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

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

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

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Assets

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

Equity and Liabilities

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

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

Consolidated Statement of Cash Flows

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

Notes to the Consolidated Financial Statements

Information on the Company

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

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

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

Accounting Policies

1 Basis of Preparation of the Financial Statements

The consolidated financial statements of Progress-Werk Oberkirch AG and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and as applicable in the European Union, as well as the applicable supplementary provisions of the German Commercial Code (HGB) according to Section 315e (1) HGB. The Articles of Association and the German Stock Corporation Act set out regulations on profit distribution.

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

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2 Changes in Accounting Policies

Standards Applied for the First Time or Changes

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

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

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Standards or Amendments to be Applied in the Future

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

EU Endorsement Already Granted

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

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

EU Endorsement still Pending

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

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

3 Principles of Consolidation

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

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

4 Scope of Consolidation

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

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

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

² Indirect interest of 0.15% via PWO Canada Inc.

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

5 Summary of Significant Accounting Policies

Currency Translation

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

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

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

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

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

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

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

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

Recognition of Income and Expenses

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

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

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

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

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

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

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

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

Income Taxes and Deferred Taxes

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

Borrowing Costs

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

Contingent Liabilities and Contingent Assets

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

Property, Plant and Equipment

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Assets and Receivables

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

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

Measurement of Fair Value

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

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

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

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

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

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

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

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

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

Inventories

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

Cash and Cash Equivalents

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

Provisions

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

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

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

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

6 Significant Judgments, Estimates and Assumptions

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

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Judgments

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

Revenue from Contracts with Customers

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

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

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

Determination of the Term of Leases with Renewal or Termination Options

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

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

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

Estimates and Assumptions

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

Loss Allowance on Trade Receivables and Contract Assets

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

Impairment of Goodwill and Property, Plant and Equipment

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

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

Changes to Useful Lives in Fixed Assets

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

Development Costs

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

Taxes

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

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

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

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

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

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

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

Defined Benefit Pension Plans

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

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

Other Provisions

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

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

Notes to the Income Statement

7 Revenue

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

8 Own Work Capitalized

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

9 Other Operating Income

Other operating income is composed as follows:

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

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

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

10 Staff Costs and Employees

Personnel Expenses

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

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

Annual Average Head Count According to Employment Sector

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

11 Other Operating Expenses

Other operating expenses break down as follows:

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

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

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

12 Finance Costs

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

13 Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

Please see note 6 for further explanations.

14 Earnings per Share

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

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

Notes to the statement of financial position

15 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

16 Intangible Assets

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

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

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

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

17 Contract Assets

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

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

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

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

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

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

18 Inventories

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

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

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

19 Trade Receivables

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

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

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

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

20 Cash and Cash Equivalents

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

21 Equity

Capital Stock

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

Authorized Capital

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

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

Capital Reserves

Capital reserves contain allocations from the premium.

Retained Earnings and Other Provisions

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

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

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

Proposed and Distributed Dividends

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

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

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

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

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

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

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

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

22 Pension Provisions

Defined Contribution Plans

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

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

Defined Benefit Plans

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

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

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

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

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

The following table shows adjustments recognized in other comprehensive income:

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

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

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

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

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

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

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

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

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

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

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

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

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

Breakdown of pension commitments by groups of beneficiaries:

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

23 Other Provisions

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

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

Other provisions developed as follows:

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

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

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

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

24 Financial Liabilities

Financial liabilities were composed as follows:

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

Changes in liabilities from financing activities are shown below:

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

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

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

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

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

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

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

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

25 Contingencies and Other Financial Obligations

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

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

26 Transactions off the Statement of Financial Position

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

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

27 Financial Risk Management

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

The cumulated material risks are explained below:

Credit Risk

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

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

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

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

Interest Rate Risk

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

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

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

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

Currency Risk

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

Transaction Risk

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

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

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

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

Translation Risk

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

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

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

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

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

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

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

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

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

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

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

Commodity Price Risk

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

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

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

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

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Capital Management

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

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

Dynamic leverage ratio

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

¹ Earnings before interest, taxes, depreciation and amortization

Equity ratio

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

28 Financial Instruments

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

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

Outstanding derivative financial instruments as at December 31, 2020:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Disclosures

