PUSHING BOUNDARIES BY STANDOUT PERFORMANCE

ANNUAL REPORT 2023

Development and production of sophisticated metal solutions in environmentally friendly light-weight construction

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

REVENUE

EUR 555.8 million

EBIT BEFORE CURRENCY EFFECTS

EUR 28.2 million

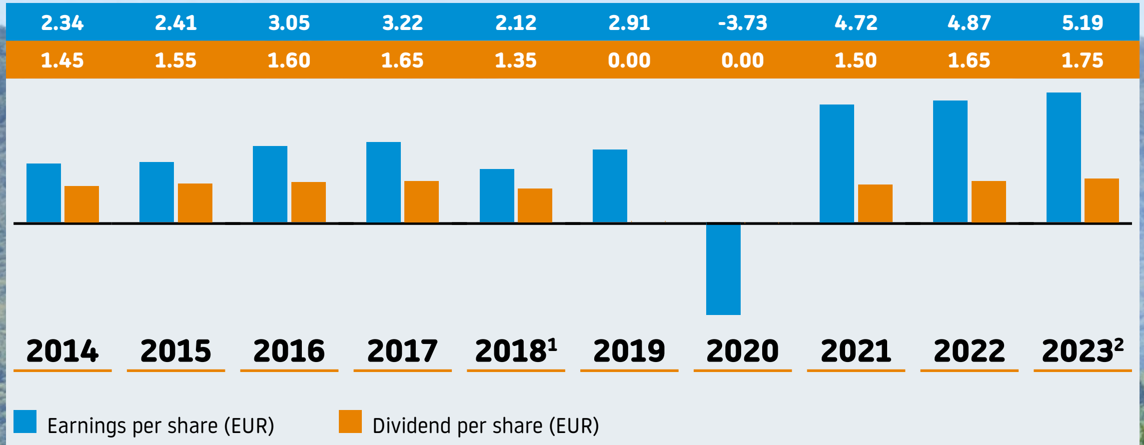
EMPLOYEES

3,112

SELECTED PERFORMANCE INDICATORS OF THE PWO GROUP

		Forecast for 2024	Actual results in 2023
Revenue	EUR million	Around 570	555.8
EBIT before currency effects	EUR million	29 to 32	28.2
Capital expenditure	EUR million	Around 40	26.5
Free cash flow	EUR million	Positive in mid-7 figures	11.3
Equity ratio	%	Flat	37.0
Net leverage ratio	Years	< 2.5	2.1
Lifetime volume of new business	EUR million	550 to 600	Around 845
Scope 1 and 2 greenhouse gas emissions	t	7,400 to 7,750	9,417

10-YEAR HISTORY OF EARNINGS AND DIVIDEND PER SHARE



[1] 2018: Dividend of EUR 1.10 and also an anniversary dividend of EUR 0.25 per share.

[2] 2023: Dividend proposal.

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BY STANDOUT PERFORMANCE

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PUSHING BOUNDARIES

BY STANDOUT PERFORMANCE

Inventive employees, ground-breaking innovation, a clear course for climate protection:

With these strengths, we outperformed our goals last year. Bucking the trend in the industry and in spite of the many uncertainties, we have grown significantly. We went the extra mile and pushed our own boundaries. This is an excellent starting point for us to continue our successful journey through 2024 and beyond.

Daniel Kirn, Felix Wild and Tobias Weber – participants in the PWO talent program

PUSHING BOUNDARIES

BY STANDOUT PERFORMANCE

Clear direction → *STRONG DEVELOPMENT*

PWO delivered first class results in 2023. But the environment is which it operates is still complex. In this interview, Carlo Lazzarini and Jochen Lischer talk about growth plans, strong networks for the climate transition – and about how green steel can become competitive.

Carlo Lazzarini, Chairman/CEO of the PWO Group

PWO's strategy is working. What are the fundamental reasons why?

Carlo Lazzarini: It's mainly because we've been following a clear course for several years now: trust in the abilities of our employees and pushing their boundaries, speed and short pathways for decision-making, global best practice in our processes. This course is now paying off across the board, especially at an operational level.

Our operational success is reflected in our figures as well ...

Jochen Lischer: Yes, we're growing at a faster rate than the market, and we're increasing our earnings power. And because these guidelines define what we do, fiscal year 2023 is one of a number of years in which we have steadily become better. Our international sites have developed into reliable pillars of our growth. Serbia is set to do the same. The recent performance shows what the PWO Group is capable of if you take off the brakes.

"The recent performance shows what the PWO Group is capable of if you take off the brakes."

Jochen Lischer, CFO

Future growth needs to be financed. How is PWO positioned in this respect?

JL: A solid balance sheet is important to us. Our rising earnings power contributes to this. Furthermore, we carefully manage our current assets and scrutinize investment. Savings can often be achieved through creative ideas for the further improvement of production processes, optimization of goods flows or the allocation of machinery.

We replaced existing financing agreements ahead of schedule and secured a considerably higher volume in 2023. Right at the beginning of the new year, we exercised an option to extend our syndicated loan. We are therefore well positioned for the planned growth in the coming years, and we can resolutely leverage our market opportunities.

Solving the great task of climate transition will take strong networks and mutual support. What are good formats?

CL: The economy in Germany is pitching in so that we can leave our children a healthy environment worth living in while, at the same time, safeguarding our national prosperity. We are currently building strong networks that go beyond conventional business relationships. One of our customers offers consulting services for the decarbonization of business processes. They have given us key stimulus for reducing our carbon footprint. We have signed a partnering agreement with our supplier Salzgitter to source green steel from them from 2026. With purchase commitments such as these, we are helping to ensure our supplier's transition to ecological production processes.

What part does politics have to play in making green steel competitive?

CL: At PWO we firmly believe that sustainability is technologically feasible and affordable when you work on what makes most sense – and that will lead to broad popular acceptance as well. To give you a specific example: A typical mid-range vehicle in Germany weighs around 2 metric tons. On average, half of a car is made of steel. A metric ton of green steel currently costs EUR 200 to 300 more than conventionally produced steel. With a relatively minor subsidy, a political decision could make a substantial and, above all, lasting contribution to boosting demand for green steel, and thereby indirectly support the corresponding investment by steel manufacturers.

There are currently challenges on the labor market as well. What is PWO doing about that?

CL: We're doing a lot to ensure that our employees feel good about working for us and that they can achieve their professional aspirations in the PWO Group. Above all, we give them responsibility quickly and enable them to take part in decisions on an equal footing. They can and should think of PWO in holistic terms, form networks within the Group and look beyond the confines of their own desk or their current position in production. In a culture of appreciation and positive feedback, many traditional boundaries vanish all by themselves.

The new fiscal year has already begun. What are your most important goals?

JL: One thing is clear: We want to continue PWO's success story in 2024. Many of the newly launched series are ramping up and reaching the crest of their profitability curves. At the same time, there are other high-volume start-ups coming up that will carry growth onwards into later years. With the expansion into Serbia in 2023, we began a new chapter in PWO's history and once again strengthened the Group through its presence in a growth region significant to the European mobility industry.

CL: At the same time, we are incorporating sustainability aspects ever deeper into our organization and day-to-day processes. We remain firm in our strong commitment to climate protection. In the coming years as well, we will continue to reduce our greenhouse gas emissions in absolute terms in spite of our growth. That will strengthen our position as a partner to our customers in shaping the green mobility of the future.

> "In a culture of appreciation and positive feedback, many traditional boundaries vanish all by themselves."
>
> Carlo Lazzarini, CEO

Ulrich Klose with members of his HR team

Greater freedom → *MORE IDEAS*

In today's competitive world, your employees are what make the difference. Their ideas and inventiveness give us our edge, while we maintain a corporate culture that is based on appreciation and pushes back boundaries. We asked how PWO especially tailors to its employees and creates the space for them to realize their potential.

In conver-sation

What matters most to you in terms of employee development?

UK: Our world is becoming more complex every day. We want to enable our employees to handle complex situations confidently and successfully, to acquire the necessary knowledge themselves or to consult with others who possess that knowledge, and to keep improving their own judgment all the time. Also, we are operating in a highly competitive industry. The ability to perform successfully under pressure and to see it as a positive incentive is therefore highly important as well.

How do you encourage them to contribute new ideas and to develop innovative solutions?

UK: We have an open error culture. Above all, however, we honor ongoing progress and recognize performance. Individual successes are celebrated together. We are the motivating energy for seizing the future for every individual and for the team as a whole.

How do you manage to take in different viewpoints and perspectives to find more creative and more diverse solutions?

UK: Diversity is a special source of inspiration for us. That's why we strive for diversity at all levels of the Group – diversity of personality, age, gender, educational or professional background and internationalism. The different perspectives afforded by mixed teams almost automatically lead to new ways of thinking because of the interplay of different experiences.

Ulrich Klose, Vice President Group HR

HOW WE AIM TO ENHANCE OUR APPEAL AS AN EMPLOYER

Current topics in fiscal year 2023

- **PWO talent program** Our new international talent program was launched at a global level for the first time in the first quarter of 2023. With it, we want to create global career paths, promote networking and assist in the transfer of knowledge.
- **International culture** We promote dialog and cooperation between our sites. Projects at Group level are systematically initiated and managed by different PWO locations.
- **Internal advancement** In our rapidly growing Group, we prefer to fill positions internally. We quickly delegate responsibility and we broaden horizons.
- **PWO Campus** Our employees should be able to gain further qualifications, network and share their knowledge. The goal is to get dialog going on relevant topics and then keep this going.
- **Lifelong learning** Beyond professional and methodological skills and strategic training for junior executives and specialists, the development of personal skills is especially important to us as well.

PUSHING BOUNDARIES
BY STANDOUT PERFORMANCE

We want *feedback*

In 2022, we had developed a canon of PWO values and comprehensively refined our values-based corporate culture. Now we wanted to know how our values and leadership principles are practiced and where there is still room for improvement.

This is why PWO joined forces with a respected international service provider to perform a global employee survey. Together with our partner, we adapted their questionnaire, which was developed using scientific methods, to our individual situation. A combination of closed and open-ended questions firstly prompted structured responses and secondly opened up a channel for individual feedback on strengths and potential for improvement. This way, we want to keep on adjusting the levers to enhance employee engagement, loyalty and satisfaction. The results of the survey will be presented within the Group and incorporated into our work in early 2024. To initiate a continuous improvement process, 3 surveys in total are planned over a period of several years.

Marius Gerhardt and Volker Springmann, Business Development, talking with Nico Weiler, Quality Management

Top: Product line managers Frank Domnik and Dominic Papst in discussion

Bottom: Daniel Obert, Katharina Benz and Daniel Berger staying active along the Rench on PWO's grounds

CENTRAL SUBJECT AREAS OF OUR EMPLOYEE SURVEY

- Credibility
- Respect
- Fairness
- Pride
- Team spirit

OTHER KEY ASPECTS THAT WE ESPECIALLY VALUE

- Direct management and team
- Healthy working
- Sustainability
- Principles and values
- Feedback and error culture

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We put questions to our employees and asked for their feedback

PUSHING BOUNDARIES

BY STANDOUT PERFORMANCE

PUSHING BOUNDARIES
BY STANDOUT PERFORMANCE

Concerted efforts
→ FASTER PROGRESS

Whether in Germany, Czechia, Serbia, Canada, Mexico or China: We are driving forward climate protection at our locations around the world. And with great success: We exceeded our Scope 1 and 2 SBTi targets in 2023 – 7 years sooner than intended under the SBTi 1.5°C plan.

Dominic Papst, product line manager, values PWO's global commitment to the energy transition.

Targets *surpassed*

Our sustainability strategy is working. Despite our ongoing growth, we are reducing our absolute greenhouse gas emissions.

We made a commitment to the Science Based Targets initiative (SBTi) to reduce our absolute greenhouse gas emissions by 46.2% for Scope 1 and 2 and by 28.0% for Scope 3 compared to 2019 levels by 2030. We were already down by more than 50 percent in 2023.

Key success factors were the electrification of processes, the systematic use of green electricity, the continuous improvement of energy efficiency and the strict implementation of energy savings.

Positive competition within the PWO Group also proved especially effective. Our individual locations are constantly developing new procedures and processes that contribute to the decarbonization of our business activities and that we then roll out globally.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

-51.0%

absolute reduction in Scope 1 and 2 emissions in 2023 as compared to 2019 baseline.

Maximilian Mauermann is systematically expanding sustainability management at PWO.

At PWO, sustainable action is both an obligation and an opportunity.

"With a clear focus on our responsibility to future generations and the protection of our planet, we have made great progress in reducing our Scope 1 and 2 greenhouse gas emissions. This is one of our substantial contributions for a greener future."

Maximilian Mauermann, Senior Manager Group ESG

We *keep going*

8 MENSCHENWÜRDIGE ARBEIT UND WIRTSCHAFTSWACHSTUM

12 NACHHALTIGE/R KONSUM UND PRODUKTION

13 MASSNAHMEN ZUM KLIMASCHUTZ

We now use 100 percent green electricity at our European locations. The next step is our other sites.

Last year, we decided to convert our locations in Mexico and in China completely to green power as early as fiscal year 2024 and fiscal year 2026 respectively. To this end, we will install photovoltaic systems there and also use renewable energy certificates in accordance with the I-REC standard.

We will thus significantly reduce our carbon footprint once again. In fiscal year 2023, these sites produced 4,870 metric tons of Scope 1 and 2 greenhouse gas emissions overall, and therefore around half of the PWO Group's total emissions in these two scopes.

Strict heating management still applies throughout the whole of the PWO Group. Also, we are continuously improving energy data collection, for instance on electricity, compressed air and water, and including additional systems in automatic shutdown management for presses and welding units. We are reducing electricity consumption for compressed air generation, for instance with our energy scouts. And we use LED lighting and, wherever possible, daylight.

> 50%

of emissions for purchased goods and services (Scope 3) recorded as real data – target for 2023 thus slightly surpassed.

3 CENTRAL INSTRUMENTS WITH WHICH TO KEEP ADVANCING OUR DECARBONIZATION IN THE COMING YEARS

Concentrating on the essential

1. **Increasing the share of green electricity** Wherever genuine green electricity is available on the market. For us, primarily at the 4 European locations.
2. **Using photovoltaics** Wherever there is no genuine green electricity. Above all, at our 5 other locations in North America and Asia.
3. **Utilizing other SBTi instruments** For example, I-REC certificates. So that we can act even faster.

PUSHING BOUNDARIES
BY STANDOUT PERFORMANCE

PUSHING BOUNDARIES

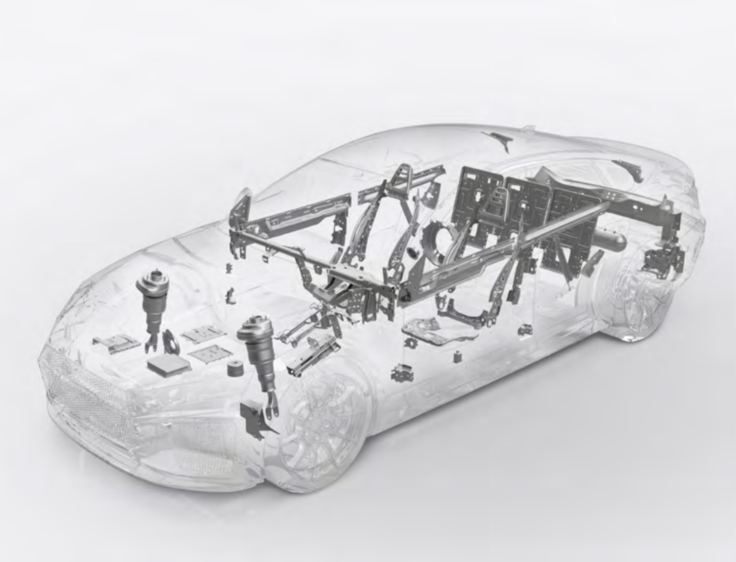
BY STANDOUT PERFORMANCE

More performance → *BETTER MARKET POSITION*

In vehicle construction, lightweight components are a key factor in achieving climate-friendly mobility. Our customers greatly value our innovative solutions. At the same time, we are expanding dynamically world-wide. Our new business is thus growing rapidly. We invest the income from this in further growth.

Patrick Ringwald ensures maximum precision in toolmaking.

We are *everywhere in the vehicle*



Around the world, we are currently working on more than 2,000 product solutions for our customers and helping to make vehicles lighter and mobility thus greener.

Our particular expertise lies in the seamless interaction of development and production. As our production expertise operates on an equal footing to our development expertise, we can bring innovative solutions at the cutting edge of what is technologically possible to large series, and thereby exhaust the economic potential of lightweight construction. Traditionally, we apply our experience and expertise to a very wide range of vehicle components. That is why our customers can count on us to develop solutions optimized for them for the ramp-up of electromobility as well. These are central pillars of our competitive muscle and the continuous expansion of our market position.

Around **50** new projects were successfully launched and brought to production standard in 2023.

"Our business model, which is entirely independent of internal combustion engines, makes us a sought-after partner to our customers in shaping the green mobility of the future."

Jessica Crimi, key account manager

PUSHING BOUNDARIES
BY STANDOUT PERFORMANCE

Growth *ahead*

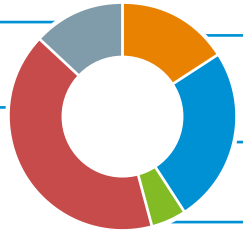
Daniel Vogel, Vice President Sales Global, travels the world for PWO.

We declared a profitable growth trajectory in 2019, and since then we have steadily increased new business to the highest level in the company's history of EUR 890 million in 2022. New business almost seamlessly continued at this level in 2023 as well. Over the coming years, our many new series start-ups will be ramped up and thereby contribute to growth in revenue and earnings.

The high level of new business in Mexico and Czechia in 2023 is a particular highlight. We were particularly adept at playing to our strengths in air suspension and seat components as well as in instrument panel carriers. Our positioning in vehicle electrification is strong as well. And in China we are particularly pleased with an order from a local manufacturer of electric vehicles. Our new production location in Serbia will soon be added to the ranks as well. We expect to break ground here in 2024.

LIFETIME VOLUME OF NEW BUSINESS BY COUNTRY IN 2023

Series and tool orders (100% = around EUR 845 million)



No series orders were acquired in 2023 for our production site in Serbia, which is currently under construction.

9 SITES IN 6 COUNTRIES

China, Germany, Canada, Mexico, Serbia, Czechia We operate around the world and serve our customers wherever they need us.

