PWO

PEOPLE. PLANET. PROGRESS.

Annual Report 2022

PWO
Annual Report 2022

Development and production of sophisticated metal solutions in environmentally friendly lightweight construction

With our business model, which is entirely independent of internal combustion engines, we are a preferred partner of the global mobility industry: We can focus all of our resources on shaping the future.

Key performance indicators for PWO Group

		Forecast for 2023	Actual results in 2022
Revenue	EUR million	Approx. 550	530.8
EBIT before currency effects	EUR million	20 to 23	27.5
Capital expenditure	EUR million	Approx. 40	19.8
Free cash flow	EUR million	Negative in single-digit millions	-5.8
Equity ratio	%	Flat y-o-y	37.8
Net leverage ratio	Years	Less than 3.0	2.3
Lifetime volume of new business	EUR million	400 to 500	Approx. 890

The PWO share (100 = Jan. 3, 2022)

REVENUE
530.8
EUR million

EBIT BEFORE CURRENCY EFFECTS
27.5
EUR million

EMPLOYEES
2,820

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PUSHING BOUNDARIES

Lighter, safer, more comfortable: With our solutions at the frontier of what is technologically possible, we reconcile supposed contradictions and open up paths that seemed unthinkable just yesterday. Only if we keep challenging the status quo of mobility in our world can a sustainable transformation be achieved on a large scale. We put this boundless commitment into practice at all levels.

HOW DO YOU BOOST GROWTH IN A CHALLENGING ENVIRONMENT?

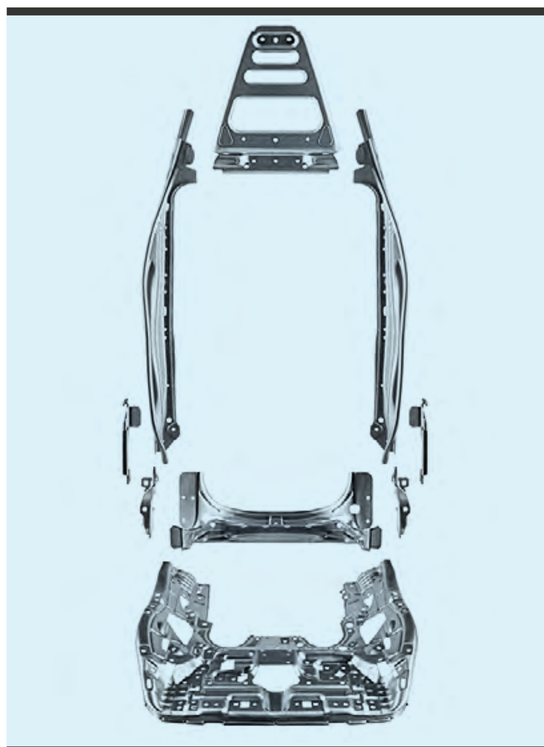
_GROWTH STRATEGY.

INTERNATIONAL TEAMS, CONCENTRATING ON OUR DEVELOPMENT CAPABILITIES, AND OUR EMPLOYEES' FOCUS ON SUCCESS are the ingredients that have made our current sales success possible.

With innovative solutions, we strengthen our customers' position on their markets.

WE HAVE CONSISTENTLY UPHELD OUR REPUTATION for top delivery reliability and quality, even in the recent challenging years. This is a strong argument when it comes to new orders.

PREPARED FOR MANY TASKS



PWO's lightweight components for front seats in vehicles

We reaped the rewards of our efforts in 2022 when we generated the highest volume of new business in the company's history.

All our locations and almost all our product lines significantly exceeded their targets for new business in 2022.

We remain strong in e-mobility, for example with components for a vehicle's on-board charger, which represents an important part of its fast charging system and thus its electrification, and with components for modern electrohydraulic systems for brake servos.

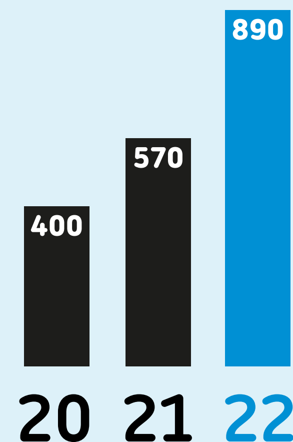
Stand-out orders also related to instrument panel carriers for 3 of our locations, ready-to-mount subassemblies with highly complex, thermoformed housings, lightweight air suspension components, and seat components.

Our special expertise in tailor-welded blanks enables us to reduce the amount of material used compared to conventional forming processes. This was 1 of the main reasons why we were chosen to supply vehicle body and structural components for the key platform of 1 of our major customers in future.

And last but not least, we were successful with new product solutions both within the mobility industry and in non-mobility business. These are presented in detail on page 16.

GROWTH IN NEW BUSINESS FOR THIRD CONSECUTIVE YEAR

Lifetime volume
(series and tools in EUR million)



Source: PWO Group

Carlo Lazzarini, Chairman/CEO of the PWO Group

We generated

EUR 890 million

in new business (lifetime volume) in 2022

DEEP DIVE

Dr. Cornelia Ballwießer, CFO

Our growth trajectory in a particularly challenging environment

Inflation currently seems to have passed its peak. Nonetheless, many procurement prices – for materials and energy, for example – are still well above the average of the past years, and staff expenses have also risen significantly lately. This is a particularly challenging environment for a growth trajectory.

We have therefore implemented very close management of all operating processes and all investments. Prompt reporting and only gradual approvals are key success factors here. We invest as much as necessary for the safe start-up and ramp-up of our new orders and as little as possible in order to conserve our financial resources. To this end, our team seeks out scope along the entire value chain and systematically takes advantage of this. We benefit here from the fact that sales, development, and production have always been very closely intermeshed in the PWO Group.

For example, we prioritize sales opportunities for orders that are particularly well suited to our production facilities. And we develop product solutions that are not only innovative, but also that we are sure can be produced economically.

Optimized factory layout

By optimizing routes and material flows, we can gain additional space in existing buildings.

New buildings

In Czechia and Mexico, we are expanding our capacity with new production and logistics halls.

Adjusted press allocation

Press allocation can be optimized in line with a wide range of different aspects. The focus is currently on making the best possible use of capacity.

New production facilities

Capacity in reforming and assembly is being increased at almost all locations.

New location

A new location in eastern Europe will meet additional demand that we cannot cover from Czechia.

Capital expenditure of

EUR **120** million

planned in the next 3 years

HOW DIVERSE CAN A COMMUNITY BE?

_PEOPLE.

THE PWO GROUP SETS STANDARDS. This spurs us on and motivates us. Shared and individual successes are the driving forces to tackle the future and seek new challenges. We achieve remarkable things in a strong team – and have fun at the same time.

The PWO Group is growing fast and profitably and is therefore expanding its international locations.

INTERNATIONAL TEAMS and productive cooperation between our employees all around the world enable us to keep adopting new perspectives and thereby strengthen our business.

QUICK QUES-TIONS

What is the significance of a values-based corporate culture to you personally?

C.L. A positive and open corporate culture is a crucial element of modern corporate governance. It provides support, guidance, and a sound basis for meaningful interaction.

How are the PWO Group's core values and its management principles connected?

C.L. Our management principles are derived from our core values. A management culture characterized by respect forms the basis for successfully managing the PWO Group as a whole, and this definitely includes offering each individual an attractive environment and the best possible prospects.

We live in a time of rapid changes. What does this mean for the PWO Group?

C.L. Good decisions, made quickly, are the key to success. Both our managers and our employees should start taking action quickly and influence events and developments. We support them here and encourage them to reach their full potential.

Carlo Lazzarini, Chairman/CEO of the PWO Group

5 CORE VALUES

Integrity
Setting an example in line with our values system

Team spirit
We achieve success together

Sustainability
We accept responsibility for future generations

Progress
Change is part of our fundamental DNA

Customer focus
Customer satisfaction is what drives us

8 MANAGEMENT PRINCIPLES

- We **MANAGE** the PWO Group with **AMBITIOUS** goals
- We act and make decisions **QUICKLY** for **SUSTAINABLE RESULTS** and **HIGH CUSTOMER SATISFACTION**
- We perform business activities with **PASSION** and **INTEGRITY**
- We are **SELF-REFLECTIVE** and lead by **EXAMPLE**
- We **SUPPORT** our employees and **EMPOWER** them to reach their **FULL POTENTIAL**
- We encourage **TEAMWORK** and open communication in a **CULTURE OF TRUST**
- We **LEARN** from mistakes and **CELEBRATE SUCCESSES**
- We stand for **RELIABILITY** in the way that we think and **ACT**

PASSION FOR PERFORMANCE

We want to achieve above-average growth and need particularly highly qualified and dedicated employees to do so. One key element of our corporate strategy is therefore continuously enhancing our appeal as an employer.

Nowadays, attractive working conditions include a good work-life balance, ensuring the compatibility of career and family, and taking account of personal situations.

Promoting personal skills is equally important to us as enhancing professional and methodological skills and providing targeted training for junior staff. We pass on responsibility to our employees, create scope for them to make their own decisions and shape developments, and facilitate intercultural experiences of the kind that only a global company can offer.

Our employees receive systematic and structured support when it comes to their career prospects and professional development. We aim to provide comprehensive support and lifelong learning. Our offers therefore have a long-term focus. Among other things, they are strongly geared toward employees' personal development rather than individual temporary measures.

3,000

employees in 8 locations on 3 continents

HOW WE AIM TO ENHANCE OUR APPEAL AS AN EMPLOYER

Current topics in the 2022 fiscal year

- **Performance dialog** We apply uniform worldwide standards for the dialog with our employees regarding their personal development and what they expect from the PWO Group
- **Manager and team development** We have firmly incorporated our core values and management principles in our employee development concepts
- **Talent development** In future, we will develop talented employees across locations in international groups, thereby promoting diverse teams
- **Sustainability** Systematic training on ESG topics not only reflects our responsibility as a corporate citizen, but is also specifically requested now
- **Professional skills** With targeted training on professional skills for specific roles, we strengthen our employees in technical and commercial areas

HOW CAN WE MOVE WORLDS FOR THE WORLD?

_PLANET.

THINKING AND ACTING RESPONSIBLY AND WITH A VIEW TO THE LONG TERM has been at the heart of our success in our long company history. This is our internal motivation that we bring into the future.

We want to set a good example and use our business as a force for good.

OUR VISION: We aim to set standards for sustainability among companies of the same size and structure as the PWO Group. This naturally includes implementing the Paris Agreement, for example.

IT'S CLEAR, ISN'T IT?

2 leading international initiatives for our ESG commitment

We aim to act in a transparent and comprehensible way. For this reason, we apply international standards.

The Science Based Targets initiative (SBTi) defines and promotes best practice for setting science-based targets, provides resources and guidelines for eliminating obstacles when introducing these targets, and independently validates companies' CO_2 targets. More than 4,000 companies worldwide have already taken action to protect the climate by setting climate goals for themselves under the SBTi.

The United Nations Global Compact is the world's biggest sustainability initiative, with more than 21,000 companies and organizations from civil society, politics, and science in over 170 countries already participating. It pursues the vision of a more inclusive and sustainable economy for the benefit of all people, communities, and markets, now and in the future.

"Sustainability is one of the cornerstones of companies' future viability. We focus on comprehensive sustainability in all 3 dimensions – environmental and social aspects as well as responsible corporate governance – and pursue ambitious goals here.

By transforming our own organization, we also help our customers reduce their environmental footprint. This enables us to meet the challenges of our time, and in particular to seize the associated opportunities."

Dr. Cornelia Ballwießer, CFO

BUSINESS AMBITION FOR 1.5°C

ACHIEVED BY 2030

In April 2022, we committed to setting targets under the SBTi, and in October 2022 our targets were validated. Now we have a road map up to 2030.

We are aiming to reduce our absolute emissions, calculated in line with the Greenhouse Gas Protocol, compared to 2019 levels. At the same time, we have embarked on a clear growth trajectory. This creates an ambitious framework for achieving our goals.

Processes that currently still require fossil fuels will be electrified as soon as possible. Meanwhile, we are switching our energy supply to renewable sources wherever possible. To do so, we will both use offers from utilities and also look into establishing our own photovoltaic systems. Continuously stepping up our efforts to increase energy efficiency is also a top priority.

In the supply chain, we have identified key areas where we can achieve the greatest savings, and we are collaborating closely with our partners on their implementation.

Further potential beyond 2030 will arise from the decarbonization of the steel industry. This is up at the top of the political agenda. We are closely following all developments and will be among the first to take advantage of all future possibilities for green steel in close cooperation with our customers.

46.2%

absolute reduction in Scope 1&2 emissions by 2030 as compared to 2019

28.0%

absolute reduction in Scope 3 emissions by 2030 as compared to 2019

4 REASONS WHY WE WILL ACHIEVE OUR AMBITIOUS GOALS

The philosophy behind the figures:

1. **Conviction** Decarbonization is a fundamental requirement for creating a livable environment in the future
2. **Analysis** All of our processes are recorded and continuously screened for further CO_2 reduction potential
3. **Management** We have implemented the instruments to manage achievement of our goals in a systematic way
4. **Implementation** We have integrated CO_2 targets in the target system for our managers, thus creating clear individual incentives

HOW UNI-VERSAL CAN A SPECIALIST BE?

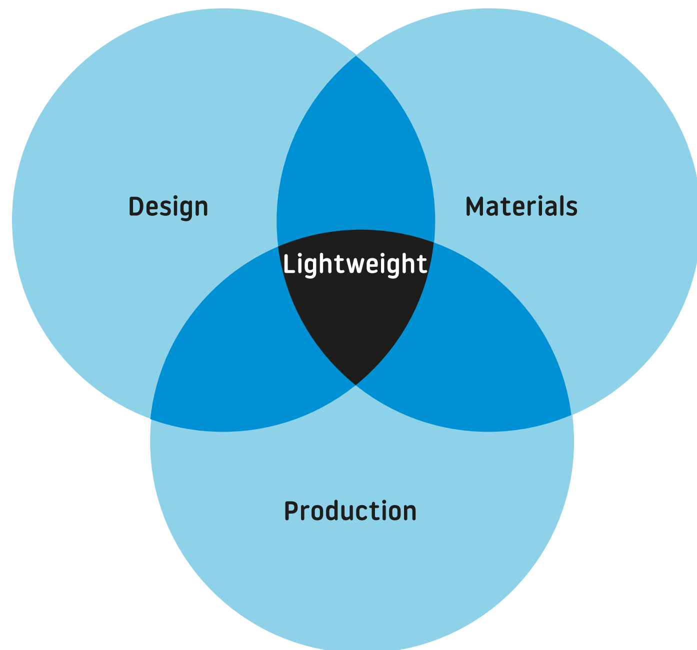
_PROGRESS.

BECAUSE WE ARE ALWAYS OPEN TO CHANGE WHEN LOOKING AT THE PRESENT, we recognize the future at an early stage. With courage and a focus on success, we develop new solutions with a claim to global leadership for our customers.

PWO's technological innovations make vehicles safer and more comfortable, while also bringing about the possibility a zero-emission future.

INNOVATIONS pave the way to PWO's future.
On the sound basis of our business model that is independent of internal combustion engines, we endeavor to diversify our business and tap new markets.

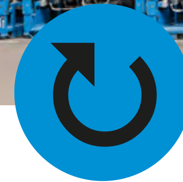
LIGHTWEIGHT, BIG ADVANTAGES



Our lightweight construction world

Lightweight construction means reducing weight without negatively impacting the rigidity or other functions of the components – or conversely, adding functions without increasing the weight.

There are countless possibilities to reduce weight and thus develop more sustainable and cost-effective solutions. We consistently use state-of-the-art materials such as high-strength and ultra high-strength steels to replace other, heavier materials. When designing a component, significant savings can be achieved by carefully determining and taking account of all actual load requirements. This allows us to avoid oversizing. Last but not least, current manufacturing techniques such as bonding instead of welding create further scope for reducing weight.



20%

We achieve an average weight reduction of with our innovative product solutions

"We are thoroughly familiar with the whole world of lightweight construction and combine the best alternatives from a technological and economic perspective to create the optimal customer solution."

Johannes Obrecht, COO

ON NEW PATHS? ABSOLUTELY!

We focus on new sales markets both within and outside the mobility industry, which we tap systematically and successfully. In this way, we want to make the PWO Group stronger and less dependent on market cycles.

In addition to our product portfolio in the mobility industry, which is already entirely independent of combustion engines, new sustainable product areas that actively help reduce the use of fossil fuels are now being added.

For example, we will in future supply fuel cell components for both mobile and stationary applications, as well as heat pump components.

Fuel cells use hydrogen and oxygen to generate electricity and heat. They apply the principle of electrolysis and allow for carbon-neutral generation of electricity if they are operated with green hydrogen. Heat pumps use ambient heat, such as air or geothermal energy, to heat buildings. They apply the principle of refrigeration and allow for carbon-neutral generation of heat if green electricity is used.

We also expanded our product portfolio within the mobility industry in 2022 and are working on development projects for e-bikes. More and more people are switching to e-bikes, for example because they want be more environmentally friendly or get healthier. Our components help make e-bikes more comfortable and perform better.

Criteria for expanding our product portfolio

Customer proximity
In the first step, we look for points of contact with existing customers and thus speed up our market entry.

Sustainability
We want to contribute to a livable environment and assume our responsibility for future generations.

