

The PWO logo is located in the top right corner of the image. It consists of the letters 'PWO' in a bold, orange, sans-serif font. The background of the entire image is a circular collage. The top half shows a close-up of a metallic industrial component, possibly a burner or a valve, with a red glow at its base. The bottom half shows a pair of hands holding a glowing globe of the Earth, which is overlaid with a complex network of orange and blue lines representing global connectivity or data flow.

ANNUAL

REPORT 2021

Key Figures & Highlights

PWO – The Engineering House

With our innovative lightweight solutions, we are a preferred partner of the global mobility industry. We are constantly driving forward the development and production of sophisticated metal components and complex subsystems.

Key Performance Indicators PWO Group

		Forecast 2022	Actual results 2021
Revenue	EUR million	approx. 480	404.3
EBIT before currency effects	EUR million	19 - 22	22.1
Free cash flow	EUR million	balanced	4.9
Equity ratio	%	flat	33.6
Dynamic leverage ratio	Years	2.5–3.0	2.2
Capital expenditure	EUR million	approx. 30	16.2
Lifetime volume of new business	EUR million	> 500	approx. 570



The PWO Share 2021 (100 = Jan. 4, 2021)



Convincing

The positive share price performance in 2021 was largely driven by the very good reception of our refined equity story.

KEY FIGURES & HIGHLIGHTS

Revenue
EUR million **404.3**

EBIT before
currency effects
EUR million **22.1**

Employees
2,957

004 Magazine

PEOPLE, PLANET, PROGRESS!

005 EXECUTIVE BOARD INTERVIEW

"We think future sustainably."

007 SUSTAINABLE? WHAT WE DO BEST.

We accept responsibility for future generations.

009 INDEPENDENT OF COMBUSTION ENGINES? 100%.

We are already building on the environmentally friendly mobility of the future.

011 ON SITE? OF COURSE!

Everyone wants to be mobile which is why we are committed to global growth.

013 PROCESSES? GO.

Zero-error quality: We set standards through our processes.

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PEOPLE, PLANET, PROGRESS!



EXECUTIVE BOARD INTERVIEW

"We think future
sustainably."

005



SUSTAINABLE? WHAT WE DO BEST.

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013



EXECUTIVE BOARD INTERVIEW



left to right
Carlo Lazzarini, CEO
Dr. Cornelia Ballwießer, CFO
Johannes Obrecht, COO

**“We think future
SUSTAINABLY.”**

Mr. Lazzarini, PWO’s slogan is “People, Planet, Progress.” A nice trio, but also very ambitious!

Yes, that’s true! For more than 100 years, this aspiration to make progress has even been reflected in our name. We have always defined “progress” as making advances for people. The basis of our success over such a long period of time has always been and remains a sense of responsibility in everything we do.

This is why we place such high value on building trust with all of our stakeholders, especially the public. A key part of this is that we seek not only to minimize the negative impact of our actions on the environment as much as possible, we also see PWO as a force for good, as actively contributing to improving the environment.

Can you give any specific examples?

It is essential to start with what are considered minor details along the entire value chain. This is the only way to get the overall picture that meets our standards. For example, we did not neglect energy saving and emission reduction in 2021 despite the strain of the pandemic and implemented a wide range of measures that lead directly to significant energy savings.

In Oberkirch, we now use continuous energy data tracking for all load profiles. One tangible result of this transparency is that the new automatic shutdown management for presses and welding units reduces total energy consumption by up to 40 percent at weekends. Our German and Czech sites were also switched entirely to green electricity at the start of 2022, all new vehicles that we order in Oberkirch are electric and we are installing charging stations at the company’s premises.

At our Canadian site, we integrated energy efficiency measures in the procurement process last year – as well as for the new 800 metric ton press, including an energy recovery system. In addition, the entire plant is now fitted with LED lighting throughout and a recirculated water supply system was introduced in 2019. At our Chinese site in Suzhou, water for the canteen and for showers is now heated by a heat exchanger using waste heat from the air compressors instead of electric heating. These are all examples of “minor details” that together have a sizable impact!

“Our entire range of products is clearly **LOOKING TO THE FUTURE.”**

Carlo Lazzarini, CEO

EXECUTIVE BOARD INTERVIEW

“We align ourselves strictly to international SUSTAINABILITY STANDARDS.”

Dr. Cornelia Ballwießer, CFO



And what about the “force for good,” i.e. your active contribution to a better future?

CB First of all, it is very important to report within accepted guidelines. The key word here is confidence building – also in terms of our responsibility for the future. For this reason, we created a materiality matrix last year, which also drew on input from our stakeholders. It records and weights our central sustainability issues and is based on the Global Reporting Initiative provisions, including when it comes to managing these issues. As for achieving climate neutrality, we are currently preparing a comprehensive carbon footprint report in accordance with the Greenhouse Gas Protocol. Of course, all our sites have certified environmental management systems.

CO All in all, we are already far exceeding the minimum requirements. At the same time, our entire range of products is clearly looking to the future – especially when it comes to sustainability. Not only is it entirely independent of combustion engines, at a global level we are one of the leading developers and manufacturers of sophisticated metal components in environmentally friendly lightweight construction for vehicles.

JO Our lightweight solutions significantly increase the environmental friendliness of a vehicle because they reduce the amount of resources necessary for production and operation and bring down emissions over a vehicle’s entire lifetime. They are also made almost entirely of steel, which can be fully recycled at the end of a vehicle’s lifecycle.

CL This helps us play an active role in ensuring that our current generation does not live at the expense of future generations.

“Our LIGHTWEIGHT SOLUTIONS significantly increase the environmental friendliness of a vehicle.”

Johannes Obrecht, COO



SUSTAINABLE



RESPONSIBILITY

SUSTAINABLE?

WHAT WE DO BEST.

We accept responsibility for future generations.

Ensuring that our planet remains habitable is the great challenge of our time. We want to play a responsible and active role in tackling this issue facing mankind while, at the same time, drawing on innovative ideas to seize our opportunities for the future.



Generating SUSTAINED SUCCESS through sustainability.

Our name is both our vision and our mission: Progress stands for improving, moving forward and innovating. We know that innovations can survive only if they are environmentally sustainable and help protect the climate and global health. If people are valued, from the time of the idea right up to implementation, and are paid appropriately for their services.

This is why we take a forward-looking and sustainable view of mobility. Our lightweight construction solutions always keep energy consumption as low as possible, conserving resources and, in turn, the environment. Our product solutions are used in all aspects of modern, pioneering vehicle manufacturing. As part of this, our focus is not only on making vehicles more environmentally friendly, we also ensure that they become safer and more comfortable.

Our most important raw material is steel. Steel is fully recyclable and in theory can be reused indefinitely! This means that our product solutions are too. Even after the service life of a vehicle ends, they continue to save

resources and reduce CO₂. So when it comes to taking a conscientious approach to CO₂, steel remains our first choice. Ultimately, supposed alternatives such as aluminum, plastic and carbon can barely be recycled, if at all. Our steel lightweight construction solutions also help combat the “plastification” of our planet.

Everything that we do is guided by our environmental overall strategy: continuously increasing production efficiency and reducing material consumption. We already use green electricity, organize our logistics in a way that conserves resources and are expanding our own electro mobility. This allows us to constantly reduce specific emissions, raw materials and operating material consumption, residuals and waste.

Our services play an active role in helping save the climate. Accordingly, they are always “good for the planet.” As a company, we are also well on track to achieve carbon neutrality.

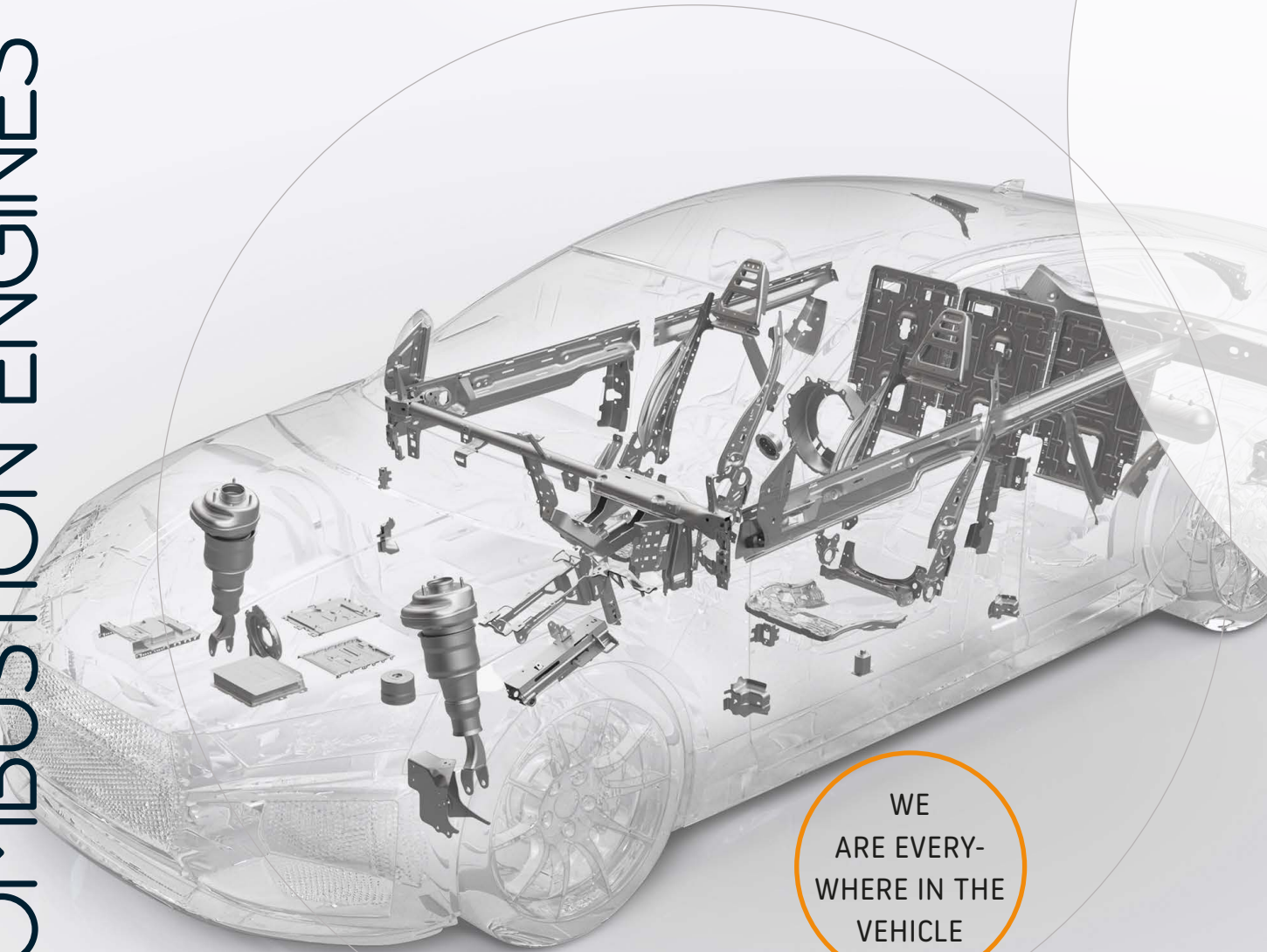


We make steel lightweight. With the lowest possible wall thicknesses. In this way steel becomes doubly sustainable: minimized use of resources – indefinitely recyclable.

SUSTAINABLE



INDEPENDENT OF COMBUSTION ENGINES



WE
ARE EVERY-
WHERE IN THE
VEHICLE

LEADING EDGE

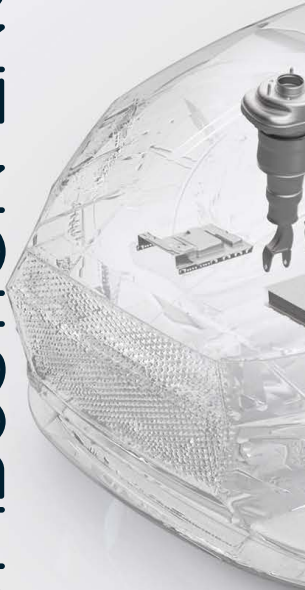
INDEPENDENT OF COMBUSTION ENGINES?

100%.

We are already building on the environmentally friendly mobility of the future.

We are proactively shaping the mobility of the future. Accordingly, our entire product range is ready for the demands of tomorrow. We have long since been entirely independent of the use of internal combustion engines. We take an innovative approach to equipping vehicles of all drive concepts.

INDEPENDENT OF
COMBUSTION ENGINES



A NEW WORLD is the best environment for NEW IDEAS.

Transformation and change for the better are firmly enshrined in our company DNA. Passion for developing new ideas and innovatively putting these into practice in solutions that provide additional benefits for our customers is what drives us. As an engineering company, we push the boundaries of what is technologically feasible every day. This creates pioneering solutions for electrification, comfort and safety in modern vehicle manufacturing. The future of mobility does not come easily. We continue to develop it every day with a particular focus on achieving an exemplary environmental footprint along our entire value chain. Sustainability is a central issue for us.

For a long time, heightened awareness of environmental and climate protection was a minority issue. Today, it has spread to the center of society, although the significance placed on the topic does vary between countries. Under the Paris Climate Agreement, all signatory states are obliged under international law to define and implement measures at national level. We have pledged to take on a pioneering role in environmental and climate protection in the 4 continents in which we operate. After all, this is what our customers expect. In line with our own standards, we always take care to ensure that environmental and climate protection creates additional benefits for them.

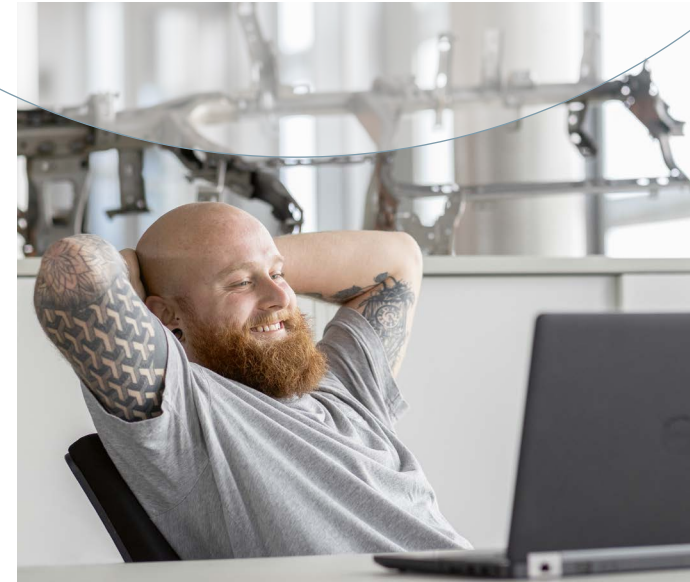
We are ready for the drive technologies of the future.

Specifically, we make our visions a reality by:

- continually reducing use of materials – while optimizing quality
- using high-tech steel qualities for even higher demands
- integrating additional functions and qualities that reduce other parts or materials usage
- permanently positioning ourselves more effectively and thus more economically throughout the company

This is how we are helping shape the future of mobility with reimagined components for the electrification of vehicles, for safety in real-time networked mobility, and for comfort in “living space on wheels.”

We put our customers, society and each and every individual in the position to achieve climate goals in the world of mobility.



Putting good ideas into practice: Our instrument panel supports combine comfort and safety with a wide range of options for electrification in the vehicle.

ON SITE



THINK GLOBAL – ACT LOCAL

ON SITE?

OF COURSE!

Everyone wants to be mobile which is why we are committed to global growth.

We are always there for our customers, wherever they need us. For us, that means maintaining a local presence. Because this is the only way to create perfect solutions for optimal overall concepts. Because only when the distance between us is short can we quickly achieve our common goals.

The world of MOBILITY is full of OPPORTUNITIES.

We take advantage of these with and for our customers – always providing the best solution for the region. Our extensive expertise in metal forming and joining technology makes us a sought-after partner in the international mobility industry. Our excellent performance in terms of customer requirements, use of materials, quality and complexity is legendary around the world.

With every opportunity that we seize, we secure the future of the company and generate growth. We are constantly exchanging knowledge throughout the Group and systematically strengthening global networks between all locations.

Our success confirms our strategy and so we will continue to expand our global presence further with a clear focus on growth through new business driven by innovation.

Our vision: We shape the future of PWO with curiosity, courage, skill and passion. We are a leader in shaping environmentally friendly mobility.

We will continue to expand our leadership culture and jointly develop a canon of values. This approach has already resulted in groundbreaking improvements, including in production. It also helped establish a new level of leadership skills.

Our international management meetings bring together PWO managers from across the world to discuss ideas and network their knowledge and experience. Together, we have

an unbridled passion for continuing to grow as a PWO family and responding to global challenges – leadership in its purest form!

PWO is like a family, intercultural, versatile and diverse.

The entire PWO Group is run like a family. This allows for flexibility and quick decisions and offers employees long-term prospects. We think in generations, not from one quarter to another. This creates a strong corporate culture. In our view, these are the best foundation for high product quality and innovation.

Our employees come from all over the world and bring with them the diversity of their different backgrounds. Their wide range of lifestyles and personalities make working together colorful and exciting. In the future, our aim is to further cultivate a culture that promotes every kind of talent, whether old or young, and that is always open to all personal directions.

We like being us. And everyone should be able to do so with us.



“PWO rocks!”
No one will disagree! Least of all at the training facility.



PROCESSES

EFFICIENT EFFECTIVENESS

PROCESSES?

GO.

Zero-error quality: We set standards through our processes.

Reliability is our crucial added value and ensures our edge. We deliver our products just in time where they are needed. We have been doing this for decades and at a zero-error quality, which in turn creates trust among our customers, who reward us with long-term partnerships.

WHAT IS INDUSTRY 4.0?

It is when you are really already thinking about 5.0.

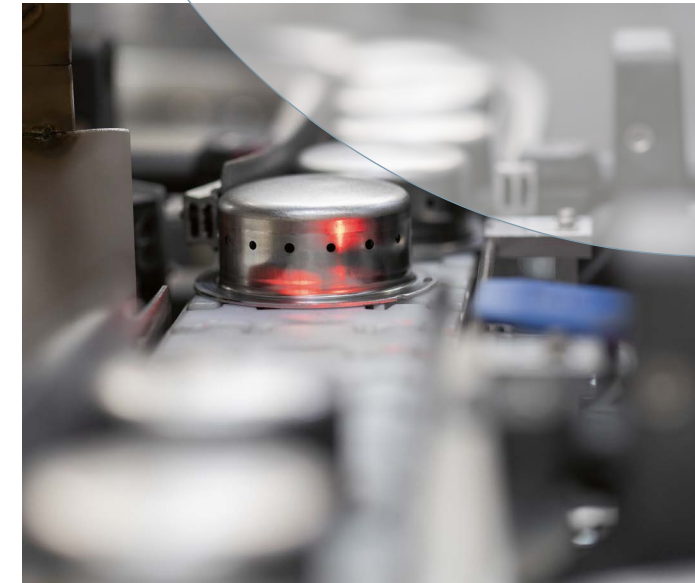
We live in an industrial era where people, machines, and products are increasingly networked directly and in real time. Networking is the main feature of the fourth industrial revolution – in other words, Industry 4.0. The intelligent networking of machines and processes and the use of artificial intelligence with the aid of information and communication technology is unstoppable and irreversible. PWO not only identified this development and put it into practice at an early stage, we also see ourselves as driving the shift towards the next stage: Industry 5.0, the intelligent use of all resources, skills, and products for the good of humanity and nature.

Resourcefulness, not natural resources.

Neither gold nor diamonds have ever been discovered at our original location in Oberkirch. But we have always been rich in ideas. Extensive expertise in metal forming and joining technology is our most important resource and a constant capacity for innovation our greatest asset. We share both of these with all of our locations worldwide. Combined with the latest data-driven technology, our passion for innovation ensures our success.

Technology thought out ahead of time can do it all.

As part of this, we consistently focus on intelligent analysis and maintenance tools to optimize all production processes. Potentially critical situations are identified when they arise and successfully controlled. Productive loopbacks ensure that we deliver zero-error quality and help us recognize permanently additional productivity potential. This allows us to constantly improve efficiency and quality along the entire value chain. Downtime and unnecessary steps are minimized across the Group, including in areas upstream and downstream of production and in administration, resulting in maximum availability for our customers. Quite simply, the greatest possible efficiency.



Fully integrated production processes with quality analysis, evaluation and documentation in real time. This is how we ensure the highest precision even at the highest volumes.

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TO OUR SHAREHOLDERS

Letter from the Executive Board

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Dear Shareholders,

Your company enjoyed 3 major success stories in the 2021 fiscal year.

Firstly, we successfully dealt with the impact of the pandemic on the global economy. In particular, we were able to deliver at all times thanks to our high level of flexibility. We had to overcome considerable fluctuations and discrepancies between inflated call-offs on the one hand and call-off figures that were often revised downwards at very short notice on the other, a result of uncertain supply conditions in our sector.

We achieved this. In fact, we did more than that! Despite the challenging situation, we met almost all of our forecasts and even substantially exceeded some. The marked improvement in income was thus not only reflected in a stronger balance sheet structure at your company – after being suspended twice, we now believe the company is again in the position to distribute a dividend for the 2021 fiscal year. Accordingly, the Executive Board and the Supervisory Board propose a dividend of EUR 1.50 per share.

Secondly, in addition to these successes in a challenging global economic environment, we have set a strategic course for successfully and sustainably positioning your company in the mobility markets of the future.

PWO is already a sustainable investment in many respects! By being completely independent of internal combustion engines, we pre-empted the sector's transformation towards decarbonization. At the same time, we have also set specific milestones to systematically focus the company on carbon neutrality. In the 2021 fiscal year we laid the foundation for this by surveying our emissions of greenhouse gases according to the Greenhouse Gas Protocol. Our next step will be to define our reduction targets by considering Scope 1, 2 and 3 based on the Science Based Targets initiative (SBTi).

Firmly rooted in an engineering company with comprehensive lightweight construction expertise and excellent performance in product and process development, our core competencies in the trends of electrification, safety and comfort are shaping the move towards a completely new world of environmentally friendly mobility.

Our slogan "People, Planet, Progress" brings together all of your company's unique selling points in terms of sustainability. We invest all of our energy and income in growth and innovation – in short, in the future. The fact that, like in the previous year, we again reported a high volume of new business in the reporting year clearly demonstrates that we are on the right path.

This brings us to the third success story – your company's performance. Sustained growth is the focus of all of our activities, as it is the result of a corporate strategy that will secure the company's future. This is also a key focus area of our capital market communication, where we specifically direct our strategic focus on the issues of the future in our sector that particularly benefit us. Market participants have now clearly rewarded us for this and increased the share price significantly: PWO shares rose by a total of 59 percent in 2021.

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Our aim for this fiscal year is to maintain this success in the long term. In 2022, we will again take on the challenges that are familiar to us from the previous year, in particular the disruptions to global supply chains in our industry, which will likely resolve only gradually. We impressively demonstrated our performance and ability to deliver even in challenging market phases in 2021. In addition, we aim to adjust prices promptly in line with the use of materials in our products and their price increases at our suppliers, which should result in far higher revenue.

To ensure the extensive start-ups and ramp-ups of new series productions planned for the next few years and the swift pace of expansion at our international locations, we intend to substantially step up investment again in the 2022 fiscal year. A key focus area here will be eastern Europe, where we will specifically direct investment towards our Czech location by funding new halls. At our home location in Oberkirch, the focus will be on investing in Industry 4.0. While the demand for investment at our Chinese location will remain rather low this year, investments in Canada and Mexico will be fundamental in stepping up our performance and encouraging further growth at these locations.

Despite the considerable rise in investment, our aim in 2022 is to use liquidity-based management to achieve a balanced free cash flow and maintain the equity ratio performance indicator, which improved in the previous year. This should be aided by lower costs, especially at the Oberkirch production site, and by further strengthening profitability at the Group as a whole.

The Executive Board would like to thank all Group employees for once again demonstrating extraordinary commitment over the last year. We are aware that the coronavirus pandemic, which has now been part of our lives for the second year in a row, was particularly challenging for them and for their families.

We would also like to thank you, our shareholders, for the trust you have placed in us. We firmly believe that your investment in this great company will pay off. The PWO Group is ideally positioned to harness the opportunities presented by future mobility. We will continue to do everything in our power to achieve this.

Dear Shareholders, the war in Ukraine is deeply upsetting for all of us. Although our business is not directly affected, we have to assume that the global economy and thus also our industry will be affected. However, all forecasts in this respect are highly speculative at the moment and therefore cannot serve as a basis for reliable planning. It goes without saying, that we will do everything in our power to keep the negative impact on your company as low as possible. We sincerely hope for an end to this war as soon as possible of this war and peace for the people. Violence must never be a means to any purpose!



Carlo Lazzarini
(CEO)



Dr. Cornelia Ballwießer
(CFO)



Johannes Obrecht
(COO)

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In the 2021 fiscal year, the Supervisory Board of Progress-Werk Oberkirch Aktiengesellschaft (the "Company") carried out its duties as defined by law, the Company's Articles of Association and Rules of Procedure. To this end, the Supervisory Board and Executive Board cooperated continuously and maintained a close dialog. On a regular basis, the Supervisory Board advised the Executive Board and monitored the Company's management in terms of its legality, practicality and efficiency.

The Supervisory Board and the Executive Board discussed and closely coordinated all key issues relating to the strategic development of the Company and the Group. In particular, the Supervisory Board was always directly involved in Executive Board decisions that were of fundamental importance to the Company and the Group. The Supervisory Board was promptly and fully informed through the Executive Board's detailed verbal and written reports on all significant issues relating to the markets relevant for the Company and the Group, the current course of business, and the net assets, financial position and results of operations of the Company and the Group.

As in the previous year, global economic development in the reporting year was largely dominated by the COVID-19 pandemic ("the pandemic"). Thus, once again the focus was on overall economic conditions – in particular the global shortage of raw materials and intermediate products for our industry – and their impacts on our business development.

In view of this in particular, the Supervisory Board also discussed ongoing development projects and capital expenditures as well as short-term and long-term corporate planning in depth. The Executive Board also reported on the liquidity and risk situation, the status and development of the Group-wide risk and compliance management systems, as well as on IT security and data protection.

Particularly in the context of the pandemic, the Executive Board and the Supervisory Board concur in regarding the health of all employees and business partners as a top priority for PWO. Therefore, the Supervisory Board would like to thank everyone whose hard work ensured that employees throughout the PWO Group and our direct business partners stayed as healthy as possible during the pandemic in the 2021 fiscal year.

Deviations in business performance from the forecasts and targets and any measures to address them were discussed in detail by the Executive Board and reviewed by the Supervisory Board.

The Supervisory Board critically reviewed the Executive Board's reports for their plausibility and checked the corporate audit and the risk, internal control and compliance management systems for their suitability and effectiveness in terms of the extent of the Group's business activities and its risk situation. With regard to this, the Supervisory Board expressly welcomes the completion of the development of a risk tolerance concept.

The Supervisory Board confirmed that the subject and scope of the Executive Board's reports fully met the Supervisory Board's requirements. After a thorough examination and discussion, the Supervisory Board approved the reports and resolutions of the Executive Board to the extent required by legal and statutory provisions. Matters requiring the Supervisory Board's approval were submitted for resolution by the Executive Board in a timely manner.

During the 2021 fiscal year, the chairman of the Supervisory Board was in regular and close personal contact with the Executive Board in the periods outside of the Supervisory Board meetings, particularly with the CEO. The chairman also advised the Executive Board with respect to strategy, planning, business and financial development, risk situation, risk management and compliance issues and was always informed of current business developments and all material business transactions.



Karl M. Schmidhuber,
Chairman of the Supervisory Board

Outside of the Supervisory Board meetings, the chairman also briefed the other Supervisory Board members and discussed the current developments with them.

The Supervisory Board chairman was always provided with information concerning special business transactions that were deemed vital to the assessment of the situation, development and management of the Company and the Group. He was also promptly kept informed by the Executive Board through verbal and written reports.

There were no conflicts of interest in the 2021 fiscal year involving Executive Board or Supervisory Board members that would require immediate disclosure to the Supervisory Board and the notification of the Annual General Meeting.

The members of the Supervisory Board are responsible for completing any training and continuing education required for their duties, which includes keeping up to date on any changes in the legal framework and on new pioneering technologies and sustainability/ESG. They receive the support of Supervisory Board members in ensuring this, and are offered in-house information events for targeted further training as required.

The Work of the Full Supervisory Board

The full Supervisory Board met on a total of 5 occasions in 2021 – March 25, May 18, July 27 and 28, September 29 and December 9. Furthermore, the Supervisory Board passed several resolutions via remote communication on the following topics: updating the declaration of conformity (April 1), the appointment of Stefan Klemenz as a member of the Audit Committee (June 23), the conclusion of a general loan agreement (August 16), the repayment of KfW financing (August 26) and a capital increase at the affiliated company PWO de México S.A. de C.V. (September 29). The Supervisory Board met virtually in May and in hybrid form in December. Its other meetings were held at the Company's headquarters. All members attended all meetings.

The Supervisory Board dealt regularly and in detail with the corporate strategy, current market situation, ongoing development projects, status of capital expenditures and the respective situation and earnings reports of the Executive Board on the economic and operating situation. All of these were always considered against the backdrop of the pandemic and its impacts on the Group. Other key topics included the Group's growth prospects, particularly with regard to existing and potential new locations, and securing the Group's future.

On the basis of the resolution of the Annual General Meeting on May 19, 2021, the chairman of the Supervisory Board appointed the new auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Stuttgart branch, and agreed on its fee.

The following items were also on the respective meeting agendas in the 2021 fiscal year:

At its meeting on March 25, the Supervisory Board dealt in detail with the report of the Audit Committee as well as the financial statements and prescribed declarations and reports on the 2020 fiscal year. In addition, the unappropriated retained loss was discussed. Following its own detailed examination, the Supervisory Board approved the 2020 annual financial statements and the 2020 consolidated financial statements; the annual financial statements were thus adopted. Furthermore, the agenda for the virtual 98th Annual General Meeting,

the current situation regarding the market, orders and development projects as well as situation reports on capital expenditures and the individual locations, in particular the future package for the Oberkirch location, were discussed in depth. Other items on the agenda included issues relating to the further development of the IT infrastructure.

On May 18, the Supervisory Board dealt with the schedule of the forthcoming Annual General Meeting. Also discussed were the regular reports on the market, incoming orders, development projects, the status of capital expenditures and the locations, the impacts of the pandemic and the situation with the related protective measures. In addition, the earnings report to April 30, 2021, the first forecast for the current fiscal year, the report of the Audit Committee on the first quarter of 2021 and the compliance report were received and discussed in detail.

At its two-day meeting on July 27 and 28, in addition to the regularly raised topics regarding the situation in the Group and that of the market, the status of capital expenditures and structural measures, the Supervisory Board dealt with the earnings report for the first half of 2021 and the competitiveness and strategic development of the individual locations, with particular reference to the Oberkirch location. It discussed the data protection report, the report of the Audit Committee and matters relating to issues such as financing and the further development of the IT infrastructure as well as the ESG strategy – i.e. the strategy concerning environment, social and governance aspects.

At the meeting on September 29, in addition to the regularly discussed topics, the earnings report to the end of August 2021 and the second forecast for 2021 were discussed in detail. Particular attention was given to the Company's ability to pay dividends. Financing issues were also on the agenda, and the reports by the Audit and Personnel Committees were received and discussed in detail. Other items included the discussion of various special projects relating to operational implementation at the Oberkirch location, the increase in efficiency of Group-wide procurement and controlling and the expansion of the Czech location.

At the meeting on December 9, in addition to the regularly discussed topics and the reports of the Audit and Personnel Committees, the Supervisory Board dealt primarily with the business development in the second half of 2021, the third forecast for 2021, the adoption of the annual planning for the 2022 fiscal year and the presentation of medium-term planning up to 2026. In addition, the Supervisory Board discussed issues such as the further development of the IT infrastructure.

Other key topics of this meeting were, once again, various measures and plans regarding improvement of the cost situation and competitiveness of the Oberkirch location, such as considerations relating to the reconciliation of interests in the context of adjustment of staff numbers, as well as the ongoing development of the ESG strategy and compliance and corporate governance issues. These included the annual reports on compliance, risk management and internal auditing, the efficiency review of the Supervisory Board, the adoption of the adjusted 2021 Declaration of Conformity in accordance with section 161 AktG on the recommendations of the "Government Commission on the German Corporate Governance Code."

Further information on corporate governance can be found in the Company's corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB), which is available on the Company's website at [→ https://www.progress-werk.de/en/group/corporate-governance/](https://www.progress-werk.de/en/group/corporate-governance/).

The Work of the Committees

To efficiently perform its duties and in accordance with its Rules of Procedure, the Supervisory Board has established a Personnel Committee and an Audit Committee. It has granted these committees certain decision-making powers to the extent permissible by law. These committees prepare the relevant issues for the consideration of the full Supervisory Board. The chairpersons of these committees regularly report to the full Supervisory Board on the deliberation and resolutions of the respective committee.

