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EURk		2022	2021
Note No.			
7	Revenue	530,761	404,274
8	Other own work capitalized	566	543
	Total output	531,327	404,817
9	Other operating income	8,945	13,902
	Cost of raw materials, consumables, supplies, and merchandise purchased	-292,819	-196,636
	Cost of purchased services	-26,835	-21,285
	Cost of materials	-319,654	-217,921
	Wages and salaries	-98,667	-90,257
	Social security and post-employment expenses	-21,992	-20,472
10	Staff costs	-120,659	-110,729
	Depreciation and impairments of property, plant and equipment and amortization of intangible assets	-24,414	-25,332
11	Other operating expenses	-48,766	-42,914
	Earnings before interest and taxes (EBIT)	26,779	21,823
	Finance income	654	388
12	Finance costs	-6,315	-6,539
	Financial result	-5,661	-6,151
	Earnings before taxes (EBT)	21,118	15,672
13	Income taxes	-5,907	-930
	Net income/loss for the period¹	15,211	14,742
14	Earnings per share in EUR (diluted = undiluted), based on the earnings attributable to PWO AG shareholders	4.87	4.72

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

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EURk		2022	2021
Note No.			
	Net income/loss for the period	15,211	14,742
28	Net gains from cash flow hedges	1,654	46
	Tax effect	-301	-13
	Currency translation difference	-1,020	3,407
	Items that may be reclassified to profit and loss in a subsequent period	333	3,440
22	Actuarial gains on defined benefit pension plans	21,115	3,710
	Tax effect	-5,956	-1,055
	Items that will not be reclassified to profit or loss	15,159	2,655
	Other comprehensive income after tax	15,492	6,095
	Total comprehensive income after tax	30,703	20,837

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ASSETS

EURk	Dec. 31, 2022	Dec. 31, 2021	
Note No.			
	Land and buildings	79,436	77,668
	Technical equipment and machinery	80,794	89,676
	Other plant, factory and office equipment	6,157	6,801
	Prepayments made and assets under construction	9,204	5,775
15	Property, plant and equipment	175,591	179,920
	Development services	2,874	3,501
	Industrial property rights and similar rights	1,627	1,118
	Goodwill	4,331	4,331
	Advance payments made	187	10
16	Intangible assets	9,019	8,960
17	Contract assets	20,995	17,794
	Deferred tax assets	13,240	17,937
	Non-current assets	218,845	224,611
	Raw materials, consumables and supplies and purchased parts	38,898	31,867
	Advance payments made	717	746
18	Inventories	39,615	32,613
19	Trade receivables	54,233	39,930
17	Contract assets	66,272	59,065
	Other assets	14,518	8,766
	Other financial assets	3,017	1,121
	Income tax receivables	580	259
	Receivables and other assets	138,620	109,141
20	Cash and cash equivalents	3,201	6,907
	Current assets	181,436	148,661
	TOTAL equity and liabilities	400,281	373,272

EQUITY AND LIABILITIES

EURk	Dec. 31, 2022	Dec. 31, 2021	
Note No.			
	Issued capital	9,375	9,375
	Capital reserves	37,494	37,494
	Retained earnings	102,505	91,982
	Other reserves	1,942	-13,550
21	Total equity	151,316	125,301
24	Non-current financial liabilities	42,044	68,926
22	Pension provisions	41,578	61,897
23	Other provisions	5,357	2,456
28	Other financial liabilities	2,429	0
	Deferred tax liabilities	1,731	1,997
	Non-current liabilities	93,193	135,276
	Trade payables	41,461	37,225
24	Current financial liabilities	76,523	41,590
	Other liabilities	28,177	23,967
28	Other financial liabilities	1,827	4,210
	Income tax liabilities	1,053	405
	Current portion of pension provisions	1,177	1,841
	Current portion of other provisions	5,608	3,457
	Current liabilities	155,826	112,695
	Total liabilities	248,965	247,971
	TOTAL equity and liabilities	400,281	373,272

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EURk	Equity attributable to PWO AG shareholders							TOTAL
	Issued capital	Capital reserves	Retained earnings	Defined benefit plans	Other reserves			
					Foreign exchange differences	Cash flow hedge		
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	
January 1, 2022	9,375	37,494	91,982	-19,503	4,038	1,915	125,301	
Net income/loss for the period			15,211				15,211	
Other comprehensive income				15,159	-1,020	1,353	15,492	
Total net income/loss for the period	9,375	37,494	107,193	-4,344	3,018	3,268	156,004	
Dividend payment			-4,688				-4,688	
December 31, 2022	9,375	37,494	102,505	-4,344	3,018	3,268	151,316	

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EURk		2022	2021
Note No.			
	Net income/loss for the period	15,211	14,742
	Depreciation/reversal of write-downs of property, plant and equipment and amortization of intangible assets	24,414	24,262
13	Income tax expense	5,907	930
12	Interest income and expenses	5,661	6,151
	Change in current assets	-36,481	-9,966
	Change in non-current assets	-3,201	-1,976
	Change in current liabilities (not including financial liabilities)	8,199	-7,259
	Change in non-current liabilities (not including financial liabilities)	-15,256	-5,832
13	Income taxes paid	-5,540	-894
	Other non-cash expenses/income	12,728	850
	Gain on disposal of property, plant and equipment	-70	-46
	Cash flow from operating activities	11,572	20,962
	Proceeds from disposal of property, plant, and equipment	153	140
	Proceeds from disposal of intangible assets	0	0
	Payments for capital expenditure on property, plant and equipment	-12,608	-9,291
	Payments for capital expenditure on intangible assets	-1,899	-796
	Cash flow from investing activities	-14,354	-9,947
21	Dividend paid	-4,688	0
	Interest paid	-3,631	-6,540
	Interest received	653	388
	Proceeds from borrowings	42,515	36,454
	Repayment of borrowings	-32,855	-38,072
	Repayment of lease liabilities	-4,727	-4,321
	Cash flow from financing activities	-2,733	-12,091
	Net change in cash and cash equivalents	-5,515	-1,076
	Effect of exchange rate changes on cash and cash equivalents	-188	-299
	Cash and cash equivalents as of January 1	-5,901	-4,526
	Cash and cash equivalents as of December 31	-11,604	-5,901
20	of which cash and cash equivalents according to the statement of financial position	3,201	6,907
24	of which bank borrowings due on demand that are included in the Group's cash management	-14,805	-12,808

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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 and its subsidiaries for the fiscal year from January 1, 2022 to December 31, 2022 were authorized by the Executive Board by resolution dated March 16, 2023 and were subsequently submitted to the Supervisory Board for review.

The main activities of the PWO Group (also referred to as "PWO" or "the Group") are described in the Group management report in the "PWO 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).

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, 2022.

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Standard	First-time adoption	Amendments	Impact on the consolidated financial statements
Amendments to IFRS 16: COVID-19-Related Rent Concessions	April 1, 2022	A temporary practical expedient was in place for rent concessions granted in connection with the COVID-19 pandemic. 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 16: Leases	Jan. 1, 2022	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. 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 impact
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.	No material impact.
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.
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. The 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. 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.
Improvements to IFRS Standards 2018 – 2020	Jan. 1, 2022	The following standards were amended as a result of the annual improvements: 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.