Expertise
We use our extensive expertise in steel forming for innovative solutions and can therefore offer real added value.

Growth
Because we focus on products that can be expected to see strong demand, the new product solutions should quickly contribute to our growth.

Technology
By offering solutions that can be manufactured with our current production facilities, we limit our upfront investments and risks.

We already generated new business of

50 EUR million

(lifetime volume) in non-mobility business in 2022

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Dear shareholders,

Geopolitical and economic developments around the world in 2022 proved more volatile and unpredictable than ever before. Challenges range from the war in Ukraine to the energy crisis in Germany and Europe and the ever-increasing pace of climate change and are causing us to fundamentally question our globally connected world. We must assume that many of these issues will keep us occupied for a long time to come, especially given how complex they are, and that they will require different answers. This is the new normal. Making the PWO Group even more resilient than it already is must be the order of the day.

The fact that 2022 was nonetheless a record year for us is some of the most convincing proof of how resilient your company already is.

The PWO Group continued to grow during the COVID-19 pandemic and despite sustained supply chain bottlenecks over many quarters and the dramatic transformation in the mobility sector. Thanks to this, Group revenue visibly exceeded the EUR 500 million mark for the first time in 2022. This success was driven primarily by our international locations. They are now what drives the Group forward – especially the Czech locations, which generated revenue of over EUR 100 million for the first time, the Mexican locations, which were only slightly behind, and our Chinese locations, which passed the EUR 50 million mark. All in all, after 2021 we once again exceeded our forecasts in the current reporting year – in some cases significantly.

We are particularly proud of the highest level of new business in the company's history! The lifetime volume of around EUR 890 million for new series orders including associated tooling volumes is more than twice as high as it was 2 years ago. Drawing on our innovative strength at the frontier of what is technologically possible, we develop winning product solutions. This is why our success encompasses the whole breadth of our business. Continually increasing the volume over several quarters underscores how sustainable this development is. Because all of our locations exemplify top delivery reliability and quality, our customers trust us to supply their key platforms.

Nevertheless, we want to be even more resilient to economic cycles in our industry. To achieve this, we are now focusing our attention on our current range of services. By having a business model that is completely independent of internal combustion engines, we pre-empted the sector's transformation towards decarbonization. In our traditional business, we also support our customers by providing increasingly simple solutions that help them achieve their own decarbonization goals. In the future, we also aim to play an active role in reducing the use of fossil fuels on our planet. Products that contribute to this will experience higher-than-average structural growth in the future. Accordingly, they will quickly make a visible contribution to the PWO Group's performance.

Our first step was identifying fuel cells, heat pumps and e-bikes that meet these criteria. With our extensive expertise in steel forming, we want to develop components for these products that offer real added value. Even in the 2022 fiscal year, new business in this area came to around EUR 50 million.

This brings the years 2023 and 2024 into focus, when current new business is expected to start and ramp up. Growth in the environment of the new normal outlined above must be managed particularly carefully. We are prepared for this. All processes are designed to make the investments required to safely ramp up new orders in good time. At the same time, we systematically exploit all potential in production planning and in the optimization of location layouts to avoid non-essential investments and protect our balance sheet.

Left to right:
Dr. Cornelia Ballwießer CFO | **Carlo Lazzarini** Chairman/CEO | **Johannes Obrecht** COO

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As we are expanding in many regions of the world at the same time, the efforts this requires will be reflected in the income statement for the new fiscal year. However, we have laid the groundwork here too to keep the negative effects of this to a minimum.

In any case, we will be highly financially resilient when entering the PWO Group's next development phase: the significant increase in EBIT recently helped considerably improve our credit rating. This is another reason we were able to successfully re-negotiate the syndicated loan. We announced that the agreement had been concluded after the end of the reporting period. This means that our plans are financially secured.

None of these changes or future goals would be possible without our first-rate qualified and highly motivated employees. Far beyond day-to-day business, they see the big picture, realistically assess risks and identify opportunities that they can seize for the PWO Group.

These qualities are at the heart of our Group's adaptability. The Executive Board believes that continuing to strengthen these qualities and creating more scope for independent, business activity at all levels and in all functions is one of its most important jobs.

To reflect this, we redesigned our values-based company and management culture in the last fiscal year. Good decisions, made quickly, are the key to success today. We help our employees contribute to decisions on an equal footing and encourage them to reach their full potential. At the same time, we consider it our duty to provide an attractive environment for each and every individual person. They should be able to make their personal professional wishes and prospects a reality at PWO. By ensuring this, we aim to retain our current employees and attract the new staff we need for our growth trajectory.

In view of this, the Executive Board would like to thank all PWO Group employees for once again demonstrating extraordinary commitment over the last year. We are aware of the dedication that was needed to achieve what we have.

We would also like to thank you, our shareholders, for the trust you have placed in us. We hope we have clearly demonstrated that the PWO Group today is more than prepared and able to help shape the future and grasp opportunities to make the Group even more valuable in the future.

Carlo Lazzarini
Chairman/CEO

Dr. Cornelia Ballwießer
CFO

Johannes Obrecht
COO

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Report of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

Karl M. Schmidhuber
Chairman of the Supervisory Board

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

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

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The work of the full Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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The work of the committees

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

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

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

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

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

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

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

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

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

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

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

PERSONNEL COMMITTEE

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

AUDIT COMMITTEE

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

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Disclosure of meeting attendance for individual members

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

SUPERVISORY BOARD MEETINGS

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

PERSONNEL COMMITTEE MEETINGS

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

Carsten Claus attended all meetings as a guest.

AUDIT COMMITTEE MEETINGS

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

Changes in the composition of governing bodies

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

Conflicts of interest

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

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Audit of annual and consolidated financial statements

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

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

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

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

At its meeting on March 23, 2023, the Supervisory Board dealt in detail with the annual and consolidated financial statements for the 2022 fiscal year, including the combined management report for the company and the Group as well as the dependency report of the Executive Board in accordance with section 312 AktG, the remuneration report, and the audit reports prepared by the auditor. The relevant drafts were handed out to the members of the Supervisory Board promptly in advance of the meeting on March 23, 2023. The auditor was present at this meeting and reported on the main findings of the audit.

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

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

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

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

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

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A word of thanks

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

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

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

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

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

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

Oberkirch, March 23, 2023

Karl M. Schmidhuber
(Chairman of the Supervisory Board)

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Investor relations – our dialog with the capital market

Investor relations activities

We are committed to maintaining an active, open and continuous dialog with investors, analysts and media representatives. We do this using a variety of communication channels. As the COVID-19 pandemic eased, more and more events were held in person again in the 2022 fiscal year, including the German Equity Forum, one of the most important dates in the sector calendar.

Of course, the effects of the war in Ukraine and, above all, the related energy crisis in Germany and Europe, were a major focus topic in our discussions. Over the longer term, there were worries not only about the availability of energy but especially about its price. Energy costs temporarily climbed to a level that caused suppliers of key precursors in industry as a whole and also in our supply chain to cut production.

In this context, we talked to our business partners on multiple occasions about how price increases can be passed on to our customers. While this is a regular topic of discussion for materials that can be directly allocated to a product in our industry and we reported several successful agreements over the year, massive simultaneous price hikes in all other areas – from energy to logistics, wages and salaries – are a new problem for which joint solutions need to be found for the first time.

Refining the PWO equity story

Especially in these particularly challenging times, our position in as an engineering company with outstanding, extensive experience in metal forming and joining technology at the frontier of what is technologically possible has proven especially beneficial. Our sustainable business model is based on developing and manufacturing complex components and subsystems in environmentally friendly lightweight construction and is entirely independent of internal combustion engines. This allows us to focus all of our resources on shaping the future of mobility.

We are increasingly translating this outstanding position into growth. While we announced our strategy back in 2021, our successes in new business were increasingly reflected in the figures in 2022. In June 2022, we raised our annual forecast for the anticipated lifetime volume of new business for the first time. We did so again in November, increasing the forecast to a level that we actually exceeded in the 2022 fiscal year as some orders with customers were completed more quickly than expected.

Not only does this give us an extremely strong competitive position in our traditional product solutions, it also opens up additional markets and prospects. The goal of our new, sustainable product areas is to actively help reduce the need to use fossil fuels.

Accordingly, we are delighted about the larger, long-term orders for fuel cell and heat pump components. This positions us in the area of carbon-neutral electricity and heat generation.

We also expanded our product portfolio within the mobility industry in 2022 and were awarded development projects for e-bikes. More and more people are switching to e-bikes because they want be more environmentally friendly or get healthier. Our components help make e-bikes more comfortable and perform better.

Once again, we thus used the 2022 fiscal year to further consolidate the PWO Group’s strong position while also exploring new avenues to open up additional potential for the future.

The latest analyst recommendations for the PWO share can be found on our website at → **www.pwo-group.com/en** under Investor Relations. We also provide extensive information in this section, including financial reports, capital market presentations, press releases and the most important dates for the current year.

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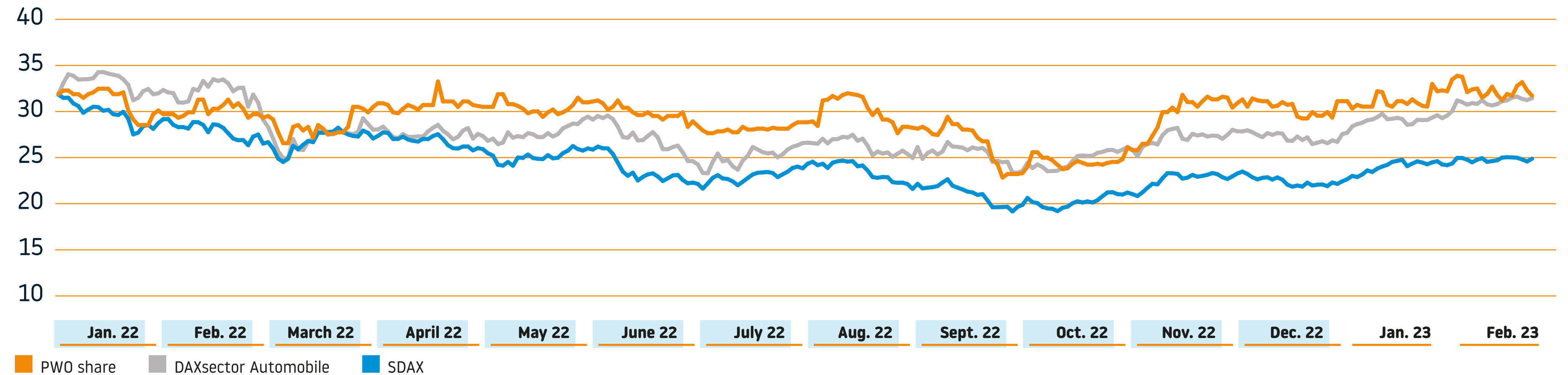
The development of the PWO share in the 2022 fiscal year

SHARE PRICE PERFORMANCE SINCE JANUARY 2022 (FIGURES IN EUR; DAXSECTOR AUTOMOBILE AND SDAX AS PRICE INDICES; INDEXED TO PWO SHARE PRICE AT START OF 2022)



PWO's share price moved sideways in the reporting year, far outperforming its benchmark indices. The XETRA closing price was EUR 31.80 on the first trading day and EUR 31.20 on the last.

The DAX index declined by 15 percent in the year as a whole, with the SDAX down 28 percent. The German automotive industry DAXsector Automobile index closed the year 12 percent down on the figure at the start of the year.

The PWO share price initially moved largely sideways at the beginning of the year in line with its benchmark indices. The outbreak of the war in Ukraine on February 24, 2022 resulted in a considerable price correction on the capital markets. Unlike on the benchmark indices, however, our share price then saw a rapid, strong recovery, pushing it up to an annual high of EUR 33.40 on April 21, 2022.

The benchmark indices remained vulnerable to price corrections over the next few weeks, primarily the result of economic and political uncertainties caused by the war in Ukraine. These ranged from the direct economic impact of sanctions on Russia to spending restraint on the part of consumers and worries about the formation of new political blocs that restrict what were previously global trade flows in the long term.

In particular, inflation that set in in 2021 continued to soar, resulting in a massive hike in energy prices, procurement prices in the economy as a whole and, to a considerable extent, food – directly impacting consumers. Central banks across the world raised interest rates considerably in response.

Partially in expectation of interest rate hikes – and thus in advance of these increases – the benchmark indices for our share responded particularly negatively to the European Central Bank's decision to raise interest rates to 0.25 percent in July 2022, the first increase since March 2016. The same is true of the largest interest rate hike since the euro was introduced, with rates raised by 75 basis points in September 2022. PWO's share was unable to avoid the negative impact of this. It reported its lowest figure for the year at EUR 22.80 on September 27, 2022. Nevertheless, it recovered quickly and more than the benchmark indices.

However, we made it clear in our ad-hoc announcement for the third quarter and the first 9 months of the reporting year on November 3, 2022 that we would exceed our annual forecast despite the particular challenges this year and even raised our new business forecast for the second time this year. As a result, our share price rose sharply and then trended sideways until the end of the year.

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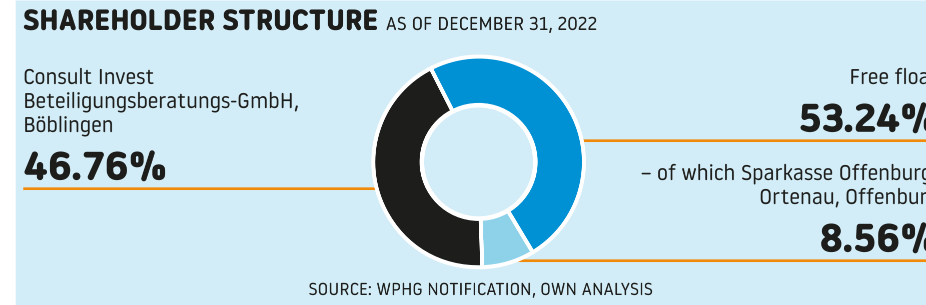
Shareholder structure



The share of our long-standing major shareholder, Consult Invest Beteiligungsberatungs-GmbH, Böblingen, in PWO AG's share capital at the end of the reporting year was 46.76 percent.

Sparkasse Offenburg/Ortenau, also a long-standing shareholder, held 8.56 percent of the shares outstanding as of December 31, 2022, the same as at the end of the previous year. In accordance with the criteria of Deutsche Börse AG, the shareholding is counted as part of the free float, which corresponds to 53.24 percent of the shares issued.

Progress-Werk Oberkirch AG is not aware of any other shareholders whose shareholdings exceed the reporting threshold of 3 percent.

Dividend policy

The PWO Group sees itself as a value investment with sustainable growth components. We are especially committed to our shareholders as the main providers of capital. We have therefore pursued a shareholder-friendly dividend policy for many years and – in step with our targeted operating development – a steady and sustainable development of the dividend. The Executive Board and Supervisory Board regard the company's ability to pay a dividend and provide a return on the capital provided by the company's shareholders, as an important objective.

In the view of the Executive Board and the Supervisory Board, the pleasing business development of the PWO Group and its continued positive prospects, backed up not least by the high level of new business in 2022, allow for an increase in the dividend payment to the shareholders. They are therefore proposing the payment of a dividend of EUR 1.65 per share for the 2022 fiscal year to the Annual General Meeting.

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Stock exchange data

	Data as of December 31, 2022
Share capital	EUR 9,375,000.00
Total number of shares outstanding	3,125,000
Treasury shares	0
WKN/ISIN	696800 / DE0006968001
Ticker symbol	PWO
Trading segment	Regulated market (Prime Standard)
Sector/Subsector	Automotive/Car parts & equipment
Trading venues	Stuttgart and Frankfurt Stock Exchanges, XETRA
Designated sponsor	Pareto Securities AS

Composition and development of share capital

The amount and composition of the share capital and authorized capital did not change in the 2022 fiscal year. Detailed information on this is provided in the management report. The development of equity is presented in detail in the consolidated statement of changes in equity.

KEY FIGURES FOR THE PWO SHARE

		2022	2021	2020	2019	2018
Company key figures						
Revenue	EUR million	530.80	404.30	371.15	458.50	476.27
EBIT before currency effects	EUR million	27.5	22.10	-8.12	22.12	19.58
EBIT including currency effects	EUR million	26.8	21.80	-10.10	19.85	18.43
Net income/loss for the period	EUR million	15.2	14.70	-11.66	9.05	6.64
Revenue per share	EUR	169.9	129.38	118.77	146.72	152.41
Earnings per share	EUR	4.87	4.72	-3.73	2.90	2.12
Dividend per share	EUR	1.65[1]	1.50	0.00	0.00	1.35
Book value per share	EUR	48.4	40.10	33.43	38.25	37.26
Valuation ratios (based on the Xetra year-end price)		**2022**	**2021**	**2020**	**2019**	**2018**
Year high share price	EUR	33.40	35.60	25.40	31.10	48.00
Year low share price	EUR	22.80	20.00	15.00	21.80	24.00
Year-end share price	EUR	31.20	31.80	19.40	24.30	24.50
Market capitalization	EUR million	97.50	99.38	60.63	75.94	76.56
Price/revenue		0.18	0.25	0.16	0.17	0.16
Price/earnings ratio		6.41	6.76	-5.20	8.39	11.53
Price/book value		0.64	0.79	0.58	0.64	0.66
Dividend yield	%	5.29	4.72	–	–	5.51

[1] Proposed

Combined Group management report and management report of PWO AG

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The combined management report for the January 1 through December 31, 2022 fiscal year contains the reports for Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, ("PWO AG," "the company") and the PWO Group ("PWO," "Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS), as applicable in the European Union, and the supplementary provisions of the German Commercial Code. PWO AG conducts its accounting according to the provisions of the HGB (hereinafter referred to as HGB) in its currently valid version and the supplementary provisions of the German Stock Corporation Act (hereinafter referred to as AktG).

