Combined management report for PWO AG

COMBINED MANAGEMENT REPORT FOR PWO AG

The combined management report for the fiscal year from January 1, 2025, to December 31, 2025, contains the report for PWO AG, Oberkirch, and for the PWO Group (hereinafter also referred to as “PWO”, the “PWO Group”, or the “Group”). The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (hereinafter also referred to as “IFRS”), as adopted in the European Union, and the supplementary provisions of commercial law. PWO AG prepares its financial statements in accordance with the provisions of the German Commercial Code (“HGB”) in its current version and the supplementary provisions of the German Stock Corporation Act (“AktG”).

The composition of the consolidated group is described in detail in the notes to the consolidated financial statements.

PWO Group principles

BUSINESS MODEL

Organizational structure of the Group

The Group manufactures lightweight components predominantly made of steel but also aluminum sheets for the international mobility sector.

PWO AG, based in Oberkirch, Germany, serves as the Group’s headquarters and, in addition to its role as an engineering and development site, also performs management tasks for the Group. PWO AG also has subsidiaries in 6 countries.

A 2-member Executive Board manages the Company. A 6-member Supervisory Board forms the supervisory body and has delegated some duties to committees. These tasks are described in detail in the report of the Supervisory Board.[1]

Sales markets, locations and segments

The Group has a total of 11 locations worldwide – 2 in China, 1 each in Germany and Canada, and 2 each in Mexico, Serbia and the Czech Republic. A new location in the U.S. was also opened in the reporting year.

All Group companies manage their own business and operations within the framework of the overarching objectives. As they refinance through the Group rather than on their own, the Executive Board of PWO AG decides how to allocate the investments needed for their growth. The business segments – China, Germany, Canada, Mexico, Serbia, the Czech Republic and the USA – are defined in line with this internal organizational structure and comprise the sales markets in which PWO AG and its subsidiaries operate.

OUR “LOCAL-FOR-LOCAL” PHILOSOPHY

In recent years, governments have increasingly used tariffs and other trade barriers to assert their economic and political interests, thus restricting global free trade. Since Donald Trump took office as President of the United States of America on January 20, 2025, the use of these instruments has grown, accelerating this trend.

Our sites follow a “local-for-local” strategy. They buy, manufacture and ship goods in their local or regional markets where possible. The sites in China and Europe are thus hardly affected by duties and trade barriers between the 3 blocs of China, Europe and the USA.

Any sites in Canada and Mexico that still sourced purchasing volumes from the U.S. largely switched to local sourcing in the reporting year. As a rule, we conclude ex-factory contracts with our customers. This means we make our product solutions available for collection by the customer at our sites, and the customer bears all costs and risks for transport, loading and export customs duties. In the rare instances where we do take care of customs clearance for our solutions, we pass these costs on to our customers.

Our sites therefore remain largely shielded from customs duties and other trade barriers. However, their effects on the automotive sector and the global economy of course affects the PWO Group just as they do other industrial companies.

Positioning, expertise and processes

All our solutions are installed in vehicles with different types of drive. In addition, we are committed to the consistent decarbonization of our business processes. As such, we consider our business model to be powertrain agnostic and sustainable.

We manufacture tailor-made solutions for international automotive manufacturers and tier 1 suppliers for large series with unit volumes that sometimes stretch into the millions and mainly address the following 3 areas of mobility: electrification, safety and comfort.

[1] The report of the Supervisory Board is not covered by the audit of the financial statements.

We make the parts by cold forming different kinds of steel and, to a lesser extent, aluminum. Above all, we provide lightweight design solutions, both in lightweight material design (replacing conventional deep drawing steel with modern high-strength and ultra-high-strength steel) and in lightweight structural design (minimizing the amount of material used in a component) as well as in lightweight system design (optimizing the use of materials and reducing the number of individual parts in a component group). Using various joining technologies, we assemble the individual manufactured components into systems.

DIGITAL BUSINESS PROCESSES

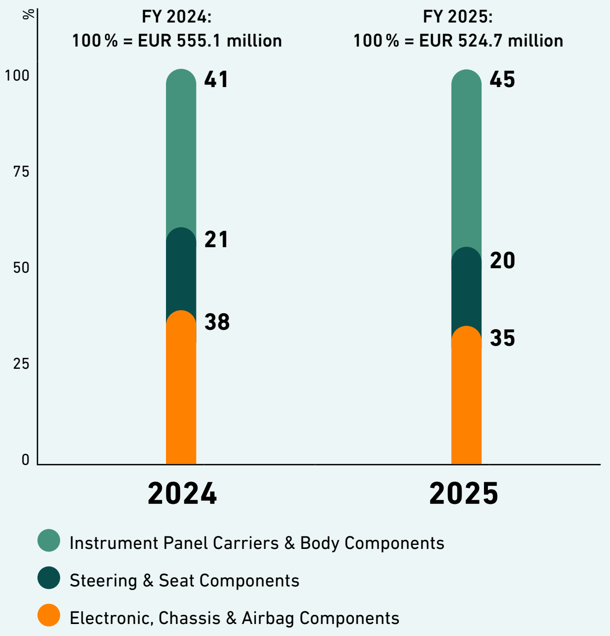
We have always considered the ongoing digitalization of business processes based on the latest commercially available applications to be significant. In recent years, artificial intelligence (AI) – software tools that mimic human skills such as learning, logical thinking and problem solving – has brought a new phase of digitalization to daily life. AI-based solutions have spread quickly, especially in private use.

AI will not alter our manufacturing processes – the cold forming of sheet metal and the assembly of parts into systems – substantially, since the laws of physics still apply. However, we are already using AI-based approaches in selected areas to make operational and administrative processes more efficient.

OUR BUSINESS UNITS

To coordinate the different product areas, there are 3 business units in which projects involving our various product solutions are coordinated and harmonized. The shares of revenue attributable to these changed in the reporting year as shown in the following chart:

Breakdown of revenue by business units



The Electronic, Chassis & Airbag Components business unit bundles a wide range of components for the electrification of vehicles, including components for fast chargers and electronic control units. It also includes electric engine housings for safety and comfort, for example for windshield wipers and window regulators, as well as for Anti-lock Braking System (ABS) and Electronic Stability Program (ESP) systems. PWO components for airbags and vehicle cooling also enhance the safety and comfort of passengers. Another product line comprises powertrain components for electric vehicles, batteries and fuel cells. In addition, the Group develops and manufactures various components for chassis and suspension systems, in particular pressure accumulators.

The Steering & Seat Components business unit develops and makes steering consoles, steering column pipes and metal structures for vehicle seats.

Within the Instrument Panel Carriers & Body Components business unit, instrument panel carriers are an important product line. The unit also develops and manufactures many different door components as well as reinforcements and supports for the vehicle body.

Development

PWO develops components and systems that essentially provide customized solutions to specific needs or requirements within the scope of customer projects, with the aim of subsequently receiving the orders to supply series volumes. Accordingly, the majority of expenditure on product and process development arises within the scope of customer projects. Internal work at the Group and third-party services for this purpose amounted to 2.5% of revenue in the reporting year (p/y: about 2%); in the reporting year, as in the prior year, the Group capitalized development costs of EUR 0.3m. The Group focuses on development rather than research.

External factors influencing operations

Key external factors that could influence PWO's business in the short term include changes in the overall economic and political environment and in the industry-specific economic situation. These are explained in more detail in the sections "Macroeconomic environment" and "The international automotive industry environment". Further details appear in the chapter "Results of operations" and in the report on risks and opportunities.

These sections also describe additional external factors and their effects, including fluctuations in sales volumes and prices or supply chain risks.

MANAGEMENT SYSTEM

We want our growth to be profitable. At the same time, we want to maintain a high balance sheet quality, particularly in terms of net leverage ratio and equity ratio. We rely on a management system that includes various financial performance indicators. We consider these indicators in a balanced relationship with each other, without striving to improve each individual indicator every year.

The Group's key financial performance indicators are revenue, earnings before interest and taxes (EBIT) before currency effects, free cash flow, equity ratio, net leverage ratio and capital expenditure. Definitions of these indicators are presented in the sections "Results of operations", "Net assets" and "Financial position". For the management of the segments, we focus in particular on the respective external revenue and EBIT before currency effects.

We manage medium-term planning using additionally the financial indicator of new business. This comprises the expected lifetime volume over the entire term of newly acquired orders, which we determine on the basis of contractual parameters for all orders and our own assumptions regarding the development of sales volumes. New business is therefore also one of the most important financial indicators.

We gear our sales strategy toward winning sufficient new business volume at attractive EBIT margins each year so that it can replace series production that will expire in the future. Still, new business can vary considerably from year to year – partly because customers decide to place orders at different times and partly because large order volumes are not always awarded every year in our market segment.

Furthermore, in our business there is typically a time lag between the start of orders and phase-outs, which can lead to fluctuations in revenue. Smoothing out such fluctuations through extra orders is almost impossible and also economically not worthwhile. Furthermore, we cannot offset short-term fluctuations in revenue caused by market conditions or customer-specific developments, as the lead times for new orders often span 1 year or more.

We aim to generate positive free cash flow, raise our equity ratio and lower our net leverage ratio. But growth often requires upfront investments before series production starts, while revenue is realized over the full order period of 8 – 10 years.

In addition, the current transformation process in the mobility industry requires us to continuously review the positioning of our locations and, if necessary, allow for higher expenses or investments at short notice to secure future market success. Such upfront investments can have a temporary impact on EBIT before currency effects, free cash flow and balance sheet ratios.

We also include the following key indicators as the most significant non-financial indicators in our management system: Scope 1 & 2 greenhouse gas emissions, training rates for e-learning courses, supplier audits and work accidents.

With climate change progressing, reducing greenhouse gas (GHG) emissions is particularly important. We determine our absolute GHG emissions in accordance with the internationally recognized Greenhouse Gas Protocol. Compared to the emissions calculated for our base year 2019, we have already been able to continuously reduce scope 1 & 2 GHG emissions in recent years. We want to continue on this path and offer our customers completely CO_2-neutral products by 2039. By 2045, we aim to achieve net-zero emissions across the entire Group.

To this end, we generally purchase green electricity as defined by the criteria of Renewable Energy 100 (RE100) – wherever it is available on the market. At our Mexican and Chinese sites we use photovoltaic systems. Furthermore, we purchase certificates recognized by the SBTi.

We aim for 100% participation in the e-learning courses offered each year within the PWO Group. We are constantly expanding the content of the training, which covers subjects such as compliance, human rights, sustainability, IT security and data security.

Work accidents should be fully prevented. To this end, we regularly improve our technical and operational safety standards as well as our guidelines and work instructions for accident prevention, train our employees and encourage them to carefully implement what they have learned. We measure work accidents using the lost time injury rate (LTIR) – this refers to the number of work accidents with at least 1 day of lost time per 1 million productive working hours.

With regard to sustainable procurement, our audits of suppliers in accordance with the International Automotive Task Force (IATF) 16949 quality management standard include environmental, social & governance (ESG) criteria. These criteria are applied in all external audits within the Group.

Economic report

MACROECONOMIC ENVIRONMENT

In its World Economic Outlook (WEO) published in October 2025, the International Monetary Fund (IMF) states that the rules of the global economy are changing. Details of new policy steps are slowly becoming clear and are affecting growth prospects. After the United States introduced higher tariffs in February 2025, later deals and new reviews eased some of the extremes. However, uncertainty about the stability and growth of the global economy remains high. Meanwhile, the world's economies, institutions and markets have adjusted to an environment marked by more protectionism and division, with weak medium-term growth prospects and the need to adjust macro policy.

Overall, in October 2025, the IMF expected global growth to slow from 3.3% in 2024 to an estimated 3.2% in 2025. While this was an improvement over the July 2025 WEO update, it was cumulatively 0.2 percentage points below the forecasts made before the policy changes in the October 2024 WEO. The slowdown reflected the negative effects of uncertainty and protectionism, even though the tariff shock was less severe than originally feared.

