



PWO



2021 FISCAL
YEAR



FINANCIAL STATEMENTS

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Notes to the Financial Statements of Progress-Werk Oberkirch AG 2021

The management report of Progress-Werk Oberkirch AG and the Group management report for the 2021 fiscal year have been combined in accordance with section 315(5) HGB in conjunction with section 298(2) HGB and published in the 2021 annual report.

The annual financial statements and the Group management report combined with the management report of Progress-Werk Oberkirch AG for the 2021 fiscal year will be submitted to the operator of the German Federal Gazette and published in the German Federal Gazette.

The annual financial statements of Progress-Werk Oberkirch AG and the 2021 annual report can also be found on the internet under

→ <https://www.progress-werk.de/en/investors-press/news-publications/reports/> and, from the time that the 2022 Annual General Meeting has been convened, at

→ <https://www.progress-werk.de/en/investors-press/annual-general-meeting/>

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Balance Sheet Progress-Werk Oberkirch AG

Assets

EURk	Dec. 31, 2021	Dec. 31, 2020
Notes No.		
Contract and customer-related development services	3,119	3,792
Purchased industrial property rights and similar rights	2,197	1,990
Intangible assets	5,316	5,782
Land and buildings	29,977	31,637
Technical equipment and machinery	17,466	23,154
Other equipment, operating and office equipment	3,273	3,375
Payments on account and assets under construction	1,897	364
Tangible assets	52,613	58,530
Shares in affiliated companies	48,134	37,163
Loans to affiliated companies	74,084	65,921
Financial assets	122,218	103,084
2 Fixed assets	180,147	167,396
Raw materials, consumables and supplies	11,715	10,711
Work in progress	14,286	10,982
Finished goods	16,136	18,703
3 Inventories	42,137	40,396
Trade receivables	5,405	10,695
Receivables from affiliated companies	35,796	39,447
Other assets	5,322	9,374
4 Receivables and other assets	46,523	59,516
Cash-in-hand and bank balances	2,448	2,607
Current assets	91,108	102,519
5 Deferred tax assets	10,218	10,259
Total assets	281,473	280,174

Equity and Liabilities

EURk	Dec. 31, 2021	Dec. 31, 2020
Notes No.		
Subscribed capital	9,375	9,375
Capital reserves	38,690	38,690
Legal reserve	204	204
Other revenue reserves	63,985	67,300
Revenue reserves	64,189	67,504
Net retained profits (p/y: net accumulated losses)	4,700	-15,469
6 Equity	116,954	100,100
7 Provisions for pensions and similar obligations	57,660	52,579
Tax provisions	280	903
8 Other provisions	15,563	20,844
Provisions	73,503	74,326
Liabilities to banks	66,315	69,819
Payments received on account of orders	320	1,079
Trade payables	14,626	11,633
Liabilities to affiliated companies	934	288
Other liabilities	8,821	22,929
9 Liabilities	91,016	105,748
Total assets	281,473	280,174

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Income Statement Progress-Werk Oberkirch AG

EURk		2021	2020
Notes No.			
10	Sales	206,530	209,711
	Change in finished goods and work in progress	737	-8,085
11	Other own work capitalized	542	1,002
	Gross revenue	207,809	202,628
12	Other operating income	11,132	6,771
	Cost of raw materials, consumables and supplies and of purchased merchandise	-80,931	-73,073
	Cost of purchased services	-27,488	-24,033
	Cost of materials	-108,419	-97,106
	Wages and salaries	-57,960	-59,814
	Social security and post-employment costs	-15,985	-15,717
13	Personnel expenses	-73,945	-75,531
	Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-10,466	-10,932
14	Other operating expenses	-30,251	-51,269
15	Income from equity investments, of which from affiliated companies EURk 7,000 (p/y: EURk 0)	7,000	0
16	Income from long-term loans, of which from affiliated companies EURk 2,488 (p/y: EURk 3,106)	2,488	3,106
17	Reversals of write-downs on financial assets	14,702	0
18	Other interest and similar income, of which from affiliated companies EURk 1,574 (p/y: EURk 1,712)	1,957	2,377
19	Interest and similar expenses	-5,038	-5,030
	Financial result	21,109	453
	Result from operating activities	16,969	-24,986
20	Taxes on income	201	5,079
	Result after taxes	17,170	-19,907
	Other taxes	-316	-340
	Net income (p/y: net loss)	16,854	-20,247
	Accumulated losses (p/y: retained profits) brought forward from the previous year	-15,469	4,778
	Transfer to other revenue reserves	3,315	0
	Net retained profits (p/y: net accumulated losses)	4,700	-15,469

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General Information

Progress-Werk Oberkirch AG is a listed corporation headquartered at Industriestrasse 8, 77704 Oberkirch, Germany. It is registered and entered in the commercial register of the Freiburg Local Court under HRB 490007.

The annual financial statements have been prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with the Bilanzrichtlinie-Umsetzungsgesetz (Bil-RUG – German Accounting

Guidelines Implementation Act) for large corporations and the Aktiengesetz (AktG – German Stock Corporation Act). The distribution of profits is governed by the Articles of Association.

The income statement was prepared in line with the total cost (nature of expense) method. For the purposes of clarity, the lines "Reversals of write-downs on financial assets" and "Withdrawals from other revenue

reserves" were added to the standard in accordance with section 275(2) HGB. The financial statements are presented in thousands of euro.

The fiscal year is the calendar year.

Accounting Policies

1 Summary of Key Accounting Policies

The following accounting policies were applied with no changes in preparing the annual financial statements.

Fixed Assets

Intangible assets and tangible assets are measured at acquisition or production cost. Both directly attributable material and production costs and the necessary material and production overheads, including reasonable amounts of depreciation, were taken into account in determining the production cost of own work capitalized.

The capitalization option provided by section 248(2) HGB was exercised for internally generated intangible fixed assets.