The composition of the scope of consolidation is described in detail in the notes to the consolidated financial statements. The scope of consolidation remained unchanged in the reporting year.

PWO Group principles

Business model

Organizational structure of the Group

The PWO Group manufactures lightweight construction components made primarily of steel and, to a limited extent, aluminum sheets for the international mobility industry and for other sales markets where we can apply our expertise in metal forming and the associated joining technologies.

PWO AG, headquartered in Oberkirch, Germany, is the Group's main location. In addition to its role as a production and development location, it also performs activities for the management of the Group. The Company's international business is generally located at its direct subsidiaries. Solely in China, PWO has established an intermediate holding company based in Hong Kong. This holding company continues to be a non-operating company.

PWO AG is led by an Executive Board consisting of 3 members. A six-member Supervisory Board forms the supervisory body. The Supervisory Board has delegated some of its tasks to committees. These tasks are described in detail in the Report of the Supervisory Board.

Sales markets, locations, and segments

The Group is represented worldwide by a total of 8 locations. Besides the home location in Germany, it has 2 locations in Czechia, 1 location in Canada, and 2 locations each in Mexico and in China. In addition, a company was established in Serbia in the reporting year, although it did not commence operations.

Each of the Group companies are responsible for their own business and operational management within the framework of the overall strategy. Because they do not refinance themselves independently but rely on refinancing from the Group, the decisions on the allocation of the capital expenditure required for their growth are made by PWO AG's Executive Board. The 5 business segments – Germany, Czechia, Canada, Mexico, and China – are defined along this dominant internal organizational structure and correlate to the sales markets in which PWO AG and its subsidiaries operate.

Positioning, expertise and processes

All our solutions are installed in vehicles with different types of drive. As such, our business model is entirely independent of internal combustion engines and is not influenced by the transformation to e-mobility.

In our Mobility division, we develop and manufacture tailor-made solutions for international automotive manufacturers and Tier 1 suppliers for large series with unit volumes that sometimes stretch into the millions. Our product solutions address the following 3 areas of mobility: electrification, safety, and comfort. We continuously expand our product range, for example with components for mobile fuel cells.

In addition, we continuously tap new sales markets outside the mobility industry. The focus here is on product solutions for which we can use our technological expertise and existing production facilities and that are consistent with our sustainability strategy, such as components for heat pumps. These product solutions are grouped together in our Non-Mobility division.

We manufacture our components using the cold formation of different types of steel and, to a lesser extent, aluminum. Above all, we provide lightweight construction solutions, in material lightweight construction (replacing conventional deep drawing steel with modern high-strength and ultra high-strength steel), in structural lightweight construction (minimizing a construction component's material usage) and in system lightweight construction (optimizing a component group's material

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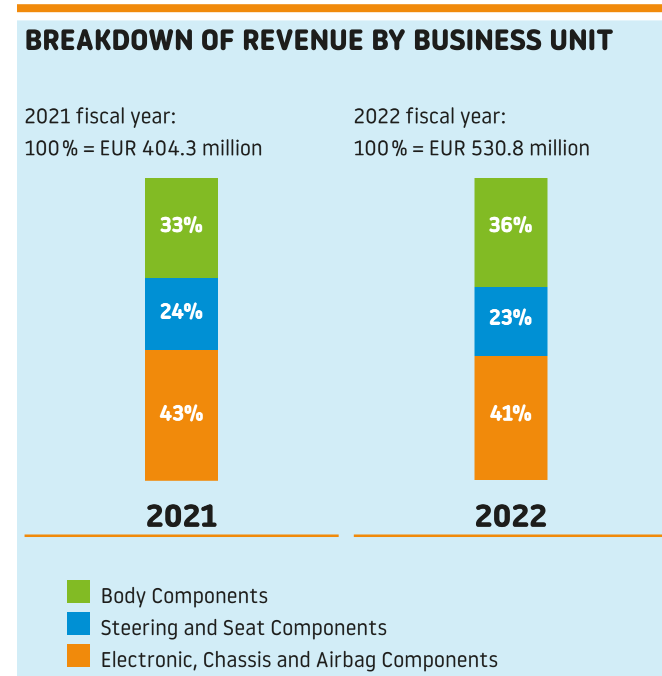
usage and reducing the number of individual parts in it). In addition, the replacement of casting solutions with forming solutions using steel sheets plays an important role. Using various joining technologies, we assemble the individual manufactured components into subsystems.

To coordinate the different product areas, there are 3 business units where projects with our different product solutions are harmonized and coordinated. These business units have replaced the previous strategic product areas, as they now match our global structures better. The shares of revenue attributable to these changed in the reporting year as shown in the chart below:

BREAKDOWN OF REVENUE BY BUSINESS UNIT



The Electronic, Chassis and Airbag Components business unit comprises a wide range of components for the electrification of vehicles, including components for fast chargers and electronic control units. In addition, it includes electric engine housing for safety and comfort, for example for windshield wipers and window regulators as well as ABS and ESP systems. The PWO components for airbags and for vehicle cooling also contribute to the safety and comfort of passengers. Another fast-growing product line is powertrain components for electric vehicles, particularly in the areas of battery technology and fuel cells. In addition, the PWO Group develops and manufactures various components for the chassis and suspension, particularly accumulators.

The Steering and Seat Components business unit mainly handles the development and production of steering consoles and steering column pipes and of metal structures for vehicle seats.

Within the Body Components business unit, instrument panel carriers are a major product line. In addition, many different door components as well as reinforcements and supports for the vehicle body are developed and manufactured.

Development

PWO develops components and subsystems for customers primarily on an individual basis. Consequently, the majority of expenses for product and process development are incurred within the scope of customer projects. PWO's internal development activities and the services provided by third parties for these purposes amounted to approximately 2 percent of revenue in the reporting year (p/y: approx. 3 percent), of which EUR 0.6 million (p/y: EUR 0.5 million) were capitalized as development costs. No research is conducted.

External factors affecting operations

Some of the key external factors influencing PWO's operations in the near term include changes in the political, macroeconomic and industry-specific environments. These factors are discussed in the "Macroeconomic environment" and "The international automotive industry environment" sections. In addition, business in the reporting year was impacted to a significant extent by massive rises in procurement prices, especially for energy. Further information on this can be found in the "Results of operations" section and in the report on opportunities and risks.

Other external influencing factors and their impact, such as fluctuations in sales volumes and prices, supply chain risks, and last but not least the transformation of the mobility industry, are also presented here.

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Management system

The PWO Group's key financial performance indicators are primarily revenue, EBIT (earnings before interest and taxes) before currency effects, free cash flow, the equity ratio, the net leverage ratio, and capital expenditure. The definitions of these indicators are presented in the sections on "Results of operations," "Net assets," and "Financial position." For the management of the segments, we focus in particular on the respective external revenue and EBIT before currency effects.

Our medium-term plans are also managed using the financial indicator new business, which consists of the lifetime volume of newly acquired orders over their entire term, based on the orders' contractual agreements and our own assumptions regarding the development of sales volumes.

We aim to grow profitably, increasing both revenue and EBIT before currency effects. At the same time, a high balance sheet quality – particularly in terms of the net leverage ratio and the equity ratio – is to be maintained.

Our sales strategy is therefore geared toward gaining the highest possible volume of new business with attractive EBIT margins each year and considerably more than compensating for series production phase-outs. However, new business may fluctuate greatly from year to year because customers make decisions on awarding orders at different times, and large orders are not always awarded every year in our market segment. Furthermore, in our business, there is typically a time lag between the start of an order and its phasing-out, which can lead to fluctuations in revenue. It is often not possible or economically viable to reduce these fluctuations with additional orders. In addition, it is not possible to use our sales strategy to compensate for short-term fluctuations in revenue due to market conditions or developments at individual customers, as the lead times for new orders in our business are often 1 year or more.

We aim for positive free cash flow, an increase in the equity ratio, and a decrease in the net leverage ratio. However, growth for us often entails upfront investments before the start of series production, whereas income is only generated over the entire term of the order of 8 to 10 years. The current transformation process in the mobility industry also requires us to critically review the positioning of our locations on an ongoing basis and, where necessary, to approve higher spending or investment in the short term to ensure future market success. In particular, the planned establishment of a new location and the expansion of the 2 existing locations in eastern Europe, by means of which the PWO Group's market position is to be permanently strengthened and its competitiveness sustainably secured, will require upfront investments that will have a temporary negative impact on EBIT before currency effects, free cash flow, and balance sheet ratios.

For many years already, we have also been taking account of non-financial aspects in our corporate governance. However, the Executive Board did not previously consider these to be important for understanding the business performance and the Group's position. Recently, however, they have gained further importance as a result of new and foreseeable additional legal and regulatory requirements in Germany and in Europe and due to changes in public discussion. We therefore further developed the PWO Group's management system in the reporting year and will incorporate the following non-financial performance indicators in our management system as of January 1, 2023:

In view of the ongoing climate change, it is particularly important to reduce greenhouse gas (GHG) emissions. In the 2022 fiscal year, we joined the Science Based Targets initiative (SBTi). Our targets were validated by the SBTi in October 2022. Absolute GHG emissions – calculated in line with the internationally recognized Greenhouse Gas Protocol – are to be reduced such that the PWO Group meets the targets of the Paris Agreement by 2030. This corresponds to an absolute reduction of 46.2 percent under Scope 1 & 2 (direct emissions of the PWO Group and indirect emissions from energy consumption) and 28.0 percent under Scope 3 (indirect emissions along the value chain) compared to 2019 levels. For the 2023 fiscal year, we already incorporated the reduction under Scope 1 & 2 in our target system.

In addition, we will incorporate the following non-financial performance indicators in our management system: With regard to training, we are aiming for a 100 percent participation rate for the e-learning courses provided within the PWO Group each year. We want to completely avoid work accidents – calculated as the number of reportable work accidents per 1 million working hours – as far as possible.

With regard to sustainable procurement, we have expanded the audits in accordance with the quality management standard IATF 16949 that we conduct at our suppliers to include ESG (environmental, social, and governance) criteria. These new criteria are to be applied for all audits in the PWO Group from July 1, 2023.

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Macroeconomic environment

The bottlenecks stemming chiefly from global supply chain disruption and production shortages – especially for electronics components – caused the prices of raw materials, intermediate products, and global logistics to start skyrocketing in 2021 already. In addition, sharp rises in energy prices drove up inflation. The price increases began back in the 2021 fiscal year and accelerated in 2022. As such, the 2022 fiscal year began with great uncertainty with regard to the future global economic development.

This uncertainty was also fueled by the now much more restrictive approach of major central banks, which had largely discontinued their previous extremely expansionary monetary policies by the end of 2021 and successively raised their interest rates over the entire reporting year in order to counter inflationary pressure. However, the European Central Bank acted comparatively hesitantly, leaving its interest rates unchanged until into the first quarter of 2022 but then rapidly raising them in several steps.

From the end of February, the development of the global economy was entirely dominated by the war in Ukraine, which continued throughout the fiscal year. After expectations for the global economy had previously been very positive overall, the additional massive increases in procurement prices triggered by the war – based on the already significantly increased levels up to that point – led to further great uncertainty among companies and consumers. In the consumer sector in particular, inflation for food and energy had a significant negative impact. In Germany, the general inflation rate reached its highest level since reunification at 10.4 percent in October.

Meanwhile, the effects of the coronavirus pandemic were by no means over, particularly in the first half of 2022. Global supply problems thus continued to worsen, above all as a result of the closure of ports in China as the country ordered rigorous lockdowns. Considerable restrictions on gas supplies from Russia represented another substantial burden for the European, and especially the German, economy. Forecasters such as the International Monetary Fund (IMF) therefore diagnosed a risk of global recession along with high inflation from mid-2022.

Over the course of the second half of 2022, sentiment gradually recovered slightly from this very low level. This was chiefly due to extensive stimulus programs and the slowing price increases for raw materials as a result of various government support measures to help contain costs. In Germany, for example, the reduced value added tax on natural gas has brought relief.

Prices for commodities including crude oil and gas, and therefore inflation rates, actually decreased significantly again toward the end of 2022. In Germany, the wholesale price of gas at the end of 2022 was down 79 percent as compared to its annual peak in late August and was even 13 percent below the level at the start of the year, i.e. before the outbreak of the war in Ukraine. The global market price for crude oil fell from its peak of USD 130.0 in March 2022 to USD 85.0 at the end of the year. It was thus only slightly higher than the level from the end of 2021 of USD 79.0.

As a result, the consumer climate and the income and general economic expectations of consumers in Germany have improved steadily since their respective lows in September and October and into the new year. The ifo Business Climate Index indicates a similar situation among companies. Here, too, assessments of both the current situation and the future development have gradually improved slightly since their lows in September and into the new year.

Overall, global growth nonetheless slowed considerably in view of the multiple challenges for companies, consumers, and governments in the reporting year. In its outlook updated in January 2023, the IMF anticipated a decrease to 3.4 percent in real terms after 6.2 percent in 2021. In industrialized nations, growth even halved from 5.4 percent to 2.7 percent. While US economic growth slowed from 5.9 percent in the previous year to just 2.1 percent according to the Bureau of Economic Analysis, and the rigorous lockdowns imposed by the Chinese government caused economic growth in China to fall from 8.4 percent in 2021 to just 3.0 percent in 2022, the IMF "only" anticipates a decline from 5.3 percent to 3.5 percent for the eurozone. Germany's growth slowed only slightly by comparison – although it had already been well below average in the previous year – from 2.6 percent to 1.9 percent after adjustment for inflation and calendar effects. This decrease was chiefly due to weak consumer spending in the final quarter of the year.

The international automotive industry environment

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According to the German Association of the Automotive Industry (VDA), the international automotive markets were characterized by very different dynamics in 2022: The markets in Europe, Japan, and the US posted declines on the previous year's volumes, whereas sales in China increased significantly. In particular, the shortage of intermediate products and raw materials, the significant increases in energy and logistics prices, and the uncertainty triggered by the war in Ukraine stood in the way of a better result. Overall, the global car market remained at the previous year's level according to the VDA, with 71.2 million cars sold in 2022.

A total of 11.3 million new vehicles were registered in the European car market, about 4 percent less than in the previous year. As such, a recovery from the pandemic-related setbacks of the 2 previous years did not materialize in the reporting year, either. Compared to the pre-crisis year 2019, sales in 2022 were still down by 29 percent. The 5 largest individual markets mostly developed negatively: While new registrations in Germany increased by a little over 1 percent in the reporting year as compared to the previous year, market volumes declined by 2 percent in the UK, 5 percent in Spain, 8 percent in France, and as much as 10 percent in Italy. Despite an impressive end-of-year spurt in December 2022 (up 15 percent year-on-year), this was not enough to prevent a negative annual result overall for the European automotive market.

On the Chinese car market, 23.2 million new vehicles were sold in the reporting year, representing a year-on-year increase of 10 percent. The declines from the spring, when lockdowns in key sales regions significantly restricted business, were more than compensated for, partly thanks to a tax cut on a large portion of the vehicles sold in the second half of the year.

In the US, light vehicle sales (cars and light trucks) declined by 8 percent as against 2021 to 13.7 million vehicles in 2022. Compared to the pre-crisis year 2019, the market was smaller by more than 3.2 million vehicles in 2022. Sales of light trucks (down 6 percent compared to 2021) developed less weakly last year than sales of cars (down 15 percent). In Japan, sales of brand-new cars declined for the fourth time in a row last year. The market volume was down 6 percent year-on-year at a little over 3.4 million cars sold in 2022. A total of 284,300 cars were sold in December, 1 percent more than in December 2021.

At the end of the year, the car market in Germany posted substantial growth: 314,300 cars were registered in December 2022, which was 38 percent more than in the same month of the previous year and resulted in a slight increase for the year as a whole.

The shortage of precursor and intermediate products, the high energy and raw material prices, and the general uncertainty arising from the war in Ukraine had significantly curbed the market and production all through the year, but particularly in the first half. Compared to the pre-crisis year 2019, there was still a significant sales gap of around 26 percent in 2022.

New electric vehicle registrations increased by a good 114 percent year-on-year in December 2022, reaching a volume of 174,200 units – a new record for the German market. Preemptive effects played a role here, as the government subsidy for plug-in hybrids expired at the end of 2022, while the subsidy for all-electric cars was reduced. The share of total new registrations attributable to electric cars rose to 55.4 percent in December. Electric cars thus accounted for more than half of all new registrations on the German market for the first time. In 2022 as a whole, approximately 833,500 electric cars were registered in total. This was 22 percent more than in the previous year. Electric cars accounted for 31.4 percent of total new registrations in 2022.

Compared to 2021, orders from within Germany decreased by 15 percent in 2022 as a whole. The volume of orders from abroad was down 6 percent year-on-year. Over 2022 as a whole, 3.4 million vehicles were produced in Germany, almost 11 percent more than in 2021. Nonetheless, the VDA emphasizes that the production volume in 2022 was still at a comparatively low level, falling considerably short of the production figures from the pre-COVID year 2019 by more than 26 percent.