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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
IFRS 17: Insurance Contracts (including amendments to IFRS 17)	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.</p> <p>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.</p> <p>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>As well as deferring the initial application of IFRS 17 (and the exemption for insurers for the initial application of IFRS 9) by 2 years from January 1, 2021 to January 1, 2023, the amendments from June 2020 relate primarily to 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

	Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
017 To our shareholders			The December 2021 amendment 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.	
030 Combined Group management report and management report of PWO AG				
057 <u>Consolidated financial statements</u>			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.	
058 Consolidated income statement			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.	
059 Consolidated statement of comprehensive income	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	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
060 Consolidated statement of financial position				
061 Consolidated statement of changes in equity	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
062 Consolidated statement of cash flows				
063 Notes to the consolidated financial statements	Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023	The amendments address current uncertainties in accounting for deferred taxes related to leases and decommissioning/restoration obligations. 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. 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.	No material impact expected
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EU ENDORSEMENT STILL PENDING

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Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
Amendments to IAS 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>	
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	Jan. 1, 2024	The amendment relates to the accounting of lease liabilities from sale and leaseback transactions and requires a lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new paragraphs use examples to explain different potential approaches, especially for variable lease payments.	No material impact expected
Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Jan. 1, 2024	<p>The amendments to IAS 1 adopted in January 2020 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>The amendments were expanded (after the initial application of the amendments was deferred from January 1, 2022 to January 1, 2023 by amendments from July 2020) by a further amendment to IAS 1 published in October 2022. The new amendments relates to the classification of debt subject to covenants. The IASB states that covenants to be complied with on or before the reporting date may have an effect on the classification as current or non-current. Covenants that must be complied with only after the reporting date do not affect the classification. Instead of taking these covenants into account as part of the classification, they must be disclosed in the notes. This is intended to help users of financial statements assess the extent to which non-current liabilities could become repayable within 12 months.</p>	No material impact expected

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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, 2022. 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

As in the previous year, the consolidated financial statements as of December 31, 2022 include 5 foreign direct and indirect companies. The table below shows the interest held, equity, and net income/loss for the year of the consolidated companies. The disclosures on equity and net income/loss for the year are based on the subsidiaries' IFRS figures.

EURk	Capital share	Equity	Net income
PWO Canada Inc., Kitchener, Canada	100%	11,473	-70
PWO Czech Republic a.s., Valašské Meziříčí, Czechia	100%	34,034	4,915
PWO Holding Co., Ltd., Hong Kong, China	100%	-1,235	-52
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China ¹	100%	23,784	3,822
PWO de México S.A. de C.V., Puebla, Mexico ²	100%	15,382	6,064

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

² Indirect interest of 0.15 percent via PWO Canada Inc.; 99.85 percent held by PWO AG

In the 2022 fiscal year, the company PWO SEE d.o.o. Beograd, headquartered in Belgrade, Serbia, was established. The share capital has not been paid in, nor have any other contributions been made, as this company is not operational and has not commenced its business activities. For reasons of materiality, it is not included in PWO's consolidated financial statements.

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.

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

		Closing rate		Average rate	
		Dec. 31, 2022	Dec. 31, 2021	2022	2021
China	CNY	7.36	7.19	7.08	7.63
Canada	CAD	1.44	1.44	1.37	1.48
Mexico	USD	1.07	1.13	1.05	1.18

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 the Group 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 the Group 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 percent directly and part-amortization agreements where reimbursement of costs is deferred. With part-amortization agreements, the transaction price is allocated to the individual perfor-

mance 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 and there is a right to enforce payment. 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.

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 PWO Group operates and generates taxable income.

Deferred taxes are recognized using the balance sheet 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.

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Deferred taxes relating to items reported directly in equity are not recognized in the income statement but in equity. In 2022, these amounted to EURk -6,257 (p/y: EURk -1,068), of which EURk -5,956 (p/y: EURk -1,055) related to pension provisions and EURk -301 (p/y: EURk -13) to interest and currency hedges.

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

Leases

At inception of a contract, it is assessed 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 over 25 to 50 years, technical equipment and machinery over 2 to 10 years, plant and office equipment over 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 it will be exercised and penalties for terminating the lease if the term takes account of the option to 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. Impairment losses recognized in prior periods are reviewed annually. If the recoverable amount exceeds the respective carrying amount, a reversal of the impairment loss is recognized.

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. Intangible assets with a finite useful life are amortized 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, no intangible assets with indefinite useful lives have been identified.

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

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planned until the end of production (EOP) and will lead to a write-down if the planned amortization amounts are no longer sufficient for complete amortization. A review of the remaining number of units until EOP is also carried out at the end of the year for tools, equipment, and pay-to-play to test for impairment of their capitalization.

Impairment tests

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 acknowledged by the Supervisory Board goes up to the end of the detailed planning period in 2027. Key assumptions to which the long-term corporate planning reacts sensitively are the growth in new business in the Group, the planned new location in eastern Europe, the financing conditions, and the implementation of the integrated profitability effects. In addition, the earnings situation is also affected by 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 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. The developments for the

subsequent years 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, 2022	Dec. 31, 2021
Phase 1: Capitalization rate before taxes (WACC)	11.45%	8.00%
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 122,668 (p/y: EURk 157,492) and exceeds the carrying amount by EURk 36,439 (difference p/y: EURk 92,557). 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 7.0 percent 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 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 38.5 percent with no change in the EBIT margin or a sustained shortfall of 3.6 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 12.8 percent.

The recoverable amount for PWO Canada comes to EURk 18,069 and is EURk -9,359 less than the carrying amount (difference p/y: EURk 1,948). 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 impairment loss of CADk 25 (after CADk 559 and CADk 182 was written off through profit or loss in the 2 previous years) for technical equipment and machinery because of the continuing issues surrounding profitability and the costs of selling the equipment. The effect from the reversal of impairment in the reporting year thus amounted to CADk 534. 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 1,149 (of which EURk 773 land and buildings and EURk 376 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 1 of the parties to the agreement with the customer has fulfilled their contractual obligations, a contract asset, a contract liability or a receiv-

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able 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 1 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 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.

For current financial assets and financial liabilities, the carrying amount represents a reasonable approximation of the fair value. On every reporting date, it is established whether there are any objective indications that a financial asset is credit-impaired. This would be the case when 1 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 PWO 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.

Measurement methods are applied 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:

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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.

Judgments

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

Revenue from contracts with customers

The Group 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 the Group has a legally enforceable right to payment for the services already supplied.

The output method is regarded 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 lease term is determined as the non-cancelable period of the lease together with the periods covered by an option to extend the lease if that option is reasonably certain to be exercised or the periods covered by an option to terminate the lease if that option is reasonably certain not to be exercised.

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 extension period is taken into account in the lease terms for technical equipment and machinery with shorter non-cancelable periods (i.e. 3 to 5 years). 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:

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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 expected future cash flows from the respective cash-generating unit must be estimated and also an appropriate discount rate must be selected to determine the present value of these cash flows. As of December 31, 2022, 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 the asset impairment test 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 has been proven. For the purposes of determining the amounts to be capitalized, assumptions are made about the amount of the expected future cash flows from the project, the applicable discount rates, the planned life-

time quantities and the period when the expected future benefit will accrue. As of December 31, 2022, the carrying amount of capitalized development costs amounted to EURk 2,874 (p/y: EURk 3,501). Among other things, the reduction is due to an impairment of EURk 615. These development costs relate, in particular, to investments in the development of air suspension and chassis components as well as engine housings.