The chairman of the Supervisory Board heads the Personnel Committee. The Personnel Committee prepares the personnel decisions of the Supervisory Board. The Personnel Committee, rather than the Supervisory Board, decides on the Company's representation in dealings with the Executive Board members, the consent to any outside or competing offices held by Executive Board members, and the granting of loans to Executive Board or Supervisory Board members. Furthermore, the Personnel Committee submits proposals to the Supervisory Board for the compensation system and the total remuneration of the individual Executive Board members. In the 2021 reporting year, the Personnel Committee met on 5 occasions. All its members were present on each occasion, and Carsten Claus also attended as a guest.

Carsten Claus is the chairman of the Audit Committee. He possesses special knowledge and experience in the areas of accounting and auditing. The Audit Committee, rather than the Supervisory Board, assumes the tasks of previewing the financial statements and consolidated financial statements, the management report, the Group management report

and audit report furnished by the auditor. It deals with selection of the auditor, and examines the auditor's independence and the services performed by the auditor. The Audit Committee also prepares the report to be submitted by the Supervisory Board in accordance with Section 171 AktG.

In addition to monitoring the accounting and the accounting process, the Audit Committee also concerns itself with overseeing the effectiveness of internal control and audit systems, the risk management system, the audit and its quality, compliance and the compliance management system. To this end, as required, the members of the Audit Committee – via the chairman – obtain information from the heads of the respective departments who are responsible for the tasks relevant to the Audit Committee. The chairman informs the Executive Board of this immediately.

In the 2021 reporting year, the Audit Committee met on 5 occasions, twice with representatives of the auditing firm. All members of the committee attended the individual meetings. The main topics discussed were the 2020 fiscal year financial statements, the 2021 interim financial report and quarterly statements. Other topics dealt with by the committee included the consequences of the pandemic for the Group, corporate governance issues and the preparation of the 2021 annual financial statements.

Additionally, the Audit Committee discussed the Company's business development in depth, including the reports received from the Executive

Board, while paying special attention to the current development of the Company's and Group's profitability. Moreover, the committee discussed questions regarding the Company's financing, the measurement of equity interests, corporate management and accounting principles. The Audit Committee regularly reviewed the Company's and the Group's current performance and compared it to the corresponding planning data to determine if there was any need for action.

In the reporting year, the committees were comprised of the following members:

Personnel Committee

- Karl M. Schmidhuber (chairman)
- Dr. Georg Hengstberger
- Dr. Jochen Ruetz

Audit Committee

- Carsten Claus (chairman, financial expert in the field of auditing as defined under Section 100 (5) AktG)
- Dr. Georg Hengstberger (financial expert in the field of accounting as defined under Section 100 (5) AktG)
- Stefan Klemenz (from June 23, 2021)
- Herbert König (until May 19, 2021)
- Karl M. Schmidhuber

Disclosure of Meeting Attendance for Individual Members

The attendance of the members of the Supervisory Board at the Supervisory Board and committee meetings is disclosed in detail below:

Supervisory Board Meetings

- March 25, 2021 Full attendance
- May 18, 2021 Full attendance
- July 27–28, 2021 Full attendance
- September 29, 2021 Full attendance
- December 9, 2021 Full attendance

Personnel Committee Meetings

- January 11, 2021 Full attendance
- July 16, 2021 Full attendance
- September 2, 2021 Full attendance
- October 18, 2021 Full attendance
- November 24, 2021 Full attendance

Carsten Claus attended all meetings as a guest.

Audit Committee Meetings

- February 16, 2021 Full attendance
- March 22, 2021 Full attendance; two representatives of the auditing firm as experts
- May 5, 2021 Video conference; full attendance
- July 27, 2021 Full attendance
- October 28, 2021 Full attendance; two representatives of the auditing firm as experts

Changes in the Composition of Governing Bodies

There were the following changes to the Supervisory Board in the 2021 reporting year: Employee representatives Herbert König and Gerhard Schrempp stepped down from the Supervisory Board at the end of the Annual General Meeting on May 19, 2021. The Supervisory Board would

like to thank them for their many years of constructive collaboration. They were succeeded as employee representatives, also at the end of the Annual General Meeting, by Andreas Bohnert, deputy chairman of the Works Council of PWO AG, and Stefan Klemenz, chairman of the

Works Council of PWO AG. Stefan Klemenz succeeded Herbert König as a member of the Audit Committee on June 23, 2021.

There were no changes to the Executive Board of PWO AG.

Conflicts of Interest

The Supervisory Board continuously monitored the existence of conflicts of interest during the reporting year. Conflicts of interest were not identified by the Supervisory Board during the reporting year, nor were they brought to its attention by members of either the Executive Board or Supervisory Board.

Audit of Annual and Consolidated Financial Statements

The consolidated financial statements were prepared by the Executive Board in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and in accordance with the provisions of Section 315e (1) HGB. The accounting, the annual financial statements, the consolidated financial statements and the combined management report for the Company and the Group, as well as the dependency report, were audited by the Stuttgart branch of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and furnished with an unqualified audit opinion.

The audit opinion of KPMG AG Wirtschaftsprüfungsgesellschaft on the dependency report reads as follows: "Based on our due audit and assessment, we confirm that (1) the factual statements made in the report are correct and that (2) the consideration paid by the Company in the legal transactions listed in the report was not unreasonably high."

At its meeting on March 15, 2022, the Audit Committee reviewed the annual and consolidated financial statements, the combined management report for the Company and the Group, the dependency report, and the audit reports prepared by the auditor. The auditor was present at this meeting and reported on the main findings of the audit.

At its meeting on March 15, 2022, the Supervisory Board discussed in detail the separate non-financial report for the Company and subjected it to its own review. The separate non-financial report was explained in detail by the Executive Board. The review did not lead to any objections by the Supervisory Board. In addition, the Supervisory Board approved the corporate governance statement.

In addition, effective April 1, 2022, the Supervisory Board resolved wanting to reach a target of 1 woman on the Executive Board and 1 woman on the Supervisory Board by March 31, 2027. With potentially

2 Executive Board members this is a ratio of 50.00 percent, with 3 Executive Board members a ratio of 33.33 percent and with 4 Executive Board members a ratio of 25.00 percent. In the Supervisory Board with 6 members, this represents a ratio of 16.67 percent.

At its meeting on March 24, 2022, the Supervisory Board dealt in detail with the annual and consolidated financial statements for the 2021 fiscal year, including the combined management report for the Company and the Group as well as the dependency report of the Executive Board in accordance with section 312 AktG, the remuneration report, and the audit reports prepared by the auditor. The relevant drafts were handed out to the members of the Supervisory Board promptly in advance of the meeting on March 24, 2022. The auditor was present at this meeting and reported on the main findings of the audit.

The Supervisory Board conducted its own review of the financial statements and consolidated financial statements and the combined management report for the Company and the Group. At the recommendation of the Audit Committee, the Supervisory Board agreed with the auditor's results at the meeting on March 24, 2022. No objections were raised following the conclusive results of the Supervisory Board's examination.

The Supervisory Board approved the financial statements and consolidated financial statements, thereby adopting the financial statements for the 2021 fiscal year.

The Supervisory Board also subjected the dependency report to its own review and confirmed the auditor's audit result. There were no objections to the Executive Board's statement at the end of the dependency report following the conclusive results of the Supervisory Board's examination.

At the same meeting, the Supervisory Board approved and signed the remuneration report. The auditor present at the meeting provided an audit opinion on the remuneration report.

The Supervisory Board and Executive Board consider the Company's ability to pay dividends, and thus returns on the capital provided by its shareholders, as an important goal. In view of the extensive structural measures and the good development of the subsidiaries outside Germany, there were clearly evident successes in improving the competitiveness of the Company and the Group, and the Company posted a pleasing profit in the 2021 fiscal year.

According to the Executive Board, this will allow the resumption of a dividend payment to shareholders, despite the ongoing uncertainties over the further progression of the global pandemic and the current political developments. Therefore, the Executive Board has submitted a profit appropriation proposal to the Supervisory Board that provides for the payment of a dividend of EUR 1.50 per share. Following a detailed examination, the Supervisory Board approved this proposal to the 2022 Annual General Meeting at its meeting on March 24, 2022.

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A Word of Thanks

On top of the significant sector-specific challenges and pressures on the international mobility industry over the last few years, the extensive global social restrictions in response to the global pandemic have presented huge additional challenges due to the resultant production losses and bottlenecks in the supply chain of electronics components in particular. In 2022, more than 2 years after the pandemic broke out, it is still not possible to reliably forecast an end to this global crisis given the emergence of new virus mutations and due to the current political developments. Against this backdrop, the challenges to the PWO Group also remain high.

Our efforts to maintain and improve our Company's competitiveness are now bearing initial fruit – mainly because our employees throughout the entire Group are working so hard on this. Consequently, the Group's profitability has been improved significantly, and the high volume of new business is pointing in the right direction. This is particularly the case in view of the sharp rise in registration figures for electric vehicles, as we are totally independent of combustion-engined vehicles. By no means can we rest on our laurels, and we need to stay firmly on this path. As before, we continue to make our individual locations even more fit for the future.

We are taking the geographical shifts in demand from our customers into account by further expanding our locations in Czechia and Mexico. This also applies to our activities in China. In the 2021 fiscal year, our home location in Oberkirch set about countering the decline in volumes, which is expected continue in the future here, through systematic modernization towards a data-based and largely automated Industry 4.0 site.

Regardless of the current pandemic-related challenges, the transformation of the mobility sector constitutes a major opportunity for PWO. In view of this, the Supervisory Board emphatically welcomes the initiatives intensified in the 2021 fiscal year on the clear positioning of the Company on the capital market as a partner of the global mobility industry and as an engineering firm that passionately provides solutions for its customers, thus shaping the mobility of the future.

The Supervisory Board would like to thank all PWO Group employees for their outstanding commitment in the 2021 fiscal year, which once again brought exceptional challenges. In particular, we wish to highlight the perseverance and flexibility with which they came through another year of the pandemic with their families while also driving forward the modernization of our Company with remarkable spirit.

The Executive Board and the Supervisory Board assure all employees and business partners of the PWO Group that their good health will remain our absolute priority. We continue to wish you and your families all the best and hope for peace in the world. Stay healthy!

This report was discussed in detail and approved by the Supervisory Board at its meeting on March 24, 2022.

Oberkirch, March 24, 2022



Karl M. Schmidhuber
(Chairman of the Supervisory Board)

Investor Relations – Our Dialog with the Capital Market

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We are committed to maintaining an active, open and continuous dialog with investors, analysts and media representatives. We do this using a variety of communication channels. Due to the coronavirus pandemic, all presentations and discussions were held virtually in the 2021 fiscal year, as in the previous year. Despite these challenging conditions, we continued to enjoy active interest in our company among private and institutional investors and from the press.

Aside from our ongoing communication with our contacts, particularly as a follow-up to our regular reports and other current announcements, the main focus of our investor relations activities in 2021 was the spring conference of the service provider Equity Forum in May – which was again held virtually – a roadshow with the research company Montega in October and the German Equity Forum (Eigenkapitalforum – EKF) of the Deutsche Börse AG in November. At the spring conference, we presented to a total of 9 institutional investors and analysts. The Montega roadshow brought us together with 16 parties, including representatives from larger private investors (family offices). At the EKF, we met with 6 investment companies and analysts. We took the opportunity to establish new contacts at all 3 events.

In terms of content, the focus during the reporting year was again naturally on the effects of the pandemic on our industry and the PWO Group in particular. Questions concerning the international automotive industry's further development also focused mainly on the challenges resulting from worsening global supply shortages, especially for electronic components. In addition, long-standing issues that we have reported on for many years were also frequently on the agenda, including the sector's accelerated transformation process towards alternative types of drive and the consequences of increasing real-time communication in the mobility sector. The potential of new features in individual vehicles and, in particular, the prospects of fully networked mobility and logistics concepts were also discussed.

We successfully convinced all our discussion partners of our forward-looking market position. By making our range of solutions completely independent of internal combustion engines, we pre-empted the sector's transformation and are actively shaping the move towards a completely new world of mobility.

The latest analyst recommendations for the PWO share can be found on our website at → www.progress-werk.de/en under Investor Relations. We also provide extensive information in this section, including financial

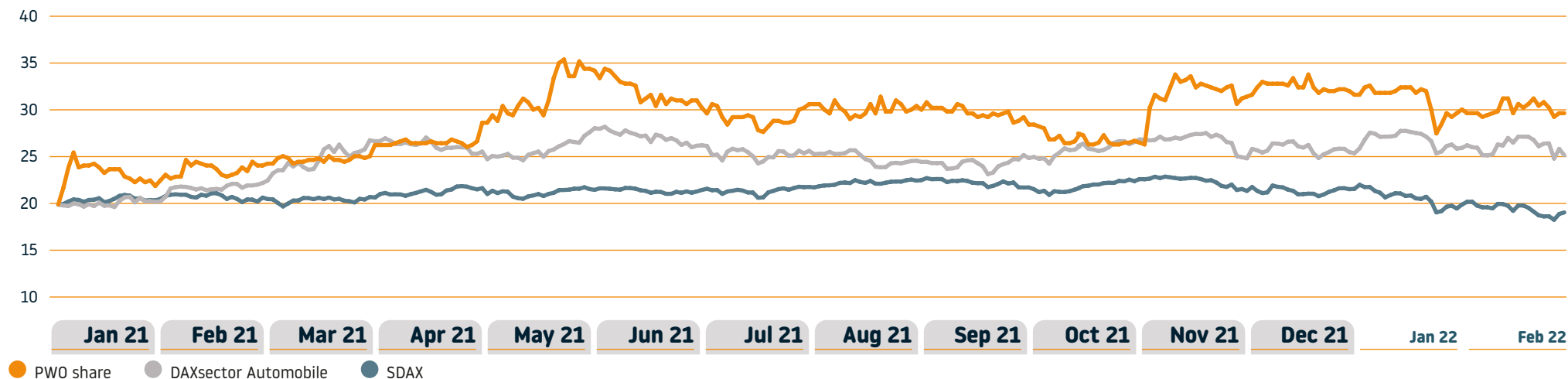
reports, capital market presentations, press releases and the most important dates for the current year.

Refined PWO Equity Story

Our capital market communication focuses on the sustained growth in PWO shares. Accordingly, there was a very positive response to the refined PWO equity story. This highlights our position as an engineering company with outstanding expertise in metal forming and joining technology. Our sustainable business model is based on developing and manufacturing complex components and subsystems in environmentally friendly lightweight construction. Through our equity story, we illustrate our strategic focus on the issues of the future in our sector that will particularly benefit us. This quickly increased our share price substantially in the last fiscal year.

The 3 trends of electrification, safety and comfort are at the heart of all of our efforts to achieve future mobility. Without these qualities, autonomous driving, for example, will never become a reality. It is in precisely these 3 areas that we already offer our customers numerous highly innovative solutions. Our clear position: We are an active player shaping the future of mobility.

Share Price Performance since January 2021 (Figures in EUR; DAXsector Automobile and SDAX as price indices)



The Development of the PWO Share in the 2021 Fiscal Year

PWO's share rose by a total of 59 percent in the 2021 fiscal year, closing the trading year at EUR 31.80. The DAX index picked up by just under 16 percent in the year as a whole and the SDAX index by 9 percent. By contrast, the German automotive industry DAXsector Automobile index saw an overall upturn of almost 28 percent.

Our share began the year with a massive 78 percent price rally, taking it from EUR 20.00 on the first trading day to a high for the year of EUR 35.60 on May 26. After our report on excellent business performance in the first quarter, this price increase then picked up further in May. The DAXsector Automobile index rose by 33 percent in the same period, peaking somewhat later on June 7, 2021.

This good performance was driven by the very good response to our refined equity story. We are one of very few companies in our sector whose product range is now fully independent of internal combustion engines. This allows us to focus all of our efforts on shaping the future

and investing our resources entirely in growth and innovation. Our particular expertise in environmentally friendly lightweight construction gives us additional momentum here. This position and our prospects are reflected in our share price: we are a sustainable investment.

The upward trend in the share price began to come to an end at the start of June as business prospects for the general economy clouded over again on account of supply chain disruption and problems supplying key raw materials and interim products as a result of the pandemic. The DAX fluctuated sideways to a greater and greater extent throughout the rest of the year, experiencing significant swings at times.

As automotive stocks suffer particularly from the shortage of electronics components and supply bottlenecks result in constant production slowdowns and disruptions, and with it lower volumes, the sector index saw a far stronger correction than the market as a whole from June onwards. From its high for the year, the DAXsector Automobile

index lost almost 18 percent by September 2021. PWO's share was not immune from the sector trend and also corrected, declining by 27 percent by the start of November.

Our report on the third quarter showed that we achieved our full-year forecast for the 2021 fiscal year despite considerable ongoing uncertainty regarding the fourth quarter. We also reported a consistently high volume of new business. In line with this, the share price quickly responded by jumping 29 percent to a peak of EUR 34.00. The share then trended sideways at around EUR 32.00 until the end of the year.

Shareholder Structure

The share of our long-standing major shareholder, Consult Invest Beteiligungsberatungs-GmbH, in PWO AG's share capital at the end of the reporting year was unchanged on the end of the previous year at 46.73 percent.

Sparkasse Offenburg/Ortenau, also a long-standing shareholder, held 8.56 percent of the shares outstanding as of December 31, 2021, the same as at the end of the previous year. In accordance with the criteria of Deutsche Börse AG, the shareholding is counted as part of the free float, which corresponds to 53.27 percent of the shares issued.

Progress-Werk Oberkirch AG is not aware of any other shareholders whose shareholdings exceed the reporting threshold of 3 percent.

Dividend Policy

Thanks to its unique position in the future mobility sector, PWO sees itself as a value investment with a sustainable growth component. We are especially committed to our shareholders as the main providers of capital. We have therefore pursued a shareholder-friendly dividend policy for many years and – in step with our targeted operating development – a steady and sustainable development of the dividend. The Executive Board and Supervisory Board regard the Company's ability to pay a dividend and provide a return on the capital provided by the Company's shareholders, as an important objective.

Due to the pandemic and the significantly higher related risks to business development in 2020 and 2021, particularly in terms of safeguarding liquidity, the management made the proposal to the 2020 Annual General Meeting to forego the distribution of a dividend for the 2019 fiscal year. At the same time, it was expressly emphasized that this measure did not represent a deviation from the long-term dividend policy. PWO AG generated an unappropriated retained loss in the 2020 fiscal year and so the proposal for the appropriation of retained earnings was not applicable.

In view of the extensive structural measures and the good development of the subsidiaries outside Germany, there were clearly evident successes in improving the competitiveness of the Company and the Group, and the Company posted a pleasing profit in the 2021 fiscal year. Therefore, the Executive Board and the Supervisory Board have proposed the payment of a dividend of EUR 1.50 per share.

Shareholder Structure AS OF DECEMBER 31, 2021

Consult Invest Beteiligungs-
beratungs- GmbH,
Böblingen

46.73%



Free Float

53.27%

– of which Sparkasse Offenburg/
Ortenau, Offenburg

8.56%

SOURCE: WPHG NOTIFICATION, OWN ANALYSIS

Stock Exchange Data

	Data as of December 31, 2020
Share capital	EUR 9,375,000.00
Total number of shares outstanding	3,125,000
Treasury shares	0
WKN/ISIN	696800/DE0006968001
Ticker symbol	PWO
Trading segment	Regulated market (Prime Standard)
Sector/Subsector	Automotive/Auto Parts & Equipment
Trading venues	Stuttgart and Frankfurt Stock Exchanges, XETRA
Designated sponsor	Pareto Securities AS

Composition and Development of Share Capital

The amount and composition of the share capital and authorized capital did not change in the 2021 fiscal year. Detailed information on this is provided in the management report. The development of equity is presented in detail in the consolidated statement of changes in equity.

Key Figures for the PWO Share

		2021	2020	2019	2018	2017
Company key figures						
Revenue	EUR million	404.30	371.15	458.50	476.27	461.01
EBIT before currency effects	EUR million	22.10	-8.12	22.12	19.58	23.36
EBIT including currency effects	EUR million	21.80	-10.10	19.85	18.43	20.53
Net income/loss for the period	EUR million	14.70	-11.66	9.05	6.64	10.06
Revenue per share	EUR	129.38	118.77	146.72	152.41	147.52
Earnings per share	EUR	4.72	-3.73	2.90	2.12	3.22
Dividend per share	EUR	1.50 ¹	0.00	0.00	1.35	1.65
Book value per share	EUR	40.10	33.43	38.25	37.26	36.20

		2021	2020	2019	2018	2017
Valuation ratios (based on the Xetra year-end price)						
Year high share price	EUR	35.60	25.40	31.10	48.00	50.35
Year low share price	EUR	20.00	15.00	21.80	24.00	38.75
Year-end share price	EUR	31.80	19.40	24.30	24.50	46.51
Market capitalization	EUR million	99.38	60.63	75.94	76.56	145.34
Price/revenue		0.25	0.16	0.17	0.16	0.32
Price/earnings ratio		6.76	-5.20	8.39	11.53	14.45
Price/book value		0.79	0.58	0.64	0.66	1.28
Dividend yield	%	4.72	-	-	5.51	3.55

¹ Proposed dividend

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033 Report on Business Development

043 Report on Risks, Opportunities and Forecasts

051 Dependency Report

051 Takeover-related Disclosures Pursuant to Sections 289 a and 315 a HGB

051 Corporate Governance Statement Pursuant to Sections 289 f and 315 d HGB

052 Non-Financial Group Statement Pursuant to Sections 289 b, 315 b–c HGB

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COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF PWO AG

The combined management report for the January 1 through December 31, 2021 fiscal year contains the reports for Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, ("PWO," "PWO AG," the "Company") and the PWO Group ("Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS), as applicable in the European Union,

and the supplementary provisions of the German Commercial Code. PWO AG conducts its accounting according to the provisions of the HGB (hereinafter referred to as HGB) in its currently valid version and the supplementary provisions of the German Stock Corporation Act (hereinafter referred to as AktG).

The composition of the scope of consolidation is described in detail in the notes to the consolidated financial statements. The scope of consolidation did not change in the reporting year.

Group Principles

Business Model

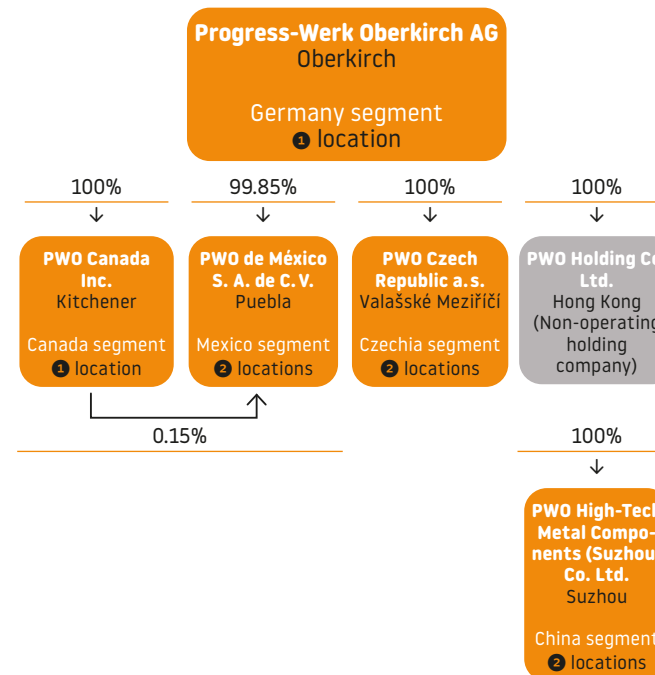
Organizational Structure of the Group

The PWO Group manufactures lightweight construction components made primarily of steel and, to a limited extent, aluminum sheets for the international mobility industry. PWO AG, headquartered in Oberkirch, Germany, is the Group's main location. The management of the Group is carried out from this head office. The Company's international business is generally located at its direct subsidiaries. Solely in China, PWO has established an intermediate holding company based in Hong Kong. This holding company continues to be a non-operating company.

PWO AG is led by an Executive Board consisting of 3 members. A six-member Supervisory Board forms the supervisory body. The Supervisory Board has delegated some of its tasks to committees. These tasks are described in detail in the Report of the Supervisory Board.

Sales Markets, Locations, and Segments

The PWO Group has a streamlined legal structure:



The PWO Group is represented worldwide by a total of 8 locations. These are

- PWO AG, Oberkirch, Germany, 1 location
- PWO Czech Republic a.s., Valašské Meziříčí, Czechia, 2 locations
- PWO Canada Inc., Kitchener, Canada, 1 location
- PWO de México S.A. de C.V., Puebla, Mexico, 2 locations
- PWO High-Tech Metal Components (Suzhou) Co. Ltd., Suzhou, China, 2 locations

Each of the Group companies are responsible for their own business and operational management within the framework of the Group's overall strategy. Because they do not refinance themselves independently but rely on refinancing from the Group, the decisions on the allocation of the capital expenditure required for their growth are made by PWO AG's Executive Board. The 5 business segments – Germany, Czechia, Canada, Mexico, and China – are defined along this dominant internal organizational structure and correlate to the sales markets in which PWO AG and its subsidiaries operate.

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Positioning, Expertise and Processes

We develop and manufacture tailor-made solutions for our customers – international automotive manufacturers and Tier 1 suppliers – for large series with unit volumes that sometimes stretch into the millions. We focus on solutions for the 3 trends of the mobility of the future: electrification, safety and comfort. We are entirely independent of internal combustion engines.

We manufacture our components using the cold formation of steels and, to a lesser extent, stainless steel and aluminum. Above all, we provide lightweight construction solutions, in material lightweight construction (replacing conventional deep drawing steel with modern high-strength and ultra high-strength steel), in structural lightweight construction (minimizing a construction component’s material usage) and in system lightweight construction (optimizing a component group’s material usage). Using various joining technologies, we assemble the individual manufactured components into subsystems.

Management System

Only financial indicators are currently defined as the Group’s overriding key performance indicators in the management system. The most important indicators did not include non-financial performance indicators. Nonetheless, these indicators are becoming increasingly important, especially indicators relating to the environment and, in particular, climate protection. This is why, in the reporting year, we launched a comprehensive project in collaboration with external experts to further develop our ESG strategy – i.e. our environmental, social and governance strategy. In this context, we will also determine non-financial performance indicators as important management indicators.

The Group’s key financial performance indicators are primarily revenue, EBIT (earnings before interest and taxes) before currency effects, free cash flow, the equity ratio, dynamic leverage and capital expenditure. The definition of these indicators is presented in the chapters “Results of Operations, Net Assets and Financial Positions.” For the management

The Group’s revenue in the past fiscal year was broken down into the 3 strategic product areas:

The first, mechanical components for electrical/electronic applications, accounted for 22.9 percent of revenue, followed by safety components for airbags, seats and steering with 31.7 percent, and structural components and subsystems for body and chassis with 45.4 percent.

The components from the first 2 areas are supplied primarily to international Tier 1 suppliers, who in turn supply them to various automakers as components of their own systems for numerous vehicle models. In contrast, the components from the third area are largely manufactured directly on behalf of the vehicle manufacturers on a model-specific basis. Here, too, the range of applications is extended through platform concepts on which the different car models of the manufacturer are based.

Development

We develop our components and subsystems for customers primarily on an individual basis. Consequently, the majority of expenses for product

of the segments, we focus in particular on external revenue and EBIT before currency effects.

Our mid-term plans are managed by the financial indicator new business, which consists of the lifetime volume of newly acquired orders over their entire term, based on the orders’ contractual agreements and past experience.

New business volume should offset the yearly volume of phased-out series productions and provide additional room for revenue growth. Volumes may, however, fluctuate greatly from year to year because customers make decisions on awarding orders at different times, and large orders are not always awarded every year in our market segment.

We aim to steadily increase revenue and, at the same time, continually improve our EBIT margin. We also strive to achieve positive free cash

and process development are incurred within the scope of customer projects. PWO’s internal development activities and the services provided by third parties for these purposes amounted to approximately 3 percent of revenue in the reporting year (p/y: approx. 3 percent), of which EUR 0.5 million (p/y: EUR 1.0 million) were capitalized as development costs. We do not conduct any research.

External Factors Affecting Operations

Some of the key external factors influencing PWO’s operations in the near term include changes in the political, macroeconomic and industry-specific environments. These factors are discussed in the chapters “Macroeconomic Environment” and “The International Mobility Industry Environment.”

Other external influential factors and their impact, such as fluctuations in sales volumes and prices, supply chain risks in our industry, changes in procurement prices and exchange rates and, last but not least, the transformation of the mobility industry, are presented in the report on opportunities and risks.

The management of our capital expenditure takes these goals into account, as well as the Group’s growth targets. Through the combination of different key performance indicators, we intend to reduce the dynamic leverage ratio and improve our equity ratio.

However, this does not mean that all of these targets will be achieved every year. The current transformation process in the mobility industry requires us to critically review the positioning of our locations on an ongoing basis and, where necessary, to approve higher spending or investment in the short term to ensure future market success.

Furthermore, in our business, there is typically a time lag between the start of an order and its phasing-out, which can lead to fluctuations in revenue. It is often not possible or economically viable to reduce these fluctuations with additional orders.

Report on Business Development

Macroeconomic Environment

Following the severe recession in 2020 triggered by the outbreak of the global COVID-19 pandemic (“the pandemic”), the global economy picked up again in 2021 despite the pandemic continuing, according to the International Monetary Fund (IMF). Based on the IMF’s initial estimate in January 2022, global economic output rose by 5.9 percent in real terms following a 3.1 percent fall in 2021.

The recovery was seen across many different regions, albeit to differing degrees. Among industrialized nations, for example, Japan reported growth of just 1.6 percent, while France and the United Kingdom enjoyed the highest growth rates of 6.7 and 7.2 percent respectively. China was the only major country to avoid a recession in 2020 and saw growth pick up to 8.1 percent in the following year, meaning that the country’s share of global economic output also rose in 2021. By contrast, gross domestic product (GDP) in the US rose by 5.0 percent, far lower than global GDP growth.

Both the eurozone and the European Union recovered by 5.2 percent overall, but this was significantly curbed by below-average performance in Germany, where the German Federal Statistical Office puts GDP growth at 2.8 percent. This was by no means enough to make up for the sharp decline in economic output in 2020, especially for industrial production. The German economy as a whole suffered from pandemic-related setbacks chiefly in the final quarter of 2021, with industry experiencing particularly severe supply-side bottlenecks throughout the year.

These bottlenecks, stemming chiefly from global supply chain disruption and production shortages – especially for electronics components – caused the prices of raw materials, intermediate products and logistics to skyrocket as it was not possible to meet growing demand. Suppliers were thus able to raise prices sharply. Energy prices were another key driver of inflation. The price of crude oil increased by more than 67 percent in 2021. Inflation trends continued into 2022.

In light of this situation, many central banks have now begun moving from extremely expansionary monetary policy to a more restrictive approach. For example, some central banks have already increased their base rates, including the Bank of England which did so in December 2021. In the second half of 2021, the US Federal Reserve announced that it was moving away from its previous expansive monetary and interest rate policy and that it would gradually suspend bond purchases and raise interest rates on multiple occasions this year. The European Central Bank also scaled back its bond purchases and said that it will end these by March 2022. However, it left its interest policy unchanged until into the first quarter of 2022.

The International Automotive Industry Environment

After a sharp downturn in the previous year, the international automotive industry market experienced a turbulent 2021. Given the low prior-year basis and catch-up effects, high growth rates were generated in some cases, primarily in the first half of the year. However, the second half of the year, especially December, saw the situation deteriorate significantly as the sector was hit hard by shortages of electronics components. In addition, the shortages of other intermediate products and raw materials and rising energy and logistics prices as described in the previous section also took a toll. All in all, however, Europe (EU27, EFTA & UK) was the only 1 out of the 3 major sales regions to see sales fall in 2021 as a whole. Sales in the US and China picked up slightly.

Just under 11.8 million new vehicles were registered in the European car market in 2021, about 2 percent less than in the previous year. Accordingly, Europe has not yet recovered from the pandemic-related setbacks of the previous year. Performance varied in the 5 largest individual European markets, with Italy reporting an upturn of just under 6 percent and France, Spain and the United Kingdom experiencing lower growth

(up 1 percent in each case). In Germany, by contrast, 10 percent less cars were registered than in the prior year. The overall European market was characterized by declines at the end of 2021: 950,200 cars were newly registered in December, a 22 percent year-on-year decrease.

In the US, light vehicle sales (cars and light trucks) picked up by 3 percent to 14.9 million in 2021 but remained far lower than pre-pandemic levels of about 17.0 million in 2019. Sales of light trucks (up 5 percent) performed better in 2021 than sales of cars, which declined by 2 percent. Here, too, the year ended on a weak note: 1.2 million new vehicles were sold in December, down about a quarter (down 26 percent) on the previous year.

The Chinese car market ended 2021 with a market volume of 21.1 million new registered vehicles. With growth of almost 7 percent, the overall figure for the year was thus better than in 2019, the year before the pandemic. Nonetheless, the record sales volume achieved in 2017 was still not surpassed. In Japan, sales of new cars declined by almost 4 percent last year to 3.7 million vehicles. Light vehicle sales (cars and light trucks) in Russia rose by 4 percent to just under 1.7 million in 2021.