NEW REGISTRATIONS/SALES OF PASSENGER VEHICLES IN UNITS

Region	Full-year 2022	Change vs. 2021 (%)
Germany	2,651,357	1.1
Western Europe (EU14 + EFTA + UK)[1]	10,162,000	-4.1
New EU countries (EU13)[1]	1,124,900	-4.2
Europe (EU27 + EFTA + UK)[1]	11,286,900	-4.1
USA[2]	13,734,200	-8.1
China	23,240,500	10.0

[1] Not including Malta
[2] Light vehicles
Sources: German automotive industry association, German Federal Motor Transport Authority

Business development

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Financial situation

General statement of business performance and the PWO Group's position

We were able to develop the PWO Group further in strategic and operational terms in the reporting year, although the profound geopolitical and economic changes after the start of the Ukraine war on February 24, 2022 brought considerable negative effects and the pandemic continued to place high demands on supply chain management.

A particularly noteworthy aspect is the significant year-on-year increase in new business, with which we have set the course for the intended profitable growth of the Group in the future. We can plan for this on the basis of a good equity base and refinancing that was concluded ahead of schedule after the end of the reporting period for a considerably higher volume than was previously available.

At the same time, we are incorporating ESG aspects increasingly deeply in the organization and day-to-day processes. In signing up to the United Nations Global Compact and the Science Based Targets initiative, we have joined 2 international initiatives and had our targets for reducing absolute emissions in accordance with the Greenhouse Gas Protocol validated on the basis of scientific data.

COMPARISON OF FORECAST TO ACTUAL BUSINESS RESULTS

	Actual results in 2022	Most recent forecast for 2022 dated November 3, 2022	Forecast for 2022 according to 2021 Annual Report	Actual results according to 2021 Annual Report
Revenue	EUR 530.8 million	Approx. EUR 500 million	Approx. EUR 480 million	EUR 404.3 million
EBIT before currency effects	EUR 27.5 million	EUR 23 million to EUR 26 million	EUR 19 million to EUR 22 million	EUR 22.1 million
Capital expenditure according to segment report	EUR 19.8 million	Approx. EUR 22 million	Approx. EUR 30 million	EUR 16.2 million
Free cash flow	EUR -5.8 million	At least balanced	Balanced	EUR 4.9 million
Equity ratio	37.8%	Approx. 36%	Flat	33.6%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA – earnings before interest, taxes, depreciation and amortization)	2.3 years	< 2.5 years	2.5 to 3.0 years	2.2 years
Lifetime volume of new business (series and tool orders)	Approx. EUR 890 million	Approx. EUR 800 million	Over EUR 500 million	Approx. EUR 570 million

Despite the extraordinary macroeconomic pressures after the start of the Ukraine war, we were able to adjust our forecasts for all our key performance indicators on November 3, 2022 in line with the positive business performance. This was the second time that the forecast for new business had been raised in the reporting year following an initial increase on June 9, 2022.

At the end of the reporting year, revenue exceeded our most recent forecast level of around EUR 500 million. This combined with various non-recurring effects, including from reversals of impairment losses on fixed assets, had a positive impact on EBIT before currency effects, with the result that EBIT was also above the forecast range.

As a precaution, we managed investments closely throughout the year in order to limit outflows of liquidity. Some of the planned measures ultimately were not implemented in the reporting year, meaning that total investments during the reporting year were lower than the expected level as lowered in November. Nonetheless, free cash flow was negative in the reporting year, particularly due to higher than expected capital employed in current assets, and was thus lower than budgeted. The equity ratio benefited from lower total assets than anticipated. The net leverage ratio developed in line with planning.

Due to a number of larger orders that were awarded unexpectedly quickly by our customers, the lifetime volume of new business significantly exceeded the November forecast.

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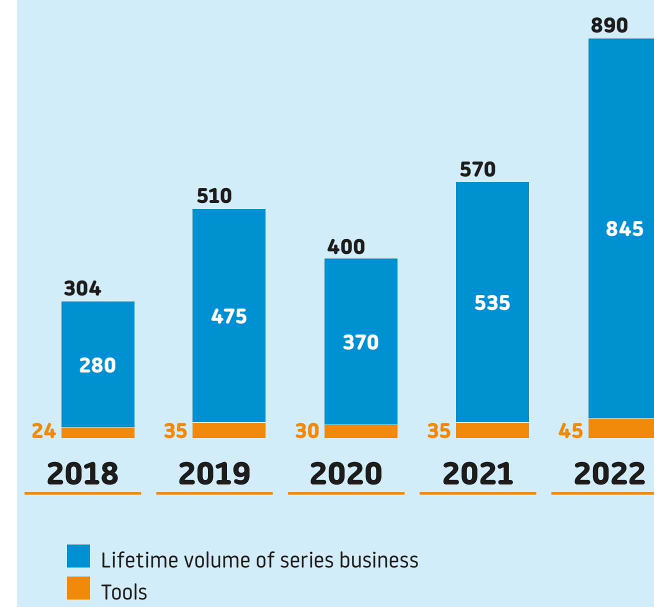
Order situation

The dynamic increase in new business is one of the central elements of our strategy for the profitable development of the PWO Group. We are very well positioned for this, thanks to our business model, which is entirely independent of internal combustion engines, combined with a global sales approach and the focus on our development capabilities.

LARGEST VOLUME OF NEW BUSINESS SINCE THIS KEY FIGURE WAS FIRST CALCULATED (EUR MILLION)



In the 2022 fiscal year, we gained the highest annual volume of new business since this key figure was first published for the 2011 fiscal year. It increased by more than half year-on-year to around EUR 890 million in the reporting year. This includes tooling volumes in connection with series orders of around EUR 45 million. Non-mobility business also made a significant contribution to this success, accounting for a lifetime volume of around EUR 50 million already in the 2022 fiscal year.

With a new contract for the production of housing for an on-board charger, we are once again demonstrating our expertise in the field of e-mobility. The on-board charger is a key part of the vehicle's fast-charging system and thus its electrification. We are very well positioned in state-of-the-art electrohydraulic systems for brake servos as well, and we deliver components that are installed in a wide range of vehicles of various models. Here we gained both additional volume and also new orders for next-generation systems.

We were also very successful in the area of ready-to-mount subassemblies with highly complex, thermoformed housings. Furthermore, we are delighted by a substantial increase in volume for lightweight air suspension components.

We also received new orders for seat components for our Czech and Mexican locations.

The very large new order volume in the reporting year includes vehicle body and structural components supplied by our Czech locations for a key platform of one of our major customers. One factor in this successful tender was our ability to use special steel plates/blanks in the manufacturing process. The "tailor welded blanks" combine areas with different plate thicknesses, different grades or surface finishes. Through this method, the use of more resilient, high-strength or coated materials can be targeted – i.e. they are employed only where absolutely necessary. This reduces the amount of material used compared to conventional forming processes.

We are still very competitive when it comes to instrument panel carriers. In the future, we will make these subsystems in Czechia for vehicle models in which we were not previously involved. We were also commissioned to provide new series production in Mexico. In Canada, we will supply instrument panel carriers for 2 fully-electric vehicles models starting in 2024.

The majority of the new business acquired in the reporting year is expected to go into production or ramp up in the 2023 and 2024 fiscal years.

A key aspect of our orders is supplying platforms that are used to produce various vehicle models with different start-up and phase-out times. Our orders therefore typically last for between 8 and 10 years on average.

Beyond our conventional product solutions and sales markets, we also landed a deal for a multi-year series order for mobile fuel cell components after having successfully completed the development contract, the volume of which was increased once again over the course of the year. Our rotor cases will also continue to be installed in agricultural vehicles moving ahead. We are also particularly proud of a major order for the development and production of heat pump components.

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Result of operations

INCOME STATEMENT

Selected information (EUR thousand)	2022	in % of revenue	2021	in % of revenue
Revenue[1]	530,761	100.0	404,274	100.0
Total output	531,327	100.1	404,817	100.1
Cost of materials	-319,654	-60.2	-217,921	-53.9
Staff costs	-120,659	-22.7	-110,729	-27.4
Other operating expenses	-48,766	-9.2	-42,914	-10.6
EBITDA	51,193	9.6	47,155	11.7
Depreciation/amortization	-24,414	-4.6	-25,332	-6.3
EBIT before currency effects[1]	27,513	5.2	22,131	5.5
Currency effects according to the P&L	-734	-0.1	-308	-0.1
EBIT including currency effects	26,779	5.0	21,823	5.4
Net income/loss for the period[2]	15,211	2.9	14,742	3.6
No. of employees on Dec. 31, incl. temporary employees	2,820		2,957	–

[1] Key performance indicator for PWO Group
[2] Net income/loss for the period is attributable in full to the shareholders of PWO AG

PWO does not have locations of its own in either Russia or Ukraine or significant direct customer or supplier relationships there. Although it is nonetheless affected by the significant macroeconomic effects of the Ukraine war on the mobility sector, there is no company-specific need for adjustments that would have to be reported below. The government aid or support funds received due to underutilization of capacity or the rise in energy costs were immaterial in the reporting year.

One of the PWO Group's financial key performance indicators is "EBIT before currency effects," which we continue to refer to in the following comments. This figure is adjusted for currency effects from transactions, which affect other operating income and expenses and are reported in the notes to this annual report. By contrast, translation effects arise when converting the financial statements of our subsidiaries prepared in foreign currencies into the Group currency, the euro, and are not part of adjusted EBIT.

The development in the results of operations in the 2022 fiscal year was shaped in particular by a gratifying business performance on the one hand, but also by significant increases in procurement prices and by currency effects on the other. This latter factor contributed around EUR 15 million to the increase in revenue and around EUR 1.5 million to the increase in EBIT before currency effects in the reporting year.

Procurement prices increased across the board in the reporting year, in some cases massively. In our sector, negotiations with customers regarding price changes for steel sheets and other raw materials form part of the usual processes. Last year, however, increases for other items such as subcontracted processing and purchased parts as well as for energy also became considerably more important. This makes the negotiations with customers even more challenging than they already are.

We were able to find amicable solutions with our customers for significant shares of the price increases. The increase in material prices contributed just under 15 percentage points to the revenue growth of 31.2 percent. At the same time, this resulted in a significant increase in the cost of materials ratio and conversely a decrease in other cost ratios in purely mathematical terms.

We were able to deliver at all times throughout 2022. However, supply chain management posed a particular challenge that not only required significant staff capacity in procurement but also regularly called for optimization of ongoing production and therefore demanded a high degree of flexibility in shift work from the employees working in this area.

At the beginning of the reporting year in particular, there were still bottlenecks in the availability of raw materials. When the Ukraine war began, the associated uncertainty naturally increased significantly. As the year progressed, the massive increases in energy prices led to production cuts and even temporary stoppages in parts of the industry. The supply chain situation did not ease significantly overall until the end of the fiscal year.

Staff costs saw a noticeable increase in 2022, although the number of employees in the Group was even slightly lower than at the end of the previous year. While our international locations posted an expansion of the workforce overall, this was more than offset by the decrease in the number of employees at the Oberkirch production site. In times of a drastic shortage of skilled labor, growth in the number of employees at our international locations is associated with rising wages and salaries. High inflation rates are contributing to an increase in staff costs in the Group as a whole.

Only at our German location in Oberkirch was there a different development, with staff expenses remaining around the previous year's level despite a smaller number of employees. This was partly due to the provision of EUR 0.8 million that we recognized for the collectively agreed payment of the inflation compensation bonus in the Germany segment.

Mainly as a result of our restrained capital expenditure in the pandemic years and in the reporting year, depreciation and amortization was down year-on-year in the reporting year. It was also positively influenced by reversals of write-downs on buildings and equipment of EUR 1.1 million relating to the Germany segment.

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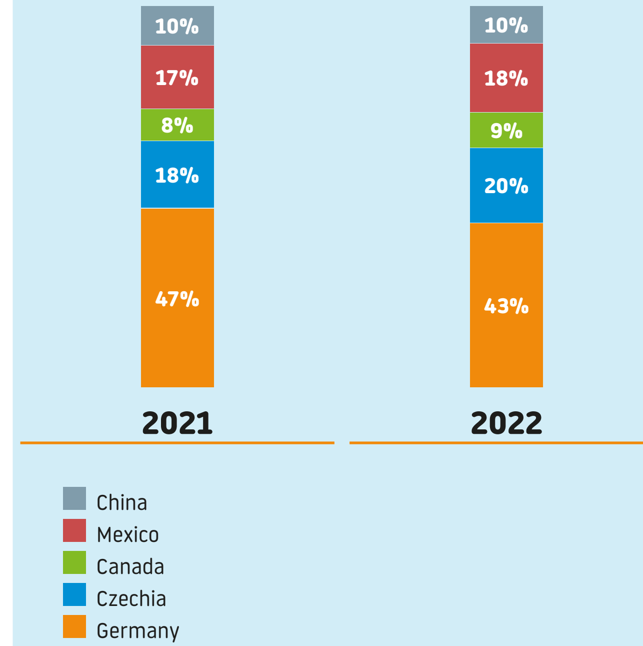
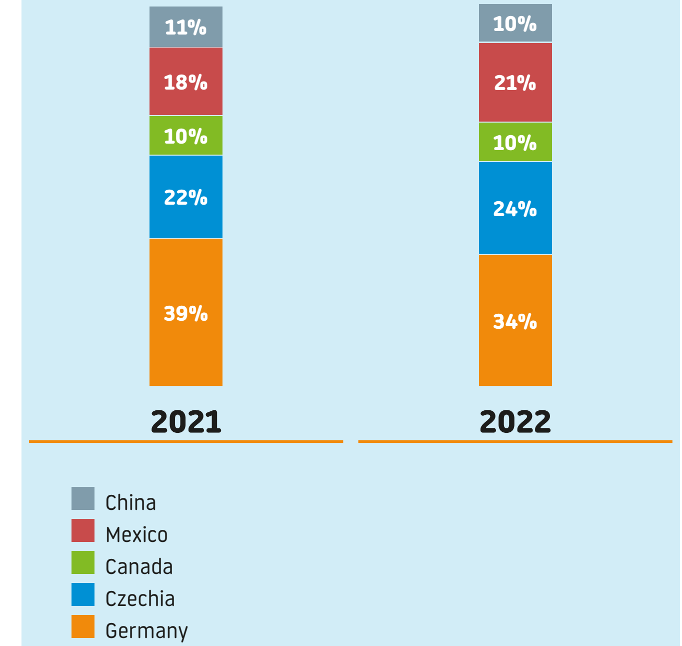
Without the currency expenses included in this figure in the amount of EUR 7.4 million (p/y: EUR 8.5 million), other operating expenses increased only by a disproportionately low amount compared to revenue, rising to EUR 41.4 million (p/y: EUR 34.4 million). While there were increases in many items in line with the price rises in the economy as a whole, legal and consulting costs and expenses for temporary staff were reduced considerably, despite the increase in the statutory minimum wage in Germany as of October 1, 2022. This was countered by the addition to provisions for onerous contracts in the Germany segment of EUR 6.2 million, which was mainly driven by price increases and rises in staff costs.

Despite a rise in net debt, the negative balance of the financial result decreased to EUR 5.7 million (p/y: EUR 6.2 million) because the average premium on the benchmark interest rate for the syndicated loan in the 2022 fiscal year was lower than in the 2021 fiscal year as a result of the earnings increases achieved since then. Income taxes amounted to EUR 5.9 million. In the previous year, they had been unusually low at EUR 0.9 million, particularly because non-capitalized loss carryforwards in the China and Mexico segments that could only be utilized for a limited period were used in 2021 in addition to loss carryforwards at PWO AG. Overall, net income for the period amounted to EUR 15.2 million in the reporting year (p/y: EUR 14.7 million).

A pleasing earnings performance was thus achieved again in the 2022 fiscal year despite the profound changes in the general economic conditions. The positive development of our international locations again made a major contribution to this performance.

Segments





In line with the PWO Group's internal management system, our locations form the basis for segment reporting. The segments are defined according to the locations of the Group's assets, which is also the basis for the allocation of the Group's revenue. Intercompany revenue between the individual locations and segments mainly relates to deliveries of series parts and tools.

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In the tables that follow, we present selected information on segment development. The indicators used to manage the Group are labeled accordingly. As in the discussion of the results of operations, we refer to EBIT before currency effects in the following explanation.

GERMANY SEGMENT

EURk	2022	in % of external revenue	2021	in % of external revenue
Total revenue	247,589	108.1	203,907	107.4
External revenue[1]	228,968	100.0	189,833	100.0
Total output	248,155	108.4	204,450	107.7
EBIT before currency effects[1]	2,459	1.1	1,682	0.9
EBIT including currency effects	1,823	0.8	1,349	0.7
No. of employees on Dec. 31, incl. temporary employees	970		1,151	–

[1] Key performance indicator for PWO Group and segment

As in the Group as a whole, the increase in external revenue at our home location in Oberkirch, which forms the Germany segment, was largely driven by increases in procurement prices. Low single-digit EBIT was achieved in the Germany segment in the reporting year. It was significantly impacted by the non-recurring effects mentioned above in a net amount of EUR -5.9 million (provision for inflation compensation bonus, reversal of write-downs on fixed assets, addition to provision for onerous contracts).

