecting a large order soon, which will lead to rising revenues of our production site in Kitchener.

### LOWER CAPITAL EXPEDITURES IN THE THIRD QUARTER

Given current market developments all capital expenditure measures are now of course under review. We will be cutting or postponing non-critical investments in an effort to conserve liquidity reserves. This applies both to investments abroad and at home.

In order to strengthen our high-tech site Oberkirch we had earmarked an investment budget of around EUR 17 million, and around EUR 13 million were destined for the high growth markets (EUR 8 million for expansion in the Czech Republic and EUR 5 million to establish our own subsidiary in China).

Establishing our international production sites is however not being called into question. After all, we had already in the past only approved capital expenditure which was backed up by retained orders. These orders are the basis for our international growth and that is something we do not want nor are allowed to give up, since we have entered into obligations to supply goods. The volume of investments will be adjusted to current market developments, however.

EUR 3.3 million was invested in Oberkirch in the quarter under review. EUR 1.4 million was invested into the new logistics facility. In addition to that, overhaul work was being conducted on a forming press and there was capital expenditure into replacement units.

At EUR 0.3 million, there was again no significant capital expenditure in Canada in the third quarter. The total figure for capital expenditure in Germany and Canada for the quarter under review was therefore EUR 3.6 million.

We invested EUR 3.6 million at our production sites in the high-growth markets. While there was only limited capital expenditure in the Czech Republic with EUR 0.8 million in this quarter, which was mainly dedicated to the current expansion of the production facility as well as commissioning a try-out press, capital expenditure at the two other sites was increased considerably:

In the third quarter capital expenditure in China amounted to EUR 1.7 million and was mainly dedicated to property and buildings as well as a down-payment for the forming press, which is going to be starting production at the end of 2008/the beginning of 2009. EUR 1.1 million was invested in the course of incrementally improving production processes at the Mexican site.

In the first nine months of the current financial year capital expenditure amounted to EUR 19.3 million. Of this amount EUR 9.8 million was attributable to Germany and Canada, and EUR 9.5 million was invested in growth markets.

## 04 INTERIM MANAGEMENT REPORT | Employees

### ONLY SLIGHT RISE IN STAFFING LEVELS

In the period under review there were no material changes to the average number of employees compared to the second quarter of 2008.

On average the Group employed a total of 1,914 employees in the third quarter after an average of 1,878 in the second quarter and 1,752 in the previous year.

In Germany, the average headcount for the second quarter was 1,118 (2007: 1,040) – up 14 on the end of the first quarter.

In Canada the number of employees is still on the decline given the lower number of standby orders. On a quarterly average the headcount there came to approximately 110 employees (2007: 145). That marks a decline of 7 employees quarter over quarter.

In the Czech Republic the number of employees during the quarter increased by 12 to 271 as a result of increasingly expanding the site. The headcount amounted to 211 in the previous year.

In Mexico the average headcount was increased by 6 to 388 (2007: 347) in the course of the third quarter 2008.

In China we employed in the third quarter the staff required to start production. Thus, the number of employees rose from 16 at the beginning of the quarter to 27 at quarter end (2007: 9).



## 04 INTERIM MANAGEMENT REPORT | Forecast

### OPPORTUNITIES AND RISKS

The future business activities of the PWO Group remain subject to the same opportunities and risks as those laid out in the annual report for 2007. The outcome of this year's trade union negotiations, which have already started, is an additional risk.

But in the last quarter there has been a dramatic shift in the relation of opportunities versus risks. Collapsing sales in the automotive sector in all regions around the world have resulted in manufacturers cutting back their standby orders for the fourth quarter far beyond fluctuations seen in the past and still continue to reduce orders.

The international financial crisis is immediately impacting the real economy as a result of lacking consumer confidence when it comes to making larger purchases such as vehicles. For suppliers to car manufacturers this means short-term revenue losses, which can hardly be compensated on the cost side in the few months up to the end of the financial year. As a result, there are considerable risks to earnings in the current year.

In this phase trade union negotiations are starting with the highest demand by unions for 16 years. This may lead to a further burden on earnings.

The principle risks faced by the Group also include possibly further increasing commodity prices for steel, stainless steel and aluminium. Although these risks have declined in the course of the global slowdown, commodity and energy prices continue to remain above the previous year's level and therefore impact the industry's earnings.

The risk structure of PWO Group has also changed as a result of increasing internationalisation seen in the last few years. Additional risks have particularly arisen by establishing new sites in the Czech Republic, Mexico and China.

The first two sites experienced higher than expected ramp-up costs in the current financial year. Moreover, productivity lagged behind plans. Establishing our business in China is still going to plan.