The German market is now influenced heavily by the shift towards alternative drives which accounted for 43 percent of all new car registrations in 2021 (battery electric vehicles “BEV,” fully electric vehicles; hybrids; plug-ins; fuel cells; gas; hydrogen). This represents a year-on-year increase of 70 percent. At 26 percent, more than a quarter of all new vehicles were electric drives (BEV, plug-ins, vehicles with a fuel cell), 93 percent more than in the previous year. The share of BEV cars climbed by 103 percent to 13.6 percent.

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New Registrations/sales of Passenger Vehicles

in units

Region	Full-year 2021	Change vs. 2020 (%)
Germany	2,622,202	-10.0
Western Europe (EU14 + EFTA + UK) ¹	10,600,400	-1.9
New EU countries (EU13) ¹	1,174,500	1.5
Europe (EU27 + EFTA + UK) ¹	11,774,900	-1.5
USA ²	14,913,700	3.1
China	21,090,200	6.6

¹ Excluding Malta

² Light Vehicles Sources: German automotive industry association, German Federal Motor Transport Authority

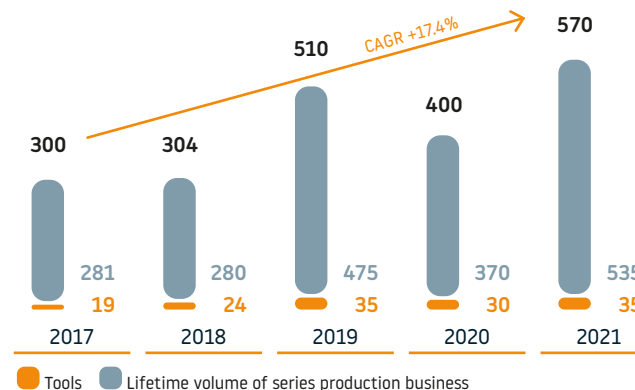
Business Development

Order Situation

Our range of future mobility solutions focuses on the 3 trends of electrification, safety and comfort. We are entirely independent of internal combustion engines. Nonetheless, we work with vehicles regardless of the type of drive and are therefore very well positioned for the mobility industry's transformation process.

Lifetime Volume 2017–2021

(EUR million)



The high level of new business in the reporting year underscores our solutions expertise. Stepping up our regular, close collaboration with several of our international locations and specialist areas in sales also paid off. We intend to continue to build on this global approach further in the future. Overall, we generated new business with a lifetime volume of about EUR 570 million in the 2021 fiscal year, including associated tool volumes of around EUR 35 million.

In particular, instrument panel carriers contributed significant volumes. In the future, we will manufacture these at our Czech locations for the all-electric touring station wagon of a European customer, who we are supplying with these products for the first time. PWO locations in eastern Europe and China will supply instrument panel carriers to several customer locations for another customer.

Considerable order volumes were also secured for electric engine casing and airbag components. One international automotive supplier is about to switch to a new generation of steering wheel airbags. We will supply a wide range of variants for this, which will be used in numerous vehicle models by different manufacturers.

In the future, we will supply another manufacturer with air spring components for various luxury vehicles. We also acquired another customer who we will supply with a whole package of body components for the global production of a sport utility vehicle.

The vast majority of the current new business is expected to go into production in the 2022 and 2023 fiscal years. However, producing instrument panel carriers generally requires lengthy preparation times and so series production here is not planned to start until 2024 and 2025.

All of our locations generated high volumes, which in some cases easily exceeded annual revenue in 2019, prior to the pandemic. As many orders include supplying platforms that are used to produce various vehicle models with different start-up and phase-out times, the series lifetime is often at the upper end of the typical range for our business of 5 to 8 years on average. However, to the extent that non-model-specific components are manufactured for suppliers, the duration may be significantly longer.

Financial Situation

General Statement of Business Performance and Group's Position

The pandemic continued to present major challenges for economies and populations across the world in the 2021 reporting year. PWO successfully mitigated the negative impact, chiefly because all of our supply chains remained stable throughout the entire reporting year and so we were able to deliver at all times.

At the same time, we implemented comprehensive adjustments at the Oberkirch production site in particular. These will be continued in the 2022 fiscal year. We also prepared our international locations for their planned future growth, which is underpinned not least by high new business in the reporting year and specific contracts. This means that the Group is now far better positioned and more competitive than at the end of fiscal year 2020.

We firmly believe that we can successfully counter the further difficulties resulting from the pandemic and supply chain disruption and continue to successfully develop the Group in the next few years.

Comparison of Forecast to Actual Business Results

	2021 actual results	Most recent forecast for 2021	Forecast for 2021 according to 2020 Annual Report	Actual results according to 2020 Annual Report
Revenue	EUR 404.3 million	EUR 400 million to EUR 410 million ¹	Approx. EUR 380 million	EUR 371.2 million
EBIT before currency effects	EUR 22.1 million	EUR 15 million to EUR 18 million ¹	Positive in low double-digit millions	EUR -8.1 million
Capital expenditure according to segment report	EUR 16.2 million	> EUR 20 million	> EUR 20 million	EUR 13.8 million
Free cash flow	EUR 4.9 million	Negative in low double-digit millions	Negative in low double-digit millions	EUR 29.1 million
Equity ratio	33.6 percent	30 percent ²	Flat	28.7 percent
Dynamic leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	2.2 years	< 3.5 years ²	Less than 4 years	4.8 years
Lifetime volume of new business (series and tool orders)	Approx. EUR 570 million	Towards EUR 600 million ³	Towards EUR 500 million	Approx. EUR 400 million

¹ Forecast dated April 23, 2021

² Forecast dated August 2, 2021

³ Forecast dated November 22, 2021

Performance in the 2021 fiscal year was very volatile and affected by a wide range of factors that affected various aspects. We began the year with realistic estimates and firmed up our targets over the year in line with business and sector developments.

In the difficult fiscal year that has just ended, we succeeded in achieving and often significantly outperforming the forecasts for almost all key performance indicators.

Revenue was near the middle of the most recent forecast range. EBIT before currency effects, on the other hand, far exceeded the upper end of the range. This was thanks in part to positive revenue effects, as a higher share was generated at our profitable international locations than assumed, as well as positive extraordinary effects of EUR 2.3 million which are discussed in the "Results of Operations" section.

Capital expenditure remained lower than budgeted on account of the reporting date. This, alongside our liquidity-based balance sheet management, resulted in far higher free cash flow than anticipated. The equity ratio also declined and the dynamic leverage ratio was better than expected as a result.

We are very satisfied with the new business acquired, where we were substantially more successful than assumed at the start of the reporting year.

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Results of Operations

Income Statement

SELECTED INFORMATION (EURk)

	2021	in % of revenue	2020	in % of revenue
Revenue ¹	404,274	100.0	371,154	100.0
Total output	404,817	100.1	372,157	100.3
Cost of materials	217,921	53.9	191,559	51.6
Staff costs	110,729	27.4	107,282	28.9
Other operating expenses	42,914	10.6	61,998	16.7
EBITDA	47,155	11.7	21,169	5.7
Depreciation/amortization	25,332	6.3	31,268	8.4
EBIT before currency effects ¹	22,131	5.5	-8,123	-2.2
Currency effects according to the P&L	-308	-0.1	-1,976	-0.5
EBIT including currency effects	21,823	5.4	-10,099	-2.7
Profit or loss for the period ²	14,742	3.6	-11,662	-3.1
No. of employees on Dec. 31, incl. temporary employees	2,957	-	3,093	-

¹ Group key performance indicator

² Net income/loss for the period is attributable in full to the shareholders of PWO AG

EBIT development was impacted by currency effects, similar to prior years. Currency effects are included in other operating income and expenses and reported as a separate line item in the notes to the consolidated financial statements. As previously, in the following explanations, we refer to EBIT before currency effects, as this figure most clearly reflects our operating performance.

When comparing to the previous year, negative extraordinary items of EUR 24.0 million (net) in the 2020 fiscal year must also be taken into account. These are due primarily to expenses for recognizing provisions for personnel adjustment measures and adjustments to the carrying amounts of non-current assets. By contrast, the reporting year saw net positive extraordinary items of EUR 2.3 million, the result mainly of the reversal of provisions for personnel adjustment measures, contract negotiations with customers and changes in the value of property, plant and equipment in the Germany and Canada segments. The vast majority

of the extraordinary items related to other operating income and the Germany segment.

Overall, business performed far better in the reporting year than in the previous year, which was dominated by the outbreak of the pandemic. Revenue picked up noticeably in line with this. EBIT improved in operating terms, i.e. even excluding the positive extraordinary items listed.

Yet after a very good start to 2021, the sector economy took a swift, significant tumble. This stemmed from considerable bottlenecks in global supply chains, which forced manufacturers to slow and sometimes even temporarily halt production. Overall, our industry was unable to meet end customer demand.

Given the lack of customer call-offs, we had to scale back our production significantly in some cases and temporarily halt it at some locations and introduce short-time work schemes at the German location. We discuss the assistance we received on account of these indirect effects of the pandemic in detail in the information about the segments. It totaled EUR 2.6 million at Group level.

Supply chain disruptions and materials shortages caused procurement prices to increase dramatically. Over the year, massive spikes in energy prices also weighed heavily on results of operations. Details of this can be found in the "The International Automotive Industry Environment" section.

Nevertheless, we were able to deliver at all times in the 2021 fiscal year. However, supply uncertainties, especially for electronics components, combined with rising prices tended to result in inflated call-offs along the entire supply chain as all market participants attempt to reduce their own supply risks. This presented additional problems for everyone affected. Call-off figures were frequently revised downwards at the very last minute within procurement and production approval periods. The need to make permanent changes to production quantities and, in turn, production processes, naturally created inefficiencies that strained the results of operations.

To cap the rise in the cost of materials ratio, we conducted ongoing negotiations with our customers regarding rapid price adjustments in line with the use of materials for our products and price increases at our suppliers. However, this generally involves a time delay, which was a major cause of the year-on-year rise in the cost of materials ratio in the 2021 fiscal year.

To secure our profitability, we also planned personnel resources as precisely as possible for the year as a whole. In principle, however, we aim to retain the qualified employees we need for the long-term development of the Group, even in periods of market weakness. The staff costs ratio declined in the reporting year compared to the 2020 fiscal year because the number of employees in the Germany segment decreased and we utilized short-time work allowances there. At the same time, the number of employees at the international locations rose overall.

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The lower depreciation and amortization expense ratio – a result of capital expenditure in the 2 previous fiscal years being well below the long-term average on account of the pandemic – improved the results of operations.

The substantial downturn in other operating expenses compared to the previous year was chiefly because the extraordinary items in the 2020 fiscal year no longer applied, EUR 21.5 million of which had related to other operating expenses.

With slightly higher net debt, the negative balance of the financial result increased to EUR 6.2 million (p/y: EUR 6.0 million). Income taxes came to EUR 0.9 million (p/y: benefits of EUR 4.4 million), primarily because we benefited from existing loss carryforwards. Overall, net income for the period improved to EUR 14.7 million (p/y: EUR -11.7 million) and earnings per share to EUR 4.72 (p/y: EUR -3.73).

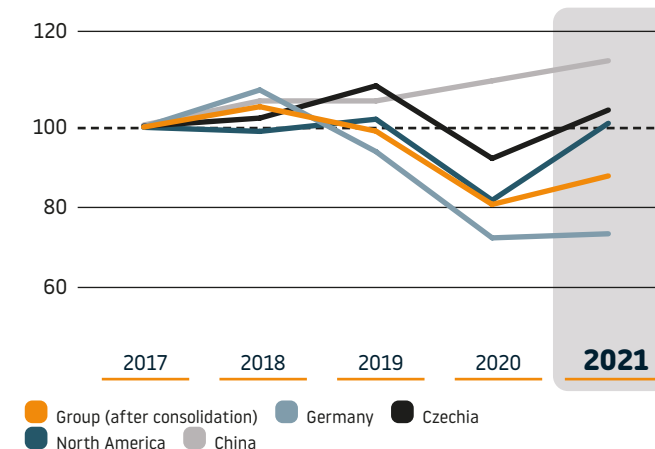
This meant that the net assets, financial position and results of operations were satisfactory again in the reporting year despite the once again exceptional challenges. The positive development of our international locations again made a major contribution to this performance.

Segments

In line with the Group's internal management system, our locations form the basis for segment reporting. The segments are defined according to the locations of the Group's assets, which is also the basis for the allocation of the Group's revenue. Intercompany revenue between the individual sites concerns mainly deliveries of series parts and tools.

In the tables that follow, we present selected information on segment development. The indicators we use to manage the Group are labeled accordingly.

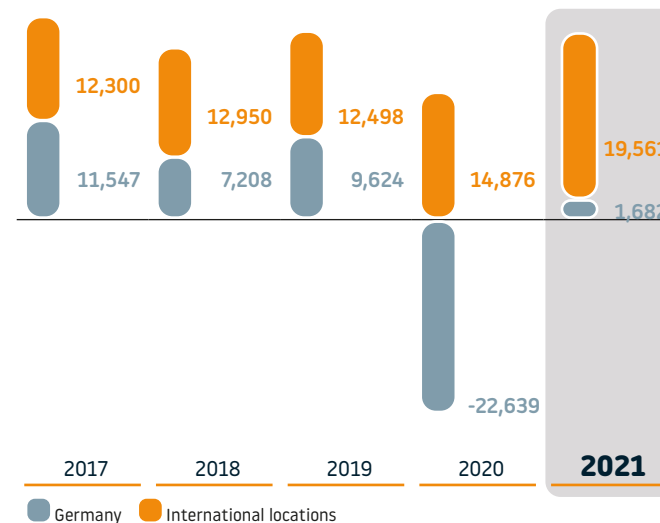
Change in External Segment Revenue over the Last 5 Years (indexed; 2017 = 100)



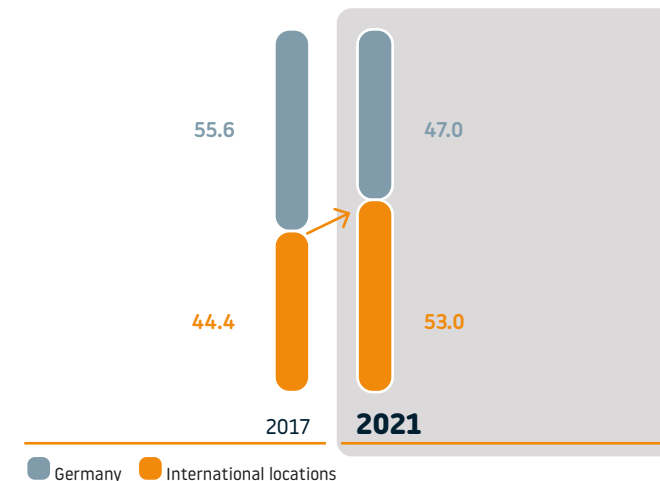
"North America" has been reported as 2 separate segments, "Mexico" and "Canada", since the 2020 fiscal year. For the purpose of prior year comparisons, they have been combined here again for 2020 and 2021 using the same definition as in the previous years.

International Locations Driving Income

(performance indicator: EBIT before currency effects in EURK)



Sharp Rise in Share of Revenue Attributable to International Locations in the Last 5 Years (in %)



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EURk	2021	in % of external revenue	2020	in % of external revenue
SEGMENT GERMANY				
Total revenue	203,907	107.4	199,046	106.5
External revenue ¹	189,833	100.0	186,942	100.0
Total output	204,450	107.7	200,048	107.0
EBIT before currency effects ¹	1,682	0.9	-22,639	-12.1
EBIT including currency effects	1,349	0.7	-24,116	-12.9
No. of employees on Dec. 31, incl. temporary employees	1,151	-	1,419	-

¹ Key performance indicator for Group and segment

Our home location in Oberkirch, which forms the Germany segment, felt the effects of the particularly weak sector economy in Europe, with external revenue rising only marginally in the previous year. We utilized short-time work schemes throughout the entire year and were reimbursed a total of EUR 1.5 million in short-time work allowances for this.

This is primarily why results of operations improved substantially year on year, as most of the negative previous year extraordinary items were in the Germany segment, whereas the positive extraordinary items in the reporting year mostly affected this segment. While we expect further improvements as a result of the adjustments as the positive effects in connection with these gradually take effect, profitability in the Germany segment is still not satisfactory.

Accordingly, we continued the adjustments in the reporting year. As well as a wide range of measures to boost productivity, these mainly included implementing the site renovation program agreed in December 2020.

Another 2 agreements regarding a reconciliation of interests were successfully reached in connection with this. We again applied our responsible severance program for a total of 117 employees. As a result of the 3 agreements concluded as part of this, natural turnover and the reduction in the number of temporary employees, there were far fewer employees at the end of the reporting year than in the previous year.

Extensive efficiency analyses also resulted in additional productivity potential, which we want to tap into in the next 2 fiscal years by way of natural turnover. To achieve this, we are currently in the process of implementing a product line-based matrix organization in production. The aim of this is not only to harness synergies but also to ensure higher process quality, greater flexibility and faster decision-making in order to further strengthen the production site.

EURk	2021	in % of external revenue	2020	in % of external revenue
SEGMENT CZECHIA				
Total revenue	75,856	106.4	64,420	102.7
External revenue ¹	71,261	100.0	62,706	100.0
Total output	75,856	106.4	64,420	102.7
EBIT before currency effects ¹	6,045	8.5	4,549	7.3
EBIT including currency effects	5,895	8.3	4,515	7.2
No. of employees on Dec. 31, incl. temporary employees	648	-	613	-

¹ Key performance indicator for Group and segment

External revenue in the Czechia segment improved significantly thanks to starting and ramping up new series production. We began expanding the segment considerably in the reporting year. For details on capital expenditure, please see the explanations in the "Financial Position" section. The expansion negatively affected operating processes and management capacities. Regarding the growth planned in the 2022 fiscal year, we increased the number of employees substantially in the reporting year despite the sector downturn and have begun the required training. Thanks to highly efficient and resilient processes overall, the Czech locations largely offset these negative effects and the slowdown in the sector economy during the year. In turn, EBIT improved considerably year on year. Pandemic assistance in this segment totaled EURk 44.7 and comprised government support for those who had to quarantine or were at risk of unemployment and for the costs of testing.

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EURk

SEGMENT CANADA

	2021	in % of external revenue	2020	in % of external revenue
Total revenue	34,548	101.5	31,080	100.4
External revenue ¹	34,022	100.0	30,941	100.0
Total output	34,548	101.5	31,080	100.4
EBIT before currency effects ¹	286	0.8	-151	-0.5
EBIT including currency effects	256	0.8	-237	-0.8
No. of employees on Dec. 31, incl. temporary employees	306	-	244	-

¹ Key performance indicator for Group and segment

External revenue also climbed considerably in the Canada segment. The segment is currently benefiting from start-ups and ramp-ups of new series productions and so can partially escape sector trends. Nonetheless, bottlenecks in our customers' supply chains were particularly pronounced here. The rise in revenue would have been greater if these had not occurred. This meant that we frequently had to adjust our operating processes to account for lower call-off figures than expected, which squeezed profitability in the segment.

We also simultaneously increased the number of employees significantly throughout the year for the same reasons as in the Czechia segment. Especially in the second half of the year, this also included increasing the number of temporary workers, which contributed to a substantial rise in other operating expenses. Unlike in the previous year, segment EBIT was thus positive again in the reporting year but remained stuck just over the break-even point. In Canada, the government provided companies with assistance through the CEWS program, which paid up to 75 percent of wages for Canadian companies affected by COVID-19. We received EUR 1.1 million in assistance in the reporting year.

EURk

SEGMENT MEXICO

	2021	in % of external revenue	2020	in % of external revenue
Total revenue	67,319	100.1	50,797	100.1
External revenue ¹	67,250	100.0	50,737	100.0
Total output	67,319	100.1	50,797	100.1
EBIT before currency effects ¹	7,973	11.9	2,757	5.4
EBIT including currency effects	7,797	11.6	2,646	5.2
No. of employees on Dec. 31, incl. temporary employees	531	-	495	-

¹ Key performance indicator for Group and segment

The Mexico segment also generated very strong revenue growth thanks to greater start-ups and ramp-ups of series productions, although customer supply chain bottlenecks brought production to a stop on multiple occasions at these sites too. The locations successfully resolved the resulting inefficiencies and the requirements due to series start-ups and almost tripled EBIT, highlighting how stable and resilient operating processes there are. There is no government pandemic assistance for companies in Mexico.

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EURk

SEGMENT CHINA

	2021	in % of external revenue	2020	in % of external revenue
Total revenue	47,718	113.8	42,370	105.9
External revenue ¹	41,914	100.0	40,026	100.0
Total output	47,718	113.8	42,370	105.9
EBIT before currency effects ¹	5,347	12.8	7,725	19.3
EBIT including currency effects	5,729	13.7	7,456	18.6
No. of employees on Dec. 31, incl. temporary employees	321	-	322	-

¹ Key performance indicator for Group and segment

After barely feeling the effects of the pandemic at the start of the reporting year, the shortage of electronics components reached China, in the second half of the year too. Accordingly, revenue growth in our China segment was hampered by start-ups and ramp-ups of new series productions.

Results of operations in the China segment were also hurt by rising costs of materials and energy prices, like in the other segments. In addition, the segment was affected by site closures as a result of government electricity rationing. There is no government pandemic assistance for companies in China.

Nevertheless, taking into account positive operating effects of EUR 3.1 million in the 2020 fiscal year, which could not be extrapolated to the future, EBIT improved from purely operating activities.

Net Assets

Development of Equity Ratio and Dynamic Leverage Ratio

EURk	2021	2020
Equity	125,301	104,464
Total assets	373,272	363,654
Equity ratio¹ = Shareholders' equity % total assets	33.6	28.7
Non-current financial liabilities	68,926	67,800
Current financial liabilities	41,590	40,845
Cash and cash equivalents	-6,907	-6,161
Net debt	103,609	102,484
EBITDA	47,155	21,169
Dynamic leverage ratio in years = Net debt/EBITDA¹	2.2	4.8

¹ Group key performance indicator

In the 2021 fiscal year, total assets increased to EUR 373.3 million (p/y: EUR 363.7 million). Non-current assets of EUR 224.6 million (p/y: EUR 225.7 million) were essentially unchanged, primarily a result of us maintaining our lower level of capital expenditure. Significant investment volumes were seen in the Germany, Czechia, Canada and Mexico segments. The main areas are explained in detail in the chapter "Financial Position."

Current assets, on the other hand, rose to EUR 148.7 million (p/y: EUR 137.9 million). This reflects higher raw materials, consumables and supplies; in light of strained supply chains, we are currently stockpiling more than in the previous year and this has to be purchased at massively inflated prices. Furthermore, current contract assets increased ahead of the major series start-ups planned for the 2022 fiscal year.

Due to our consistent liquidity management, we succeeded in maintaining net debt at virtually the same level in the reporting year, while trade payables increased as of the reporting date. The decline in pension provisions is chiefly attributable to higher capital market interest rates used for measurement. Together with equity, these 3 items represent the Group's main sources of financing. Under current liabilities, other liabilities and other current provisions in particular were far lower than in the previous year. This was driven primarily by implementing our personnel adjustment measures.

The net gain for the period, actuarial gains and positive foreign exchange differences contributed significantly to the increase in equity to EUR 125.3 million (p/y: EUR 104.5 million). As a result, the equity ratio improved to 33.6 percent (p/y: 28.7 percent) and the dynamic leverage ratio more than halved to 2.2 years (p/y: 4.8 years).

The structure of financial liabilities, which were assumed at interest rates of between 0.85 percent and 7.23 percent (current) and 1.35 percent and 7.00 percent (non-current), did not change substantially in the past year. As of the reporting date, these consisted primarily of a syndicated loan and a promissory note made up of several tranches, one EUR 20.0 million tranche of which fell due and was repaid in the reporting year. The previous syndicated loan of EUR 110 million remains unchanged, and the commitment remains until mid-2023.

In addition, there are still a number of higher-interest bilateral loans whose fixed interest rates will not expire for another few years. The higher interest rates in the above range are primarily on subordinated local financing of individual subsidiaries.

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The EUR 30 million “KfW-Unternehmerkredit 037” pandemic assistance program adopted by the Kreditanstalt für Wiederaufbau at the start of 2021, which was subject to a distribution restriction, was not utilized and was terminated early in September 2021. Additional bilateral credit facilities of EUR 20 million without a distribution restriction have been available since August 2021, maturing in mid-2023. This created a financial framework that facilitates the further systematic expansion of the Group and also provides suitable means to tackle the uncertainties associated with the COVID-19 pandemic, which may continue for some time. The Group’s unused lines of credit, including cash and cash equivalents, totaled EUR 113.3 million as of the reporting date (p/y: EUR 116.9 million).

As a result, we continue to be well-positioned on the refinancing side. We periodically review our options to extend our existing agreements and plan the Group’s medium-term financing in close cooperation with our financing partners.

Financial Position

Cash flow from operating activities came to EUR 21.0 million in the reporting period (p/y: EUR 49.2 million).

Extraordinary items, chiefly for personnel adjustment measures, had strained net income for the period in the previous year, but most of these had still not had an effect on liquidity and so had a EUR 18.4 million effect on other non-cash expenses/income. The measures were implemented in the reporting year and so the 2 items again reflect operating business. At the same time, the change in current and non-current liabilities resulted in higher cash outflows than in the previous year.

Furthermore, capital employed in current assets declined substantially in the previous year – this affected contract assets in particular – but current and non-current assets picked up again in the reporting year in connection with the expansion of the business volumes.

The far lower cash inflow from operating activities was accompanied by somewhat lower cash flow from investing activities of EUR -9.9 million (p/y: EUR -13.5 million). The capital expenditures made in the reporting

period are explained in the following chapter. Free cash flow after interest paid and received amounted to EUR 4.9 million in the reporting period (p/y: EUR 29.1 million).

Ensuring sufficient liquidity for the PWO Group is the focus of our financial management at all times. We strive to maintain a liquidity reserve above and beyond current payment obligations while limiting the utilization of short-term credit lines as much as possible and therefore balance these with surplus liquidity. In the reporting year, the Group was solvent at all times. In view of the Group’s high level of available credit lines, we are convinced that we have taken sufficient precautions to ensure solvency at all times in the future. For further information on the principles and objectives of financial and cash management, please refer to the notes to the consolidated financial statements.

As shown in the segment report, capital expenditure in the 2021 fiscal year amounted to EUR 16.2 million (p/y: EUR 13.8 million). The difference between this amount and the aforementioned cash flow from investing activities is due to new lease financing arrangements concluded in the reporting year. Following very low capital expenditure in the Germany and Czechia segments in the 2020 fiscal year on account of the pandemic, this picked up again in the reporting year, whereas it declined in the other segments.

In the Germany segment, capital expenditure of EUR 6.9 million (p/y: EUR 3.6 million) related in part to a fully automated milling center for toolmaking as part of our digitalization project. Additional increases in process efficiency were secured by capital expenditure on automation – such as an automated setting for a press – on the replacement of component cleaning equipment, on an optical measurement system and on material handling in logistics.

Capital expenditure of EUR 6.0 million (p/y: EUR 1.5 million) was attributable to the Czechia segment in the reporting year. The Czech site is currently undergoing considerable expansion and being prepared for future growth. Accordingly, we purchased considerable additional property in the reporting year, on which primarily new press halls are to be built. Finally, the available space here will be almost tripled following the construction of a new assembly and logistics hall. In addition,

project-related measures were also carried out such as various production equipment for crossbeams, the overhauling of a plant and the further expansion of quality management.

In the Canada segment, capital expenditure of EUR 2.2 million (p/y: EUR 4.6 million) in the reporting year related to project-related measures – primarily for crossbeams orders – and, above all, a new 800 metric ton press.

In the Mexico segment, we invested EUR 2.4 million (p/y: EUR 3.4 million), for example in a new system, which essentially doubles cleaning capacities for metal components. Work also began on building a new logistics hall. This essentially increased the logistics space at the Mexican site by 50 percent. At EUR 0.4 million (p/y: EUR 0.8 million), capital expenditure in the China segment was low again.

Sources of Free Cash Flow 2021 (EURk)

EBITDA		47,155
Change in current assets and liabilities	-16,172	
Change in non-current assets and liabilities	-8,260	
Other non-cash income	-821	
Other	-940	
CF from investing activities	-9,947	
Interest paid/received		-6,152
Free cash flow		4,863

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Risk Philosophy and Risk Policy

Risk management helps ensure that company targets are met and is therefore an essential component of PWO's corporate governance. Risk management optimizes the opportunity/risk profile and risk costs, creates transparency regarding PWO's risk situation and establishes an early warning system to detect positive and negative developments.

We define risk policy as the consistent approach taken to handle opportunities and risks. It serves as the basis for all risk management activities at the company. PWO follows the principles of values-based corporate governance and takes business risks if the income opportunities these present are expected to increase the value of the company. It is imperative here that we fulfill our social responsibility (environmental, social and employee interests, respect for human rights and tackling corruption and bribery) through sustainable business operations.

PWO's Risk Management System

Organization of the PWO Group's Risk Management System

The organization and reporting lines of PWO's risk management system correspond to the internationally accepted "Three Lines of Defense Model" recommended for stock corporations and required as a basic element by the European Confederation of Institutes of Internal Auditing (ECIIA).

It includes operational checks by risk owners, the review and monitoring of the control standards by independent units such as risk management and risk hedging by the Corporate Audit department. The risk management system is also subject to external auditing.

Opportunities and risks can lead to a deviation from the plan and so are defined as uncertain events. Opportunities can lead to a positive deviation, risks to a negative one. There are also what are known as mixed risks (e.g. economic fluctuations), which can have both a negative and a positive impact on corporate planning on account of their volatility. All opportunities and risks are clearly assigned to owners and are evaluated using scenario distributions with regard to their amount and probability of occurrence.

Status and Development of the Risk Management System

Risk management at PWO is developed and refined on a continual basis. Development of a risk tolerance concept was completed in the 2021 fiscal year and the concept was implemented. The tolerance criteria were key financial indicators/thresholds regarding debt and equity. Reporting thresholds were also established for top risks in the Group, the AG and at subsidiaries.

Strategic opportunities and risks were also assessed in collaboration with the top management. We report on this in the section "Presentation of Opportunities and Risks Having a Predominantly Medium or Long Term Effect." In the future, the strategic opportunities and risks will be updated once a year as part of a structured process. The dependencies between these and the top risks are presented in an interdependencies matrix.

Tasks were increasingly delegated to risk managers at the subsidiaries. The goal here is to increase individual risk responsibility at the subsidiaries, further developing risk management in the Group as a whole. Extensive training sessions were also held in this context in the 2021 fiscal year.

In accordance with the CSR Directive Implementation Act, which regulates companies' Corporate Social Responsibility, non-financial risks must also be identified and assessed for all subsidiaries in the Group and measures must be established on the basis of this. No serious risks were identified in this area in the reporting period. In addition, steps were taken to more closely monitor supply chain risks. We report on this in the "Compliance Management and Corporate Audit" section. Our aim for 2022 is to expand risk management with regard to ESG issues and to adapt our ESG risk reporting accordingly.

Compliance Management and Corporate Audit

PWO has established a Group-wide Compliance Management System (CMS). In the reporting year, the CMS was expanded to include the establishment of the Compliance Committee, a revised compliance risk assessment and fundamental documentation and guidelines.

The CMS is gradually established and developed in the Group in line with the recognized IDW Auditing Standard 980 and DIN ISO 37301. As part of this, the existing Code of Conduct was developed further in close coordination with the Works Council.

The Business Partner Code was expanded to cover our responsibility for supply chains and now includes sections on air quality, water quality and consumption and responsible chemicals management. As a result of the German Supply Chain Act ("LkSG") that comes into effect in 2023, it now also covers the use of security forces and land acquisition.

A process was also established for sustainable procurement and business partner compliance, which requires new suppliers to undergo an integrity check regarding our sustainability requirements before we consider placing an order with them. Existing suppliers are reviewed each year as part of a simplified review of new findings. This new process

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ensures compliance both with the stricter ESG requirements and with the LKSG that comes into force in 2023. The process is due to be launched at the Group's locations starting in 2022.

To ensure a more objective assessment of the compliance risk at the respective national companies and departments regarding the risk areas of corruption and bribery, antitrust and competition breaches, property crimes, conflicts of interest, data protection violations and insider trading and the disclosure of insider information, risk assessments were substantially revised and a detailed questionnaire was developed that was used for the first time in the reporting year at the Oberkirch site and is to be introduced at foreign the locations in 2022.

We are also continuing to further develop our training concept and we provided e-learning courses at all locations in the 2021 fiscal year with updated content. As in the previous year, the group of participants was selected on the basis of risk.

As defined by the German Institute of Internal Auditing, Corporate Audit ("CA") provides independent and objective audit and consultancy services that are intended to create added value and improve business processes. This unit thus helps the organization achieve its goals by using a systemic and targeted approach to assess the effectiveness of risk management, the checks and management and monitoring processes and to identify potential for improvement.