We have made a variety of efforts to increase the productivity of the Oberkirch location and implemented far-reaching changes over the past years. Irrespective of this, the staff costs ratio is at a very high level due to the legal and collective bargaining conditions in Germany and is also much higher than in our second European segment Czechia, for example. This puts pressure on the location's competitiveness. The current collective bargaining agreement for the metal and electronics industry will give rise to further substantial cost increases for wages and salaries in the future.

This makes the successful conclusion of the supplemental collective bargaining agreement – which particularly includes different regulations on weekly working hours from those in the regional collective bargaining agreement – for our Oberkirch location in November 2022 all the more significant. The new agreement stipulates a working week of 37.5 hours still at the Oberkirch location. It includes employment protection in line with the previous regulation as well as updated profit sharing for the employees as compared to the previous agreement. On January 1, 2023, the supplemental collective bargaining agreement followed on seamlessly from the previous agreement. It has a term of 4 years. In this way, we have ensured that productivity at the German location will at least not decrease further as compared to the current level.

CZECHIA SEGMENT

EURk	2022	in % of external revenue	2021	in % of external revenue
Total revenue	114,870	110.2	75,856	106.4
External revenue[1]	104,240	100.0	71,261	100.0
Total output	114,870	110.2	75,856	106.4
EBIT before currency effects[1]	7,440	7.1	6,045	8.5
EBIT including currency effects	7,276	7.0	5,895	8.3
No. of employees on Dec. 31, incl. temporary employees	685		648	–

[1] Key performance indicator for PWO Group and segment

The anticipated growth surge in the Czechia segment was achieved thanks to new series production start-ups and ramp-ups. External revenue therefore rose significantly faster year-on-year than revenue in the Group. This is all the more significant given that the functional currency of the locations in this segment is the euro, meaning that the reported external revenue is not positively influenced by currency effects.

To secure current and future growth, we implemented the most extensive investments within the PWO Group at our Czech locations in the reporting year. For details on this, please see the explanations in the "Financial position" section. Thanks to highly efficient and resilient processes overall, the Czech locations largely compensated for the pressures on operating processes and personnel resources associated with the implementation of high investments. They therefore managed to improve EBIT considerably year-on-year.

CANADA SEGMENT

EURk	2022	in % of external revenue	2021	in % of external revenue
Total revenue	50,452	101.9	34,548	101.5
External revenue[1]	49,515	100.0	34,022	100.0
Total output	50,452	101.9	34,548	101.5
EBIT before currency effects[1]	212	0.4	286	0.8
EBIT including currency effects	416	0.8	256	0.8
No. of employees on Dec. 31, incl. temporary employees	292		306	–

[1] Key performance indicator for PWO Group and segment

In the Canada segment, the start-up and ramp-up of new series production operations, higher costs of materials, and positive currency effects enabled external revenue to surge in the reporting year. However, we had geared our resources toward faster ramp-ups as announced by the customers. In addition, the customers frequently changed their call-off figures at short notice. Both of these factors made production and resource planning considerably more difficult and put pressure on earnings. This was also the case in particular because in

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Canada there is no instrument comparable to German short-time work schemes.

During temporary fluctuations in capacity utilization, we keep our highly qualified and well trained staff in employment wherever possible so that we can achieve future growth. In addition, a considerably higher volume of investments was made over the course of the reporting year than in the previous year. Staff capacity needed to be allocated for this, too. Despite these negative factors, EBIT just above the break-even point was generated.

MEXICO SEGMENT

EURk	2022	in % of external revenue	2021	in % of external revenue
Total revenue	96,443	100.3	67,319	100.1
External revenue[1]	96,199	100.0	67,250	100.0
Total output	96,443	100.3	67,319	100.1
EBIT before currency effects[1]	12,039	12.5	7,973	11.9
EBIT including currency effects	11,927	12.4	7,797	11.6
No. of employees on Dec. 31, incl. temporary employees	588		531	–

[1] Key performance indicator for PWO Group and segment

We can report a very pleasing development in external revenue and EBIT for the Mexico segment. In addition to the effects of higher material prices and positive currency effects, major series production operations were started up and ramped up efficiently, with a volume above the planned level overall. In addition, customer call-offs were far more stable than in other segments of the PWO Group. This enabled our 2 Mexican locations to increase their profitability further overall from the previous year's high level.

The positive business performance is all the more satisfactory given that we also anticipate sustained high growth in this segment in the coming years and the associated planning for the expansion of the locations has begun. To save resources, reserves in the existing equipment and buildings are initially to be freed up for this as best possible by optimizing processes and machinery utilization, before investments are then increased in the future. In this way, investments in the reporting year were even kept slightly below the previous year's level despite the high growth. However, these process optimizations require particularly detailed planning work, which also – unlike capital expenditure – impacts expenses directly.

CHINA SEGMENT

EURk	2022	in % of external revenue	2021	in % of external revenue
Total revenue	53,457	103.1	47,718	113.8
External revenue[1]	51,866	100.0	41,914	100.0
Total output	53,457	103.1	47,718	113.8
EBIT before currency effects[1]	6,179	11.9	5,347	12.8
EBIT including currency effects	6,138	11.8	5,729	13.7
No. of employees on Dec. 31, incl. temporary employees	285		321	–

[1] Key performance indicator for PWO Group and segment

Our locations in the China segment, like the nation's economy in general, were affected by the strong local measures ordered by the Chinese government to curb the coronavirus pandemic in the first half of the reporting year. In the second half of 2022, the government initially eased the restrictions and ultimately abandoned its zero-COVID policy entirely. The wave of infections that subsequently began around the end of 2022/start of 2023 did not affect our business development in the reporting year. External revenue in the China segment therefore increased considerably over the course of 2022 and EBIT significantly exceeded the previous year's level.

Net assets

DEVELOPMENT OF EQUITY RATIO AND NET LEVERAGE RATIO

(EUR thousand)	2022	2021
Equity	151,316	125,301
Total equity and liabilities	400,281	373,272
Equity ratio[1] = Shareholders' equity % total assets	**37.8**	**33.6**
Non-current financial liabilities	42,044	68,926
Current financial liabilities	76,523	41,590
Cash and cash equivalents	-3,201	-6,907
Net debt	**115,366**	**103,609**
EBITDA	**51,193**	**47,155**
Net leverage ratio in years = Net debt/ EBITDA[1]	2.3	2.2

[1] Key performance indicator for PWO Group

In the 2022 fiscal year, total assets increased to EUR 400.3 million (p/y: EUR 373.3 million). Non-current assets declined to EUR 218.8 million (p/y: EUR 224.6 million) due to our lower level of capital expenditure again. Significant investment volumes were seen in the Germany, Czechia, Canada and Mexico segments. The main areas are explained in detail in the chapter "Financial position." Deferred tax assets also recorded a decline. By contrast, non-current contract assets increased, primarily due to higher tool inventories.

Current assets rose significantly to EUR 181.4 million (p/y: EUR 148.7 million). This mainly reflected the increased procurement prices, which contributed to higher inventories and – by way of costs passed on to customers in line with our own cost increases – to higher trade receivables. Somewhat greater utilization of our factoring lines slowed down

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the increase. Current contract assets also increased, particularly due to higher tool inventories.

Due to our consistent liquidity management, we succeeded in limiting the increase in net debt in the reporting year. As the previous syndicated loan would have expired in the third quarter of the 2023 fiscal year, financial liabilities were required to be reclassified from non-current to current. Trade payables increased slightly in the 2022 fiscal year as compared to the previous year. The significant decline in pension provisions is chiefly attributable to higher capital market interest rates relevant for measurement.

The net gain for the period and actuarial gains contributed significantly to the increase in equity to EUR 151.3 million (p/y: EUR 125.3 million). As a result, the equity ratio improved to 37.8 percent (p/y: 33.6 percent). The net leverage ratio was essentially unchanged at 2.3 years (p/y: 2.2 years).

The structure of financial liabilities, which were assumed at interest rates of between 0.85 percent and 8.11 percent (current) and 1.35 percent and 7.00 percent (non-current), did not change substantially in the past year. As of the reporting date, these consisted primarily of a syndicated loan and a promissory note made up of several tranches, with a residual volume of EUR 25.0 million. The previous syndicated loan of EUR 110.0 million remained unchanged as of December 31, 2022, and the commitment remains until mid-2023.

In addition, there are still a number of higher-interest bilateral loans whose fixed interest rates will not expire for another few years. The higher interest rates in the above range are primarily on subordinated local financing of individual subsidiaries. Additional bilateral credit facilities of EUR 20.0 million have been available since August 2021, maturing in August 2023. The Group's unutilized lines of credit, including cash and cash equivalents, totaled EUR 93.1 million as of the reporting date (p/y: EUR 113.3 million). After the end of the reporting period, we concluded a new syndicated loan as described in the report on events after the end of the reporting period.

Financial position

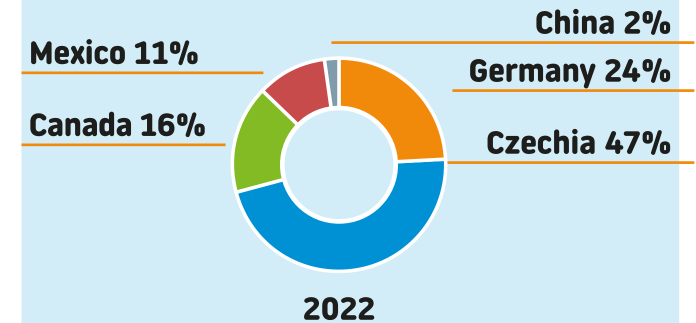
Cash flow from operating activities came to EUR 11.6 million in the reporting period (p/y: EUR 21.0 million). This decline chiefly resulted from the EUR 36.5 million increase in capital employed in current assets, primarily due to higher procurement prices. In the previous year, the change in current assets had only affected cash flow by EUR -10.0 million.

The change in non-current liabilities (not including financial liabilities) also had more of a negative impact on cash flow at EUR -15.2 million than in the previous year at just EUR -5.8 million. By contrast, the change in current assets had a positive impact on cash flow of EUR 8.2 million (p/y: EUR -7.3 million). The development of other non-cash expenses and income mainly resulted from the change in actuarial gains from the remeasurement of pension provisions recognized in other comprehensive income and amounted to EUR 12.7 million (p/y: EUR 0.9 million).

Cash flow from investing activities amounted to EUR -14.4 million (p/y: EUR -9.9 million). The capital expenditures made in the reporting period are explained in the following chapter. Free cash flow after interest paid and received came to EUR -5.8 million in the reporting period (p/y: EUR 4.9 million).

Ensuring sufficient liquidity for the PWO Group is the focus of our financial management at all times. We strive to maintain a liquidity reserve above and beyond current payment obligations while limiting the utilization of short-term credit lines as much as possible and therefore balance these with surplus liquidity. In the reporting year, the Group was solvent at all times. In view of the above-mentioned follow-up financing for the previous syndicated loan, we are convinced that we have taken sufficient precautions to ensure solvency at all times in the future. For further information on the principles and objectives of financial and cash management, please refer to the notes to the consolidated financial statements.

CAPITAL EXPENDITURE BY SEGMENT



As shown in the segment report, capital expenditure in the reporting year amounted to EUR 19.8 million (p/y: EUR 16.2 million). The difference between this amount and the aforementioned cash flow from investing activities is due to new lease financing arrangements concluded in the reporting year. After very low capital expenditure in the previous years due to the pandemic, capital expenditure thus slightly exceeded the volume from the 2021 fiscal year again.

In the Germany segment, capital expenditure of EUR 4.8 million (p/y: EUR 6.9 million) related in part to order-related spending to further improve quality as part of our zero-error strategy, as well as to IT investment for the digitalization of operating processes. The investment in 2 milling machines for development and tool maintenance was also completed. As part of implementing our sustainability strategy, charging stations for electric cars were also installed on our premises.

The Czechia segment accounted for the highest investment volume within the PWO Group in the reporting year at EUR 9.2 million (p/y: EUR 6.0 million). This mainly related to further expanding the 2 locations there and to production facilities for instrument panel carriers prior to the forthcoming major series start-ups. Here, too, we are continuing to systematically expand IT infrastructure.

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In the Canada segment, capital expenditure of EUR 3.2 million in the reporting year (p/y: EUR 2.2 million) particularly related to production facilities for instrument panel carriers, an order-related investment in a new forming press, and sorting facilities to further increase production automation.

In the Mexico segment, capital expenditure amounted to EUR 2.1 million (p/y: EUR 2.4 million). We continued the expansion of our logistics space here. In addition, there was an order-related investment in a new transfer press and measures were implemented to increase the quality of parts and improve the IT infrastructure. At EUR 0.4 million (p/y: EUR 0.4 million), capital expenditure in the China segment was low again.

Report on risks, opportunities, and forecasts

Report on opportunities and risks[1]

Risk philosophy and risk policy

Risk management helps ensure that company targets are met and is therefore an essential component of the PWO Group's corporate governance. Risk management optimizes the opportunity/risk profile and risk costs, creates transparency regarding the risk situation and establishes an early warning system to detect positive and negative developments.

We define risk policy as the consistent approach taken to handle opportunities and risks. It serves as the basis for all risk management activities. The PWO Group follows the principles of values-based corporate governance and takes business risks if the income opportunities these present outweigh the risks in the Executive Board's view.

PWO's risk management system

Organization of the PWO Group's risk management system

The organization and reporting lines of PWO's risk management system are based on the internationally accepted "3 Lines of Defense Model" recommended for stock corporations and required as a basic element by the European Confederation of Institutes of Internal Auditing (ECIIA).

It includes operational checks by risk owners, the review and monitoring of the control standards by independent units such as risk management and risk hedging by the Internal Audit department. The risk management system is also subject to external auditing.

Opportunities and risks can lead to a deviation from the plan and so are defined as uncertain events. Opportunities can lead to a positive deviation, risks to a negative one. There are also what are known as mixed risks (e.g. economic fluctuations), which can have both a negative and a positive impact on corporate planning. All opportunities and risks are clearly assigned to owners and are evaluated using scenario distributions with regard to their amount and probability of occurrence.

The PWO Group has an overarching, integrated ICS (internal control system) and risk management methodology with a standardized procedure for defining necessary controls, documenting them in line with uniform requirements, and regularly reviewing their effectiveness and appropriateness. Our ICS and risk management and the elements that contribute to them are regularly subject to audit activities by Internal Audit. These are performed either as part of the annual audit plan derived on the basis of risks or as part of audits scheduled on request during the year.

At the Executive Board and Supervisory Board meetings, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are discussed, and an overall assessment of the appropriateness and effectiveness of the ICS and risk management is made at least once a year. On this basis, the Executive Board has received no indication that the ICS or risk management in their entirety as of December 31, 2022 are not appropriate or effective. This also relates to the information on the sustainability goals.

As described in the following section, the risk management system was refined again in 2022 and further improvements were systematically implemented. The internal control system is also continuously refined. The internal controls are reviewed as part of internal audits, and there were no findings in the audits conducted that would indicate limited effectiveness of the internal control system.

Irrespective of this, there are inherent limitations to the effectiveness of any risk management and control system. For example, no system can guarantee that it will detect all risks that actually occur in advance or rule out all violations of processes under all circumstances. The Audit Committee is systematically involved in our ICS and risk management. It monitors particularly the accounting and the accounting process, as well as the appropriateness and effectiveness of the ICS, the risk management, and the internal audit system.

Status and development of the risk management system

Risk management at PWO is developed and refined on a continual basis. In the reporting year, this particularly related to ESG risks. In accordance with the CSR Directive Implementation Act, which regulates companies' Corporate Social Responsibility, non-financial risks must also be

[1] The disclosures on the appropriateness and effectiveness of the internal control system included in this section of the combined management report do not form part of the audit. The audit only covers the accounting-related internal control system.

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identified and assessed for all subsidiaries and measures must be established on the basis of this.

To this end, a detailed questionnaire was developed in the 2022 fiscal year, sent to the risk owners at all of the Group's locations, and then analyzed on the basis of net impact and probability of occurrence after being returned. In the event of a change in an ESG risk to a serious classification, this must be reported ad hoc to Group Risk Management and then to the Executive Board. No serious risks were identified in this area in the reporting period.

In addition, closer monitoring of supply chain risks was implemented within the Group in the reporting year. We report on this in the following section on "Compliance management and internal audit."

Compliance management and internal audit

PWO has established a compliance management system (CMS) throughout the Group, which is continuously expanded further in the Group and gradually refined in line with the IDW Auditing Standard 980 and DIN ISO 37301. For example, the following measures were taken in the reporting year to develop the CMS further and help make it eligible for certification:

With regard to the compliance culture, PWO introduced a Human Rights Policy in addition to the existing Code of Conduct and Business Partner Code. In addition, PWO joined the UN Global Compact as part of its sustainability strategy.

Under the compliance program, the process for sustainable procurement and business partner compliance that was defined and introduced at the Oberkirch location in the 2021 fiscal year was already implemented in part in 2022. At the international locations, the introduction and application of the process was gradually initiated in 2022. This is to be completed throughout the Group in 2023.

This process requires certain new suppliers to undergo an integrity check regarding our sustainability requirements before we consider placing an order with them. Existing suppliers are reviewed each year as part of a simplified review of new findings. This process reflects both our customers' higher ESG requirements and the German Supply Chain Act ("LkSG") that came into effect on January 1, 2023 and initially applies to companies with at least 3,000 domestic employees. We implemented the requirements of the LkSG earlier than legislators required for a company of our size.