In addition to operating risks in the course of establishing a modern production plant which meets our standards and the needs of our customers, risks from currency translation also may arise. As a result of higher volatilities in currencies due to the financial crisis these can have a visible impact on our income statement in the short-term.

## 04 INTERIM MANAGEMENT REPORT | Forecast

### ANTICIPATED EARNINGS TREND FOR FY 2008

As a result of the significant fall in standby orders for the fourth quarter, we reduced our forecast for the current financial year on 29 September 2008. At that point we announced revenue above the previous year level (2007: EUR 259.6 million) and a lower EBIT figure (2007: EUR 16.8 million). However, since that forecast was made the operating environment in the sector has further strongly deteriorated and as a result standby orders have not yet stabilised.

Our operating costs in all areas are currently under review. Here we benefit from the flexibility provided by the flexi-time and temporary workers on the personnel side. In addition, all other operating costs are of course also under detailed review, while capital expenditure is being reduced or its investment horizon extended. There will however be a time lag before these measures take hold.

As standby orders for November and December are not yet stable the forecast for the full year 2008 continues to carry a high level of uncertainty.

For the fourth quarter we foresee a sales decline of more than 20 percent. Thus, sales for the full year 2008 is forecasted to at best reach the 2007 level, which stood at EUR 259.6m.

Regarding EBIT the massive sales decline in the fourth quarter translates in the best case into a breakeven result in that period and thus an EBIT for the full year 2008 significantly below the EUR 16.8m reached in the year 2007.

### ANTICIPATED EARNINGS TREND FOR FY 2009

We also anticipate a difficult selling market for the automobile industry in the financial year 2009. On the political level, measures are currently being developed to help support the industry and offering additional incentives for purchasing a new car. These will certainly have a positive impact and we welcome their introduction.

Nevertheless, revenue development in the first half of 2009 is set to remain cautious and will impact the earnings situation accordingly. We are currently adjusting our costs and capital expenditure. Strategic capital expenditure is still being carried out in the planned timeframe. When it comes to the earnings development in 2009 it is worth considering that we operate in a capital-intensive business with relatively high fixed costs.

## 05

## INTERIM FINANCIAL STATEMENTS | Group Income Statement



	3rd quarter 2008		3rd quarter 2007	
	EUR m	% share	EUR m	% share
Revenue	65.6	98.1	63.1	95.6
Changes in inventories/ Work performed by the enterprise	1.3	1.9	2.9	4.4
<b>Total output</b>	<b>66.9</b>	<b>100.0</b>	<b>66.0</b>	<b>100.0</b>
Other operating income	2.4	3.6	1.0	1.5
Cost of materials	38.7	57.8	36.1	54.7
Staff costs	17.1	25.6	17.2	26.0
Depreciation and amortisation	4.2	6.3	3.9	5.9
Other operating expenses	6.5	9.7	6.0	9.1
<b>EBIT</b>	<b>2.8</b>	<b>4.2</b>	<b>3.8</b>	<b>5.8</b>
Finance costs	1.2	1.8	0.9	1.4
<b>EBT</b>	<b>1.6</b>	<b>2.4</b>	<b>2.9</b>	<b>4.4</b>
Taxes on income	0.5	0.8	1.2	1.8
<b>Net profit for the period</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>	<b>2.6</b>
of which attributable to share- holders of PWO AG	1.1	—	1.7	—
of which attributable to minority interest	—	—	—	—
Earnings per share in EUR, related to net profit for the year (share- holders of PWO AG)	0.44	—	0.71	—

## 05 INTERIM FINANCIAL STATEMENTS | Group Income Statement

	9 months 2008		9 months 2007	
	EUR m	% share	EUR m	% share
Revenue	204.2	96.3	190.9	98.8
Changes in inventories/ Work performed by the enterprise	7.8	3.7	2.4	1.2
<b>Total output</b>	<b>212.0</b>	<b>100.0</b>	<b>193.3</b>	<b>100.0</b>
Other operating income	4.9	2.3	2.4	1.2
Cost of materials	118.9	56.1	102.5	53.0
Staff costs	54.7	25.8	51.6	26.7
Depreciation and amortisation	12.4	5.8	11.7	6.1
Other operating expenses	19.9	9.4	17.2	8.9
<b>EBIT</b>	<b>11.0</b>	<b>5.2</b>	<b>12.7</b>	<b>6.6</b>
Finance costs	3.4	1.6	2.7	1.4
<b>EBT</b>	<b>7.6</b>	<b>3.6</b>	<b>10.0</b>	<b>5.2</b>
Taxes on income	2.4	1.1	3.8	2.0
<b>Net profit for the period</b>	<b>5.2</b>	<b>2.5</b>	<b>6.2</b>	<b>3.2</b>
of which attributable to share- holders of PWO AG	5.4	—	6.2	—
of which attributable to minority interest	-0.2	—	—	—
Earnings per share in EUR, related to net profit for the year (share- holders of PWO AG)	2.14	—	2.48	—