The selection of audit topics by Corporate Audit is essentially based on risk-oriented multi-year planning. The audits for 2021 were also based on this. However, the structure and content of audits in 2021 were restricted in the reporting year by limiting factors such as the pandemic and short-time work. For this reason, all audits in the 2021 fiscal year were carried out from Germany, including a remote full audit of PWO China. CA also provided selective support on individual topics and questions from the specialist departments and the Executive Board. This did not in any case result in audit results that would have required the Executive Board to intervene immediately to prevent financial losses or damage to our reputation.

Control and Risk Management in the Financial Reporting Process

All operating units are involved in control and risk management in the financial reporting process. This structure relies on a clear separation of duties and the principle of double-checking.

Controlling and risk management are based on principles, procedures, regulations and actions that were explicitly introduced for those purposes. Their compliance and proper implementation are reviewed by Corporate Audit as part of its risk-based audit plan.

The policies, procedures, regulations and actions are geared towards the following objectives:

- Securing the effectiveness and efficiency of business activities, including the protection of assets
- Ensuring the accuracy and reliability of internal and external accounting
- Complying with applicable legal regulations, in particular, the compliance of the consolidated financial statements and the group management report with the respective standards

The consolidated financial statements are prepared in a multi-step process. The PWO Group's IFRS accounting policies form the foundation of the accounting and measurement standards for the entities included in the consolidated financial statements. Underlying these internal policies is a uniform Group-wide system of accounts. The operating units' business transactions are recorded in a uniform manner in an SAP-based booking system. The access rights for this system are clearly defined.

Development of the Overall Risk Position

The overall risk situation of the PWO Group improved in the reporting year. This is chiefly because we incorporated a higher share of risks into planning compared to the previous year in light of sustained high levels of uncertainty in connection with the pandemic and its impact on supply chains, procurement prices and, in turn, on macroeconomic developments. In addition, the impairment risk also declined following the write downs in the previous year's annual financial statements.

However, as a result of the war between Russia and Ukraine, which started after the end of the reporting period, negative deviations from planning have become more probable for various risks. These relate in particular to falls in demand, disruption to and interruptions of supply chains as well as higher procurement prices. At present, the change in the risk situation cannot yet be quantified.

The changes in the ranking of the individual risk categories in comparison to the prior year's annual report are clearly and conveniently shown in the table below. No new opportunities and risks have been added to the top risks. Financing and interest rate risks are no longer included in the top risks. Editorial changes were made to some of the risk names compared to the previous year.

The Executive Board is convinced overall that all of the necessary measures have been initiated to continue to manage the Group's risks. In the view of the Executive Board, there is no threat to the Group's continued existence.

The following section contains our statements concerning the Group's individual medium-term opportunities and risks.

Presentation of Opportunities and Risks Having Predominantly a Short-Term Effect

The following presents the major opportunities and risks for our 2022 operating planning based on the scenario assessment and taking into account any risk mitigating measures. We continue to classify risk in the following risk categories: financial, performance, market, regulatory and other opportunities and risks. The order of the risk categories and the order of the highest respective individual risks within each category presented below reflect our current assessment of the relative level of risk in descending order.

Overview of Risk Significance for the Risk Categories

Risk	Risk significance (Net expected value)	Y-o-Y change in the risk ranking
Market opportunities and risks	High	Unchanged
Performance Opportunities and Risks	Moderate	Increased
Other opportunities and risks	Low	Unchanged
Financial Opportunities and Risks	Low	Decreased
Regulatory opportunities and risks	Low	Unchanged

Market Opportunities and Risks

Economy and Sales Volumes

Fluctuations in sales volumes can give rise to capacity utilization risks. In the case of new orders in our business, we have to reckon with repeated start-up delays on the part of vehicle manufacturers. In the case of existing orders, fluctuations may result from declines in demand from end customers. An additional burden in the reporting year came from significant bottlenecks along the entire supply chain in the mobility industry, which slowed down production at manufacturers. There were also disruptions to the supply chain on account of coronavirus protection measures. Both of these pressures also affected other sectors in the 2021 fiscal year, in some cases severely, and so took a toll on many countries' economic development. We assume that this development will continue, at least at the start of the new fiscal year, and that it will not begin to gradually improve until later in the year.

Our business is characterized by long-term contracts. New orders sometimes require lead times of several years. During the series lifetime of 5 to 8 years, customers usually stay with the same supplier. On the one hand, this aspect of our business contributes to our planning certainty; on the other hand, it limits our short-term opportunities. Therefore, in terms of our operational planning for the year 2022, the risks outweigh the opportunities.

All individual opportunities and risks are evaluated according to their impact (amount of loss in relation to EBIT) and their likelihood of occurrence during the planning period. The sum of the net expected values of the individual opportunities and risks of a particular category

yields their net expected value. The following table does not account for portfolio or correlation effects, but these are shown in risk management by way of causal chains. The risk significance of the individual categories is defined in the table below:

Definition of Risk Significance

Description	Net expected value risk category
Low	≤ EUR 1.0 million
Moderate	> EUR 1.0 million < EUR 3.0 million
High	≥ EUR 3.0 million

As part of planning, we anticipated and took into account coronavirus risks based on the knowledge available and the assessments derived from this knowledge. However, given the uncertainties and unpredictability of the pandemic development it is uncertain whether this assessment adequately anticipates future developments. This is even more relevant in view of the global spread of the Omicron variant which, while resulting in milder symptoms, also entails far higher case rates.

The assessment of this risk is therefore subject to higher uncertainty. This is accompanied by an increased risk of not achieving the planned revenue. Due to the long-term nature of our business, we can only compensate for reductions in capacity utilization by making adjustments in our cost base. However, as a responsible employer and in our economic interest, we want to retain our highly qualified employees in temporary periods of weakness. Government aid programs launched in various countries as a result of the pandemic can have a supporting

effect here, with the regulations on short-time work in Germany particularly helpful.

On the other hand, opportunities arise because, in view of the uncertainties listed, we were in some cases more cautious with our planning for the 2022 fiscal year than the call-offs expected from customers would allow. If these are achieved, planned revenue for these series productions may be exceeded.

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Raw Materials and Procurement Prices

The raw materials required for our production processes include, first and foremost, steel and, to a much lesser extent, aluminum and stainless steel. There were temporarily major bottlenecks in the availability of steel in the reporting year, which we were able to manage successfully. We were therefore able to deliver at all times. However, the situation on the steel market eased as a result of declining production figures in the mobility industry over the year – due to the shortage of electronics components – and so this risk no longer exists. By contrast, risks relating to aluminum increased throughout the reporting year, chiefly stemming from supply bottlenecks and the energy shortage in China.

In our business, we are generally exposed to earnings risks from changes in raw material prices. With rising prices – as is currently the case – there is the risk that price adjustments in line with the use of materials for our products and price increases imposed by our suppliers are not possible. In the past, we have always been able to negotiate mutually agreed solutions with our customers, and we are confident that we will be able to continue to do this in the future. Nevertheless, this usually leads to a time delay between purchasing the material and compensation by the customer. The Group's profitability is also under significant pressure at present due to some massive price hikes, including for purchased parts and various other raw materials, consumables and supplies as well as energy.

Selling Prices

In our planning for higher input prices, we factored in being able to make price adjustments in line with the use of materials for our products and price increases at our suppliers. However, unsuccessful negotiations regarding this in light of massive price rises present a greater risk than in the past.

Dependence on Suppliers

The risk of a strategic supplier defaulting due to financial difficulties has recently increased as a result of the current market weakness. We manage this risk by regularly obtaining credit information and making visits to suppliers and other partners, where this is possible during the pandemic. Should we identify substantial risks, we would establish targeted business relationships with new suppliers.

Performance Opportunities and Risks

Production

The main performance risks in production are business interruption risks. These can result primarily from damage to or failure of production equipment or tools. Depending on the extent of the damage and the duration of the outage, this can impair the timely delivery of goods to customers. The risk of the failure of an entire location however can be virtually ruled out. We have established a broad range of measures to manage business interruption risks.

Given the very volatile release order situation at present and even last-minute production downtime at customers, there is also the risk of being unable to provide the planned service and therefore being unable to cover fixed costs. Accordingly, we are aiming to make our processes even more flexible so that we can respond to customer release forecasts even more quickly.

Quality, Product Liability and Recalls

Quality requirements in the mobility industry are traditionally very high. Product liability risks and risks resulting from product recalls have increased steadily in the past several years.

We limit these risks with our quality management system, which has been established and certified for many years and also takes into account the IATF 16949 standard, which includes fundamental requirements for quality management systems for volume and spare parts production in the mobility industry.

In addition, we are continuously expanding the scope of testing for our components – not least as part of various digitization projects – and documenting their zero-defect quality before they leave our premises. We do this to ensure that defective components are detected even earlier in the production process than before. We also want to achieve complete traceability of each individual component so that any defects can be assigned not only at the level of individual batches but also at the level of containers. This enables us to limit the total amount of damage in the event of a potential recall. In addition, we have taken out insurance policies for corresponding liability risks.

Toolmaking

Capacity utilization risks in toolmaking primarily affect the Oberkirch site and are a result of the current number of employees, as labor costs in Germany are too high by international standards and so are not competitive. In light of this, we made changes in the 2021 fiscal year that are in effect until the end of 2022 to reduce this risk position. We are also striving to improve capacity utilization through new orders.

In the Mexico segment, there is also the risk of tool breakage at a bottleneck machine that disrupts operations. Measures taken to combat this including adjusting inventory management for the relevant components and introducing a disruption protection system to identify wear and tear at an early stage. Training and further qualifications of toolmakers were also expanded significantly.

Other Opportunities and Risks

Personnel

At the Germany location, there is a risk of changes to the regulations for temporary workers, which could extend to an obligation to take them on as employees on permanent contracts. While partners in the new German government recognize the importance of contracts for work and temporary employment in their coalition agreement, they want to ensure more security for the workers in question. In addition, legislative reviews are anticipated in the case of a European jurisdiction. 3 proceedings are currently pending at the European Court of Justice. We will take measures to mitigate risk as soon as any specific changes are made to statutory regulations.

The timely availability of staff in sufficient numbers and with the right qualifications continues to pose a particular risk. Intense competition for skilled workers also presents the risk of unplanned increases in staff costs. One of the ways to reduce this risk is to plan and manage the need for skilled workers as early on as possible and on a long-term basis through education and extensive continued training, employee qualification and other initiatives. Risk throughout the Group is also managed by means of broad-based personnel recruitment and employee retention concepts, which are developed on an ongoing basis.

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Data Security

Open IT structures, which make processes available worldwide, are among the basic requirements for sustainable corporate success today. These structures are particularly exposed to the risks of data losses and misuse as a result of systematic gaps in the system and data losses caused by unreadable backup files. This, as well as infiltrating malware, can result in a whole range of damage, including temporary business interruption.

For years, we have been focusing on consolidating all IT services in a PWO Private Cloud, where we have implemented diverse, standby backup systems. All employees who work remotely also have secure access to their working environment via the PWO Private Cloud. We also continuously expand our certified information security management system at the Oberkirch site. The processes and structures established in this context are implemented in the subsidiaries as required. Based on these activities, we remain confident that we are well-positioned in the area of data security.

Financial Opportunities and Risks

Impairment Risk

The risk of impairment of non-current assets exists particularly when plan targets have not been achieved, the earnings outlook deteriorates, the market environment develops negatively, or the discount rate applied to future expected cash flows increases.

This risk relates in particular to our sites in Germany and Canada. In Germany, we are working to improve the Company's profitability and growth prospects in order to counter the risk of an impairment of fixed assets.

Currencies

All of the PWO Group's locations are subject to currency risk in terms of translation risk (translating the subsidiaries financial statements in euro) and transaction risk (sales, procurement and staff costs). This also presents opportunities if currency parities develop favorably for us. However, we do not take this into account in our planning.

The Group's main currencies are the euro, the Czech koruna, the Canadian dollar, the US dollar, the Mexican peso and the Chinese renminbi. We use hedging to avoid these risks with the aim of securing currency parities when receiving orders and thereby the budget plan.

There are currency fluctuations at the Germany location, especially from loans granted by the parent company to the international locations denominated in the local currencies of those locations and hedged in Germany. For a further explanation of the risks arising from the use of financial instruments, please refer to the notes to the consolidated financial statements.

Regulatory Opportunities and Risks

Contracts

Risks from unfavorable contractual arrangements include, specifically, timing differences between contractually agreed material and production releases and the lead times of actual procurement and production. This can give rise to significant risks in the event of sharp short-term declines in demand.

These risks increased significantly in the reporting year. Supply uncertainties in the mobility industry – including but not limited to electronics components – combined with rising prices for raw materials, consumables, supplies and purchased parts and subcontracted work, tended to result in inflated call-offs along the entire supply chain as all market participants attempted to reduce their own supply risks. Call-off figures were frequently revised downwards at the very last minute within procurement and production approval periods. We counter these risks by negotiating constructively with our customers. In the past, we have always been able to find mutually agreed solutions.

Tax and Political Environments

The PWO Group operates in countries on 3 continents with very different tax environments. In some cases, this results in extensive requirements, the complexity of which is also tending to increase. We mitigate these risks through close collaboration with external experts who have proven experience in the countries and subject areas in question.

Compliance

We counter compliance risks with our CMS described at the beginning of this risk report. We closely manage the risk of potential patent infringements through the many years of product and industry expertise of our employees and through cooperation with an external patent attorney. At present, there are still no disputes. We are carefully monitoring the further development of the requirements of the EU General Data Protection Regulation in practice.

Presentation of Opportunities and Risks Having a Predominantly Medium- Or Long-Term Effect

The following provides an overview of the Group's strategic opportunities and risks over the medium term, which is defined as a period of at least 3 years. In the following section, these are discussed in accordance with our assessment of their relative importance for us.

Underutilization of Capacities

As a capital-intensive company, we are financially dependent on sufficient utilization of our pressing and toolmaking capacities. If this is not achieved, unmet fixed costs for staff and machinery affect earnings. This may mean that necessary investments are not funded, permanently reducing the Group's competitive position. If capacity utilization problems persist, this could jeopardize the company as a going concern.

Cyberattacks

Cyberattacks are an increasing threat to companies worldwide. They can take the form of malware that blocks IT systems or encrypts data on these systems. Hackers install these with the intention of extorting ransom payments. In particular, if they succeed in gaining access to critical IT infrastructure, this can have negative effects including disruptions to operating processes in administration and production. This can also jeopardize the company as a going concern.

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Geopolitical Tension

The mobility sector operates worldwide and is highly interconnected. PWO, too, works with production and assembly locations on 3 continents in countries with very different environments. Geopolitical tension can thus affect our business directly as well as indirectly, through changes to manufacturers' sales opportunities or supply chain disruption. Over the last few years, we have increasingly seen governments approving regulations that do not comply with the principles and regulations of the World Trade Organization. Examples include tariffs, trade bans, embargoes, tax adjustments and new requirements for handling data. Disrupting or preventing trade flows can result in considerable losses for companies' business operations.

Personnel

There is currently a shortage of skilled labor in almost all of our markets. With societies aging and younger generations demanding more from their working environment (think work-life-balance), this shortage will get worse still in the future. This creates stiff competition for talented employees. If PWO were to become unappealing to potential employees, this could hurt the Group's innovative strength. There is also the risk of being unable to retain existing employees, which could result in a loss of know-how. The consequences of this would be declining competitiveness. On the other hand, this also represents an opportunity for us to position ourselves as a particularly attractive employer by directing particular attention towards this issue, ensuring a respectful corporate culture and offering attractive development prospects. We will therefore step up our efforts here – which are already substantial – even further in the future.

Pandemics

A pandemic is a general risk that occurs very rarely but, as we saw in 2020, can happen at any time and have serious repercussions for global business and supply chains. With global shutdowns and production stoppages, revenue declined and people had to shift to short-time work schemes or lost their jobs as a result of insolvencies. By taking action early and consistently and thanks to the high level of commitment shown by our employees, we were able to mitigate this negative impact.

Sustainability and Climate Change

Sustainable business models is becoming the decisive topic of the 21st century. Given the urgent need for action, the focus currently is on tackling climate change. According to the current status, we have not identified any additional material risks relating to climate change.

Nevertheless, sustainability is far broader than this and extends to many other environmental issues, social issues and aspects of good corporate governance. Companies who fail to develop a detailed sustainability strategy at an early stage that meets the interests of their target groups are at risk of losing their market position – when competing for customers, employees and capital. Accordingly, we work on fully aligning our business processes with sustainability requirements with the aim of making our stance here a true competitive advantage.

Use of Steel and Aluminum

Our core expertise relates to the cold formation of steel and aluminum. Essentially, all materials are exposed to substitution risks if customer requirements change. Nonetheless, we believe that the opportunities of further increasing the use of steel and aluminum parts by far outweigh the risks. This is because of their favorable material properties (they absorb the impact of a crash in the event of an accident), the fact that they are fully recyclable and the potential offered by lightweight construction. Accordingly, moving forwards we will continue to strengthen our already substantial lightweight construction expertise.

Logistics Processes

Logistics processes change constantly. This also means that the demands on logistics management and dependence on logistics companies are constantly growing. As a result, 3D simulations of the entire process and quick responses to changing costs are increasingly important. Logistics costs will rise in the future on account of higher carbon taxes and a general increase in the cost of transport. We have so far been very successful in offsetting higher costs through innovative and creative solutions. Our aim is to build on these skills further to create opportunities from changes to logistics processes.

Tapping New Sales Markets Outside the Mobility Industry

In the future, we want to tap new sales markets outside the mobility industry. This opens up significant additional growth potential and reduces dependency on the development and cycle of the mobility industry in the long term. Nevertheless, one challenge will be limiting the additional complexity that this creates for the company and making the structure of administrative processes even more competitive.

Digitalization

The digitalization of all business processes using the tools of Industry 4.0 is relentlessly gathering pace. It allows processes to be designed more efficiently, reduces the use of resources and improves product quality. In turn, this opens the door to additional growth and strengthens the company's reputation on the customer market. In view of this, we are committed to modern, data-driven production and believe this presents opportunities to further expand our market position.

Development of the Mobility Industry

The mobility sector is currently undergoing a profound transformation shaped by the megatrends of sustainability, the sharing economy, e-mobility and urbanization. On top of this, forecasting customer call-offs is uncertain and so more flexible production concepts are needed. The current product portfolio is excellently positioned for the transformation in the 3 trends of electrification, safety and comfort and is entirely independent of internal combustion engines. In our view, this means that we will not miss out on any existing business opportunities in the future and will instead benefit from new products and processes and attract new customers. We thus see the transformation process as an opportunity for future corporate development.

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Report on Forecasts and Outlook

Expected General Economic and Industry Development

As in the previous year, forecasts for global economic development in 2022 continue to be characterized by major uncertainty in light of the ongoing pandemic and the new COVID-19 Omicron variant.

According to the IMF, the year also begun from a weaker basis and with flatter growth than originally expected. In addition, the global economy is also suffering from far higher inflation as a consequence of supply chain bottlenecks that are persisting for longer than expected and rising raw material prices, especially for crude oil and intermediate products. The easing of supply chain disruption throughout the year and, in turn, a slow-down in inflation, creates a certain opportunity. The IMF believes the main risks are posed by the occurrence of new and dangerous COVID-19 variants.

In line with this, the IMF revised its original 2021 fall forecast downwards considerably by half a percentage point at the start of 2022. Following expansion of 5.9 percent in 2021, growth is expected at just 4.4 percent this year. The reduced forecast is essentially due to lower expectations for the major industrial regions EU, USA and China. As well as the widespread, ongoing harm caused by the pandemic, in the US the other main strains are likely to result from less expansive fiscal policy, the more restrictive approach taken by the Fed and ongoing supply chain problems, while China will likely be hurt by its zero COVID-19 policy and unresolved financing problems at some major real estate developers. In the EU, only Germany (3.8 percent compared to 2.7 percent) and Spain (5.8 percent compared to 4.9 percent) are expected to see higher growth rates.

In its annual economic report of January 2022, the German government also expects German real GDP to increase by only 3.6 percent, a more pessimistic stance than even the IMF. In its projections in November 2021, the Council of Economic Experts has still assumed an increase of 4.6 percent. This more cautious estimate reflects the economic dip in the final month of 2021, especially in the services sector.

The German Association of the Automotive Industry (VDA) expects global growth in car sales of 4 percent for 2022, similar to the previous year's level. This would still be almost 13 percent lower than the global car market's high in 2017. Markets in the United States and China look set to pick up by 2 percent. Europe is currently much further away from a return to pre-pandemic levels and is expected to see somewhat stronger growth of 5 percent, in part due to catch-up effects. The VDA expects the German market to grow by 7 percent to 2.8 million cars in 2022. Domestic production is expected to reach 3.5 million units in 2022, up 13 percent and in line with production levels in 2020. Foreign production looks set to increase by 5 percent this year to 9.9 million units.

Starting from a low level, the European Automobile Manufacturers' Association (ACEA) reckons that car sales figures in the EU will recover by 7.9 percent this year to 10.5 million units. However, this would still leave the volume almost 20 percent below the pre-pandemic levels of 2019. In addition, recovery also depends on an improvement in the supply of electronics components.

Business Development and Future Direction

Development of the PWO Group

The following forecast shows our assessment before the war between Russia and Ukraine. Currently it is not possible to predict the negative impact of the war on PWO. For this reason we are retaining our forecast. As soon as it is possible to assess the consequences of the war, we will update our forecast.

	2022 forecast	2021 actual results
Revenue	Approx. EUR 480 million	EUR 404.3 million
EBIT before currency effects	EUR 19 million to EUR 22 million	EUR 22.1 million
Capital expenditure according to segment report	Approx. EUR 30 million	EUR 16.2 million
Free cash flow	Balanced	EUR 4.9 million
Equity ratio	Flat	33.6 percent
Dynamic leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	2.5 to 3.0 years	2.2 years
Lifetime volume of new business	Over EUR 500 million	Approx. EUR 570 million

Our planning for 2022 is based on the assumption that the Group's scope of consolidation will remain unchanged. It is also based on detailed individual estimates of the volumes of the series productions currently underway, as well as on the upcoming start-ups and ramp-ups and phase-outs. We assume that there will be no major disruptions to supply chains, massive pandemic restrictions or lockdowns and that there will be no significant deviations from the anticipated price rises at our customers and suppliers. In the following comments, we focus on our key performance indicator EBIT before currency effects.

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Forecast of the Results of Operations

Despite only slightly increasing call-offs by our customers due to the continuing semiconductor crisis, revenue is expected to rise substantially by tens of millions in euro in 2022 as a result of price adjustments in line with the use of materials for our products and price increases at our suppliers. However, this generally involves a time delay. We believe that disruptions to global supply chains in our industry will resolve only gradually, resulting in similar inefficiencies to in the reporting year and adversely affecting the results of operations. Costs – especially at the Oberkirch production site – will not decrease until later in the year. Contrary to what is normal for our business, this means that performance as a whole could be more restrained in the first half of the year than in the second.

At the same time, we intend to make rapid progress in expanding our international locations, efficiently complete current start-ups and ramp-ups of new series productions and lay the foundations for further growth.

Against this backdrop, we expect revenue to grow to around EUR 480 million in the 2022 fiscal year. Despite several larger and complex series start-ups, the discontinuation of extraordinary items and the mix shift in 2021 revenue, we anticipate EBIT will be in a range between EUR 19 million and EUR 22 million. Without the positive extraordinary items of EUR 2.3 million described in the “Results of Operations” section, EBIT would have come to about EUR 19.8 million in the 2021 fiscal year. The lower end of the range reflects continued high levels of uncertainty regarding future developments, while at the top end of the range we assume that supply chains recover more quickly than currently anticipated, customer call-offs become more predictable again and thus operating processes are more efficient. This is likely to have a particularly positive effect in the Czechia, Mexico and China segments. The following explanation of the segment forecast refers to the lower end of the Group’s forecast range.

In the Germany segment, we still expect weaker industry performance than in other markets. The expected rise in external revenue to around EUR 215 million will likely therefore result almost exclusively from price adjustments in line with the use of materials for our products and price

increases at our suppliers. For this reason, we assume that the standard annual cost increases will more than offset savings to date, meaning that EBIT could be lower than in the 2021 fiscal year at around EUR 1 million. The additional savings planned for 2022 will not be recognized in profit or loss for a full twelve-month period until the 2023 fiscal year.

The Czechia segment is approaching a major growth surge to external revenue of around EUR 95 million. We also expect EBIT to improve, although the expansion of locations will likely continue to take a toll on operating processes and management capacities here and so EBIT may rise only by a disproportionately low amount to around EUR 6.5 million.

In the Canada segment, further start-ups and ramp-ups should help significantly drive up external revenue to about EUR 45 million and help EBIT improve to around EUR 1.5 million.

We also anticipate significant growth in external revenue in the Mexico segment to around EUR 80 million, although we also think that the cost of materials ratio here will be poorer than in the Group. This, alongside the planned expansion of locations, could cause EBIT to decline to about EUR 7 million.

In the China segment, we anticipate external revenue of about EUR 40 million on the basis of the planned series phase-outs and start-ups. EBIT should be about EUR 4 million.

Forecast for Capital Expenditure, Financial Position and Net Assets

To ensure the start-ups and ramp-ups of new series productions planned for the next few years, we intend to substantially step up investment again in the 2022 fiscal year compared to the reporting year. The Czechia segment will be a key focus area here, where we will expand the locations by investing heavily in new buildings to create space for new purchases of forming presses and equipment in the future. In the Germany segment, by contrast, the focus is on technical equipment and machinery. In Canada and Mexico, location expansion will chiefly take the form of various smaller investment projects to boost performance. Only low capital expenditure is planned in the China segment.

Despite the sharp rise in capital expenditure overall and the still only modest improvement in Group profitability, our aim is to use liquidity-based management to achieve a balanced free cash flow and keep the equity ratio steady. The dynamic leverage ratio increased again compared to the very low level in the 2021 fiscal year.

Forecast for the Order Situation

We increased new business substantially in the 2021 fiscal year to EUR 570 million (p/y: EUR 400 million). With new business of over EUR 500 million, we want to exceed the expected revenue of around EUR 480 million in the 2022 fiscal year, thereby securing the Group’s future growth. The composition of business will change in line with this. While we received several large orders for instrument panel carriers in 2021, there will be fewer such contracts in our sales market in 2022. Nevertheless, we expect to be able to increase the number of orders received in our other product areas by enough to still generate the expected volume.

General Statement on Future Development

Performance in the 2021 fiscal year showed that the PWO Group is able to perform and deliver at all times, even in current challenging market phases. Over the 2 years of the pandemic, we have developed processes that help us respond to unusual situations with flexibility. The strong commitment demonstrated at all times by our highly qualified employees is crucial here.

At the same time, we have made the Oberkirch production site far more competitive in the last year and a half by employing a range of measures and positioned our international locations for growth, not least thanks to high new business.

We are confident that we will be able to successfully meet the challenges in the 2022 fiscal year too.

Dependency Report

With respect to the legal transactions described in the section on related parties and based on the circumstances known at the time the transactions were executed, our Company received appropriate compensation for every transaction and was not disadvantaged as a result.

Takeover-related Disclosures Pursuant to Sections 289 a and 315 a HGB

The information required under Sections 289 a and 315 a HGB is detailed and explained below.

The share capital of PWO AG is EUR 9,375,000.00 and is divided into 3,125,000 no-par value bearer shares. They carry identical rights and convey one vote each at the Annual General Meeting. Reference is made to the provisions of the German Stock Corporation Act regarding the rights and obligations related to the holding of shares.

There are no restrictions on the voting rights or the transfer of shares, and the Executive Board is not aware of any such arrangements agreed between shareholders. There is no participation of employees who do not exercise their control rights directly.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, has notified us of its interest exceeding 10 percent of the voting rights in

PWO. As of December 31, 2021, it held 46.73 percent of the voting rights (unchanged on the previous year) and is the main shareholder.

The appointment and dismissal of the members of the Executive Board are determined in accordance with Sections 84 and 85 AktG in conjunction with Article 6 of PWO's Articles of Association.

Pursuant to Section 179(1) and Section 119(1), No. 6 AktG, each amendment to the Articles of Association requires a shareholder resolution of the Annual General Meeting. In deviation from Section 179(2), sentence 1 AktG, Article 15 of the Articles of Association states that Annual General Meeting resolutions can be approved by a simple majority of votes cast and – if a capital majority is required – a simple majority of the capital stock, unless otherwise stipulated by law or the Articles of Association.

The Supervisory Board is authorized to adopt amendments to the Articles of Association that relate only to their wording.

Subject to the consent of the Supervisory Board, the Executive Board is authorized to increase the Company's share capital once or several times by up to a total of EUR 4,687,500.00 (Authorized Capital 2020) by issuing new no-par bearer shares against contribution in cash and/or in kind until and including the date of July 27, 2025. Generally, subscription rights must be granted to shareholders. Further details of the authorization are contained in the resolution of the Annual General Meeting of July 28, 2020.

In the case of a change in control resulting from a takeover offer, no other agreements have been made except for the usual extraordinary rights of termination contained in credit agreements and agreements with customers. Compensation agreements that favor the Executive Board or employees do not exist.

Corporate Governance Statement Pursuant to Sections 289 f and 315 d HGB

The Corporate Governance Statement is published on the Company's website at

→ <https://www.progress-werk.de/en/group/corporate-governance/>.

The Corporate Governance Statement is an unaudited segment of the management report.

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Non-Financial Group Statement Pursuant to Sections 289 b–e, 315 b–c HGB

The non-financial Group statement is published in the form of a separate non-financial group report and is then published on the Company's website at

→ <https://www.progress-werk.de/en/group/corporate-governance/>.

The non-financial Group statement is an unaudited segment of the management report.

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Business Development of PWO AG

PWO AG is located in Oberkirch, Baden-Württemberg. The parent company forms the Group's headquarters and is its largest production location. To limit risk, the Company also monitors the international locations, particularly in the areas of legal, finance and controlling. The international locations are generally responsible for their operational management. The Company's annual financial statements are prepared in accordance with the HGB.

The general statements of the combined management report also apply to PWO AG, particularly in the areas of the market, strategy, management and the opportunities and risks inherent in its business activities. The Company is less affected by currency risk than the Group and more exposed to financing risks. The risk of impairment mainly applies to the Company's financial assets.

As of the reporting date, the number of employees at the Company, including temporary staff, was 1,151, which was significantly lower than in the previous year (p/y: 1,419). This figure includes 90 (p/y: 127) young trainees who are currently completing their training. The number of trainee positions we offer is based on the demand for junior staff expected in the future.

As explained in the Group management report, the mobility industry was once again hit hard by the pandemic in the reporting year. Production figures fell well short of previous year figures, chiefly on account of supply bottlenecks for electronics components. Massive hikes in procurement prices in many cases also placed additional strain on profitability in the mobility industry.

We have to tailor our resources to these conditions, which is why we continued the program adopted at the end of 2020 to adjust the staff headcount. For details on the number of employees, please refer to the comments on the Germany segment in the Group management report.

Income Statement

SELECTED INFORMATION (EURk)	2021	in % of revenue	2020	in % of revenue
Revenue	206,530	100.0	209,711	100.0
Total output	207,809	100.6	202,628	96.6
Cost of materials	108,419	52.5	97,106	46.3
Staff costs	73,945	35.8	75,531	36.0
Depreciation/ amortization	10,466	5.1	10,932	5.2
Other operating expenses	30,251	14.6	51,269	24.4
Financial result	21,109	10.2	453	0.2
Earnings before taxes	16,969	8.2	-24,986	-11.9
Net income (p/y: net loss)	16,854	8.2	-20,247	-9.7
Withdrawal from other retained earnings	3,315		0	
Unappropriated retained earnings (p/y: unappropriated retained loss)	4,700		-15,469	

Revenue at PWO AG in the reporting year was down on the previous year, whereas revenue in the Group's Germany segment rose. This difference is due to the separate accounting of the change in inventories under HGB accounting standards.

PWO AG's earnings performance is affected by a number of extraordinary items. For example, negative extraordinary items of EUR 22.3 million for personnel adjustment measures and additions to provisions for onerous contracts were recognized in the 2020 fiscal year. By contrast, 2021 saw positive extraordinary items of EUR 4.6 million, the result mainly of the reversal of provisions for personnel adjustment measures. In addition, the financial result of EUR 21.7 million benefited from a distribution by our Czech subsidiary and reversals of write-downs on financial assets.

Earnings were adversely affected by weaker business in the reporting year and higher material prices. Changes in staff costs reflect the reduction in the number of permanent employees, higher collectively agreed wages and salaries and the receipt of short-time work allowances. Overall, staff costs declined in absolute terms and the staff costs ratio was somewhat lower.

The slight year-on-year decline in depreciation/amortization was the result primarily of lower levels of capital expenditure at PWO AG in the last few years.

The balance from other operating income and expenses was also significantly affected by the extraordinary items described above. In the previous year, these items accounted for all of these negative

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extraordinary items of EUR 22.3 million, compared to positive extraordinary items of EUR 4.6 million in the reporting year.