Further measures included the revision of the existing whistleblower system and the preparation of a new PWO Group "Whistleblowing" guideline in line with the requirements of the LkSG and the German Whistleblower Protection Act, which is expected to come into force by mid-2023.

In addition, a guideline on handling trade secrets to implement the German Trade Secrets Act including associated processes was adopted by the compliance Committee in the reporting year and implemented at the German location, which is affected by the law.

In relation to compliance risks, a detailed questionnaire that had been substantially revised in the previous year was used at all PWO locations in 2022. This serves to ensure a more objective assessment of the compliance risk at the respective national companies and specialist departments regarding the risk areas of corruption and bribery, antitrust and competition breaches, property crimes, conflicts of interest, data protection violations, and insider trading and the disclosure of insider information.

We are also continuing to further develop our training concept and provided updated and additional/new e-learning courses at all locations in the 2022 fiscal year. As in the previous year, the group of participants was selected on the basis of risk.

As defined by the German Institute of Internal Auditing, Internal Audit provides independent and objective audit and consultancy services that are intended to create added value and improve business processes. This unit thus helps the organization achieve its goals by using a systemic and targeted approach to assess the effectiveness of risk management, the checks and management and monitoring processes and to identify potential for improvement.

The selection of audit topics by Internal Audit is essentially based on risk-oriented multi-year planning. The audits for 2022 were also based on this. In the reporting year, local audits were conducted at the locations in Czechia and Canada in the areas of finance, HR, procurement, and sales. Processes in finance, HR, and procurement were also audited in Mexico. Expert service providers were also involved in this context. In addition, central and operational processes at the Oberkirch location were audited. Internal Audit also provided selective support on individual topics and questions from the specialist departments and the Executive Board.

Control and risk management in the financial reporting process

All operating units are involved in control and risk management in the financial reporting process. This structure relies on a clear separation of duties and the principle of double-checking.

Controlling and risk management are based on principles, procedures, regulations and actions that were explicitly introduced for those purposes. Their compliance and proper implementation are reviewed by Internal Audit as part of its risk-based audit plan.

The policies, procedures, regulations and actions are geared towards the following objectives:

- Securing the effectiveness and efficiency of business activities, including the protection of assets
- Ensuring the accuracy and reliability of internal and external accounting
- Complying with applicable legal regulations, in particular, the compliance of the consolidated financial statements and the group management report with the respective standards

The consolidated financial statements are prepared in a multi-step process. The IFRS accounting policies form the foundation of the accounting and measurement standards for the PWO entities included in the consolidated financial statements. Underlying these internal policies is a uniform Group-wide system of accounts. The operating units' business transactions are recorded in a uniform manner in an SAP-based booking system. The access rights for this system are clearly defined.

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Development of the overall risk position

The overall risk situation (measured as the sum of net expected values) of the PWO Group increased in the reporting year. This was chiefly due to the high cost increases that could be observed across the board in the reporting year. In order to compensate for the resulting negative effects, measures to improve earnings must be implemented to a significant extent in the 2023 fiscal year.

This particularly affects the Oberkirch location, as energy costs rose much more steeply in Germany in 2022 than in other parts of the world and even more than in Czechia, its European neighbor. Overall, however, the high inflation affects all of PWO's locations and many business processes. We discuss this in the following presentation of the individual opportunities and risks. The PWO Group's clear growth trajectory is also associated with additional risks, particularly in times of high inflation rates.

The changes in the ranking of the individual risk categories in comparison to the prior year's annual report are clearly and conveniently shown in the table below. No new opportunities and risks have been added to the top risks. Following the successful early refinancing of the previous syndicated loan with new follow-up financing after the end of the reporting period, financing and interest rate risks still are not among the top risks, as these risks are largely covered by the corporate planning.

The Executive Board is convinced overall that all of the necessary measures have been initiated to continue to manage the Group's risks. In the view of the Executive Board, there is no threat to the Group's continued existence.

The following section contains our statements concerning the Group's individual medium-term opportunities and risks.

Presentation of opportunities and risks having predominantly a short-term effect

The following presents the major opportunities and risks for our 2023 operating planning based on the scenario assessment and taking into account any risk mitigating measures. We continue to classify risk in the following risk categories: financial, performance, market, regulatory and other opportunities and risks. The order of the risk categories and the order of the highest respective individual risks within each category presented below reflect our current assessment of the relative level of risk in descending order.

Our business is characterized by long-term contracts. New orders sometimes require lead times of several years. During the series lifetime of 8 to 10 years, customers usually stay with the same supplier. On the one hand, this aspect of our business contributes to our planning certainty; on the other hand, it limits our short-term opportunities. Therefore, in terms of our operational planning for the year 2023, the risks outweigh the opportunities.

All individual opportunities and risks are evaluated according to their impact (amount of loss in relation to EBIT) and their likelihood of occurrence during the planning period. The sum of the net expected values of the individual opportunities and risks of a particular category yields their net expected value. The following table does not account for portfolio or correlation effects, but these are shown in risk management by way of causal chains. The risk significance of the individual categories is defined in the table below:

DEFINITION OF RISK SIGNIFICANCE

Description	Net expected value risk category
Low	≤ EUR 1.0 million
Moderate	> EUR 1.0 million < EUR 3.0 million
High	≥ EUR 3.0 million

OVERVIEW OF RISK SIGNIFICANCE FOR THE RISK CATEGORIES

Risk	Risk significance (Net expected value)	Y-o-y change in the risk ranking
Market opportunities and risks	High	Unchanged
Performance opportunities and risks	Moderate	Unchanged
Financial opportunities and risks	Moderate	Unchanged
Other opportunities and risks	Low	Unchanged
Regulatory opportunities and risks	Low	Unchanged

Market opportunities and risks

Economy and sales volumes

Fluctuations in sales volumes can give rise to capacity utilization risks. In the case of new orders in our business, we have to reckon with repeated start-up delays on the part of vehicle manufacturers. For the PWO Group, the pleasing high level of new business in recent years also gives rise to a risk that many high-volume orders may start up within a narrow time frame in the 2023 fiscal year. This significantly increases the complexity of the start-up situation. We have therefore refined our start-up management again.

In the case of existing orders, fluctuations may result from unexpected increases and declines in demand from end customers. In addition, bottlenecks along the entire supply chain in the mobility industry could still be observed in the reporting year, albeit to a lesser extent than in the previous year. These disruptions to the supply chain on account of coronavirus protection measures mainly still related to our locations in the China segment in the reporting year until the Chinese government abandoned its zero-COVID strategy in December 2022.

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Fortunately, the worst fears of many economic researchers for the macroeconomic development after the start of the Ukraine war did not materialize. It can nonetheless be assumed that a full recovery of end customer demand for vehicles, which slumped after the coronavirus pandemic began, will be delayed until a later point in the future. This is partly attributable to losses of income for consumers in real terms due to the high inflation rates and the turnaround in interest rates that has taken place.

Due to the long-term nature of our business, we can only compensate for reductions in capacity utilization by making adjustments in our cost base. However, as a responsible employer and in our economic interest, we want to retain our highly qualified employees in temporary periods of weakness.

On the other hand, opportunities arise because, in view of the uncertainties listed, we were in some cases more cautious with our planning for the 2023 fiscal year than the call-offs expected from customers would allow. If these are achieved, planned revenue for these series productions may be exceeded.

Dependence on suppliers

The risk of a strategic supplier defaulting due to financial difficulties has recently increased. We generally manage this risk by regularly obtaining credit information and making visits to suppliers and other partners. Should we identify substantial risks, we would establish targeted business relationships with new suppliers.

In addition, the weak state of the global economy and in particular the massive increases in energy prices not only led to an increase in insolvency risk at suppliers in the reporting year, but also this may now occur at shorter notice than has previously been usual in our business, making it difficult to include in credit information. For this reason, we are currently focusing on very close bilateral coordination with suppliers with energy-intensive production in order to improve the risk situation.

In parts of the industry, production cuts and even temporary stoppages could be observed in the 2022 fiscal year in order to avoid unprofitable production and thus financial risks. Solutions were found here in close cooperation with customers and suppliers.

Raw materials and procurement prices

The raw materials required for our production processes include, first and foremost, steel and, to a much lesser extent, aluminum and stainless steel. In our business, we are generally exposed to earnings risks from changes in raw material prices. With rising prices, there is a risk that price adjustments in line with the use of materials for our products and price increases imposed by our suppliers may not be possible. With falling prices, there is a risk that customers may demand faster discounts on material prices than we are able to achieve in procurement.

In the past, we have always been able to negotiate mutually agreed solutions with our customers, and we are confident that we will be able to continue to do this in the future. However, the negotiations regarding price increases for items such as subcontracted processing and purchased parts and for energy, as well as for the sometimes substantial increases in staff costs, pose a fresh challenge for which there are not yet any well-established processes in our sector.

Selling prices

In our planning, we have assumed that in the case of increased procurement prices we will be able to make price adjustments in line with our own cost increases. However, unsuccessful negotiations regarding this in light of massive price rises present a greater risk than in the past.

Performance opportunities and risks

Quality, product liability, and recalls

Quality requirements in the mobility industry are traditionally very high. Product liability risks and risks resulting from product recalls have increased steadily in the past several years. PWO's growth trajectory also contributes to an increase in these risks. At the fast-growing locations, the timing of capacity expansions regularly need to be optimized. These should be implemented as late as possible for economic reasons, but as early as necessary to limit risks.

We limit these risks with our quality management system, which has been established for many years and is certified in accordance with the IATF 16949 standard. This standard includes fundamental requirements for quality management systems for volume and spare parts production in the mobility industry. We are also managing our capacity with increased attention and temporarily increasing our inventories where necessary.

In addition, we are continuously expanding the scope of testing for our components – not least as part of various digitization projects – and documenting their zero-defect quality before they leave our premises. We do this to ensure that defective components are detected even earlier in the production process than before. We also want to achieve complete traceability of each individual component so that any defects can be assigned not only at the level of individual batches but also at the level of containers and in some cases even each individual component. This enables us to limit the total amount of damage in the event of a potential recall. In addition, we have taken out insurance policies for corresponding liability risks.

Production

The main performance risks in production are business interruption risks. These can result primarily from damage to or failure of production equipment or tools. The risks are particularly high at PWO Group locations where production capacity is heavily utilized as a result of the locations' growth. In the 2022 fiscal year, potential supplier default also became more significant as a cause of disrupted operations (see information on dependence on suppliers in the "Market opportunities and risks" section).

The risk of tool breakage at a bottleneck machine chiefly relates to the Mexico segment. Measures taken to combat this included adjusting inventory management for the relevant components. Training and further qualifications of toolmakers were also expanded significantly and relationships were established with external partners that can make capacity available in the event of tool breakage.

Depending on the extent of the damage and the duration of the outage, disrupted operations can impair the timely delivery of goods to customers. The risk of the failure of an entire location however can be virtually ruled out. We have established a broad range of measures at all locations to manage business interruption risks.

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In periods of very volatile release order situations and even last-minute production downtime at customers, there is also the risk of being unable to provide the planned service and therefore being unable to cover fixed costs. Accordingly, we are aiming to make our processes even more flexible so that we can respond to changes in customer releases even more quickly.

Toolmaking

Capacity utilization risks in toolmaking primarily affect the locations in Czechia and in Oberkirch. At the latter location, they arise from the current high number of employees and because labor costs in Germany are too high by international standards and so are not competitive. This results in a high fixed cost burden in toolmaking at the Oberkirch location. In light of this, we made changes in the 2021 fiscal year that were in effect until the end of 2022. However, further measures – such as acquiring additional orders, making use of natural turnover, or using short-time work schemes – are also required in the 2023 fiscal year to reduce this risk exposure. We are also striving to improve capacity utilization through new orders.

Financial opportunities and risks

Impairment risk

The risk of impairment of non-current assets exists particularly when plan targets have not been achieved, the earnings outlook deteriorates, the market environment develops negatively, or the discount rate applied to future expected cash flows increases. This risk relates in particular to our sites in Germany, Czechia, and Canada. It increased in the reporting year as a result of the high inflation rates and the consequent rise in central banks' key interest rates. In the fiscal year that has just begun, measures to improve earnings must be implemented to a significant extent in order to achieve the targets for the 2023 fiscal year. We have aligned our management accordingly.

Currencies

All PWO Group's locations are subject to currency risk in terms of translation risk (translating the subsidiaries financial statements in euro) and transaction risk (sales, procurement and staff costs). This also presents opportunities if currency parities develop favorably for us. However, we do not take this into account in our planning.

The Group's main currencies are the euro, the Czech koruna, the Canadian dollar, the US dollar, the Mexican peso and the Chinese renminbi. We use hedging to avoid these risks. Our goal is to ensure the currency parities assumed when an order is received and thereby secure the budget plan.

There are currency fluctuations at the Germany location, especially from loans granted by the parent company to the international locations denominated in their local currencies and hedged in Germany. For a further explanation of the risks arising from the use of financial instruments, please refer to the notes to the consolidated financial statements.

Other opportunities and risks

Personnel

The timely availability of staff in sufficient numbers and with the right qualifications continues to pose a particular risk. This applies all the more in view of the clear growth trajectory embarked upon by PWO, which leads to constantly growing demand for skilled staff. Not least, the volatile macroeconomic conditions and challenging supply chain management call for constantly high flexibility and strong commitment from our employees. The available personnel resources therefore need to be continuously reviewed and generally increased. Intense competition for skilled workers presents the risk of unplanned increases in staff costs and of being unable to fill vacancies.

We therefore plan and manage the need for skilled workers as early on as possible and on a long-term basis through education and extensive continued training, employee qualification and other initiatives. Risk in the Group is also managed by means of broad-based personnel recruitment and employee retention concepts, which are developed on an ongoing basis.

Data security

Open IT structures, which make processes available worldwide, are among the basic requirements for sustainable corporate success today. These structures are particularly exposed to the risks of data losses and misuse as a result of systematic weaknesses and data losses caused by unreadable backup files. This can result in a whole range of damage, including temporary business interruption.

For years, we have been focusing on consolidating all IT services in a PWO Private Cloud, where we have implemented diverse, standby backup systems. All employees who work remotely also have secure access to their working environment via the PWO Private Cloud. We also continuously expand our certified information security management system at the Oberkirch site. The processes and structures established in this context are implemented in the subsidiaries as required.

Regulatory opportunities and risks

Contracts

Risks from unfavorable contractual arrangements include, specifically, timing differences between contractually agreed material and production releases and the lead times of actual procurement and production. This can give rise to significant risks in the event of sharp short-term declines in demand. This applies all the more if customers tend to announce high call-offs due to strained supply chains and then revise these downward at the last minute within procurement and production approval periods.

However, the supply chain situation gradually eased over the course of the reporting year, causing these risks to decrease. We generally counter them by negotiating constructively with our customers. In the past, we have always been able to find mutually agreed solutions.

Tax and political environments

The PWO Group operates in countries on 3 continents with very different tax and political environments. In some cases, this results in extensive requirements, the complexity of which increased significantly following the outbreak of the Ukraine war in the reporting year. We mitigate these risks through close collaboration with external experts who have proven experience in the countries and subject areas in question.

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Presentation of opportunities and risks having a predominantly medium- or long-term effect

The following provides an overview of the Group's strategic opportunities and risks over the medium term, which is defined as a period of at least 3 years. They are determined once a year in a structured process using a detailed survey of the PWO Group's managers. Mutual dependencies between the risks are included in the risk assessment. The order in which the opportunities and risks are presented in this section reflects our current assessment of their relative importance for the Group.

Cyberattacks

Cyberattacks are an increasing threat to companies worldwide. They can take the form of malware that blocks IT systems or encrypts data on these systems. In particular, if they succeed in gaining access to critical IT infrastructure, the effects may include disruptions to operating processes in administration and production. This risk may jeopardize the PWO Group's continuation as a going concern. We manage it using multi-level, redundant antiviral and firewall technologies. We also simulate attacks on the IT systems in order to check the protection provided by the measures used. In the reporting year, we also significantly refined the procedures and practices in the event of an attack and documented these in a detailed guideline.

Underutilization of capacities

As a capital-intensive company, we are financially dependent on ensuring sufficient utilization of our pressing and toolmaking capacities. If this is not achieved, unmet fixed costs for staff and production facilities affect earnings. In addition to the resulting short-term negative effects, this may mean that strategically necessary investments are not funded, permanently reducing the Group's competitive position. If capacity utilization problems persist, this risk could also jeopardize its continuation as a going concern.

With the successful increase in the PWO Group's activities and the substantial growth in new business over the past 2 years, this risk has recently decreased for the Group as a whole – albeit not equally for all locations and operating areas.

Personnel

There is currently a shortage of skilled labor in almost all of our markets. With societies aging and younger generations demanding more from their working environment (think work-life balance), this shortage will keep getting worse in the future. This creates stiff competition for talented employees. If the PWO Group were to become unappealing to potential employees, this could hurt the Group's innovative strength. There is also the risk of being unable to retain employees, which could result in a loss of know-how, or being unable to fill vacancies. The consequences of this would be declining competitiveness.

On the other hand, this also represents an opportunity for us to position ourselves as a particularly attractive employer by directing particular attention towards this issue and offering promising development prospects. Our values-based corporate culture formulated in the 2022 fiscal year, along with the management principles derived from it, also contributes to this. In this way, we want to further increase mutual consideration and respect in day-to-day work. Continuously enhancing our appeal as an employer is one of the core processes in the PWO Group to which we attach great importance.