29 Research and Development Expenses

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

30 Auditor's Fees

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

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

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

31 Total Remuneration of the Executive Board and the Supervisory Board

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

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

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

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

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

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

32 Related Parties

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

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

33 Additional Information on the Statement of Cash Flows

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

34 Segment Reporting

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

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

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

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

Segment Information by Region in the 2021 Fiscal Year

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

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

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

Segment Information by Region in the 2020 Fiscal Year

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

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

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

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

Additional Segment Information

Revenue by product area

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

Revenue by region

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

35 Declaration of Conformity with the German Corporate Governance Code

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

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

36 Events After the End of the Reporting Period

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

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

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

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

37 Composition and Mandates of the Supervisory Board and Executive Board

Supervisory Board

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

Executive Board

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

38 Proposal for the Appropriation
of Profits

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

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

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

Oberkirch, March 18, 2022

Progress-Werk Oberkirch AG

The Board of Management

Carlo Lazzarini
Chairman/CEO

Dr. Cornelia Ballwießer
CFO

Johannes Obrecht
COO

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To Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch

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

Opinions

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

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

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

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

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

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

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

Basis for the Opinions

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

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

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

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

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

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THE FINANCIAL STATEMENT RISK

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

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

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

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

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

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

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

OUR AUDIT APPROACH

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

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

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

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

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

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

OUR CONCLUSIONS

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

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

Revenue Accrual

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

THE FINANCIAL STATEMENT RISK

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

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In line with the transfer of control, revenue is recognized either at a point in time or over time at the amount to which the Group expects to be entitled.

On the basis of the Group's performance, an asset is created with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date including an appropriate margin. On the basis of the existence of this criterion, the management determines that the performance obligations are satisfied over time and for this reason that revenue is recognized over time.

The Progress-Werk Oberkirch AG management has presented the criteria for revenue recognition in Group Accounting Guidelines and has implemented processes for correct recognition and accrual.

Due to judgments in assessing the stage of completion, for the consolidated financial statements there is the risk that as at the reporting date revenue is recognized incorrectly or in the wrong amount.

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OUR AUDIT APPROACH

On the basis of explanations from the management and employees of the Accounting, Sales and Controlling departments, we gained an understanding of the contract design and components typical for the industry. In addition, on the basis of the process understanding we obtained, we assessed the design, establishment and function of identified internal controls, in particular relating to securing the existence of customer orders, the correct identification of margins and determining the stage of completion. Furthermore, we examined the presentation of revenue in the Group Accounting Guidelines for conformity with IFRS 15.

On the basis of a random sample of contract assets, with reference to the relevant contracts we gave consideration to whether the requirement for realizing revenue over time exists and assessed the appropriate implement of the Group Accounting Guidelines.

We satisfied ourselves on the basis of a random sample from the volume structure of the contract assets. In addition, on the basis of a random sample we examined if the stage of completion is appropriately determined and whether the transaction price was considered correctly.

On the basis of the insights gained, we assessed recognition in the balance sheet and income statement.

OUR CONCLUSIONS

The Group's approach on revenue recognition over time as at the reporting date is appropriate. The assumptions underlying accounting are appropriate.

Other Information

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if

such disclosures are inappropriate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters that we have discussed with those charged with governance, we determine which matters were most important during the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

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

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "20210323_progresswerk_187929_Konzernabschluss.zip" (SHA256 hash value: cc7c01179e0075e94ff087b371a5d90f904b4e501bfb8c c5be63be83a29d3b69) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated

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financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

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

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

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

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

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information Pursuant to Article 10 of the EU Audit Regulation

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

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

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

German Public Auditor Responsible for the Audit

The auditor responsible for the audit is Jack Cheung.

Stuttgart, March 21, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Cheung
German Public Auditor

signed Laubert
German Public Auditor

Responsibility Statement

"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