Capitalization of tool costs, equipment, and pay-to-play

A review of the remaining number of units until EOP is also carried out at the end of the year for tools, equipment, and pay-to-play to test for impairment of their capitalization. As of December 31, 2022, this resulted in the recognition of impairment of EURk 32 for tools, EURk 261 for equipment, and EURk 180 for pay-to-play. For the purposes of determining the amounts to be capitalized, assumptions are made 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.

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, 2022, deferred tax assets were recognized on tax loss carryforwards in the amount of EURk 808 in total (p/y: EURk 2,485). These relate solely to PWO AG and of this figure EURk 0 is attributable to corporation tax loss carryforwards of EURk 0 (p/y: EURk 4,708) and EURk 808 to trade tax carryforwards of EURk 6,072 (p/y: EURk 13,087). Deferred tax assets were recognized on tax assets in the amount of EURk 6,502 (p/y: EURk 6,680). 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 7,310 in total (p/y: EURk 9,165) in total.

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.

The requirements resulting from the tax audit for the assessment periods 2016 to 2018, which finished in 2021, were implemented from the company's perspective. No tax audits were announced or conducted in 2022.

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 the Group'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 onerous contracts in connection with longer-term contracts are recognized if the estimated total costs exceed the estimated revenue. Losses from contracts with customers are identified by continuously monitoring project progress and updating estimates.

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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 555 (p/y: EURk 520) 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 engine housings.

9 Other operating income

Other operating income is composed as follows:

EURk	2022	2021
Currency gains	6,660	8,160
Income from the derecognition of accruals	299	355
Miscellaneous operating income ¹	1,986	5,387
TOTAL	8,945	13,902

¹ In the reporting year, EURk 1,149 of this related to a reversal of impairment resulting from the asset impairment test. In the previous year, miscellaneous operating income included 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 875 (p/y: EURk 4,976) was posted in the reporting year.

10 Staff costs and employees

STAFF COSTS

EURk	2022	2021
Wages and salaries	98,667	90,257
Social security and post-employment expenses	21,992	20,472
of which for post-employment expenses	2,340	2,326
TOTAL	120,659	110,729

Government grants for social security contributions associated with the use of short-time work schemes amounted to EURk 18 (p/y: EURk 1,166) at PWO AG in Germany. The grants and short-time work allowances of EURk 89 (p/y: EURk 1,463) were posted to staff costs, reducing them accordingly. In addition, government subsidies for staff expenses were granted at the international locations in the amount of EURk 16 (p/y: EURk 23) at the China location and in the amount of EURk 1,174 at the Canada location in the previous year.

ANNUAL AVERAGE HEAD COUNT ACCORDING TO EMPLOYMENT SECTOR

	2022	2021
Development and Sales	210	195
Production and Materials Management	1,835	1,839
Tool center	358	363
Administration	133	130
Core workforce	2,536	2,527
Temporary employees	170	235
Trainees	76	101
Inactive employees/passive stage of partial retirement	103	122
TOTAL staff	2,885	2,985

11 Other operating expenses

Other operating expenses break down as follows:

EURk	2022	2021
Currency expenses	7,882	8,400
Costs for temporary employees	6,240	7,748
Maintenance costs	6,172	6,234
Legal, audit and consulting fees	3,797	4,486
Outgoing freight	3,415	2,648
Rental expenses	1,781	1,693
Insurance premium	1,756	1,502
Lease expenses	1,119	1,044
Travel costs	880	335
Miscellaneous operating expenses	15,724	8,824
TOTAL	48,766	42,914

Expenses relating to other periods of EURk 40 (p/y: EURk 29) were incurred.

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12 Finance costs

EURk	2022	2021
Interest expenses payable to financial Institutions	3,785	4,454
Interest expenses from interest rate swaps	969	749
Interest expenses from the accretion of interest on pension provisions	888	806
Interest expenses from leases	673	530
TOTAL	6,315	6,539
of which interest expenses for financial instruments recognized at amortized cost	2,765	2,632

13 Income taxes

Taxes of EURk 6,257 (p/y: EURk 1,068) 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	2022	2021
Current taxes	7,278	797
Deferred taxes	-1,371	133
TOTAL	5,907	930

Actual taxes contained income relating to other periods of EURk 10 (p/y: EURk 722) in the reporting year.

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

EURk 73 (p/y: EURk 64) is 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 20,868 (p/y: EURk 31,357), 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	2022	2021
Net income/loss before income taxes	21,118	15,672
Theoretical tax expense at 29.13% (p/y: 28.43%)	6,152	4,455
Effects from recognition and measurement of deferred taxes	-1,371	0
Change in the theoretical tax expense caused by different tax rates at foreign companies	647	-328
Tax increase due to non-deductible expenses	1,308	1,125
Tax increase (+)/decrease (-) for previous years	117	-378
Tax effects from tax assets	-940	-1,412
Tax effects from future changes to tax rates	0	-320
Effects from non-capitalized loss carryforwards	0	-2,589
Non-deductible withholding tax	266	344
Other effects	-272	33
Taxes on income	5,907	930

In 2022, the domestic income tax consisted of corporation tax of 15 percent (p/y: 15 percent) plus the solidarity surcharge of 5.5 percent (p/y: 5.5 percent) and a trade tax rate of 13.30 percent (p/y: 12.60 percent).

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

EURk	Deferred tax assets		Deferred tax liabilities	
	2022	2021	2022	2021
Intangible assets and property, plant and equipment	1,670	31	7,055	5,798
Other assets	14,101	11,331	14,690	11,962
Tax loss carry-forwards and tax credits	7,310	9,165	0	11
Provisions	7,297	11,624	51	33
Liabilities	3,041	1,713	114	120
Subtotal	33,419	33,864	21,910	17,924
Offset	-20,179	-15,927	-20,179	-15,927
Figures according to the consolidated statement of financial position	13,240	17,937	1,731	1,997

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.

	2022	2021
Earnings after taxes	15,211	14,742
Average number of no-par shares	3,125,000	3,125,000
Earnings per share in EUR	4.87	4.72

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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, 2021	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
Additions	5,075	3,809	1,563	7,630	18,077
Disposals	0	-3,043	-1,374	0	-4,417
Reclassifications	754	3,277	33	-3,867	197
Price change	113	2,083	101	-334	1,963
As of December 31, 2022	141,741	337,332	35,564	9,204	523,841
Depreciation/amortization					
As of January 1, 2021	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
Additions	4,127	16,139	2,374	0	22,640
Disposals	0	-2,015	-1,369	0	-3,384
Write-ups	0	0	0	0	0
Price change	47	884	-38	0	893
As of December 31, 2022	62,305	256,538	29,407	0	348,250
Carrying amounts					
As of December 31, 2021	77,668	89,676	6,801	5,775	179,920
As of December 31, 2022	79,436	80,794	6,157	9,204	175,591

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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 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 1,149 (p/y: EURk 1,070); of which EURk 773 (p/y: EURk 649) was attributable to land and buildings and EURk 376 (p/y: EURk 421) to equipment and machinery. At PWO Canada, the asset impairment test resulted in a reversal of impairment of CADk 534 in the reporting year.

Leases were concluded for various plots of land and buildings, technical equipment and machinery, and other plant, factory and office equip-

ment. Several leases include renewal and termination options, and in some cases there are also purchase options at the end of the lease term.

There are also leases for machinery that have a term of 12 months or less and for low-value items of office equipment. Practical expedients applicable to short-term leases and to leases for which the underlying asset is of low value are applied to these leases.