In the USA, growth is expected to slow from 2.8% in 2024 to 2.0% in 2025. This forecast shows a sharp slowdown compared with 2024 and a total cut of 0.1% points compared with the October 2024 WEO and 0.7% points compared with the January 2025 WEO update. The main reasons for this are greater political uncertainty, higher trade barriers and slower growth in both the labor force and employment.

Growth in the euro area is expected to pick up slightly from 0.9% in 2024 to 1.2% in 2025. While this is an improvement over the April and July WEO, it represents a total cut of 0.4 percentage points from the October 2024 WEO. Higher uncertainty on many fronts and higher tariffs are the main causes of this.

After gross domestic product fell by 0.5% in 2024, Germany is set to add much to better growth in the euro area in 2025 with growth of 0.2%, driven mainly by loose fiscal policy in infrastructure and defense spending.

Because of large bilateral trade tensions between the USA and China, the IMF adjusted its forecasts for China several times during 2025, both substantially upward and downward. In its October projections, it ultimately expects a moderate slowdown in the growth rate from 5.0% in 2024 to 4.8% in 2025. Compared to the WEO forecast from October 2024, this corresponds to an increase of 0.3 percentage points.

In its January 2026 update, the IMF has raised its growth forecasts for key countries and regions. It states that trade tensions have continued to ease, but emphasizes that they could increase again from time to time and that the total momentum is uneven.

Global growth in 2025 is now expected to be 3.3%, with the USA growing by 2.1%, the euro area by 1.4%, Germany by 0.2% and China by 5.0%, the same growth rate as in 2024.

THE INTERNATIONAL AUTOMOTIVE INDUSTRY ENVIRONMENT

According to the assessment of the PWO Group's Executive Board, Germany has lost a lot of its competitiveness as an industrial location since the coronavirus pandemic. This is especially clear in the German automotive industry, where cost pressure and excessive bureaucracy are joined by weak domestic demand. Because of the ongoing global crises since 2019 and several years of weak growth in Germany, many consumers are delaying large purchases such as cars out of concern for their jobs and incomes. As a result, new registrations were again low in 2025.

In addition, new burdens arose in the reporting year due to international trade conflicts. The new U.S. tariff policy and corresponding countermeasures by other countries had a particularly severe impact on the highly networked international automotive industry. At the same time, in view of its own weak domestic consumption, China is increasingly focusing its production on exports – primarily to Europe, as the U.S. market is largely blocked by high tariffs. Although the market shares of Chinese makers are still small, their products are attractive and competitive.

The total effect of all these developments led to production in the entire German automotive industry being increasingly relocated to countries with more favorable conditions in 2025, which reduced capacity utilization at German plants accordingly.

In its January 2026 status report on the development of international automotive markets, the German Association of the Automotive Industry (VDA) reports that the total number of new vehicles registered on the European passenger car market in 2025 was just under 13.3m – a good 2% increase compared to 2024. However, new registrations remained well below the level seen before the coronavirus pandemic (-16% compared to 2019). The 5 largest individual markets performed differently in 2025: Spain (+13%), the United Kingdom (+4%) and Germany (+1%) saw more new passenger cars registered than in the previous year. Italy (-2%) and France (-5%) recorded further declines in revenue.

In December, registrations of new cars in Europe reached 1.2m vehicles, up 8% from December 2024. The weak base in the previous year and steady growth in new electric car registrations drove the rise.

In the USA, light vehicle sales (passenger cars and light duty) rose to 16.2m light vehicles in 2025 – just under 2% more than in the previous year. In December, however, revenue fell compared to the same month last year – for the third month in a row. Most recently, just under 1.5m vehicles were newly registered. That was about 2% less than in the previous year. New registrations of electric light vehicles slumped significantly more than the overall market (-36%).

The Chinese passenger car market grew to 23.9m new registrations in 2025 – a good 4% more than in 2024. In December, however, it suffered a sharp fall for the second time in a row. Passenger car sales fell by double digits, down 13% to a volume of around 2.3m units. The gradual exhaustion of subsidies and generally reduced incentives in numerous Chinese provinces had an increasingly noticeable impact.

In its January 2026 update, the VDA reports that registrations in Germany totaled 2.86m new cars (+1%) in 2025. However, the German passenger car market remained well below the level of the last pre-coronavirus year of 2019. In 2025, around 749,700 fewer new vehicles were registered in Germany than in 2019, corresponding to a decline of 21%.

Domestic car output in 2025 was slightly above the previous year's level at 4.15m cars (+2%), but remained at roughly the same level for the third year in a row. It remained well below the pre-crisis level; output in the past year was 11% below the figure for the last pre-coronavirus year of 2019.

Exports of passenger cars reached 3.17m units in 2025, almost matching the level of the previous year. However, this was 9% below the pre-crisis level of 2019.

The pressures currently facing the German automotive industry are even more evident when looking at employment figures. On 20 November 2025, the Federal Statistical Office reported that the automotive industry had seen particularly significant job losses within German industry. At the end of the third quarter of 2025, there were 48,700 fewer employees working in the industry than a year earlier, a fall of 6.3%. The percentage fall was higher than in any other major industrial sector with more than 200,000 employees in Germany.

At 721,400 the number of employees in the automotive industry reached a low point. The last time fewer people were employed in this industry was at the end of the second quarter of 2011. Within the automotive industry, suppliers were hit by more job cuts than car makers. Suppliers of parts and accessories for motor vehicles saw an 11.1% drop, with just under 235,400 people working in this area.

New registrations/sales of passenger cars in units

Region	Full year 2025	Change vs. 2024 (%)
Europe (EU27 + EFTA + UK)[1]	13,271,300	2.4
Western Europe (EU14 + EFTA + UK)[1]	11,770,300	1.8
New EU states (EU13)[1]	1,501,000	6.8
Germany[2]	2,857,591	1.4
China[3]	23,864,000	4.5
USA (light vehicles)[4]	16,233,400	2.4

[1] Source: ACEA, cited from VDA status report, Development of international automotive markets, January 2026.
[2] Federal Motor Transport Authority.
[3] Source: CPCA, cited from VDA status report, Development of international automotive markets, January 2026.
[4] Source: Omdia, ibid.

BUSINESS PERFORMANCE

Situation

OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

From the perspective of the Executive Board, the 2025 fiscal year was satisfactory for the Group. The development of revenue and EBIT before currency effects once again confirms the success of our international expansion strategy and the robustness and efficiency of our management processes, which we have consistently developed and optimized in recent years.

We are particularly pleased with the high level of new business we were able to secure in the past year, which significantly exceeded our expectations. Our customers appreciate our innovative strength, global delivery capability, and high-quality, reliable service, especially given the long-term nature of their series production runs.

Based on these success factors, we intend to continue our global expansion strategy. With free cash flow expected to be positive again in 2025, a solid equity base and available credit lines, we believe we are well positioned to accomplish this.

At the same time, we are integrating ESG aspects more deeply into our organization and in all our key business processes. In the future, we will continue to actively pursue this commitment in order to combine economic success with environmental and social responsibility.

Comparison of forecast to actual business performance

	Actual values 2025	Latest forecast 2025	Forecast 2025 according to the 2024 annual report	Actual figures according to the 2024 annual report
Financial performance indicators				
Revenue	EUR 524.7m	EUR 500 – 510m[1]	About EUR 530m	EUR 555.1m
EBIT before currency effects	EUR 26.1m	EUR 23 – 28m (we consider the upper half of the range to be ambitious)[2]	EUR 23 – 28m	EUR 30.0m
Capital expenditure according to segment report	EUR 41.3m	–	About EUR 40m	EUR 46.2m
Free cash flow after interest paid and received and after taxes paid	EUR 9.9m	–	Positive in the low single-digit EURm range	EUR 33.3m
Equity ratio	37.5%	–	Flat	37.5%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA – earnings before interest, taxes, depreciation and amortisation)	1.8 years	–	Less than 2.5 years	1.6 years
Lifetime volume of new business (series and tool orders)	About EUR 760m	–	EUR 550 – 600m	About EUR 630m
Non-financial performance indicators				
Scope 1 & 2 GHG emissions	5,088t	–	6,275 – 7,650t	6,287t
Training rate for e-learning courses	100%	–	100%	100%
Supplier audits including ESG criteria	100%	–	100%	100%
Work accidents (LTIR)	6.53	–	0	9.53

[1] Reported on August 8, 2025
[2] Reported on November 13, 2025

The market environment proved to be quite challenging in fiscal year 2025. This prompted us to refine our forecasts for revenue and EBIT before currency effects in our half-year financial report and in our announcements for the 3rd quarter and the 9-month period. However, at the end of the reporting year, we actually achieved the original forecasts with which we had started the 2025 fiscal year. A special effect in the Canada segment and the reversal of warranty provisions in the Germany segment also contributed to this.

We also met our forecasts for capital expenditure, free cash flow and balance sheet control figures.

New business significantly exceeded our expectations. In the strong fourth quarter alone, we landed orders with a total volume of around EUR 225m.

In terms of non-financial performance indicators, we fell significantly below budgeted GHG emissions as we continued our efforts to decarbonize our business. We achieved 100% of our targets for training rates and supplier audits.

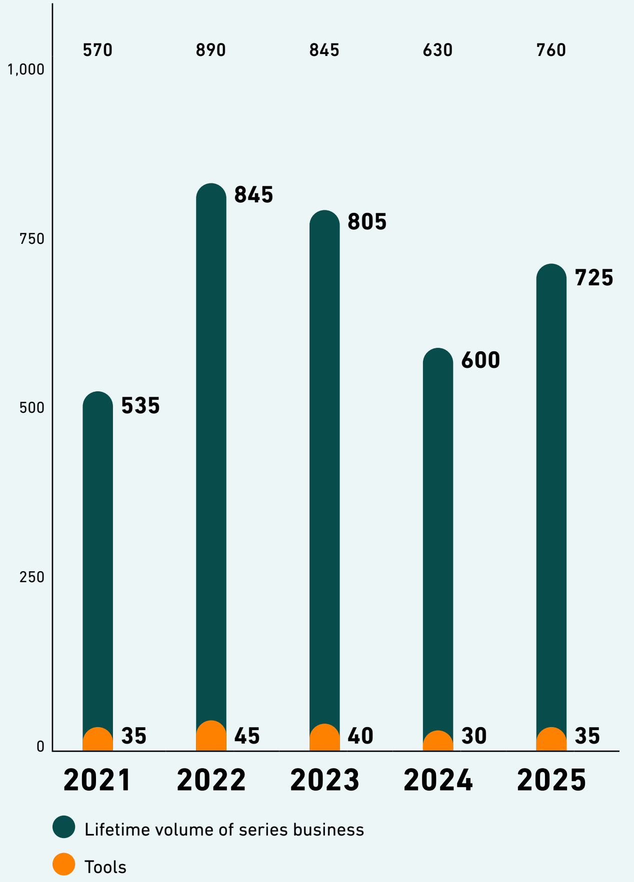
The number of work accidents fell sharply compared with the previous year. We are continuing to work intensively to get as close as possible to our goal of completely eliminating work accidents every year.

Order situation

Our plan for profitable growth aims to secure new business that surpasses the volume of expiring series production. Our fully powertrain agnostic business model, our global revenue push and our strong development skills should help us achieve this.

In addition to securing new series orders, we also raised our share of deliveries in ongoing series production in the reporting year. We are also increasingly known for our own solutions for special applications. Recent examples of this include metal parts for the active and passive cooling of electrical and electronic systems.

Development of new business (EURm)



In fiscal year 2025, we achieved a lifetime volume of around EUR 760m, including tool orders related to series production of around EUR 35m. Once again, we are delighted to welcome the first projects from various new customers – both automotive manufacturers and suppliers – to our portfolio at several locations.