PUSHING BOUNDARIES
BY STANDOUT PERFORMANCE

To our shareholders

Letter from the Executive Board

Dear Shareholders,

For more than 100 years, we have been shaping and adding metal at the cutting edge of what is technologically possible – always at the forefront of the market and with state-of-the-art materials and processes. Thanks to this wealth of experience, time and again, we succeed in pushing boundaries in the development and manufacture of sophisticated metal components and systems.

Pushing boundaries both inspires us and is our passion. It is the foundation of the PWO Group's excellent reputation with its customers, which carries the business worldwide. We are energetically expanding our market position in Europe, North America and Asia. After achieving the highest volume of new business in the company's history of EUR 890 million in 2022, the volume in 2023 was only slightly lower at EUR 845 million and thus again at a very high level as well as significantly exceeding the original expectations for the reporting year. The new production location in Serbia, construction on which will begin in 2024, marks the start of a new chapter in PWO's story.

Our customers value our innovation and seek out our partnership to manage the ramp-up of electromobility. They know that with our business model, which is entirely independent of internal combustion engines, we can devote all resources to shaping the future together. With revenue growth and increased earnings in fiscal year 2023, a consistently strong balance sheet and comfortable refinancing options, we are underlining the strong position of the PWO Group.

The world has become much more complex, the challenges are a tall order and sometimes you might feel that they are becoming too much. Details presented in the management report will show you the many different issues that we, like a lot of other companies, are currently navigating, and the high cost pressure that is still weighing on our business. What matters is that we will find solutions here as well, and thereby continue our successful journey. In 2023, we raised the forecast for the performance indicator of EBIT before currency effects twice – and achieved it.

But pushing boundaries extends far beyond the technical and financial sphere of business. This has become second nature to us in everything that we do. That also includes seeing our business as a force for good. We do not bend metal or shape components just to generate revenue and profits. Through our innovation, we are shaping the green mobility of the future. That's why climate protection is one of our central concerns.

We are reducing the Group's carbon footprint faster than the 1.5°C path set out in the Paris Agreement. In 2023, absolute greenhouse gas emissions were cut by more than 50 percent compared to the 2019 level, thus exceeding the Scope 1 and 2 targets we pledged to the Science Based Targets initiative by 2030 – 7 years ahead of schedule.

And there's more: In the reporting year, we laid the foundations to convert our locations in Mexico and in China completely to green power as early as fiscal year 2024 and fiscal year 2026 respectively. Progress is also being made in Scope 3 with a new partnering agreement with the supplier Salzgitter to source "green steel" from 2026.

Finally, we are continuously pushing our own boundaries in our relationships among and with each other. We maintain respectful dialog, foster critical skills, open new horizons to our employees and encourage them to explore new avenues for themselves personally and for our Group. Details of this can be found in the magazine section of this annual report.

Jochen Lischer
CFO

Carlo Lazzarini
Chairman/CEO

We pay particular attention to signals from our employees, taking their ideas on board and implementing their suggestions. To ensure that there is a structured process for this in day-to-day operations as well, in fiscal year 2023 we joined forces with a respected international service provider to perform a global employee survey. We wanted to know what we can do better and, above all, what we have to do better. Over a cycle of 3 surveys in total over a period of several years, we want to face their judgment.

On the whole, fiscal year 2023 was by no means just an isolated standout performance. Rather, we have continued to develop the PWO Group comprehensively in the last few years, both strategically and operationally. In just a handful of years, it has undergone a highly personal transformation and is now on the threshold of shaping its future with even more energy.

Our thanks go to our employees for their great commitment in shaping our journey to date, for their huge creativity in managing challenges and their immense openness in the search for opportunities for the PWO Group.

We would also like to take this opportunity to thank you, our shareholders, for the trust you have placed in us. Our goal is to keep on making the PWO Group more valuable to you. This also includes you regularly sharing in the Group's success. We have therefore refined our dividend policy in fiscal year 2023. In line with our intended operational development, we wish to see a steady and continuous development in our dividend. The annual distribution is to remain as stable as possible and, whenever possible, to grow as well. Besides the amount of PWO AG's distributable net retained profits, key criteria for determining the amount of the dividend are the earnings performance of the PWO Group and the anticipated funding requirements for the ongoing growth of the Group.

In the opinion of the Executive Board and the Supervisory Board, the positive business performance of the PWO Group and its continued positive prospects, again backed up not least by the high level of new business in 2023, allow for an increase in the dividend payment. We will therefore propose to the Annual General Meeting to raise the dividend to EUR 1.75 per share for fiscal year 2023.

Carlo Lazzarini
Chairman/CEO

Jochen Lischer
CFO

Report of the Supervisory Board

Karl M. Schmidhuber
Chairman of the Supervisory Board

The Supervisory Board of PWO AG (the "company") carried out its duties as defined by law, the company's Articles of Association and its Rules of Procedure in fiscal year 2023. To this end, the Supervisory Board and Executive Board maintained continuous cooperation and close dialog. The Supervisory Board advised the Executive Board on a regular basis and monitored the legality, appropriateness and efficiency of the company's management.

All key issues relating to the strategic development of the company and the Group (the "Group" or "PWO Group") were discussed and closely coordinated by the Supervisory Board and the Executive Board. 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 to 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.

Following the dramatic events of the preceding years – including in particular the pandemic, the start of the war in Ukraine, the energy cost crisis, inflation and the turnaround in interest rates – fiscal year 2023 did not hold any additional challenges of a similar scope in store to begin with. The global economic and geostrategic situation remained very tense, however, and the Middle East conflict intensified in an unimaginable way with the terrorist attack by Hamas on Israel on October 7, 2023. Last but not least, the impact of climate change is becoming ever more visible in the form of extreme weather events.

We are adapting to a greater volatility in overall macroeconomic developments and are paying particular attention to identifiable changes so that we are able to respond as early and as flexibly as possible. The general conditions in Germany as an industrial location have unfortunately deteriorated noticeably in the last few years. As a result, growth in Germany not only lagged behind that of many other industrialized nations, but was actually negative in 2023. This is also putting pressure on our German production location.

Against this backdrop, the Supervisory Board has therefore reviewed and discussed with the Executive Board in particular detail the current short and longer-term corporate strategy and planning of the PWO Group as well as the planned development projects and investments.

The Executive Board also provided prompt and extensive information in 2023 on developments that emerged in the short term and that were relevant to business performance. Possible deviations from targets were discussed and suitable measures to counter them were presented, examined by the Supervisory Board and discussed with the Executive Board. Furthermore, the Executive Board submitted a written report to the Supervisory Board every month on the financial situation of the PWO Group and the individual companies, especially their performance in terms of revenue, earnings, equity, and personnel issues, as well as their net assets, financial position and results of operations. Moreover, the Executive Board reported to the Supervisory Board on transactions that may be of considerable significance for the profitability or liquidity of the company, the risk situation of the Group and its divisions, the corporate strategy and planning, the Group's risk and compliance management systems, the internal control system, Internal Audit, IT security and data protection.

The Supervisory Board critically reviewed all the Executive Board's reports for plausibility and Internal Audit, risk management, the internal control systems and the compliance management system for their suitability and effectiveness in terms of the extent of the Group's business activities and its risk situation. It 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 the provisions of the law, the Articles of Association and the Executive Board's Rules of Procedure. Matters requiring the Supervisory Board's approval were submitted to it for a resolution by the Executive Board in a timely manner.

In fiscal year 2023, the Chairman of the Supervisory Board was in regular and close personal contact with the Executive Board in the periods between the Supervisory Board meetings, particularly with the CEO, advising it on strategy, planning, business and financial development, the risk situation and risk management as well as compliance, personnel and sustainability issues. The Chairman was constantly informed of the course of business and the material business transactions. He also briefed the other Supervisory Board members and discussed the current developments with them outside of the Supervisory Board meetings.

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

The members of the Supervisory Board are responsible for completing any training and continuing education required for their duties, which includes keeping up to date on any changes in the legal framework and on new pioneering technologies and sustainability/ESG. They regularly use online offers and consultant services and are supported by the company in this process. Internal information events are offered as necessary in the context of active professional development. Such training was provided on sustainability/ESG to all Supervisory Board members by KPMG at PWO AG in Oberkirch on July 28, 2023.

The work of the full Supervisory Board

The full Supervisory Board met on a total of 6 occasions in the reporting period, where 3 meetings were scheduled over 2 days each. It dealt regularly and in detail with the corporate strategy, current market situation, ongoing and planned development projects, status of capital expenditures, refinancing of the PWO Group and its financing strategy, as well as the relevant situation and earnings reports of the Executive Board on the Group's economic and operating situation.

Other major key topics included the consistently high level of new business and the resulting growth prospects of existing and potential additional locations. In this context, the current and future positioning of the Oberkirch production site, the need for a global toolmaking strategy and a production site in Eastern Europe/Serbia were also recurring important issues.

On the basis of the resolution of the Annual General Meeting on May 10, 2023, the Chairman of the Supervisory Board and the Audit Committee appointed the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Stuttgart branch, and agreed its fee.

In addition, the following individual topics were on the relevant agendas in the course of fiscal year 2023:

At the meeting on March 15, the Supervisory Board dealt primarily and extensively with the Audit Committee's report on fiscal year 2022, the corporate governance statement and the 2022 non-financial report.

On March 23, the Supervisory Board essentially dealt with the financial statements for fiscal year 2022, the report of the Audit Committee and the report of the auditor, the remuneration report and other required declarations and reports on fiscal year 2022. The Executive Board's proposal for the appropriation of profit was also approved. Following its own detailed review, the Supervisory Board approved the 2022 annual financial statements and the 2022 consolidated financial statements; the annual financial statements were thus adopted. Furthermore, the agenda was resolved for the 100th Annual General Meeting on May 10, 2023. In addition to the recurring topics, the Executive Board's considerations on the establishment of a new site in Serbia were discussed in detail. Furthermore, the Supervisory Board received a report from the Personnel Committee on current Executive Board issues and discussed this at length.

The meeting on May 10 extensively discussed the Executive Board's proposals on adjusting the organizational structure of the PWO Group in China and Hong Kong as well as items and procedures of the upcoming Annual General Meeting. The inaugural meeting of the new Supervisory Board, as elected by the Annual General Meeting, was held after the Annual General Meeting.

On May 11, an extensive review was conducted of the Annual General Meeting held the previous day, how it had proceeded and the resolutions that were adopted. The Executive Board and the project management presented a status report on the "Serbia production site" project, which was then discussed at length. Furthermore, the Supervisory Board comprehensively discussed the previous findings on the performance in fiscal year 2023 and the first forecast for 2023 presented by the Executive Board.

At its 2-day meeting on July 27 and 28, the Supervisory Board addressed a report from the Personnel Committee on Executive Board issues in addition to the recurring topics. It dealt extensively with the ongoing development of corporate strategy, the future vision of the Oberkirch production facility, including the toolmaking located there and the planned "Global Tooling" organization, various sales issues, investment and innovations in the business units, the product portfolio and also site expansions within the Group. In-depth training of all Supervisory Board members on sustainability issues (ESG) was conducted by KPMG in the afternoon of July 28.

After a comprehensive tour through production, toolmaking and prototype manufacturing at the plant in Oberkirch to start with, the Supervisory Board also discussed various strategic topics at the 2-day meeting held on September 27 and 28. These discussions focused on issues relating to the optimization of the global coordination of sales and investment control in the PWO Group, prototype manufacturing, toolmaking and production as well as the "Global Tooling" organization and procurement in connection with the PWO Group's digitalization campaign. Moreover, strategic and organizational changes resulting from the management of PWO AG and the Group by a 2-person Executive Board were discussed and amended Rules of Procedure for the Executive Board were adopted. In addition to the recurring topics, the Supervisory Board held a detailed discussion on the PWO Group's business performance and the report of the Audit Committee.

The Supervisory Board addressed corporate governance issues at its meeting on December 7, in particular the current declaration of compliance and its own self-evaluation. Moving beyond the recurring items, the agenda also included the current business performance of the PWO Group and its further expansion, especially in Eastern Europe, Canada and Mexico. Various financing questions as well as the 2024 to 2028 planning presented by the Executive Board were also considered in detail.

The positioning of PWO's shares on the capital market and the performance of the share price were also thoroughly discussed. Moreover, the Supervisory Board received a report from the Audit Committee on its meeting on October 31 and from the Personnel Committee on Executive Board issues and discussed these at length.

Furthermore, circular resolutions on various issues were also adopted in the 2023 reporting year: on Executive Board issues on February 21, March 7, April 5 and April 21, on the new syndicated loan agreement on March 7 and on the expansion in Eastern Europe on June 7 and September 4.

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. Chairs of these committees regularly report to the full Supervisory Board on the deliberations 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 and, rather than the Supervisory Board, decides on whether to approve any outside or competing offices held a member of the Executive Board and the granting of loans to members of the Executive Board or Supervisory Board. Moreover, the Personnel Committee submits proposals to the Supervisory Board for the remuneration system for the Executive Board and the targets and performance criteria for the short-term incentive and the total target remuneration of the individual members of the Executive Board for the respective fiscal year.

The Personnel Committee held 6 meetings in the reporting year on January 4, February 8, March 6, March 22, March 28 and July 5. It addressed the composition of the Executive Board and the executive organization chart, the further development of the remuneration system for the Executive Board, the remuneration report for fiscal year 2022 and various other Executive Board issues in great detail.

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. Accounting and auditing also cover the non-financial and sustainability reporting and audits of these reports.

The Audit Committee assumes the tasks of previewing the annual financial statements and consolidated financial statements, the management report, the Group management report and the audit report issued by the auditor on behalf of the Supervisory Board. It advises on the selection of the auditor and examines the auditor's independence and the services performed by the auditor.

Also, it 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 progress in the audit and reports on this to the committee.

The Audit Committee also prepares the report to be submitted by the Supervisory Board in accordance with section 171 of the *Aktiengesetz* (AktG – Stock Corporation Act).

In addition to monitoring the accounting and the accounting process – including the non-financial and sustainability reporting and the auditing of these reports – the Audit Committee also concerns itself with overseeing the appropriateness and effectiveness of the internal control system and the risk management system, Internal Audit, the audit of the financial statements and its quality, compliance, the compliance management system and data protection. It is also responsible for related party transactions. Also, the members of the Audit Committee – through its Chairman – obtain information from the heads of the respective departments responsible for tasks relating to the Audit Committee as required. The Chairman informs the Executive Board of this immediately.

The Audit Committee met 5 times in the reporting period: on February 16, March 15, May 5, July 28 and October 31. Key topics discussed at its meetings were the financial statements for fiscal year 2022 as well as the interim financial report and the quarterly statements in fiscal year 2023. The Audit Committee was also involved in preparing the 2023 annual financial statements. Other defining issues were the new regulatory organizational, personnel and financial requirements for the Group as a whole, which will be implemented in the near to short-term future.

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

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 referred to by section 100(5) AktG)
- Dr. Georg Hengstberger (financial expert in the field of accounting as referred to by section 100(5) AktG)
- Stefan Klemenz
- Karl M. Schmidhuber

Disclosure of meeting attendance for individual members

The attendance of the members of the Supervisory Board at the meetings of the Supervisory Board and committees is disclosed for each member below:

Members of the Supervisory Board	Meetings	Attendance
Karl M. Schmidhuber, (Chairman)	• Supervisory Board • Personnel Committee • Audit Committee	6 / 6 6 / 6 5 / 5
Dr. Georg Hengstberger, (Deputy Chairman)	• Supervisory Board • Personnel Committee • Audit Committee	6 / 6 6 / 6 5 / 5
Andreas Bohnert, (employee representative)	• Supervisory Board	6 / 6
Carsten Claus	• Supervisory Board • Audit Committee	6 / 6 5 / 5
Stefan Klemenz, (employee representative)	• Supervisory Board • Audit Committee	6 / 6 5 / 5
Dr. Jochen Ruetz	• Supervisory Board • Personnel Committee	6 / 6 (was excused on 1 day during 2 of the 2-day meetings) 5 / 6 (was excused from 1 meeting)

The Chairman of the Audit Committee, Carsten Claus, attended 5 meetings of the Personnel Committee as a guest.

Wherever possible, the meetings of the Supervisory Board and its committees are held in person. 2 of the Supervisory Board's meetings were held as hybrid meetings, i.e. in person with the option of virtual participation.

2 meetings of the Audit Committee and 1 meeting of the Personnel Committee were held as virtual meetings.

Changes in the composition of governing bodies

In the reporting year, Johannes Obrecht and Dr. Cornelia Ballwießer resigned from the Executive Board of PWO AG with effect from April 30, 2023, and June 30, 2023, respectively and the number of members was reduced from 3 to 2. Jochen Lischer, authorized representative and head of Finance and Controlling at PWO AG, was appointed as a member of the Executive Board and CFO of the company with effect from July 1, 2023, to June 30, 2026. There were no changes to the members of the company's Supervisory Board in the reporting year.

Conflicts of interest

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

Audit of the annual and consolidated financial statements

The consolidated financial statements were prepared by the Executive Board in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the provisions of section 315e(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (Stuttgart branch), audited 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 and issued an unqualified auditor's report.

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 14, 2024, the Audit Committee reviewed the annual and consolidated financial statements, the combined management report for the company and the Group, the dependency report, and the audit reports prepared by the auditor. The auditor was present at this meeting and reported on the main findings of the audit. At this meeting, the Audit Committee also reviewed the non-financial report for fiscal year 2023 in detail.

The Supervisory Board received the Audit Committee's report at its meeting on March 14, 2024. It discussed the separate non-financial report for the company and the Group in detail and subjected it to its own review. The separate non-financial report was explained in detail by the Executive Board. This 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 21, 2024, the Supervisory Board dealt in detail with the annual and consolidated financial statements for fiscal year 2023, including the combined management report for the company and the Group, the Executive Board's proposal for the appropriation of the net retained profit, the dependency report of the Executive Board in accordance with section 312 AktG, the remuneration report and the audit reports prepared by the auditor. Associated documents were provided to the members of the Supervisory Board in a timely manner before the meeting on March 21, 2024. 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 annual financial statements and consolidated financial statements, the combined management report for the company and the Group, and the Executive Board's proposal for the appropriation of the net retained profit. On the recommendation of the Audit Committee, it agreed with the result of the audit conducted by the auditor at its meeting on March 21, 2024. No objections were raised following the conclusive results of the Supervisory Board's review.