The reported right-of-use assets from leases are recognized in property, plant and equipment (see "Property, plant and equipment" table above). The carrying amounts of 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, 2021	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
Additions	0	4,317	1,007	89	5,413
Depreciation/amortization	0	-1,191	-2,023	-583	-3,797
Price change	0	84	1	7	92
As of December 31, 2022	0	7,957	13,775	984	22,716

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	2022	2021
Depreciation of right-of-use assets	3,797	3,582
Interest expenses for lease liabilities	673	530
Expenses for short-term leases	1,873	1,630
Expenses for leases for low-value assets	311	338
January 1 to December 31	6,654	6,080

The Group's cash outflows for leases amounted to EURk 4,727 excluding capital payments (p/y: EURk 2,498) in the reporting year. The Group also recognized non-cash additions to right-of-use assets and lease liabilities in the amount of EURk 5,413 in total in 2022 (p/y: EURk 6,132).

16 Intangible assets

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EURk	Development services	Industrial property rights and similar rights	Goodwill	Other intangible assets	Advance payments made	TOTAL
Cost						
As of January 1, 2021	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
Additions	555	939	0	0	181	1,675
Disposals	0	-61	0	0	0	-61
Reclassifications	0	137	0	0	-4	133
Price change	31	-5	49	68	0	143
As of December 31, 2022	13,892	15,884	6,809	1,161	187	37,933
Depreciation, amortization and impairments						
As of January 1, 2021	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
Additions	1,208	566	0	0	0	1,774
Disposals	0	-54	0	0	0	-54
Price change	5	-11	49	68	0	111
As of December 31, 2022	11,018	14,257	2,478	1,161	0	28,914
Carrying amounts						
As of December 31, 2021	3,501	1,118	4,331	0	10	8,960
As of December 31, 2022	2,874	1,627	4,331	0	187	9,019

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

Development services capitalized in accordance with IAS 38 of EURk 2,874 (p/y: EURk 3,501) 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 615 was recognized in the reporting year.

As of December 31, 2022, 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 led to volume-related impairment in the reporting year: EURk 32 for tools, EURk 484 for development services, EURk 261 for equipment, and EURk 180 for pay-to-play.

Contract liabilities are advance payments received for assets 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 3,874 (p/y: EURk 2,951) incurred. EURk 2,536 was released from the previous year's advance payments.

As of December 31, 2022, contract assets capitalized in accordance with IFRS 15 were as follows:

EURk	2022	2021
As of January 1	76,859	67,228
Change in non-current contract assets	3,201	1,976
Change in current contract assets	7,207	7,655
As of December 31	87,267	76,859

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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, 2022, it is expected that claims to receive the consideration of EURk 53,277 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

The raw materials, consumables and supplies of EURk 38,898 (p/y: EURk 31,867) break down as follows:

EURk	2022	2021
Raw materials	15,650	10,244
Consumables and supplies, purchased parts	11,982	11,147
Customized spare parts for tools	9,384	8,582
Goods in transit	1,882	1,894
TOTAL	38,898	31,867

Total impairment included in inventories came to EURk 20,156 as of the reporting date (p/y: EURk 20,303), of which EURk 17,723 was attributable to customized spare parts for tools (p/y: EURk 18,680). The expensed impairment in cost of materials therefore totaled EURk 148 for inventories and EURk 957 for spare parts for tools in net terms.

19 Trade receivables

Trade receivables of EURk 54,233 (p/y: EURk 39,930) reported in the statement of financial position at the reporting date were written down together with contract assets by EURk 107 (p/y: EURk 103). The table below shows changes in the allowance account:

EURk	2022	2021
Loss allowance as of January 1	103	67
Additions	18	40
Reversals	-15	-4
Foreign exchange differences	1	0
Loss allowance as of December 31	107	103

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.

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 305.

20 Cash and cash equivalents

Interest is paid at variable rates on bank balances available at short notice. As of December 31, 2022, the PWO Group had unutilized credit lines, which all meet the conditions for utilization.

21 Equity

Issued capital

As of December 31, 2022, 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.

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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.

Differences of EURk 3,018 (p/y: EURk 4,038) 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, 2022, Progress-Werk Oberkirch AG reported unappropriated retained earnings of EURk 8,135 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 1.65 per eligible no-par share	EURk 5,156
Balance to be carried forward to the next accounting period	EURk 2,979

In the 2022 fiscal year, a dividend totaling EURk 4,688 (EUR 1.50 per eligible no-par share) was paid for the 2021 fiscal year. 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, 2022, 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 percent 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 percent but less than 50 percent of the voting rights in Progress-Werk Oberkirch AG.

22 Pension provisions

Defined contribution plans

The PWO Group has defined contribution plans. This resulted in an amount of EURk 144 (p/y: EURk 134) recognized in staff costs for PWO Canada and of EURk 315 (p/y: EURk 275) for PWO Czech Republic.

Contributions to the statutory pension insurance funds are also paid in the amount of the employer's contribution currently payable on pensionable remuneration totaling EURk 9,529 (p/y: EURk 9,196), 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 254 (p/y: EURk 218) is attributable to PWO de 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 dura-

tion 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.

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

EURk	2022	2021
Current service cost	1,085	1,326
Past service cost	0	-53
Interest expense for defined benefit obligations	943	805
TOTAL	2,028	2,078

The following table shows adjustments recognized in other comprehensive income:

EURk	2022	2021
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	-21,267	-3,570
Adjustments based on adjustments due to experience	152	-140
TOTAL	-21,115	-3,710

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

EURk	2022	2021
Present value of service costs on January 1	63,738	67,258
Current service cost	1,085	1,326
Past service cost	0	-53
Interest expenses	943	805
Pension payments made	-1,912	-1,905
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	-21,266	-3,570
Adjustments based on adjustments due to experience	152	-140
Foreign currency differences	15	17
Present value of service costs on December 31	42,755	63,738

Of the reported pension provisions, EURk 41,578 (p/y: EURk 61,897) are current and EURk 1,177 (p/y: EURk 1,841) are non-current.

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

	2022	2021
Discount rate	4.21%	1.48%
Turnover rate	2.00%	2.00%
Future salary trend > 40 years	2.75%	2.50%
Future salary trend < 40 years (career trend)	3.75%	3.50%
Future increase pensions	2.20%	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 15 years (p/y: 20 years) in the reporting year.

The following table shows a sensitivity analysis with the key assumptions as of December 31, 2022.

Assumption	Scenario			
	Increase of		Decrease of	
		EURk		EURk
Discount rate	0.50%	-2,943	0.50%	3,333
Staff turnover	0.50%	-14	0.50%	19
Future increases in salaries (income trend)	0.25%	12	0.25%	-11
Future increases in salaries (career trend)	0.50%	33	0.50%	-32
Future increases in pensions	0.25%	1,161	0.25%	-1,113
Average life expectancy	1 year	1,617	-	-

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	2022	2021
Within the next 12 months	1,932	1,869
Between 2 and 5 years	8,458	8,005
Between 5 and 10 years	12,418	11,652
TOTAL expected payments	22,808	21,526

Breakdown of pension commitments by groups of beneficiaries:

EURk	2022		2021	
	Germany	Mexico	Germany	Mexico
Active beneficiaries	11,190	254	22,503	218
Employees who have left the company	8,037	0	11,561	0
Pensioners	23,274	0	29,456	0
TOTAL	42,501	254	63,520	218

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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 expect-

tation 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:

EURk	Personnel-related provisions		Provisions for onerous contracts		Provisions for warranties		Provisions for restructuring	
	2022	2021	2022	2021	2022	2021	2022	2021
As of January 1	2,089	2,566	1,424	3,321	2,400	0	0	8,000
Utilization	-352	-540	0	0	0	0	0	-7,824
Reversal	-16	-12	0	-1,897	0	0	0	-876
Allocation	90	75	5,307	0	22	2,400	0	700
As of December 31	1,812	2,089	6,731	1,424	2,422	2,400	0	0
of which non-current	956	1,440	4,401	1,016	0	0	0	0
of which current	856	649	2,330	408	2,422	2,400	0	0

In fiscal year 2022, provisions for onerous contracts of EURk 6,731 (p/y: EURk 1,424) had to be recognized in connection with longer-term delivery obligations. EURk 2,330 of these have a term of less than 1 year, EURk 4,282 of 1 to 5 years, and EURk 119 of more than 5 years. The discounting effect resulting from changes in interest rates amounted to EURk 412.

