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Report of the Supervisory Board

In the 2022 fiscal year, the Supervisory Board of Progress-Werk Oberkirch Aktiengesellschaft (the "company") carried out its duties as defined by law, the company's Articles of Association and Rules of Procedure. To this end, the Supervisory Board and Executive Board cooperated continuously and maintained a close dialog. On a regular basis, the Supervisory Board advised the Executive Board and monitored the company's management in terms of its legality, practicality and efficiency.

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

While there were hopes at the start of the 2022 fiscal year that a period of steady, predictable development could return as the pandemic eased, the start of the war in Ukraine on February 24, 2022 made it clear that we must prepare for fundamental, permanent changes to the geopolitical, social and global economic environment. Developments in China at the end of the fiscal year also served as a sharp reminder that the pandemic is not yet over. Last but not least, the impact of climate change is already becoming ever more visible.

In operating activities, this continued to result in strained supply chains, which had to be managed with the utmost attention, flexibility and commitment, and drastic shifts in energy costs in Europe with the ongoing risk of energy shortages. In addition, inflation – which had already surged in 2021 – once again increased considerably. This provoked responses from central banks around the world, which brought an end to their earlier zero interest policies and raised refinancing rates, in some cases significantly.

In view of this, the Supervisory Board discussed ongoing development projects and capital expenditures as well as short-term and long-term corporate planning in depth.

The Executive Board also reported at length on the liquidity and risk situation, the status and development of the Group-wide risk and compliance management systems, the internal control system, internal auditing and IT security and data protection.

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

The Supervisory Board critically reviewed the Executive Board's reports for their plausibility and checked the corporate audit and the risk, internal control and compliance management systems for their suitability and effectiveness in terms of the extent of the Group's business activities and its risk situation.

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

During the 2022 fiscal year, the chairman of the Supervisory Board was in regular and close personal contact with the Executive Board in the periods outside of the Supervisory Board meetings, particularly with the CEO. The chairman also advised the Executive Board with respect to strategy, planning, business and financial development, the risk situation and risk management, compliance and sustainability issues and was always informed of current business developments and all material business transactions. Outside of the Supervisory Board meetings, the chairman also briefed the other Supervisory Board members and discussed the current developments with them.



Karl M. Schmidhuber
Chairman of the Supervisory Board

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

The members of the Supervisory Board are responsible for completing any training and continuing education required for their duties, which includes keeping up to date on any changes in the legal framework and on new pioneering technologies and sustainability/ESG. In doing so, they regularly use online offers and consultant services and are supported by the company. They are offered in-house information events for targeted further training as required.

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The full Supervisory Board met on a total of 7 occasions in the reporting period (see the section “Disclosure of meeting attendance for individual members”).

The Supervisory Board dealt regularly and in detail with the corporate strategy, current market situation, ongoing development projects, status of capital expenditures, refinancing of the PWO Group and its financing strategy, as well as the respective situation and earnings reports of the Executive Board on the economic and operating situation. All of these were always considered against the backdrop of ongoing supply chain tensions, the massive rise in procurement prices and the impact high inflation in almost all sectors of the economy may have on future wage structures. Other major key topics included the Group’s growth prospects, particularly with regard to existing and additional locations. In this context, the current and future position of the Oberkirch site and the status of negotiations for a supplemental collective bargaining agreement were also regular important issues.

On the basis of the resolution of the Annual General Meeting on May 10, 2022, the chairman of the Supervisory Board and the Audit Committee appointed the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Stuttgart branch, and agreed on its fee.

In addition, the following additional topics were on the agendas in the 2022 fiscal year:

At the meeting on March 15, the Supervisory Board dealt primarily with the Audit Committee’s report on 2021 fiscal year, the corporate governance statement and the 2021 non-financial report. The Supervisory Board also receives a report from the Personnel Committee. After a lengthy discussion, a resolution was passed to update the system of Executive Board remuneration as proposed by the Personnel Committee and to present this to the Annual General Meeting for approval in May 2022. In addition, target overall remuneration for the CEO and targets for short-term variable remuneration for the 2022 fiscal year were also approved. New targets for the share of women on boards were resolved with effect from April 1, 2022 that the Executive Board and the Supervisory Board are to achieve by March 31, 2027.