The Supervisory Board approved the consolidated and annual financial statements; the annual financial statements for fiscal year 2023 were thus adopted.

The Supervisory Board also subjected the dependency report to its own review and confirmed the result of the audit conducted by the auditor. Following the conclusive results of the Supervisory Board's review, there were no objections to the Executive Board's statement at the end of the dependency report.

The Supervisory Board approved and signed the remuneration report at the same meeting. An audit opinion on the remuneration report was provided by auditor, who was present at the meeting.

Given PWO AG's gratifying performance in fiscal year 2023 and the consistently positive outlook of the Group for the years ahead, the Executive Board proposed to the Supervisory Board to distribute a dividend of EUR 1.75 per share. Following a detailed examination, the Supervisory Board approved this proposal to the 2024 Annual General Meeting at its meeting on March 21, 2024.

A word of thanks

At the beginning of fiscal year 2024, we once again face a period of what we can expect to be far-reaching changes. This year will see more people vote in elections around the world than ever before in history, with more than 40 percent of the global population going to the polls. Of particular importance for us in Germany and Europe in the short term are the European Parliament elections, the elections in 3 German federal states, and the presidential election in the US. There is reason to fear that the already heated social climate will intensify even further in many countries in the course of the election campaigns and the subsequent potential transitions to a new government and will generate new uncertainties in this way.

Decisions on purchasing long-term assets such as vehicles may therefore be deferred. Sharing models are also becoming more and more appealing. This will further accelerate the transformation of the mobility sector. At the same time, the exodus primarily, but not only of energy-intensive industry from Germany is continuing. In addition, tackling climate change in a shorter period than some had expected will require considerable work. Against this backdrop, the challenges that the PWO Group faces also remain high.

The extensive ongoing development of the PWO Group is even more positive in this light. It is an agile influential player on the market pursuing strong international activities that regularly develops innovative solutions at the cutting edge of what is technologically possible. At around EUR 845 million, the once again high level of new business in 2023 underlines our strong position on the market. It provides the basis for the PWO Group to continue its success story in the future. The further expansion of our production capacity in Eastern Europe and Mexico that is planned from 2024 onward will also contribute to this.

And finally, the Scope 1 and 2 targets for reducing greenhouse gas emissions under the Paris Agreement were not only achieved in 2023, 7 years earlier than planned, but exceeded as well. In addition, a partnering agreement was signed with one of our suppliers to source green steel from 2026, which will further accelerate the process of decarbonization along our value chain as well.

The way to achieving these milestones has been paved by our employees, as they have been open to absorbing and implementing the stimuli of a new values-based corporate culture. We, the Supervisory Board, would like to express our thanks to you all for the dedication with which you have taken on the challenges, sought opportunities for the PWO Group and rapidly driven forward its strategic development. Thank you very much! We wish you and your families all the best and good health and peace in particular.

This report was discussed in detail and approved by the Supervisory Board at its meeting on March 21, 2024.

Oberkirch, March 21, 2024

Karl M. Schmidhuber
(Chairman of the Supervisory Board)

Investor relations – our dialog with the capital market

Investor relations activities

We maintain active, open and continuous dialog with investors, analysts and media representatives. Our talks regularly focus on the earnings performance of the PWO Group, its global growth strategy and the ongoing decarbonization of its business.

We had begun fiscal year 2023 with a realistic earnings forecast. The massive increases in procurement prices in recent years and – owing to persistently high rates of inflation in many countries – foreseeable growth in staff costs at our locations had to be taken into account. Mutually amicable solutions with our customers on price adjustments and positive effects from the optimized purchasing of services gradually improved the earnings situation as the year progressed. We were therefore able to raise our forecast for EBIT before currency effects twice over the course of fiscal year 2023.

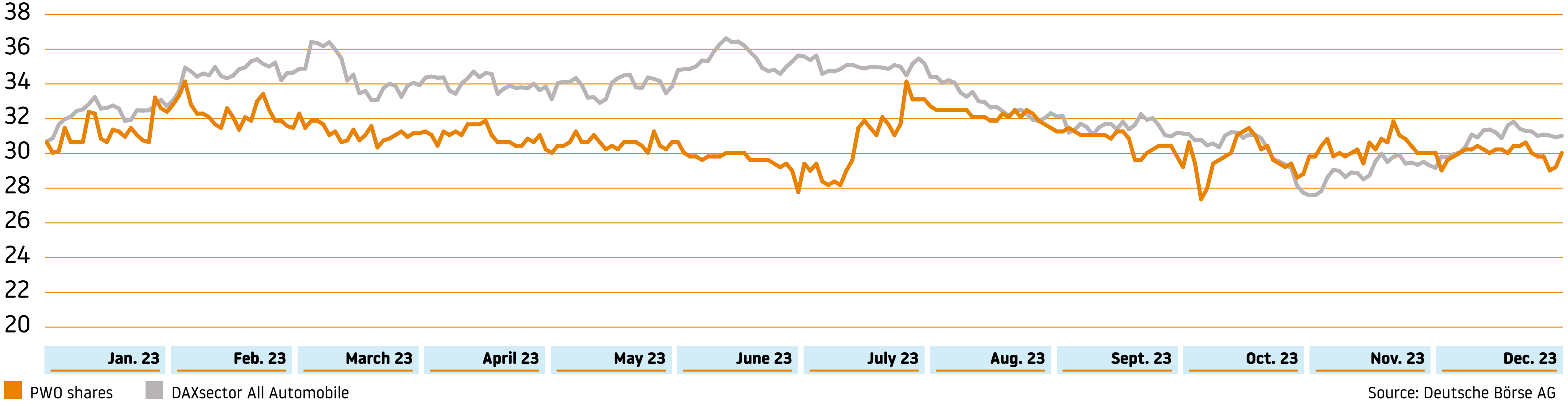
The expansion of our market position is progressing positively as well. We want our growth to be profitable. Above all, this means managing series start-ups efficiently. We are improving on this front all the time at our locations around the world, with the result that the breakeven threshold on the start-up curve is increasingly moving forward. New customer acquisition therefore became more confident as the year progressed. Overall, we were able to raise our forecast for this twice as well in 2023, and by the end of the reporting year we achieved a new business volume close to the previous year's record level.

And finally, our decarbonization strategy is being carefully continued. The systematic reduction of Scope 1 and 2 greenhouse gas emissions above and beyond the 1.5 degree path set out in the Paris Agreement is being met very warmly. Thus, we are showing that we are prepared to make our contribution to the climate transition. We are also monitoring all the developments in the production of green steel very closely as well, as steel accounts for a significant share of our Scope 3 emissions. In the reporting year, we signed a partnering agreement with one of our suppliers to source "green steel" from them from 2026. We anticipate that the steel industry's offering will expand rapidly in the coming years.

The PWO Group's strategy was again positively received by our partners in talks. Current analyst recommendations for PWO's shares can be found on our website at → **www.pwo-group.com/en** under Investors & Press. We also provide extensive information in this section, including financial reports, capital market presentations, press releases, ad hoc disclosures and key dates for the current fiscal year.

Development of PWO's shares in fiscal year 2023

SHARE PRICE PERFORMANCE SINCE JANUARY 2023 (FIGURES IN EUR; DAXSECTOR ALL AUTOMOBILE USED AS PRICE INDICES; INDEXED TO PWO SHARE PRICE AT START OF 2023)



Source: Deutsche Börse AG

PWO's share price tracked sideways overall in the reporting year, essentially matching the performance of the sector index. The XETRA closing price of the shares was EUR 30.60 on the first day of trading and EUR 30.00 on the last, 2 percent below the previous year. Meanwhile, the share price index for the German automotive industry, the DAXsector All Automobile, closed the year with a 1 percent improvement on the start of the year.

For long stretches, stock market activity in 2023 was characterized by the economic and political uncertainty and consequences stemming from the war in Ukraine. In particular, these still ranged from sanctions on Russia, high long-term average inflation rates, rising interest rates, spending restraint on the part of consumers and – in the longer term – fears over the formation of new political blocs that restrict what were previously global trade flows.

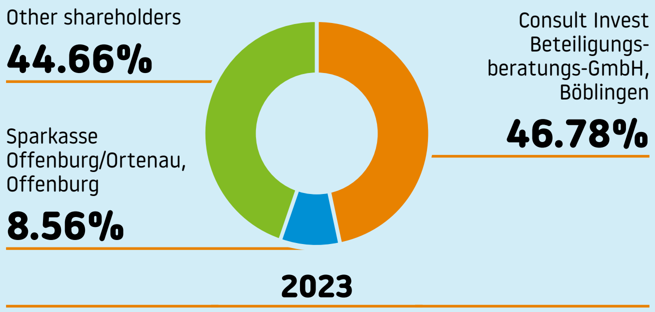
While the global economy proved remarkably stable in the face of this unfavorable overall situation and seemed headed for a soft landing, German gross domestic product is likely to have fallen by 0.3 percent according to the International Monetary Fund (IMF) forecast of January 2024. Unsurprisingly, Germany – as an export nation and given its particular dependency on affordable energy from Russia until the Ukraine war – ranked last among the developed economies according to the IMF's forecast.

Developments were correspondingly hampered on the German stock market in 2023. Following a positive start to the year, the benchmark indices for our shares tracked sideways in a relatively narrow range until the middle of the year. PWO's shares were unable to keep up with this, and their value eroded to a level of around EUR 28 in the first half of the year. Following the announcement of our expansion to Serbia, a good business performance in the first half of 2023 and the raising of our EBIT and new business forecast in July 2023, the price of our shares was able to quickly reconnect with the trend on the benchmark indices.

The weak development on the German stock market initially continued in the second half of the year. Added to this, there were concerns for the German automotive industry in the face of tough price competition on the key sales market of China and also on account of efforts by car manufacturers there to expand into Europe. The sector index for the automotive industry and our shares were left locked out of the end-of-year rally in the final weeks of 2023, which was mainly inspired by hopes for interest rate changes.

Shareholder structure

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2023



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 46.78 percent.

Sparkasse Offenburg/Ortenau is a long-term shareholder as well. In its most recent notification as of December 31, 2020, it informed us that it holds 8.56 percent of the shares outstanding. PWO 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 a sustainable growth component. We are especially committed to our shareholders as the main providers of capital. 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. 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 annual distribution is to remain as stable as possible and, whenever possible, to grow as well. Besides the amount of PWO AG's distributable net retained profits, key criteria for determining the amount of the dividend are the earnings performance of the PWO Group and the anticipated funding requirements for the ongoing growth of the Group.

In the opinion of the Executive Board and the Supervisory Board, the positive business performance of the PWO Group and its continued positive prospects, again backed up not least by the high level of new business in 2023, allow for an increase in the dividend distribution to shareholders. At the Annual General Meeting, the Executive Board and the Supervisory Board will therefore propose to raise the dividend for fiscal year 2023 to EUR 1.75 per share.

Stock exchange data

	Data as of December 31, 2023
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

KEY FIGURES FOR PWO'S SHARES

		2023	2022	2021	2020	2019
Company key figures						
Revenue	EUR million	555.84	530.80	404.30	371.15	458.50
EBIT before currency effects	EUR million	28.23	27.5	22.10	-8.12	22.12
EBIT including currency effects	EUR million	27.86	26.8	21.80	-10.10	19.85
Net income/loss for the period	EUR million	16.22	15.2	14.70	-11.66	9.05
Revenue per share	EUR	177.87	169.9	129.38	118.77	146.72
Earnings per share	EUR	5.19	4.87	4.72	-3.73	2.90
Dividend per share	EUR	1.75[1]	1.65	1.50	0.00	0.00
Book value per share	EUR	50.09	48.4	40.10	33.43	38.25

Valuation ratios (based on the Xetra year-end price)		2023	2022	2021	2020	2019
Year high share price	EUR	34.00	33.40	35.60	25.40	31.10
Year low share price	EUR	27.40	22.80	20.00	15.00	21.80
Year-end share price	EUR	30.00	31.20	31.80	19.40	24.30
Market capitalization	EUR million	93.75	97.50	99.38	60.63	75.94
Price/revenue		0.17	0.18	0.25	0.16	0.17
Price/earnings ratio		5.78	6.41	6.76	-5.20	8.39
Price/book value		0.60	0.64	0.79	0.58	0.64
Dividend yield	%	5.83	5.29	4.72	–	–

[1] Proposed

Composition and development of share capital

The amount and composition of the share capital and authorized capital did not change in fiscal year 2023. 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.

Combined Group management report and management report of PWO AG

The combined management report for the fiscal year from January 1 to December 31, 2023, contains the reports for PWO AG, Oberkirch ("PWO AG") and for the PWO Group ("PWO", the "PWO Group" or the "Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union, and the supplementary provisions of commercial law. PWO AG's financial reporting is in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) as currently amended and the supplementary provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act).

The composition of the consolidated group is described in detail in the notes to the consolidated financial statements. PWO SEE d.o.o. Beograd in Belgrade, Serbia, was added to the consolidated group in the reporting year.

PWO Group principles

Business model

Organizational structure of the Group

The PWO Group manufactures lightweight construction aluminum sheet components predominantly made of steel 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. Moreover, PWO AG maintains subsidiaries in 5 countries. An intermediate holding company based in Hong Kong was established for the business in China. This holding company continues to be a non-operating company, however.

PWO AG was previously managed by an Executive Board of 3 members. In the reporting year, 2 members stepped down and a new CFO was appointed. At the same time, it was decided to reduce the number of members of the Executive Board from 3 to 2. A 6-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.[1]

[1] The report of the Supervisory Board is not covered by the audit of the financial statements.

Sales markets, locations, and segments

The Group is represented worldwide by a total of 9 locations. Besides the home location in Germany, it has 2 locations in Czechia, 1 location each in Serbia and Canada, and 2 locations each in Mexico and China.

Each of the Group companies are responsible for their own business and its operational management within the framework of the overall strategy. As they do not refinance themselves independently and instead 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 6 business segments – Germany, Czechia, Serbia, Canada, Mexico and China – are defined in line with this internal organizational structure and contain the sales markets in which PWO AG and its subsidiaries operate.

Positioning, expertise and processes

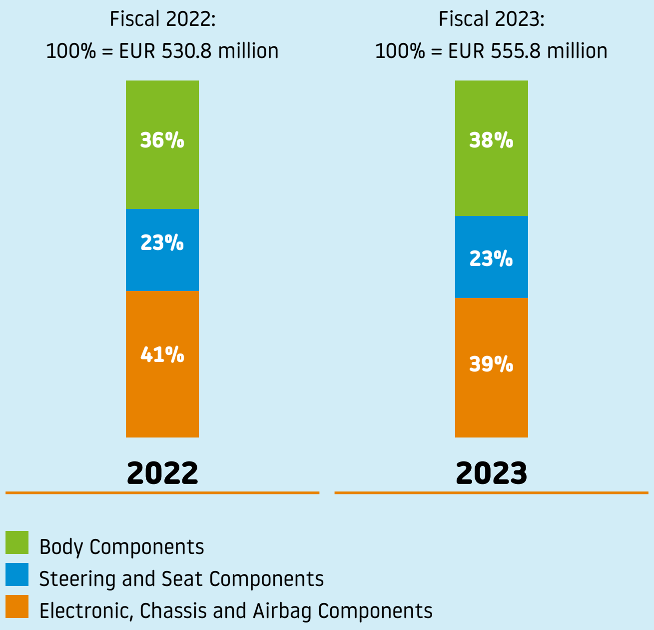
All our solutions are installed in vehicles with different types of drive. As such, we consider our business model to be entirely independent of the combustion engine.

We 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 regularly expand our product range, for example with components for mobile fuel cells.

Our components are manufactured using the cold formation of different types of steel and, to a lesser extent, aluminum. Above all, we implement 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 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. 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 bundles 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 product line is powertrain components for electric vehicles as well as batteries 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 around 2 percent of revenue in the reporting year (p/y: around 2%), EUR 0.3 million (p/y: EUR 0.6 million) of which was 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 below. 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.

Management system

The key financial performance indicators are revenue, earnings before interest and taxes (EBIT) before currency effects, free cash flow, the equity ratio, the net leverage ratio and capital expenditure. 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 and consist of the lifetime volume of newly acquired orders over their entire term, which we calculate on the basis of the contractual parameters of all orders and our own assumptions regarding the development of sales volumes. This is also why new business is one of our key financial performance indicators.

We want our growth to be profitable. 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 geared towards gaining a corresponding volume of new business with attractive EBIT margins each year in order to replace series production phase-outs moving ahead. However, new business can 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 phase-out, which can lead to fluctuations in revenue. Compensating for this with additional orders is typically not possible and usually economically unviable. In addition, it is not possible 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 a 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, which can be 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, approve higher spending or investment in the short term to ensure their future market success. In particular, the establishment of the production site in Serbia, the expansion of the 2 existing locations in Czechia and the expected high growth in Mexico, which are intended to permanently strengthen the PWO Group’s market position and sustainably secure its competitiveness, will, however, require upfront investments that may have a temporary negative impact on EBIT before currency effects, free cash flow and balance sheet figures.

We take the following non-financial key performance indicators into account in our management system: Scope 1 & 2 greenhouse gas emissions, the training rates for e-learning courses, supplier audits, work accidents.

With climate change progressing, it is particularly important to reduce greenhouse gas (GHG) emissions. We have participated in the Science Based Targets initiative (SBTi) since fiscal year 2022. Our targets were validated by the SBTi in October 2022. The aim here is to reduce absolute GHG emissions – calculated in line with the internationally recognized Greenhouse Gas Protocol – such that the PWO Group meets the targets of the Paris Agreement by 2030.

This corresponds to an absolute reduction of 46.2 percent in Scope 1 and 2 emissions (direct emissions of the PWO Group and indirect emissions from energy consumption) and of 28.0 percent in Scope 3 emissions (indirect emissions along the value chain) compared to 2019 levels. The reduction of Scope 1 & 2 emissions is currently a component of our system of targets.

To achieve our targets, we use green power everywhere it is offered on the market – primarily at our European locations. The green power that we purchase must meet the SBTi criteria. In the absence of a coherent global standard, the SBTi frequently draws on the definitions of RE100 – a global initiative of the world’s most influential companies that are committed to using only renewable energy. We are also guided by these definitions.

At our locations in North America and Asia we rely on photovoltaic systems, and we also purchase certificates in accordance with the I-REC standard that are recognized by the SBTi in order to reach our GHG targets.

In addition, 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 are constantly expanding the content of training, which covers subjects such as compliance, human rights, sustainability, IT security and data protection.