By region, a large order for side members in the Czech Republic segment was particularly notable. Side members are key components of the body that run along the long side of a car. They reduce impact forces and protect passengers in a side-impact collision by absorbing energy.

In our view, this order for the development and manufacture of highly complex parts showcases our high level of expertise in high-strength steels and sophisticated joining solutions.

Another key focus was new business at our sites in Mexico and Germany, where customers commissioned us to develop and manufacture a wide range of different product solutions.

We also secured promising volumes in the China and Canada segments, especially considering the size of those locations. In China, these include a new generation of housings for steering columns and seat adjustment, window regulators and headlights, and components for electrohydraulic brake boosters. In Canada, we secured larger volumes for air suspension and door parts.

With various projects for the engineering and production site in Serbia, we are also securing the further growth planned there.

On the product side, customers placed major orders for instrument panel carriers, air suspension, body parts and seat frames for a variety of vehicle types – for example, with a Chinese manufacturer for the production in China and Mexico.

Wherever opportunities arise beyond our traditional sales markets, we seize them with determination. In 2025, for example, we secured orders for the development and manufacture of components that will be installed in trucks and delivery vans.

We plan to start production of the new business booked in the reporting year mainly in fiscal years 2026 – 2027. However, some of these orders – mainly smaller ones – already added to revenue in 2025.

Much of our work involves supplying platforms on which numerous vehicle models with different start and end dates are manufactured. As a result, our orders typically run for 8 – 10 years. In fiscal year 2025, however, a comparatively larger share of those projects generate revenue in a shorter time than is normal for our business. This was due to volume increases for existing series products and to the acquisition of additional supply shares as well as extra volumes of newer vehicle models that use identical parts from existing platforms.

In addition, some larger series production runs at the sites in the Czech Republic are set to run for 13 years. These cover body and structural parts for a platform that in the past has already demonstrated long-term viability.

Results of operations

Income statement

Selected information (EURk)	2025	in % of revenue	2024	in % of revenue
Revenue[1,2]	524,685	100.0	555,119	100.0
Total operating revenue	527,921	100.6	555,565	100.1
Other operating income	26,539	5.1	14,915	2.7
Cost of materials	-304,724	-58.1	-325,973	-58.7
Staff costs	-143,125	-27.3	-135,870	-24.5
Other operating expenses	-57,077	-10.9	-54,897	-9.9
EBITDA	49,534	9.4	53,740	9.7
Depreciation/amortization	-24,919	-4.8	-23,594	-4.3
EBIT before currency effects[1]	26,097	5.0	30,043	5.4
Currency effects according to the income statement	-1,482	-0.3	103	0.0
EBIT incl. currency effects	24,615	4.7	30,146	5.4
Net income/loss for the period[3]	8,003	1.5	12,541	2.3
No. of employees on Dec. 31, incl. temporary employees	3,262	–	3,195	–

[1] Key performance indicator for the PWO Group
[2] Benchmark for percentages
[3] The net income/loss for the period is attributable in full to the shareholders of PWO AG.

The Group has no sites in Russia or Ukraine and has no major direct customer or supplier relationships in those countries. Still, the Group is affected by the overall economic effects of the war in Ukraine. Yet no company-specific adjustments are needed. The armed conflicts in the Middle East – particularly in Iran – also affect PWO only indirectly through their overall economic and political impact. In particular, this could disrupt global supply chains. As a result, increases in purchase prices cannot be ruled out. However, based on current information, we do not anticipate any significant economic impact on the PWO Group as a result of this conflict.

One of PWO's key financial performance indicators is "EBIT before currency effects", which we use as the basis for the following notes. This figure is adjusted for currency effects from transactions. These effects affect other operating income and expenses and are reported in the notes to the consolidated financial statements. By contrast, translation effects arise when the foreign currency financial statements of our subsidiaries are translated into the Group currency, the euro, and are not included in EBIT before currency effects.

We continue to benefit from the strong new business of recent years and from the ongoing start-up and ramp-up of new series production. In addition, we billed a higher tool volume in the reporting year than in the previous year. Of the EUR 30.4m decrease in revenue in the reporting year compared with the previous year, EUR 9.3m was attributable to currency effects and EUR 8.4m to lower material prices. Excluding these factors, in 2025 revenue fell by only EUR 12.7m, or 2.4%, compared with 2024.

The cost of materials ratio, which had risen sharply in recent years, fell. The fall in raw material prices and a shift in the product mix helped. Energy costs also fell noticeably to EUR 6.3m (p/y: EUR 7.4m) as prices declined. However, measured in terms of revenue, energy costs are not a dominant cost factor in our business, accounting for just over 1% of revenue.

By contrast, the staff cost ratio increased significantly as wages and salaries do not correspond to revenue development, but rather tend to rise each year. This is due to union deals and shortages of skilled workers in many of the countries we work in. In addition, we hired new employees at our growing sites to train them for future series production and ramp-ups.

Depreciation/amortization rose due to our investment activities. We cut other operating costs, excluding currency costs, to EUR 46.0m (p/y: EUR 49.9m). Higher costs mainly for maintenance and corporate communications – including the relaunch of our website and company design – were offset by lower legal and consulting costs and falling costs for temporary workers, among other things.

Overall, we generated EBIT before currency effects of EUR 26.1m (p/y: EUR 30.0m) and including currency effects of EUR 24.6m (p/y: EUR 30.1m) in the reporting year. EBIT including currency effects includes effects from the valuation of foreign currency receivables and liabilities as well as hedging transactions on the reporting date. In the reporting period, the reversal of warranty provisions amounting to EUR 2.4m in the Germany segment had a positive impact on the Group's earnings performance.

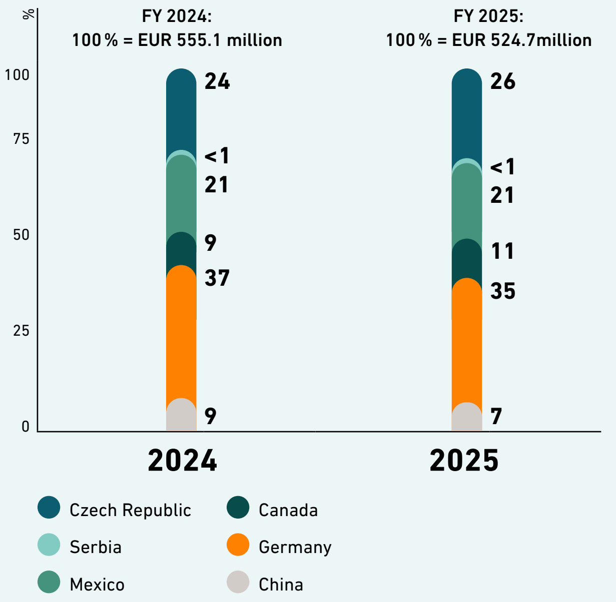
In addition, a positive special effect was recorded in the Canada segment. Customer adjustments to plans resulted in special payments and, at the same time, the devaluation of production facilities already purchased. Overall, the special effect was positive, amounting to EUR 8.2m. In the previous year, the special effect in the Canada segment amounted to EUR 0.8m. We define special effects as events that occur only once in the reporting period, are not recurring in nature and amount to at least 5% of EBIT before currency and special effects. Adjusted for special items, EBIT before currency effects in the reporting year would have been EUR 17.9m (p/y: EUR 29.2m), which is below the previous year's figure.

While the expense from the financial result was EUR 8.9m, down from EUR 9.7m in the previous year due to the fall in the variable interest rate (EURIBOR), the tax rate was much higher at 49.0% compared to the previous year's figure of 38.6%. The main drivers were charges from effects from previous years and from expected future tax rate reductions. In addition, the negative result of the subsidiary in Serbia does not reduce taxes at the Group level.

Total net income for the year was EUR 8.0m (p/y: EUR 12.5m).

Segments

Breakdown of revenue by segment



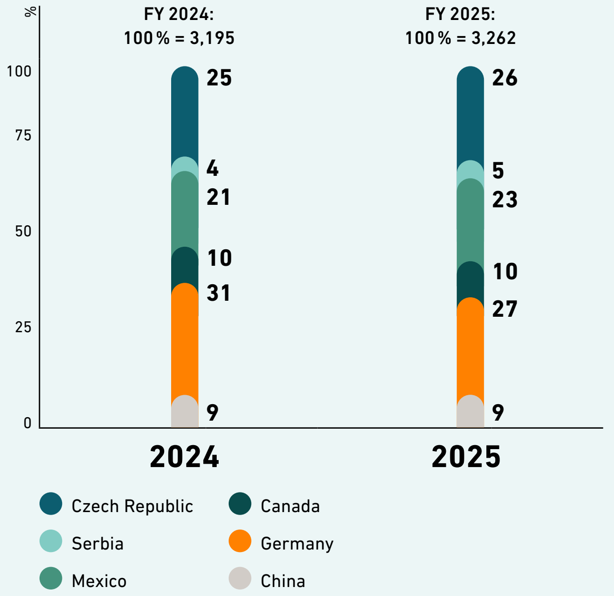
The USA segment is not included because the location there was newly opened shortly before the end of fiscal year 2025 and did not generate any revenue that year.

In line with the internal management of the Group, our sites form the basis for segment reporting. The segments are determined by the sites of the Group's assets. The Group's revenue is split in the same way. Internal revenue between the sites and segments mainly relates to deliveries of series parts and tools.

The tables below show the key data on the development of the segments. The figures that serve as benchmarks for the Group are highlighted. Consistent with the presentation of the results, the next section will focus on EBIT before currency effects.

We discuss developments that affected individual locations more strongly than the Group as a whole in the reporting year. However, we do not reiterate in detail the influencing factors explained in the "Results of operations" section.

Headcount by segment



The USA segment is not included because the location there was newly opened shortly before the end of fiscal year 2025 and was run by employees of an externally contracted company.

China segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	46,173	116.6	54,433	112.5
External revenue[1,2]	39,605	100.0	48,398	100.0
Total operating revenue	46,284	116.5	54,434	112.5
EBIT before currency effects[1]	5,499	13.9	6,296	13.0
EBIT incl. currency effects	5,621	14.2	6,325	13.1
No. of employees on Dec 31, incl. temporary employees	279	–	295	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

Our sites in the China segment experienced strong market pressure that some existing customers in this market face, which led to a sharp fall in external revenue. However, the effect on profit was largely limited by steady cost control and strict efficiency measures.

Germany segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	194,616	106.6	223,905	108.4
External revenue[1,2]	182,646	100.0	206,538	100.0
Total operating revenue	196,455	107.6	224,250	108.6
EBIT before currency effects[1]	-2,073	-1.1	3,677	1.8
EBIT incl. currency effects	-2,910	-1.6	3,497	1.7
No. of employees on Dec 31, incl. temporary employees	882	–	979	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

The home site of Oberkirch in the Germany segment remains under pressure due to the increasingly tough conditions for industry in Germany. As our customers increasingly shift production from Germany to Eastern Europe, it is also hard to keep the level of revenue at our German site. Accordingly, external revenue fell sharply again in the reporting year.

However, thanks to early action we kept staff costs roughly flat despite yearly wage hikes and cut other operating costs. This offset some of the fall in revenue on the cost side. Still, the Germany segment ended the year with negative EBIT before currency effects. The loss would have been even higher had it not been for the positive effect of the reversal of warranty provisions amounting to EUR 2.4m relating to other periods.

To offset the ongoing pressure on the Germany segment, we started talks with the PWO works council in the reporting year to reach a works deal. Shortly after the end of the reporting period, the parties agreed to a temporary cut in hours and pay. To avoid lay-offs for operational reasons and keep jobs at the main plant, the deal gives the company the option to cut hours by up to 7.63% until December 31, 2026, depending on workload, with a corresponding cut in pay.