The depreciation of tangible assets and the amortization of intangible assets are calculated using the straight-line method (until 2011, also using the diminishing balance method). Certain items of machinery and order-related tools were depreciated based on the number of units produced in the reporting year in relation to the total number of items commissioned or planned.

Low-value assets with an individual net value of up to EUR 250 are depreciated in full and expensed in the year of acquisition, assuming immediate disposal from the balance sheet. An omnibus item is recognized for assets with an individual net value of between EUR 250 and EUR 1,000. The annual omnibus items, the combined amount of which is immaterial overall, are written down by 20% in the year of their addition and the four subsequent years.

Shares in affiliated companies are carried at the lower of acquisition cost and fair value. Loans are recognized at nominal amount. Write-downs are recognized to reflect permanent impairment to the extent necessary and permissible. Impairment losses on shares in affiliated companies are calculated on the basis of annual impairment testing. Impairment testing is based on calculations of earnings value taken from the respective company's medium-term planning and assuming a perpetual annuity after the end of the planning period. Write-downs are recognized if the resulting earnings value is below the book value.

If the reasons for impairment cease to apply, impairment losses are reversed up to the maximum of amortized acquisition or production cost.

Current Assets

Inventories of raw materials, consumables and supplies are carried at the lower of the average cost of acquisition or current value. Materials that are difficult to realize or obsolete were written down. Work in progress and finished goods are measured at the lower of production cost and fair value on the basis of an item-by-item calculation under current operational accounting. General administrative expenses and borrowing costs have not been capitalized. Measurement is at fair value.

Tooling and development contracts are measured at acquisition or production cost. They are measured at fair value, hence the maximum acquisition and production cost is equal to the selling price plus revenue generated over series production.

Beneficial ownership of tools is acquired by customers in the majority of cases. They are recognized in inventories until beneficial ownership has transferred.

Receivables and other assets are carried at nominal amount. Non-interest-bearing receivables with a term of more than 1 year were discounted. Items denominated in foreign currency items are measured

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at fair value. Appropriate specific valuation allowances are recognized for all items subject to risk; the general credit risk is reflected by a flat-rate discount.

Cash and cash equivalents are carried at nominal amount.

Disbursements before the reporting date are recognized as prepaid expenses if they constitute an expense for a specific period after this date.

Deferred Taxes

Deferred taxes are calculated for temporary and quasi-permanent differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income on the basis of a tax rate. Deferred taxes are also recognized for any tax loss carryforwards. Deferred tax assets and liabilities are netted. Any resulting net deferred tax assets are recognized utilizing the option provided by section 274(1) sentence 2 HGB.

Deferred taxes are calculated on the basis of an effective tax rate of 29.13% (p/y: 28.43%). This consists of the corporate income tax rate, including a solidarity surcharge, of 15.83% (p/y: 15.83%) and a trade tax rate of 13.30% (p/y: 12.60%) that is expected to apply when the temporary differences reverse. The tax rate for trade tax is based on the average trade tax assessment rate of 380% (p/y: 360%).

Equity

Subscribed capital is carried at nominal amount.

Provisions and Liabilities

Pension obligations have been measured in accordance with actuarial principles using the projected unit credit method and applying the 2018 G Heubeck RT mortality tables as a biometric basis. The rate used for discounting was taken as the average market interest rate for the past 10 years, assuming a remaining term of 15 years. Future salary and pension increases and probabilities for staff turnover are also taken into account.

The provisions for partial early retirement are measured in accordance with actuarial principles based on an average interest rate, salary trend and the 2018 G Heubeck RT mortality tables. Provisions for partial early retirement obligations are recognized in accordance with the block model for partial early retirement agreements entered into as of the reporting date and potential future agreements. The provisions include top-up amounts and obligations accrued by the company as of the balance sheet date.

Provisions for anniversary bonuses are calculated based on actuarial principles using the projected unit credit method assuming an average interest rate and based on the 2018 G Heubeck mortality tables. Factors such as salary and career trends, inflation rates, staff turnover rates and increases in the assessment ceiling of the statutory pension and health insurance are also taken into account.

Tax provisions and other provisions comprise all uncertain liabilities and expected losses from executory contracts. They are carried at the settlement amount determined in line with prudent business judgment (i.e. including future cost and price increases).

Other provisions include individual provisions for all discernible risks from uncertain obligations and for expected losses from executory contracts. Expected price and cost increases were taken into account in measuring these provisions. The warranty provision was recognized on the basis of an estimate of how the vehicles in which our products are installed are used by their owners. In turn, these usage patterns were used to estimate the frequency of potential damage, which was used as an estimate for the amount of the provision.

Provisions with a remaining term of more than 1 year were discounted matched-term, average market interest rate for the past 7 years, as calculated and published by Deutsche Bundesbank. The interest effect of the change in the discounting rate is shown in the financial result.

Liabilities are measured at their settlement amount.

Foreign Currency Items and Translation

Assets and liabilities denominated in foreign currencies are translated using the average spot exchange rate as of the reporting date. The realization principle (section 252(1) no.4, 2nd half-sentence HGB) and the historical cost convention (section 253(1) sentence 1 HGB) were complied with for remaining terms of more than 1 year.

The following accounting policies apply to the extent that hedge accounting in accordance with section 254 HGB is used: Economic hedges are accounted for by recognizing hedges. In cases in which either the net hedge presentation method (where offsetting changes in value of the hedged risk are not recognized) and the gross hedge presentation method (where offsetting changes in the value of the hedged item and the hedging instrument of the hedged risk are recognized) can be applied, the gross hedge presentation method is used. Thus, the gross hedge presentation method is used to hedge recognized hedged items. In conjunction with the gross hedge presentation method, PWO designates only the spot component of the derivative as a hedging instrument, while the forward component of the derivative is recognized in accordance with general accounting policies. The offsetting positive and negative changes in value are recognized gross in profit or loss. By contrast, the net hedge presentation method is used for anticipatory hedged items and the derivative is designated as a hedging instrument in full (in its entirety).