On March 24, the Supervisory Board essentially dealt with financial statements for the 2021 fiscal year, the report of the Audit Committee, the remuneration report and other required declarations and reports on the 2021 fiscal year. The Executive Board’s profit appropriation proposal was also approved. Following its own detailed examination, the Supervisory Board approved the 2021 annual financial statements and the 2021 consolidated financial statements; the annual financial statements were thus adopted. The agenda for the virtual 99th Annual General Meeting was also resolved and the PWO Group’s sustainability strategy and targets, as well as recurring topics, were discussed in detail.

The main item on the agenda of the meeting on May 10 was the upcoming Annual General Meeting. Its schedule was discussed at the meeting that continued on May 11. At this meeting, the Supervisory Board also considered findings on performance in the 2022 fiscal year and the report of the Audit Committee on the quarterly statement for the first quarter of 2022. The introduction of a values-based management system developed as part of a participatory process with all PWO Group locations was also discussed in detail.

At its 2-day meeting on July 28 and 29, the Supervisory Board also dealt at length with the Audit Committee’s report on the interim report and, at the recommendation of the auditor, the question of whether “related party transactions” should be delegated to the Audit Committee in the future. After being discussed in detail, this was decided unanimously. PWO Group financing issues and related market developments were also discussed. In addition, the strategy for the PWO Group, the individual locations and the 3 business units Electronic, Chassis & Airbag Components, Steering & Seat Components and Body Components were addressed in detail. This also incorporated the strategy to increase acquisitions of non-mobility projects and the expansion strategy in eastern Europe.

As well as frequently discussed issues, agenda items for the Supervisory Board meeting on August 30 chiefly included the situation of the Oberkirch production site and further details about expansion in eastern Europe.

The 2-day meeting on September 28 and 29 centered on the situation report on the locations and investments of the PWO Group as a whole, potential expansion of the 2 Czech locations and the Canadian location and the current status of expansion in eastern Europe. The second forecast for the 2022 fiscal year, which still assumed a very cautious assessment of performance in the final quarter, was also discussed at length. The Supervisory Board also examined the EMIR audit – i.e. the audit in accordance with the European Market Infrastructure Regulation, which is intended to contain systemic risks in the European derivatives market. Deliberations also focused on the resilience of the PWO Group’s supply chains and the further development of its procurement strategy. In connection with this, measures to reduce the additional strain of higher procurement prices were also discussed.

The Supervisory Board addressed corporate governance issues at its meeting on December 8, in particular the current declaration of compliance and its own self-evaluation. In addition, it discussed the third forecast for the 2022 fiscal year and discussed in detail and approved planning for future fiscal years. The current status of the supplemental collective bargaining agreement for the Oberkirch site, collective bargaining negotiations and energy prices were also on the agenda. PWO Group financing issues were also discussed. In addition, the Supervisory Board received a report from the Audit Committee and the Personnel Committee and discussed these at length.

Circular resolutions on various issues were also resolved in the 2022 reporting year: on February 7 and March 3 on Executive Board issues, on February 21 on the virtual Annual General Meeting, on May 4 on the organization of the Supervisory Board’s work and on June 2 and 20 on the PWO Group’s expansion in eastern Europe.

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The work of the committees

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

The chairman of the Supervisory Board heads the Personnel Committee. The Personnel Committee prepares the personnel decisions of the Supervisory Board. The Personnel Committee, rather than the Supervisory Board, decides on the company's representation in dealings with the Executive Board members, the consent to any outside or competing offices held by Executive Board members, and the granting of loans to Executive Board or Supervisory Board members. Furthermore, the Personnel Committee submits proposals to the Supervisory Board for the compensation system and the total remuneration of the individual Executive Board members.