In the 2021 fiscal year, a warranty provision of EURk 2,400 was recognized because a potentially faulty product had been supplied. There have been no complaints about faulty parts to date.

24 Financial liabilities

Financial liabilities were composed as follows:

EURk	Current		Non-current			TOTAL financial liabilities		
	< 1 year		1 to 5 years	> 5 years				
	2022	2021	2022	2021	2022	2021	2022	2021
Liabilities to banks	71,587	32,178	3,208	30,584	0	0	74,795	62,762
Liabilities from promissory notes	0	5,000	24,986	24,973	0	0	24,986	29,973
Liabilities to leasing companies	4,936	4,412	11,553	11,975	2,296	1,394	18,785	17,781
TOTAL	76,523	41,590	39,748	67,532	2,296	1,394	118,567	110,516

Changes in liabilities from financing activities are shown below:

EURk	Jan. 1, 2022	Cash changes	Deferment based on maturity	Non-cash changes		Dec. 31, 2022
				New leases	Currency effects	
Non-current financial liabilities	55,557	-6,301	0	0	1,188	50,444
Current financial liabilities	37,178	11,234	0	0	926	49,338
Lease liabilities	17,781	-4,727	0	5,662	69	18,785
TOTAL	110,516	206	0	5,662	2,183	118,567

Taking account of interest paid of EURk 3,631, a cash outflow of EURk 2,733 from financing activities ensued.

EURk	Jan. 1, 2021	Cash changes	Deferment based on maturity	Non-cash changes		Dec. 31, 2021
				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 account of interest paid of EURk 6,540, a cash outflow of EURk 12,090 from financing activities ensued.

Among current financial liabilities, current bank liabilities of EURk 14,805 (p/y: EURk 12,808) 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, 2022. The Executive Board assumes that the agreed financial covenants will also be complied with in the 2023 fiscal year.

Interest is generally payable on financial liabilities at rates ranging from 0.85 to 8.11 percent (current) and from 1.35 to 7.00 percent (non-current). The higher interest rates are primarily on subordinated local financing of individual subsidiaries.

Bank liabilities due on demand amounted to EURk 14,805 (p/y: EURk 12,808). Of the liabilities to banks, EURk 0 (p/y: EURk 1,305) was secured by charges over land and mortgages and EURk 18,785 (p/y: EURk 17,781) 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.

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25 Contingencies and other financial obligations

As of December 31, 2022, there were other financial obligations including purchase commitments of EURk 21,963 (p/y: EURk 17,862). 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	
	2023 onward	2022 onward	2023 onward	2022 onward	2023 onward	2022 onward	2023 onward	2022 onward
Remaining term up to 1 year	3,216	2,254	4,732	3,333	140	183	472	472
Remaining term 1 to 5 years	8,502	7,672	0	0	0	0	1,417	1,890
Remaining term > 5 years	3,248	1,350	0	0	0	0	236	708
TOTAL	14,966	11,276	4,732	3,333	140	183	2,125	3,070

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, 2022, receivables with a nominal value of EURk 19,866 (p/y: EURk 18,106) had been sold; these are reported as a net figure in the statement of financial position. 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. As of the reporting date, there were receivables from the factoring company in the amount of EURk 3,665, which are reported in other assets.

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, 2022, receivables from a customer of EURk 7,047 (p/y: EURk 6,322) were assigned to the factor.

27 Financial risk management

The PWO 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 company'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 PWO 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. The Group 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.

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As at December 31, 2022, 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	2022	2021
Trade receivables and contract assets	141,499	116,789
Hedging through commercial risk insurance	-9,763	-6,013
Maximum credit risk	131,736	110,776
Derivative financial assets	3,017	1,120
Cash and cash equivalents	3,201	6,907

The analysis of past due trade receivables that are not impaired as of December 31, 2022 was as follows:

EURk	2022	2021
Trade receivables and contract assets	141,499	116,789
of which neither past due nor impaired	135,050	113,391
of which < 30 days past due (but not impaired)	4,775	1,583
of which > 30-90 days past due (but not impaired)	894	1,192
of which > 90-180 days past due (but not impaired)	375	368
of which > 180-360 days past due (but not impaired)	351	229
of which > 360 days past due (but not impaired)	54	26

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 ongoing 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

EURk	< 1 year		1 to 5 years		> 5 years		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021
Liabilities to banks	72,806	33,263	3,258	30,748	0	0	76,064	64,011
of which repayments	71,587	32,183	3,208	30,579	0	0	74,795	62,762
of which interest payments	1,219	1,080	50	169	0	0	1,269	1,249
Liabilities from promissory notes	514	5,514	25,458	25,872	0	0	25,972	31,386
of which repayments	0	4,995	24,986	24,978	0	0	24,986	29,973
of which interest payments	514	519	472	894	0	0	986	1,413
Liabilities to leasing companies	5,542	4,958	12,767	13,044	2,476	1,469	20,785	19,471
of which repayments	4,936	4,413	11,553	11,974	2,296	1,394	18,785	17,781
of which interest payments	606	545	1,214	1,070	180	75	2,000	1,690
Trade payables	41,461	37,225	0	0	0	0	41,461	37,225
Hedging derivative financial instruments	0	0	0	0	0	0	0	0
Non-hedging derivative financial instruments	1,066	2,037	2,227	4,221	0	0	3,293	6,258
Other financial liabilities Others	0	526	0	0	0	0	0	526

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

long term on a project-related basis. The PWO Group has hedged roughly 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 financial liabilities on the reporting date:

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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	
	2022	2021	2022	2021	2022	2021	2022	2021
Inflow	35,690	39,817	36,319	31,397	0	0	72,009	71,214
Outflow	-35,071	-38,710	-34,377	-29,702	0	0	-69,448	-68,412
Balance	619	1,107	1,943	1,695	0	0	2,562	2,802

EURk	Non-hedging currency derivatives							
	2022	2021	2022	2021	2022	2021	2022	2021
	Inflow	20,864	30,913	9,949	6,403	0	0	30,813
Outflow	-21,396	-32,372	-10,782	-7,064	0	0	-32,178	-39,436
Balance	-532	-1,459	-833	-661	0	0	-1,365	-2,120

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, 2022 had been 100 basis points higher, earnings before taxes (EBT) would have been EURk 156 (p/y: EURk 154) lower. If the market interest rate as of December 31, 2022 had been 100 basis points lower, earnings before taxes (EBT) would have been EURk 156 (p/y: EURk 155) 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 here from in the future, which are not denominated in the functional currency of the respective company.