## 05 INTERIM FINANCIAL STATEMENTS | Group Balance Sheet

ASSETS	30/09/2008	31/12/2007
	EUR m	EUR m
Property, plant and equipment	92.3	85.5
Intangible assets	11.6	10.3
Financial assets	0.6	0.6
Deferred tax assets	1.0	0.7
<b>Non-current assets</b>	<b>105.5</b>	<b>97.1</b>
Inventories	52.3	44.0
Receivables and other assets	49.6	48.9
Cash	2.9	1.9
<b>Current assets</b>	<b>104.8</b>	<b>94.8</b>
<b>Total assets</b>	<b>210.3</b>	<b>191.9</b>

LIABILITIES	30/09/2008	31/12/2007
	EUR m	EUR m
<b>Equity</b>	<b>75.7</b>	<b>76.9</b>
Interest-bearing borrowings	31.4	26.5
Pension provisions	23.4	22.9
Other provisions	3.7	3.2
Deferred tax liabilities	1.2	1.7
<b>Non-current liabilities</b>	<b>59.7</b>	<b>54.3</b>
Current portion of pension provisions	1.3	1.3
Trade payables and other liabilities	37.1	34.0
Interest-bearing borrowings	36.5	25.4
<b>Current liabilities</b>	<b>74.9</b>	<b>60.7</b>
<b>Total equity and liabilities</b>	<b>210.3</b>	<b>191.9</b>

## 05

## INTERIM FINANCIAL STATEMENTS | Group Statement of Changes in Equity



	Equity attributable to shareholders of PWO AG						Minority shares up to 15/05/2008	Total Group Equity
	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Cash flow hedge	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
as at Jan 1, 2008	6,391	17,312	49,630	742	383	74,458	2,465	76,923
Dividend payment	-	-	-3,250	-	-	-3,250	-	-3,250
Net profit for year	-	-	5,360	-	-	5,360	-139	5,221
Cash flow hedge	-	-	-	-	-865	-865	-	-865
Purchase of minority interests	-	-	-	-	-	0	-2,297	-2,297
Set-off of goodwill	-	-299	-	-	-	-299	-	-299
Currency translation	-	-	-	256	-	256	-29	227
as at Sep 30, 2008	6,391	17,013	51,740	998	-482	75,660	0	75,660

	Equity attributable to shareholders of PWO AG						Minority shares	Total Group Equity
	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Cash flow hedge	Total		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
as at Jan 1, 2007	6,391	17,312	44,782	273	30	68,788	-	68,788
Dividend payment	-	-	-3,000	-	-	-3,000	-	-3,000
Net profit for year	-	-	6,207	-	-	6,207	25	6,232
Cash flow hedge	-	-	-	-	257	257	-	257
Minority interests	-	-	-	-	-	0	2,418	2,418
Currency translation	-	-	-	581	-	581	-193	388
as at Sep 30, 2007	6,391	17,312	47,989	854	287	72,833	2,250	75,083

## 05 INTERIM FINANCIAL STATEMENTS | Group Cash Flow Statement

	30/09/2008	30/09/2007
	EUR m	EUR m
Net profit for year	5.2	6.2
Depreciation/reversal of write-downs on property, plant and equipment	12.4	11.7
Income tax expense/refund	2.4	3.8
Interest income and expense	3.4	2.7
Change in current assets	-9.0	-11.9
Increase in non-current liabilities (excluding financial credits)	-0.1	0.0
Change in current liabilities (excluding financial credits)	3.8	2.0
Income taxes paid	-3.3	-3.4
Other non-cash expenses/income	-1.4	0.1
<b>Cash flow from operating activities</b>	<b>13.4</b>	<b>11.2</b>
Payments for acquisitions (less cash acquired)	0.0	-4.5
Receivables from the disposal of property, plant and equipment	0.1	0.0
Payments for investments in property, plant and equipment	-17.6	-10.4
Payments for investments in intangible assets	-1.8	-1.7
<b>Cash flow from investing activities</b>	<b>-19.3</b>	<b>-16.6</b>
Acquisition of minority interests	-2.6	0.0
Dividend payments	-3.3	-3.0
Interest paid	-2.3	-1.7
Proceeds from borrowings	24.1	11.0
Repayment of loans	-8.2	-6.7
<b>Cash flow from financing activities</b>	<b>7.7</b>	<b>-0.4</b>
Net change in cash and cash equivalents	1.8	-5.8
Cash and cash equivalents at beginning of the period	-5.2	3.8
<b>Cash and cash equivalents at end of the period</b>	<b>-3.4</b>	<b>-2.0</b>
of which cash	2.9	3.3
of which bank borrowings repayable on demand	-6.3	-5.3