As far as possible, we want to completely avoid work accidents. To this end, we are continually improving our technical and operating security standards and our guidelines and work instructions for accident prevention.

In 2022, we defined work accidents as the number of reportable work accidents per 1 million productive working hours (AccR). The calculation was changed in the reporting year to the international standard of lost time injury rate (LTIR) – this is the number of work accidents with at least 1 day of lost time per 1 million productive working hours.

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 have been applied in all external audits in the PWO Group since July 1, 2023.

Business report

Macroeconomic environment

The International Monetary Fund (IMF) presented its October 2023 analysis of how the global economy has performed under the title “Navigating Global Divergences”. According to the IMF, the global economy continued to recover slowly from the effects of the pandemic, the Ukraine war, and the crisis that triggered the massive rise in the cost of living in 2023.

In retrospect, the resilience of the global economy was notable. Despite the disruptions on the energy and food markets caused by the war and despite the unprecedented tightening of global monetary policy to combat the high inflation rates, the global economy slowed down but did not come to a standstill.

According to the IMF’s latest forecasts from January 2024, global growth weakened from 3.5 percent in 2022 to 3.1 percent in 2023. Inflation rates will continue to fall. As a result, projections have increasingly aligned with a scenario pointing to a soft landing, i.e. where inflation can be brought under control without any major downturn in economic activity.

Significant divergences have emerged, however. The slowdown has been more pronounced in the developed economies than in the emerging and developing countries. Of the developed economies, the US has surprised on the upside with robust consumption and investment, while the economy in the euro area has continued to fall short of expectations. Many emerging countries have proved to be quite resilient. Even China is expected to realize significant growth in 2023, although the country has had to battle growing headwinds from its real estate crisis and dwindling confidence.

For the developed countries, the IMF is forecasting a decline in growth from 2.6 percent in 2022 to 1.6 percent in 2023. At the same time, an increase from 1.9 percent to 2.5 percent is expected for the US. In the euro area, the relatively high impact of the Ukraine war is reflected in a decline from 3.4 percent in 2022 to an expected 0.5 percent in 2023. The decline in Germany is forecast to be especially sharp, from plus 1.8 percent in 2022 to minus 0.3 percent in 2023.

While the IMF is assuming an increase in growth from 4.5 percent in 2022 to 5.4 percent in 2023 in Asia’s emerging and developing countries, a rise from 3.0 percent to 5.2 percent is expected for China.

The international automotive industry environment

There was a significant increase in new registrations on the major international automotive markets in 2023. According to the German Automotive Industry Association (VDA), vehicle availability improved significantly as against 2022, which had a positive effect on sales of cars. Added to this were weak figures from the previous year, which produced a baseline effect. However, this recently had less and less of a supporting effect on growth rates.

Nevertheless, the VDA describes the business environment in the automotive industry as challenging: In Europe in particular, but also in other regions of the world, geopolitical and macroeconomic uncertainty has latterly subdued aggregate demand and this has in turn led to sluggish economic growth. The persistently high energy and consumption prices have also negatively impacted aggregate demand.

According to the VDA, more than 12.8 million new vehicles were registered on the European car market (EU, EFTA, and UK) in 2023, 14 percent more than in the previous year. Overall, however, the recovery remained slow: In 2023, the European car market was still just under a fifth (19%) lower in terms of new registrations than the pre-crisis level in 2019.

With an increase in new registrations of 7 percent to more than 2.8 million vehicles, the German market proved to be less robust than the European market in 2023. By contrast, domestic car production grew more strongly – by 18 percent to 4.1 million vehicles, as exports experienced a gratifying increase of 17 percent to 3.1 million cars.

According to the VDA, with more than 1.0 million units, 4 percent fewer new vehicles were registered on the European market in December than in the same month of the previous year. A key factor in the decline was the weak German market, on which significantly fewer new vehicles were registered overall in the electric segment in December 2023 as a result of a one-off effect at the end of 2022 (changes in subsidies for electric cars). The 5 largest individual markets in Europe performed as follows in December 2023: France (+15%), Spain (+11%), United Kingdom (+10%), Italy (+6%), Germany (-23%).

Just short of 25.8 million new cars were registered on the Chinese car market in 2023. Never before have so many cars been sold in a single year in China. As against the previous year of 2022, car sales increased by 11 percent in the past year, with the gain totaling just under 7 percent compared to 2017, the previous record year. The Chinese car market thus defied the trend of a Chinese economy that as a whole is losing its momentum and provided key support for the otherwise recently faltering economy. Growth was 24 percent in December. Here is another record: At just under 2.8 million, the number of cars sold was the highest sales level ever achieved in a single month.

The US light vehicle market (cars and light duty) was marked by a dynamic performance in 2023. In the United States, light vehicle sales achieved double-digit growth of 12 percent in the past year. Just under 15.5 million vehicles were sold in total. The market is thus still almost 9 percent below the 2019 pre-crisis level, however. As against the same month of the previous year, sales increased strongly by 13 percent to a volume of 1.4 million units in December.

NEW REGISTRATIONS/SALES OF PASSENGER VEHICLES IN UNITS

Region	Full-year 2023	Change vs. 2022 (%)
Germany[1]	2,844,609	7.3
Western Europe (EU14 + EFTA + UK)[2]	11,575,100	13.9
New EU countries (EU13)[2]	1,272,400	12.5
Europe (EU27 + EFTA + UK)[2]	12,847,500	13.7
USA[3]	15,457,400	12.4
China[4]	25,798,000	11.00

[1] Source: Kraftfahrt-Bundesamt (German Federal Motor Transport Authority)
[2] Source: ACEA, quoted from the VDA
[3] Source: Wards Intelligence, quoted from the VDA
[4] Source: CAAM, quoted from the VDA

Business performance

Financial situation

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

We have continued our comprehensive development of the PWO strategy and operations over the past few years. Our profitable and high-growth international activities in particular attest to our good positioning. New business has reached consistently high levels for several years, indicating that this development will also continue in the future.

With the expansion into Serbia in the reporting year, we are opening a new chapter in PWO's history and once again strengthening the Group through its presence in a significant growth region for the European mobility industry. The strategy of profitable growth is built on robust financial foundations thanks to a solid equity base and high levels of available credit facilities.

At the same time, we are incorporating ESG aspects increasingly deeply in the organization and day-to-day processes. We remain firm in our commitment to climate protection. Our SBTi targets for Scope 1&2 emissions by 2030 were already surpassed in 2023.

Fiscal year 2023 progressed positively overall. We were able to raise our EBIT forecast twice during the year. The most recent forecast for revenue and EBIT in the fiscal year from October 6, 2023, was achieved in full. There was also a net positive contribution from special items of EUR 1.9 million.

We manage capital expenditure in line with requirements and in a way that optimizes liquidity. Our growth was achieved with considerably lower capital expenditure than was originally planned. As a result, we exceeded the forecast for free cash flow and the net leverage ratio declined more sharply than was anticipated. The equity ratio fell slightly short of the previous year's level.

Also, we were very successful in acquiring new business again in the reporting year. We were also able to raise the forecast for our performance twice in the course of the year. It took only 9 months before we had achieved a value, with a volume of EUR 810 million, that was more than double the lower end of the original forecast range. The times at which new orders are awarded in the fourth quarter always depend heavily on customer scheduling. New orders amounted to EUR 35 million as of the end of the fourth quarter.

COMPARISON OF FORECAST TO ACTUAL BUSINESS PERFORMANCE

	Actual results in 2023	Most recent forecast for 2023 from October 6, 2023	Forecast for 2023 according to 2022 Annual Report	Actual results according to 2022 Annual Report
Financial performance indicators				
Revenue	EUR 555.8 million	–	Around EUR 550 million	EUR 530.8 million
EBIT before currency effects	EUR 28.2 million	EUR 26 million to EUR 29 million	EUR 20 million to EUR 23 million	EUR 27.5 million
Capital expenditure according to segment report	EUR 26.5 million	–	Around EUR 40 million	EUR 19.8 million
Free cash flow	EUR 11.3 million	Positive in mid-single-digit millions	Negative in mid-single-digit millions	EUR -5.8 million
Equity ratio	37.0%	–	Flat y-o-y	37.8%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA – earnings before interest, taxes, depreciation and amortization)	2.1 years	–	Less than 3.0 years	2.3 years
Lifetime volume of new business (series and tool orders)	Around EUR 845 million	Up to EUR 900 million	EUR 400 to EUR 500 million	Around EUR 890 million
Non-financial performance indicators				
Scope 1 and 2 GHG emissions	9,417 t	–	12,150 to 12,760 t	11,772 t
Training rate for e-learning courses	100%	–	100%	100%
Supplier audits starting from July 1, 2023	100%	–	100%	–
Work accidents (AccR)	4.9	–	-10% y-o-y	9.9

In the non-financial performance indicators, our GHG emissions came in under what we had budgeted for, as we continue to ramp up our efforts to decarbonize our business. We achieved a 100.0 percent record in training rates and supplier audits in accordance with our guidance.

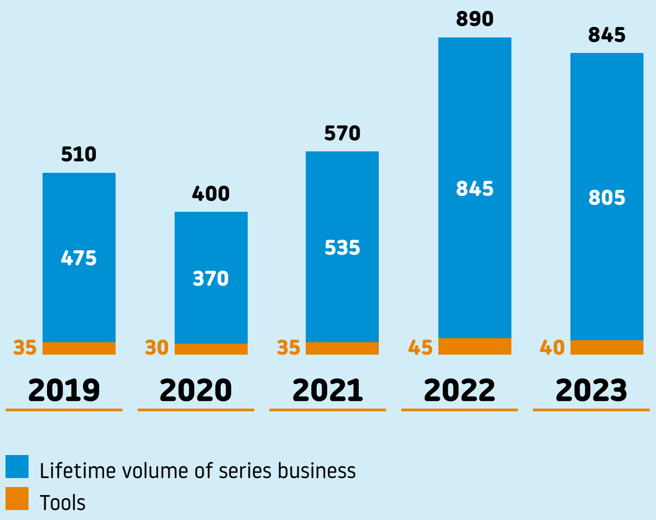
In 2022, we defined work accidents as the number of reportable work accidents per 1 million productive working hours (AccR) and based our forecast on this. Accordingly, we use this definition to assess our target achievement. We significantly outperformed the goal of a reduction of 10.0 percent as against the previous year thanks to our intensive efforts to improve occupational health and safety.

Order situation

The deliberate 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.

After achieving the highest annual volume of new business since the first time this indicator was published for fiscal year 2011 at around EUR 890 million in fiscal year 2022, we achieved a similar level of around EUR 845 million again in 2023. This includes tooling volumes connected with series orders of around EUR 40 million.

DEVELOPMENT OF NEW BUSINESS (EUR MILLION)



All our locations are benefiting from the wide range of new orders. The new business in Czechia and Mexico has to be highlighted here in particular. In the area of air suspension components in particular, we secured orders from various customers throughout the year, including an order for an electrically driven series of a major European/American automotive manufacturer and another order from a European customer for the pressure tanks for the air suspension of its high-end sports utility vehicles.

Our Czech locations also reinforced their continued outstanding expertise in the field of seat structures and instrument panel carriers. Significant increases in volume primarily in 2 projects – one of which involves the development and manufacture of instrument panel carriers – will play a part in securing the future capacity utilization of our location in Canada.

2023 was also a successful year for our Chinese locations. We are particularly pleased by an order for the components of an electrohydraulic braking system and an order for the stator housing for a local electric vehicle manufacturer.

Operational factors mean that our new business goes into production predominantly in the 2 years after the order has been issued. Only a small proportion of orders are awarded with a lead time of 3 years. We were able to win 2 very large individual orders each with a lifetime volume of around EUR 85 million in 2023. One involves our Czech locations and is scheduled to start in 2025, the other involves our Mexican locations and is due to go into production in 2026. This relatively long lead time gives us the opportunity to gradually expand our capacity and thus to implement proper preparations for securely ramping up production.

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

Results of operations

The PWO Group 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 general economic effects of the Ukraine war, no changes specific to the company are required. The war in the Middle East also affects PWO only indirectly as a result of its macroeconomic and political impacts.

One of PWO's key financial 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 the consolidated financial statements. By contrast, translation effects arise when the financial statements of our subsidiaries prepared in foreign currencies are converted into the Group currency, the euro, and do not form part of EBIT before currency effects.

We were able to increase revenue as a result of volume increases in fiscal year 2023 and exceeded the previous year's EBIT. There was also a net positive contribution from special items as set out below.

As shown in the table above, the cost of materials ratio increased slightly overall. The Mexico segment contributed a one-time expense of EUR 1.2 million on account of short-term materials management.

INCOME STATEMENT

Selected information (EURk)	2023	in % of revenue	2022	in % of revenue
Revenue[1]	555,843	100.0	530,761	100.0
Total operating revenue	556,311	100.1	531,327	100.1
Cost of materials	-336,918	-60.6	-319,654	-60.2
Staff costs	-131,080	-23.6	-120,659	-22.7
Other operating expenses	-47,343	-8.5	-48,766	-9.2
EBITDA	52,042	9.4	51,193	9.6
Depreciation/amortization	-24,183	-4.4	-24,414	-4.6
EBIT before currency effects[1]	28,229	5.1	27,513	5.2
Currency effects according to the income statement	-370	-0.1	-734	-0.1
EBIT including currency effects	27,859	5.0	26,779	5.0
Net income/loss for the period[2]	16,220	2.9	15,211	2.9
No. of employees on Dec. 31, incl. temporary employees	3,112	–	2,820	

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

Furthermore, there were noticeable increases in staff costs. As a result of the very high inflation rates sometimes persisting for lengthy periods in the last few years in many of the countries in which we operate, the representatives of employees interests are currently pushing through pay rises that tend to be substantial overall. Pay increases occur as a result of both the constant recruitment on account of the PWO Group's growth trajectory and the general skills shortage.

Remuneration is increasing not only for permanent employees, but also naturally for temporary staff. This has had an impact on other operating expenses. As shown in the table above, the overall staff costs ratio consisting of social security contributions and wages and salaries rose in the reporting year. The increase in these expenses is incorporated into the regular negotiations with our customers.

By contrast to the situation for materials prices, there are no established processes in our industry for dealing with these increases in expenses, however, which means that it takes longer to come up with solutions with our customers. The changes in PWO AG's Executive Board resulted in staff costs of EUR 0.6 million. Furthermore, in both the reporting year and the previous year, staff costs were affected by a provision of EUR 0.8 million recognized for the collectively agreed payment of the inflation compensation bonus.

Depreciation and amortization even declined slightly in absolute terms in the reporting year despite our growth trajectory. We continue to make investments in line with requirements and in a way that optimizes liquidity. There was also a net reversal of write-downs on non-current assets of EUR 0.6 million (p/y: EUR 1.1 million).

Adjusted for the currency expenses included in this figure of EUR 5.0 million (p/y: EUR 7.4 million), other operating expenses increased to EUR 42.3 million (p/y: EUR 41.4 million). In the reporting year, above all there were increases in expenses for legal and consulting costs, third-party repairs and maintenance, freight and travel costs as a result of the current growth and the implementation of the future growth trajectory. By contrast, provisions for onerous contracts of EUR 6.2 million had been recognized in the previous year.

Furthermore, provisions for onerous contracts of EUR 3.9 million were reversed in the Germany segment. We are now able to achieve positive effects from the optimized purchasing of services, which has improved our risk assessment in this regard. The reversal of provisions had a positive effect on other operating income in the reporting year.

In total, special items had a positive effect of EUR 1.9 million on consolidated profit in the reporting year. EUR 3.9 million of this related to the reversal of provisions for onerous contracts and EUR 0.6 million to the net reversal of write-downs on non-current assets. This was countered by severance payments of EUR 0.6 million and a one-time cost of materials of EUR 1.2 million. In addition, as in the previous year, a provision of EUR 0.8 million was recognized for the inflation compensation bonus. With the exception of the one-time expenses for materials prices in the Mexico segment referred to above, all these effects concerned the Germany segment in the reporting year and the previous year.

In total, Group EBIT before currency effects increased to EUR 28.2 million (p/y: EUR 27.5 million). Despite a reduction in net debt, the negative net financial result increased to EUR 8.4 million (p/y: EUR 5.7 million) – primarily as a result of the significant rise in the EURIBOR, the benchmark interest rate for the syndicated loan and also from a charge arising from the discounting of pension provisions. With the tax rate down at 16.8 percent (p/y: 28.0%) – the reduction resulted in particular from the recognition of deferred taxes in the Mexico segment – the profit for the year amounts to EUR 16.2 million (p/y: EUR 15.2 million).

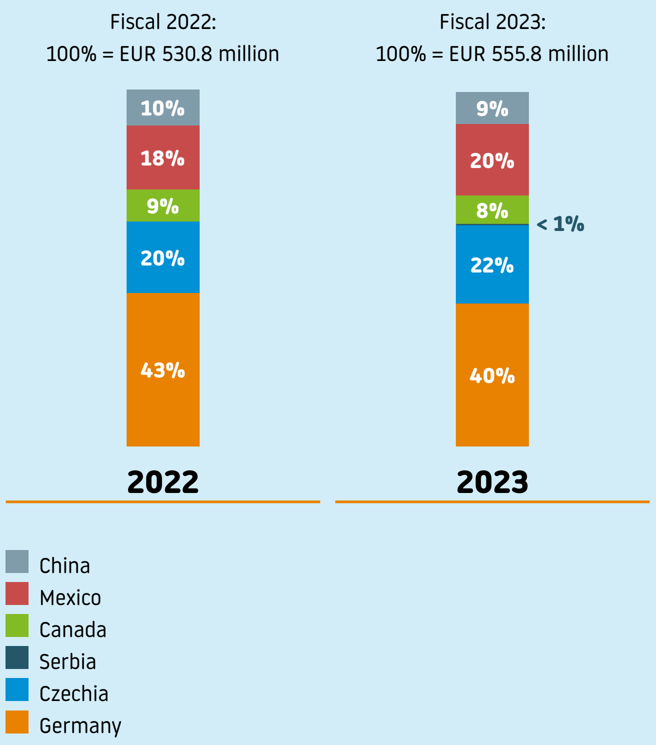
In the opinion of the Executive Board, this means a gratifying financial performance once again in fiscal year 2023. However, the increase as against the previous year was partly as a result of the special items described above, while EBIT had been affected by negative special items in the previous year.

Segments

In line with the PWO Group's internal management system, our locations form the basis for the 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.