Canada segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	57,641	101.9	50,533	102.4
External revenue[1,2]	56,543	100.0	49,352	100.0
Total operating revenue	57,651	102.0	50,533	102.4
EBIT before currency effects[1]	11,931	21.1	2,107	4.3
EBIT incl. currency effects	11,866	21.0	2,272	4.6
No. of employees on Dec 31, incl. temporary employees	337	–	318	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

External revenue in the Canada segment rose sharply. Higher capacity use and the successful end of customer negotiations drove this rise. This led to extra payments and, at the same time, a write-down of plants already bought – ultimately yielding a positive one-off effect of EUR 8.2m. Together with strict cost control, this lifted EBIT before currency effects compared with the prior year.

Mexico segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	110,263	100.0	116,350	100.3
External revenue[1,2]	110,222	100.0	115,961	100.0
Total operating revenue	111,334	101.0	116,450	100.4
EBIT before currency effects[1]	6,722	6.1	10,686	9.2
EBIT incl. currency effects	6,346	5.8	10,791	9.3
No. of employees on Dec 31, incl. temporary employees	756	–	685	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

The development of the Mexico segment was significantly influenced by preparations for the start-up and ramp-up of new series production, while customer call-offs in ongoing series were down on the previous year due to market conditions. Among other things, tools and presses were run in and employees were trained for the new series production. Overall, various costs are reducing EBIT before currency effects, before significant revenue is generated from the series ramp-ups in the future. We consider this trend to be temporary. As the new series ramp up, this trend should reverse.

Serbia Segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	3,591	619.2	3,176	705.8
External revenue[1,2]	580	100.0	450	100.0
Total operating revenue	3,621	624.3	3,176	705.8
EBIT before currency effects[1]	-5,334	-919.6	-1,872	-416.0
EBIT incl. currency effects	-5,357	-923.6	-1,895	-421.1
No. of employees on Dec 31, incl. temporary employees	147	–	123	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

In the reporting year, toolmaking work in the Serbia segment was slightly above the prior year's level. At the same time, we pressed ahead with the building of the new engineering and production site. Production there started on time at the end of 2025. However, the level of revenue generated was not yet enough to cover the costs linked to setting up the site.

Czech Republic Segment

EURk	2025	in % of external revenue	2024	in % of external revenue
Total revenue	145,148	107.4	144,280	107.5
External revenue[1,2]	135,123	100.0	134,268	100.0
Total operating revenue	145,323	107.5	144,280	107.5
EBIT before currency effects[1]	9,714	7.2	8,972	6.7
EBIT incl. currency effects	9,411	7.0	8,980	6.7
No. of employees on Dec 31, incl. temporary employees	861	–	795	–

[1] Key performance indicator for the PWO Group and the segment
[2] Benchmark for percentages

The ramp-up of new series production and, in particular, higher tool revenue compensated for the current market weakness in Europe in the Czech Republic segment. As a result, external revenue exceeded the previous year's level. One-time costs at the start of the reporting year – especially in connection with 2 ongoing orders – first reduced earnings, but the team later more than offset them through focused efficiency steps. EBIT before currency effects therefore exceeded the previous year's figure in the reporting year.

Net assets

In fiscal year 2025, total equity and liabilities rose to EUR 442.2m (p/y: EUR 433.0m). Non-current assets remained on a similar level to the previous year at EUR 245.9m (p/y: EUR 245.2m). However, as we continued to expand, the value of our land and buildings increased significantly. Meanwhile, prepayments made and assets under construction decreased due to the capitalization of the building in Serbia. Overall, property, plant and equipment increased to EUR 202.8m (p/y: EUR 195.4m).

Large sums went to Serbia and Mexico, then Germany and the Czech Republic. Details on spending goals can be found in the "Financial Position" section.

Current assets rose to EUR 196.3m (p/y: EUR 187.9m). This was mainly due to higher inventories, which rose to EUR 48.8m (p/y: EUR 40.6m). In contrast, receivables and other assets fell to EUR 129.2m (p/y: EUR 135.5m). We keep working to lower the capital tied up in current assets. For example, in the reporting year, we signed new factoring deals at our international sites and raised the volumes of existing deals. At the same time, we are also continuously improving terms with our suppliers.

Cash and cash equivalents rose to EUR 18.3m (p/y: EUR 11.8m).

On the liabilities side of the balance sheet, non-current financial liabilities rose mainly because of the EUR 12.5m promissory note tranche placed in the fourth quarter, among other things to finance our construction measures at our locations. In return, we partially repaid current financial liabilities. Total short-term and non-current financial liabilities therefore just rose to EUR 108.0m (p/y: EUR 98.9m). Net debt remained stable.

In addition, non-current pension provisions fell sharply to EUR 41.3m (EUR 46.4m), driven mainly by the rise in the discount rate and a change to the pension trend. Trade payables also fell to EUR 63.2m (p/y: EUR 65.7m). The launch of a supply chain financing program with a EUR 10m line at PWO AG also helped. The related obligations are reported under other financial liabilities.

Financial liabilities generally bore interest at rates ranging from 3.00% to 7.13% (current) and from 1.35% to 5.95% (non-current). The higher interest rates mainly stem from subordinate, local financing of individual subsidiaries.

To secure liquidity and funding for the Group, we completed the following funding steps in 2025 in addition to the supply chain financing program: The Group secured a bilateral loan of USD 5m at PWO Mexico and placed a promissory note loan in 2 tranches of EUR 12.5m (value date 2025) and EUR 7.5m (value date 2026) through a private placement.

As of the reporting date, the total amount of undrawn lines, including cash and cash equivalents, amounted to EUR 108.2m (p/y: EUR 111.7m).

Development of the equity ratio and net leverage ratio

EURk	2025	2024
Equity	165,888	162,280
Total equity and liabilities	442,166	433,034
Equity ratio[1] = Equity % of total equity and liabilities	**37.5**	**37.5**
Non-current financial liabilities	88,605	52,097
Current debt	19,405	46,826
Cash and cash equivalents	18,304	11,777
Net debt	**89,707**	**87,146**
EBITDA	**49,534**	**53,740**
Net leverage ratio in years/EBITDA[1]	**1.8**	**1.6**

[1] Key performance indicator for the Group

Financial position

Cash flow from operating activities fell to EUR 48.9m (p/y: EUR 78.0m). In the previous year, this balance was very high due to the reporting date – mainly because of a big fall in current assets and a rise in current liabilities (excluding financial loans). The latter resulted mainly from higher trade payables. These effects were partly reversed in the reporting year. The change in current assets led to a cash outflow of EUR 1.9m in fiscal year 2025 (p/y: cash inflow of EUR 20.8m). The change in current liabilities (excluding financial liabilities) produced a cash inflow of EUR 5.9m (p/y: EUR 16.5m).

Other non-cash expenses/income moved in the opposite direction. They had a positive impact of EUR 0.7m on cash flow from operating activities in the reporting year (p/y: EUR -8.1m). This item comes mainly from the valuation of hedging instruments.

Cash flow from investing activities was EUR -32.3m (p/y: EUR -36.8m). We explain the capital expenditure in the reporting period below. Free cash flow after interest paid and received and after taxes paid was EUR 9.9m (p/y: EUR 33.3m).

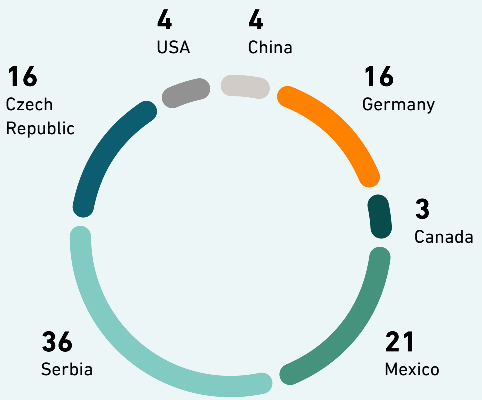
Cash flow from financing activities amounted to EUR -2.2m (p/y: EUR -27.7m). This includes net borrowings and leasing liabilities of EUR 10.1m (p/y: net repayments of EUR 14.4m). The sum of these changes led to a net change in cash and cash equivalents of EUR 14.5m in the reporting year (p/y: EUR 13.5m).

Keeping enough cash for the Group is always the focus of our finance work. We keep a cash buffer above our current payment duties. At the same time we aim to use current credit lines as little as possible.

The Group's solvency was ensured at all times during the reporting year. Against the backdrop of the promissory note loan placed in the fourth quarter and the undrawn credit lines described in the "Net assets" section, we are convinced that we have taken sufficient precautions to ensure solvency at all times in the forecast period. For more details on the rules and goals of cash management, see the notes to the accounts.

Capital expenditure by segment

FY 2025: 100 % = EUR 41.3 million



As shown in the segment report, EUR 41.3m (p/y: EUR 46.2m) was invested in the reporting year. The difference to the aforementioned cash flow from investing activities is due to the new lease financing agreements concluded in the reporting year. We are growing the Group and are putting money mainly into land and buildings, in the growth of our production capacity and in the digitalization of production steps. At the same time, we manage capital expenditure consciously, limit cash outflows and improve balance sheet quality.

In the China segment, capital expenditure of EUR 1.7m (p/y: EUR 2.1m) went mainly to project-specific assembly lines and IT infrastructure. Additional funds went to a new trial press and the expansion of the tool shop.

The Germany segment recorded capital expenditure of EUR 6.8m (p/y: EUR 7.8m). This sum covered digital projects with a focus on finance and revenue. In addition, we invested in presses, welding cells and, in particular, the automation of assembly lines. We also further strengthened the performance of our tool shop with a new turning and milling machining center.

The volume realized in the Canada segment amounted to EUR 1.3m (p/y: EUR 6.0m). The site is expanding its press fleet in preparation for the start of new series production. Another investment focus was on assembly systems for new cross member projects and for further orders.

In the Mexico segment, the expansion of our locations is continuing at speed with capital expenditure of EUR 9.0m (p/y: EUR 8.4m). We substantially enlarged the press area in production and expanded our assembly and welding capacities. Among other things, we strengthened our leading position in air suspension components with a helium recovery system. A new forming press is also on the way. It is scheduled to go into operation in 2026. At the same time, we are further strengthening our toolmaking capabilities and, with a new precision cleaning system, ensuring that we will continue to fully meet our customers' increasing requirements for the technical cleanliness of components (for example, with regard to maximum particle size or number).

In the reporting year, we once again dedicated significant capital expenditure of EUR 15.3m (p/y: EUR 14.3m) to the development of our sites in the Serbia segment. The new engineering and production site opened on July 3 and production began in the fourth quarter. We procured 3 forming presses for this purpose. We also invested in a precision cleaning system, among other things. Furthermore, we are setting up state-of-the-art IT infrastructure.

In the Czech Republic segment, capital expenditure was EUR 6.8m in the reporting year (p/y: EUR 7.7m). In anticipation of further growth at the sites, we completed a new production and logistics hall. In addition to project-specific expansion investments, we are also setting up a new welding and assembly line there, improving the IT infrastructure and expanding the machine park in toolmaking.

The capital expenditure of EUR 1.6m in the USA segment, which we are reporting for the first time in the year under review, mainly comprised the lease costs for the operating facilities over the term of the agreement.

Consolidation effects mainly related to interest expenses for the financing of the new building in Serbia.

Non-financial management of the PWO Group

We made important decisions regarding non-financial performance indicators in the reporting year, especially for the further reduction of GHG emissions. In addition to our regular improvements in energy saving and increasing energy efficiency at all our sites, in 2025 we completely converted our sites in China to green electricity – a year earlier than originally planned. In addition to generating electricity via photovoltaics, we use other instruments recognized by the SBTi, such as green electricity certificates in accordance with the I-REC standard.

In the reporting year, we also improved, more clearly defined and fully documented the existing process for recording our energy use and related scope 1 & 2 GHG emissions as part of ESG reporting.