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2 Fixed Assets

The statement of changes in fixed assets is as follows:

	Contract/ customer- related develop- ment services	Purchased industrial prop- erty rights and similar rights	Intangible assets	Land and buildings	Technical equipment and machinery	Other equip- ment, operat- ing and office equipment	Payments on account and assets under construction	Tangible assets	Shares in affiliated companies	Loans to affiliated companies	Financial assets
ACQUISITION/PRODUCTION COST											
As of January 1, 2020	8,496	14,476	22,972	62,540	156,539	25,758	1,046	245,883	50,013	91,552	141,565
Additions	992	577	1,569	120	1,081	467	311	1,979	0	6,295	6,295
Disposals	-118	0	-118	-281	-1,737	-249	0	-2,267	0	-18,111	-18,111
Reclassification	0	0	0	70	923	0	-993	0	0	0	0
As of December 31, 2020	9,370	15,053	24,423	62,449	156,806	25,976	364	245,595	50,013	79,736	129,749
Additions	531	723	1,254	36	2,051	919	1,570	4,576	1,719	17,752	19,471
Disposals	0	-1,686	-1,686	-155	-6,622	-3,882	0	-10,659	0	-15,039	-15,039
Reclassification	0	0	0	0	37	0	-37	0	0	0	0
As of December 31, 2020	9,901	14,090	23,991	62,330	152,272	23,013	1,897	239,512	51,732	82,449	134,181
DEPRECIATION AND AMORTIZATION											
As of January 1, 2020	4,872	12,525	17,397	29,305	128,855	21,600	0	179,760	12,850	13,815	26,665
Additions	824	538	1,362	1,789	6,531	1,250	0	9,570	0	0	0
Disposals	-118	0	-118	-282	-1,734	-249	0	-2,265	0	0	0
As of December 31, 2020	5,578	13,063	18,641	30,812	133,652	22,601	0	187,065	12,850	13,815	26,665
Additions	1,204	516	1,720	1,696	6,048	1,001	0	8,745	0	0	0
Disposals	0	-1,686	-1,686	-155	-4,894	-3,862	0	-8,911	0	0	0
Reversals of write-downs	0	0	0	0	0	0	0	0	-9,252	-5,450	-14,702
As of December 31, 2021	6,782	11,893	18,675	32,353	134,806	19,740	0	186,899	3,598	8,365	11,963
BOOK VALUES											
As of December 31, 2020	3,792	1,990	5,782	31,637	23,154	3,375	364	58,530	37,163	65,921	103,084
As of December 31, 2021	3,119	2,197	5,316	29,977	17,466	3,273	1,897	52,613	48,134	74,084	122,218

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The standard useful life is 3 to 5 years for software, 25 to 50 years for buildings, 2 to 10 years for technical equipment and machinery, 3 to 14 years for operating and office equipment and 3 to 5 years for IT hardware.

Impairment losses as referred to by section 277(3) sentence 1 HGB of EURk 620 were recognized for presumably permanent impairment on intangible assets. Impairment losses on tangible assets amounted to EURk 116.

3 Inventories

EURk	2021	2020
Raw materials, consumables and supplies	11,715	10,711
Work in progress	14,286	10,982
Finished goods	16,136	18,703
Total	42,137	40,396

Raw materials, consumables and supplies include customer-related spare parts for tools in the amount of EURk 4,530 (p/y: EURk 5,691). Write-downs of EURk 536 were recognized on development services in accordance with section 253(4) HGB. Finished goods also include write-downs on tools of EURk 567.

6 Equity

EURk	Subscribed capital	Capital reserves	Legal reserves	Other revenue reserves	Net accumulated losses/ net retained profits	Equity of PWO AG
As of January 1, 2021	9,375	38,690	204	67,300	-15,469	100,100
Dividend payment						0
Net income for the year					16,854	16,854
Withdrawal from other revenue reserves				-3,315	3,315	0
As of December 31, 2021	9,375	38,690	204	63,985	4,700	116,954

4 Receivables and Other Assets

Receivables from affiliated companies include trade receivables of EURk 4,869 (p/y: EURk 2,857) and current loans of EURk 30,927 (p/y: EURk 36,590).

EURk	2021	thereof remaining term > 1 year	2020	thereof remaining term > 1 year
Trade receivables	5,405	0	10,695	0
Receivables from affiliated companies	35,796	0	39,447	0
Other assets	5,322	0	9,374	0
Total	46,523	0	59,516	0

5 Deferred Taxes

Deferred taxes were calculated on the basis of the German income tax rate of 29.13% (p/y: 28.43%). The table below shows deferred tax assets and liabilities at the level of the individual balance sheet items:

EURk	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Intangible assets, tangible assets, financial assets and other assets	400	82	1.719	1.417
Provisions	9.052	8.266	0	0
Loss carryforwards	2.485	3.328	0	0
Subtotal	11.937	11.676	1.719	1.417
Offsetting	-1.719	-1.417	-1.719	-1.417
Total according to balance sheet	10.218	10.259	0	0

The netting of deferred tax assets and liabilities resulted in net deferred tax assets.

Subscribed Capital

The share capital of Progress-Werk Oberkirch AG amounts to EUR 9,375,000 (p/y: EUR 9,375,000) as of December 31, 2021 and is still divided into 3,125,000 no-par bearer shares, each granting one vote. The share capital is fully paid in. The notional interest of each no-par share in share capital is EUR 3.00. The distribution of profits is governed by section 60 AktG in conjunction with Article 18 of the Articles of Association.

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Authorized Capital

By way of resolution of the Annual General Meeting of July 28, 2020, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company by up to EUR 4,687,500 in total by issuing new no-par bearer shares in return for cash or non-cash contributions on one or several occasions (Authorized Capital 2020) by July 27, 2025 (inclusively).

The Executive Board has not utilized this authorization to date.

Revenue Reserves and Other Equity

By way of resolution of the Executive Board of March 2, 2022, and with the approval of the Supervisory on March 15, 2022, EURk 3,315 was withdrawn from the revenue reserves and recognized in net retained profits. The revenue reserves of EURk 64,189 include the legal reserve of EURk 204.