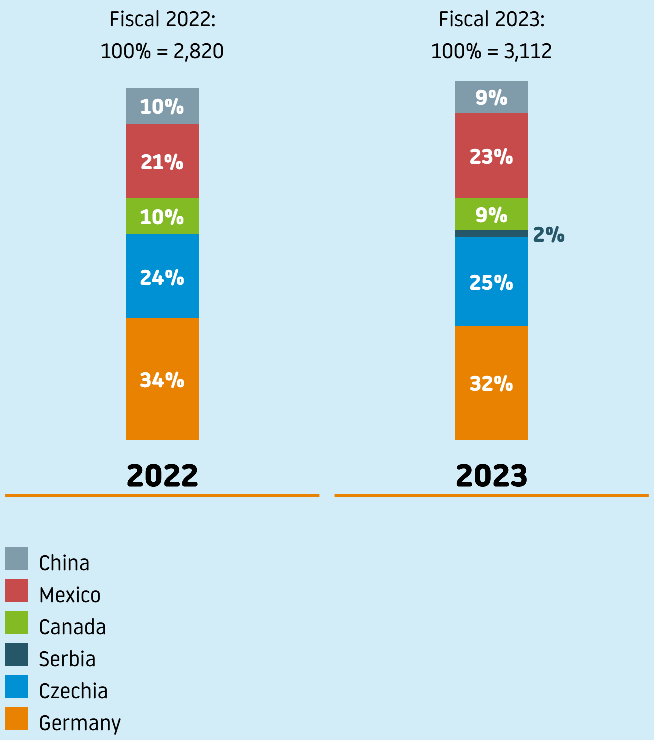
Selected information on the development of the segments is presented in the tables below. The indicators used to manage the Group are marked accordingly. As in the discussion of the results of operations, we refer to EBIT before currency effects in the following explanation of the results.

BREAKDOWN OF REVENUE BY SEGMENT



We look at the developments that affected the locations in particular or more heavily than the Group as a whole in the reporting year, but will not repeat in detail the influencing factors that are explained in the section on "Results of operations".

NUMBER OF EMPLOYEES BY SEGMENT



Germany Segment

Oberkirch, our home location in the Germany segment, continues to be affected by the unfavorable general conditions in Germany as an industrial location. As more and more of our customers' production is migrating to eastern Europe, it is becoming continually more difficult to maintain the location's sales volume. External revenue was thus lower in the reporting year than in the previous year. At the same time, there were high increases in wages and salaries on account of the recent collective agreement in the metal and electrical industry.

The significant improvement in EBIT for the fiscal year, which was generated despite the decline in external revenue, also resulted from the positive non-recurring effects outlined above of EUR 3.1 million in total after net charges of EUR 5.9 million in the previous year.

Czechia Segment

The Czechia segment is currently growing strongly, as expected. External revenue rose significantly faster year-on-year than consolidated revenue overall.

Capacity utilization at our Czech locations is currently high. By investing in expansions, we are creating additional scope for further growth on an ongoing basis. Moreover, we are constantly recruiting new employees.

The most precise alignment as possible of our capacity to the relevant customer requirements demands considerable management effort. Furthermore, the shortage of skilled labor on the Czech labor market was once more exacerbated by the loss of Ukrainian workers who were called up for military service. This can be seen in a dramatic increase in staff costs and is also reflected in other operating expenses for temporary employees. EBIT nevertheless improved as against the previous year.

Serbia segment

In preparation for our expansion into Serbia, we purchased assets of the toolmaker Gorenje MDM d.o.o. in Kragujevac, Serbia, for the development, design and manufacture of tools for the cold forming of sheet metal in the first half of 2023. Business activities commenced on July 1, 2023, with the hiring of 50 specialists from this company that is now in liquidation.

As part of our global tool strategy, to begin with we are currently concentrating on developing and manufacturing high-performance tools in Serbia for the cold forming of sheet metal. In addition, plans are underway to establish our new production site, for which the ground is scheduled to be broken in 2024.

GERMANY SEGMENT

EURk	2023	in % of external revenue	2022	in % of external revenue
Total revenue	239,103	107.8	247,589	108.1
External revenue[1]	221,800	100.0	228,968	100.0
Total operating revenue	239,426	107.9	248,155	108.4
EBIT before currency effects[1]	5,241	2.4	2,459	1.1
EBIT including currency effects	4,802	2.2	1,823	0.8
No. of employees on Dec. 31, incl. temporary employees	1,007		970	

CZECHIA SEGMENT

EURk	2023	in % of external revenue	2022	in % of external revenue
Total revenue	136,246	110.1	114,870	110.2
External revenue[1]	123,730	100.0	104,240	100.0
Total operating revenue	136,246	110.1	114,870	110.2
EBIT before currency effects[1]	8,244	6.7	7,440	7.1
EBIT including currency effects	8,201	6.6	7,276	7.0
No. of employees on Dec. 31, incl. temporary employees	766		685	

SERBIA SEGMENT

EURk	2023	in % of external revenue	2022	in % of external revenue
Total revenue	1,124	446.0	–	–
External revenue[1]	252	100.0	–	–
Total operating revenue	1,124	446.0	–	–
EBIT before currency effects[1]	-261	-103.6	–	–
EBIT including currency effects	-267	-106.0	–	–
No. of employees on Dec. 31, incl. temporary employees	57		–	–

[1] Key performance indicator for the PWO Group and the segment; benchmark for percentages

Canada Segment

As expected, business performance in the Canada segment continued to be restrained in 2023, as no major production start-ups were scheduled. In addition, production downtime at customers' plants had a negative impact especially at the beginning of the year, while strikes in the automotive industry in North America also affected call-off figures as the year progressed. EBIT that was slightly on the upside was nonetheless achieved through precise management of staff capacity and good cost management.

In view of the anticipated growth, the decision was made in the reporting year to proceed with capital expenditure of several million euros. This is also intended to play a part in the further positive development of the region in which our location is situated and will therefore receive support from the province of Ontario.

Mexico Segment

Alongside Czechia, the Mexico segment was the PWO Group's second driver of revenue growth in the reporting year. Here, too, it is important to manage the start-up of new series production as securely and as economically efficiently as possible, while in parallel to that our locations are continually expanded and new employees are hired and trained.

Our Mexican locations often provide the benchmark in the Group for productivity, process stability, and profitability. This remained true in the reporting year. However, as stated above, there was an unexpected expense due to the cost of materials in the third quarter, which significantly impacted EBIT at EUR 1.2 million. This was a non-recurring effect that will not continue in the future, however.

China Segment

Our locations in China continue to perform positively. While the segment's external revenue reported in euros remained stable in the reporting year, they increased significantly in local currency. We have a strong team there, which again succeeded in maintaining the high profitability of the locations in the year under review through strict cost discipline.

CANADA SEGMENT

EURk	2023	in % of external revenue	2022	in % of external revenue
Total revenue	47,172	102.0	50,452	101.9
External revenue[1]	46,266	100.0	49,515	100.0
Total operating revenue	47,172	102.0	50,452	101.9
EBIT before currency effects[1]	48	0.1	212	0.4
EBIT including currency effects	3	0.0	416	0.8
No. of employees on Dec. 31, incl. temporary employees	271		292	

MEXICO SEGMENT

EURk	2023	in % of external revenue	2023	in % of external revenue
Total revenue	113,250	100.0	96,443	100.3
External revenue[1]	113,250	100.0	96,199	100.0
Total operating revenue	113,395	100.1	96,443	100.3
EBIT before currency effects[1]	9,380	8.3	12,039	12.5
EBIT including currency effects	9,399	8.3	11,927	12.4
No. of employees on Dec. 31, incl. temporary employees	724		588	

CHINA SEGMENT

EURk	2023	in % of external revenue	2022	in % of external revenue
Total revenue	54,920	107.4	53,457	103.1
External revenue[1]	51,154	100.0	51,866	100.0
Total operating revenue	54,920	107.4	53,457	103.1
EBIT before currency effects[1]	6,155	12.0	6,179	11.9
EBIT including currency effects	6,300	12.3	6,138	11.8
No. of employees on Dec. 31, incl. temporary employees	287		285	

[1] Key performance indicator for the PWO Group and the segment; benchmark for percentages

Net assets

Total assets increased to EUR 423.1 million in fiscal year 2023 (p/y: EUR 400.3 million). Non-current assets were essentially unchanged at EUR 219.7 million (p/y: EUR 218.8 million), in particular as a result of our consistently restrained level of capital expenditure. Significant investment volumes were seen in the Germany, Czechia, Serbia, Canada, and Mexico segments. The main areas are explained in detail in the section "Financial position".

Current assets rose significantly to EUR 203.4 million (p/y: EUR 181.4 million). Reflected in this figure is the business expansion in the reporting year, which has led in particular to higher trade receivables as well as an increase in contract assets. Cash and cash equivalents were also higher than in the previous year.

On the liabilities side of the statement of financial position, trade payables increased from EUR 41.5 million in the previous year to EUR 52.2 million in connection with longer payment terms from suppliers. Furthermore, long-term pension provisions increased from EUR 41.6 million to EUR 47.3 million as a result of a decline in the discount rate and an adjustment of the pension trend.

We replaced existing financing agreements ahead of schedule and secured a considerably higher volume of EUR 155 million in the first quarter of the reporting year. Furthermore, bilateral loan agreements for EUR 10 million were signed at the start of May. These agreements replaced the existing syndicated credit facility of EUR 110 million and a bilateral credit facility of EUR 20 million before they matured in the third quarter of 2023.

Financial liabilities had to be reclassified within the statement of financial position as a result of the new agreements, causing non-current financial liabilities to increase while current financial liabilities declined. Current financial liabilities were repaid as well. Overall, net debt and the net leverage ratio were reduced in the reporting year despite our growth.

The structure of financial liabilities, which were assumed at interest rates of between 3.24 percent and 8.81 percent (current) and 1.35 percent and 5.97 percent (non-current), did not change substantially in the past year. As of the end of the reporting period, these essentially consisted of the syndicated loan and the bilateral loan referred to above, as well as a promissory note consisting of several tranches, which has a residual volume of EUR 25.0 million. In addition, there are still a number of higher-interest bilateral loans, the fixed interest rates of which will not expire for another few years.

The higher interest rates in the above range are primarily on subordinated local financing of individual subsidiaries. The Group's unutilized lines of credit, including cash and cash equivalents, amounted to EUR 116.8 million as of the end of the reporting period (p/y: EUR 93.1 million).

DEVELOPMENT OF EQUITY RATIO AND NET LEVERAGE RATIO

EURk	2023	2022
Equity	156,534	151,316
Total equity and liabilities	423,100	400,281
Equity ratio[1] = shareholders' equity % total assets	**37.0**	**37.8**
Non-current financial liabilities	58,911	42,044
Current financial liabilities	54,818	76,523
Cash and cash equivalents	-6,443	-3,201
Net debt	**107,286**	**115,366**
EBITDA	**52,042**	**51,193**
Net leverage ratio in years = net debt/EBITDA[1]	**2.1**	**2.3**

[1] Key performance indicator for the PWO Group

Financial position

Cash flow from operating activities increased to EUR 37.4 million in the reporting year after EUR 11.6 million in the previous year. Capital employed in current assets increased by just EUR 18.7 million in the reporting period after having risen by EUR 36.5 million in the previous year, mainly on account of the sharp rise in the cost of materials.

The change in current and non-current liabilities (not including financial liabilities) resulted in a net positive effect of EUR 13.9 million in the statement of cash flows (p/y: negative effect of EUR 7.1 million), essentially as a result of higher trade payables. Non-cash expenses amounted to EUR 3.4 million. In the previous year, non-cash income of EUR 12.7 million had largely been due to the lower measurement of pension provisions as a result of changing capital market interest rates.

Net cash used in investing activities increased to EUR 19.2 million (p/y: EUR 14.4 million). As previously described – and in relation to our original annual budget – capital expenditure thus continued to be restrained. Capital expenditure in the reporting period is explained below. The free cash flow after interest paid and received amounted to EUR 11.3 million in total (p/y: EUR -5.8 million).

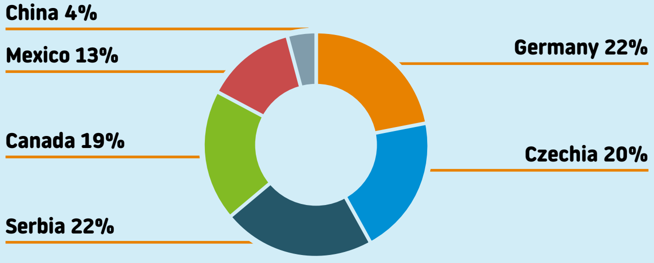
Cash flow from financing activities amounted to minus EUR 24.8 million (p/y: EUR -2.7 million). This includes the net repayment of loans and lease liabilities of EUR 12.8 million (p/y: net borrowing of EUR 4.9 million). The total changes presented here resulted in a net change in cash and cash equivalents of minus EUR 6.6 million in the reporting period (p/y: EUR -5.5 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 that exceeds current payment obligations on the one hand while limiting the utilization of short-term credit as much as possible on the other.

The Group was solvent at all times in the reporting year. Given the follow-up financing agreed in the reporting year for the previous syndicated loan, we are convinced that we have taken sufficient precautions to ensure solvency at all times for the foreseeable future. For further information on the principles and objectives of the financial and cash management, please refer to the notes to the consolidated financial statements.

CAPITAL EXPENDITURE BY SEGMENT

Fiscal year 2023: 100% = EUR 26.5 million



2023

As shown in the segment report, capital expenditure amounted to EUR 26.5 million in the reporting year (p/y: EUR 19.8 million). The difference between this amount and the above cash flow from investing activities is due to the new lease financing arrangements agreed in the reporting year. After very low capital expenditure in the previous years due in particular to the pandemic, the volume has now noticeably exceeded the previous year's figure. We are pursuing our growth trajectory and investing in land and buildings as well as in the expansion of our production capacity.

The Germany segment accounted for capital expenditure of EUR 5.7 million in fiscal year 2023 (p/y: EUR 4.8 million). This still related mainly to process automation and the general maintenance of the Oberkirch location, including the expansion and automation of welding systems.

Furthermore, we are constantly upgrading our IT infrastructure as part of the ongoing implementation of our digitalization strategy.

In the Czechia segment, capital expenditure amounted to EUR 5.4 million in the reporting year (p/y EUR 9.2 million). We are continually developing our Czech locations, expanding their machine park and commissioning additional production facilities in particular for instrument panel carriers on a project basis.

In the newly added Serbia segment, we acquired assets from Gorenje MDM d.o.o. in connection with the establishment of our own toolmaking location. We also purchased a plot of land of 100,000 square meters to build our production site there. A total amount of EUR 5.8 million was invested in Serbia in fiscal year 2023. We received subsidies of EUR 4.8 million to establish the industrial site.

The investment volume in the Canada segment was EUR 5.0 million (p/y: EUR 3.2 million). This investment included the final payment for a new forming press and process automation activities. We also invested in additional production facilities for instrument panel carriers prior to new series startups and implemented increases in productivity in the field of resistance welding.

In the Mexico segment, further progress continues to be made in the expansion of our locations. We invested EUR 3.5 million (p/y: EUR 2.1 million) in additional equipment and machinery, both for forming presses and for welding and cleaning systems. Advance payments were often made for the acquisition of new plant and equipment that is due to be commissioned in fiscal year 2024. In conjunction with the conversion of the San Cristobal location to green power, EUR 0.3 million was invested in a photovoltaic system, which is intended to help reduce the carbon footprint of our business in Mexico starting from the first quarter of 2024.

Capital expenditure in the China segment of EUR 1.0 million (p/y: EUR 0.4 million) mainly related to production facilities for instrument panel carriers at the Shenyang location.

Non-financial management of the PWO Group

We made important decisions regarding non-financial performance indicators in the reporting year, especially for the further reduction of GHG emissions. In addition to the improvements we regularly make to save energy and increase energy efficiency, we are looking to convert our locations in the Mexico segment and in the China segment completely to green power as early as fiscal year 2024 and fiscal year 2026 respectively. To this end, we will install photovoltaic systems in each of these segments and also use instruments recognized by the SBTi – such as renewable energy certificates in accordance with the I-REC standard.

In order to reduce GHG emissions when purchasing steel, which is the most important raw material for our business, we signed a partnering agreement with Salzgitter Mannesmann Stahlservice GmbH – a subsidiary of Salzgitter AG – to procure "green steel" from Salzgitter starting in 2026. This will enable us to offer our customers an environmentally friendly alternative to conventionally produced steel in the future.

With the "SALCOS® – Salzgitter Low CO_2 Steelmaking" transformation program, the Salzgitter Group is gradually converting its steel production to hydrogen-based processes. The goal is virtually carbon-free production from 2033 onward. In this process, the classic blast furnace route will be replaced by a production route using direct reduction and electric arc furnaces.

We have added some content to our e-learning courses, we are continuing the auditing of suppliers also using ESG criteria, and we are expanding our accident prevention management within the framework of our continuous improvement processes.

Report on risks, opportunities and forecasts

Report on risks and opportunities[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. Through risk management, the risk/opportunity profile and risk costs are optimized, thereby creating transparency in the risk situation and establishing an early warning system to identify 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 early warning 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. While opportunities can lead to a positive deviation, risks lead to a negative one. There are also mixed risks (e.g. economic fluctuations) that can have both a negative and a positive impact on corporate planning. All risks and opportunities are clearly assigned to owners and evaluated in terms of amount and probability of occurrence using the scenario methodology (best, normal and worst case).

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.

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 at the Executive Board and Supervisory Board meetings. In conjunction with the intensified refinement of the Group-wide ICS in 2023, potential for optimization was identified, some of which was already successfully implemented in the reporting year. The other issues were integrated into the existing ICS roadmap and are scheduled to be implemented in 2024.

These elements will then be successively reviewed in the course of the checks performed by Internal Audit to ensure they are appropriate and effective. With reference to risk management as a whole, the Executive Board had no indications as of December 31, 2023, that it is not appropriate and 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 2023 and further improvements were systematically implemented. The internal control system is also continuously refined, as described above. Internal controls are reviewed in conjunction with internal audits; the audits that were conducted in 2023 identified some potential for optimization that may improve the effectiveness of the internal control system.

Irrespective of this, there are inherent limitations in 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 the accounting and the accounting process in particular as well as the appropriateness, effectiveness and development of the ICS, 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. For example, we expanded the human resources in this area in the reporting year.

