

# Report of the Supervisory Board

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

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

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

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

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

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

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

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

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



Karl M. Schmidhuber,  
Chairman of the Supervisory Board

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

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

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

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

## The Work of the Full Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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## The Work of the Committees

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

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

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

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

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

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

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

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

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

### Personnel Committee

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

### Audit Committee

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

## Disclosure of Meeting Attendance for Individual Members

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

### Supervisory Board Meetings

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

### Personnel Committee Meetings

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

Carsten Claus attended all meetings as a guest.

### Audit Committee Meetings

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

## Changes in the Composition of Governing Bodies

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

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

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

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

## Conflicts of Interest

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

## Audit of Annual and Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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## A Word of Thanks

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

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

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

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

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

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

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

Oberkirch, March 24, 2022



Karl M. Schmidhuber  
(Chairman of the Supervisory Board)