The Personnel Committee met on a total of 3 occasions in the reporting period (see the section "Disclosure of meeting attendance"). It addressed further developments in the system of Executive Board remuneration, the 2021 remuneration report and various Executive Board issues.

Carsten Claus is the chairman of the Audit Committee. He possesses special knowledge and experience in the area of auditing. Dr. Georg Hengstberger provides special accounting knowledge and experience to the Audit Committee.

The Audit Committee, rather than the Supervisory Board, assumes the tasks of previewing the financial statements and consolidated financial statements, the management report, the Group management report and audit report furnished by the auditor. It deals with selection of the auditor, and examines the auditor's independence and the services performed by the auditor.

It also discusses the assessment of audit risk, the audit strategy and planning and audit results with the auditor. The Chairman of the Audit Committee regularly meets with the auditor to discuss the audit's progress and reports this to the committee.

The Audit Committee also prepares the report to be submitted by the Supervisory Board in accordance with Section 171 AktG.

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

The Audit Committee met on a total of 5 occasions in the reporting period (see the section "Disclosure of meeting attendance"). The main topics discussed at its meetings were the 2021 fiscal year financial statements, the 2022 interim financial report and quarterly statements. The Audit Committee was also involved in preparing the 2022 annual financial statements.

Additionally, it discussed the company's business development in depth, including the reports received from the Executive Board, while paying special attention to the current development of the company's and Group's profitability. Moreover, the committee discussed questions regarding compliance, risk management, Internal Auditing and data protection. The Audit Committee regularly reviewed the company's and the PWO Group's current performance and compared it to the corresponding planning data to determine if there was any need for action.

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

PERSONNEL COMMITTEE

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

AUDIT COMMITTEE

- Carsten Claus (chairman, financial expert in the field of auditing as defined under Section 100 (5) AktG)
- Dr. Georg Hengstberger (financial expert in the field of accounting as defined under Section 100 (5) AktG)
- Stefan Klemenz
- Karl M. Schmidhuber

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Disclosure of meeting attendance for individual members

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

SUPERVISORY BOARD MEETINGS

- March 15, 2022 (video conference) Full attendance and representatives of the auditing firm as experts
- March 24, 2022 Full attendance
- May 10 and 11, 2022 Full attendance
- July 28 and 29, 2022 Full attendance
- August 30, 2022 (video conference) Full attendance
- September 28 and 29, 2022 Full attendance
- December 8, 2022 Full attendance

PERSONNEL COMMITTEE MEETINGS

- January 20, 2022 Karl M. Schmidhuber, Dr. Georg Hengstberger excused Dr. Jochen Ruetz
- February 25, 2022 Full attendance
- October 27, 2022 Full attendance

Carsten Claus attended all meetings as a guest.

AUDIT COMMITTEE MEETINGS

- February 17, 2022 (video conference) Full attendance
- March 15, 2022 (video conference) Full attendance and representatives of the auditing firm as experts
- May 5, 2022 (video conference) Full attendance
- July 28, 2022 Full attendance
- November 3, 2022 Full attendance, Dr. Georg Hengstberger virtually

Changes in the composition of governing bodies

There were no changes to the members of the company's Executive Board or Supervisory Board in the reporting year.

Conflicts of interest

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

Audit of annual and consolidated financial statements

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

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

At its meeting on March 15, 2023, the Audit Committee reviewed the annual and consolidated financial statements, the combined management report for the company and the Group, the dependency report, and the audit reports prepared by the auditor. The auditor was present at this meeting and reported on the main findings of the audit. The Audit Committee also reviewed the non-financial report for the 2022 fiscal year in detail at this meeting.