The net retained profits for the 2021 fiscal year of EURk 4,700 include the loss from the previous year of EURk 15,469.

Notifications in Accordance with Section 33 WPHG

Progress-Werk Oberkirch AG had received the following notifications in accordance with section 33 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) as of December 31, 2021. There may have been changes to the voting rights shown after the stated dates that did not have to be reported to the company.

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

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, notified us on May 23, 2012 that it held between 30% and 50% of the voting rights in Progress-Werk Oberkirch AG.

7 Provisions for Pensions and Similar Obligations

Provisions for defined benefit plans are calculated using the projected unit credit method and applying the RT 2018 Heubeck mortality tables.

The transitional amount in accordance with the German Accounting Modernization Act of EURk 6,669 is distributed over 15 years. EURk 1,334 (p/y: EURk 1,778) of this amount has not been recognized to date. The average market interest rate for the past 10 years with a remaining term of 15 years forecast in the month of October as of the reporting date was used for discounting in accordance with the Rückstellungs-abzinsungsverordnung (RückAbzinsV – German Regulation on the Discounting of Provisions).

The difference between the pension provisions recognized based on the seven-year and ten-year average interest rate amounts to EURk 6,191. This amount is subject to a restriction on distribution in accordance with section 253(6) HGB (see note 26).

The defined benefit obligations are measured based on the following actuarial assumptions:

PERCENT	2021	2020
Interest	1.87%	2.31%
Turnover rate	2.00%	2.50%
Future salary trend < 40 years	3.50%	3.50%
Future salary trend > 40 years	2.50%	2.50%
Future pension adjustments	1.75%	1.75%

8 Other Provisions

Other provisions mainly include required obligations for personnel expenses of EURk 4,910 (p/y: EURk 11,478) and other discernible risks and obligations for which provisions must be recognized in accordance with commercial law. These essentially comprise warranty provisions, provisions for profit participation, partial early retirement, provisions for vacation and flex-time, anniversary bonuses, profit participation and provisions for expected losses. The provisions for partial early retirement are based on an interest rate of 0.48%, while the provisions for the anniversary bonuses are based on an interest rate of 1.35%. Provisions for restructuring were also recognized under this item in the previous year.

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9 Liabilities

EURk 1,225 of liabilities to banks (p/y: EURk 2,450) are secured by mortgages. There were also the usual retentions of title from the supply of merchandise and raw materials, consumables and supplies. Liabilities to affiliated companies include trade payables of EURk 934 (p/y: EURk 288).

EURk	2021	< 1 year	> 1 year	> 5 years	2020	< 1 year	> 1 year	> 5 years
Liabilities to banks	66,315	20,346	45,969	0	69,819	29,574	40,245	0
Payments received on account of orders	320	320	0	0	1,079	1,079	0	0
Trade payables	14,626	14,626	0	0	11,633	11,633	0	0
Liabilities to affiliated companies	934	934	0	0	288	288	0	0
Other liabilities ¹	8,821	5,302	2,834	685	22,929	18,740	2,770	1,419
thereof taxes	918	918	0	0	2,064	2,064	0	0
Total	91,016	42,446	48,803	685	105,748	61,314	43,015	1,419

¹ The item "Other liabilities" includes lease liabilities.

Income Statement Disclosures

10 Sales

Sales were recognized in accordance with section 277(1) HGB in conjunction with the German Accounting Guidelines Implementation Act and break down as follows:

Sales by Region

EURk	2021	2020
Germany	116,520	122,637
Rest of Europe	49,991	49,860
North America	23,120	23,099
Other countries	16,899	14,115
Total	206,530	209,711

Sales by Product Area

EURk	2021	2020
Mechanical components for electrical and electronic applications	75,320	69,711
Safety components for airbags, seats and steering	41,971	42,218
Structural components and subsystems for vehicle bodies and chassis	85,789	94,125
Other sales	3,450	3,657
Total	206,530	209,711

11 Other Own Work Capitalized

Other own work capitalized predominantly consists of development services and investments in machinery.

12 Other Operating Income

Other operating income essentially includes currency gains of EURk 6,374 (p/y: EURk 6,067) and prior-period income of EURk 4,600 (p/y: EURk 794) from the reversal of provisions and refunds for previous years, plus income from the disposal of fixed assets of EURk 117k (p/y: EURk 96).

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13 Personnel Expenses and Employees

Personnel Expenses

EURk	2021	2020
Wages and salaries	57,960	59,814
Social security and post-employment costs	15,985	15,717
thereof in respect of old age pensions	5,369	4,891
Total	73,945	75,531

The government grants for social security contributions in connection with the use of reduced working hours of EURk 1,166 (p/y: EURk 2,799) resulted in a reduction in personnel expenses in both the reporting year and the previous year. The grants and allowances for reduced working hours of EURk 1,463 (p/y: EURk 3,461) were posted to personnel expenses and reduced them accordingly.

Average Headcount for the Year by Area of Employment

	2021	2020
Development and sales	118	134
Production and Materials Management	629	720
Tool center	104	147
Administration	64	72
Core workforce	915	1,073
Temporary employees	155	196
Trainees	91	116
Inactive employees/passive stage of partia	65	59
Total staff	1,226	1,444

14 Other Operating Expenses

Other operating expenses essentially comprise expenses for temporary employees of EURk 6,380 (p/y: EURk 7,588), currency translation expenses of EURk 6,311 (p/y: EURk 7,609), maintenance expenses, legal, auditing and consulting fees, rental and lease expenses and outgoing freight.

A warranty provision of EURk 2,400 (p/y: EURk 0) was recognized in the 2021 fiscal year for a potentially faulty product delivered. No complaints for faulty parts have been received to date.