The process collects data each quarter and establishes the data flow and tasks for each step. We use the data to study reduction options at the main emission sources. We have firmly embedded the resulting continuous improvement process into our management system, which reflects experience from all sites and best practices. This approach fosters Group-wide sharing of knowledge and supports the review and roll-out of suitable measures.

We regularly train our staff via e-learning courses and focus on a risk-based approach. We audit suppliers based on ESG criteria. As part of our continuous improvement processes, we are expanding our accident prevention procedures. In the reporting year the number of work accidents fell sharply, especially at the Oberkirch site.

Report on risks and opportunities[2]

OBJECTIVES AND STRATEGY OF THE RISK MANAGEMENT SYSTEM AND THE INTERNAL CONTROL SYSTEM

The PWO Group is exposed to a variety of risks associated with the business activities of PWO AG and its subsidiaries. We ensure sustainable success and the achievement of corporate goals by identifying opportunities and risks in equal measure, assessing them appropriately and managing them effectively. Our standardized risk management system (RMS) and internal control system (ICS) contribute to securing our objectives and are therefore an indispensable part of corporate management.

All risk management activities are derived from the strategy and objectives. In this context, we pursue a uniform approach to dealing with opportunities and risks. In doing so, the Group is guided by the principles of value-oriented management and takes business risks when, in the opinion of the Executive Board, the associated earnings opportunities exceed the risks.

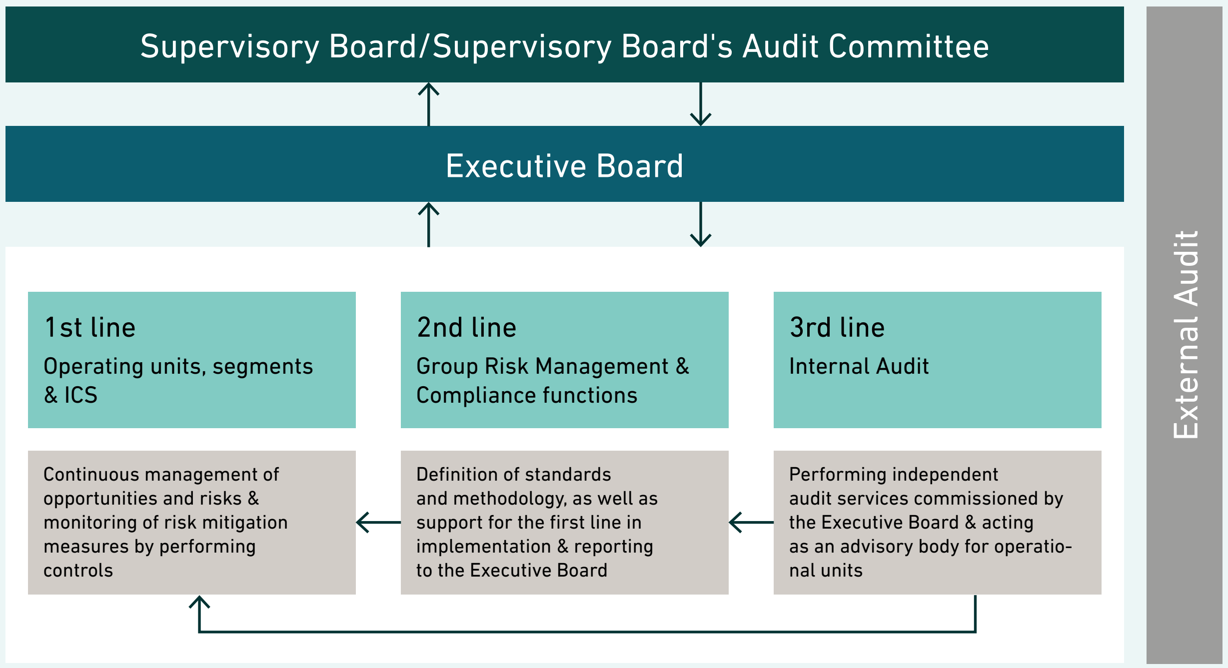
STRUCTURE OF THE RISK MANAGEMENT SYSTEM AND THE INTERNAL CONTROL SYSTEM

The Group's RMS and ICS are closely linked. PWO is guided by the 3-line model of the Institute of Internal Auditors (IIA) in order to ensure an appropriate, integrated control and monitoring system.

[2] The following changes have resulted from the restructuring of the report on risks and opportunities in the past fiscal year: Starting in fiscal year 2025, we no longer present opportunities and risks with predominantly short-term and predominantly medium- and long-term effects separately, but instead address opportunities and risks as a whole. The focus is on the reporting and forecast period of one year. In the section "Overall statement on the opportunity and risk situation" we also address topics that go beyond the reporting and forecast period.

In accordance with the model, the RMS and the ICS are part of 3 lines designed to protect the PWO Group from significant risks. The tasks are clearly defined. The first line of the 3-line model encompasses the operational units, the second line comprises Group Risk Management, and an independent internal audit function makes up the third line.

3-line model of the PWO Group



First line: Operating units, segments & ICS

The first line comprises the operating units in the individual segments. Their task is to ensure internal and external requirements are met. In addition, they carry out controls as part of the ICS approach, steer operational risk management, and further develop business processes in their respective units.

Opportunities and risks are identified and assessed in a decentralized manner in the first line. These are systematically structured and reported to Group Risk Management as part of planning and projection cycles. This ensures that opportunities and risks are appropriately incorporated into planning. Potential opportunities and risks are primarily identified and assessed. In addition, risk management measures are controlled, monitored and updated.

Second line: Group Risk Management & Compliance

The second line comprises Group Risk Management & Compliance functions. They define minimum requirements, set standards, coordinate cooperation with the first line and monitor the processes to be applied. Their tasks also include reporting regularly to the Executive Board and the Supervisory Board.

Group Risk Management works closely with the first line. This ensures that significant opportunities and risks are identified and assessed as comprehensively as possible, taking into account the applicable standards. In addition, Group Risk Management provides support with data maintenance and regularly checks the validity of the assessment assumptions. Furthermore, Group Risk Management serves as the point of contact for ad hoc risks.

As the higher authority for operational risk management, Group Risk Management is responsible for aggregating all opportunities and risks. The results of the risk aggregation are then incorporated into the risk-bearing capacity calculations, taking interdependencies into account. Here, various scenarios are simulated and compared with the risk coverage. Statements on whether individual or combined risks could jeopardize the company's existence are reported regularly to the Executive Board and the Supervisory Board.

During the fiscal year, certification of the compliance management system (CMS) was confirmed in the first surveillance audit in accordance with ISO 37301:2021, as was the certification of the anti-corruption management system in accordance with ISO 37001:2016. Recertification will take place in the fourth quarter of 2027 at the latest.

As part of the update of the compliance risk analysis, a qualitative risk questionnaire was conducted for the first time with approximately 80 managers using an online tool. This did not result in a change in the compliance risk assessment. In addition, both system and process audits were carried out as part of the internal compliance audit program.

For the expansion of the CMS to PWO SEE d.o.o. Čačak (Serbia), we have developed and rolled out Serbian-language e-learning courses for the annual mandatory training program. All employees have undergone a tried-and-tested training program on the PWO Code of Conduct, and are required to declare their commitment to it.

Third line: Internal Audit

In the third line, Internal Audit assesses whether business processes and governance functions are appropriate and effective through independent, risk-oriented audits. The overarching task of Internal Audit is to protect the organization and its assets. It also creates added value through targeted consulting services and helps to improve business processes.

Internal Audit supports the organization in achieving its goals by using a systematic approach to verify that the RMS and ICS are effective. In addition, it evaluates management and monitoring processes and helps to improve them. Internal audit assignments are selected based on risk-oriented annual planning. Information from the Executive Board, the Vice Presidents, the management of the international locations and Group Risk Management serve as the foundation of this planning. Resources are also taken into account for ad hoc audits during the year.

In the reporting year, process-oriented audits were carried out at the locations in Germany, Mexico and Canada. A newly introduced follow-up monitoring system was used to monitor the implementation of measures.

METHODOLOGY AND FURTHER DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

Methodological approach within the framework of the risk management process and the internal control system

Opportunities and risks can be identified on the basis of corporate planning. Accordingly, opportunities and risks can lead to positive or negative deviations from the plan and are therefore defined as uncertain events. In addition, there are mixed risks, which can have both a negative and a positive impact on corporate planning (e.g., material price developments). All opportunities, risks and mixed risks are clearly assigned to individual owners. The owner evaluates the risks on a quantitative basis, taking into account the 3-point distribution (best, normal and worst case) with regard to expected damage (in relation to EBIT) and expected probability of occurrence. Risks are assessed on both gross and net basis, as the implemented risk management measures are an integral part of our defined approach.

We use Monte Carlo simulations to determine the total risk exposure. The distribution results form the basis for the risk-bearing capacity calculations. We use a Monte Carlo simulation to map interdependencies, defining causal links between our risks and simulating them using a correlation matrix imported into our risk management system.

We simulate a wide variety of scenarios and perform defined stress tests with regard to our risk coverage. A summary of the results is reported regularly to the Executive Board and Supervisory Board, particularly during the planning and forecast cycles.

Once a year, the risk owners assess the strategic and ESG risks using a qualitative questionnaire. This approach has proven successful. No serious risks were identified in this regard during the reporting period.

The methodology of the RMS and the ICS is continuously being developed and refined. In the past fiscal year, we provided training courses to enhance the skills of employees who are actively involved in our RMS. We also established new responsibilities, particularly at our site in Serbia.

In fiscal year 2025, the PWO Group once again addressed the importance of climate risks and systematically continued the analysis begun in the previous year. A significant portion of these results has been incorporated into the updated materiality analysis.

Our ICS is constantly being developed. In the reporting year, the risk control matrices were restructured with the aim of achieving a more efficient approach and utilization. We also developed a structured testing concept for the ICS, which will be implemented across the board at PWO AG in 2026.

Risk management and internal control system in the accounting process

The key operating units are involved in the control and risk management of the accounting process. All measures are based on established principles, procedures and regulations. Responsibilities are clearly defined and separated from one another by a clear distribution of tasks and the consistent application of the dual control principle in order to ensure quality and prevent errors or manipulation. In addition, the Internal Audit department monitors whether the specifications are being complied with and properly implemented as part of its risk-oriented audit plan. We pursue the following objectives with the safeguarding measures:

- Ensuring effectiveness and efficiency and protecting the Group's assets against loss, misuse or fraud.
- Ensuring the accuracy and reliability of internal and external accounting information.
- Complying with all applicable legal regulations, in particular the compliance of the consolidated financial statements and the Group management report with applicable standards and regulatory requirements.

The accounting-related internal control and risk management system also helps to identify, assess and prioritize risks at an early stage that could have a material impact on accounting or jeopardize the continued existence of the PWO Group. Identified risks are systematically monitored and appropriate countermeasures are continuously implemented.

At the consolidation level, we prepare the consolidated financial statements on a monthly basis in a structured, multi-stage process to ensure consistency, transparency and accuracy across all reporting entities. The Group Accounting Manual sets out binding accounting guidelines for all relevant processes and ensures that these are applied uniformly and that the requirements are met.

All business transactions are first recorded in the operating units using a group-wide, SAP-based accounting and billing system. This system ensures standardized processes, facilitates reconciliation and supports a high level of data integrity. Access rights within this system are clearly defined and monitored to protect sensitive financial data and ensure effective separation of duties.

As part of the consolidation process, local financial data is aggregated and adjusted at Group level to eliminate intra-Group business transactions and align reporting with IFRS requirements. Specific controls are integrated at all stages of this process, including plausibility checks, data validation and management reviews. The purpose of this is to ensure that the consolidated financial statements give a true and fair view of the assets, financial position and financial performance of the Group.