At its meeting on March 15, 2023, the Supervisory Board received the Audit Committee's report. It discussed in detail the separate non-financial report for the company and subjected it to its own review. The separate non-financial report was explained in detail by the Executive Board. The review did not lead to any objections by the Supervisory Board. In addition, the Supervisory Board approved the corporate governance statement.

At its meeting on March 23, 2023, the Supervisory Board dealt in detail with the annual and consolidated financial statements for the 2022 fiscal year, including the combined management report for the company and the Group as well as the dependency report of the Executive Board in accordance with section 312 AktG, the remuneration report, and the

audit reports prepared by the auditor. The relevant drafts were handed out to the members of the Supervisory Board promptly in advance of the meeting on March 23, 2023. The auditor was present at this meeting and reported on the main findings of the audit.

The Supervisory Board conducted its own review of the financial statements and consolidated financial statements and the combined management report for the company and the Group. At the recommendation of the Audit Committee, the Supervisory Board agreed with the auditor's results at the meeting on March 23, 2023. No objections were raised following the conclusive results of the Supervisory Board's examination.

The Supervisory Board approved the financial statements and consolidated financial statements, thereby adopting the financial statements for the 2022 fiscal year.

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

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

In the view of the Executive Board, the pleasing business development of the PWO Group and its continued positive prospects, backed up not least by the high level of new business in 2022, allow for an increase in the dividend payment to the shareholders. Therefore, the Executive Board has submitted a profit appropriation proposal to the Supervisory Board that provides for the payment of a dividend of EUR 1.65 per share. Following a detailed examination, the Supervisory Board approved this proposal to the 2022 Annual General Meeting at its meeting on March 23, 2023.

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A word of thanks

The economy and society in Germany and Europe were experiencing a profound phase of upheaval at the end of the 2022 fiscal year. The energy crisis, high rates of inflation – especially for food – and interest rate hikes took a toll on consumers, which will cause them to defer decisions to purchase long-term assets such as vehicles. Last but not least, sharing models are also becoming more and more appealing. This will once again accelerate transformation in the mobility sector. At the same time, energy-intensive industry reduced production in some cases in the last year, with some areas increasingly importing precursors from their international locations. If governments are unable to combat this in the short term, flows of goods and production sites will be reshaped at a global level. However, this will happen against the backdrop of far higher political risks and a less resilient rules-based world order. In addition, tackling climate change in a shorter period than some had expected will require considerable work. Against this backdrop, the challenges to the PWO Group also remain high.

This makes the PWO Group's sustained good business performance in the 2022 fiscal year, with a clear focus on profitable growth, even more encouraging. The new business volume was the highest in the company's history at around EUR 890 million, thanks again to our innovative product solutions for the mobility industry. At the same time, however, we also saw a considerable order volume on new sales markets such as stationary fuel cells and heat pumps.

As well as the specific contributions to revenue and earnings that this entails, this primarily means that the Group has new prospects. This cannot be overstated. In this context, the Supervisory Board expressly welcomes the values-based management system enshrined across the Group in the 2022 fiscal year. It is an essential foundation for addressing future challenges and will play a major role in further bolstering the PWO Group's competitive strengths.

The sustainability strategy, which was formulated in detail and implemented in the last 2 years, will also be of vital significance to future performance. It gives PWO a precise, realistic plan for how to meet the objectives of the Paris Agreement at the same time as partnering with its customers to help them achieve their own targets. Thanks to its

business model that is independent of internal combustion engines, the PWO Group is excellently positioned to help shape future mobility.

The Supervisory Board would like to thank all employees for their outstanding commitment in the 2022 fiscal year, which brought major challenges. In particular, we would like to thank them for the perseverance and flexibility with which they overcame the continued high requirements while, at the same time, rapidly driving forward the PWO Group's continued strategic development. We wish you and your families all the best and hope for peace in the world. Stay healthy!

This report was discussed in detail and approved by the Supervisory Board at its meeting on March 23, 2023.

Oberkirch, March 23, 2023



Karl M. Schmidhuber
(Chairman of the Supervisory Board)