The financial result includes a EUR 7.0 million distribution by our Czech subsidiary (p/y: EUR 0.0 million), income from loans to subsidiaries of EUR 2.5 million (p/y: EUR 3.1 million) and other interest and similar income of EUR 2.0 million (p/y: EUR 2.4 million). In addition, there was income relating to other periods and non-recurring income in the form of reversals of write-downs on financial assets of EUR 14.7 million (p/y: EUR 0 million) on the carrying amount of our Mexican subsidiary and on loans to our Chinese subsidiary. Interest expenses came to EUR 5.0 million in both the reporting year and the previous year.

In total, earnings before taxes improved to EUR 17.0 million (p/y: EUR -25.0 million). Income taxes came to EUR 0.2 million. Taxes resulted in a positive amount of EUR 5.1 million in the previous year due to the recognition of deferred taxes on losses carried forward. EBIT before currency effects moved from EUR -24.0 million to EUR -4.1 million. Overall, the net income for the period amounted to EUR 16.9 million (p/y: net loss of EUR 20.2 million).

Total assets were essentially unchanged in the reporting year at EUR 281.5 million (p/y: EUR 280.2 million). While property, plant and equipment reduced on account of restrained capital expenditure activity in the 2 previous years, financial assets picked up significantly. This reflects the reversals of write-downs described. We also increased equity at our Mexican subsidiary in the reporting year. Loans to affiliated companies – not accounting for reversals of write-downs – were also higher.

As stated, the reversals of write-downs related to the Mexican and the Chinese subsidiaries, which had not been profitable for a long period of time. Impairment losses were recognized at this time. Both companies are now not only stable, they are also profitable in the long term. This is the basis for the reversals of write-downs in the reporting year.

Inventories saw a slight increase compared to the end of the 2020 fiscal year, in particular due to more incomplete tools. Receivables from affiliated companies remained down on the previous year on account of repayments, although the distribution by our Czech subsidiary had not yet been made as of the reporting date and so is not recognized here. The

lower measurement of financial instruments and lower tax receivables caused a decline in other assets compared to the previous year.

Given the high net income in the reporting year, equity rose to EUR 117.0 million (p/y: EUR 100.1 million) and the equity ratio to 41.6 percent (p/y: 35.7 percent). Unappropriated retained earnings came to EUR 4.7 million and result from the unappropriated retained loss in the previous year of EUR 15.5 million, net income in the reporting year and withdrawal from other retained earnings of EUR 3.3 million.

Higher pension provisions are attributable chiefly to the decrease in discount rates compared to the previous year in accordance with the German Commercial Code. The increase in trade payables was due to the reporting date. The considerable decline in other provisions and other liabilities reflects the implementation of personnel adjustment measures at PWO AG, for which provisions had been recognized and other liabilities allocated in the previous year.

Overall we managed to conclude the reporting year with satisfactory balance sheet quality. However, this is not yet the case for profitability.

We expect revenue to rise to around EUR 230 million in the 2022 fiscal year. As in the Group, we assume that this growth will stem predominantly from higher material prices. Based on EBIT before currency effects of around EUR 1 million included in the Group Report on forecasts and outlook, a negative effect on earnings of about EUR 6 million is still to be taken into account, relating chiefly to pension provisions and lease financing and a result of the different accounting policies under IFRS and HGB. Overall, we therefore anticipate EBIT before currency effects in line with HGB of approximately EUR -5 million for the 2022 fiscal year at PWO AG.

PWO AG is managed using the same key performance indicators as the Group's segments, i.e., external revenue and EBIT before currency effects, and is also based on the figures determined in accordance with IFRS regulations. The reconciliation of these performance indicators from HGB accounting to IFRS accounting is as follows:

Reconciliation of Key Performance Indicator

EURk	2021	2020
Revenue acc. to HGB	206,530	209,711
Reconciliation	-2,623	-10,665
Total revenue acc. to IFRS	203,907	199,046
External revenue acc. to IFRS	189,833	186,942
Earnings before taxes acc. to HGB	16,969	-24,986
Financial result	-21,109	-453
Currency effects	64	1,477
EBIT before currency effects acc. to HGB	-4,076	-23,962
Reconciliation	5,758	1,323
EBIT before currency effects acc. to IFRS	1,682	-22,639

In the 2 reporting years, the reconciliation between the 2 sets of accounting standards with regard to revenue resulted, above all, from IFRS 15 accounting and internal revenue and, in the case of EBIT before currency effects, mainly from the measurement of pension provisions, non-current assets, leasing and rental expenses, and IFRS 15 accounting.

Oberkirch, March 18, 2022

The Executive Board



Carlo Lazzarini
(CEO)



Dr. Cornelia Ballwießer
(CFO)



Johannes Obrecht
(COO)

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EURk		2021	2020
Note No.			
7	Revenue	404,274	371,154
8	Other own work capitalized	543	1,002
	Total output	404,817	372,156
9	Other operating income	13,902	9,851
	Cost of raw materials, consumables, supplies, and merchandise purchased	-196,636	-171,132
	Cost of purchased services	-21,285	-20,427
	Cost of materials	-217,921	-191,559
	Wages and salaries	-90,257	-88,115
	Social security and post-employment expenses	-20,472	-19,167
10	Staff costs	-110,729	-107,282
	Depreciation and impairments of property, plant and equipment and amortization of intangible assets	-25,332	-31,268
11	Other operating expenses	-42,914	-61,997
	Earnings before interest and taxes (EBIT)	21,823	-10,099
	Finance income	388	653
12	Finance costs	-6,539	-6,630
	Financial result	-6,151	-5,977
	Earnings before taxes (EBT)	15,672	-16,076
13	Income taxes	-930	4,414
	Net income/loss for the period¹	14,742	-11,662
14	Earnings per share in EUR (diluted = undiluted), based on the earnings attributable to PWO AG shareholders	4.72	-3.73

¹ Net income/loss for the period is attributable in full to the PWO AG shareholders.

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EURk		2021	2020
Notes No.			
	Net income/loss for the period	14,742	-11,662
28	Net gains from cash flow hedges	46	1,264
	Tax effect	-13	-338
	Currency translation difference	3,407	-1,496
	Items that may be reclassified to profit and loss in a subsequent period	3,440	-570
22	Actuarial gains (p/y: losses) on defined benefit pension plans	3,710	-3,959
	Tax effect	-1,055	1,126
	Items that will not be reclassified to profit or loss	2,655	-2,833
	Other comprehensive income after taxes	6,095	-3,403
	Comprehensive income after taxes	20,837	-15,065

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Assets

EURk		Dec. 31, 2021	Dec. 31, 2020
Notes No.			
	Land and buildings	77,668	76,543
	Technical equipment and machinery	89,676	91,485
	Other plant, factory and office equipment	6,801	5,891
	Prepayments made and assets under construction	5,775	7,150
15	Property, plant and equipment	179,920	181,069
	Development services	3,501	4,249
	Industrial property rights and similar rights	1,118	1,035
	Goodwill	4,331	4,331
	Advance payments made	10	80
16	Intangible assets	8,960	9,695
17	Contract assets	17,794	15,818
	Deferred tax assets	17,937	19,124
	Non-current assets	224,611	225,706
	Raw materials, consumables and supplies and purchased parts	31,867	25,385
	Advance payments made	746	180
18	Inventories	32,613	25,565
19	Trade receivables	39,930	43,688
17	Contract assets	59,065	51,410
	Other assets	8,766	7,746
	Other financial assets	1,121	2,811
	Income tax receivables	259	567
	Receivables and other assets	109,141	106,222
20	Cash and cash equivalents	6,907	6,161
	Current assets	148,661	137,948
	Total assets	373,272	363,654

Equity and Liabilities

EURk		Dec. 31, 2021	Dec. 31, 2020
Notes No.			
	Subscribed capital	9,375	9,375
	Capital reserves	37,494	37,494
	Retained earnings	91,982	77,240
	Other reserves	-13,550	-19,645
21	Total equity	125,301	104,464
24	Non-current financial liabilities	68,926	67,800
22	Pension provisions	61,897	65,488
23	Other provisions	2,456	4,833
	Deferred tax liabilities	1,997	1,861
	Non-current liabilities	135,276	139,982
	Trade payables	37,225	30,103
24	Current financial liabilities	41,590	40,845
	Other liabilities	23,967	28,468
25	Other financial liabilities	4,210	7,913
	Income tax liabilities	405	1,056
	Current portion of pension provisions	1,841	1,770
	Current portion of other provisions	3,457	9,053
	Current liabilities	112,695	119,208
	Total liabilities	247,971	259,190
	Total total equity and liabilities	373,272	363,654

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EURk	Equity attributable to PWO AG shareholders						Total
	Subscribed capital	Capital reserves	Retained earnings	Defined benefit plans	Foreign exchange differences	Cash flow hedge	
January 1, 2020	9,375	37,494	88,902	-19,325	2,127	956	119,529
Net income/loss for the period			-11,662				-11,662
Other comprehensive income				-2,833	-1,496	926	-3,403
December 31, 2020	9,375	37,494	77,240	-22,158	631	1,882	104,464
January 1, 2021	9,375	37,494	77,240	-22,158	631	1,882	104,464
Net income/loss for the period			14,742				14,742
Other comprehensive income				2,655	3,407	33	6,095
December 31, 2021	9,375	37,494	91,982	-19,503	4,038	1,915	125,301

Consolidated Statement of Cash Flows

EURk		2021	2020
Notes No.			
	Net income/loss for the period	14,742	-11,662
	Depreciation/reversal of write-downs of property, plant and equipment and amortization of intangible assets	24,262	31,268
13	Income tax expense	930	-4,414
12	Interest income and expenses	6,151	5,977
	Change in current assets	-9,966	17,860
	Change in non-current assets	-1,976	751
	Change in non-current liabilities (not including financial liabilities)	-5,832	-14,118
	Change in current liabilities (not including financial liabilities)	-7,259	7,826
13	Income taxes paid	-894	595
	Other non-cash expenses/income	850	14,972
	Gain (p/y: loss) on disposal of property, plant and equipment	-46	142
	Cash flow from operating activities	20,962	49,197
	Proceeds from disposal of property, plant, and equipment	140	256
	Payments for capital expenditure on property, plant and equipment	-9,291	-12,381
	Payments for capital expenditure on intangible assets	-796	-1,346
	Cash flow from investing activities	-9,947	-13,471
21	Dividend paid	0	0
	Interest paid	-6,540	-6,630
	Interest received	388	0
	Proceeds from borrowings	36,454	6,288
	Repayment of borrowings	-38,072	-27,803
	Repayment of lease liabilities	-4,321	-4,097
	Cash flow from financing activities	-12,091	-32,242
	Net change in cash and cash equivalents	-1,076	3,484
	Effect of exchange rate changes on cash and cash equivalents	-299	263
	Cash and cash equivalents as of January 1	-4,526	-8,273
	Cash and cash equivalents as of December 31	-5,901	-4,526
20	of which cash and cash equivalents according to the statement of financial position	6,907	6,161
24	of which bank borrowings due on demand that are included in the Group's cash management	-12,808	-10,687

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Information on the Company

Progress-Werk Oberkirch AG is a listed corporation headquartered at Industriestrasse 8, 77704 Oberkirch, Germany. The company is registered and entered in the commercial register of the District Court of Freiburg under HRB 490007. The currently applicable version of the Articles of Association is the version dated May 19, 2021. The fiscal year is the calendar year.

The consolidated financial statements of Progress-Werk Oberkirch AG (PWO) and its subsidiaries for the fiscal year from January 1, 2021 to December 31, 2021 were authorized by the Executive Board by resolution dated March 18, 2022 and were subsequently submitted to the Supervisory Board for review.

The PWO Group's main activities are described in the Group management report in the "Group Principles" section.

Accounting Policies

1 Basis of Preparation of the Financial Statements

The consolidated financial statements of Progress-Werk Oberkirch AG and its subsidiaries were 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 applicable supplementary provisions of the German Commercial Code (HGB) according to Section 315e (1) HGB. The Articles of Association and the German Stock Corporation Act set out regulations on profit distribution.

The consolidated financial statements are prepared according to the historical cost principle. This excludes derivative financial instruments and foreign currency receivables/liabilities. Derivative financial instruments are measured at fair value and foreign currency receivables/liabilities at amortized cost, taking into account the current closing rate as of the reporting date. The nature of expense method was used for the income statement. The consolidated financial statements are prepared in EUR thousand. Unless stated otherwise, all figures are rounded up or down to the nearest thousand euro (EURk).

2 Changes in Accounting Policies

Standards Applied for the First Time or Changes

There were no changes to the accounting policies applied compared to the previous year with the exception of the amended standards listed below, which are mandatory from January 1, 2021.

Standard	First-time adoption	Amendments	Impact on the consolidated financial statements
Amendments to IFRS 16: COVID-19-Related Rent Concessions	June 1, 2020	IFRS 16 includes regulations on accounting for changes to lease payments (including rent concessions) at the lessee. Essentially, for each lease the lessee must assess whether the rent concessions granted constitute lease modifications and remeasure the lease liability. The amendment to IFRS 16 grants a practical expedient where it is applied. This is subject to certain conditions and is temporary. The practical expedient means that lessees do not need to account for rent concessions granted in connection with the COVID-19 pandemic in accordance with the regulations for lease modifications, instead accounting for them as if they were not lease modifications.	No material impact.
Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9	Jan. 1, 2021	The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming IFRS 17 Insurance Contracts. In particular, the amendments extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.	No material impact.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 –	Jan. 1, 2021	The amendments of the second phase of the Interest Rate Benchmark Reform project (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases) supplement the requirements of the first phase of the project and take effect when 1 benchmark rate is replaced by another. With regard to the recognition of financial instructions, the following aspects are particularly relevant: In the event of modifications of contractual cash flows, it may not be necessary to adjust or derecognize the carrying amount of financial instruments. Instead, it is possible in certain circumstances to update the effective interest rate to reflect the change in the alternative benchmark rate. With regard to hedge accounting, in certain circumstances it will not be necessary to discontinue hedge accounting due to changes resulting from the Interest Rate Benchmark Reform. New risks arising from the reform and treated like the transition to alternative benchmark rates must be disclosed. In addition to amendments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor adjustments to IFRS 4 and IFRS 16.	No material impact.

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Standards or Amendments to be Applied in the Future

The company does not intend to prematurely apply the following new or amended standards and interpretations, which are not to be applied until later fiscal years.

EU Endorsement Already Granted

Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
Amendments to IFRS 16: COVID-19-Related Rent Concessions after June 30, 2021	Apr. 1, 2021	IFRS 16 includes regulations on accounting for changes to lease payments (including rent concessions) at the lessee. Essentially, for each lease the lessee must assess whether the rent concessions granted constitute lease modifications and remeasure the lease liability. In response to the ongoing impact of the COVID-19 pandemic, IFRS 16 Leases was amended on March 31, 2021 to extend the practical expedient by 1 year to help lessees account for COVID-19-related rent concessions. The amendments extend the practical expedient to rent concessions that reduce lease payments originally due on or before June 30, 2022. Previously, the practical expedient covered only rent concessions that reduce lease payments originally due on or before June 30, 2021.	No material impact expected.
Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	The amendments state that proceeds received by an entity from selling items produced while preparing the asset for its intended use (e.g. product samples), and the associated costs, are to be recognized in profit or loss. These amounts must not be included when calculating cost.	No material impact expected.
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	The amendments relate to the definition of which costs an entity should include when assessing whether a contract is onerous. It states that costs of fulfilling a contract are all costs that relate directly to the contract. This includes costs that would not be incurred without the contract (incremental costs) and other costs that relate directly to the contract.	No material impact expected.
Amendments to IFRS 3: Reference to the Conceptual Framework	Jan. 1, 2022	Along with the amended conceptual framework, references to the conceptual framework in various standards, including in IFRS 3, were also amended. There were no changes to the content of regulations for accounting for company acquisitions. The amendments apply to business combinations with an acquisition date on or after January 1, 2022. Earlier application is permitted.	No impact.
Annual Improvements to IFRS Standards 2018–2020: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Jan. 1, 2022	IFRS 1 was updated to allow first-time adopter subsidiaries that apply IFRS 1.D16 (a) to measure cumulative translation differences using the amount reported by the parent. The amendment to IFRS 9 clarifies what fees are to be included in the 10 per cent test (IFRS 9.B3.3.6) regarding the assessment of whether a financial liability is to be derecognized. Only fees paid or received between the company as the borrower and the lender are to be included. In IFRS 16, the illustration of the reimbursement of leasehold improvements was removed from the illustrating example 13 on IFRS 16. In IAS 41, the ban on including tax payments in the fair value measurement was deleted.	No material impact expected.

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Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
IFRS 17: Insurance Contracts and amendments to IFRS 17: Insurance Contracts	Jan. 1, 2023	<p>IFRS 17 replaces IFRS 4 and creates, for the first time, standardized requirements for recognizing, measuring and disclosing notes on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Under the IFRS 17 measurement model, groups of insurance contracts are measured based on the expected value of discounted cash flows, with an explicit risk adjustment for non-financial risk and a contractual service margin that results in the recognition of profit in accordance with performance.</p> <p>Instead of premium income, "insurance revenue" in each period is the changes from the liability to provide coverage for which the insurance company receives compensation and a portion of the premiums that cover the insurance acquisition expenses. Payments and receipts from savings components are not recognized as revenue/income or expenses in the income statement. Insurance finance income and expense result from discounting effects and financial risks. For each portfolio, they can be recognized either through profit or loss in the income statement or in other comprehensive income.</p> <p>Changes to assumptions not related to interest rates or financial risks are not recognized directly in the income statement and are instead posted against the contractual service margin and thus allocated over the duration of the services still to be rendered. Changes in estimates are recognized directly only in the case of groups of insurance contracts where there is a risk of losses. IFRS 17 provides a form of approximation for short-term contracts, which depicts the liability to provide coverage via unearned premiums, as previously. Under IFRS 17, liabilities from incurred claims that have not yet been settled are discounted at current rates. IFRS 17 modifies the general measurement model for large parts of life insurance business with direct participation features: changes to the shareholders' portion of development in the sources of income underlying the direct participation are recognized in the contractual service margin and are allocated over the remaining duration of service. If retrospective application is not possible, the contractual service margin at the transition date can be calculated using a modified retrospective approach or by comparing the expected value of the discounted cash flows and risk adjustment with the fair value at the transition date.</p> <p>The amendments from June 2020 also defer the initial application of IFRS 17 by 2 years from January 1, 2021 to January 1, 2023.</p> <p>The current exemption for insurers for the initial application of IFRS 9 is also postponed to January 1, 2023 and so both standards can be first applied at the same time.</p> <p>The amendments also cover the following areas:</p> <ul style="list-style-type: none"> Accounting for certain cash and cash equivalents (e.g. credit cards) (exemption from scope/break-down) and loans (option to apply either IFRS 17 or IFRS 9), where these include insurance risks. Collecting profits not only according to the insurance coverage provided but also according to the investment management services rendered. Allocation of insurance acquisition expenses to expected contractual contract renewals outside the boundary of the original contract. Taking account of risk management measures not only for risk mitigation via derivatives but also for risk mitigation via reinsurance or using conventional financial instruments. Recognizing assets and liabilities from insurance contracts at portfolio level instead of at group level of insurance contracts. Reinsurance of loss-making contracts should be allowed to be recognized as profit, provided this covers loss-making contracts. Accounting for loss obligations assumed as part of a company acquisition before transition to IFRS 17. 	No material impact expected.

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EU Endorsement still Pending

Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (deferral of the effective date)	Jan. 1, 2023	<p>The amendments to IAS 1 adopted constitute a limited amendment to the measurement criteria for the classification of liabilities as current or non-current.</p> <p>They clarify that the classification of liabilities as current depends on the rights of the entity at the end of the reporting period to defer settlement of the liability for at least 12 months after the end of the reporting period: if it is entitled to do so, the liability is classified as non-current. The right to defer settlement of the liability must be substantial. If the entity is required to meet certain conditions to exercise this right, these must be met at the end of the reporting period or the liability is classified as current.</p> <p>It is not relevant to the classification of a liability whether the management intends or expects the liability to actually be settled within 12 months of the reporting date. The only decisive factor for the classification is the right at the end of the reporting period to defer settlement of the liability by at least 12 months. This also applies if the liability is settled within the adjusting events period.</p> <p>In July 2020, the date of initial application was postponed by 1 year to reporting periods beginning on or after January 1, 2023.</p>	No material impact expected.
Amendments to IAS 1: Disclosure of Accounting Policies (Practice Statement 2)	Jan. 1, 2023	The amendment to IAS 1 states that only "material" accounting policies are to be disclosed in the notes. To qualify as material, the accounting policy must relate to material transactions or other events and there must be a reason for the disclosure. For example, reasons include the policy being amended, the policy is an option, it is complex or highly discretionary or it was developed in accordance with IAS 8.10-11. The amendments to Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Accordingly, the focus in the future should be on company-specific disclosures as opposed to standardized disclosures.	No material impact expected.
Amendments to IAS 8: Definition of Accounting Estimates	Jan. 1, 2023	The amendment to IAS 8 clarifies how companies can better differentiate between amendments to accounting policies and changes in estimates. It states that an accounting estimate is always related to measurement uncertainty for a financial indicator in the financial statements. As well as input parameters, an entity also uses valuation methods to determine an estimate. Valuation methods can be estimation techniques or valuation techniques.	No material impact expected.
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023	<p>The amendments address current uncertainties in accounting for deferred taxes related to leases and decommissioning/restoration obligations.</p> <p>If assets and liabilities are recognized for the first time, the "initial recognition exemption" (IAS 12.15) applied under certain circumstances. In these cases, deferred taxes are not to be recognized. In practice, there was uncertainty as to whether this exemption also applied to leases and decommissioning/restoration obligations. A strictly limited amendment to IAS 12 has now been made to ensure that the standard is applied consistently.</p> <p>Based on this amendment, the initial recognition exemption no longer applies to transactions that give rise to equal deductible and taxable temporary differences on initial recognition, even if the other previously valid conditions are met. This is thus a counter-exemption from the initial recognition exemption for a strictly defined group of cases. The amendments mean that deferred taxes, for example, are to be recognized on leases recognized at the lessee and on decommissioning/restoration obligations.</p>	No material impact expected.

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Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	<p>The amendment to IFRS 17 adds the option to apply a classification overlay approach if certain conditions are met. This ensures more meaningful comparative information on the financial instruments in the year prior to the initial application of IFRS 17, i.e. for 2022. The classification overlay approach can be applied if no financial asset is restated with regard to the IFRS 9 comparative information in 2022 when first applying IFRS 17 and IFRS 9 at the same time. The classification overlay approach bases the classification into IFRS 9 categories on the latest information available at the transition date, i.e. how the entity plans to classify its financial assets when applying IFRS 9 for the first time. The comparative information is disclosed as if the classification and measurement provisions under IFRS 9 had already been applied in the comparative period, with the exception of the impairment regulations, for which the classification overlay approach does not require disclosure under IFRS 9. Differences between the previous carrying amount of a financial asset and the amount resulting from the classification overlay approaches are to be recognized in equity.</p> <p>The entity must also disclose the extent to which it makes use of the approach (e.g. whether it was applied to all financial assets disposed of in 2022) and whether and to what extent it was disclosed in accordance with the IFRS 9 impairment regulations.</p> <p>The transitional provisions in accordance with IFRS 9 are to be applied upon initial application of IFRS 9 as of January 1, 2023, regardless of whether or not the classification overlay approach was used.</p>	No material impact expected.
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Still pending	<p>The amendments address a known inconsistency between the provisions of IFRS 10 and IAS 28 (2011) for the sale or contribution of assets to an associate or joint venture.</p> <p>In accordance with IFRS 10, a parent must recognize gains or losses from the sale of a subsidiary in the income statement in full if it loses control. By contrast, the currently applicable IAS 28.28 requires gains or losses on a sale in the case of a sale transaction between an investor and an equity interest accounted for at equity – whether that be an associate or a joint venture – to be recognized only to the extent of the other's interest in this entity.</p> <p>In the future, the entire gain or loss resulting from a transaction is to be recognized only if the assets sold or contributed constitute a business within the meaning of IFRS 3. This applies regardless of whether the transaction is a share or an asset deal. If, however, the assets do not constitute a business, gains and losses may be recognized only on a pro rata basis.</p> <p>The IASB postponed the date of initial application for the amendments indefinitely.</p>	No material impact expected.

3 Principles of Consolidation

The consolidated financial statements (IFRS 10) comprise the financial statements of Progress-Werk Oberkirch AG and its subsidiaries as of December 31 for each fiscal year. Subsidiaries are included in the consolidated financial statements from the time at which the Group assumes control. They are deconsolidated when control ends. The subsidiaries' financial statements are prepared in accordance with uniform accounting policies for the same reporting period as the parent company's financial statements.

Capital is consolidated in accordance with the acquisition method (IFRS 3). The consideration transferred upon acquisition is allocated to the identifiable assets acquired and liabilities and contingent liabilities assumed, based on their fair values at the acquisition date. Any remaining difference, if positive, is recognized as goodwill or, if negative, is recognized in profit or loss after being reassessed. Revenue, expenses and income and receivables and liabilities between consolidated companies are offset against each other. Deferred taxes are recognized for consolidation measures with income tax consequences.

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4 Scope of Consolidation

The consolidated financial statements include 5 foreign direct and indirect companies. The table below shows the interest held, equity and net profit of the consolidated companies:

EURK	Capital share	Equity	Net income
PWO Canada Inc., Kitchener, Canada	100%	11,986	-278
PWO Czech Republic a.s., Valašské Meziříčí, Czechia	100%	33,078	5,228
PWO Holding Co., Ltd., Hong Kong, China	100%	-1,183	-39
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China ¹	100%	20,877	3,185
PWO de México S.A. de C.V., Puebla, Mexico ²	100%	8,823	6,570

¹ Indirect interest of 100% via PWO Holding Co., Ltd.

² Indirect interest of 0.15% via PWO Canada Inc.

There were no changes to the scope of consolidation in the reporting year. The disclosures on equity and net income/loss for the year are based on the subsidiaries' IFRS figures.

5 Summary of Significant Accounting Policies

Currency Translation

The consolidated financial statements have been prepared in euros, the functional currency of the parent company.

The financial statements of the companies included in the consolidated financial statements prepared in foreign currency were translated in accordance with the functional currency concept (IAS 21). Each company within the Group determines its own functional currency. The items included in the financial statements of the respective company were measured using this functional currency. All items in the statement of financial position of the foreign Group company included in the

consolidated financial statements were translated using the respective middle spot rate on the reporting date. The expenses and income recognized in the income statement were translated at average rates during the year. The net income/loss for the year of the translated income statement was included in the statement of financial position. Differences are included in the difference in equity from currency translation through other comprehensive income.

Foreign currency transactions are then translated at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction. Monetary assets and liabilities in a foreign currency are translated at the closing rate. All exchange differences are recognized in net income/loss for the period. Non-monetary items that were measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate valid at the date when fair value was determined.

Any goodwill arising through the acquisition of a foreign operation and any adjustments to the carrying amounts of the assets and liabilities based on their fair value, which results from the acquisition of this foreign operation, will be accounted for as assets and liabilities of the foreign operation and converted at the closing rate.

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

		Closing rate		Average rate	
		Dec. 31, 2021	Dec. 31, 2020	2021	2020
China	CNY	7.19	8.02	7.63	7.87
Canada	CAD	1.44	1.56	1.48	1.53
Mexico	USD	1.13	1.23	1.18	1.14

The functional currencies of PWO de México and PWO Czech Republic are the US dollar and the euro, respectively, since the significant business relationships are invoiced in these currencies.

Recognition of Income and Expenses

Revenue is recognized if identifiable goods or services are transferred to customers, i.e. if the customer is able to determine use of the transferred goods or services and in essence to draw the remaining benefit from them. This requires the existence of a contract with enforceable rights and obligations and, among other things, that receipt of the consideration – taking account of the customer's credit rating – is probable.

The amount of the revenue corresponds to the transaction price to which PWO is expected to be entitled. As a rule, this corresponds to the agreed price. Payments are made to a few customers that are recognized as an other asset and the service provided is accordingly posted as a reduction in revenue. If the period between the transfer of goods or services and the payment date exceeds 12 months and a significant benefit results for the customer or PWO from the financing, the consideration is adjusted by the fair value of the money.

In the PWO Group, revenue is mainly generated from series deliveries under contracts with customers. In addition, revenue is received from sales of tools in the run-up to a series delivery and, to only a limited extent, from order-related development services and services. Here, a distinction is made between full-amortization agreements, where the customer pays 100% directly and part-amortization agreements where reimbursement of costs is deferred. With part-amortization agreements, the transaction price is allocated to the individual performance obligations on the basis of the relative stand-alone selling prices (IFRS 15.74).

Revenue is recognized over time for series deliveries, as there are no alternative uses for the assets created. On the basis of the same judgment, tool sales and order-related development services are also recognized over time in line with their stage of completion. Invoices are issued in accordance with the payment conditions applicable in the normal course of business.

Other income as such from agreements with customers is recognized when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably, irrespective of the date of the payment. Income is measured at the fair value of the consideration received or receivable, taking account of the payment conditions specified in the agreement, with taxes or other levies not being taken into account.

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Interest income is recognized at the effective interest rate for all financial instruments measured at amortized cost. This is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is recognized in the income statement as part of finance income.

Operating expenses are recognized in the consolidated income statement when caused or when the underlying service is used.

A government grant is recognized when there is reasonable assurance that the conditions attaching to it are complied with, and that the grant will be received. Grants related to assets are deducted from the carrying amount in the statement of financial position. Expense-related grants are posted as income or netted off against the expense item.

Income Taxes and Deferred Taxes

Current tax assets and tax liabilities for the current period are measured as the amount expected to be recovered from or paid to the fiscal authorities. The calculation of the amount is based on the tax rates and tax laws which are applicable as at the reporting date in the federal states in which the Group operates and generates taxable income.

Deferred taxes are recognized using the balance sheet liability method for all temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its value for tax purposes as at the closing date. Deferred taxes are recognized for all taxable temporary differences with the exception of a non-tax deductible goodwill and temporary differences that arise from the initial recognition of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the IFRS net income/loss for the period nor the taxable profit. Deferred taxes on losses carried forward are capitalized taking account of the country-specific tax losses if the expectation is that these can be used.

The carrying amount of deferred tax assets is examined at each closing date and reduced to the extent that it is no longer probable that a

sufficient taxable result will be available against which the deferred tax asset can be at least partly utilized. Non-recognized deferred tax assets are examined on each closing date and recognized to the extent that it has become probable that the taxable result in the future will allow the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. The tax rates and tax laws applicable on the closing date are used as a basis.

Deferred taxes relating to items reported directly in equity are not recognized in the income statement but in equity. In 2021, these amounted to EURk -1,068 (p/y: EURk 788). Of these pension provisions totaled EURk -1,055 (p/y: EURk 1,126) and interest and currency hedges EURk -13 (p/y: EURk -338).

Deferred tax assets and liabilities are netted if certain requirements are met.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

All leases are recognized and measured in accordance with a single model with the exception of current leases and leases for which the underlying asset is of low value (\leq EUR 5,000). Liabilities to make lease payments and rights of use for the right to use the underlying asset are recognized.

Rights of use are determined at the commencement date (i.e. from the date at which the underlying lease asset is available for use). Rights of use are measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The costs of rights of use contain the recognized lease liabilities, the initial direct costs incurred and the lease payments made at or before the commencement date less any lease incentives

received. Rights of use are amortized on a scheduled straight-line basis over the shorter of the 2 periods, expected useful life and lease term, as follows: buildings (25 to 50 years), technical equipment and machinery (2 to 10 years), plant and office equipment (3 to 14 years). If ownership of the asset passes to the Group at the end of the lease or the exercise of a purchase option is taken into account in the costs, amortization is calculated on the basis of the expected useful life of the lease asset. Rights of use are shown in the "Property, plant and equipment" and "Intangible assets" items in the statement of financial position.

On commencement, lease liabilities are recognized at the present value of the lease payments to be made over the lease term. The lease payments contain fixed payments less any lease incentives receivable, variable payments that depend on an index or interest rate and amounts expected to be payable under residual value guarantees. The lease payments also contain the exercise price of a purchase option if it is reasonably certain that the Group will exercise it and penalties for terminating the lease if the term takes account of the option to terminate the lease being exercised.

When calculating the present value of lease payments, each subsidiary uses its incremental borrowing rate at commencement unless the interest rate implicit in the lease can be readily determined. After the commencement date, the amount of the lease liability is increased or decreased to reflect the higher interest expense or to reflect the lease payments made. The carrying amount of lease liabilities is also remeasured in the event of changes to the lease, changes to the lease term, changes to the lease payments (e.g. changes to future lease payments as a consequence of a change to the index or interest rate used to determine these payments) or in the event of a change to the assessment of a purchase option for the underlying asset.

For current leases for machinery and equipment, the exemption for current leases (i.e. leases with a maximum term of 12 months from the commencement date) is applied. The exemption for leases for which the underlying asset is of low value is also applied to leases for plant and office equipment classified as low value. Lease payments for short-term leases and for leases for which the underlying asset is of low value, are expensed on a straight-line basis over the lease term.