Furthermore, this item includes prior-period expenses of EURk 18 (p/y: EURk 0), expenses for restructuring of EURk 700 (p/y: EURk 18,418) and expenses resulting from the application of sections 66 and 67(1) to (5) EGHGB (BilMoG transitional provisions) of EURk 445 (p/y: EURk 445).

15 Income from Equity Investments

The income from equity investments resulted from the dividend payment by PWO Czech Republic to Progress-Werk Oberkirch AG.

16 Income from Long-term Loans

This item comprises income from loans to affiliated companies reported in financial assets.

17 Reversals of Write-downs on Financial Assets

The reversals of write-downs on financial assets include a recovery on the equity investment in PWO de México of EURk 9,252 and a recovery on loans to PWO Holding Co., Ltd., Hong Kong in the amount of EURk 5,450 (prior-period and extraordinary income).

18 Other Interest and Similar Income

Other interest and similar income includes EURk 1,574 (p/y: EURk 1,712) from affiliated companies.

19 Interest and Similar Expenses

This item also includes interest expenses of EURk 1,239 (p/y: EURk 1,340).

20 Taxes on Income

Taxes on income include expenses from deferred taxes of EURk 166 (p/y: income of EURk 5,405), extraordinary income from the recognition of deferred taxes of EURk 125 (p/y: EURk 125) and prior-period income of EURk 721 (p/y: EURk 238).

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21 Contingent Liabilities

There are liabilities from guarantees of EURk 15,635 (p/y: EURk 17,134) for loan liabilities of PWO Canada, PWO Czech Republic, PWO High-Tech Metal Components (Suzhou) and PWO de México. Furthermore, PWO AG has issued a guarantee in the amount of USD 2,500 thousand, limited until December 31, 2021, to a supplier for PWO de México. No risk of utilization is discernible at this time based on the current financial position, net assets and results of operations or forecasting by the subsidiaries.

22 Off-balance Sheet Transactions

Trade receivables are sold on an ongoing basis to generate cash and cash equivalents to finance operating activities and thereby allow improved liquidity planning. All material risks have been transferred to the factor. Receivables with a nominal amount of EURk 18,032 (p/y: EURk 14,304) had been sold as of December 31, 2021.

Moreover, trade receivables are financed by a factor under a supplier finance scheme initiated by the customer in order to further optimize liquidity. The factor bears the default risk for the supplier. Receivables of EURk 918 (p/y: EURk 1,487) had been transferred to the factor as of December 31, 2021.

23 Related Parties

Progress-Werk Oberkirch AG is the parent company of the PWO Group. The main shareholder of Progress-Werk Oberkirch AG is Consult Invest Beteiligungsberatungs-GmbH, Böblingen, whose majority shareholder is Dr. Klaus-Georg Hengstberger. There were no business transactions between the Group and Consult Invest Beteiligungsberatungs-GmbH, Böblingen, or their related parties in the reporting year.

24 Other Financial Commitments

Other financial commitments, including the purchase commitments, amounted to EURk 10,207 as of December 31, 2021 (p/y: EURk 9,958).

The maturities of other financial liabilities are shown in the table below:

EURk	from 2022	of which remaining term			from 2021	of which remaining term		
		< 1 year	> 1 year	> 5 years		< 1 year	> 1 year	> 5 years
Obligations under rental and leasing agreements	5,407	1,849	2,980	578	5,768	1,620	3,302	846
Purchase commitment from investment contracts granted	1,730	1,730	0	0	1,768	1,768	0	0
Miscellaneous other financial commitments	3,070	472	1,889	708	2,422	319	1,277	826
Total	10,207	4,051	4,869	1,286	9,958	3,707	4,579	1,672

Leases entered into to leverage cash flow benefits in conjunction with necessary investments include the risks typical for leases.

25 Derivative Financial Instruments

Derivatives are used to hedge currency and interest rate risks and not for speculative purposes. They are therefore only acquired in conjunction with a hedged item. The risk management and hedging strategy is governed by a uniform treasury policy and other internal guidelines; it is subject to regular internal risk analysis.

Currency Risks

Currency hedges are used to hedge the currency risks arising from operating activities. These currency hedge contracts are measured at fair value on a standalone basis as of the reporting date. In accordance with the general requirements, negative results of remeasurement are recognized in profit or loss for derivatives outside hedge accounting and result in the recognition of a provision for expected losses, whereas positive results of remeasurements remain unrecognized.

Hedge accounting was used for the following hedges on loans to affiliated companies using the gross hedge presentation method and designating the spot component. The hedges mature in 2023:

Hedged item/ hedging instrument	Risk/type of hedge	Nominal volume	Amount of hedged risk
Foreign currency receivable/currency hedging instrument	Currency risk/ micro hedge	CADk 18,000 (EURk 12,173)	EURk -236
Foreign currency receivable/currency hedging instrument	Currency risk/ micro hedge	USDk 30,500 (EURk 25,144)	EURk -665

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Given the reliably plannable scope and expected timing, hedge accounting has been used for the currency hedging instruments in connection with planned sales in foreign currency. These hedges cover the stipulated amount of the expected risk and run until 2023.

Hedged item/ hedging instrument	Risk/type of hedge	Nominal volume	Amount of hedged risk
Foreign currency receivable/currency hedging instrument	Currency risk/ micro hedge	CADk 6,630 (EURk 5,423)	EURk -381

The critical terms match method is used for the prospective assessment of hedge effectiveness. As the currencies, terms and amounts of the planned transactions and the spot components of the currency hedging instrument are identical, opposing changes in value are expected to be fully offset.

Hedge ineffectiveness is quantified retrospectively using the dollar offset method in the form of the hypothetical derivative method.

The fair values of the derivative financial instruments reflect the estimated amounts that the company would receive or have to pay to close out the contracts on the reporting date. The fair value of foreign currency hedging instruments is calculated by discounting the expected future cash flows over the respective remaining term of the contracts using the respective market interest rates and spot rates.