Adequacy and effectiveness of risk management and internal control systems[3]

The elements described above fulfill the requirements for an early risk detection system. We regularly assess the risk situation on the basis of a systematic process. All activities are secured and documented in accordance with the dual control principle. Independently of this, the auditor reviews the implemented procedures and processes on an annual basis. Within this framework, the documentation is checked on a random basis for plausibility and appropriateness. In general, the auditor assesses the functionality of the early risk detection and monitoring system integrated into the Group risk management system in accordance with Section 317 (4) of the German Commercial Code (HGB).

The Supervisory Board's Audit Committee is systematically involved in our risk management and ICS. In particular, it monitors accounting and the accounting process as well as the appropriateness, effectiveness and development of the ICS, risk management and internal audit system.

Internally, our RMS and ICS are regularly subject to audit activities by the Internal Audit department. The latter systematically checks whether these components are appropriate and effective. Internal audits include checks on internal controls.

As part of the ongoing development of the ICS, potential efficiency improvements were identified. These have been incorporated into the existing ICS roadmap and have already been implemented in some areas in the reporting year.

[3] The information contained in this section of the combined management report that is not related to the management report on the appropriateness and effectiveness of the internal control system is not part of the audit. The audit covers only the accounting-related internal control system.

At the time of reporting, the Executive Board had no indications in any material respect, taking into account the scope, business activities and risk situation, that the system as a whole is not appropriate and effective.

OVERALL STATEMENT ON THE OPPORTUNITY AND RISK SITUATION

Compared to the previous year, the overall operational risk situation of the PWO Group has deteriorated. We are observing an increase in risks, particularly at our site in Canada. The risk situation in the China, Mexico, Serbia and Czech Republic segments remains at a similar level. As part of our corporate planning, we identified planning uncertainties that are influenced by both external and internal factors. In addition, the continuing high cost pressure at our site in Germany is having a noticeable impact on the operational development of our business and is weighing on our earnings. As a result in Germany, too, risks increased in the reporting year compared with the previous year.

From a strategic perspective, we also anticipate various challenges that could have a significant impact on our business development. With the new production site in the USA, we are increasing our presence on the North American continent and thus strengthening our competitiveness. Our local-for-local approach also helps to reduce the risk of trade policy dependencies.

In addition, the PWO Group is exposed to various geopolitical risks that could have a significant impact on its business activities. Trade conflicts between the USA, China and the EU, particularly in the area of steel and automotive parts, could lead to further tariffs and export restrictions. We are not directly affected by this, but we are experiencing indirect negative effects due to developments in the automotive industry. In addition, there is a real risk of a chip crisis, which could be caused by further export restrictions imposed by the Chinese government. PWO does not purchase semiconductors itself, but is dependent on customer demand, which can be affected by semiconductor shortages.

Industrial policy developments in Germany pose a significant challenge for our industry. The increasing need for reform in key areas has a direct impact on competitiveness. In particular, the current economic framework conditions, such as high energy prices and rising wage and labor costs, are affecting operating profitability and slowing down necessary progress.

The slowdown in global automotive demand, caused by macroeconomic uncertainties and a slowing economy in key markets, could have a negative impact on production capacities and the order situation. Competition from Asia in particular, which is offering increasingly competitive and cost-effective solutions, is presenting our market environment with new challenges.

This may also have an indirect impact on the PWO Group, as reduced order volumes due to changed competitive conditions lead to fewer call-offs. Further challenges arise from project postponements during model launches, which can lead to planning uncertainties and potential delays in production. Taken together, these factors could increase pressure on efficiency and profitability in the coming years.

It is difficult to assess these market-related risks in detail. However, we consider them to be high and therefore reflect them in summary form in our corporate planning.

Estimates of future exchange rate developments are not part of our corporate forecasts. We enter into hedging transactions to avoid currency risks. The aim is to hedge the currency parities assumed when an order is received and thus the expected cash flows.

Long-term contracts form the foundation of our business. New orders sometimes require lead times of several years. Customers usually stay with the same supplier during the series lifetime. On the one hand, this characteristic of our business contributes to planning security, but on the other hand, it means that short-term opportunities are limited. With regard to operational planning for 2026, the risks therefore outweigh the opportunities in the following presentation. Furthermore, the opportunity and risk situation is based on the opportunities and risks presented in the following chapter.

Overall, the Executive Board is convinced that all necessary measures have been taken to continue to successfully manage the risks of the PWO Group. Accordingly, from the Executive Board's point of view, there are no identifiable risks which, alone or in combination with other risks, would indicate insufficient risk-bearing capacity or jeopardize the Group's continued existence in the reporting and forecast period.

OPPORTUNITIES AND RISKS

As part of our RMS, we consider all types of opportunities and risks over various time horizons. Below, we present the significant opportunities and risks relating to the reporting and forecast period of one year. We take risk-reducing measures (net classification) into account and, as in the previous year, divide them into the following risk categories: financial, performance, market, regulatory and other opportunities and risks. Those opportunities and risks that relate to our new location in Serbia and were reported separately in the "Other" category in the previous year have now been assigned to individual risks and are reported there.

We first present the classifications in tabular form based on the summarized net expected values per category and then discuss the highest risks per category. If individual segments have a significant influence on the scope of a subsequent risk, we indicate this in the respective description. The presentation is in descending order according to the net expected value.

The net expected value of a category is calculated from the total of the net expected values of the corresponding individual opportunities and risks. Portfolio and correlation effects are not taken into account. We define the risk significance of the individual categories in accordance with the following table.

Definition of risk significance

Description	Net expected value 2025 risk category	Net expected value 2024 risk category
Low	≤ EUR 0.7m	≤ EUR 1.1m
Moderate	> EUR 0.7m < EUR 1.0m	> EUR 1.1m < EUR 1.5m
High	≥ EUR 1.0m	≥ EUR 1.5m

Overview of risk significance for the risk categories

Risk	Ranking in 2025 (1st place = lowest net expected value)	Ranking in 2024 (1st place = lowest net expected value)	Risk significance (net expected value)	Y-o-y change in the risk ranking
Performance opportunities and risks	5	5	High	Unchanged
Market opportunities and risks	4	4	Low	Unchanged
Regulatory opportunities and risks	3	3	Low	Unchanged
Financial opportunities and risks	2	2	Low	Unchanged
Other opportunities and risks	1	1	Low	Unchanged

Performance opportunities and risks

PRODUCTION

The main performance risks in production include start-up risks for new series production, particularly at our sites in Mexico and the Czech Republic. These can generally result from a higher frequency of machine malfunctions, lower work efficiency and a higher demand for spare parts.

In general, due to the encouraging high level of new business in recent years, there is a risk that many high-volume orders will also be launched within a narrow time frame in fiscal year 2026, which will significantly increase start-up complexity. In some cases, new technologies will also be introduced that employees at the sites have no experience with yet. We have therefore further refined our start-up management, and have appointed a global start-up manager.

In addition, tool breakages can also have a negative impact on our profitability. We were able to significantly reduce the associated tool maintenance costs in the Germany segment in 2025 through measures such as technology and spare parts workshops. This risk is no longer a focus.

We also face business interruption risks, which primarily affect the Germany, Czech Republic, Canada and China segments. These are mainly due to the technical condition of the machines and age-related limitations affecting a limited number of presses. We are countering this by adjusting inventories, optimizing the machine portfolio, and evaluating internal replacement options. In some areas, we also have the option of compensating for bottlenecks or failures through external partners.

Nevertheless, a residual risk of breakdowns remains. Depending on the extent of the damage and the duration of the breakdown, business interruptions may affect the timely delivery of goods to customers. However, the risk of a complete site breakdown can be virtually ruled out.

In the past fiscal year, our still young location in the Serbia segment started production. This is accompanied by process stabilization risks resulting from the level of experience and training of the employees. Process gaps that still need to be closed can lead to problems in the initial phase. We are counteracting this with ongoing training and support services from other locations.

QUALITY, PRODUCT LIABILITY AND RECALLS

The mobility industry has traditionally had very high quality requirements. However, due to increasing vehicle complexity, cost pressure and global supply chains, the number of product liability risks and risks resulting from product recalls has been steadily increasing in the mobility industry for years. This has resulted in higher risk ratings, making it more likely that one of our sites will be affected by a product recall. Much higher volumes of new business at the PWO Group in recent years also contribute to an increase in these risks. Our sites in Mexico were particularly affected by this.

We counter these risks with our quality management system, which has been established for many years and is certified in accordance with the IATF 16949 standard. This standard includes fundamental requirements for quality management systems for series and spare parts production in the mobility industry.

In addition, we are continuously expanding the scope of testing for our components – particularly as part of various digitalization projects – and documenting their zero-defect quality before they leave our premises. We do this firstly to ensure that defective components are detected even earlier in the production process than before. Secondly, we 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 and in some cases even each individual component. This enables us to limit the total amount of damage in the event of a potential recall. Last but not least, we have taken out insurance policies to cover relevant liability risks, the scope of which we review and, if necessary, adjust on a regular basis.

LOGISTICS

External influences give rise to risks relating to dependence on transport companies, weather conditions and transport routes. We counter these risks with a local-for-local approach and by building up safety stocks.

Risks also arise in connection with transport and freight costs due to internal or external reasons, such as current production delays or volatile supply chains resulting from changes in production and delivery schedules or from freight forwarders.

Market opportunities and risks

ECONOMY AND SALES VOLUMES

We have already taken market-related risks into account in our corporate planning. They are therefore weighted less heavily than performance risks. Nevertheless, risks continue to exist from additional potential sales volume fluctuations in the PWO Group's segments. These fluctuations can subsequently give rise to capacity utilization risks that significantly affect our profitability. 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 the Group as far as possible during temporary periods of weakness. We have identified isolated opportunities for additional sales volumes. However, these are of lesser importance than the risks involved.

In addition to the influence of market-related factors, sales figures are also affected by economic developments. Furthermore, for the reasons outlined in the section "Overall statement on the opportunity and risk situation", it can be assumed that end customer demand for motor vehicles will remain subdued. This is also due to the fact that end customers are showing caution with regard to the ramp-up of e-mobility in Europe, as the factors influencing the decision for or against a particular drive technology are weighed up at length and there is a lack of clear and sustained political support for this technological change.

Due to high geopolitical risks, we expect continued volatility in the supply chain. This could affect us both directly and indirectly through fluctuations in demand that may result from events that cannot be predicted at this time.

There are also risks in the toolmaking sector that are derived from economic developments. Toolmaking is used firstly as an internal service provider for the maintenance of the press shop and its tools. Secondly, it fulfills external orders to secure capacity utilization and cover its costs. Capacity utilization risks are to be expected, particularly at our locations in the Czech Republic and Germany. In general, we are striving to further optimize operational processes in the toolmaking departments of our segments in order to be able to reliably accept as many external orders as possible while at the same time ensuring sufficient capacity, available on a current basis if necessary, for the internal maintenance of all machines and equipment, especially bottleneck machines.

PURCHASE AND SALES PRICES

Purchase and sales prices are subject to mixed risks that can have both a negative and a positive impact on corporate planning. When prices rise, there is a risk that price adjustments cannot be passed on to our customers in line with the price increases of our suppliers. When prices fall, there is a risk that customers will demand faster discounts in material prices than we are able to achieve in procurement. Scrap price trends are also regularly a factor in customer negotiations.

If negotiations are unsuccessful in light of massive short-term price increases (e.g., due to volatile energy prices), or permanent increases in costs (e.g., in human resources), this would have a negative impact on the PWO Group's results of operations. Based on the assumption of rising material prices, the risks outweigh the opportunities.

There are no risks with regard to energy prices in the current fiscal year, as early price agreements ensure a high degree of planning security. These contractual agreements offer stability and protect against unforeseen price fluctuations.