[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.

To further improve the risk management and early warning system, ESG risks and strategic risks are now recorded by the risk owners at all the Group's locations using a detailed digital questionnaire and assessed on the basis of the net impact classification and the possible probabilities of occurrence. This is still done once per year for strategic risks in order to plan for the coming fiscal year. Intra-year projections will also be added twice per year for ESG risks from fiscal year 2024. No serious risks were identified in this area in the reporting period.

In addition, we refined our risk control matrix in risk management in the reporting year in order to efficiently analyze and assess the process-oriented control measures. We now perform a Monte Carlo simulation to identify the impact of risks at the level of the PWO Group. The Monte Carlo simulation that we use simulates 100 million different possible combinations from the risk inventory. A distribution function is thus generated that reflects the possible range of the financial impact.

Compliance management and internal audit

PWO has established a compliance management system (CMS) throughout the Group, which is continuously expanded in the Group and refined step by step in line with IDW Auditing Standard 980 and DIN ISO 37301. Based on the status that has now been reached, we have initiated a process to select an organization to certify PWO AG's CMS. We are aiming to complete the certification in 2024.

The areas on which the development of the CMS focused in the reporting year are presented below. The statements essentially apply equally to all the companies of the PWO Group. A sole exception here is the location in Serbia, which is currently under development. As stated above, the implementation of the policies and procedures applicable throughout the Group will be adapted to the respective scope of business activities at this location.

In conjunction with the compliance program, the introduction and application of the sustainable procurement and business partner compliance process introduced at the Oberkirch location back in 2022 has now been completed throughout the Group.

Moreover, the guideline for the whistleblower system used at PWO was adapted in line with the European whistleblower protection legislation that became effective in 2023 (concerning the EU level as well as Germany and Czechia) and the requirements of the *Lieferkettensorgfaltspflichtengesetz* (LkSG – German Supply Chain Act). The whistleblower system was also transferred to a new platform for submitting reports.

In relation to compliance risks, a detailed questionnaire was used at all PWO locations in 2023. 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 bribery and corruption, breaches of antitrust and competition law, property offenses, conflicts of interest, insider trading, and the disclosure of insider information. Risks arising in the area of data protection are now recorded at all PWO locations through a separate questionnaire.

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

Per 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 staff function thus helps the organization achieve its goals by using a systemic and targeted approach to assess the effectiveness of risk management, checks, and management and monitoring processes, and to identify potential for improvement.

Audit matters are selected by Internal Audit based on risk-oriented multi-year planning. The audits for 2023 were also based on this. Process-oriented audits arising in the logistics, maintenance, sales, and finance areas were carried out in the reporting year. Reviews of previous audits were also conducted. An expert service provider was consulted for some of the audits. Internal Audit also provided selective support on individual matters 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 dual-control principle.

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 toward 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 relevant standards

The consolidated financial statements are prepared in a multi-step process. IFRS accounting policies form the foundation of the accounting and measurement standards for the PWO entities included in the consolidated financial statements. These internal policies are underpinned by 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.

Development of the overall risk position

The overall risk situation (measured as the sum of net expected values) of the PWO Group improved in the reporting year, which is reflected in noticeably lower market risks and a decline in financial risks. By contrast, the increase in net expected values in the other risk categories was lower overall and, in absolute terms, essentially related to performance risks.

We judge the market risks to be significantly lower now compared to the previous year. In the meantime, the tensions in the supply chains that were observed at the start of the pandemic and in the run up to as well as after the start of the Ukraine war have visibly decreased again. Moreover, we have already taken some of the ongoing risks into consideration in our corporate planning.

The improvement in the risk situation concerns the Oberkirch location in particular, as financing risks in Germany have been softened by the syndicated loan agreement. Furthermore, market risks have declined significantly, as uncertainties concerning energy and price trends have receded sharply again. The shortages of raw materials have also declined.

Changes in the ranking of the individual risk categories compared to the previous year's annual report are clearly and conveniently shown in the table below. As against the previous year, opportunities and risks arising from the logistics (performance opportunities and risks), risks at the Serbia production site (market risks and other opportunities and risks), and the remeasurement of the data protection risk on account of the growing size of the company (regulatory opportunities and risks) are also listed in this report.

Following the successful early refinancing of the previous syndicated loan with new follow-up financing and also the possible extension options, financing and interest rate risks have no longer been among the top risks since the start of the reporting period. There are not believed to be any direct risks with regard to the financial covenants based on the existing scope for fiscal year 2024.

Overall, the Executive Board firmly believes that all the necessary measures have been initiated to continue to manage the Group's risks. Therefore, the Executive Board does not feel that there is a risk to the Group as a going concern in the forecast period.

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

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

In the following section, we present the major opportunities and risks for our 2024 operating planning based on the scenario assessments 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 that are 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. Customers usually stay with the same supplier during the series lifetime of 8 to 10 years. On the one hand, this aspect of our business contributes to our planning certainty; on the other, it limits our short-term opportunities. In terms of our operational planning for the year 2024, therefore, 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. Portfolio and correlation effects are not taken into account in the table below, and instead these are reflected in risk management by applying the Monte Carlo simulation.

The risk significance of the individual categories is defined in the table below. Based on coordination points with the internal reporting system, the categorization of risk significance was revised in the reporting year and calculated with new thresholds. The logic follows the internal procedure for evaluating the overall risk situation of the standalone companies.

DEFINITION OF RISK SIGNIFICANCE

Description	Net expected value of risk category
Low	≤ EUR 1.1 million
Moderate	> EUR 1.1 million < EUR 1.5 million
High	≥ EUR 1.5 million

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OVERVIEW OF RISK SIGNIFICANCE FOR THE RISK CATEGORIES

Risk	Ranking in 2022 (1st place = lowest net expected value)	Ranking in 2023 (1st place = lowest net expected value)	Risk significance (net expected value)	Y-o-y change in the risk ranking
Market opportunities and risks	5	3	Low	Decreased
Performance opportunities and risks	4	5	High	Increased
Financial opportunities and risks	3	1	Low	Decreased
Other opportunities and risks	2	4	Low	Increased
Regulatory opportunities and risks	1	2	Low	Increased

Performance opportunities and risks

Production

The main performance risks in production include in particular business interruption risks, which arise from the limited number of bottleneck machines. These can result from damage to or the failure of production equipment or tools. Limited personnel capacity also constitutes a risk to this bottleneck machinery. These risks are particularly high at PWO Group locations where production capacity is heavily utilized as a result of the locations' growth.

The gratifyingly high level of new business in recent years also gives rise to a risk that many high-volume orders may again start up within a narrow time frame in fiscal year 2024. This significantly increases the complexity of the start-up situation. We have therefore refined our start-up management again.

The risk of a malfunction on a bottleneck machine mainly relates to the Germany segment for fiscal year 2024. Therefore, the human resources concept has been adapted to this plant and equipment, and we have also enhanced the preventive maintenance. Cross-training of the toolmakers of other presses has also been carried out and relationships have been established with external partners that can provide capacity in the event of tool breakage.

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

In periods of very volatile call-off situations and even last-minute production downtime at customer sites, there is also the risk that we will be unable to provide the planned service. This would have a direct effect on profitability. We are therefore aiming to make our processes even more flexible so that we can respond even more quickly to changes in customer call-offs.

Quality, product liability, and recalls

Quality requirements in the mobility industry are traditionally very high. Moreover, product liability risks and risks resulting from product recalls have increased steadily in the mobility industry in the past several years, even if the PWO Group was not affected by these in the reporting year. PWO's growth trajectory also contributes to an increase in these risks. At the fast-growing locations, the timing of capacity expansions regularly needs to be optimized. These should be implemented as late as possible for economic reasons but as early as necessary to limit risks.

We counter 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 series 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 digitalization projects – and documenting their zero-defect quality before they leave our premises. We do this firstly to ensure that defective components are detected even earlier in the production process than before.

Secondly, we 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 relevant liability risks, the scope of which we review and, if necessary, adjust on a regular basis.

Logistics

Logistics costs at the German location have increased significantly as a result of the sharp rise in energy costs in Germany especially and the higher carbon prices that the government has resolved to implement in 2024. If adjustments are made to the production plan – whether for internal reasons or for example because of volatile supply chains – special freight is required to ensure punctual delivery to customers, the costs of which put pressure on our profitability. All of the above measures to secure production processes therefore play a part in limiting the risks from logistics.

Toolmaking

Toolmaking is used firstly as an internal service provider for the maintenance of the press shop and its tools. Secondly, it fulfills external orders to secure capacity utilization and cover its costs. In order to maintain this, especially at the Oberkirch location, we are aiming to further optimize the operating processes and personnel availability so that we can reliably commit to as many external orders as possible and at the same time guarantee adequate capacity that is also available at short notice if necessary for the internal maintenance of all plant and equipment, but especially bottleneck machines.

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 that PWO has embarked on and that leads to constant demand for skilled labor. Moreover, the regulatory requirements that companies are subject to – especially as a result of new control and reporting obligations relating to sustainability issues – are continually increasing. This requires additional and above all especially highly qualified employees.

The available human resources therefore need to be continuously reviewed and generally expanded. Intense competition for skilled workers presents the risk that staff costs will increase more than expected – this risk affects the Czech locations even more than the other locations in the Group – and the risk 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. The risk to 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 and IT systems

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

In addition, the rate of digitalization in all operating processes is constantly increasing, the amount of data to be processed is rising continuously and significantly, and the software systems available are becoming ever more complex. While this opens up additional possibilities for productivity gains and quality assurance, it also increases the requirements placed on the administration of these systems.

We have been focusing for several years 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 are also continuously upgrading 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.

We regularly adjust our IT budget so that we have both the personnel and the technology to implement a digitalization strategy that we can use to benefit from the opportunities offered by modern IT landscapes and, at the same time, to limit the risks they present.

Production location in Serbia

There are still no operational risks for the Serbia production site, as the location is under development. Risks do arise, however, primarily from building costs, planning and consulting, from administrative issues such as permits and tenders, and from the start-up management for the site.

Market opportunities and risks

Economy and sales volumes

Fluctuations in sales volumes can give rise to capacity utilization risks for the PWO Group. Thus, for new orders in our business, we constantly have to reckon with start-up delays on the part of vehicle manufacturers. Fluctuations in existing orders can result from unexpected increases and declines in demand from end customers. The tensions in the supply chains were further reduced in the mobility industry and at the PWO Group in the reporting year. We expect higher short-term volatilities along the supply chains than before, however, as a result of the increase in geopolitical risks in the future.

Fortunately, the worst fears of many economic researchers for macroeconomic developments after the Ukraine war started on February 24, 2022, did not materialize. It can nonetheless be assumed that a full recovery of end customer demand for vehicles, which slumped after the COVID pandemic, will be delayed until a later point in the future.

This can be attributed in part to the losses of income for consumers in real terms due to the high inflation rates and the turnaround in interest rates that has now taken place. The ramp-up of e-mobility is also characterized by caution among end customers, as they spend longer weighing up the factors for or against a particular drive technology.

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.

Meanwhile, opportunities arise because, in view of the uncertainties listed, we were in some cases more cautious with our planning for fiscal year 2024 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 remains. We 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 higher volatility in the global economy is not only leading to an increased risk of insolvency among suppliers, but this kind of event may also 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 focusing on very close bilateral coordination especially with suppliers with energy-intensive production in order to improve the risk situation.

Raw materials and procurement prices

The raw materials required for our production processes include steel first and foremost and, to a much lesser extent, aluminum and stainless steel. In our business, we are exposed to earnings risks from changes in raw materials prices. With rising prices, there is a risk that price adjustments cannot be passed on to our customers in line with the use of materials for our products and the price increases imposed by our suppliers. If prices fall, there is a risk that customers may demand faster discounts on materials 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, negotiations regarding price increases, for example for subcontracted processing, purchased parts and energy, as well as regarding the sometimes substantial increases in staff costs, continue to pose a fresh challenge for which there are not yet any well-established processes in our sector.

Selling prices

We have assumed in our planning that if procurement prices increase we will be able to make price adjustments in line with our own cost increases. If negotiations in this area are unsuccessful in light of massive short-term price rises – for example as the result of volatile energy prices – or permanent increases in costs – for example in human resources – this would put pressure on the PWO Group's results of operations.

Regulatory opportunities and risks

Legal and political environments

The PWO Group operates in countries on 3 continents with very different tax and political environments. This results in some cases in extensive requirements, the complexity of which is continually increasing. In particular, we now assess the risks arising from the implementation of the European General Data Protection Regulation to be higher than before following the company's growth and the subsequent remeasurement. This has contributed significantly to the increase in the risk assessment in this risk category.

We mitigate these risks through training, internal data protection coordinators, and close collaboration with external experts who have proven experience in the countries and subject areas in question.

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. Significant risks can result from this 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 volatile supply chains and then revise these downward at the last minute within procurement and production approval periods.

We counter these risks by negotiating constructively with our customers. In the past, we have always been able to find mutually agreed solutions.

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 currently relates in particular to our site in Germany, also because real estate prices in the country have fallen since the turnaround in interest rates. We therefore continue to base our management on achieving visible improvements in earnings.

Currencies

All PWO Group locations are subject to currency risk in terms of translation risk (translating the financial statements of the subsidiaries into euros) 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.

In addition to the euro, the Group's main currencies are the Czech koruna, the Canadian dollar, the US dollar, the Mexican peso, and the Chinese renminbi. We use hedges to avoid these risks with the aim of ensuring the currency parities assumed when an order is received and thereby securing the budget plan.

Currency fluctuations arise at the Germany location especially from loans granted by the parent company to the international locations that are denominated in their local currencies and are 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.

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. Net impacts and probabilities of occurrence are included in the assessment here. The order in which the opportunities and risks are presented in this section reflects our current assessment of their relative importance and their importance for the Group.

Cyberattacks and digitalization

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 multilevel, redundant antiviral and firewall technologies. We repeatedly simulate attacks on the IT systems in order to check the protection provided by the measures used and conduct workshops to train the employees entrusted with our crisis management.

At the same time, the digitalization of all business processes, which is being driven forward at a high pace, using the instruments available in the industry presents significant opportunities. It allows operating 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, while also strengthening the company's reputation on the customer market. We are therefore committed to modern, data-driven processes and see opportunities to further expand our market position here.

Shortage of skilled labor

There is currently a shortage of skilled labor on almost all 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. It 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 the loss of their expertise. Finally, there is the risk of not being able to fill vacancies. The consequences of this would be a decline in our competitiveness.

At the same time, it also presents an opportunity for us to position ourselves as a particularly attractive employer by directing particular attention to this issue and offering promising development prospects for our employees in the global PWO Group. Continuously enhancing our appeal as an employer is therefore one of the core processes in the PWO Group to which we attach great importance.

Underutilization of capacity

As a capital-intensive company, we are financially dependent on ensuring sufficient utilization of our pressing and toolmaking capacity. If we are not successful in this, unmet fixed costs for staff and property, plant and equipment will affect earnings. In addition to the resulting short-term negative effects, this may mean that strategically necessary investments cannot be funded, permanently reducing the Group's competitive position. If capacity utilization problems persist, this risk could also jeopardize our continued existence as a going concern.

With the successful increase in the PWO Group's sales activities and the substantial growth in new business over the past few years, this risk has decreased for the Group as a whole recently. However, capacity utilization risks are still higher at the locations in Germany and Canada than for the Group as a whole.

Geopolitical conflicts

The mobility sector operates worldwide and is highly interconnected. PWO also works with production and assembly locations on 3 continents in countries with very different environments. Geopolitical tensions can thus affect our business directly and indirectly through changes to the sales opportunities of manufacturers and Tier 1 suppliers that we deliver to or through disruptions to supply chains.

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. Disrupting or preventing trade flows can result in considerable losses for companies' business operations.

This risk had already increased significantly following the outbreak of the Ukraine war on February 24, 2022. The terrorist attack by Hamas on Israel on October 7, 2023, also exacerbated the conflict in the Middle East in an unimaginable way. But also below the level of such massive violence, increasing verbal threats between states in many regions around the world are stoking unrest and political differences ever more frequently.

In addition to the short-term 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.

Mobility industry

The mobility sector is currently undergoing a profound transformation shaped by the megatrends of sustainability, the sharing economy, e-mobility, and urbanization. This is producing diverse changes in the market structure, which in China in particular are also promoted through substantial state subsidies for companies. As a result, market shares are shifting and new providers are entering the market. This latter consequence particularly involves new manufacturers of electric vehicles, but it cannot be ruled out that new competitors will also establish themselves in our market segment.

The Executive Board feels that our current product portfolio is excellently 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 predominantly as an opportunity for the future development of the company.

Logistics processes

Logistics processes are constantly changing. This also means that the demands on logistics management and the dependence on logistics companies are constantly growing. In view of the enormous and long-term requirements resulting from climate change, we assume that transport costs will generally remain permanently high or even increase further in the future.

To date, we have been able to avoid declining margins due to rising logistics costs. Our goal is to develop innovative and creative solutions in this area as well moving ahead, so that opportunities can also arise from changes to logistics processes.

Requirements for sustainability and amendments to laws

We are working 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 are guided here by internationally recognized standards such as the SBTi and the United Nations Global Compact.

However, the new legal and regulatory requirements as they have been initiated in particular at the EU level – for example the EU Taxonomy Regulation, the EU Sustainability Directive, and the EU Supply Chain Act – impose significant requirements on implementation that complies with the legislation precisely for a company of our size.

Nevertheless, sustainability is far broader than this and extends to many other environmental issues, social issues, and aspects of good corporate governance. We are aiming to continually develop our comprehensive sustainability strategy and thus to satisfy the interests of our target groups. In this way, we intend to further strengthen our market position – in the competition both for customers and employees and for capital.

Product range

Our core expertise lies in the cold forming of steel and aluminum. All materials are exposed to substitution risks if customer requirements change. Nonetheless, we believe that the opportunities for further increasing the use of steel and aluminum parts outweigh the risks by far, 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.

We are also opening up new sales markets outside the mobility industry. In doing so, we are tapping additional potential for our growth. Nevertheless, it will be a challenge here to limit the additional complexity that this creates within the PWO Group and to make the structure of administrative processes even more efficient.