## 06

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were prepared in accordance with IAS 34 (Interim financial reporting). They do not contain all the information and disclosures required for the annual consolidated financial statements and should therefore be read in conjunction with the annual consolidated financial statements as at December 31, 2007. The consolidated interim financial statements and management reports are not subjected to external audit.

The accounting policies used for the annual financial statements as at December 31, 2007, have been applied without change in the preparation of these interim financial statements.

The amendments to IAS/IFRS standards and interpretations introduced on January 1, 2008, have not produced any change in the Group's accounting policies.

**SCOPE OF CONSOLIDATION**

The consolidated interim financial statements as at September 30, 2008, include seven foreign companies which are directly or indirectly controlled by PWO AG. By comparison with June 30, 2008, there were no changes to the scope of consolidation.

**CURRENCY TRANSLATION**

The functional currency of the PWO Group is the euro. The interim reports of the companies within the consolidated group are drawn up in the relevant foreign currency and translated in accordance with IAS 21. As these subsidiaries conduct their business independently as regards their financial, commercial and organisational structures, the functional currency is equivalent to the local currency in all cases. All balance sheet items of the foreign consolidated entity were translated to euros by applying the relevant mean rate of exchange at the balance sheet date. Expenses and earnings in the Group income statement were translated on the basis of the average exchange rate. The net profit for the year from the translated income statement was taken into the balance sheet. Exchange differences are recognised directly in equity as a currency translation difference.

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

		Closing rate		Average rate	
		30/09/2008	30/09/2007	9 months 2008	9 months 2007
China	CNY	9.84	10.65	10.63	10.30
Hong Kong	HKD	11.14	11.02	11.87	10.50
Canada	CAD	1.50	1.42	1.55	1.48
Mexico	MXN	15.78	15.50	16.00	14.73
Czech Republic	CZK	24.67	27.48	24.83	28.08

## 06

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## SEGMENT REPORTING

The Group's primary reporting format is by geographical segment. These segments are defined on the basis of the location of the assets.

Revenue by region	9 months 2008		9 months 2007	
	EUR m	%	EUR m	%
Germany	166.2	81.4	152.2	79.7
Rest of Europe	10.3	5.0	5.8	3.0
NAFTA	30.2	14.8	34.8	18.2
Asia	0.3	0.1	0.2	0.1
Consolidation	-2.8	-1.3	-2.1	-1.1
<b>Group</b>	<b>204.2</b>	<b>100.0</b>	<b>190.9</b>	<b>100.0</b>

Total output by region	9 months 2008		9 months 2007	
	EUR m	%	EUR m	%
Germany	170.5	80.4	155.0	80.2
Rest of Europe	12.8	6.1	6.9	3.6
NAFTA	30.8	14.5	34.5	17.8
Asia	0.3	0.1	0.2	0.1
Consolidation	-2.4	-1.1	-3.3	-1.7
<b>Group</b>	<b>212.0</b>	<b>100.0</b>	<b>193.3</b>	<b>100.0</b>

EBIT by region	9 months 2008		9 months 2007	
	EUR m	%	EUR m	%
Germany	11.6	105.5	11.6	91.3
Rest of Europe	0.1	0.9	0.3	2.4
NAFTA	-0.5	-4.5	1.2	9.4
Asia	-0.4	-3.6	-0.3	-2.4
Consolidation	0.2	1.7	-0.1	-0.8
<b>Group</b>	<b>11.0</b>	<b>100.0</b>	<b>12.7</b>	<b>100.0</b>

## EVENTS AFTER THE REPORTING DATE

No significant events requiring inclusion in this report occurred after the reporting date September 30.

## 06 FINANCIAL CALENDAR | BOARD MEMBERS | CONTACT

### FINANCIAL CALENDAR

24/02/2009	Announcement of preliminary financial results for 2008 / Analyst and press conference
16/04/2009	Publication of 2008 annual report
05/05/2009	Interim report Q1 2009
26.05.2009	Annual General Meeting 2009

### BOARD MEMBERS

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

Members of the Management Board:

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

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