DEPENDENCE ON SUPPLIERS

The risk of a strategic supplier defaulting due to financial difficulties remains, and has recently increased due to sluggish economic performance in Germany as a whole, and in the automotive industry in particular. Further insolvencies are also looming in the current fiscal year. We manage this risk by regularly obtaining credit reports and visiting suppliers and other partners. If we identify substantial risks, we would establish targeted business relationships with new suppliers.

The higher level of economic volatility worldwide is resulting in increased insolvency risks among suppliers, which may also occur at short notice rather than at the level seen in the past. Against this backdrop, it is difficult to identify critical developments based on credit reports alone. We therefore rely on very close bilateral coordination, especially with suppliers whose production is energy-intensive, in order to manage the risk situation.

Regulatory opportunities and risks

LEGAL FRAMEWORK CONDITIONS AND DATA PROTECTION

The PWO Group operates on 3 continents and in countries with different tax and political frameworks. This results in extensive requirements, the complexity of which tends to increase. In particular, we continue to consider the risks arising from the implementation of the European General Data Protection Regulation to be significant. We reduce these risks by training our employees, appointing internal data protection coordinators, and working with external experts who have proven experience in the countries and specialist areas in question.

Financial opportunities and risks

CURRENCY FLUCTUATIONS AND IMPAIRMENT

In fiscal year 2026, financial opportunities outweigh the risks. Opportunities on a smaller scale result from currency fluctuations in our Germany and Czech Republic segments. We currently do not see any risk of impairment losses on non-current assets. We continuously assess the situation and react if changes in the market environment occur, planning targets are not achieved, or earnings prospects deteriorate.

Other opportunities and risks

OTHER PLANNING UNCERTAINTIES

In the area of other opportunities and risks, potential planning deviations represent a key uncertainty. The positive effects are considered both more likely and more significant in their impact. Overall, the opportunities outweigh the risks here as well. The potential positive effects relate to the PWO Group as a whole and are spread across all segments.

PERSONNEL

The timely availability of a sufficient number of skilled workers with the right qualifications continues to pose a risk. Due to the high level of new business acquired in recent years, the expansion of new production facilities within the PWO Group, and the resulting ramp-up of new series production, there is a continuous need for qualified skilled workers. Particularly when introducing new processes, high staff turnover and employee overload can impair the stabilization of processes. This risk naturally affects the production site in Serbia, which is currently ramping up operations, to a particular extent.

We therefore focus on planning and managing our skilled labor requirements as early as possible and on a long-term basis. For example, we run extensive training and qualification programs for our employees. In addition, we manage risk within the Group by continuously expanding our broad-based personnel recruitment and employee retention efforts. Personnel risks pose a particular challenge for the Germany and Canada segments. This is due to cost planning, which takes into account both productivity increases and strategic personnel measures. The risk is that the planned cost reductions will not be achieved if efficiency improvements are delayed or do not materialize.

IT SYSTEMS AND DATA SECURITY

IT structures that make processes available worldwide are now one of the basic requirements for sustainable corporate success. These structures are particularly exposed to risks of data losses and misuse as a result of systemic vulnerabilities, as well as data losses due to inaccessible backup systems. The occurrence of these risks can cause a wide range of damage, including temporary interruption of business operations. To minimize these risks, we ensure sufficient redundancy and continuously expand our software-based protective measures.

For years, we have also been conducting the consolidation of all IT services in a private PWO cloud, in which we have implemented a wide range of security systems. The private PWO cloud gives all employees secure access to their working environment. We are also continuously upgrading 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.

In addition, the pace of digitalization in all operational processes is continuously increasing significantly, the amount of data to be processed is constantly growing, and the available software systems are becoming increasingly complex. While this opens up additional opportunities for productivity gains and quality assurance, it also increases the demands on the administration of these systems and the risks of negative consequences in the event of failed projects.

Our IT resources are geared toward implementing a digitalization strategy, both in terms of personnel and technology, that enables us to take advantage of the opportunities offered by modern IT landscapes while minimizing their risks.

Forecast

EXPECTED GENERAL ECONOMIC AND INDUSTRY DEVELOPMENT

In its January 2026 update of the World Economic Outlook, the IMF assumes that global growth will remain robust at 3.3% in 2026. At first glance, this development appears stable compared to 2025 and is the result of diverging forces that balance each other out. Headwinds from changing trade policies would be offset by tailwinds from rising capital expenditure in technology, including artificial intelligence (AI). Added to this would be fiscal and monetary support, highly accommodating financial conditions and the adaptability of the private sector.

For the USA, the IMF forecasts economic growth of 2.4% for 2026, supported by fiscal policy and lower key interest rates, while the effects of higher trade barriers gradually fade.

The IMF forecasts growth of 1.3% for the euro area in 2026. This subdued growth rate reflects unresolved structural challenges. Compared to other regions, the euro area is benefiting less from the recent technology-driven investment surge. The ongoing rise in energy prices after Russia's invasion of Ukraine also weighs on output. Additional pressure comes from the real rise of the euro against the currencies of countries that export similar goods.

In its December 2025 forecast, the Deutsche Bundesbank expects the economy of Germany to gradually recover in 2026 after many years of economic stagnation – initially at a modest pace, but then slowly picking up speed. Growth is set to pick up from the second quarter of 2026 onwards, driven by state spending and a rise in exports. After calendar effects, real GDP should rise 0.6%, and by 0.9% without calendar effects.

For China, growth for 2026 has been revised upward by 0.3 percentage points to 4.5% compared with the IMF's October WEO forecast, reflecting lower effective U.S. tariffs on Chinese goods as a result of the 1-year trade truce agreed in November 2025 and economic stimulus measures expected to be implemented over the course of 2 years.

The VDA expects international passenger car markets to show only modest momentum in 2026: Europe (EU, EFTA, UK) is likely to grow by 2% to 13.4m vehicles and China by 1% to 24.5m units. While Europe remains at a low level compared with pre-crisis levels, China is setting a new record high despite the tough market environment, according to the VDA. A sharp fall is expected in the USA (-4%; 16m light vehicles). Higher protectionism and the related cost rises will not be without effect here.

The VDA does not expect the German passenger car market to recover significantly in 2026. The association anticipates a moderate increase of 2% to 2.9m new registrations – still around a fifth less than in the pre-crisis year of 2019. One reason for this is the overall economic weakness.

The total decline in exports of German producers from their domestic production sites for 2026 is 1%, or 3.2m vehicles. The export quota would thus be 77.5%.

Domestic passenger car output is also set to fall 1% to 4.1m units in 2026. Foreign output by German brands, however, is likely to rise 1% to 9.2m vehicles.

DEVELOPMENT OF THE PWO GROUP

	Forecast for 2026	Actual results in 2025
Financial performance indicators		
Revenue	About EUR 500m	EUR 524.7m
EBIT before currency effects	EUR 13 – 17m	EUR 26.1m
Capital expenditure according to segment report	About EUR 40m	EUR 41.3m
Free cash flow after interest paid and received and after taxes paid	Positive in the single-digit EURm range	EUR 9.9m
Equity ratio	About 37%	37.5%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	About 2.5 years	1.8 years
Lifetime volume of new business	EUR 550 – 600m	About EUR 760m
Non-financial performance indicators		
Scope 1 & 2 GHG emissions	About 6,000t	5,088t
Training rate for e-learning courses	100%	100%
Supplier audits including ESG criteria	100%	100%
Work accidents (LTIR)	0	6.53

Planning for 2026 continues to be based on detailed, individual estimates of current series production volumes, as well as upcoming start-ups, ramp-ups, and phase-outs at individual sites.

Forecast of the results of operations

We expect the weak trend in the global automotive industry in fiscal year 2026 to cause lower customer call-offs, which will affect the growth of the Group's revenue and EBIT before currency effects. This applies in particular to the German market and the Germany segment. Its development is therefore likely to have a significant negative impact on the Group's revenue and, above all, EBIT once again.

New and ramping up series production at our international locations will partly offset this trend but will not fully compensate for it. We therefore expect revenue of around EUR 500m for the 2026 fiscal year. EBIT before currency effects is expected to be in the range of EUR 13 – 17 million. The decline is also attributable to the elimination of the one-time effect described above in the Canada segment and the reversal of provisions in the Germany segment.

In the China segment, we expect external revenue of EUR 40 – EUR 42 million based on the planned series production and start-ups in 2026. EBIT before currency effects could decline to EUR 2m to EUR 3m as a result of the high level of competition in this market.

Because of the tough market in Germany, external revenue in the Germany segment will fall from the level in the reporting year to around EUR 165m in 2026. When we look at the special risks, we expect EBIT before currency effects of EUR -10m to EUR -9m.

In the Canada segment, customers will no longer make the special payments in 2025. This will affect revenue development and EBIT before currency effects. We expect external revenue of around EUR 52m for this segment and are aiming for EBIT before currency effects of around EUR 5m.

Due to weak markets, external revenue in the Mexico segment may fall to around EUR 100m. However, as the start-up costs for 2025 will no longer apply and further efficiency improvements will be implemented, we are still aiming for an EBIT before currency effects that is in line with the levels seen in 2023 and 2024, that is EUR 9m to EUR 10m.

In the Serbia segment, we want to achieve external revenue of just over EUR 1m.

EBIT before currency effects is expected to range from EUR -4m to EUR -3m.

In the Czech Republic segment, start-up and ramp-up of series production should contribute to an increase in external revenue to EUR 140m to EUR 145m, and EBIT before currency effects should rise to around EUR 11m.

At the newly opened site in the USA segment, we do not expect significant external revenue in the first year of operation. We are aiming for break-even EBIT before currency effects.

Forecast of the financial position, net assets and capital expenditure

To secure the ramp-up and start-up of new series production planned for the coming years and to establish our production site in Serbia, we intend to invest – including lease financing – around EUR 40m in the Group in fiscal year 2026, a similar amount to that invested in the reporting year.

Of this, around EUR 9m is earmarked for growth in each the Mexico and Czech Republic segments and around EUR 6m for the Serbia segment. Around EUR 8m is to be invested in the Germany segment – the Group's largest site in Oberkirch. Smaller sums are set for Canada (around EUR 5m), China (around EUR 2m) and the USA (around EUR 1m).

Against the backdrop of the forecast decline in EBIT before currency effects and continued high levels of capital expenditure, we expect a slight decline in the equity ratio to around 37% and an increase in the net leverage ratio to around 2.5 years. Nevertheless, we aim to achieve a positive free cash flow in the single-digit EURm range through careful balance sheet management.

Outlook for orders

In the reporting year, we once again achieved a high volume of new business at around EUR 760m. We were thus able to significantly exceed the forecast for new business in 2025 published at the beginning of the year.

The forecast for new business in 2026 is below the volume for 2025. There are 2 main reasons for this: First, we want to move the many new launches planned for the coming years to series production in a safe and cost-efficient way. Second, we want to continue to manage our capital expenditure flexibly and cautiously in the future. We will regularly review our growth plan for the coming years and, if needed, adjust it to further global political and economic trends.

Forecast of non-financial key figures

In recent years, we have cut our scope 1 & 2 GHG emissions – faster than we had planned. In fiscal year 2025, our emissions were around 75% below the 2019 baseline. We will keep working on this goal and have already prepared further steps, which still need to be carried out. However, we expect emissions to rise temporarily in 2026, mainly because our international sites are set to keep growing. Given the already high share of green electricity in the Group, this rise will come mainly from higher scope 1 GHG emissions. This includes, in particular, company vehicles and operational processes that have not yet been electrified and still use gas as an energy source, for example.

In the future, the Group will continue to conduct its range of e-learning courses to build knowledge and skills. We plan to continue performing 100% of supplier checks, also documenting ESG criteria. We will also act fast on all opportunities to prevent work accidents and safeguard the health of our workforce. Our goal remains the same: we aim to reach zero work accidents each year.