Shortage of resources and (primary) materials

Increasing pressures on global supply chains and rising energy prices resulting from political conflicts have repeatedly led to bottlenecks in the supply of primary materials in the past few years. These were previously short term in nature, and we were able to manage them successfully thanks to a carefully implemented purchasing strategy and close coordination with our customers. However, in view of the intensifying geopolitical tensions around the world outlined above, we assume that the risks of bottlenecks in the supply of primary materials will increase in the future. We aim to counter them by continually improving our purchasing strategy and interlinking closely with production on a continual basis.

Forecast

Expected general economic and industry development

In its projections from January 2024, the IMF expects global growth of 3.1 percent in the current year. This forecast is 0.2 percentage points higher than was the case even in October 2023, as the US and several major emerging and developing nations have proved to be more resilient than initially expected and China is maintaining fiscal support.

Nevertheless, central banks' interest rate hikes to combat inflation, the withdrawal of state subsidy measures in light of countries' high debt levels, and low productivity growth continue to weigh heavily. Inflation is reported to have declined more quickly than expected in most regions, as the supply chain problems continued to abate and the central banks continued their restrictive monetary policies.

In view of the drop in inflation and consistent growth, the IMF believes the probability of a hard landing for the global economy has now receded and the risks for global growth are largely balanced. An even quicker fall in inflation and consequently looser monetary policy could temporarily facilitate higher growth, with the risk, however, of a costly adjustment at a later date.

Meanwhile, the risks for the global economy include new record prices for raw materials and disruptions to supply as a result of geopolitical shocks – including continuing attacks in the Red Sea – and more stubborn inflation, which would prolong the restrictive monetary conditions. Any exacerbation of the problems in the real estate sector especially in China, massive tax rises, or spending cuts could lead to disappointment as far as growth is concerned.

For the developed countries, the IMF is forecasting a decline in growth from an estimated 1.6 percent in 2023 to 1.5 percent in 2024. Especially in the US, the delayed impacts from the tightening of monetary policy, the gradual withdrawal of the expansive tax policy, and the weakening of the labor market could put a brake on aggregate demand. A decline in growth from an estimated 2.5 percent in 2023 to 2.1 percent in 2024 is therefore forecast in the country.

In the euro area, however, IMF projections indicate that economic growth will recover from its low rate of an estimated 0.5 percent in 2023, which reflects the relatively high strain caused by the Ukraine war, to 0.9 percent in 2024. Gross national product in Germany will also rise, but growth looks likely to remain weak at 0.5 percent following an estimated decline of 0.3 percent in 2023.

While the IMF is assuming only a slight slowdown in growth from an estimated 5.4 percent in 2023 to 5.2 percent in 2024 in Asia's emerging and developing countries, a decline from the estimated 5.2 percent in 2023 to 4.6 percent in 2024 is expected for China.

The VDA is forecasting a decline in sales of 1 percent to 2.8 million units for the German automotive market in the current fiscal year. For domestic car production, the association expects a sideways trend (± 0 percent; 4.1 million units). The reasons for this include the general economic weakness. Exports are forecast to increase slightly by 1 percent to more than 3.1 million units in 2024. The markets in Europe (EU27, EFTA & UK; +4%) and the US (+2%) should grow slightly more strongly than the Chinese market (+1%) in 2024 on account of the weak levels in the previous year.

Development of the PWO Group

The planning for 2024 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 there will be no major disruptions in supply chains in 2024 – for example due to geopolitical tensions 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

Despite the consistently subdued macroeconomic and sector expectations and the continued high risks, new series production start-ups and ramp-ups should result in revenue growth of around EUR 570 million in the PWO Group in fiscal year 2024.

FINANCIAL PERFORMANCE INDICATORS

	Forecast for 2024	Actual results in 2023
Revenue	Around EUR 570 million	EUR 555.8 million
EBIT before currency effects	EUR 29 to EUR 32 million	EUR 28.2 million
Capital expenditure according to segment report	Around EUR 40 million	EUR 26.5 million
Free cash flow	Positive in mid-7 figures	EUR 11.3 million
Equity ratio	Flat	37.0%
Net leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	Less than 2.5 years	2.1 years
Lifetime volume of new business	EUR 550 to EUR 600 million	Around EUR 845 million

NON-FINANCIAL PERFORMANCE INDICATORS

	Forecast for 2024	Actual results in 2023
Scope 1 and 2 GHG emissions	7,400–7,750 t	9,417 t
Training rate for e-learning courses	100%	100%
Supplier audits	100%	100%
Work accidents (LTIR)	-10%	9.3

EBIT is expected to be within a range of EUR 29 million to EUR 32 million. We want growth to result in higher contributions to earnings. Furthermore, we are assuming productivity enhancements from the new series production start-ups that began in fiscal year 2023 in particular.

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 as against the reporting year to more than EUR 200 million. Nevertheless, and despite the loss of the net positive one-off effects from 2023, we intend to limit the decline in EBIT and achieve a figure of around EUR 4 million. To this end, we are aiming at again improving the cost of materials ratio and also intend to implement increases in efficiency on a regular basis in the future.

Following the strong surge in growth in the reporting year, the Czechia segment is looking to make more moderate gains in external revenue to around EUR 130 million in fiscal year 2024. EBIT is expected to increase to around EUR 9 million as a result of various productivity improvements.

The Serbia segment is expected to generate external revenue of around EUR 5 million from tools. Despite the ramp-up expenses for our activities there, we want to limit the negative EBIT to around EUR 1 million.

In the Canada segment, the next growth step is lined up for 2024. The start-up and ramp-up of new series production operations contribute approximately EUR 60 million to the increase in external revenue. EBIT is expected to exceed EUR 2 million.

The Mexico segment will continue its rapid growth, with external revenue potentially exceeding EUR 120 million. While the continued high rate of expansion is expected to put a strain on operating processes and human resources, we are nevertheless aiming to increase EBIT to more than EUR 10 million.

In the China segment, we anticipate external revenue in excess of EUR 50 million on the basis of the planned series phase-outs and start-ups. EBIT is expected to amount to around EUR 6 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 the development of our production site in Serbia, we intend to invest a significantly higher volume in the Group in fiscal year 2024 than in the reporting year – around EUR 40 million.

Around EUR 10 million is earmarked for the expansion in the Czechia and Serbia segments and around EUR 9 million for the Mexico segment. Slightly lower amounts are planned for the Canada (around EUR 6 million) and Germany segments (around EUR 4 million), while a figure of around EUR 1 million is intended for limited measures in the China segment.

Despite the planned extensive capital expenditure of around EUR 40 million, through liquidity-oriented management we are aiming to achieve a positive free cash flow in the mid-7 figures. We expect the equity ratio to remain stable compared to the previous years. The increase in the net leverage ratio should be limited to less than 2.5 years.

Forecast for the order situation

With new business of around EUR 845 million, we were again able to achieve a high volume in the reporting year. We raised the forecast for new business published at the start of 2023 on two occasions.

The forecast for new business in 2024 is lower than the volume achieved in 2023. There are 2 main reasons for this: Firstly, we want to advance the many new production start-ups that are planned for the next few years to series production in a safe and economically efficient way. 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 want to continue to reduce our GHG emissions consistently despite our sustained growth. Our intention to convert our Mexican locations completely to green power – by commissioning a photovoltaic system and by using other instruments recognized by the SBTi, such as renewable energy certificates in accordance with the I-REC standard for electricity volumes that we cannot generate ourselves – will play a key role in achieving this in fiscal year 2024.

The target for completion of the training with the e-learning courses provided within the PWO Group each year is set at a rate of 100 percent. 100 percent of supplier audits are again to be conducted including ESG criteria. The number of work accidents is to be reduced by 10 percent in comparison to 2023.

General statement on future development

On the solid basis of the successful fiscal year 2023, we are cautiously optimistic for the future. The geopolitical situation remains tense and may also lead to unexpected and significant pressures in the short term. However, the PWO Group has strengthened its resilience considerably in the past few years. Our international locations today are performing at a high level and enjoy a good position. The development in Serbia is helping us to expand our prospects in a fast-growing region of the mobility sector. Planned future growth is ensured by the refinancing facilities available.

All employees in the entire PWO Group are key to this high adaptability and forward-looking approach. They are the people that are overcoming the challenges and, at the same time, recognizing the opportunities that arise in any situation and leveraging them for PWO. Providing them with the necessary tools and sufficient leeway to succeed is one of the most important tasks of the Executive Board and all managers of the PWO Group.

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Dependency report

Based on the circumstances known at the time, our company received appropriate consideration for every transaction described in the section on related parties.

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

The information required under sections 289 a and 315 a HGB is presented and explained below.

PWO AG's share capital totals EUR 9,375,000.00. It is divided into 3,125,000 no-par bearer shares. They carry identical rights and grant 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. Employees who do not exercise their control rights directly do not participate.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, has notified us of its interest that exceeds 10 percent of the voting rights in PWO AG. As of December 31, 2023, it held 46.78 percent of the voting rights and was thus the majority shareholder.

The appointment and dismissal of the members of the Executive Board is determined in accordance with sections 84 and 85 AktG in conjunction with Article 6(1) of PWO AG's Articles of Association.

Pursuant to section 179(1) and section 119(1) no. 6 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. In deviation from section 179(2) sentence 1 AktG, Article 15 of PWO AG's Articles of Association states that resolutions of the Annual General Meeting can be approved by a simple majority of votes cast and – if a majority of the capital is required – a simple majority of the capital, unless stipulated otherwise 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.

With the approval of the Supervisory Board, the Executive Board is authorized to increase the share capital of PWO AG by up to EUR 4,687,500 in total by issuing new no-par bearer shares in return for cash or non-cash contributions on one or more occasions (Authorized Capital 2020) by July 27, 2025 (inclusive). In principle, 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 event 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 PWO's website at → **www.pwo-group.com/en/group/corporate-governance**. The corporate governance statement is an unaudited segment of the management report.

Non-financial statement of the company and the Group pursuant to sections 289 b–e and 315 b–c HGB

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

Business performance of PWO AG

PWO AG has its registered office in Oberkirch, Baden-Württemberg. It 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. By contrast, the international locations are responsible for their own operational management. PWO AG's annual financial statements are prepared in accordance with the German Commercial Code.

General statements made in the combined management report also apply to PWO AG, particularly in the areas of the market, strategy, management, including the key financial and non-financial performance indicators – 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. In particular, the risk of impairment relates to the company's financial assets. In addition, our assessment of the market performance in Germany is that it is consistently weaker than the performance in many of the Group's international markets.

As of the end of the reporting period, the number of employees at PWO AG, including temporary staff, was higher than in the previous year at 1,007 (970). This figure includes 27 (p/y: 52) people who are currently completing their training at the company. The number of trainee positions we offer is based on the demand for junior staff that is expected in the future.

INCOME STATEMENT

Selected information (EURk)	2023	in % of revenue	2022	in % of revenue
Revenue[1]	250,509	100.0	255,193	100.0
Total operating revenue	248,726	99.3	253,952	99.5
Cost of materials	-141,391	-56.4	-146,880	-57.6
Staff costs	-75,795	-30.3	-74,214	-29.1
Depreciation/amortization	-7,925	-3.2	-9,429	-3.7
Other operating expenses	-30,016	-12.0	-34,869	-13.7
Financial result	4,373	1.7	13,070	5.1
Earnings before taxes	5,932	2.4	7,361	2.9
Net income	4,784	1.9	8,123	3.2

[1] Benchmark for percentages

PWO AG is affected by the unfavorable general conditions in Germany as an industrial location. As more and more of our customers' production is migrating to eastern Europe, it is becoming continually more difficult to maintain the location's sales volume. Revenue was thus slightly lower in the reporting year than in the previous year. It developed better than expected, however.

Other operating income was essentially affected by the reversal of provisions for onerous contracts in the amount of EUR 4.2 million in the reporting year. The cost of materials declined to EUR 141.4 million in total (p/y: EUR 146.9 million). This was firstly as a result of lower revenue. Secondly, the cost of materials ratio declined as well because it proved possible to find mutually amicable solutions with customers for the massive increase in procurement prices in recent years. However, these costs remain high overall. While the ratio declined from 57.6 percent in 2022 to 56.4 percent in 2023, as shown in the table above, it was still 52.5 percent in fiscal year 2021.

Staff costs rose year-on-year and were mainly defined by significant increases in collectively agreed wages and salaries as well as the expenses due to changes in the Executive Board of EUR 0.6 million. Furthermore, as in the previous year, a provision of EUR 0.8 million was recognized for the collectively agreed payment of the inflation compensation bonus.

In total, the negative special items in staff costs therefore amounted to EUR 1.4 million in the reporting year. This is offset by the reversal of the provision for onerous contracts of EUR 4.2 million. There was therefore a net positive special item of EUR 2.8 million after negative special items of EUR 7.0 million in the previous year.

Depreciation and amortization were even down year-on-year in absolute terms. Other operating expenses decreased sharply as well. Provisions for onerous contracts of EUR 6.2 million had been recognized in the previous year.

The financial result includes a EUR 5.0 million distribution from affiliated companies (p/y: EUR 5.0 million), income from loans to affiliated companies of EUR 3.4 million (p/y: EUR 3.2 million) and other interest and similar income of EUR 2.3 million (p/y: EUR 1.9 million). Prior-period and extraordinary income in the form of reversals of write-downs on financial assets amounted to EUR 4.5 million in the reporting year (p/y: EUR 7.5 million) and related to the reversal of the write-down on loans to PWO Holding Co., Ltd., Hong Kong.

Furthermore, the financial result included extraordinary expenses of EUR 4.8 million owing to a write-down on the carrying amount of the equity investment in PWO Canada Inc., Kitchener. Despite the decline in financial liabilities, interest expenses increased to EUR 6.1 million (p/y: EUR 4.4 million) – primarily because the EURIBOR, the benchmark interest rate for the syndicated loan, rose considerably.

In total, earnings before taxes declined to EUR 5.9 million (p/y: EUR 7.4 million). Income taxes amounted to minus EUR 0.8 million (p/y: EUR 1.2 million). Overall, net income for the reporting year amounted to EUR 4.8 million (p/y: EUR 8.1 million).

Total assets increased to EUR 305.7 million (p/y: EUR 301.1 million) in the reporting year. Fixed assets rose in net terms, largely as a result of the higher loans to affiliated companies, while tangible assets were in decline. There were no substantial changes in current assets. Higher receivables from affiliated companies were essentially offset by slight declines in various other items.

Taking into account the dividend payment in 2023, equity was virtually unchanged year-on-year at EUR 120.0 million (p/y: EUR 120.4 million) with an equity ratio of 39.3 percent (p/y: 40.0%).

The increase in pension provisions resulted from the adjustment of the pension trend in particular. Furthermore, on the liabilities side of the statement of financial position, there was essentially a decline in liabilities to banks while trade payables rose in connection with the longer payment terms from suppliers.

Overall, the development of revenue in the reporting year emphasizes the continued need for action to safeguard the company's capacity utilization and thereby its future earnings capacity. The need to take action is even clearer when the special items are taken into account. Thus, the result from ordinary activities declined only moderately to EUR 5.9 million (p/y: EUR 7.4 million). However, there were positive special items of EUR 2.8 million in the reporting year after negative special items of EUR 7.0 million in the previous year. Meanwhile, the company's capital resources are satisfactory.

We expect revenue to decrease to around EUR 220 million in fiscal year 2024 for the same reasons as in the Germany segment. Based on the anticipated EBIT before currency effects of around EUR 4 million presented in the PWO Group's report on forecasts and outlook, a negative effect on earnings of about EUR 3 million still has to be taken into account, which mainly relates to pension provisions and lease financing and resulting from the different accounting policies under IFRS and HGB. Overall, we therefore anticipate EBIT before currency effects (HGB) in excess of EUR 1 million at PWO AG in fiscal year 2024.

PWO AG is managed using the same key performance indicators as 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 can be presented as follows:

RECONCILIATION OF KEY PERFORMANCE INDICATORS

EURk	2023	2022
Revenue according to HGB	250,509	255,193
Reconciliation	-11,406	7,604
Total revenue according to IFRS	239,103	247,589
External revenue according to IFRS	221,800	228,968
Earnings before taxes according to HGB	5,932	7,361
Financial result	-4,373	-13,070
Currency effects	-527	-660
EBIT before currency effects according to HGB	1,032	-6,369
Reconciliation	4,209	8,829
EBIT before currency effects according to IFRS	5,241	2,459

Differences in the reconciliation of revenue under HGB and IFRS essentially result from the different accounting regulations for revenue recognition and internal revenue. Besides the different accounting regulations for revenue recognition, the reconciliation differences in connection with EBIT before currency effects are due, in particular, to the different regulations for accounting for pension provisions, fixed/non-current assets and existing leases.