As part of the financial risk management processes within corporate management, currency risks are monitored according to the global for-

ign 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 at more than 100 percent. Intragroup financing of PWO companies is preferably extended in the respective functional currency and 100 percent 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, these companies' financial statements are translated into euro, which may result in differences due to exchange rates. Hedging these risks is not the primary objective in currency risk management.

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

All 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-a-vis the most important Group currencies.

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

EURk	Change in rates +10%		Change in rates -10%	
	2022	2021	2022	2021
EUR/CAD	-16	-21	16	20
EUR/CNY	-270	-547	257	454
EUR/CZK	218	304	-267	-371
EUR/MXN	36	6	-44	-7
EUR/USD	-415	-809	487	950
TOTAL	-446	-1,067	448	1,046

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

EURk	Change in rates +10%		Change in rates -10%	
	2022	2021	2022	2021
EUR/CAD	0	0	0	0
EUR/CNY	161	231	-197	-282
EUR/CZK	-3,933	-3,788	4,807	4,629
EUR/MXN	0	-432	0	528
EUR/USD	2,578	2,079	-3,150	-2,544
TOTAL	-1,194	-1,910	1,459	2,331

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

	2022					2021				
	EURk	USDk	RMBk	CZKk	MXNk	EURk	USDk	RMBk	CZKk	MXNk
Trade receivables	325	4,763	-	20	-	227	7,106	-	338	-
Cash and cash equivalents	205	310	827	217	1,900	3	1,014	725	289	5,107
Financial liabilities	-9	-94	-25,000	-26,999	-	-	-	-25,000	-54,240	-44
Trade payables	-383	-1,954	-	31,240	-10,142	-3,362	-924	-	-29,390	-6,793

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

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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. 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 are still at a high level.

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 percent of requirements were secured via 6-month contracts. Here, we are guided by the term of contracts with customers.

The contracts used have been concluded solely for purposes of the actual purchase or the raw material based on the anticipated purchase, sale, or consumption needs (own use) of the company. Qualification as a financial derivative acts as an exemption (own use exemption).

Capital management

The key objectives of our financial management are to secure the PWO 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.

Capital is monitored via the net leverage ratio and the equity ratio. Our finance strategy targets a net leverage ratio of less than 3 years and an equity ratio of 30 percent.

Net leverage ratio

EURk	2022	2021
Financial liabilities	118,567	110,516
Less cash and cash equivalents	-3,201	-6,907
Net financial debt	115,366	103,609
EBITDA¹	51,193	47,155
Net leverage ratio (in years)²	2.3	2.2

¹ Earnings before interest, taxes, depreciation and amortization

² Changed name (previously: dynamic leverage ratio) but unchanged calculation method

Equity ratio

EURk	2022	2021
Equity	151,316	125,301
Total equity and liabilities	400,281	373,272
Equity ratio	37.8%	33.6%

28 Financial instruments

The following derivative financial instruments are outstanding as at December 31, 2022:

EURk	Nominal value	Repayment in 2021	Residual amount	Term	Market value
Cross currency swaps	19,773	1,562	14,571	Until 2026	-1,553
FX without hedge accounting	32,133		32,133	Until 2024	-840
of which to hedge CAD intercompany loans	2,770		2,770	Until 2023	-81
of which to hedge USD intercompany loans	11,080		11,080	Until 2024	-759
FX with hedge accounting	72,841		72,841	Until 2027	1,154
	295		295	Current	3
of which to hedge planned CNY receivables	3,800		3,800	Non-current	39
	19,834		19,834	Current	1,220
of which to hedge planned CZK liabilities	23,427		23,427	Non-current	955
	4,495		4,495	Current	-302
of which to hedge planned MXN liabilities	-		-	Non-current	-
	11,652		11,652	Current	-588
of which to hedge planned USD receivables	9,338		9,338	Non-current	-173

Outstanding derivative financial instruments as at December 31, 2021:

EURk	Nominal value	Repayment in 2021	Residual amount	Term	Market value
Cross currency swaps	19,773	1,562	16,133	Until 2026	-1,108
FX without hedge accounting	39,435		39,435	Until 2023	-1,798
of which to hedge CAD intercompany loans	12,506		12,506	Until 2022	-249
of which to hedge USD intercompany loans	26,929		26,929	Until 2023	-1,549
FX with hedge accounting	71,340		71,340	Until 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

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, a qualitative assessment of their effectiveness is performed 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 1,654 (p/y: EURk 46).

As part of hedge accounting, differences of EURk 472 (p/y: EURk 580) 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 121 (p/y: EURk 157).

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.

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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	1.1975	1.1250
EUR/CZK	26.2928	26.7401
EUR/CAD	1.3520	-
EUR/CNY	7.3783	-
USD/CAD	1.2874	1.2976
USD/MXN	-	-
USD/CNY	6.5381	-

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

EURk	Category	Book value		Fair value		
		IFRS 9 ¹	2022	2021	2022	2021
Assets						
Trade receivables	AC		54,233	39,930	54,233	39,930
Other financial assets			3,017	1,120	3,017	1,120
of which hedging derivatives	n/a		2,287	1,113	2,287	1,113
of which non-hedging derivatives	FVtPL		730	7	730	7
of which deposits > 3 months	AC		0	0	0	0
Cash and cash equivalents	AC		3,201	6,907	3,201	6,907
Equity and liabilities						
Financial liabilities			118,567	110,516	118,528	114,348
Liabilities to banks	AC		74,795	62,761	75,929	65,002
of which variable rate			14,805	12,889	14,805	12,889
of which fixed rate			59,990	49,872	61,124	52,113
Liabilities from promissory notes	AC		24,986	29,973	24,850	31,382
of which variable rate			2,998	2,997	2,998	2,997
of which fixed rate			21,988	26,976	21,852	28,385
Liabilities to leasing companies	n/a		18,785	17,781	17,749	17,964
of which variable rate			0	0	0	0
of which fixed rate			18,785	17,781	17,749	17,964
Trade payables	AC		41,461	37,225	41,461	37,225
Other financial liabilities			4,256	4,210	4,256	4,210
of which hedging derivatives	n/a		1,133	771	1,133	771
of which non-hedging derivatives	FVtPL		3,123	2,912	3,123	2,912
of which others	AC		0	526	0	526
of which aggregated by measurement category:						
Loans and receivables	AC		57,434	46,837	57,434	46,837
Financial liabilities measured at amortized cost	AC		141,243	130,486	142,240	134,135
Financial assets held for trading	FVtPL		730	7	730	7
Financial liabilities held for trading	FVtPL		3,123	2,912	3,123	2,912

¹ AC: Amortized cost | FVtPL: Fair value through profit & loss

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

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EURK	Level 1		Level 2		Level 3	
	2022	2021	2022	2021	2022	2021
Assets measured at fair value						
Other financial assets	0	0	3,017	1,120	0	0
of which hedging derivatives	0	0	2,287	1,113	0	0
of which non-hedging derivatives	0	0	730	7	0	0
Assets recognized at fair value						
Trade receivables	0	0	54,233	39,930	0	0
Cash and cash equivalents	0	0	3,201	6,907	0	0
Liabilities measured at fair value						
Other financial liabilities	0	0	4,256	4,210	0	0
of which hedging derivatives	0	0	1,133	771	0	0
of which non-hedging derivatives	0	0	3,123	2,912	0	0
of which others	0	0	0	526	0	0
Liabilities for which a fair value is reported						
Fixed rate liabilities to banks	0	0	59,990	49,872	0	0
Variable rate liabilities to banks	0	0	14,805	12,889	0	0
Fixed rate liabilities from promissory notes	0	0	21,988	26,976	0	0
Variable rate liabilities from promissory notes	0	0	2,998	2,997	0	0
Fixed rate liabilities to leasing companies	0	0	18,785	17,781	0	0
Variable rate liabilities to leasing companies	0	0	0	0	0	0
Trade payables	0	0	41,461	37,225	0	0