Geopolitical tension

The mobility sector operates worldwide and is highly interconnected. PWO, too, works with production and assembly locations on 3 continents in countries with very different environments. Geopolitical tension can thus affect our business directly as well as indirectly, through changes to manufacturers' sales opportunities or supply chain disruption.

Over the last few years, we have increasingly seen governments approving regulations that do not comply with the principles and regulations of the World Trade Organization. Examples include tariffs, trade bans, embargoes, tax adjustments and new requirements for handling data. Disrupting or preventing trade flows can result in considerable losses for companies' business operations.

This risk increased significantly following the outbreak of the Ukraine war on February 24, 2022. In addition to the above-mentioned effects of the war on the short-term opportunities and risks, there is also a risk that political blocs may form worldwide in line with the spheres of influence of the leading global powers. This could lead to a long-term change in and impairment of global flows of goods.

Sustainability and climate change

Sustainable business models will be the decisive topic of the 21st century. Given its urgency, fighting climate change is currently the focus of our actions. According to the current status, we have not identified any additional material risks relating to climate change.

Nevertheless, sustainability is far broader than this and extends to many other environmental issues, social issues and aspects of good corporate governance. Companies who fail to develop a detailed sustainability strategy at an early stage that meets the interests of their target groups are at risk of losing their market position – when competing for customers, employees and capital.

Accordingly, we work on fully aligning our business processes with sustainability requirements in order to gain a true competitive advantage. In the interests of maximum transparency and comparability, we do this on the basis of internationally recognized standards and therefore joined both the SBTi and the United Nations Global Compact in the 2022 fiscal year.

Pandemics

A pandemic is a general risk that occurs very rarely but, as we saw in 2020, can happen at any time and have serious repercussions for global business and supply chains. With global shutdowns and production stoppages, revenue declined and people had to shift to short-time work schemes or lost their jobs. By taking action early and consistently and thanks to the high level of commitment shown by our employees, we were able to mitigate this negative impact.

Logistics processes

Logistics processes change constantly. This also means that the demands on logistics management and dependence on logistics companies are constantly growing.

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Logistics costs rose significantly in the reporting year as a result of the massive increase in energy costs. Although they have now fallen from the peak prices in 2022, we do not expect them to reach their previous level again. Instead, costs will generally remain permanently high or even increase further in the future due to higher CO_2 taxes and general price increases for transportation.

We have so far been very successful in offsetting higher costs through innovative and creative solutions. Our aim is to build on these skills further to create opportunities from changes to logistics processes.

Tapping new sales markets outside the mobility industry

We are currently tapping new sales markets outside the mobility industry. This opens up significant additional growth potential and reduces our dependency on the development and cycle of the mobility industry in the long term. Nevertheless, it will be a challenge here to limit the additional complexity that this creates within the PWO Group and make the structure of administrative processes even more efficient.

Use of steel and aluminum

Our core expertise relates to the cold formation of steel and aluminum. Essentially, all materials are exposed to substitution risks if customer requirements change. Nonetheless, we believe that the opportunities of further increasing the use of steel and aluminum parts by far outweigh the risks, as the favorable material properties of steel (it absorbs the impact of a crash in the event of an accident), the fact that it is fully recyclable, and the potential offered by lightweight construction are virtually unparalleled. Accordingly, moving forwards we will continue to strengthen our already substantial lightweight construction expertise.

Digitalization

The digitalization of all business processes using the tools of Industry 4.0 is relentlessly gathering pace. It allows processes to be designed more efficiently, reduces the use of resources and improves product quality. In turn, this opens the door to improved productivity and profitability and additional growth, as well as strengthening the company's reputation on the customer market. In view of this, we are committed to modern, data-driven production and believe this presents opportunities to further expand our market position.

Development of the mobility industry

The mobility sector is currently undergoing a profound transformation shaped by the megatrends of sustainability, the sharing economy, e-mobility, and urbanization. On top of this, forecasting customer call-offs is uncertain and so more flexible production concepts are needed. The current product portfolio is excellent positioned for this transformation in the 3 trends of electrification, safety and comfort and is entirely independent of internal combustion engines. In our view, this means that we will not miss out on any existing business opportunities in the future and will instead benefit from new products and processes and attract new customers. We thus see the transformation process as an opportunity for future corporate development.

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Report on forecasts and outlook

Expected general economic and industry development

In its projections from January 2023, the IMF anticipates a further decline in global economic growth to 2.9 percent in the current year after 3.4 percent in the previous year, primarily due to the war in Ukraine and the global turnaround in interest rates. However, this represents a slight upward adjustment compared to its forecast from fall 2022, when a decline in global value creation to 2.7 percent was anticipated for 2023. In particular, the resilience of consumer spending – along with falling saving rates – came as a surprise, as did the further increase in capital expenditure in view of persistently robust labor markets. The government support measures were also higher than originally expected, and inflationary pressure has now subsided both in relation to raw material prices and as supply shortages slowly level off.

But at the same time, the IMF expects the international central banks' more restrictive interest rate and monetary policies to have dampening effects on the forces driving economic growth. After peaking in the third quarter of 2022, global inflation should lessen as a result of decreasing raw material/energy prices, although the core rates (not including food and energy prices) will still remain far above the pre-pandemic level in most countries.

The slowdown in global growth is expected to come from industrialized nations, whereas developing countries will actually post slight growth. In China in particular, growth is expected to accelerate significantly from 3.0 percent in 2022 to 5.2 percent in the current year following the end of the COVID lockdowns.

By contrast, the IMF expects growth in developed economies to more than halve from 2.7 percent to 1.2 percent, with a particularly significant decline in the eurozone from 3.5 percent to 0.7 percent. For Germany, it even anticipates stagnation at 0.1 percent, while the United Kingdom will see a recession in 2023 at -0.6 percent. Growth in the volume of world trade will also be very weak. After increases of 10.4 percent in 2021 and 5.4 percent in the previous year, world trade is expected to grow by just 2.4 percent in the current year.

For 2023, too, the IMF attaches great importance to listing the risks associated with its forecasts: the low vaccination coverage of the population and the very fragile real estate market in China, a potential further escalation of the war in Ukraine as a growth risk for Europe in particular, and therefore also, last but not least, higher inflationary pressure as a result of rising raw material prices again.

The German government is only slightly more optimistic for the German economy. In its annual projection from January 2023, it anticipates that – after a weak winter half-year – economic momentum will pick up again somewhat over the course of 2023 as a result of a continued stable energy supply situation, the impact of extensive government support measures, and the anticipated global economic recovery. Over the year as a whole, inflation-adjusted gross domestic product (GDP) is expected to grow by 0.2 percent.

The VDA expects the German automotive market to grow by 2 percent to more than 2.7 million units in the current fiscal year, still representing a volume that is a quarter lower than that of the pre-crisis year 2019. For Europe (EU27, EFTA & UK), the association expects sales to increase by 5 percent to 11.8 million cars. The US light vehicle market is expected to increase by 4 percent to 14.2 million light vehicles in 2023.

By contrast, the Chinese market, which was already at a high level in 2022, is expected to grow only slightly by 3 percent to 23.7 million cars in 2023. It was already back above its pre-COVID level in 2022. Overall, the global market will thus grow by 4 percent to 74.0 million units in 2023, but will still be 6.5 million vehicles or 8 percent lower than the market volume of the pre-COVID year 2019.

The gradual easing of the supply situation is expected to lead to a further recovery of domestic production of cars in Germany in 2023. The VDA anticipates growth of 6 percent to 3.7 million units, which would be 20 percent fewer than in the pre-crisis year 2019. Foreign production of cars by German corporate brands is also expected to increase by 6 percent to 10.3 million cars.

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Business development and future direction

Development of the PWO Group

FINANCIAL PERFORMANCE INDICATORS

	Forecast for 2023	Actual results in 2022
Revenue	Approx. EUR 550 million	EUR 530.8 million
EBIT before currency effects	EUR 20 million to EUR 23 million	EUR 27.5 million
Capital expenditure according to segment report	Approx. EUR 40 million	EUR 19.8 million
Free cash flow	Negative in mid single-digit millions	EUR -5.8 million
Equity ratio	Flat y-o-y	37.8%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	Less than 3.0 years	2.3 years
Lifetime volume of new business	EUR 400 million to EUR 500 million	Approx. EUR 890 million

NON-FINANCIAL PERFORMANCE INDICATORS

	Forecast for 2023	Actual results in 2022
GHG emissions under Scope 1 & 2	12,150 t to 12,760 t	11,772 t
Training rate for e-learning courses	100%	100%
Supplier audits starting from July 1, 2023	100%	–
Work accidents	-10% y-o-y	9.9

The planning for 2023 covers the PWO Group's existing 8 locations and also includes initial expenses for the new eastern European location. It is also based on detailed individual estimates of the volumes of the series productions currently underway, as well as on the upcoming start-ups, ramp-ups, and phase-outs at the individual locations.

Our forecast is based on the assumptions that in 2023 there will be no major disruptions to supply chains, for example due to pandemic-related restrictions or economic sanctions, that energy will be available in sufficient quantities, and that there will be no significant deviations from the anticipated price developments.

Forecast of the results of operations

In the context of the still subdued macroeconomic and sector expectations and the continued high risks, we anticipate revenue growth to around EUR 550 million in the PWO Group in the 2023 fiscal year. The start-up and ramp-up of new series production operations is expected to help drive this growth.

EBIT probably will not reach the previous year's level and will be within a range of EUR 20 million to EUR 23 million. Significant increases in procurement prices, some of which will be effective for a full twelve-month period for the first time, combined with higher staff and energy costs, especially in Germany, will negatively impact the results of operations. Regardless of this, we are planning to make further progress in expanding our international locations. By contrast, the discontinuation of negative non-recurring effects of EUR 5.9 million in net terms in the Germany segment will bring some relief.

Our new location in eastern Europe is expected to report negative EBIT of just under EUR 1 million due to expenses in connection with establishing the location. We intend to make extensive investments in real estate. This will require personnel resources and give rise to legal and consulting costs, for example.

In the Germany segment, we still expect weaker performance than in our other segments. As a result of the low level of new business for this production location in recent years, external revenue is likely to decrease significantly against the reporting year to around EUR 220 million. With wage and salary costs meanwhile having increased, a higher statutory minimum wage for temporary staff since October 1, 2022, and energy costs far above those of other countries, many productivity gains and cost reduction measures of the past years will be eroded, leading us to expect EBIT around the break-even point despite the above-mentioned discontinuation of negative non-recurring effects.

The Czechia segment is expected to continue its substantial growth, with external revenue rising to around EUR 120 million. The expansion of the locations is likely to put pressure on operating processes and management capacity, meaning that EBIT could be within a range of EUR 6 million to EUR 7 million.

In the Canada segment, the next growth step is not due to take place until 2024. Capacity will be geared toward this in the 2023 fiscal year that has just begun. External revenue in 2023 is expected to reach around EUR 50 million, while EBIT should be around the break-even point.

The Mexico segment will continue its rapid growth, with revenue likely to reach the EUR 100 million mark. Although this rapid expansion, which

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puts pressure on operating processes and personnel resources, might mean that EBIT does not quite reach its 2022 level in 2023 at around EUR 10 million, the segment is continuing to generate a high EBIT margin.

In the China segment, we anticipate external revenue of around EUR 55 million on the basis of the planned series phase-outs and start-ups. EBIT should come to around EUR 5 million.

Forecast for capital expenditure, financial position, and net assets

To ensure the start-ups and ramp-ups of new series productions planned for the next few years, and in anticipation of our further expansion in eastern Europe, we intend to invest around EUR 40 million in the 2023 fiscal year – roughly twice as much as in the reporting year.

The largest volume will be attributable to the Czechia segment again at around EUR 10 million. A sum in the low tens of millions has also been budgeted for the establishment of the new location in eastern Europe. Somewhat lower amounts have been planned for the expansion in the Canada (around EUR 8 million) and Mexico (around EUR 7 million) segments. Around EUR 5 million is to be invested in the Germany segment, while just under EUR 1 million is earmarked for limited measures in the China segment.

At almost all locations, the focus is on investments in new press capacity and the modernization of existing forming presses, as well as investments in other manufacturing and assembly equipment. Digitalization and automation projects are always involved, too. In Czechia, we will also invest in new buildings. At the new location in eastern Europe, we are of course investing primarily in real estate.

Despite the planned extensive investments of around EUR 40 million and EBIT that is expected to be below the previous year's level at EUR 20 million to EUR 23 million, we are still aiming to use liquidity-based management to achieve free cash flow that is negative only in the mid-single-digit millions of euros, and to keep the equity ratio steady year-on-year and limit the increase in the net leverage ratio to less than 3.0 years.

Forecast for the order situation

We substantially increased new business to EUR 890 million in the reporting year. Despite having twice raised the forecast for the fiscal year published at the beginning of the year, we still exceeded it over the year as a whole.

The forecast for new business in 2023 of between EUR 400 million and EUR 500 million is lower than the high volume achieved in 2022. This is firstly because some orders anticipated for 2023 were received in 2022 already, meaning that fewer high-volume orders are due to be awarded by our customers in 2023 overall. For this reason, the years 2022 and 2023 must be examined jointly in this respect. Together they still significantly exceed the guidelines of the multi-year planning for this period. Secondly, we want to be able to manage our investments closely in the future, too, as a precaution. Depending on further global political and economic developments, we will regularly review our growth strategy for the coming years and adapt it accordingly if needed.

Forecast for the non-financial performance indicators

We expect GHG emissions to be within a range of 12,150 t to 12,760 t in the 2023 fiscal year. This is firstly because the special saving measures taken to avert a gas shortage in Europe in 2022 cannot be projected into the future. Secondly, the planned reductions will not fully compensate for the additional emissions resulting from the planned growth of the Group. As a result of our high level of new business in the past 2 years, we intend to grow substantially in the years ahead. At the same time, the implementation of GHG reduction measures will take time to prepare and will also require investments in some cases. A gradual reduction and occasionally even an increase in GHG emissions in the near future is therefore part of our road map up to 2030. The actual level of GHG emissions in the 2022 fiscal year is already almost 40 percent lower than in the base year 2019, meaning that we have already achieved a significant volume of reductions.

Training with the e-learning courses provided within the PWO Group each year is to be completed at a rate of 100 percent. From July 1, 2023 onward, 100 percent of supplier audits are to be conducted including ESG criteria. The number of work accidents is to be reduced by 10 percent in comparison to 2022.

General statement on future development

In the 2022 fiscal year, we achieved a successful operating performance again while also laying important foundations with regard to the strategy. This mainly included the very high level of new business, especially in new product areas and sales markets, securing refinancing for the PWO Group with the early replacement of the previous syndicated loan with new follow-up financing after the end of the reporting period, and the continued expansion of our international locations. In this way, we once again demonstrated not only that we are able to deal with a challenging present, but also that we always recognize the opportunities that arise in any situation and take advantage of these for PWO.

Our employees are key to this high adaptability and forward-looking approach. The Executive Board therefore sees it as one of its core tasks to continuously optimize their working environment and strengthen their personal prospects.

We are thus looking ahead to the 2023 fiscal year with cautious optimism and are convinced that with thoughtfulness, hard work, and self-confidence we can make this year another successful one for the PWO Group.

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With respect to the legal transactions described in the section on related parties and based on the circumstances known at the time the transactions were executed, our Company received appropriate compensation for every transaction and was not disadvantaged as a result.

Takeover-related disclosures pursuant to Sections 289 a and 315 a HGB

The information required under Sections 289 a and 315 a HGB is detailed and explained below.

The share capital of PWO AG is EUR 9,375,000.00 and is divided into 3,125,000 no-par value bearer shares. They carry identical rights and convey 1 vote each at the Annual General Meeting. Reference is made to the provisions of the German Stock Corporation Act regarding the rights and obligations related to the holding of shares.

There are no restrictions on the voting rights or the transfer of shares, and the Executive Board is not aware of any such arrangements agreed between shareholders. There is no participation of employees who do not exercise their control rights directly.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, has notified us of its interest exceeding 10 percent of the voting rights in PWO AG. As of December 31, 2022, it held 46.76 percent of the voting rights and was the main shareholder.

The appointment and dismissal of the members of the Executive Board are determined in accordance with Sections 84 and 85 AktG in conjunction with Article 6 of PWO's Articles of Association.

Pursuant to Section 179 (1) and Section 119 (1), No. 6 AktG, each amendment to the Articles of Association requires a shareholder resolution of the Annual General Meeting. In deviation from Section 179 (2), sentence 1 AktG, Article 15 of the Articles of Association states that Annual General Meeting resolutions can be approved by a simple majority of votes cast and – if a capital majority is required – a simple majority of the capital stock, unless otherwise stipulated by law or the Articles of Association. The Supervisory Board is authorized to adopt amendments to the Articles of Association that relate only to their wording.

Subject to the consent of the Supervisory Board, the Executive Board 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. Generally, subscription rights must be granted to shareholders. Further details of the authorization are contained in the resolution of the Annual General Meeting of July 28, 2020.

In the case of a change in control resulting from a takeover offer, no other agreements have been made except for the usual extraordinary rights of termination contained in credit agreements and agreements with customers. Compensation agreements that favor the Executive Board or employees do not exist.

Corporate Governance Statement pursuant to Section 289 f and Section 315 d HGB

The Corporate Governance Statement is published on the company's website at → **www.pwo-group.com/en/group/corporate-governance/**. The Corporate Governance Statement is an unaudited segment of the management report.