Interest Rate Risks

Interest rate and currency swaps have been entered into to hedge non-current loans to affiliated companies in foreign currency. The derivatives are as shown in the table below:

Balance sheet item	Hedging instrument	Nominal volume	Term	Market value	Carrying amount
		EURk		EURk	EURk
Liability item (other liabilities)	Interest and currency swaps	7,685	until 2024	-700	-700 (p/y: -65)

Hedge accounting was applied using the gross hedge presentation method for the following interest rate and currency swaps:

Hedged item/ hedging instrument	Risk/type of hedge	Nominal volume	Term	Amount of hedged risk	Carrying amount
		EURk		EURk	EURk
Long-term loans/ interest and currency swaps	Interest and currency risk/micro hedge	8,448	until 2026	-409	-700 (p/y: -65)

The fair value of the derivative interest rate contracts is calculated by discounting the expected future cash flows using applicable market interest rates for the remaining term of the contract.

26 Restriction on Distribution

The total amount barred from distribution in accordance with section 268(8) HGB is EURk 19,528 (p/y: EURk 21,652). Capitalized internally generated intangible assets of EURk 3,119 (p/y: EURk 3,792), deferred tax assets of EURk 10,218 (p/y: EURk 10,259) and the difference in accordance with section 253(6) HGB of EURk 6,191 (p/y: EURk 7,601) are barred from distribution.

27 Research and Development Costs

Costs in connection with development services amount to EURk 9,121 (p/y: EURk 9,194), EURk 520 (p/y: EURk 992) of which was capitalized under intangible assets and EURk 64 (p/y: EURk 38) under inventories.

28 Auditor's Fee

The fee for the auditor expensed in accordance with section 285(1) no.17 HGB breaks down as follows:

EURk	2021	2020
Audit of the financial statements	311	227
Other assurance or valuation services	23	11
Tax advisory services	2	18
Other services	43	0
Total	379	256

Prior-period expenses of EURk 47 are included in the fee for the auditor. The expenses for services in addition to the audit of the financial statements related to the fee for the EMIR audit, the formal audit of the remuneration report and assurance services in connection with the syndicated loan, and the clarification of issues in connection with the risk early warning system and technical accounting matters.

29 Total Remuneration of the Executive Board and the Supervisory Board

The total remuneration of the Executive Board amounts to EURk 1,954 in the 2021 fiscal year (p/y: EURk 1,240); this includes performance-based components of EURk 1,021 (p/y: EURk 343). The total remuneration of the Supervisory Board amounted to EURk 316 (p/y: EURk 292). No loans or advances were granted to the members of executive bodies.

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Former members of the Executive Board of Progress-Werk Oberkirch AG and their surviving dependents received pension payments of EURk 309 (p/y: EURk 239). The corresponding pension provision (HGB) amounted to EURk 5,568 (p/y: EURk 3,719) on the balance sheet date. The unrecognized transitional amount in accordance with the German Accounting Modernization Act totals EURk 171 as of December 31, 2021.

30 Shares in Affiliated Companies

Progress-Werk Oberkirch AG holds shares in the following companies as of December 31, 2021:

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

¹ Indirect holding through PWO Holding Co., Ltd., in amount of 100%

² Indirect holding through PWO Canada Inc. in amount of 0,15%

The disclosures on equity and net income/loss for the year are based on the IFRS figures of the subsidiaries.

31 Consolidated Financial Statements

The annual financial statements are included in the consolidated financial statements of Progress-Werk Oberkirch AG, Oberkirch, which are the consolidated financial statements for the smallest and largest group of consolidated companies.

32 Declaration of Compliance with the German Corporate Governance code

The declaration of compliance with the German Corporate Governance Code, as amended December 16, 2019, issued by the Executive Board and the Supervisory Board in December 2021 in accordance with section 161 AktG is permanently available to shareholders on the company's website at [➔ https://www.progress-werk.de/en/group/corporate-governance/](https://www.progress-werk.de/en/group/corporate-governance/).

33 Supplementary Report

The breakout of war between Russia and Ukraine on February 24, 2022 has challenged the entire security architecture of Europe and NATO, and one of the central pillars of the political order since World War II. Over the following days, the western democracies, the European Union and NATO demonstrated great unity in rapidly agreeing several far-reaching and increasingly severe packages of sanctions and taking strategic decisions. Countries outside these alliances have backed these decisions.

PWO has no sites of its own in Russia or Ukraine. However, we will naturally be affected by the general economic consequences. These can include temporary declines in demand, the disruption of supply chains and higher procurement prices. In the medium term, general economic conditions may change as a result of a sustained increase in defense spending and changes to European energy imports. Overall, we are unable to predict the consequences of the war in Ukraine for PWO at present.

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34 Composition and Mandates of the Supervisory Board and Executive Board

Supervisory Board

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

Executive Board

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

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35 Proposal for the Appropriation of Profits

It will be proposed to the Annual General Meeting to utilize the net retained profits of PWO AG of EURk 4,700 as reported as of December 31, 2021 as follows:

Distribution of a dividend of EUR 1.50 per eligible no-par share	EURk 4,687.5
Carryforward to new account	EURk 12.5

The number of eligible shares may change by the time when the resolution on the appropriation of profits is adopted, for instance as a result of the acquisition of treasury shares by the company (see section 71b AktG). In such event, a suitably amended proposal for the appropriation of profits will be submitted to the Annual General Meeting by the Executive Board and the Supervisory Board, still with the intention of a total distribution of EUR 1.50 per eligible no-par share.

Oberkirch, March 18, 2022

Progress-Werk Oberkirch AG

The Executive Board



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO

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To Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch

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

Opinions

We have audited the annual financial statements of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch,

- which comprise the balance sheet as of December 31, 2021, the income statement for the fiscal year from January 1 to December 31, 2021 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of the Company and the Group ("combined management report) of Progress-Werk Oberkirch Aktiengesellschaft for the fiscal year from January 1 to December 31, 2021.