Overall statement on future development

The Executive Board believes that the PWO Group is well positioned for the future. Our continued success in new business, which was demonstrated once again in fiscal year 2025, our local-for-local philosophy, our solid financial resources and our continuously refined control mechanisms are key cornerstones of our success. Even in a tough market, we continue to strengthen our market position. Our powertrain agnostic and sustainable business model and the steady rollout of our decarbonization plan should help in this regard.

However, the general conditions in Germany as an industrial location are increasingly becoming a significant challenge, not only for the Germany segment but for the Group as a whole. With the works agreement concluded after the end of the reporting period on a temporary reduction in working hours and pay, we have taken a significant step toward counteracting these challenges. We will continue to pursue this path consistently.

Dependency report

The Company received appropriate consideration for every transaction listed in the report on related parties, based on the facts known at the time of the transaction.

Takeover-related disclosures pursuant to sections 289a and 315a HGB

The information required under sections 289a and 315a HGB is presented and explained below.

The share capital of PWO AG amounts to EUR 9,375,000.00. It is divided into 3,125,000 no-par value bearer shares. These shares carry identical rights and each grant 1 vote at the Annual General Meeting. The German Stock Corporation Act (AktG) sets out the rights and obligations related to the holding of shares.

Voting rights and share transfer are unrestricted. The Executive Board also confirms that, to its knowledge, shareholders have not entered into relevant agreements. Employees who do not exercise control rights directly do not hold shares.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, has notified us of a shareholding of more than 10% of the voting rights in PWO AG. As of December 31, 2025, it held 46.88% of the voting rights and was thus the majority shareholder.

Sections 84 and 85 of the German Stock Corporation Act (AktG) – in conjunction with section 6 (1) of the Articles of Association of PWO AG – govern the appointment and dismissal of members of the Executive Board.

Any change to the Articles of Association requires a resolution by the Annual General Meeting in line with section 179 (1) and section 119 (1) No. 6 of the German Stock Corporation Act (AktG). Different from section 179 (2) No. 1 AktG section 15 of the Articles of Association of PWO AG states that the Annual General Meeting passes resolutions by a simple majority of votes cast, and – where a capital majority is needed – by a simple capital majority, unless stipulated otherwise by legal or constitutional rule. In addition, the Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect their wording.

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of PWO AG by up to a total of EUR 4,687,500.00 on 1 or more occasions until June 2, 2030 (inclusive) by issuing new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2025). The Company generally grants shareholders subscription rights. The details of the authorization appear in the resolution of the Annual General Meeting of June 3, 2025.

In the event of a change of control resulting from a takeover bid, the Company has made no further agreements beyond the usual special termination rights contained in loan agreements and contracts with customers. There are also no compensation agreements with the Executive Board or employees.

Corporate Governance Statement pursuant to sections 289f and 315d HGB

The corporate governance statement for the Company and the Group appears on the PWO website at → **www.pwo-group.com/en/pwo-group/corporate-governance**. The information in the corporate governance statement has not been audited.

Non-financial statement of the Company and the Group pursuant to sections 289b-e and 315b-c HGB

The non-financial statement of the company and the Group appears as a separate non-financial (Group) report on the PWO AG website at → **www.pwo-group.com/en/pwo-group/corporate-governance**. The information in the non-financial (Group) report has not been audited.

BUSINESS DEVELOPMENT OF PWO AG

PWO AG is based in Oberkirch, Baden-Württemberg. It is the Group's headquarters and its largest production site. It also monitors the Group's international locations for risk control, especially in the areas of finance, controlling and legal affairs. However, the international locations are generally responsible for their own operational management. PWO AG prepares its annual financial statements in line with the German Commercial Code (HGB).

The key statements in the combined management report, especially those on the market, strategy and management, including the most important financial and non-financial performance indicators as well as the chances and risks of business activities, also apply to PWO AG.

However, compared to the Group, it faces currency risks to a lesser and financing risks to a greater extent. The risk of value adjustments particularly affects its financial assets. In addition, we assess the market trend in Germany to be sustainably weaker than in many of the Group's international markets.

With regard to the most significant financial performance indicators, only external revenue and EBIT before currency translation, both in accordance with IFRS, are relevant for the management of PWO AG. Scope 1 & 2 GHG emissions are primarily classified as the most significant performance indicator for the Group as a whole.

PWO AG is significantly impacted by the unfavorable conditions in Germany as an industrial location. The shift of production to Eastern Europe by our customers accelerated significantly once again in the reporting year. This makes it increasingly difficult to maintain the revenue volume of the location. As a result, external revenue according to IFRS remained below the previous year's figure of EUR 206.5m at EUR 182.6m in the reporting year and also below expectations of around EUR 195m. EBIT before currency effects in accordance with IFRS amounted to EUR -2.1m (previous year: EUR 3.7m) and thus did not reach the expected value of just above break-even. For further details on this development, please refer to the comments on the Germany segment in the “Segments” section.

As of the reporting date, the number of employees at PWO AG, including temporary employees, was 882 (p/y: 979), which was lower than in the previous year. This includes 19 (p/y: 18) people who are currently completing training with us. We set the number of training places based on future need for young talent.

Assets, financial position and results of operations

Income statement according to HGB

Selected information (EURk)	2025	in % of revenue	2024	in % of revenue
Revenue[1]	212,464	100.0	235,812	100.0
Total operating revenue	210,453	99.1	233,924	99.2
Other operating income	10,864	5.1	9,249	3.9
Cost of materials	-112,830	-53.1	-126,733	-53.7
Staff costs	-69,294	-32.6	-67,466	-28.6
Depreciation/amortization	-6,596	-3.1	-7,310	-3.1
Other operating expenses	-32,846	-15.5	-36,477	-15.5
Financial result	7,970	3.8	3,396	1.4
Result from business activities	7,721	3.6	8,583	3.6
Net income	6,474	3.0	5,951	2.5

[1] Benchmark for percentages

In the reporting year, PWO AG's revenue was significantly below the previous year's level due to market weakness in Germany. In addition to currency gains, which were offset by matching costs of a similar size, other operating income in the reporting year was notably affected by income from other accounting periods of EUR 7.4m (p/y: EUR 6.4m) from the reversal of provisions. Of this amount, EUR 2.4m related to warranty provisions and EUR 2.5m to provisions for anticipated losses.

The cost of materials fell to EUR 112.8m (p/y: EUR 126.7m), mainly driven by lower revenue. Staff costs rose slightly compared with the previous year, mainly due to wage adjustments.

Depreciation and amortization fell further in absolute terms than in the prior year because of our restrained investment activity in recent years. Other operating expenses also fell to EUR 32.8m (p/y: EUR 36.5m), mainly due to lower costs for temporary employees at PWO AG.

The financial result included dividend payments from affiliated companies amounting to EUR 10.1m (p/y: EUR 5.2m), income from loans to affiliated companies of EUR 4.7m (p/y: EUR 4.1m) and other interest and similar income of EUR 1.1m (p/y: EUR 2.9m).

Furthermore, an impairment of EUR 1.9m on the carrying amount of the investment in PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China, affected the financial result. This was mainly due to the high level of competition in the Chinese market and the resulting strain on our operating business. In the previous year, the Company wrote down the carrying amount of its investment in PWO Canada Inc., Kitchener, Canada, by EUR 1.9m.

Interest expenses fell to EUR 6.0m (p/y: EUR 6.9m) due to lower rates despite higher debt. We also used the refinancing tools in a different way than in the prior year.

In total, the result from operating activities amounted to EUR 7.7m (p/y: EUR 8.6m). Taxes on income amounted to EUR 1.0m (p/y: EUR 2.4m). The tax expense in the previous year was largely due to the use of deferred tax assets. This effect did not occur in the reporting year. Current taxes are higher than in the prior period due to aperiodic effects and withholding taxes incurred. The total net income for the reporting year amounted to EUR 6.5m (p/y: EUR 6.0m).

Total assets rose to EUR 303.0m in the reporting year (p/y: EUR 293.2m). Fixed assets rose on balance, mainly due to the rise in financial assets. The higher shares in affiliated companies reflect in particular the establishment of our new engineering and production site in Serbia and a capital contribution for the new site in the USA. Loans to affiliate firms also rose, firstly, for the site in Serbia. Secondly, at some sites, current receivables from affiliates became non-current loans. The write-down of the carrying amount of the investment in the subsidiary in China had a counteracting effect.

On the contrary, current assets fell. Along with the decline in receivables from affiliated companies, inventories dropped because of lower revenue.

After the dividend payout to PWO AG shareholders in 2025, equity stood at EUR 121.5m (p/y: EUR 120.5m) and the equity ratio at 40.1% (p/y: 41.1%).

The decline in pension provisions mainly reflected an adjustment to the pension trend and a higher discount rate. Other provisions also fell versus the previous year, mainly due to lower provisions for contingent losses and warranties.

In addition, on the liabilities side of the balance sheet, liabilities to banks were primarily higher than in the previous year, while trade payables declined. The lower revenue contributed to this. We also set up a supply chain financing program in the past fiscal year. The latter also contributed significantly to the rise in other financial liabilities in the reporting year.

In fiscal year 2025, PWO AG generated cash flow from operating activities of EUR 8.1m (p/y: EUR 14.3m). The decline compared to the previous year is mainly attributable to a lower operating result and changes in working capital.

Cash flow from investing activities amounted to EUR -6.8m (p/y: EUR -7.8m) and is related, among other things, to capital expenditure on the digitalization of PWO AG.

Cash flow from financing activities amounted to EUR 12.6m in fiscal year 2025 (p/y: EUR -8.0m). This includes, in particular, the cash inflow from the placement of a promissory note loan in the amount of EUR 12.5m. This was offset by the dividend payment of EUR 5.5m made in the fiscal year, which led to a cash outflow.

Overall, the revenue trend in 2025 shows that the Company must act to secure capacity use and thus future profit. This need is essential because earnings still rely heavily on income from affiliated companies, which boosts the financial result. In particular, the aforementioned dividend payments from affiliated companies in the amount of EUR 10.1m (p/y: EUR 5.2m) cannot be regarded as recurring on a regular basis in the future.

We therefore welcome the fact that, shortly after the end of the reporting period, we succeeded in concluding a works agreement with the works council of PWO AG on a temporary reduction in working hours and remuneration. To avoid lay-offs for operational reasons and protect jobs at the main plant, the deal includes, among other things, the option to cut hours by up to 7.63% until December 31, 2026, depending on workload, with a matching cut in base pay.

Forecast for 2026 and reconciliation of key performance indicators

For fiscal year 2026, we expect external revenue in the Germany segment to decline further to around EUR 165m in accordance with IFRS. This will have a negative impact on earnings. Therefore, taking into account the particular risks due to the pronounced market weakness in Germany, we expect EBIT before currency effects in accordance with IFRS to be between EUR -10m and EUR -9m. For further details on this forecast, please refer to the comments on the Germany segment in the section “Forecast”.

The reconciliation of the key figures from HGB accounting to IFRS accounting is as follows:

Reconciliation of key performance indicators

EURk	2025	2024
Revenue according to HGB	212,464	235,812
Reconciliation	-17,848	-11,907
Total revenue according to IFRS	194,616	223,905
External revenue according to IFRS	182,646	206,538
Earnings before taxes according to HGB	7,721	8,583
Financial result	-7,970	-3,396
Currency effects	807	101
EBIT before currency effects according to HGB	558	5,288
Reconciliation	-2,631	-1,611
EBIT before currency effects according to IFRS	-2,073	3,677

The differences in the reconciliation of revenue under HGB and IFRS are mainly due to the different accounting rules for revenue recognition and internal revenue. The reconciliation differences in connection with EBIT before currency effects are due not only to the differing accounting rules for revenue recognition but also, in particular, to the different rules for accounting for pension provisions, fixed assets and existing leases.

Oberkirch, March 19, 2026

The Executive Board

Carlo Lazzarini
Chairman/CEO

Jochen Lischer
CFO