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Borrowing Costs

Borrowing costs that are directly associated with the acquisition, construction or manufacture of qualifying assets, will be added to the manufacturing costs of these assets until the date at which the assets are available for their intended use or for sale. Qualifying assets are assets, for which a substantial period of time is required to get them ready for their intended use or sale. All other borrowing costs are recognized through profit or loss in the period in which they are incurred. No interest on borrowing was capitalized in the reporting year or the previous year.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not taken into account in the statement of financial position. They are disclosed in the notes unless the probability of an outflow of resources embodying economic benefits is very low or cannot be measured reliably. Contingent assets are not accounted for in the financial statements but are disclosed in the notes when receipt of economic benefits is probable and can be measured reliably.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. In principle, amortization and depreciation are recognized on a straight-line basis. Certain machines and order-related tools were depreciated on a utilization-related basis depending on the number of units produced in the reporting year in relation to the total number of units commissioned or planned.

Intangible Assets

Intangible assets acquired against payment are carried at cost less accumulated depreciation and any impairment losses. Intangible assets are goodwill, patents, development services, software, licenses and similar rights. The Group amortizes intangible assets with a finite useful life over their anticipated useful lives to their estimated residual carrying amount using the straight-line method. Development services are excluded from this rule; they are amortized according to the number of units. Goodwill is not amortized on a scheduled basis, but checked for impairment at least once a year. Apart from goodwill, the Group has not identified any intangible assets with indefinite useful lives.

Development costs are capitalized to the extent that the criteria for recognition in IAS 38 are met. Following initial recognition, the asset is carried at cost less cumulative depreciation and cumulative impairment. Capitalized development costs include all directly attributable direct costs as well as pro rata overheads and are amortized over the planned product service life (5 to 7 years). Amortization of capitalized development costs is part of the manufacturing costs. The impairment test is carried out annually on the basis of the lifetime quantities still planned until EOP and will lead to a write-down if the planned amortization amounts are no longer sufficient for complete amortization.

In the case of goodwill, impairment tests are carried out annually. In the case of other intangible assets with finite useful lives and property, plant and equipment, they are carried out only if there are specific indications of impairment. An impairment is recognized through profit or loss in the expense item "amortization and depreciation" in the income statement, if the recoverable amount of the asset is less than the carrying amount, and a reversal of an impairment loss through profit or loss in other operating income. The recoverable amount is to be determined for each individual asset, unless an asset does not generate cash flows that are largely independent from those of other assets or groups of assets. The recoverable amount is the higher of the net realizable value and its value in use. The net realizable value corresponds to the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of disposal. The value in use is determined on the basis of the estimated future cash flows from the use and disposal of an asset using the discounted cash flow method. The cash flows are derived from long-term corporate planning, which takes account of historical developments and macroeconomic trends. In principle, the value in use of the relevant cash generating unit is used to determine the recoverability of goodwill. The cash generating unit represents a location, which corresponds to a legal unit, in each case.

The long-term corporate planning approved by the Executive Board and the Supervisory Board goes up to the end of the detailed planning period in 2026. Key assumptions to which the long-term corporate planning reacts sensitively are the growth in new business in the Group, an improvement in productivity and the anticipated rise in revenue resulting from organic growth and higher prices charged to our customers, which are in line with the use of materials for our products and price increases

at our suppliers. Here, the assumed and actual development was taken into account on the cost side in planning the cost of material and revenue for the planning period if contracts have already been concluded with suppliers. These developments were measured and determined on the basis of past experience based on publicly available data and on the basis of existing project agreements but also on the basis of agreed internal measures.

Cash flows are discounted to the reporting date using risk-equivalent capitalization rates (before taxes). The premises shown in the following table were used to determine the recoverability of the goodwill of PWO Czech Republic a.s.:

PWO Czech Republic

	Dec. 31, 2021	Dec. 31, 2020
Phase 1: Capitalization rate before taxes (WACC)	8.00%	7.32%
Phase 2: Growth rate (perpetuity)	1.50%	1.50%

Phase 1: Capitalization rate before taxes (WACC)

Phase 2: Growth rate (perpetuity)

The cost of capital rates used for discounting are based on the risk-free interest rate and a market risk premium. The beta factor, borrowing costs and the capital structure were also taken into account, in each case deduced individually for each cash generating unit based on a corresponding peer group. Moreover, specific tax rates and country risk premiums are applied.

In principle, the calculation of cash flows is based on the growth rates of the relevant local automotive markets.

The recoverable amount for PWO Czech Republic comes to EURk 157,492 and exceeds the carrying amount by EURk 92,557 (difference p/y: EURk 103,278). The substantial difference at PWO Czech Republic is still attributable to revenue growth in accordance with corporate planning and correspondingly positive earnings data (EBIT margin) of 8.7% on average over the next 5 years. The assumptions made are subject to a certain sensitivity. We do not think it likely that any change that could be considered reasonably possible to one of the basic assumptions made to determine the value in use of PWO Czech Republic could lead to the

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carrying amounts of the identified assets of the cash generating unit plus the carrying amount of goodwill exceeding its recoverable amount. Should a sustained shortfall in the planned revenue of 56.2% with no change in the EBIT margin or a sustained shortfall of 5.5 percentage points in the EBIT margin with no change in revenue emerge for PWO Czech Republic, while the capitalization rate (after taxes) is unchanged, an impairment would be necessary. Conversely, even if budgeted free cash flow remained the same, an impairment would be necessary if the capitalization rate (after taxes) were to increase to over 14.2%.

The recoverable amount for PWO Canada comes to EURk 29,862 and is EURk 1,948 less than the carrying amount (difference p/y: EURk -2,094). The asset value method was used to determine the fair value less cost of disposal for individual assets in the land and buildings asset class and technical equipment and machinery and compared with the carrying amount. This asset impairment test resulted in an additional impairment loss of CADk 559 (after CADk 182 was written off in the previous year through profit or loss) for technical equipment and machinery because of the continuing issues surrounding profitability and the costs of selling the equipment, which was recognized through profit or loss in amortization and depreciation. If the recoverable amount increases again in subsequent years, a reversal of an impairment loss will be recognized in technical equipment and machinery in compliance with IAS 36.

Since the recoverable amount for PWO AG in Germany is still less than its carrying amount, the individual assets of this cash generating unit were also tested for impairment in addition to the annual goodwill impairment tests. The asset value method was used to determine the fair value less cost of disposal for individual assets in the land and buildings asset class and technical equipment and machinery and compared with the carrying amount. From this asset impairment test, lower residual carrying amounts of the buildings and equipment affected by write downs led to a reversal of an impairment loss of EURk 1,070 (of which EURk 649 land and buildings and EURk 421 technical equipment and machinery), which was recognized through profit or loss in other operating income. If the recoverable amount increases again in subsequent years, a reversal of an impairment loss will be recognized in compliance with IAS 36.

Contract Assets and Receivables

If one of the parties to the agreement with the customer has fulfilled their contractual obligations, a contract asset, a contract liability or a receivable will be recognized depending on the relationship between the service provided by PWO and the customer's payment.

Contract assets are recognized for conditional claims to consideration in exchange for previously delivered goods or services. Receivables (see financial instruments) are shown if the claim to receive consideration is no longer subject to a condition.

Valuation allowances for credit risks are recognized in accordance with IFRS 9.

Contract liabilities are recognized for advance payments received from customers before the contractually agreed service is provided and netted off against contract assets. These contract liabilities are recognized as revenue when the service obligations are met.

Financial Instruments

Financial instruments are agreements that give rise to a financial asset at one entity while at the same time giving rise to a financial liability or equity instrument at another. If the trading date and settlement date may differ for financial instruments, the settlement date is crucial when the instrument is accounted for for the first time.

Financial assets or financial liabilities are measured at fair value when recognized for the first time. This is not the case for trade receivables with no significant financing components, which are measured at the transaction price when recognized for the first time.

Transaction costs that are directly attributable to the acquisition or sale of a financial instrument are taken into account when financial instruments that are not measured at fair value through profit or loss are recognized for the first time. Transaction costs that are directly attributable to the acquisition of financial assets, which are measured at fair value through profit or loss, are immediately recognized in the consolidated income statement. Subsequently, financial instruments are accounted for either at fair value through profit or loss or at

amortized cost in accordance with the underlying business model in each case depending on their allocation to the categories envisaged in IFRS 9. A financial asset is measured at amortized cost if both the following conditions are met and it was not designated as FVTPL: it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. IFRS 9 distinguishes between primary and derivative financial instruments.

Primary financial instruments are, in particular, trade receivables and trade payables, other financial assets, cash and cash equivalents, liabilities to banks, liabilities from promissory notes and other financial liabilities. They are measured at amortized cost. In the case of trade receivables and trade payables, miscellaneous liabilities and cash and cash equivalents, the carrying amount essentially corresponds to the fair value.

Currency-related derivatives in the form of interest-rate swaps, currency swaps, options and forward foreign exchange transactions are used as interest and currency hedges. These are accounted for at fair value on acquisition and subsequently. For derivative financial instruments that do not meet the criteria for hedge accounting, gains or losses from changes in the fair value are immediately recognized through profit or loss. Changes in the market values of the effective portion of derivative financial instruments that serve to hedge future cash flows (cash flow hedges) are deferred in equity in other comprehensive income, while the ineffective portion is recognized immediately through profit or loss. Once the respective hedged item becomes effective, the effective portion is transferred out of equity through profit or loss. The fair value of OTC derivatives is calculated using recognized actuarial models, such as the discounted cash flow model. In the case of forward foreign exchange transactions, the fair value is determined by using listed forward rates at the closing date and the calculation of the net present value based on yield curves with high credit ratings in relevant currencies.

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For current financial assets and financial liabilities, the carrying amount represents a reasonable approximation of the fair value. On every reporting date, the Group establishes whether there are any objective indications that a financial asset is credit-impaired. This would be the case when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Indicators that a financial asset is credit-impaired include observable data on the probability of a debtor entering bankruptcy or other financial reorganization or that the debtor is in significant financial difficulties.

The fair value of fixed rate liabilities to banks, liabilities from promissory note loans and liabilities to leasing companies is determined on the basis of the discounted cash flow model using interest rates that are appropriate in terms of risk and maturity.

To date, the Group has not utilized the option of designating financial assets or financial liabilities instruments at fair value through profit or loss on initial recognition.

Measurement of Fair Value

Derivative financial instruments are measured at fair value at each closing date. The fair values of financial instruments carried at amortized cost are listed in note 28.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either on the principal market for the asset or liability, or the most advantageous market for the asset or liability if there is no principal market. The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability. It is assumed that the market participants act in their economic best interest.

The Group applies measurement methods that are appropriate in the circumstances and for which there are sufficient data to measure fair value. In doing so, the use of relevant, observable inputs is maximized and that of unobservable inputs is minimized.

All assets and liabilities for which the fair value has been calculated or reported in the financial statements are assigned to the following levels of the fair value hierarchy based on the lowest input factor that is material overall for fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets.

Level 2: Valuation method, where the lowest input factor that is material overall for fair value management is directly or indirectly observable on the market.

Level 3: Valuation method, where the lowest input factor that is material overall for fair value management is not observable on the market.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether reclassifications between the levels of the hierarchy have taken place by reviewing the classification at the end of each reporting period (based on the lowest input factor that is material overall for fair value measurement).

Inventories

Inventories of raw materials, consumables and supplies are recognized at the average procurement prices or lower realizable values. Materials that are difficult to realize or unusable were written down.

Cash and Cash Equivalents

Cash and cash equivalents contain cash in hand and short-term deposits.

Provisions

For defined benefit pension plans, provisions for pensions and similar obligations are calculated using the projected unit credit method in accordance with IAS 19. In addition to the pensions and benefits known on the reporting date, this method takes account of anticipated increases in salaries and pensions in the future. Actuarial gains and losses are recognized in their entirety in equity via other comprehensive income in the year in which they arise. Past service cost is recognized immediately through profit or loss and shown in staff costs together with current service cost; the interest portion from additions to provisions is posted to the financial result.

Payments for defined contribution pension plans are expensed when due and posted as staff costs.

Other provisions are recognized when the company has a present legal or de facto obligation to a third party, which will probably lead to an outflow of resources to settle the obligation in the future and a reliable estimate of the amount of the obligation can be made. If the time value of money is material, provisions are discounted accordingly.

If the Group expects at least a partial refund of a provision recognized as a liability, the refund is recognized as a separate asset provided receipt of the refund is probable.

6 Significant Judgments, Estimates and Assumptions

During the process of preparing the consolidated financial statements, the Executive Board makes judgments and applies estimates and assumptions which impact on income, expenses, assets, liabilities and on contingent liabilities and/or contingent receivables disclosed at the end of the reporting period. The uncertainties associated with these assumptions and estimates could result in results which lead to significant adjustments to the carrying amount of the affected assets or liabilities in future reporting periods.

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Judgments

When applying the Group's accounting policies, the Executive Board made the following judgments that have a material impact on the consolidated financial statements:

Revenue from Contracts with Customers

PWO has come to the conclusion that revenue from series deliveries must be recognized over a certain period, as assets are generated for which there is no alternative use and PWO has a legally enforceable right to payment of for the services already supplied.

The Group sees the output method as the most suitable for determining progress with series deliveries since this directly reflects the link between the value of the goods transferred so far and the value of the remaining goods promised under contract. Revenue is realized in line with completion and not only on delivery of the series parts.

For tools and order-related development services, revenue is realized over time. Progress is calculated using input-based methods based on the share of the contract costs incurred by the end of the reporting period in the total estimated contract costs (cost to cost method).

Determination of the Term of Leases with Renewal or Termination Options

The Group determines the lease term as the non-cancelable period of the lease together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option or the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Several leases include renewal and termination options. Judgments are made when assessing whether there is sufficient certainty that the option to extend or terminate the lease will be exercised or not, i.e. all relevant factors that represent an economic incentive to exercise the option to extend or terminate are considered. After the commencement date, the Group again determines the lease term if a significant event or a change of circumstances occurs that is within its control and affects whether the option to extend or to terminate the lease will be exercised or not.

The Group has taken the extension period in the lease terms for technical equipment and machinery with shorter non-cancelable periods (i.e. 3 to 5 years) into account. The option to extend these leases is usually exercised, since production would be very badly affected if a replacement asset were not available in time. The extension options in leases for vehicles are not included in the lease term either, since the Group usually leases vehicles for a period of not more than 5 years and consequently does not exercise any extension options. The periods resulting from a termination option are only included in the lease term if it is sufficiently certain that the option will not be exercised.

Estimates and Assumptions

Key future assumptions and other key sources of estimation uncertainty as of the end of the reporting period that entail a considerable risk in the form of a need to adjust the carrying amounts of assets and liabilities significantly within the next fiscal year are described below:

Loss Allowance on Trade Receivables and Contract Assets

The recognition of loss allowances for doubtful receivables is largely dependent on estimates and assessments of individual receivables based on the credit rating of the respective customer, current economic developments and the analysis of past receivables. If the company derives the loss allowance from past default rates, a fall in the volume of receivables will reduce such provisions accordingly and vice versa. Loss allowances on trade receivables and assets amounted to EURk 103 in the reporting year (p/y: EURk 67). The default risk must therefore be classified as low in principle.

Impairment of Goodwill and Property, Plant and Equipment

At least once a year the Group checks whether goodwill and property, plant and equipment are impaired, but also on an ad hoc basis. This requires an estimate of the value in use of the cash generating unit to which the goodwill and property, plant and equipment are assigned. The production sites are defined as cash generating units in line with segment reporting. To estimate the value in use, the Group must estimate the expected future cash flows from the respective cash-generating unit and also select an appropriate discount rate to determine the present value of these cash flows. As of December 31, 2021, the carrying amount of goodwill amounted to EURk 4,331 (p/y: EURk 4,331). Please refer to note 5, "Intangible assets" with regard to the sensitivities.

For asset impairment in accordance with IAS 36, the fair value less cost of disposal takes the lead compared with the net carrying amount of the respective asset class. The income approach (level 2, Germany) and the asset value method (level 2, Canada) were used to value real estate. Machinery and technical equipment was valued on the basis of the indirect asset value method (level 2). The fair value determined must be reduced by cost of disposal. The methods are heavily dependent on the correctness of the input parameters (e.g. area and construction year for real estate and cost and date of purchase for machinery and technical equipment). The choice of valuation parameters must be guided by market ranges but is actually at the discretion of the surveyor (e.g. amount of the rent or construction costs for real estate and the trend in prices and economic useful lives for machinery and technical equipment).

Changes to Useful Lives in Fixed Assets

A review of economic useful lives in fixed assets could lead to amortization and depreciation being increased/reduced in future fiscal years (see note 15).

Development Costs

Development costs are capitalized in accordance with the accounting policy described. Initial capitalization of the costs is based on the Group's assessment that technical and economic viability is proven. For the purposes of determining the amounts to be capitalized, the Group makes assumptions about the amount of the expected future cash flows from the project, the applicable discount rates, the planned lifetime quantities and the period when the expected future benefit will accrue. As of December 31, 2021, the carrying amount of capitalized development costs amounted to EURk 3,501 (p/y: EURk 4,249). Among other things, the reduction is due to an impairment of EURk 620. These development costs relate, in particular, to investments in the development of air suspension and chassis components as well as housings.

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Taxes

Deferred tax assets are recognized for all unutilized tax loss carryforwards to the extent that it is likely on the basis of tax planning that future taxable income will be available for this purpose, meaning that the loss carryforwards and tax assets can actually be used. As of December 31, 2021, deferred tax assets were recognized on tax loss carryforwards in the amount of EURk 2,485 in total (p/y: EURk 3,328). These relate solely to PWO AG and of this figure EURk 744 is attributable to corporation tax loss carryforwards of EURk 4,708 (p/y: EURk 1,577) and EURk 1,741 to trade tax carryforwards of EURk 13,087 (p/y: EURk 1,751). Deferred tax assets were recognized on tax assets in the amount of EURk 6,680 (p/y: EURk 5,987). As in the previous year, this relates to PWO Czech Republic. The Group therefore recognized deferred tax assets on tax loss carryforwards and tax assets in the amount of EURk 9,165 in total (p/y: EURk 9,315) in total.

The Second Act Implementing Fiscal Support to Combat the Coronavirus Pandemic in the Federal Republic of Germany allows companies to carry back tax losses from 2020 to 2019 up to an amount of EURk 5,000. In applying the loss carryback regulation, an asset of EURk 791 was recognized on a portion of the tax loss from 2020, which was accordingly no longer included in the calculation of deferred tax assets on loss carryforwards. In the course of fiscal year 2021, a further loss of EURk 5,000 was carried back to 2019, as was now permitted by law, and a corresponding tax refund was received. The deferred tax assets recognized thereon were accordingly utilized.

As of December 31, 2021, the value of disregarded loss carryforwards, which can only be utilized for a limited period, converted into euro at the closing rate came to EURk 0 (p/y: EURk 12,119). Further details are provided in note 13.

On the basis of planned business development in subsequent years, it is assumed that the deferred tax assets are recoverable. In calculating the amount of deferred tax assets, a major judgment is required with regard to the expected timing and amount of future taxable income and the future tax planning strategies. The Group capitalized all deferred tax assets in this fiscal year. In the previous year, the net income/loss for the period and equity would have risen by EURk 3,445 if all disregarded deferred tax assets had been capitalized.

The forfeitability of disregarded loss carryforwards, which can only be utilized for a limited period, is as follows:

EURk	Dec. 31, 2021	Dec. 31, 2020
2021	0	314
2022	0	1,573
2023	0	179
2024	0	0
2025	0	5,564
2026	0	4,489
Total	0	12,119

The requirements resulting from the tax audit, which finished in 2018, were implemented from the company's perspective. A tax audit for the period from 2016 to 2018, which started in 2019 and was completed in 2021, did not produce any material findings.

Defined Benefit Pension Plans

The expense from defined benefit plans post-employment is determined using actuarial calculations. The actuarial calculation is based on assumptions regarding discount rates, staff turnover, future increases in wages and salaries (income and career trend), future pension increases and mortality. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty. Further details are clarified in note 22.

In accordance with IAS 19, the interest date is determined on the basis of high-quality corporate bonds on the closing date. A yield curve is calculated from the yields of AA-rated bonds available on the market is calculated for this purpose. The average interest rate is inferred by applying the yield curve to PWO's future cash flows.

Other Provisions

The warranty provision was recognized on the basis of an estimate of the way in which vehicle owners, whose vehicles contain our products, use their vehicles. This behavior was used in turn to estimate how often damage may potentially occur and the amount of the provision was made on this estimated figure.

Provisions for restructuring expenses are recognized if there is a detailed formal restructuring plan, under which those affected may justifiably expect the restructuring measures to be carried out because implementation of the plan has started or its material elements have been announced. Only direct restructuring expenses will be included in the assessment of a restructuring provision. A liability for benefits resulting from termination of employment is recognized if the Group can no longer withdraw the offer of such benefits or, if earlier, the Group has recognized the associated costs for restructuring.

Notes to the Income Statement

7 Revenue

The breakdown of Group revenue from the sale of goods by location and product area is shown in the segment report (see note 34).

8 Own Work Capitalized

Of the own work capitalized, EURk 520 (p/y: EURk 1,002) was attributable to development costs that have to be capitalized in accordance with IAS 38. These development costs relate, in particular, to the development of air suspension and chassis components as well as housings.

9 Other Operating Income

Other operating income is composed as follows:

EURk	2021	2020
Currency gains	8,160	8,155
Income from the derecognition of accruals	355	419
Miscellaneous operating income ¹	5,387	1,277
Total	13,902	9,851

¹ In the reporting year, this includes EURk 2,909 from the reversal of provisions for onerous contracts and a reversal of an impairment loss of EURk 1,070 from the asset impairment test.

Income relating to other periods of EURk 4,976 (p/y: EURk 822) including EURk 1,070 from the asset impairment test was posted in the reporting year.

10 Staff Costs and Employees

Personnel Expenses

EURk	2021	2020
Wages and salaries	90,258	88,115
Social security and post-employment expenses	20,471	19,167
of which for post-employment expenses	2,326	2,151
Total	110,729	107,282

The government grants for social security contributions associated with the use of short-time work schemes of EURk 1,166 (p/y: EURk 2,799) led to a reduction in staff costs in Germany both in the reporting year and in the previous year. The grants and short-time work allowances of EURk 1,463 (p/y: EURk 3,461) were posted to staff costs, reducing them accordingly. Government subsidies for staff expenses of EURk 1,174 (p/y: EURk 899) and of EURk 23 (p/y: EURk 648) were granted in Canada and China, respectively.

Annual Average Head Count According to Employment Sector

	2021	2020
Development and Sales	195	210
Production and Materials Management	1,839	1,789
Tool center	363	407
Administration	130	137
Core workforce	2,527	2,543
Temporary employees	235	248
Trainees	101	126
Inactive employees/passive stage of partial retirement	122	101
Total staff	2,985	3,018

11 Other Operating Expenses

Other operating expenses break down as follows:

EURk	2021	2020
Currency expenses	8,400	10,131
Costs of temporary employees	7,748	8,389
Maintenance costs	6,234	5,484
Legal, audit and consulting fees	4,486	2,007
Outgoing freight	2,648	2,536
Rental expenses	1,693	1,609
Insurance premium	1,502	1,155
Lease expenses	1,044	945
Travel costs	335	249
Miscellaneous operating expenses ¹	8,824	29,492
Total	42,914	61,997

¹ In the previous year, this item included expenses for the restructuring program at the Oberkirch location of EURk 18,418.

Expenses relating to other periods of EURk 29 (p/y: EURk 11) were incurred.

12 Finance Costs

EURk	2021	2020
Interest expenses payable to financial institutions	4,454	4,320
Interest expenses from interest rate swaps	749	704
Interest expenses from the accretion of interest on pension provisions	806	936
Interest expenses from leases	530	670
Total	6,539	6,630
Of which interest expenses for financial instruments recognized at amortized cost	2,632	3,191

13 Income Taxes

Taxes of EURk 1,068 (p/y: EURk 788) were recognized in other comprehensive income in the statement of comprehensive income.

Income taxes posted in net income/loss for the period break down as follows:

EURk	2021	2020
Current taxes	797	640
Deferred taxes	133	-5,054
Total	930	-4,414

Actual taxes contained expenses relating to other periods of EURk 722 (p/y: EURk 238) in the reporting year.

Deferred taxes resulted from temporary differences and income tax loss carryforwards.

EURk 64 are to be recognized as deferred tax liabilities for temporary differences due to a future dividend distribution from Czechia. No further deferred taxes were recognized for temporary differences on retained profits at subsidiaries of EURk 31,357 (p/y: EURk 35,385), as it

is probable that the temporary differences will not be reversed in the foreseeable future.

Differences between the income tax income expected on the basis of the calculated tax rate and actual income tax income can be found in the following reconciliation statement. The tax rate applied is based on the domestic rate of income tax.

EURk	2021	2020
Net income/loss before income taxes	15,672	-16,076
Theoretical tax expense at 28.43% (p/y: 28.43%)	4,455	-4,570
Change in the theoretical tax expense caused by different tax rates at foreign companies	-328	-290
Tax increase due to non-deductible expenses	1,125	1,029
Tax increase (+)/decrease (-) previous years	-378	587
Tax effects from tax assets	-1,412	-398
Tax effects from future changes to tax rates	-320	25
Effects from non-capitalized loss carryforwards	-2,589	-1,466
Non-deductible withholding tax	344	493
Other effects	33	177
Taxes on income	930	-4,414

In 2021, the domestic income tax consists of corporation tax of 15% (p/y: 15%) plus the solidarity surcharge of 5.5% (p/y: 5.5%) and a trade tax rate of 12.60% (p/y: 12.60%). As a result of the rise in the trade tax assessment for Oberkirch to 380% as of January 1, 2022, the trade tax has moved up to 13.80%.

Deferred tax assets and liabilities at the level of the individual items in the statement of financial position are shown in the following overview:

EURk	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Intangible assets and property, plant and equipment	31	1,285	5,798	5,022
Other assets	11,331	9,080	11,962	11,384
Tax loss carryforwards and tax credits	9,165	9,315	11	10
Provisions	11,624	12,950	33	31
Liabilities	1,713	1,336	120	257
Subtotal	33,864	33,966	17,924	16,704
Offset	-15,927	-14,843	-15,927	-14,843
Figures according to the consolidated statement of financial position	17,937	19,124	1,997	1,861

Please see note 6 for further explanations.

14 Earnings per Share

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Progress-Werk Oberkirch AG by the weighted average number of shares outstanding in the fiscal year. There were no dilutive effects from stock options or convertible preference shares.

	2021	2020
Net income/loss after tax in EURk	14,742	-11,662
Average number of no-par shares	3,125,000	3,125,000
Earnings per share in EUR	4.72	-3.73

Notes to the statement of financial position

15 Property, Plant and Equipment

EURk	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Prepayments made and assets under construction	Total
Cost					
As of January 1, 2020	131,151	315,030	38,089	7,350	491,620
Additions	415	4,663	1,340	5,963	12,381
Disposals	-83	-2,735	-2,980	0	-5,798
Reclassifications	549	4,998	191	-5,738	0
Price change	-1,719	-5,711	-547	-425	-8,402
As of December 31, 2020	130,313	316,245	36,093	7,150	489,801
Additions	2,754	4,427	3,136	4,866	15,183
Disposals	-407	-5,051	-4,680	0	-10,138
Reclassifications	21	6,560	130	-6,711	0
Price change	3,118	9,025	562	470	13,175
As of December 31, 2021	135,799	331,206	35,241	5,775	508,021
Depreciation/amortization					
As of January 1, 2020	46,492	212,320	30,686	0	289,498
Additions	7,994	17,952	2,946	0	28,892
Disposals	-83	-2,366	-2,953	0	-5,402
Price change	-633	-3,146	-477	0	-4,256
As of December 31, 2020	53,770	224,760	30,202	0	308,732
Additions	4,353	16,740	2,412	0	23,505
Disposals	-407	-4,992	-4,646	0	-10,045
Write-ups	-649	-421	0	0	-1,070
Price change	1,064	5,443	472	0	6,979
As of December 31, 2021	58,131	241,530	28,440	0	328,101
Carrying amounts					
As of December 31, 2020	76,543	91,485	5,891	7,150	181,069
As of December 31, 2021	77,668	89,676	6,801	5,775	179,920

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The normal useful life of buildings amounts to 25 to 50 years, for technical equipment and machinery 2 to 10 years, for plant and office equipment 3 to 14 years and for IT hardware 3 to 5 years. The need to extend the useful life was identified in the reporting year when reviewing the useful lives of various items of equipment and machinery. This will result in a reduction of around EURk 507 in amortization and depreciation in the following year.

The annual impairment test (see note 5, "Intangible assets") resulted in a reversal of an impairment loss for PWO AG in the reporting year of EURk 1,070 (p/y: impairment of EURk 4,520); of which EURk 649 (p/y: EUR/k 3,512) was attributable to land and buildings and EURk 421 (p/y: impairment of EURk 1,008) to equipment and machinery. At PWO Canada, the asset impairment test resulted in the need for a further impairment of CADk 559 (p/y: CADk 182) on equipment and machinery.

Leases were concluded for various plots of land and buildings, technical equipment and machinery, and other plant, factory and office equipment. Several leases include renewal and termination options.

The Group has also concluded leases for machinery that have a term of 12 months or less and for low-value items of office equipment. The Group applies the practical expedients applicable to short-term leases and to leases for which the underlying asset is of low value to these leases.

The carrying amounts of recognized right-of-use assets are shown in the following table:

EURk	Intangible assets	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Total
As of January 1, 2020	0	4,833	15,246	1,201	21,280
Additions	0	699	118	432	1,249
Depreciation/amortization	0	-897	-2,383	-817	-4,097
Price change	0	-139	-15	-11	-165
As of December 31, 2020	0	4,496	12,966	805	18,267
Additions	0	921	3,771	1,440	6,132
Depreciation/amortization	0	-840	-1,947	-795	-3,582
Price change	0	170	0	21	191
As of December 31, 2021	0	4,747	14,790	1,471	21,008

Lease liabilities are included in interest-bearing loans in the "Current and non-current financial liabilities" items in the statement of financial position.

The following items were recognized through profit or loss in the reporting year:

EURk	2021	2020
Depreciation of right-of-use assets	3,582	4,097
Interest expenses for lease liabilities	530	670
Expenses for short-term leases	1,630	1,536
Expenses for leases for low-value assets	338	308
January 1 to December 31, 2021	6,080	6,611

The Group's cash outflows for leases amounted to EURk 2,498 excluding capital payments (p/y: EURk 2,514) in the reporting year. The Group also recognized non-cash additions to right-of-use assets and lease liabilities in the amount of EURk 6,132 in total in 2021 (p/y: EURk 1,249).

16 Intangible Assets

EURk	Development services	Industrial property rights and similar rights	Goodwill	Other intangible assets	Advance payments made	Total
Cost						
As of January 1, 2020	11,894	15,560	6,752	1,102	35	35,343
Additions	1,002	270	0	0	74	1,346
Disposals	-118	-45	0	0	0	-163
Reclassifications	0	29	0	0	-29	0
Price change	-41	79	-142	-93	0	-197
As of December 31, 2020	12,737	15,893	6,610	1,009	80	36,329
Additions	531	501	0	0	4	1,036
Disposals	0	-1,714	0	0	0	-1,714
Reclassifications	0	74	0	0	-74	0
Price change	38	120	150	84	0	392
As of December 31, 2021	13,306	14,874	6,760	1,093	10	36,043
Depreciation, amortization and impairments						
As of January 1, 2020	7,781	14,385	1,384	1,102	0	24,652
Additions	825	561	990	0	0	2,376
Disposals	-118	-44	0	0	0	-162
Price change	0	-44	-95	-93	0	-232
As of December 31, 2020	8,488	14,858	2,279	1,009	0	26,634
Additions	1,311	516	0	0	0	1,827
Disposals	0	-1,713	0	0	0	-1,713
Price change	6	95	150	84	0	335
As of December 31, 2021	9,805	13,756	2,429	1,093	0	27,083
Carrying amounts						
As of December 31, 2020	4,249	1,035	4,331	0	80	9,695
As of December 31, 2021	3,501	1,118	4,331	0	10	8,960

The normal useful life for software amounts to 3 to 5 years.

Development services capitalized in accordance with IAS 38 of EURk 3,501 (p/y: EURk 4,249) are amortized according to the number of units as soon as development is completed and production of the series parts starts. An impairment of EURk 620 was recognized in the reporting year.

As of December 31, 2021, the goodwill of PWO Czech Republic came to EURk 4,331 (p/y: EURk 4,331) in the "Czechia" segment.

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17 Contract Assets

Contract assets result from the recognition of revenue over time for series deliveries, where series parts are recognized as revenue before they are delivered to customers, and from the recognition of revenue over time from sales of tools and order-related development services.

The annual review of contract assets involving tools and development services led to volume-related impairment of tools of EURk 171 and of development services of EURk 549.

Contract liabilities are advance payments received where control has not yet been transferred to the customer. These are netted against services already supplied at contract level. On the reporting date, contract liabilities amounted to EURk 2,951 (p/y: EURk 5,536) incurred. EURk 4,803 was released from the previous year's advance payments.