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:

EURK	Assets		Liabilities	
	2022	2021	2022	2021
Recognized in the income statement:				
Non-hedging derivatives	221	0	896	1,873
Recognized in equity:				
Hedging derivatives	1,654	46	0	0

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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	IFRS 9 category ¹	2022	2021
Loans and receivables	AC	-422	4,510
of which based on disposal		155	190
of which based on impairment/reversal		-11	-56
of which based on currency effects		-566	4,376
Financial assets held for trading	FVtPL	1,828	0
of which based on disposal		1,003	0
of which based on remeasurement		825	0
Financial liabilities measured at amortized cost	AC	-104	-78
of which based on disposal		144	166
of which based on currency effects		-248	-244
Financial liabilities held for trading	FVtPL	1,646	4,196
of which based on disposal		0	2,323
of which based on remeasurement		1,646	1,873

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	2022	2021
Financial assets		
Reported gross amounts of financial assets	57,799	41,373
Offset gross amounts of financial liabilities	-549	-323
Net amounts of financial assets shown	57,250	41,050
of which derivatives	3,017	1,120
of which trade receivables	54,233	39,930
(Potentially) offsettable based on framework agreements	-3,017	-1,120
Total net value (potential) of financial assets	54,233	39,930
Financial liabilities		
Reported gross amounts of financial liabilities	-45,880	-41,577
Offset gross amounts of financial assets	163	142
Net amounts of financial liabilities shown	-45,717	-41,435
of which derivatives	-4,256	-3,684
of which trade payables	-41,461	-37,225
of which other financial liabilities	0	-526
(Potentially) offsettable based on framework agreements	3,017	1,120
Total net value (potential) of financial	-42,700	-40,315

The net liabilities of EURk 549 (p/y: EURk 323) 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 163 (p/y: EURk 142).

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29 Research and development expenses

Of the costs of EURk 12,737 (p/y: EURk 12,073) associated with development services, EURk 555 (p/y: EURk 520) was capitalized in intangible assets and EURk 3,298 (p/y: EURk 1,977) 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	2022	2021
Audit	369	311
Other verification services	28	23
Tax consultancy services	0	2
Other services	26	43
TOTAL	423	379

The fee for the auditor of EURk 64 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 the clarification of 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	2022	2021
Current benefits ¹	1,726	1,954
Non-current benefits ^{2,3}	483	0
Post employment benefits ³	0	0
TOTAL	2,209	1,954

¹ The basic annual salary, benefits in kind and payments to a private old age pension are reported in this item. It also includes the current portion of variable remuneration.

² This item comprises the non-current portion of variable remuneration under the 2022 remuneration system (relevant to Carlo Lazzarini).

³ EURk 273 of this relates to share-based remuneration.

Total Supervisory Board remuneration (emoluments due short term) came to EURk 318 (p/y: EURk 316). 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 323 (p/y: EURk 309). The corresponding pension provisions according to IFRS came to EURk 4,699 as of the reporting date (p/y: EURk 6,019).

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 14,805 (p/y: EURk 12,808) are included in the "current financial liabilities" item of the statement of financial position.

34 Segment reporting

In line with the PWO Group's internal management system, our production sites form the basis for segment reporting. The 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.

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

As of December 31, 2022, there were 4 customers with a share of over 10 percent of revenue, amounting to EURk 86,151 and EURk 54,017 (essentially resulting from the Body & Instrument Panel Carrier Components business unit), to EURk 67,055 (essentially resulting from the Electronic, Chassis & Airbag Components business unit) and to EURk 63,144 (essentially resulting from the Steering & Seat Components business unit).

In the previous year, 3 customers were identified with a share of over 10 percent of revenue, amounting to EURk 63,690 (essentially resulting from the Body & Instrument Panel Carrier Components business unit) and to EURk 52,063 and EURk 51,625 (essentially resulting from the Electronic, Chassis & Airbag Components and the Steering & Seat Components business units).

Segment information by region, 2022 fiscal year

EURk	Germany	Czechia	Canada	Mexico	China	Consolidation	Group
Total revenue	247,589	114,870	50,452	96,443	53,457	-27	562,784
Internal revenue	-18,621	-10,630	-937	-244	-1,591	0	-32,023
External revenue	228,968	104,240	49,515	96,199	51,866	-27	530,761
Total output	248,155	114,870	50,452	96,443	53,457	-32,050	531,327
Total income	12,078	609	1,795	1,226	687	-7,450	8,945
Total expenses	-249,118	-103,072	-49,862	-80,563	-45,121	38,657	-489,079
Depreciation/amortization ¹	-9,292	-5,131	-1,969	-5,179	-2,885	42	-24,414
EBIT before currency effects	2,459	7,440	212	12,039	6,179	-816	27,513
EBIT including currency effects	1,823	7,276	416	11,927	6,138	-801	26,779
Interest income	5,071	0	22	2	4	-4,445	654
Distributions from affiliated companies	5,000	0	0	0	0	-5,000	0
Interest expenses	-4,437	-1,902	-715	-2,352	-1,354	4,445	-6,315
Earnings before taxes (EBT)	7,457	5,374	-277	9,577	4,788	-5,801	21,118
Income taxes	-1,339	-459	207	-3,514	-1,018	216	-5,907
Net income/loss for the period	6,118	4,915	-70	6,063	3,770	-5,585	15,211
Assets	169,469	122,439	35,179	65,573	55,987	-48,366	400,281
of which non-current assets ²	50,925	61,709	17,634	28,775	25,674	-107	184,610
of which contract assets	36,427	27,209	12,862	10,296	10,049	-9,576	87,267
Liabilities	38,133	63,691	18,902	42,881	55,545	29,813	248,965
Capital expenditure	4,839	9,200	3,188	2,124	401	0	19,752

¹ In the Germany segment, this includes a reversal of an impairment of EURk 871 on assets recognized under property, plant and equipment and buildings.

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

Segment information by region, 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
Total 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.

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External revenue by business unit and by region is shown below. The business units are explained in the Group management report in the "PWO Group principles" section.

Additional segment information

Revenue by business unit

EURk	2022	2021
Electronic, Chassis and Airbag Components	196,541	159,381
Steering and Seat Components	107,894	91,223
Body and Instrument Panel Carrier Components	173,382	124,002
Other revenue	52,944	29,668
TOTAL	530,761	404,274

Revenue by region (by customer's registered office)

EURk	2022	2021
Germany	151,387	131,937
Rest of Europe	144,218	97,453
North America	168,959	123,457
Other countries	66,197	51,427
TOTAL	530,761	404,274

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35 Declaration of conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code in the version dated April 28, 2022 submitted by the Executive Board and the Supervisory Board in December 2022 in accordance with section 161 AktG is available to shareholders on the company's website at → www.pwo-group.com/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 → www.pwo-group.com/en/group/corporate-governance/.