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The non-financial Group statement is published in the form of a separate non-financial group report and is then published on the company's website at → **www.pwo-group.com/en/group/corporate-governance**. The non-financial Group statement is an unaudited segment of the management report.

Business development of PWO AG

PWO AG is located in Oberkirch, Baden-Wurttemberg. The parent company forms the Group's headquarters and is its largest production location. To limit risk, the company also monitors the Group's international locations, particularly in the areas of legal, finance and controlling. The international locations are generally responsible for their operational management. The Company's annual financial statements are prepared in accordance with the HGB.

The general statements of the combined management report also apply to PWO AG, particularly in the areas of the market, strategy, management and the opportunities and risks inherent in its business activities. The Company is less affected by currency risk than the Group and more exposed to financing risks. The risk of impairment mainly applies to the company's financial assets.

As of the reporting date, the number of employees at the company, including temporary staff, was 970, which was significantly lower than in the previous year (p/y: 1,151). This figure includes 52 (p/y: 90) trainees who are currently completing their training. The number of trainee positions we offer is based on the demand for junior staff expected in the future.

As explained in the Group management report, procurement prices increased across the board in the reporting year, in some cases massively. We were able to find amicable solutions with our customers for significant shares of the material price increases. This was the main driving factor behind PWO AG's positive revenue development in the reporting year. At the same time, this resulted in a significant increase in the cost of materials ratio and conversely a decrease in other cost ratios in purely mathematical terms.

In the 2022 fiscal year, PWO AG's revenue exceeded the forecast of EUR 230 million. This was mainly because business developed more positively than had been expected at the time the forecast was prepared. At EUR -6.4 million, EBIT before currency effects was slightly lower than the forecast of around EUR -5 million. In addition to the more positive business development than expected, this was also attributable to the various non-recurring effects described below.

INCOME STATEMENT

Selected information (EUR thousand)	2022	in % of revenue	2021	in % of revenue
Revenue	255,193	100.0	206,530	100.0
Total output	253,952	99.5	207,809	100.6
Cost of materials	-146,880	-57.6	-108,419	-52.5
Staff costs	-74,214	-29.1	-73,945	-35.8
Depreciation/amortization	-9,429	-3.7	-10,466	-5.1
Other operating expenses	-34,869	-13.7	-30,251	-14.6
Financial result	13,070	5.1	21,109	10.2
Earnings before taxes	7,361	2.9	16,969	8.2
Net income	8,123	3.2	16,854	8.2

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Despite the better than expected revenue development and the substantial additional earnings contributions generated as a result, earnings before taxes declined significantly in the reporting year.

For example, provisions of EUR 0.8 million were recognized in the 2022 fiscal year for the collectively agreed payment of the inflation compensation bonus. Other operating expenses were negatively impacted by the addition to provisions for onerous contracts of EUR 6.2 million. In the financial result, income from equity investments was down EUR 2.0 million year-on-year, while reversals of write-downs on financial assets were down EUR 7.2 million.

In addition, the positive extraordinary items of EUR 4.6 million in 2021, which had mainly resulted from the reversal of provisions for personnel adjustment measures, no longer applied.

In addition to the provision mentioned above, the development of staff costs was affected by the lower number of permanent employees on the one hand and higher collectively agreed wages and salaries on the other. The slight year-on-year decline in depreciation/amortization was the result primarily of lower levels of capital expenditure at PWO AG in the last few years.

The change in the balance from other operating income and expenses was also significantly affected by the extraordinary items described above. In the previous year, the above-mentioned positive extraordinary items of EUR 4.6 million were attributable to this item. The increase in the statutory minimum wage as of October 1, 2022, which affects temporary staff, also had a negative impact in the reporting year.

The financial result includes a EUR 5.0 million distribution from affiliated companies (p/y: EUR 7.0 million), income from loans to affiliated companies of EUR 3.2 million (p/y: EUR 2.5 million) and other interest and similar income of EUR 1.9 million (p/y: EUR 2.0 million). There was income relating to other periods and non-recurring income in the form of reversals of write-downs on financial assets of EUR 7.5 million in the reporting year. This related to PWO AG's equity investment in Mexico and loans from PWO AG to its equity investment in China. In the previous year, reversals of write-downs had come to EUR 14.7 million.

Despite higher financial liabilities, interest expenses decreased to EUR 4.4 million in the reporting year (p/y: EUR 5.0 million) due to the improved credit rating of PWO AG.

In total, earnings before taxes declined to EUR 7.4 million (p/y: EUR 17.0 million). Income taxes came to EUR 1.2 million (p/y: EUR 0.2 million). Overall, net income for the reporting year amounted to EUR 8.1 million (p/y: EUR 16.9 million).

Total assets increased to EUR 301.1 million in the reporting year (p/y: EUR 281.5 million), chiefly due to higher current assets. Fixed assets were up slightly in net terms, with higher financial assets chiefly due to the above-mentioned reversals of write-downs compensating for lower property, plant and equipment as a result of restrained capital expenditure in the past 2 years. At the same time, receivables and other assets increased significantly. Just as the rise in material prices and the fact that this was passed on in line with the price increases at our suppliers affected revenue, it also led to an increase in trade receivables. In addition, receivables from affiliated companies and other assets were up year-on-year as of the reporting date.

Given the pleasing net income in the reporting year, equity rose to EUR 120.4 million after deducting the dividend distribution (p/y: EUR 117.0 million), while the equity ratio fell to 40.0 percent (p/y: 41.6 percent).

Higher pension provisions are attributable chiefly to the decrease in discount rates in accordance with the German Commercial Code again compared to the previous year, as well as to adjustments to the assumptions regarding future salary and pension trends. The increase in other provisions mainly resulted from the additions to provisions for onerous contracts and to the provision for the inflation compensation bonus as mentioned above. In addition, the increase in total assets in the reporting year was financed by an increase in liabilities to banks.

Overall, PWO AG still has a satisfactory equity base in the Executive Board's view. At the same time, the development of net income emphasizes the continued need for action with regard to increasing the company's profitability.

We expect revenue to decrease to around EUR 240 million in the 2023 fiscal year for the same reasons as in the Germany segment. Based on the anticipated EBIT before currency effects around the break-even point for the Germany segment included in the PWO Group's report on forecasts and outlook, a negative effect on earnings of about EUR 3 million is still to be taken into account, relating chiefly to pension provisions and lease financing and resulting from the different accounting policies under IFRS and HGB. These reconciliation effects are lower than in 2022, when they were influenced by extensive non-recurring effects, among other factors. Overall, we therefore anticipate EBIT before currency effects in line with HGB of approximately EUR -3 million for the 2023 fiscal year at PWO AG.

PWO AG is managed using the same key performance indicators as for the Group and its segments, i.e., external revenue and EBIT before currency effects, and is also based on the figures determined in accordance with IFRS regulations. The reconciliation of these performance indicators from HGB accounting to IFRS accounting is as follows:

RECONCILIATION OF KEY PERFORMANCE INDICATORS

EURk	2022	2021
Revenue acc. to HGB	255,193	206,530
Reconciliation	7,604	-2,623
Total revenue acc. to IFRS	247,589	203,907
External revenue acc. to IFRS	228,968	189,833
Earnings before taxes acc. to HGB	7,361	16,969
Financial result	-13,070	-21,109
Currency effects	-660	64
EBIT before currency effects acc. to HGB	-6,369	-4,076
Reconciliation	8,829	5,758
EBIT before currency effects acc. to IFRS	2,459	1,682

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In the 2 reporting years, the reconciliation between the 2 sets of accounting standards with regard to revenue resulted, above all, from IFRS 15 accounting and internal revenue and, in the case of EBIT before currency effects, mainly from the measurement of pension provisions, non-current assets, leasing and rental expenses, and IFRS 15 accounting.

Oberkirch, March 16, 2023

The Executive Board

Carlo Lazzarini
Chairman/CEO

Dr. Cornelia Ballwießer
CFO

Johannes Obrecht
COO

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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 period[1]	**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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	Equity attributable to PWO AG shareholders						
				Other reserves			
EURk	Issued capital	Capital reserves	Retained earnings	Defined benefit plans	Foreign exchange differences	Cash flow hedge	TOTAL
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).

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2 Changes in accounting policies

Standards applied for the first time or changes

There were no changes to the accounting policies applied compared to the previous year with the exception of the amended standards listed below, which are mandatory from January 1, 2022.

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. 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 material 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 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	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. 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. Changes to assumptions not related to interest rates or financial risks are not recognized directly in the income statement and are instead posted against the contractual service margin and thus allocated over the duration of the services still to be rendered. Changes in estimates are recognized directly only in the case of groups of insurance contracts where there is a risk of losses. IFRS 17 provides a form of approximation for short-term contracts, which depicts the liability to provide coverage via unearned premiums, as previously. Under IFRS 17, liabilities from incurred claims that have not yet been settled are discounted at current rates. IFRS 17 modifies the general measurement model for large parts of life insurance business with direct participation features: changes to the shareholders' portion of development in the sources of income underlying the direct participation are recognized in the contractual service margin and are allocated over the remaining duration of service. If retrospective application is not possible, the contractual service margin at the transition date can be calculated using a modified retrospective approach or by comparing the expected value of the discounted cash flows and risk adjustment with the fair value at the transition date. 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: • 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

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Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
		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. 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. 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.	
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 quality as material, the accounting policy must relate to material transactions or other events and there must be a reason for the disclosure. For example, reasons include the policy being amended, the policy is an option, it is complex or highly discretionary or it was developed in accordance with IAS 8.10–11. The amendments to Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Accordingly, the focus in the future should be on company-specific disclosures as opposed to standardized disclosures.	No material impact expected
Amendments to IAS 8: Definition of Accounting Estimates	Jan. 1, 2023	The amendment to IAS 8 clarifies how companies can better differentiate between amendments to accounting policies and changes in estimates. It states that an accounting estimate is always related to measurement uncertainty for a financial indicator in the financial statements. As well as input parameters, an entity also uses valuation methods to determine an estimate. Valuation methods can be estimation techniques or valuation techniques.	No material impact expected
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023	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

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	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. 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. 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. The IASB postponed the date of initial application for the amendments indefinitely.	
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	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. 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. 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. 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.	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 performance obligations on the basis of the relative stand-alone selling prices (IFRS 15.74).

Revenue is recognized over time for series deliveries, as there are no alternative uses for the assets created 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 (≤ 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 lifetime 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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Notes to the income statement

7 Revenue

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

8 Own work capitalized

Of the own work capitalized, EURk 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:

	Deferred tax assets		Deferred tax liabilities	
EURk	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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Notes to the statement of financial position

15 Property, plant and equipment

EURk	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Prepayments made and assets under construction	TOTAL
Cost					
As of January 1, 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: EUR/k 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 equipment. 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).

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16 Intangible assets

EURk	Development services	Industrial property rights and similar rights	Goodwill	Other intangible assets	Advance payments made	TOTAL
Cost						
As of January 1, 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 duration of their employment. Obligations comprise those arising from current pensions and vested pension rights for pensions and retirement benefits payable in the future. There are no plan assets to fulfill pension obligations.

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

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.

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

Other provisions developed as follows:

	Personnel-related provisions		Provisions for onerous contracts		Provisions for warranties		Provisions for restructuring	
EURk	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:

	Current		Non-current				TOTAL financial liabilities	
	< 1 year		1 to 5 years		> 5 years			
EURk	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**

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Changes in liabilities from financing activities are shown below:

EURk	Jan. 1, 2022			Non-cash changes		Dec. 31, 2022
		Cash changes	Deferment based on maturity	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			Non-cash changes		Dec. 31, 2021
		Cash changes	Deferment based on maturity	New leases	Currency effects	
Non-current financial liabilities	55,727	-27,775	26,743	0	862	55,557
Current financial liabilities	37,192	26,157	-26,743	0	572	37,178
Lease liabilities	15,726	-4,321	0	6,132	244	17,781
TOTAL	**108,645**	**-5,939**	**0**	**6,132**	**1,678**	**110,516**

Taking 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:

	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	
EURk	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 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:

	< 1 year		1 to 5 years		> 5 years		TOTAL	
EURk	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.

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

	Hedging currency derivatives							
	< 1 year		1 to 5 years		> 5 years		TOTAL	
EURk	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**

	Non-hedging currency derivatives							
EURk	2022	2021	2022	2021	2022	2021	2022	2021
Inflow	20,864	30,913	9,949	6,403	0	0	30,813	37,316
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 foreign currency policy and managed by Group Treasury using appropriate countermeasures. The objective of risk management is to limit the effects of currency risks on future cash flows to an acceptable level. Currency risk is mitigated in part by the fact that goods, raw materials and services are procured in the corresponding foreign currencies and that the Group produces in local markets. Suitable hedging transactions are concluded to reduce the remaining risks. Use of hedging transactions within the PWO Group is only permissible to the extent that matching underlying transactions are available and verifiable as a highly likely demand forecast at the time the decision to hedge is made.

PWO companies are responsible for identifying, assessing and monitoring their transaction-related currency risks. The net foreign currency exposure of the respective PWO company is hedged in defined ranges depending on maturity but never 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:

	Change in rates +10%		Change in rates -10%	
EURk	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:

	Change in rates +10%		Change in rates -10%	
EURk	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**
EBITDA [1]	**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%**

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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:

	Category	Book value		Fair value	
EURk	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

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

	Level 1		Level 2		Level 3	
EURk	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:

	Assets		Liabilities	
EURk	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.

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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.

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/**.

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.

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	• 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		Former Executive Board Chairman of Kreissparkasse Böblingen	• 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	• 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)	–

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Executive Board

Name, location	Position	Member of any other statutory German supervisory boards or comparable German or foreign supervisory bodies at commercial enterprises
Carlo Lazzarini, Bergisch-Gladbach	CEO and Chairman of the Executive Board	• PWO Canada Inc., Kitchener, Canada | Chairman of the Board of Directors • PWO Czech Republic a.s., Valašské Meziříčí, Czechia | Member of the Supervisory Board • PWO Holding Co., Ltd., Hong Kong, China | Director • PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China | Chairman of the Board of Directors • PWO de México S.A. de C.V., Puebla, Mexico | Chairman of the Board of Directors • wvib Schwarzwald AG, Freiburg | Member of the Advisory Board
Dr. Cornelia Ballwießer, Munich	CFO	• 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
Johannes Obrecht, Oberkirch	COO	–

38 Proposal for the appropriation of profits

A proposal will be put to the Annual General Meeting to utilize the unappropriated retained earnings of 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)

Independent auditor’s report

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To Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch

Report on the audit of the consolidated financial statements and combined management report

Opinions

We have audited the consolidated financial statements of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 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 then 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 determine 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 combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

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 complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

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

Rupperti
German public auditor

Responsibility statement

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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	Dr. Cornelia Ballwießer	Johannes Obrecht
Chairman/CEO	CFO	COO

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EURk	2022	2021	2020	2019	2018
INCOME STATEMENT (EURk)					
Revenue	530,761	404,274	371,154	458,541	476,267
Total output	531,327	404,817	372,156	459,845	478,012
EBITDA	51,193	47,155	21,169	45,893	42,701
EBIT before currency effects	27,513	22,131	-8,123	22,122	19,575
EBIT including currency effects	26,779	21,823	-10,099	19,846	18,427
Net income/loss for the period	15,211	14,742	-11,662	9,051	6,640
BALANCE SHEET (EURk)					
Total equity and liabilities	400,281	373,272	363,654	393,306	390,046
Equity	151,316	125,301	104,464	119,529	116,450
Net debt[1]	115,366	103,609	102,484	132,473	131,359
Equity ratio in %	37.8	33.6	28.7	30.4	29.9
Leverage ratio in years[2]	2.3	2.2	4.8	2.9	3.1
CASH FLOWS (EURk)					
Cash flow from operating activities	11,572	20,962	49,197	47,948	38,451
Cash flow from investing activities	-14,354	-9,947	-13,471	-27,820	-25,605
Free cash flow	-5,760	4,863	29,096	14,952	8,070
Net change in cash and cash equivalents	-5,515	1,076	3,484	-14,218	4,658

[1] Total of current and non-current financial liabilities
[2] Net debt/EBITDA

	2022	2021	2020	2019	2018
ORDER SITUATION (EUR MILLION)					
Lifetime volume (new business)	890	570	400	510	304
of which series orders	845	535	370	475	280
of which tool orders	45	35	30	35	24
NUMBERS PER SHARE (EUR)					
Earnings per share (diluted = basic)	4.87	4.72	-3.73	2.90	2.12
Dividend per share	1.65[1]	1.50	0	0	1.35
XETRA share price, year-end	31.20	31.80	19.40	24.30	24.50
EMPLOYEES (AS OF DEC. 31)					
PWO Group (incl. temporary employees and trainees)	2,820	2,957	3,093	3,208	3,426
of which in Germany	970	1,151	1,419	1,531	1,656
of which at international locations	1,850	1,806	1,674	1,677	1,770

[1] Proposed dividend

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May 10, 2023	Annual General Meeting 2023
May 12, 2023	Quarterly Statement for the First Quarter of 2023
August 8, 2023	Interim Financial Report 2nd Quarter and First Half-Year of 2023
November 8, 2023	Quarterly Statement 3rd Quarter and 9 Months 2023
November 27–29, 2023	German Equity Forum, Frankfurt/Main

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

Pictures
PWO

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