

Press Release regarding the Second Quarter and First Half of 2007

PWO announces encouraging business performance in first half-year

Oberkirch, August 1, 2007 – On the back of a solid start to the year, Progress-Werk Oberkirch AG was able to maintain its forward momentum in the second quarter of 2007 and can now look back on an encouraging performance in the first six months as a whole. Buoyed by steady demand from abroad, the company further extended its business activities in Europe. The main beneficiary of this expansive performance was PWO's headquarters in Oberkirch, Germany. Beyond this, the Group's more visible presence within the global arena has further enhanced its image as a strong international partner.

The PWO Group recorded significant growth in both revenue and total output over the course of the second quarter and the first six months of 2007. In the second quarter revenue increased from EUR 55.9 million to EUR 66.9 million, a gain of 19.7 per cent, while total output rose from EUR 56.8 million to EUR 64.5 million. In the first half, revenue grew by 12.8 per cent, from EUR 113.3 million to EUR 127.8 million, while total output climbed from EUR 116.0 million to EUR 127.3 million. In addition to generating organic growth, the Group also benefited significantly from the initial consolidation of the Mexican subsidiary Cartec effective from January 5, 2007.

Consolidated earnings before interest and taxes (EBIT) rose from EUR 4.6 million in Q2 2006 to EUR 5.0 million in the second quarter of 2007. In the first six months EBIT rose from EUR 8.5 million to EUR 8.9 million. Over the course of the first half, the Group managed to offset an increasing proportion of expenses incurred as a result of a price-induced increase in the cost of materials in relation to total output as well as additional costs associated with international expansion. All operating sites improved their earnings contributions during the six-month period; in the case of PWO's joint venture in China start-up costs were again contained at a low level.

Overall, the Group's EBIT margin, calculated on the basis of total output, was 7.8 per cent in the second quarter, a mere 0.3 percentage points lower than for the same period a year ago. By contrast, the first quarter of 2007 had produced an EBIT margin that was 0.6 percentage points short of the figure posted for Q1 2006. The EBIT margin for the first six months as a whole stood at 7.0 per cent, compared with 7.3 per cent a year ago.

Due to the corporate acquisition in Mexico, finance costs stood at EUR 1.8 million in the first half 2007, compared with EUR 1.5 million in the same period a year ago. With income tax expense remaining largely unchanged year on year at EUR 2.6 million, net profit for the first half again stood at EUR 4.5 million. Net profit for the second quarter was EUR 2.6 million, compared with EUR 2.5 million in Q2 2006. Earnings per share stood at EUR 1.08 for the second quarter of 2007 (prev. year: EUR 1.00) and at EUR 1.78 for the first half (prev. year: EUR 1.78).

The Group's earnings performance over the course of the first half further underscored its forecast for the 2007 financial year as a whole. PWO remains committed to its target of generating revenue in the region of EUR 250 million. Regardless of the Group's significant efforts to drive international expansion, EBIT is to reach a level comparable to last year's figure.

Progress-Werk Oberkirch AG
The Management Board