As of December 31, 2021, contract assets capitalized in accordance with IFRS 15 were as follows:

EURk	2021	2020
As of January 1	67,228	85,864
Change in non-current contract assets	7,655	-2,265
Change in current contract assets	1,976	-16,371
As of December 31	76,859	67,228

Transaction prices assigned to service obligations that have not been fulfilled or only fulfilled in part resulted predominantly from contract-related tool and development contracts, for which the expected original term is more than 1 year. As of December 31, 2021, it is expected that claims to receive the consideration of EURk 45,814 will be reclassified into receivables within the next year. PWO makes use of the practical expedient permitted under IFRS 15 and excludes contracts with an expected original term of not more than 1 year from the disclosure obligation.

18 Inventories

Customized spare parts for tools of EURk 8,582 (p/y: EURk 9,157) are included in raw materials, consumables and supplies of EURk 31,867 (p/y: EURk 25,385).

EURk	2021	2020
Raw materials	10,244	6,580
Consumables and supplies	5,631	4,621
Purchased parts	5,516	3,764
Customized spare parts for tools	8,582	9,157
Goods in transit	1,894	1,263
Total	31,867	25,385

The write-down on inventories came to EURk 20,303 (p/y: EURk 19,925), of which EURk 18,680 was attributable to customized spare parts for tools (p/y: EURk 18,428). The expensed impairment in cost of materials amounted to EURk 378 for inventories and EURk 252 for spare parts for tools.

19 Trade Receivables

Trade receivables of EURk 39,930 (p/y: EURk 43,688) reported in the statement of financial position at the reporting date were written down together with contract assets by EURk 103 (p/y: EURk 67). The table below shows changes in the allowance account:

EURk	2021	2020
Loss allowance as of January 1	67	49
Additions	40	38
Utilization	0	-4
Reversals	-4	-16
Loss allowance as of December 31	103	67

In the case of significant individual receivables, specific loss allowances in the amount of the loss already incurred are recognized in accordance with uniform standards. A potential impairment is assumed if certain circumstances apply – such as late payments over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, application to start insolvency proceedings or failure of restructuring measures.

Loss allowances on receivables and contract assets are usually recognized in separate allowance accounts and lead to an impairment loss recognized through profit or loss, which is reported in other operating expenses. Actual cases of default lead to the receivable in question being derecognized. Application of IFRS 9 meant that a portfolio-based loss allowance based on expected default rates was posted in the reporting year, which was derived from a customer-related credit model. The probabilities of default used to determine expected credit losses on trade receivables and contract assets are provided by business information services. These are based on individual and continuously updated data relating to the credit risk of customers (e.g. payment behavior) or on company and industry data, taking into account forward-looking macroeconomic data. The default risk was limited to EURk 103 through hedging (commercial credit insurance). Without hedging, the loss allowance would have amounted to EURk 238.

20 Cash and Cash Equivalents

Interest is paid at variable rates on bank balances available at short notice. As of December 31, 2021, the Group had unutilized credit lines, which all meet the conditions for utilization.

21 Equity

Capital Stock

As of December 31, 2021, fully paid-in subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375). It is divided into 3,125,000 (p/y: 3,125,000) no-par shares.

Authorized Capital

By resolution of the Annual General Meeting of July 28, 2020, the Executive Board, with the Supervisory Board's consent, is authorized to increase the company's share capital once or several times by up to a total of EUR 4,687,500.00 (Authorized Capital 2020) by issuing new no-par bearer shares against contribution in cash and/or in kind until and including the date of July 27, 2025.

The Executive Board has not made use of this authorization to date.

Capital Reserves

Capital reserves contain allocations from the premium.

Retained Earnings and Other Provisions

Retained earnings contain both the current profits and those from previous year generated by Progress-Werk Oberkirch AG and included subsidiaries that have not yet been distributed and the statutory reserve of EURk 179. By resolution of the Executive Board dated March 2, 2022 and approval of the Supervisory Board on March 15, 2022 from the retained earnings of Progress-Werk Oberkirch AG, EURk 3,315 was transferred from other earnings reserves and recognized in unappropriated retained earnings.

Differences of EURk 4,038 (p/y: EURk 631) from the currency translation of foreign subsidiaries' financial statements through other comprehensive income were reported in equity.

The portion of the profit or loss from cash flow hedging instruments that is determined to be an effective hedge is also recognized, as are the actuarial gains and losses from defined benefit pension plans.

Proposed and Distributed Dividends

As at December 31, 2021, Progress-Werk Oberkirch AG reported unappropriated retained earnings of EURk 4,700 in its financial statements prepared in accordance with HGB. The distributable profit was determined in accordance with the provisions of the German Commercial Code (HGB).

A proposal will be put to the Annual General Meeting to utilize the unappropriated retained earnings of Progress-Werk Oberkirch AG as follows:

Distribution of a dividend of EUR 1.50 per eligible no-par share	EURk 4,687.5
Balance to be carried forward to the next accounting period	EURk 12.5

In the 2021 fiscal year, a dividend was not distributed for the 2020 fiscal year.

Notifications in Accordance with Section 33 of the German Securities Trading Act (WPHG)

As of December 31, 2021, the following notifications were communicated to Progress-Werk Oberkirch AG: There may have been changes to the voting rights mentioned after the dates stated that did not have to be reported to the company.

Sparkasse Offenburg/Ortenau, Offenburg, Germany, notified us on December 15, 2020 that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, amounted to 8.56% on December 14, 2020 (which equated to 267,429 voting rights).

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, notified us on May 23, 2012 of an interest of more than 30% but less than 50% of the voting rights in Progress-Werk Oberkirch AG.

22 Pension Provisions

Defined Contribution Plans

The Group has defined contribution plans. This resulted in an amount of EURk 134 (p/y: EURk 138) recognized in staff costs for PWO Canada and of EURk 275 (p/y: EURk 174) for PWO Czech Republic.

The Group also pays contributions to the statutory pension insurance funds in the amount of the employer's contribution currently payable on pensionable remuneration totaling EURk 9,196 (p/y: EURk 9,714), which is also reported in staff costs. The statutory pension insurance system is also a defined contribution plan.

Defined Benefit Plans

The majority of the obligations under defined benefit plans relate to Progress-Werk Oberkirch AG. A provision of EURk 218 (p/y: EURk 194) is attributable to PWO México. The provision, which is required under Mexican law, comprises obligations for benefits to employees depending on their length of service and the emoluments earned during their service.

Provisions for pensions and similar obligations are recognized on the basis of benefit plans for commitments for pensions, disability and survivors' benefits. The benefits are based on employees' pay and the duration of their employment. Obligations comprise those arising from current pensions and vested pension rights for pensions and retirement benefits payable in the future. There are no plan assets to fulfill pension obligations.

The following tables show the components of the expenses for benefits recognized in the income statement and the amounts stated in the statement of financial position.

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The amounts recognized in the income statement break down as follows:

EURk	2021	2020
Current service cost	1,326	1,534
Past service cost	-53	-287
Interest expense for defined benefit obligations	805	935
Total	2,078	2,182

The following table shows adjustments recognized in other comprehensive income:

EURk	2021	2020
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	-3,570	3,974
Adjustments based on adjustments due to experience	-140	-15
Total	-3,710	3,959

The changes in the present value of the benefit obligations are as follows:

EURk	2021	2020
Present value of service costs on January 1	67,258	62,804
Current service cost	1,326	1,534
Past service cost	-53	-287
Interest expenses	805	935
Pension payments made	-1,905	-1,671
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	-3,570	3,974
Adjustments based on adjustments due to experience	-140	-15
Foreign currency differences	17	-16
Present value of service costs on December 31	63,738	67,258

Of the reported pension provisions EURk 61,897 (p/y: EURk 65,488) are current and EURk 1,841 (p/y: EURk 1,770) are non-current.

The measurement of defined benefit obligations is based on the following actuarial assumptions:

	2021	2020
Discount rate	1.48%	1.20%
Turnover rate	2.00%	2.50%
Future salary trend > 40 years	2.50%	2.50%
Future salary trend < 40 years (career trend)	3.50%	3.50%
Future increase pensions	1.75%	1.75%
Mortality	RT Heubeck 2018 G	RT Heubeck 2018 G

For reasons of materiality, the actuarial assumptions only relate to PWO AG in Germany.

Defined benefit obligations had an average residual term of 20 years (p/y: 20 years) in the reporting year.

The following table shows a sensitivity analysis with the key assumptions as of December 31, 2021.

Assumption	Scenario			
	Increase of		Decrease of	
		EURk		EURk
Discount rate	0.50%	-5,737	0.50%	6,691
Staff turnover	0.50%	-39	0.50%	56
Future increases in salaries (income trend)	0.25%	32	0.25%	-31
Future increases in salaries (career trend)	0.50%	113	0.50%	-109
Future increases in pensions	0.25%	2,123	0.25%	-2,022
Average life expectancy	1 Jahr	2,953	-	-

Sensitivity analyses of the DBO for the key actuarial assumptions were carried out using the same valuation method (projected unit credit method) as that used to determine the obligations from post-employment benefits reported in the consolidated statement of financial position. Impacts of changes to the assumptions were determined separately in each case and possible correlation effects were therefore not analyzed.

The following amounts are expected to be paid out in the next few years as current pensions under defined benefit schemes:

EURk	2021	2020
Within the next 12 months	1,869	1,795
Between 2 and 5 years	8,005	7,621
Between 5 and 10 years	11,652	11,390
Total expected payments	21,526	20,806

Breakdown of pension commitments by groups of beneficiaries:

EURk	Germany		Mexico	
	2021	2020	2021	2020
Active beneficiaries	21,221	24,032	216	197
Employees who have left the company	8,312	7,976	0	0
Pensioners	17,752	17,665	0	0
Total	47,285	49,673	216	197

23 Other Provisions

Other provisions take account of the amounts needed for staff costs and other discernible risks and obligations. The provisions shown in the statement of financial position primarily comprise warranty provisions, personnel-related provisions (obligations for partial retirement and anniversary benefits) and provisions for onerous contracts. The

expectation for the partial retirement provisions is that the entire amount of the obligations for partial retirement will accrue within 5 years of the reporting date.

Other provisions developed as follows:

EURk	Personnel-related provisions		Provisions for onerous contracts		Provisions for warranties		Provisions for restructuring	
	2021	2020	2021	2020	2021	2020	2021	2020
As of January 1	2,566	2,552	3,321	203	0	0	8,000	0
Utilization	-540	-925	0	0	0	0	-7,824	0
Reversal	-12	12	-1,897	0	0	0	-876	0
Allocation	75	926	0	3,119	2,400	0	700	8,000
As of December 31	2,089	2,566	1,424	3,321	2,400	0	0	8,000
Of which non-current	1,440	1,513	1,016	3,321	0	0	0	0
Of which current	649	1,053	408	0	2,400	0	0	8,000

In fiscal year 2021, provisions for onerous contracts of EURk 1,424 (p/y: EURk 3,321) had to be recognized in connection with longer-term delivery obligations. The discounting effect resulting from changes in interest rates amounted to EURk 20.

A warranty provision of EURk 2,400 (p/y: EURk 0) was recognized in the reporting year because a potentially faulty product had been supplied. There have been no complaints about faulty parts to date.

The restructuring provision in the previous year related to severance costs associated with 2 restructuring programs started in fiscal year 2020. The first restructuring program involved the loss of 98 jobs at the Oberkirch site. On December 31, 2020, 74 of the employees affected had switched to a transfer company. The second restructuring program involved the loss of a further 84 jobs at the Oberkirch site, for which restructuring provisions of EUR 8.0 million were recognized in December 2020; a residual amount was reversed in 2021. As of December 31, 2021, 75 employees left the company.

24 Financial Liabilities

Financial liabilities were composed as follows:

EURk	Current		Non-current			Total Financial liabilities		
	< 1 year		1 to 5 years		> 5 years			
	2021	2020	2021	2020	2021	2020	2021	2020
Liabilities to banks	32,178	17,192	30,584	25,796	0	0	62,762	42,988
Liabilities from promissory notes	5,000	20,000	24,973	29,932	0	0	29,973	49,932
Liabilities to leasing companies	4,412	3,654	11,975	9,704	1,394	2,368	17,781	15,726
Total	41,590	40,845	67,532	65,432	1,394	2,368	110,516	108,645

Changes in liabilities from financing activities are shown below:

EURk	Jan. 1, 2021	Non-cash changes				Dec. 31, 2021
		Cash changes	Deferment based on maturity	New leases	Currency effects	
Non-current financial liabilities	55,727	-27,775	26,743	0	862	55,557
Current financial liabilities	37,192	26,157	-26,743	0	572	37,178
Lease liabilities	15,726	-4,321	0	6,132	244	17,781
Total	108,645	-5,939	0	6,132	1,678	110,516

Taking into account interest paid of EURk 6,540, a cash outflow of EURk 12,090 from financing activities ensued.

EURk	Jan. 1, 2020	Non-cash changes				Dec. 31, 2020
		Cash changes	Deferment based on maturity	New leases	Currency effects	
Non-current financial liabilities	71,228	-4,955	-10,065	0	-481	55,727
Current financial liabilities	43,873	-16,559	10,065	0	-187	37,192
Lease liabilities	18,739	-4,097	0	1,250	-166	15,726
Total	133,840	-25,611	0	1,250	-834	108,645

Taking account of interest paid of EURk 6,631, a cash outflow of EURk 32,242 from financing activities ensued.

Among current financial liabilities, current bank liabilities of EURk 12,808 (p/y: EURk 10,687) were assigned to cash and cash equivalents.

Financial control of the PWO Group is guaranteed through compliance with internal financing guidelines. Financing is secured long-term through sufficient available credit lines. It is largely provided via a syndicated loan and a promissory note loan on which market rates are payable and which are subject to the usual financial covenants. These were complied with as of December 31, 2021. The Executive Board assumes that the agreed financial covenants will also be complied with in the 2022 fiscal year.

Interest is generally payable on financial liabilities at rates ranging from 0.85% to 7.23% (current) and from 1.35% to 7.00% (non-current). The higher interest rates are primarily on subordinated local financing of individual subsidiaries.

Bank liabilities due on demand amounted to EURk 12,808 (p/y: EURk 10,687). Of the liabilities to banks, EURk 1,305 (p/y: EURk 2,686) was secured by charges over land and mortgages and EURk 17,781 (p/y: EURk 15,726) by the assignment of property, plant and equipment as collateral. There were also the usual retentions of title from the supply of raw materials, consumables and supplies and goods.

25 Contingencies and Other Financial Obligations

As of December 31, 2021, there were other financial obligations including purchase commitments of EURk 17,862 (p/y: EURk 12,056). Of which attributable to subsequent fiscal years according to maturity:

EURk	Obligations from non-cancelable leases and rental agreements		Purchase commitments from investments in property, plant and equipment		Purchase commitment from investments in intangible assets		Miscellaneous other financial obligations	
	2022 ff.	2021 ff.	2022 ff.	2021 ff.	2022 ff.	2021 ff.	2022 ff.	2021 ff.
Remaining term up to 1 year	2,254	1,469	3,333	3,395	183	119	472	171
Remaining term 1 to 5 years	7,672	3,961	0	0	0	0	1,890	684
Remaining term > 5 years	1,350	1,816	0	0	0	0	708	441
Total	11,276	7,246	3,333	3,395	183	119	3,070	1,296

26 Transactions off the Statement of Financial Position

To procure liquidity to finance operations, trade receivables are sold on an ongoing basis, allowing improved liquidity planning. All material risks are transferred to the factor. As of December 31, 2021, receivables with a nominal value of EURk 18,106 (p/y: EURk 14,610) had been sold. The transferred receivables are current receivables, the carrying amount of which equals the fair value of the transferred assets. Cash inflows and outflows from factoring are assigned to cash flow from operating activities.

For further optimizing liquidity, trade receivables are financed by a factor in a customer-based Supplier Finance program. The factor bears the default risk to the supplier. As of December 31, 2021, receivables to a customer of EURk 6,322 (p/y: EURk 6,445) were assigned to the factor.

27 Financial Risk Management

The Group's financial risk management system focuses on the uncertainties resulting from the future development of financial markets and aims to minimize detrimental consequences for the Group's financial performance. The risk management system is the responsibility of the Executive Board, which sets the general principles for risk management and defines policy. There are no material concentrations of risk that are not apparent from the notes to the financial statements and the management report.

The cumulated material risks are explained below:

Credit Risk

Credit risks arise if counterparties fail to fulfill their obligations in full when financial instruments fall due. Progress-Werk Oberkirch AG and its subsidiaries manage the default risk from trade receivables on the basis of uniform guidelines, processes and controls. It monitors customers' creditworthiness by obtaining credit information on a regular basis and looking at past data. It sets individual credit facilities for customers

based on these findings. Outstanding trade receivables and other receivables are monitored regularly through a rigorous receivables management process. In addition, significant amounts of receivables are hedged through commercial credit insurance. The need for loss allowances is analyzed at each closing date and taken into account through appropriate allowances. A portfolio-based allowance will also be posted with the introduction of IFRS 9. The probability of default is defined as the probability that a business partner will not be able to meet its payment obligations within the next 12 months. This is the standard period for most terms of payment and possible extensions of the terms of payment within this period. Each figure for the probability of default is calculated on the basis of statistical data from external credit insurers taking account of forward-looking analyses.

The Group is exposed to losses and credit risks in association with the investment of liquid funds and its holdings of derivative financial assets if banks fail to fulfill their financial obligations. PWO manages the resulting risk exposure through guidelines and requirements issued by Group Treasury as well as by diversifying and carefully selecting its banks. It also analyzes and quantifies the default risk posed by all banks at regular intervals. At present, no liquid funds or derivative financial assets are overdue because of defaults or written down.

As at December 31, 2021, the maximum credit risk on financial assets in the event of counterparty default is equal to the carrying amount of these instruments. Commercial credit insurance is also deducted in the case of trade receivables.

EURk	2021	2020
Trade receivables and contract assets	116,789	110,916
Hedging through commercial risk insurance	-6,013	-13,694
Maximum credit risk	110,776	97,222
Derivative financial assets	1,120	2,811
Cash and cash equivalents	6,907	6,161

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The analysis of past due trade receivables that are not impaired as of December 31, 2021 was as follows:

EURk	2021	2020
Trade receivables and contract assets	116,789	110,916
Of which neither past due nor impaired	113,391	107,315
Of which < 30 days past due (but not impaired)	1,583	2,444
Of which > 30-90 days past due (but not impaired)	1,192	949
Of which > 90-180 days past due (but not impaired)	368	40
Of which > 180-360 days past due (but not impaired)	229	90
Of which > 360 days past due (but not impaired)	26	78

Portfolio-based loss allowances based on expected default rates were recognized for trade receivables past due and not impaired, which are not covered by commercial risk insurance, as well as contract assets, in accordance with IFRS 9 at the closing date.

Liquidity Risk

Liquidity risks arise if Group companies cannot fulfill their financial obligations. Sufficient lines from several banks are available to cover on-going business. An appropriate combination of current and non-current loans limits financing risks. Investments and pre-financing of services associated with long-term customer orders are, in principle, financed long term on a project-related basis. The Group has hedged over half its long-term financing at fixed rates. If necessary, derivative interest hedges are also concluded.

The following table shows the maturities of undiscounted cash flows from the Group's financial liabilities on the reporting date:

EURk	< 1 year		1 to 5 years		> 5 years		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Liabilities to banks	33,263	18,249	30,748	26,319	0	0	64,011	44,568
Of which repayments	32,183	17,192	30,579	25,796	0	0	62,762	42,988
Of which interest payments	1,080	1,057	169	523	0	0	1,249	1,580
Liabilities from promissory notes	5,514	21,173	25,872	31,346	0	0	31,386	52,519
Of which repayments	4,995	20,000	24,978	29,932	0	0	29,973	49,932
Of which interest payments	519	1,173	894	1,414	0	0	1,413	2,587
Liabilities to leasing companies	4,958	4,083	13,044	10,644	1,469	2,545	19,471	17,272
Of which repayments	4,413	3,654	11,974	9,704	1,394	2,368	17,781	15,726
Of which interest payments	545	429	1,070	940	75	177	1,690	1,546
Trade payables	37,227	30,103	0	0	0	0	37,227	30,103
Hedging derivative financial instruments	0	0	0	0	0	0	0	0
Non-hedging derivative financial instruments	2,037	398	4,221	882	0	0	6,258	1,280
Other financial liabilities Others	526	7,333	0	0	0	0	526	7,333

The amounts of derivative financial instruments contained in Maturities correspond to the gross undiscounted cash flows.

The following table shows the cash inflows and cash outflows of hedging and non-hedging currency derivatives:

EURk	Hedging currency derivatives							
	< 1 year		1 to 5 years		> 5 years		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Inflow	39,817	36,164	31,397	34,708	0	0	71,214	70,872
Outflow	-38,710	-35,413	-29,702	-33,762	0	0	-68,412	-69,175
Balance	1,107	751	1,695	946	0	0	2,802	1,697

EURk	Non-hedging currency derivatives							
	2021		2020		2021		2020	
	2021	2020	2021	2020	2021	2020	2021	2020
Inflow	30,913	47,686	6,403	17,419	0	0	37,316	65,105
Outflow	-32,372	-46,585	-7,064	-17,521	0	0	-39,436	-64,106
Balance	-1,459	1,101	-661	-102	0	0	-2,120	999

Interest Rate Risk

Interest rate risks arise if the fair value of financial instruments fluctuates because of changes in the market interest rate. To assess interest rate risks, financial instruments must be divided into those with fixed rates and those with variable rates in accordance with IAS 32. Interest rate risks are present in liabilities to banks that carry a variable rate. These risks are countered with interest rate swaps. Interest rate risks are presented by means of sensitivity analyses. These analyses show the effects of changes in interest rates on interest payments, interest income and expenses and other components of earnings and, if applicable, on equity.

The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates of primary financial instruments with fixed interest rates only affect earnings that are measured at fair value. Therefore, fixed-interest financial instruments carried at amortized cost are not exposed to interest rate risk as defined in IFRS 7. Currency derivatives are disregarded in interest rate sensitivity analyses because of materiality considerations.

PWO is exposed to interest rate risks at all locations. If the market interest rate as of December 31, 2021 had been 100 basis points higher, earnings before taxes (EBT) would have been EURk 154 (p/y: EURk 180) lower. If the market interest rate as of December 31, 2021 had been 100 basis points lower, earnings before taxes (EBT) would have been EURk 155 (p/y: EURk 182) higher.

Currency Risk

The global focus of the PWO Group means that it is exposed to a series of currency risks. A distinction is made between transaction and translation risks here.

Transaction Risk

All PWO companies are exposed to transaction risks through changes in the value of primary financial instruments caused by exchange rates and the conclusion of transactions with international parties, in so far as cash flows in foreign currencies result herefrom in the future, which are not denominated in the functional currency of the respective company.

As part of the financial risk management processes within Group management, currency risks are monitored according to the global foreign currency policy and managed by Group Treasury using appropriate countermeasures. The objective of risk management is to limit the effects of currency risks on future cash flows to an acceptable level. Currency risk is mitigated in part by the fact that goods, raw materials and services are procured in the corresponding foreign currencies and that the Group produces in local markets. Suitable hedging transactions are concluded to reduce the remaining risks. Use of hedging transactions within the PWO Group is only permissible to the extent that matching underlying transactions are available and verifiable as a highly likely demand forecast at the time the decision to hedge is made.

PWO companies are responsible for identifying, assessing and monitoring their transaction-related currency risks. The net foreign currency exposure of the respective PWO company is hedged in defined ranges depending on maturity but never more than 100%. Intragroup financing of PWO companies is preferably extended in the respective functional currency and 100% hedged at Group level.

In accordance with IAS 39 (cash flow hedges), hedge accounting is applied in relation to derivative hedging instruments for underlying transactions with cash flows in foreign currency that are expected in the future but are not yet recognized.

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Translation Risk

Some PWO companies are located outside the eurozone. Since the consolidated financial statements are prepared in euro, the company translates these companies' financial statements into euro, which may result in differences due to exchange rates. Hedging these risks is not the primary objective in currency risk management.

A sensitivity analysis based on the following assumptions is carried out for each currency that poses a significant risk for the company:

All the Group's monetary instruments that are not denominated in the functional currency of the respective individual companies are eligible for the sensitivity analysis. Translation risks are therefore disregarded. The hypothetical effects in the income statement and in equity for each primary individual item included in the sensitivity analysis are determined by comparing the carrying amount (calculated with the help of the closing rate) with the conversion rate that is produced using a hypothetical exchange rate. Currency effects from hedging intragroup financing through currency swaps or cross currency swaps are not included since these are directly offset through currency fluctuations from the underlying loans to affiliated companies.

The following tables show the currency risk vis-à-vis the most important Group currencies.

Sensitivity of earnings before taxes to a change in exchange rates:

EURk	Change in rates +10%		Change in rates -10%	
	2021	2020	2021	2020
EUR/CAD	-21	-59	20	61
EUR/CNY	-547	-334	454	289
EUR/CZK	304	242	-371	-296
EUR/MXN	6	23	-7	-28
EUR/USD	-809	-886	950	1,055
Total	-1,067	-1,014	1,046	1,081

Sensitivity of the net gains (losses) from hedging cash flow hedges recognized in equity to a change in exchange rates:

EURk	Change in rates +10%		Change in rates -10%	
	2021	2020	2021	2020
EUR/CAD	0	0	0	0
EUR/CNY	231	179	-282	-219
EUR/CZK	-3,788	-3,765	4,629	4,602
EUR/MXN	-432	-856	528	1,047
EUR/USD	2,079	1,843	-2,544	-2,252
Total	-1,910	-2,600	2,331	3,178

The following table shows the exchange risk in the Group from different perspectives: cumulated from the respective exposures in the non-functional currencies (excluding internal revenue):

	2021				2020			
	EURk	TUSD	TRMB	TCZK	EURk	TUSD	TRMB	TCZK
Trade receivables	227	7,106	0	338	586	9,081	-	59
Cash and cash equivalents	3	1,014	725	289	10	1,872	2,673	320
Financial liabilities	-	-	-25,000	-54,240	-130	-	-35,000	-45,605
Trade payables	-3,362	-924	-	-29,390	-681	-986	-	-24,726

The gross currency risks shown are largely hedged on the basis of the PWO Group's Hedging Directive.

Commodity Price Risk

The raw materials required for our production processes are, first and foremost, steel and, to a much lesser extent, aluminum and stainless steel. These metals are purchased on the global market from long-standing suppliers. Despite there having been major bottlenecks in the availability of steel at short periods in the reporting year, we were able to deliver at all times. Risks still exist as a result of shortages and, as a consequence thereof, very high prices for magnesium from China as a component of aluminum. As far as the future is concerned, we assume that, by planning accordingly, we will be able to secure the supply needed although the requirements in this respect have increased.

Previously, we have been able to pass on increases in the prices of raw materials via the agreed fluctuations in our contracts with customers either via customer-specific cost escalation clauses or we have reached an acceptable solution with customers through negotiation.

The vast majority of framework agreements for raw materials were concluded for a period of 12 months. Only approximately 20% of requirements was secured via 6-month contracts. Here, we are guided by the term of contracts with customers.

The contracts used are, according to the anticipated purchase, sale or consumption needs (own use) of the company, excluded solely for purposes of the actual purchase or the raw material. Qualification as a financial derivative acts as an exemption (own use exemption).

Capital Management

The key objectives of our financial management are to secure the Group's liquidity and credit rating including access at any time to the financing markets and to increase the value of the company. Measures to achieve these objectives include optimizing the capital structure, dividend policy, equity measures and the reduction of debts.

At PWO, capital is monitored via the dynamic leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA) and the equity ratio (equity as a percentage of total assets). Our finance strategy targets a dynamic leverage ratio of less than 3 years and an equity ratio of 30 percent.

Dynamic leverage ratio

EURk	2021	2020
Financial liabilities	110,516	108,645
Less cash and cash equivalents	-6,907	-6,161
Net financial debt	103,609	102,484
EBITDA¹	47,155	21,169
Dynamic leverage ratio (in years)	2.2	4.8

¹ Earnings before interest, taxes, depreciation and amortization

Equity ratio

EURk	2021	2020
Equity	125,301	104,464
Total assets	373,272	363,654
Equity ratio	33.6%	28.7%

28 Financial Instruments

The following derivative financial instruments are outstanding as at December 31, 2021:

EURk	Nominal value	Repayment 2021	Residual amount	Term	Market value
Cross currency swaps	19,773	1,562	16,133	up to 2026	-1,108
FX without hedge accounting	39,435		39,435	up to 2023	-1,798
of which to hedge CAD intercompany loans	12,506		12,506	up to 2022	-249
of which to hedge USD intercompany loans	26,929		26,929	up to 2023	-1,549
FX with hedge accounting	71,340		71,340	up to 2025	342
	1,680		1,680	Current	-69
of which to hedge planned CNY receivables	730		730	Non-current	-6
	17,946		17,946	Current	767
of which to hedge planned CZK liabilities	23,717		23,717	Non-current	98
	4,753		4,753	Current	31
of which to hedge planned MXN liabilities	-		-	Non-current	-
	15,405		15,405	Current	-156
of which to hedge planned USD receivables	7,109		7,109	Non-current	-323

Outstanding derivative financial instruments as at December 31, 2020:

EURk	Nominal value	Repayment 2020	Residual amount	Term	Market value
Cross currency swaps	11,325	1,562	9,247	up to 2024	332
of which to hedge CNY intercompany loans	11,325	1,562	9,247	up to 2024	332
FX without hedge accounting	53,766		53,766	up to 2023	1,387
of which to hedge CAD intercompany loans	13,113		13,113	up to 2021	41
of which to hedge USD intercompany loans	40,653		40,653	up to 2023	1,346
FX with hedge accounting	73,025		73,025	up to 2024	513
	1,980		1,980	Current	32
of which to hedge planned CNY receivables	-		-	Non-current	-
	15,031		15,031	Current	65
of which to hedge planned CZK liabilities	26,386		26,386	Non-current	-154
	4,915		4,915	Current	184
of which to hedge planned MXN liabilities	4,505		4,505	Non-current	19
	13,068		13,068	Current	256
of which to hedge planned USD receivables	7,141		7,141	Non-current	110

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In principle, the PWO Group pursues a strategy of hedging all risks, which are countered by the hedging instruments described in the "Derivative Financial Instruments" table, in their entirety.

To hedge transactions expected in future, the Group carries out a qualitative assessment of their effectiveness using the critical terms match method, since the crucial conditions (i.e. nominal amount, term and underlying instrument) of the forward foreign exchange transactions and the corresponding underlying transactions are identical and the value of the forward transactions and the value of the corresponding underlying transactions are expected to move systematically in the opposite direction as a reaction to changes in the underlying exchange rates. Existing ineffectiveness is quantified retrospectively using the dollar offset method in the form of the hypothetical derivative method. The changes in the value of the underlying method to determine the ineffectiveness of the hedge are revealed inversely to the changes in the market value of the hedging instruments that were recognized directly in equity.

The changes in market values of derivative financial instruments that are used to hedge future cash flows were recognized directly in equity, taking account of tax effects, in the amount of EURk 46 (p/y: EURk 956).

As part of hedge accounting, differences of EURk 580 (p/y: EURk 476) from translating the currencies of derivatives that matured in the current fiscal year were withdrawn from equity and reclassified through profit or loss into the income statement (other revenue). The resulting tax effect came to EURk 157 (p/y: EURk 129).

At the reporting date, it is assumed that all planned transactions will occur. It is also expected that the hedged cash flows will be received within the maturity stated in the above table and will affect profits and losses.

Should transactions not occur as planned, this could lead to hedges becoming ineffective. PWO considers this risk immaterial given the credit ratings of the purchasers and financing partners. Any ineffectiveness that arises is also viewed as immaterial. Hedging instruments are still adjusted accordingly as part of a rolling hedging strategy.

When setting hedging ratios, PWO makes a distinction between risk exposure from series (parts) business, project business (tools, investments) and financing. Since series transactions usually have a longer term and the accuracy of planning decreases over time because of the planning horizon, the risk exposure is hedged as part of the (falling) hedging ratios defined in our guidelines. Because cash flows from short-term project business (toolmaking) and with intragroup investments or borrowing in foreign currency are easily predictable, higher hedging ratios are envisaged here in line with our guidelines.