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 Board Düker Email Technologie GmbH, Laufach Chairman of the Advisory Board
Andreas Bohnert , Kappelrodeck	Employee representatives	Process planner and Chairman of the Works Council of Progress-Werk Oberkirch AG	–
Carsten Claus , Aidlingen	Employee representative (since May 20, 2021)	Former Executive Board Chairman of Kreissparkasse Böblingen	<ul style="list-style-type: none"> Deutsche Sport Marketing GmbH, Frankfurt Member of the Advisory Board Gemeinnützige Werkstätten and Wohnstätten GmbH, Sindelfingen Member of the Supervisory Board Gemeinnützige Stiftung Zenit, Gärtringen Member of the Foundation Board Stiftung Umwelt und Schadenvorsorge der SV Sparkassenversicherung Gebäudeversicherung, Stuttgart Member of the Board of Trustees
Stefan Klemenz , Kappelrodeck	Employee representative (since May 20, 2021)	Production planner and member 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
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)	–

36 Events after the end of the reporting period

At the beginning of March 2023, a new syndicated loan with a volume of EUR 155 million and a term of 3 years plus an extension option for up to 2 years was concluded. It thus replaced the existing syndicated credit facility of EUR 110 million and bilateral credit facilities of EUR 20 million early. In addition, we were given a commitment for a bilateral loan of EUR 10 million and started contract negotiations.

Executive Board

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

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38 Proposal for the appropriation of profits

A proposal will be put to the Annual General Meeting to utilize the unappropriated retained earnings of Progress-Werk Oberkirch AG of EURk 8,135 reported as at December 31, 2022 as follows:

Distribution of a dividend of EUR 1.65 per eligible no-par share	EURk 5,156
Balance to be carried forward to the next accounting period	EURk 2,979

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 1.65 in total.

Oberkirch, March 16, 2023

Progress-Werk Oberkirch AG

The Executive Board



Carlo Lazzarini
(Chairman/CEO)



Dr. Cornelia Ballwießer
(CFO)



Johannes Obrecht
(COO)

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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, 2022, 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, 2022, 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, 2022.

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, 2022, and of its financial performance for the fiscal year from January 1 to December 31, 2022, 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, 2022. 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.

Impairment of plots of land and buildings and technical equipment and machinery of the cash-generating units PWO Deutschland and PWO Canada

With regard to the accounting principles and the assumptions used, please refer to the information in Note 5. Information on the carrying amounts of plots of land and buildings and technical equipment and machinery in the Group and information on reversals of impairment losses can be found in Note 15. For details on the companies' business performance, please see Note 34 Segment reporting of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The plots of land and buildings at the Group came to EUR 79.4 million and technical equipment and machinery to EUR 80.8 million as at December 31, 2022.

In previous fiscal years – after accounting for partial reversals of impairment losses – (unscheduled) impairment of EURK 2,863 was recognized on plots of land and buildings and EURK 587 on technical equipment and machinery at the cash-generating unit PWO Deutschland; (unscheduled) impairment of CADk 741 was reported for technical equipment and machinery at the cash-generating unit PWO Canada.

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If there are indications that previous impairment losses recognized for property, plant and equipment no longer apply or are reduced, the company calculates the recoverable amount at the end of the reporting period and compares this to the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the business segment. For technical equipment and machinery and the plots of land and buildings, the recoverable amount was calculated as fair value less costs to sell and compared to their carrying amounts. If the carrying amount is lower than the recoverable amount, write-downs are reversed. The reversal is limited by the amortized cost. Fair value less costs to sell is determined at the level of the individual asset.

Impairment testing for of land and buildings and technical equipment and machinery is complex and based on a number of discretionary assumptions. For land and buildings, these include in particular attainable rents and economic useful lives. In the case of technical equipment and machinery, the economic useful lives, deductions for obsolescence and an economic discount are highly discretionary.

At PWO Deutschland, impairment losses reported for in the 2022 fiscal year came to EURk 773 for plots of land and buildings and EURk 376 for technical equipment and machinery. At PWO Canada, they were CADk 534 for technical equipment and machinery.

For the consolidated financial statements, there is the risk that reversals of write-downs are not appropriate and the property, plant and equipment are therefore not recoverable. There is also the risk that the disclosures in the notes to the financial statements related to a reversal of a write-down are not appropriate.

OUR AUDIT APPROACH

On the basis of explanations from employees of the Accounting department and an assessment of the Group Accounting Guidelines, we gained an understanding of the company's process for identifying indications that previous impairment losses recognized no longer apply or are reduced and the calculation of fair value less costs to sell.

With the support of our measurement specialists, we assessed the accuracy of the calculations and whether the measurement methods used by independent experts commissioned by the company to deter-

mine fair value less costs to sell comply with IFRS. For the measurement of plots of land and buildings, we evaluated the appropriateness of the key assumptions applied using external market forecasts and publicly available data. In the case of technical equipment and machinery, we evaluated the effects of possible changes in the deduction for obsolescence and the economic discount using alternative scenarios calculated by the company. We compared the company's values with our own calculation of an alternative scenario.

Finally, we assessed if the disclosures in the notes to the financial statements on reversals of impairment losses are appropriate.

OUR CONCLUSIONS

The approach, including the measurement methods, used to test impairment for plots of land and buildings and technical equipment and machinery of the cash-generating units PWO Deutschland and PWO Canada is consistent with the measurement principles. The assumptions and data used by the company are appropriate. 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 2022 fiscal year, Group revenue totaled EUR 530.8 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.

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 representative 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 representative sample from the volume structure of the contract assets. In addition, on the basis of a representative 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.

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Other information

The management/the Supervisory Board are 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,
- the combined corporate governance statement of the company and the Group referred to in the combined management report, and
- the disclosures in the combined management report that are not part of the management report and that are identified as unaudited.

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 (i.e. manipulation of accounting or asset misappropriation) 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 com-

bined 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.

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.

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- 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 presentation, structure and content of the consolidated financial statements as a whole, 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 directing, monitoring and implementing the audit of the consolidated financial statements. 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 actions taken or safeguards put in place to resolve risks to independence.

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 „progress-werk-2022-12-31-de.zip“; (SHA256 hash value: 96db1646b4f7b23338b039e8f7a8fafa3c916eacc5f1f9fc8399537daadec84) made available and prepared for publication purposes com-

plies 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 financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2022 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 (06.2022)). 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.

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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 as the auditor of the consolidated financial statements by the Annual General Meeting on May 10, 2022. We were engaged by the Supervisory Board on November 3, 2022. 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 added to the business register – 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.

Note on the supplementary audit

We are issuing this auditor's report on the consolidated financial statements and the combined management report as well as on the rendering of the consolidated financial statements and the combined management report contained in the electronic file „progress-werk-2022-12-31-de.zip“; (SHA256 hash value: 96db1646b4f7b23338b039e8f7a8fafa3c916eacc5f1f9fc8399537daadec84) made available and prepared for publication purposes, which was submitted for audit for the first time, on the basis of our duly conducted

audit completed on March 21, 2023 and our supplementary audit completed on March 30, 2023, which related to the first-time submission of the ESEF documents.

German public auditor responsible for the audit

The auditor responsible for the audit is Mathias Laubert.

Stuttgart, March 21, 2023 / limited to the audit of the ESEF documents referred to in the note on the supplementary audit: March 30, 2023,

KPMG AG
 Wirtschaftsprüfungsgesellschaft

Laubert	Rupperti
German public auditor	German public auditor

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

Oberkirch, March 16, 2023

The Executive Board



Carlo Lazzarini
Chairman/CEO



Dr. Cornelia Ballwießer
CFO



Johannes Obrecht
COO