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

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

- the accompanying annual financial statements comply, in all material aspects, with the requirements of German commercial law applicable to business corporations and in compliance with German Legally Required Accounting Principles give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2021 and its financial performance for the fiscal year from January 1 to December 31, 2021 and

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

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

Basis for the Opinions

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter the "EU-AR"), taking into account the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the combined management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, pursuant to Article 10 (2)(f) EU-AR we declare that we have not provided any prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

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

Recoverability of Financial Assets and Receivables from Affiliated Companies

With regard to the accounting principles deployed, please refer to the information in Note 1. For comments on the business performance, please refer to the combined management report in the "Business Development of PWO AG" section.

RISK FOR THE FINANCIAL STATEMENTS

In the annual financial statements of Progress-Werk Oberkirch AG as of December 31, 2021, under financial assets shares in affiliated companies of EUR 48.1 million and loans to affiliated companies of EUR 74.1 million are recognized. The proportion of financial assets amounts to 43.4% of total assets and thus has a material effect on the Company's assets. As at December 31, 2021, receivables from affiliated companies total EUR 35.8 million.

Financial assets are recognized at cost or, if permanent impairment is expected, at the lower fair value. Receivables from affiliated companies are recognized at the lower of cost or fair value. The company calculates the fair value for the overall exposure using the income approach. In addition, in the context of measuring current receivables, the Company examines if there is a temporary reduction in value.

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The cash flows used in the income approach are based on specific planning for the individual affiliated company for the next five years which is extrapolated with assumptions on long-term growth rates. The respective capitalization rate is derived from the yield of an alternative investment with appropriate risk. If the fair value exceeds the carrying amount – in the case of a prior impairment – there is a reversal to a maximum of the original cost, if the reason for the impairment is no longer in place.

The impairment test including the calculation of the fair value in line with the income approach is complex and depends to a high degree on assessments and judgments of the Company. This includes the assessment of future profit trends and long-term growth rates, the calculation of the capitalization rates as well as the assessment of whether the reasons for the impairment are no longer in place.

In the first half of the year, in some cases the international automotive industry achieved high growth rates. However, there was a considerably negative picture in the second half of the year as a result of the lack of electronic components and increasing prices for energy and logistics. Overall volume in Europe was lower in 2021, whereas sales in the US and China picked up. Thanks to greater ramp-ups of series production, the expected development at the subsidiary, PWO de México S.A. de C.V., Puebla, Mexico, has improved on a sustained basis. In addition, in the opinion of the Company, the expected development of the subsidiary, PWO Holding Co., Ltd., Hong Kong, China, has also improved on a sustained basis. Thus the reasons for the impairment taken in the past no longer exist. As a result, in the 2021 fiscal year, the Company recognized a reversal of EUR 9.3 million on its shares of PWO Mexico and EUR 5.5 million on the loan to PWO Hong Kong. There is a risk for the annual financial statements that the financial assets are not recoverable.

OUR AUDIT APPROACH

To begin with on the basis of explanations from the Participation Controlling department and consideration of the documentation provided, we gained an understanding of the Company's process for assessing the recoverability of financial assets and receivables from affiliated companies. In particular, we dealt with the Company's process for determining impairment and on the basis of the information obtained in our audit assessed whether there are indications for impairment not identified by the Company.

Subsequently, with the involvement of our valuation specialists, we assessed the appropriateness of the key assumptions and the measurement methods for the company valuations implemented by an independent expert commissioned by the Company. To this end, we discussed the revenue and profit developments as well as the assumed long-term growth rates with those responsible for the planning. We also carried out reconciliations with other internally available forecasts prepared by management and presented to the Supervisory Board. We additionally assessed the consistency of the assumptions with market assessments.

Furthermore we satisfied ourselves of the planning accuracy of the companies by comparing plans of the affiliates from earlier fiscal years with the results actually realized and analyzing any deviations. With the involvement of our valuation specialists, we compared the assumptions and data underlying the capitalization rate, especially the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

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

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

OUR CONCLUSIONS

The process underlying the impairment test of the financial assets and receivables from affiliated companies is appropriate and consistent with the measurement principles to be deployed. The Company's underlying assumptions and data are appropriate.

Appropriate Accrual of Customer-specific Tool Revenue

With regard to the accounting methods, please refer to the information in Note 1.

RISK FOR THE FINANCIAL STATEMENTS

The Progress-Werk Oberkirch AG annual financial statements for the 2021 fiscal year recognizes revenue of EUR 206.5 million. This includes revenue of EUR 8.8 million from the development and manufacture of customer-specific tools.

Revenue from the customer-specific tools is recognized after customer acceptance of the tool or via the series delivery with the parts price. Within the industry the contract structure for tools is very different. When invoicing after customer acceptance or after the prototype is delivered, this results in revenue recognition which has to be assessed on an individual and manual basis. There is a risk for the annual financial statements that revenue recognition for the customer-specific tools is too high in the fiscal year and thus not properly accrued.

OUR AUDIT APPROACH

To audit the appropriate accrual of revenue for customer-specific tools, we examined the design, establishment and effectiveness of the internal controls in respect to the order price, performance acceptance and settlement.

In addition, we assessed the appropriate accrual of customer-specific revenue by comparing the invoices with the orders and contracts as well as the acceptance reports and supply certificates for the prototype deliveries. This was performed on the basis of a statistical method for selected tool revenue recognized in the last two months of the reporting year.

OUR CONCLUSIONS

The Company's approach for the deferral of customer-specific tool revenue is appropriate.

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Other Information

Management is responsible for the other information. The other information comprises the following elements of the combined management report which have not been audited:

- the combined separate non-financial declaration of the Company and the Group, referred to in the combined management report, and,
- the combined corporate governance statement of the Company and the Group referred to in the combined management report,

Other information also includes the annual report that is expected to be made available to us after the date of this independent auditor's report. The other information does not include the annual financial statements, the disclosures in the combined management report audited for content or our auditor's report thereon.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the information in the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company

in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies

with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU-AR and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From the matters that we have discussed with those charged with governance, we determine which matters were most important during the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the independent auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "86002171_PWO JAP.zip" (SHA256 hash value: f31e 27045a46dcd8237 25d4305c3915f048a68fad8d81dae2c3923dd5cf51235) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2021 contained in the "Report on the audit of the annual financial statements and the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the annual financial statements and the combined management report made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 ((10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

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Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and the audited combined management report.