The average forward or exercise price of currency hedging instruments are as follows:

	Maturity	
	1 to 12 months	> 1 year
EUR/USD	1.2039	1.2425
EUR/CZK	26.5530	27.294
EUR/CAD	1.4787	-
USD/CAD	1.2917	1.275
USD/MXN	21.2340	-
USD/CNY	6.6260	6.5381

The table below shows carrying amounts and fair values by measurement category and class:

EURk	Category	Carrying amount		Fair Value		
		IFRS 9 ¹	2021	2020	2021	2020
ASSETS						
Trade receivables	AC		39,930	43,688	39,930	43,688
Other financial assets			1,120	2,811	1,120	2,811
of which hedging derivatives	n. a.		1,113	667	1,113	667
of which non-hedging derivatives	FVtPL		7	2,144	7	2,144
of which deposits > 3 months	AC		0	0	0	0
Cash and cash equivalents	AC		6,907	6,161	6,907	6,161
EQUITY AND LIABILITIES						
Financial liabilities			110,516	108,645	114,348	114,711
Liabilities to banks	AC		62,761	42,988	65,002	45,826
of which variable rate			12,889	12,405	12,889	12,405
of which fixed rate			49,872	30,583	52,113	33,421
Liabilities from promissory notes	AC		29,973	49,932	31,382	52,827
of which variable rate			2,997	2,996	2,997	2,996
of which fixed rate			26,976	46,936	28,385	49,831
Liabilities to leasing companies	n. a.		17,781	15,726	17,964	16,058
of which variable rate			0	0	0	0
of which fixed rate			17,781	15,726	17,964	16,058
Trade payables	AC		37,225	30,103	37,225	30,103
Other financial liabilities			4,210	7,913	4,210	7,913
of which hedging derivatives	n. a.		771	154	771	154
of which non-hedging derivatives	FVtPL		2,912	425	2,912	425
of which others	AC		526	7,334	526	7,334
of which aggregated by measurement category:						
Loans and receivables	AC		46,837	49,849	46,837	49,849
Financial liabilities Measured at Amortized Cost	AC		130,486	130,356	134,135	136,090
Financial Assets Held for Trading	FVtPL		7	2,144	7	2,144
Financial liabilities Held for Trading	FVtPL		2,912	425	2,912	425

¹ AC: amortized cost | FVtPL: fair value through profit & loss

Financial instruments measured at fair value were subsequently assigned to the fair value hierarchy:

EURk	Level 1		Level 2		Level 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets measured at fair value								
Other financial assets	0	0	1,120	2,811	0	0	1,120	2,811
of which hedging derivatives	0	0	1,113	667	0	0	1,113	667
of which non-hedging derivatives	0	0	7	2,144	0	0	7	2,144
Assets recognized at fair value								
Trade receivables	0	0	39,930	43,688	0	0	39,930	43,688
Cash and cash equivalents	0	0	6,907	6,161	0	0	6,907	6,161
Liabilities measured at fair value								
Other financial liabilities	0	0	4,210	7,913	0	0	4,210	7,913
of which hedging derivatives	0	0	771	154	0	0	771	154
of which non-hedging derivatives	0	0	2,912	425	0	0	2,912	425
of which others	0	0	526	7,334	0	0	526	7,334
Liabilities for which a fair value is reported								
Fixed rate liabilities to banks	0	0	49,872	30,583	0	0	49,872	30,583
Variable rate liabilities to banks	0	0	12,889	12,405	0	0	12,889	12,405
Fixed rate liabilities from promissory notes	0	0	26,976	46,936	0	0	26,976	46,936
Variable rate liabilities from promissory notes	0	0	2,997	2,996	0	0	2,997	2,996
Fixed rate liabilities to leasing companies	0	0	17,781	15,726	0	0	17,781	15,726
Variable rate liabilities to leasing companies	0	0	0	0	0	0	0	0
Trade payables	0	0	37,225	30,103	0	0	37,225	30,103

There were no reclassifications between Level 1 and Level 2 fair value measurements and reclassifications into or out of Level 3 fair value measurements.

The following total income and expense resulted from the remeasurement at fair value for financial instruments held:

EURk	Assets		Liabilities	
	2021	2020	2021	2020
Recognized in the income statement:				
Non-hedging derivatives	0	452	1.873	7
Recognized in equity:				
Hedging derivatives	46	0	0	1,264

Income and expenses from the fair value measures of non-hedging derivatives is reported in other operating earnings or other operating expenses.

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The net gains or losses of financial instruments (excluding derivative financial instruments included in hedge accounting) taken into account in the income statement are as follows:

EURk	Category IFRS 9 ¹	2021	2020
Loans and receivables	AC	4,510	-6,147
Of which based on disposal		190	75
Of which based on impairment/reversal		-56	9
Of which based on currency effects		4,376	-6,231
Financial assets held for trading	FVtPL	0	4,342
Of which based on disposal		0	3,890
Of which based on remeasurement		0	452
Financial liabilities measured at amortized cost	AC	-78	143
Of which based on disposal		166	208
Of which based on currency effects		-244	-65
Financial liabilities held for trading	FVtPL	4,196	31
Of which based on disposal		2,323	24
Of which based on remeasurement		1,873	7

¹ AC: amortized cost | FVtPL: fair value through profit & loss

The following table shows an overview of the netting of financial assets and liabilities in the statement of financial position. It also shows the extent to which there are netting agreements based on framework agreements that do not lead to a net figure being reported in the statement of financial position. In the PWO Group, netting agreements relate solely to derivative financial instruments where, in the event of default, the framework agreements with banks provide for the mutual receivables and liabilities being offset at this point.

EURk	2021	2020
Financial assets		
Reported gross amounts of financial assets	41,373	46,979
Offset gross amounts of financial liabilities	-323	-480
Net amounts of financial assets shown	41,050	46,499
Of which derivatives	1,120	2,811
Of which trade receivables	39,930	43,688
(Potentially) offsettable based on framework agreements	-1,120	-579
Total net value (potential) of financial assets	39,930	45,920
Financial liabilities		
Reported gross amounts of financial liabilities	-41,577	-38,404
Offset gross amounts of financial assets	142	388
Net amounts of financial liabilities shown	-41,435	-38,016
Of which derivatives	-3,684	-579
Of which trade payables	-37,225	-30,103
Of which other financial liabilities	-526	-7,334
(Potentially) offsettable based on framework agreements	1,120	579
Total net value (potential) of financial liabilities	-40,315	-37,437

The net liabilities of EURk 323 (p/y: EURk 480) in financial assets represent outstanding credits to customers on the reporting date. The net assets in financial assets are receivables in the form of credits to suppliers of EURk 142 (p/y: EURk 103).

Other Disclosures

29 Research and Development Expenses

Of the costs of EURk 12,073 (p/y: EURk 11,195) associated with development services, EURk 520 (p/y: EURk 1,002) was capitalized in intangible assets and EURk 1,977 (p/y: EURk 1,924) in contract assets.

30 Auditor's Fees

The fee for the auditor recognized as expense in accordance with section 314 (1) no. 9 HGB was composed as follows:

EURk	2021	2020
Audit	311	227
Other verification services	23	11
Tax consultancy services	2	18
Other services	43	0
Total	379	256

The fee for the auditor of EURk 47 includes expenses relating to other periods. Expenses for services which extend beyond the audit of the financial statements, related to the fee for the EMIR audit, the formal audit of the remuneration report and assurance services in connection with the syndicated loan, as well as clarification of matters in connection with the risk monitoring system and specialist accounting questions.

31 Total Remuneration of the Executive Board and the Supervisory Board

The table below shows the total remuneration of the Executive Board:

EURk	2021	2020
Current benefits ¹	1,954	1,240
Non-current benefits	0	0
Post employment benefits ²	0	1,207
Total	1,954	2,447

¹ The basic annual salary, variable remuneration and benefits in kind as well as payments to a private old age pension are reported in this item.

² In the previous year, this item comprised service costs from entitlements to benefits of EURk 107 and a severance payment of EURk 1,100.

Total Supervisory Board remuneration (emoluments due short term) came to EURk 316 (p/y: EURk 292). No loans or advances were granted to members of executive bodies.

Former members of the Executive Board of Progress-Werk Oberkirch AG and their surviving dependents received pension payments amounting to EURk 309 (p/y: EURk 239). The corresponding pension provisions according to IFRS came to EURk 6,019 (p/y: EURk 4,456) on December 31, 2021.

32 Related Parties

Progress-Werk Oberkirch AG is the parent company of the PWO Group with the subsidiaries lists in section 4 "Scope of Consolidation." The main shareholder in Progress-Werk Oberkirch AG is Consult Invest Beteiligungsberatungs-GmbH, Böblingen, which is majority owned by Dr. Klaus-Georg Hengstberger. There were no business transactions between the Group and Consult Invest Beteiligungsberatungs-GmbH, Böblingen, or their related parties in the reporting year.

The members of the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG with their close relatives are also related parties of the PWO Group. The details of the remuneration of management in key positions required under IAS 24 is presented in section 31. As in the previous year, there were no other business transactions.

33 Additional Information on the Statement of Cash Flows

The funds shown in the statement of cash flows include the cash and cash equivalents. These are cash in hand and bank balances with an original term of less than 3 months, less current account liabilities due on demand, which are part of the Group's cash management and regularly fluctuate between debit and credit balances. The current account liabilities due on demand of EURk 12,808 (p/y: EURk 10,687) are included in the "current financial liabilities" item of the statement of financial position.

34 Segment Reporting

In line with the Group's internal management system, our production sites form the basis for segment reporting. The Group's chief operating decision maker is defined as the Executive Board of Progress-Werk Oberkirch AG. The segments are defined according to the location of the Group's assets. Accordingly, these segments' revenue is also allocated according to the location of the asset. They are broken down into the regions Germany, Czechia, Canada, Mexico and China.

Net income/loss, assets, liabilities and amortization and depreciation between the individual segments were eliminated in the "consolidation" column. The segment data were calculated in line with accounting policies applied in the consolidated financial statements.

Segment assets and segment liabilities correspond to the values in the financial statements of the individual Group companies.

As of December 31, 2021, 3 customers had a share of over 10% in the reported revenue, amounting to EURk 63,690 (essentially resulting from the structural components segment), EURk 52,063 and EURk 51,625 (essentially resulting from the mechanical components and safety components segments, respectively). In the previous year, 4 customers were identified with a share of over 10% of revenue, amounting to EURk 66,171 and EURk 37,763 (essentially resulting from the structural components segment), EURk 48,748 and EURk 47,639 (essentially resulting from the safety components and mechanical components segments, respectively).

Segment Information by Region in the 2021 Fiscal Year

EURk	Germany	Czechia	Canada	Mexico	China	Consolidation	Group
Total revenue	203,907	75,856	34,548	67,319	47,718	-6	429,342
Internal revenue	-14,074	-4,595	-526	-69	-5,804	0	-25,068
External revenue	189,833	71,261	34,022	67,250	41,914	-6	404,274
Total output	204,450	75,856	34,548	67,319	47,718	-25,074	404,817
Other income	16,370	728	1,513	481	850	-4,780	15,162
Total expenses	208,517	65,936	33,524	55,263	40,203	-30,619	372,824
Depreciation/amortization ¹	10,954	4,753	2,281	4,740	2,636	-32	25,332
EBIT before currency effects	1,682	6,045	286	7,973	5,347	797	22,130
EBIT including currency effects	1,349	5,895	256	7,797	5,729	797	21,823
Interest income	4,445	0	0	0	3	-4,060	388
Distributions from affiliated companies	7,000	0	0	0	0	-7,000	0
Interest expenses	4,876	1,393	510	2,202	1,618	-4,060	6,539
Earnings before taxes (EBT)	7,918	4,502	-254	5,595	4,114	-6,203	15,672
Income taxes	1,607	-726	24	-975	781	219	930
Net income/loss for the period	6,311	5,228	-278	6,570	3,333	-6,422	14,742
Assets	165,472	92,250	37,742	62,719	55,377	-40,288	373,272
of which non-current assets ²	56,379	57,642	16,368	29,935	28,707	-151	188,880
of which contract assets	37,083	13,032	9,107	11,678	8,587	-2,628	76,859
Liabilities	35,895	36,727	19,184	46,850	56,995	52,320	247,971
Capital expenditure	6,892	6,026	2,238	2,383	438	-1,792	16,185

¹ In the Canada segment, this includes unscheduled impairments on assets recognized under property, plant and equipment of CADk 559 and a reversal of an impairment in the Germany segment of EURk 1,070 on assets recognized under property, plant and equipment and buildings.

² The non-current assets do not include deferred taxes.

Segment Information by Region in the 2020 Fiscal Year

EURk	Germany	Czechia	Canada	Mexico	China	Consolidation	Group
Total revenue	199,046	64,420	31,080	50,797	42,370	-198	387,515
Internal revenue	-12,104	-1,714	-139	-60	-2,344	0	-16,361
External revenue	186,942	62,706	30,941	50,737	40,026	-198	371,154
Total output	200,048	64,420	31,080	50,797	42,370	-16,559	372,156
Other income	10,859	630	1,521	688	279	-4,126	9,851
Total expenses	218,280	55,924	30,060	44,435	32,465	-20,326	360,838
Depreciation/amortization ¹	16,743	4,611	2,778	4,404	2,732	0	31,268
EBIT before currency effects	-22,639	4,549	-152	2,757	7,721	-359	-8,123
EBIT including currency effects	-24,116	4,515	-237	2,646	7,452	-359	-10,099
Interest income	5,483	0	6	0	2	-4,838	653
Interest expenses	4,899	1,241	385	2,782	2,161	-4,838	6,630
Earnings before taxes (EBT)	-23,532	3,274	-616	-136	5,293	-359	-16,076
Income taxes	-4,681	267	80	0	0	-80	-4,414
Net income/loss for the period	-18,851	3,007	-696	-136	5,293	-279	-11,662
Assets	183,083	85,078	31,995	55,918	53,447	-45,867	363,654
of which non-current assets ²	61,129	56,369	15,174	30,347	27,864	-119	190,764
of which contract assets	35,639	11,197	6,536	10,820	8,571	-5,535	67,228
Liabilities	50,360	31,743	18,901	48,723	58,651	50,812	259,190
Capital expenditure	3,558	1,488	4,612	3,362	762	0	13,782

¹ This includes impairment losses on property, plant and equipment: EURk 4,520 in the Germany segment and EURk 116 in the Canada segment, and on goodwill: EURk 969 in the Canada segment.

² The non-current assets do not include deferred taxes.

External revenue by strategic product area and by region is shown below. The product areas are explained in the Group management report in the "Group Principles" section.

Additional Segment Information

Revenue by product area

EURk	2021	2020
Mechanical components for electrical and electronic applications	92,681	81,391
Safety components for airbags, seats and steering	128,062	111,576
Structural components and subsystems for vehicle bodies and chassis	183,531	178,187
Total	404,274	371,154

Revenue by region

EURk	2021	2020
Germany	131,937	131,152
Rest of Europe	97,453	86,686
North America	123,457	103,253
Other countries	51,427	50,063
Total	404,274	371,154

35 Declaration of Conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code in the version dated December 16, 2019 submitted by the Executive Board and the Supervisory Board in December 2021 in accordance with section 161 AktG is available to shareholders on the company's website at → <https://www.progress-werk.de/en/group/corporate-governance/>

The Remuneration Report with the individual emoluments of the Executive Board and the Supervisory Board prepared outside the combined Group Management Report will be subjected to a subsequent formal audit by the auditor and published at → <https://www.progress-werk.de/en/group/corporate-governance/>.

36 Events After the End of the Reporting Period

The outbreak of war between Russia and Ukraine on February 24, 2022 has challenged the entire security architecture of Europe and NATO as well as one of the central pillars of the political order following World War II.

Over the following days, the western democracies, the European Union and NATO demonstrated great unity in rapidly agreeing several far-reaching and increasingly severe sanctions packages and taking strategic decisions. Countries outside these alliances backed these decisions.

PWO has no sites of its own in Russia or Ukraine. However, we will, of course, be affected by the macroeconomic consequences. These may

include temporary falls in demand, disruption to and interruptions of supply chains as well as higher procurement prices. In the medium term, macroeconomic conditions may change as a result of a sustained increase in defense spending and changes to European energy imports. Overall, we are unable to predict the consequences of the war in Ukraine for PWO at present.

37 Composition and Mandates of the Supervisory Board and Executive Board

Supervisory Board

Name, Location	Position	Profession	Member of any other statutory German supervisory boards or comparable German or foreign supervisory bodies at commercial enterprises
Karl M. Schmidhuber , Alzenau	Chairman of the Supervisory Board	former chairman of the Executive Board of Progress-Werk Oberkirch AG	–
Dr. Georg Hengstberger , Tübingen	Deputy Chairman of the Supervisory Board	Graduate in mathematics, managing director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen	<ul style="list-style-type: none"> Düker GmbH, Karlstadt Chairman of the Supervisory Board and member of the Advisory Board Düker Email Technologie GmbH, Laufach Chairman of the Advisory Board
Andreas Bohnert , Kappelrodeck	Employee representative (since May 20, 2021)	Process planner and Deputy Chairman of the Works Council of Progress-Werk Oberkirch AG	–
Carsten Claus , Aidlingen		former Executive Board Chairman of Kreissparkasse Böblingen	<ul style="list-style-type: none"> Deutsche Sport Marketing GmbH, Frankfurt Member of the Advisory Board Gemeinnützige Werkstätten and Wohnstätten GmbH, Sindelfingen Member of the Supervisory Board
Stefan Klemenz , Kappelrodeck	Employee representative (since May 20, 2021)	Production planner and Chairman of the Works Council of Progress-Werk Oberkirch AG	–
Herbert König , Renchen	Employee representative (until May 19, 2021)	Business administrator and Chairman of the Works Council of Progress-Werk Oberkirch AG	–
Dr. Jochen Ruetz , Stuttgart		Managing director/CFO and member of the Administrative Board of GFT Technologies SE, Stuttgart	<ul style="list-style-type: none"> G. Elsinghorst Stahl and Technik GmbH, Bocholt Member of the Supervisory Board
Gerhard Schrempp , Renchen	Employee representative (until May 19, 2021)	Buyer for stamping and forming tools and member of the Works Council of Progress-Werk Oberkirch AG	–
Dieter Maier , Stuttgart	Honorary Chairman of the Supervisory Board	former Member of the Executive Board of Baden-Württembergische Bank, AG, Stuttgart (Chairman of the Supervisory Board of Progress-Werk Oberkirch AG from 1989 to 2016)	–

Executive Board

Name, Location	Position	Member of any other statutory German supervisory boards or comparable German or foreign supervisory bodies at commercial enterprises
Carlo Lazzarini , Bergisch-Gladbach	CEO and Chairman of the Executive Board	<ul style="list-style-type: none"> PWO Canada Inc., Kitchener, Canada Chairman of the Board of Directors PWO Czech Republic a.s., Valašské Meziříčí, Czechia Member of the Supervisory Board PWO Holding Co., Ltd., Hong Kong, China Director PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China Chairman of the Board of Directors PWO de México S.A. de C.V., Puebla, Mexico Chairman of the Board of Directors wvib Schwarzwald AG, Freiburg Member of the Advisory Board
Dr. Cornelia Ballwießer , München	CFO	<ul style="list-style-type: none"> PWO Canada Inc., Kitchener, Canada Member of the Board of Directors PWO Czech Republic a.s., Valašské Meziříčí, Czechia Chairman of the Supervisory Board PWO Holding Co., Ltd., Hong Kong, China Director PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China Member of the Board of Directors PWO de México S.A. de C.V., Puebla, Mexico Member of the Board of Directors
Johannes Obrecht , Oberkirch	COO	-

38 Proposal for the Appropriation of Profits

A proposal will be put to the Annual General Meeting to utilize the unappropriated retained earnings of PWO AG of EURk 4,700 reported as at December 31, 2021 as follows:

Distribution of a dividend of EUR 1.50 per eligible no-par share	EURk 4,687.5
Balance to be carried forward to the next accounting period	EURk 12.5

The number of eligible shares may change up to the time at which the resolution on the appropriation of retained earnings is adopted, by the acquisition of treasury shares by the company, for example (see section 71b AktG). In this case, a suitably amended proposal for the appropriation of profits will be submitted to the Annual General Meeting by the Executive Board and the Supervisory Board, which will still envisage a distribution per eligible no-par share of EUR 1.50 in total.

Oberkirch, March 18, 2022

Progress-Werk Oberkirch AG

The Board of Management



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO

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To Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch

Report on the Audit of the Consolidated Financial Statements and Combined Management Report

Opinions

We have audited the consolidated financial statements of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group ("combined management report") of Progress-Werk Oberkirch Aktiengesellschaft for the fiscal year from January 1 to December 31, 2021.

In accordance with the German legal requirements, we have not audited the contents of the elements of the combined management report set out in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial

Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the fiscal year from January 1 to December 31, 2021, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the contents of the elements in the "Other Information" section of the combined management report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter the "EU-AR"), taking into account the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Group in accordance with the requirements of European

law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2021. These matters were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not provide a separate audit opinion on these matters.

Recoverability of Goodwill at the Cash-generating Unit PWO Czech Republic

With regard to the accounting principles and the assumptions used, please refer to the information in Note 5. For information on the amount of goodwill, please refer to Note 5 in the section on intangible assets. Comments on the business performance of the cash-generating unit PWO Czech Republic can be found in the combined management report in the business development and forecast sections.

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THE FINANCIAL STATEMENT RISK

As at December 31, 2021, goodwill amounts to EUR 4.3 million and is to be assigned entirely to the PWO Czech Republic cash-generating unit.

The recoverability of the goodwill is reviewed annually on an ad hoc basis at the level of the PWO Czech Republic cash-generating unit. If this review during the year provides concrete indications for impairment, then an ad hoc impairment test is implemented. In the impairment test the carrying amount is compared with the recoverable amount of the cash-generating unit. If the carrying amount is higher than the recoverable amount, impairment needs to be taken. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit. The reference date for the impairment test is December 31, 2021.

The impairment test for goodwill is complex and depends to a high degree on assessments and judgments of the Company. This includes the estimate of future revenue trends and cash flow of the cash-generating units for the next 5 years, the assumed long-term growth rates and the capitalization rates used.

In the first half of the year, in some cases the international automotive industry achieved high growth rates. However, there was a considerably negative picture in the second half of the year as a result of the lack of electronic components and increasing prices for energy and logistics. Overall volume in Europe was lower in 2021. In the reporting year, despite weakness across the industry, the Czechia location was extensively expanded. At the location it is planned to manufacture a large share of the new business received in the reporting year.

The impairment test implemented for the PWO Czech Republic unit did not result in any impairment for goodwill.

If the results outlook for PWO Czech Republic worsens to a material extent or if there is an increase in the capitalization rate, an impairment for this unit may be necessary.

For the consolidated financial statements, there is the risk that the goodwill recognized on the reporting date for the PWO Czech Republic is not recoverable. There is also the risk that the disclosures in the notes to the financial statements are not appropriate.

OUR AUDIT APPROACH

To begin with on the basis of explanations from the Controlling department and consideration of the documentation, we gained an understanding of the Company's process for assessing the recoverability of goodwill.

With the support of our measurement specialists, we assessed the appropriateness of the key assumptions and the calculation methods of the impairment tests of the cash-generating unit performed by an independent expert commissioned by the parent company. To this end, we discussed the expected revenue trends and cash flows and the assumed long-term growth rates with those responsible for planning. We also carried out reconciliations with other internally available forecasts and the budget prepared by management and approved by the Supervisory Board. We additionally assessed the consistency of the assumptions with external market forecasts.

Furthermore we investigated the company's planning accuracy by comparing plans from earlier financial years with the results actually realized and analyzing any deviations. With the support of our measurement specialists, we compared the assumptions and data underlying the capitalization rate, especially the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To secure the mathematical correctness of the measurement methods used, we verified the Company's calculation using elements selected on a risk basis.

In order to take account of forecast uncertainty, we also investigated the impact of possible changes in the capitalization rate and the expected cash flows on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed if the disclosures in the notes to the financial statements are appropriate:

OUR CONCLUSIONS

The process underlying the impairment test of the goodwill in the PWO Czech Republic cash-generating unit is appropriate and is consistent with the measurement principles to be used.

The related disclosures in the notes to the financial statements are appropriate.

Revenue Accrual

With regard to the accounting principles, please refer to the information in Note 5 and Note 7.

THE FINANCIAL STATEMENT RISK

In the 2021 fiscal year, Group revenue totaled EUR 404.3 million.

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In line with the transfer of control, revenue is recognized either at a point in time or over time at the amount to which the Group expects to be entitled.

On the basis of the Group's performance, an asset is created with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date including an appropriate margin. On the basis of the existence of this criterion, the management determines that the performance obligations are satisfied over time and for this reason that revenue is recognized over time.

The Progress-Werk Oberkirch AG management has presented the criteria for revenue recognition in Group Accounting Guidelines and has implemented processes for correct recognition and accrual.

Due to judgments in assessing the stage of completion, for the consolidated financial statements there is the risk that as at the reporting date revenue is recognized incorrectly or in the wrong amount.

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OUR AUDIT APPROACH

On the basis of explanations from the management and employees of the Accounting, Sales and Controlling departments, we gained an understanding of the contract design and components typical for the industry. In addition, on the basis of the process understanding we obtained, we assessed the design, establishment and function of identified internal controls, in particular relating to securing the existence of customer orders, the correct identification of margins and determining the stage of completion. Furthermore, we examined the presentation of revenue in the Group Accounting Guidelines for conformity with IFRS 15.

On the basis of a random sample of contract assets, with reference to the relevant contracts we gave consideration to whether the requirement for realizing revenue over time exists and assessed the appropriate implement of the Group Accounting Guidelines.

We satisfied ourselves on the basis of a random sample from the volume structure of the contract assets. In addition, on the basis of a random sample we examined if the stage of completion is appropriately determined and whether the transaction price was considered correctly.

On the basis of the insights gained, we assessed recognition in the balance sheet and income statement.

OUR CONCLUSIONS

The Group's approach on revenue recognition over time as at the reporting date is appropriate. The assumptions underlying accounting are appropriate.

Other Information

The management is responsible for the other information. The other information comprises the following elements of the combined management report which have not been audited:

- the combined separate non-financial declaration of the Company and the Group, referred to in the combined management report, and,

- the combined corporate governance statement of the Company and the Group referred to in the combined management report,

Other information also includes the annual report that is expected to be made available to us after the date of this independent auditor's report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU-AR and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if

such disclosures are inappropriate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters that we have discussed with those charged with governance, we determine which matters were most important during the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "20210323_progresswerk_187929_Konzernabschluss.zip" (SHA256 hash value: cc7c01179e0075e94ff087b371a5d90f904b4e501bfb8c c5be63be83a29d3b69) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated

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financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW Ass 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected by the Annual General Meeting on May 19, 2021 as auditor of the consolidated financial statements. We were engaged by the Supervisory Board on October 13, 2021. We have been the auditor of the consolidated financial statements of Progress-Werk Oberkirch Aktiengesellschaft without interruption since 2020 fiscal year.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Audit

The auditor responsible for the audit is Jack Cheung.

Stuttgart, March 21, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Cheung
German Public Auditor

signed Laubert
German Public Auditor

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"We declare to the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, and the group management report combined with the management report of Progress-Werk Oberkirch Aktiengesellschaft, includes a fair review of the Group's business performance, including the results and the financial position, together with a description of the principal opportunities and risks associated with the Group's expected development."

Oberkirch, March 18, 2022

Progress-Werk Oberkirch AG

The Executive Board



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO

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PWO Group 5-Year Overview of Key Figures

EURk	2021	2020	2019	2018	2017
INCOME STATEMENT (EURk)					
Revenue	404,274	371,154	458,541	476,267	461,008
Total Output	404,817	372,156	459,845	478,012	483,107
EBITDA	47,155	21,169	45,893	42,701	44,956
EBIT before currency effects	22,131	-8,123	22,122	19,575	23,358
EBIT including currency effects	21,823	-10,099	19,846	18,427	20,527
Net income/loss for the period	14,742	-11,662	9,051	6,640	10,059
BALANCE SHEET (EURk)					
Total assets	373,272	363,654	393,306	390,046	393,725
Equity	125,301	104,464	119,529	116,450	113,116
Net debt ¹	103,609	102,484	132,473	131,359	125,888
Equity ratio in %	33.6	28.7	30.4	29.9	28.7
Dynamic leverage ratio in years ²	2.2	4.8	2.9	3.1	2.8
CASH FLOWS (EURk)					
Cash flow from operation activities	20,962	49,197	47,948	38,451	38,314
Cash flow from investing activities	-9,947	-13,471	-27,820	-25,605	-29,261
Free cash flow	4,863	29,096	14,952	8,070	4,332
Net change in cash and cash equivalents	1,076	3,484	-14,218	4,658	12,825

¹ Total of current and non-current financial liabilities.

² Net debt/EBITDA.

EUR MILLION	2021	2020	2019	2018	2017
ORDER SITUATION (EUR MILLION)					
Lifetime volume (new business)	570	400	510	304	300
of which series orders	535	370	475	280	281
of which tool orders	35	30	35	24	19
NUMBERS PER SHARE (EUR)					
Earnings per share (diluted = basic)	4.72	-3.73	2.90	2.12	3.22
Dividend per share	1.50 ¹	0.00	0.00	1.35	1.65
XETRA share price, year-end	31.80	19.40	24.30	24.50	46.51
EMPLOYEES (AS OF DEC. 31)					
PWO Group (incl. temporary employees and trainees)	2,957	3,093	3,208	3,426	3,404
of which in Germany	1,151	1,419	1,531	1,656	1,645
of which at international locations	1,806	1,674	1,677	1,770	1,759

¹ Proposed dividend

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May 10, 2022	Annual General Meeting 2022
May 13, 2022	Quarterly Statement for the First Quarter of 2022
August 9, 2022	Interim Financial Report 2nd Quarter and Half-Year 2022
November 9, 2022	Quarterly Statement 3rd Quarter and 9 Months 2022
November 28–30, 2022	German Equity Forum, Frankfurt

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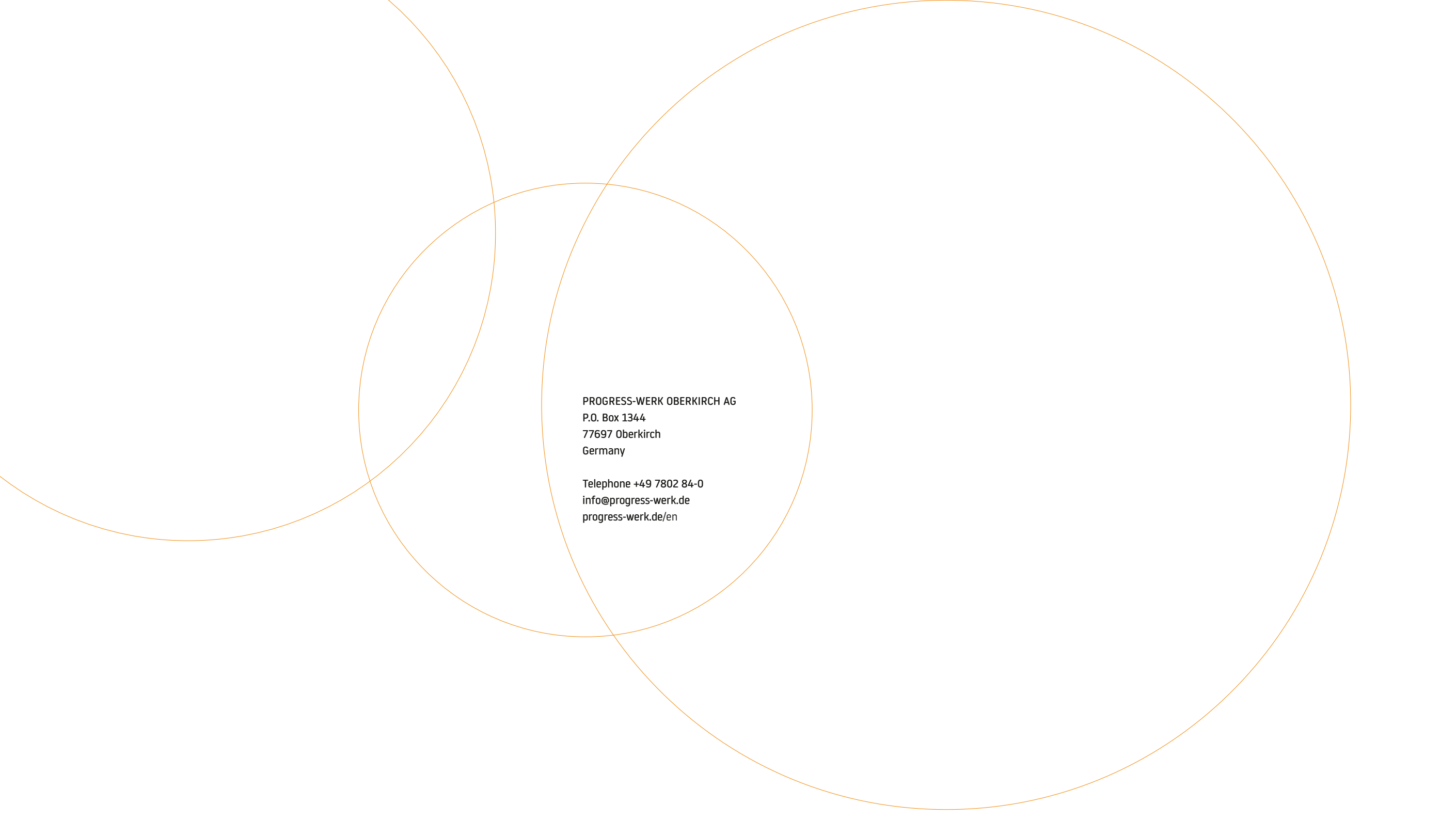
Figures in this document are typically presented in EURk. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. For reasons of better readability, gender-neutral as well as gender-specific forms are used. Hereby all genders are expressly meant. The English translation of this document is provided for convenience of understanding only. In case of any different interpretation of the texts in German and English, the German version shall prevail.

Pictures

PWO, Page 011: iStock

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