Other Disclosures in Accordance with Article 10 EU-AR

We were elected by the Annual General Meeting on May 19, 2021 as auditor of the annual financial statements. We were engaged by the Supervisory Board on October 13, 2021. We have been the auditor of the financial statements of Progress-Werk Oberkirch Aktiengesellschaft without interruption since the 2020 fiscal year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee according to Article 11 EU-AR (audit report).

Other Matters – Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as the examined ESEF documents. The annual financial statements and the combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible Auditor

The auditor responsible for the audit is Mathias Laubert.

Stuttgart, March 21, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Laubert
German Public Auditor

signed Herr
German Public Auditor

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"We declare to the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, and the group management report combined with the management report of Progress-Werk Oberkirch Aktiengesellschaft, includes a fair review of the Group's business performance, including the results and the financial position, together with a description of the principal opportunities and risks associated with the Group's expected development."

Oberkirch, March 18, 2022

Progress-Werk Oberkirch AG

The Executive Board



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO

Contact

Investor Relations Contacts

Dr. Cornelia Ballwießer

CFO

Telephone: + 49 7802 84-844

ir@progress-werk.de

Charlotte Frenzel

Investor Relations & Corporate Communications

Telephone: + 49 7802 84-844

ir@progress-werk.de

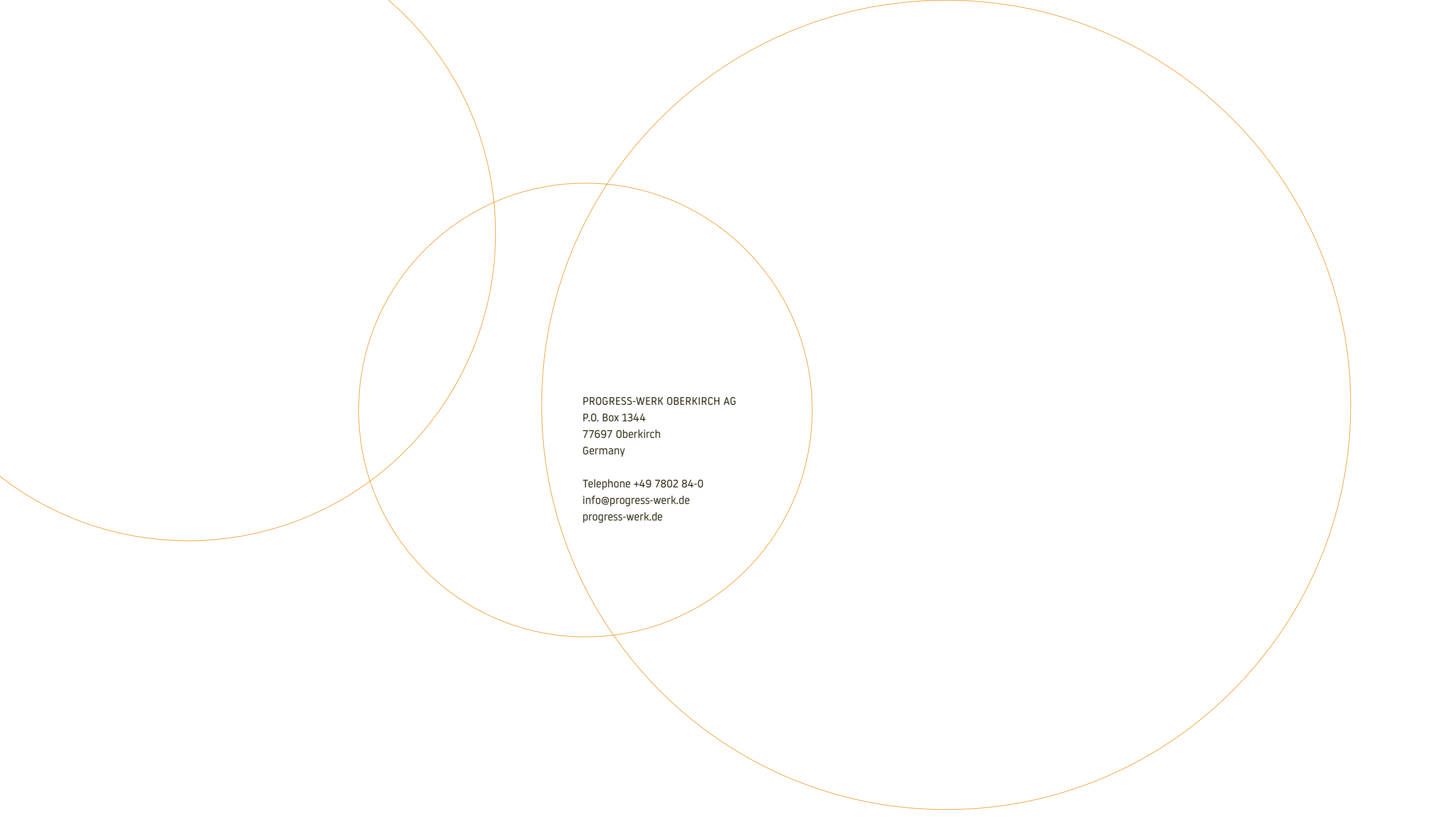
Figures in this document are typically presented in EURk. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. The English translation of this document is provided for convenience of understanding only. In case of any different interpretation of the texts in German and English, the German version shall prevail.

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Berichtsmanufaktur GmbH, Hamburg

Pictures

PWO



PROGRESS-WERK OBERKIRCH AG
P.O. Box 1344
77697 Oberkirch
Germany

Telephone +49 7802 84-0
info@progress-werk.de
progress-werk.de