Oberkirch, March 19, 2024

The Executive Board

Carlo Lazzarini
Chairman/CEO

Jochen Lischer
CFO

Consolidated financial statements

Consolidated income statement

EURk		2023	2022
Note no.			
7	Revenue	555,843	530,761
8	Other own work capitalized	468	566
	Total operating revenue	**556,311**	**531,327**
9	Other operating income	11,072	8,945
	Cost of raw materials, consumables, supplies, and merchandise purchased	-296,951	-292,819
	Cost of purchased services	-39,967	-26,835
	Cost of materials	**-336,918**	**-319,654**
	Wages and salaries	-107,763	-98,667
	Social security and post-employment expenses	-23,317	-21,992
10	**Staff costs**	**-131,080**	**-120,659**
	Depreciation and impairments of property, plant and equipment and amortization of intangible assets	-24,183	-24,414
11	Other operating expenses	-47,343	-48,766
	Earnings before interest and taxes (EBIT)	**27,859**	**26,779**
	Finance income	706	654
12	Finance costs	-9,068	-6,315
	Financial result	**-8,362**	**-5,661**
	Earnings before taxes (EBT)	**19,497**	**21,118**
13	Income taxes	-3,277	-5,907
	Net income/loss for the period	**16,220**	**15,211**
14	Earnings per share in EUR (diluted = basic, based on the earnings attributable to PWO AG shareholders)	5.19	4.87

Consolidated statement of comprehensive income

EURk		2023	2022
Note no.			
	Net income/loss for the period	**16,220**	**15,211**
29	Net gains from cash flow hedges	602	1,654
	Tax effect	-272	-301
	Currency translation difference	-1,768	-1,020
	Items that may be reclassified to profit and loss in a subsequent period	**-1,438**	**333**
22	Actuarial gains on defined benefit pension plans	-6,220	21,115
	Tax effect	1,812	-5,956
	Items that will not be reclassified to profit or loss	**-4,408**	**15,159**
	Other comprehensive income after tax	**-5,846**	**15,492**
	Total comprehensive income after tax	**10,374**	**30,703**

Consolidated statement of financial position

ASSETS

EURk		Dec. 31, 2023	Dec. 31, 2022
Note no.			
	Land and buildings	80,304	79,436
	Technical equipment and machinery	70,329	80,795
	Other plant, factory and office equipment	5,662	6,157
	Prepayments made and assets under construction	17,416	9,204
15	**Property, plant and equipment**	**173,711**	**175,591**
	Development services	2,330	2,874
	Software	2,870	1,627
	Goodwill	4,331	4,331
	Advance payments made	397	187
16	**Intangible assets**	**9,928**	**9,019**
17	**Contract assets**	**20,141**	**20,995**
	Deferred tax assets	**15,962**	**13,240**
	Non-current assets	**219,743**	**218,845**
	Raw materials, consumables and supplies and purchased parts	37,749	38,898
	Advance payments made	540	717
18	**Inventories**	**38,289**	**39,615**
19	Trade receivables	63,823	54,233
17	Contract assets	73,739	66,272
	Other assets	16,652	14,518
	Other financial assets	2,741	3,017
	Income tax receivables	1,670	580
	Receivables and other assets	**158,626**	**138,620**
20	**Cash and cash equivalents**	**6,443**	**3,201**
	Current assets	**203,357**	**181,436**
	Total assets	**423,100**	**400,281**

EQUITY AND LIABILITIES

EURk		Dec. 31, 2023	Dec. 31, 2022
Note no.			
	Issued capital	9,375	9,375
	Capital reserves	37,494	37,494
	Retained earnings	113,569	102,505
	Other reserves	-3,904	1,942
21	**Total equity**	**156,534**	**151,316**
25	Non-current financial liabilities	58,911	42,044
22	Pension provisions	47,319	41,578
23	Other provisions	3,150	5,357
29	Other financial liabilities	6,356	2,429
	Deferred tax liabilities	1,748	1,731
	Deferred income	4,952	0
	Non-current liabilities	**122,437**	**93,139**
	Trade payables	52,245	41,461
26	Current financial liabilities	54,818	76,523
	Other liabilities	28,974	28,177
29	Other financial liabilities	901	1,827
	Income tax liabilities	331	1,053
	Current portion of pension provisions	1,976	1,177
	Current portion of other provisions	4,883	5,608
	Current liabilities	**144,129**	**155,826**
	Total liabilities	**266,566**	**248,965**
	Total equity and liabilities	**423,100**	**400,281**

Consolidated statement of changes in equity

	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, 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**
January 1, 2023	**9,375**	**37,494**	**102,505**	**-4,344**	**3,018**	**3,268**	**151,316**
Net income/loss for the period	–	–	16,220	–	–	–	16,220
Other comprehensive income	–	–	–	-4,408	-1,768	330	-5,846
Total net income/loss for the period	**9,375**	**37,494**	**118,725**	**-8,752**	**1,250**	**3,598**	**161,690**
Dividend payment	–	–	-5,156	–	–	–	-5,156
December 31, 2023	**9,375**	**37,494**	**113,569**	**-8,752**	**1,250**	**3,598**	**156,534**

Consolidated statement of cash flows

EURk Note no.		**2023**	**2022**
	Net income/loss for the period	16,220	15,211
	Depreciation/reversal of write-downs of property, plant and equipment and amortization of intangible assets	24,183	24,414
13	Income tax expense	3,277	5,907
12	Interest income and expenses	8,362	5,661
	Change in current assets	-18,679	-36,481
	Change in non-current assets	854	-3,201
	Change in current liabilities (not including financial liabilities)	-1,461	8,199
	Change in non-current liabilities (not including financial liabilities)	15,394	-15,256
13	Income taxes paid	-7,351	-5,540
	Other non-cash expenses/income	-3,405	12,728
	Gain on disposal of property, plant and equipment	-6	-70
	Cash flow from operating activities	**37,388**	**11,572**
	Proceeds from disposal of property, plant and equipment	6	153
	Proceeds from disposal of intangible assets	0	0
	Payments for capital expenditure on property, plant and equipment	-21,445	-12,608
	Payments for capital expenditure on intangible assets	-2,709	-1,899
	Proceeds from government grants	4,952	0
	Cash flow from investing activities	**-19,197**	**-14,354**
21	Dividend paid	-5,156	-4,688
	Interest paid	-7,585	-3,631
	Interest received	706	653
	Proceeds from borrowings	55,131	42,515
	Repayment of borrowings	-62,390	-32,855
	Repayment of lease liabilities	-5,535	-4,727
	Cash flow from financing activities	**-24,829**	**-2,733**
	Net change in cash and cash equivalents	-6,638	-5,515
	Effect of exchange rate changes on cash and cash equivalents	-127	-188
	Cash and cash equivalents as of January 1	-11,604	-5,901
	Cash and cash equivalents as of December 31	**-18,369**	**-11,604**
20	of which cash and cash equivalents according to the statement of financial position	6,443	3,201
25	of which bank borrowings due on demand included in the Group's cash management	-24,812	-14,805

Notes to the consolidated financial statements

Information on the company

PWO AG is a listed corporation headquartered at Industriestrasse 8, 77704 Oberkirch, Germany. It 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 PWO AG and its subsidiaries for the fiscal year from January 1, 2023, to December 31, 2023, were approved for submission to the Supervisory Board by the Executive Board by way of resolution dated March 19, 2024.

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

Accounting methods

1 Basis of preparation of the financial statements

The consolidated financial statements of PWO 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 end of the reporting period. The nature of expense method was used for the income statement. The consolidated financial statements are prepared in thousands of euro. Unless stated otherwise, all figures are rounded up or down to the nearest thousand euros (EURk).

2 Changes in accounting policies

2.1 Standards applied for the first time or amendments

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, 2023.

Standard	First-time adoption	Amendments	Effects on the consolidated financial statements
IFRS 17: Insurance Contracts (including amendments to IFRS 17)	January 1, 2023	IFRS 17 replaces IFRS 4 and creates, for the first time, standardized requirements for recognizing, measuring and disclosures 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 refers to 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 only recognized directly for 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 mentioned. 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.	No material impact

Standard	First-time adoption	Amendments	Effects on the consolidated financial statements
IFRS 17: Insurance Contracts (including amendments to IFRS 17)	January 1, 2023	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 essentially relate 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. 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. When using the classification overlay approach, classification into IFRS 9 categories is based 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. Also, the entity must 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.	No material impact
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 1, 2023	The amendment to IAS 1 states that only "material" accounting policies are to be disclosed in the notes. To qualify as material, the accounting policy must relate to material transactions or other events and there must be a reason for the disclosure. For example, reasons include the policy being amended, the policy is an option, it is complex or highly discretionary or it was developed in accordance with IAS 8.10–11. The amendments to Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Accordingly, the focus in the future should be on company-specific disclosures as opposed to standardized disclosures.	No material impact
Amendments to IAS 8: Definition of Accounting Estimates	January 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

Standard	First-time adoption	Amendments	Effects on the consolidated financial statements
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 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
Amendments to IAS 12: Income taxes in relation to the international tax reform (Pillar 2)	January 1, 2023	In December 2021, the OECD published rules for the international tax reform intended to ensure that multinational companies are subject to a minimum income tax rate of 15 percent from 2023. The IASB had already addressed the OECD Pillar 2 regulations in November 2022 and discussed the potential impact of the rules on accounting for income taxes in accordance with IAS 12. Against this background, the IASB published an amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules" in May 2023. This contains mandatory expedients for accounting for deferred taxes if they result from regulations in connection with global minimum tax. The approved amendment to IAS 12 therefore contains a mandatory temporary exception to the accounting for deferred taxes arising from the introduction of global minimum tax. In addition, the disclosure requirements for affected entities will be expanded to help the users of financial statements better understand how the regulations on minimum tax are expected to affect the entity.	No material impact

2.2 Standards or amendments to be applied in the future

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

EU ENDORSEMENT ALREADY GRANTED:

Standard	First-time adoption	Amendments	Expected impact on the consolidated financial statements
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	January 1, 2024	The amendment to IFRS 16 states that a seller-lessor must remeasure its new liability arising from the transaction in a way that it does not recognize any gain or loss for the amount that relates to the right-of-use asset retained. Conversely, this means that a gain or loss from the sale of the original asset is only permitted to be recognized to the extent that the carrying amount of the transferred asset is not attributable to the newly capitalized right-of-use asset resulting from the establishment of the lease. The amendments to IFRS 16 also include one amended and one new illustrative example.	No material impact expected.
Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabili-ties with Covenants	January 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 management intends or expects the liability to actually be settled within 12 months of the end of the reporting period. 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 amendment relates to the classification of debt subject to covenants. The IASB states that covenants to be complied with on or before the end of the reporting period may have an effect on the classification as current or non-current. Covenants that must be complied with only after the end of the reporting period 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.	Implications could arise from the contractual terms of future credit agreements.

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	Postponed indefinitely	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 sales gains on a sale transaction between an investor and an 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.	No material impact expected.
Amendment to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" regarding supplier finance arrangements	January 1, 2024	The objective of the amendments published at the end of May 2023 is to address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The new reporting requirements on supplier finance arrangements include: • A description of the terms and conditions • The line items and carrying amounts at the start and end of the reporting period, including payables for which suppliers have already received payment • The range of payment terms, expressed in time, of payables for such transactions and compared to other liabilities • Risk concentration	No material impact expected.
Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"	January 1, 2025	The amendment to IAS 21 contains guidance that specifies when a currency is exchangeable into another currency and when it is not. A currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. It is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing. If a currency is not exchangeable, IAS 21 requires an entity to disclose information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example.	No material impact expected.

3 Principles of consolidation

The consolidated financial statements (IFRS 10) comprise the financial statements of PWO AG and its subsidiaries as of December 31, 2023. 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 Consolidated group

The consolidated financial statements as of December 31, 2023, include 6 foreign direct and indirect subsidiaries. The table below shows the interest held, equity, and net income/loss for the year of the consolidated companies. Disclosures on equity and net income/loss for the year are based on the IFRS figures of the subsidiaries.

EURk	Capital Share	Equity	Net income
PWO Canada Inc., Kitchener, Canada	100%	10,807	-897
PWO Czech Republic a.s., Valašské Meziříčí, Czechia	100%	33,152	5,076
PWO SEE d.o.o. Beograd, Belgrade, Serbia	100%	2,293	-337
PWO Holding Co., Ltd., Hong Kong, China	100%	-1,300	-65
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China[1]	100%	26,309	4,143
PWO de México S.A. de C.V., Puebla, Mexico[2]	100%	22,991	6,875

[1] Indirect holding of 100% through PWO Holding Co., Ltd.
[2] Indirect holding of 0.15% through PWO Canada Inc.

The company PWO SEE d.o.o. Beograd based in Belgrade, Serbia, was founded in fiscal year 2022 and included in consolidation by the PWO Group for the first time in fiscal year 2023.

5 Summary of significant accounting policies

5.1 Foreign 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 average spot exchange rate at the end of the reporting period. 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 at which fair value was determined.

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

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

		Closing rate		Average rate	
		Dec. 31, 2023	Dec. 31, 2022	**2023**	2022
China	CNY	7.85	7.36	7.66	7.08
Canada	CAD	1.46	1.44	1.46	1.37
Mexico	USD	1.11	1.07	1.08	1.05

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. The functional currency of the new company in Serbia is also the euro.

5.2 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. This is typically 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. A distinction is made between full-payout leases, where the customer pays 100 percent directly and non-full payout leases where the reimbursement of costs is deferred. For non-full payout leases, 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 percentage 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 expenses are 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 incurred 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. If necessary, potential risks of claw-back are taken into account by the recognition of provisions. Grants for an asset are recognized as deferred income in profit or loss on a systematic basis over the useful life of the asset. This ensures that grants received are recognized in the income statement over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Expense-related grants are posted as income or netted off against the expense item.

5.3 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 that are applicable as of the end of the reporting period in the federal states in which the PWO Group operates and generates taxable income.

Deferred taxes are recognized on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base using the liability method as of the end of the reporting period. They are recognized for all taxable temporary differences, with the exception of 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 of 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 in which the asset is realized or the liability is settled. The tax rates and tax laws applicable on the closing date are used as a basis.

Deferred taxes on items recognized directly are not recognized in the income statement but rather in equity. These amounted to EURk 1,540 in 2023 (p/y: EURk -6,257), EURk 1,812 (p/y: EURk -5,956) of which related to pension provisions and EURk -272 (p/y: EURk -301) to interest and currency hedges.

Deferred tax assets and liabilities are netted if certain requirements are met. Netting takes place at the level of the companies included in the consolidated financial statements.

5.4 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 (< 1 year) and leases for which the underlying asset is of low value (≤ EUR 5,000). Liabilities to make lease payments and right-of-use assets are recognized.

Right-of-use assets are determined at the commencement date (i.e. from the date at which the underlying lease asset is available for use). They 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 right-of-use assets consists of 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. Right-of-use assets are amortized on a straight-line basis over the shorter of the expected useful life and the lease term as follows: buildings 25 to 50 years, technical equipment and machinery 5 to 16 years, operating and office equipment 3 to 14 years. If ownership of the asset passes to the Group at the end of the lease or the exercise of a purchase option is taken into account in the costs, amortization is calculated on the basis of the expected useful life of the lease asset. Right-of-use assets are reported 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. Lease payments also include the exercise price of a purchase option, if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 result 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.

5.5 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.

5.6 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.

5.7 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is 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.

5.8 Intangible assets

Intangible assets acquired against payment are carried at cost less accumulated amortization and any impairment losses. Types of intangible asset include 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 amortization and cumulative impairment. Capitalized development costs include all directly attributable direct costs as well as pro rata overheads and are amortized over the planned product service life (5 to 7 years). Amortization of capitalized development costs is part of the manufacturing costs. The impairment test is carried out annually on the basis of the lifetime quantities still planned until the end of production (EOP) and will lead to a write-down if the planned amortization amounts are no longer sufficient for complete amortization.

5.9 Impairment testing

Goodwill and intangible assets not yet subject to amortization are tested for impairment annually, while other intangible assets with finite useful lives and property, plant and equipment are only tested for impairment if there are specific indications of impairment. If the recoverable amount of the asset is less than its carrying amount, impairment is recognized through profit or loss in the expense item “Depreciation and amortization” in the income statement. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. It is measured as the higher of net realizable value and value in use. Net realizable value is 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. Cash flows are derived from long-term corporate planning, which takes account of historical developments and macroeconomic trends. The value in use of the relevant cash generating unit is used to determine the recoverability of goodwill. In each case, the cash generating unit represents a location, which corresponds to a legal entity.

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 2028. Key assumptions to which long-term corporate planning reacts sensitively are the growth in new business in the Group, the business performance of the new company in Serbia, 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 end of the reporting period 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.:

	Dec. 31, 2023	Dec. 31, 2022
Phase 1: Capitalization rate before taxes (WACC)	12.56%	11.45%
Phase 2: Growth rate (perpetuity)	1.50%	1.50%

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.

The calculation of cash flows is based on the growth rates of the relevant local automotive markets.

PWO Czech Republic's recoverable amount is EURk 103,360 (p/y: EURk 122,668), which exceeds the carrying amount by EURk 4,958 (difference p/y: EURk 36,439). The decline in headroom is partially due to the increase in the carrying amount of the identified assets of the cash-generating unit. Furthermore, the capitalization rate increased, and the long-term free cash flow declined in perpetual maturity, as a result of higher staff costs. PWO Czech Republic's planned average EBIT margin for the next 5 years is still at a good level of 7.4 percent (p/y: 7.0%). The assumptions made are subject to a certain sensitivity. Nonetheless, we do not think it very likely that a change that could be considered reasonably possible to any 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.

If a sustained shortfall in the planned revenue of 6.5 percent with no change in the EBIT margin or a sustained shortfall of 0.5 percentage points in the EBIT margin with no change in revenue emerges for PWO Czech Republic while the capitalization rate (after taxes) is unchanged, an impairment loss 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 10.4 percent.

PWO Canada's recoverable amount is less than the carrying amount of the identified assets, hence the individual assets of this cash-generating unit were tested for impairment. The asset value method was used to calculate the fair value less cost of disposal for individual assets in the technical equipment and machinery asset class and compared to the carrying amount. This resulted in an impairment loss of CADk 74 for technical equipment and machinery as a result of the continuing profitability issues and any costs to sell the equipment. Given the developments on the Canadian real estate market, there are no indications of impairment for the asset classes of land and buildings. If the recoverable amount increases again in subsequent years, reversals of impairment losses will be recognized in accordance with IAS 36.

PWO AG's recoverable amount is less than the carrying amount of the identified assets, hence the individual assets of this cash-generating unit were tested for impairment. The asset value method was used to calculate the fair value less cost of disposal for individual assets in the land and buildings asset class and technical equipment and machinery and compared against the carrying amount. A reversal of EURk 553 resulted from the lower residual carrying amounts of the buildings affected by impairment. However, further impairment of EURk 93 was recognized for technical equipment and machinery for fiscal year 2023. If the recoverable amount increases again in subsequent years, reversals of impairment losses will be recognized in accordance with IAS 36.

5.10 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 receivable will be recognized depending on the relationship between the service provided by PWO and the customer's payment.

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

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

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

5.11 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 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. For 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 as of the end of the reporting period 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. At the end of each reporting period, 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.

5.12 Fair value measurement

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 29.

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.

An asset's or liability's fair value 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 is sufficient data to measure fair value. In doing so, the use of relevant, observable inputs is maximized and that of unobservable inputs is minimized.

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

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

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

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

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

5.13 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.

5.14 Cash

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

5.15 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 at the end of the reporting period, this method takes into account 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. Provisions are discounted if the time value of money is material.

If the Group expects at least a partial refund of a provision recognized as a liability, the refund is recognized as a separate asset under other assets, provided that receipt of the refund is virtually certain.

6 Significant judgments, estimates and assumptions

In preparing the consolidated financial statements, the Executive Board makes judgments and applies estimates and assumptions that affect income, expenses, assets, liabilities and the contingent liabilities/receivables disclosed at the end of the reporting period. The uncertainty associated with these assumptions and estimates could lead to results that cause adjustments to the carrying amount of the assets or liabilities concerned in future reporting periods.

6.1 Accounting 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 as 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). Usually, the option to extend these leases is exercised as production would be very badly affected if a replacement asset were not available in time. Furthermore, extension options in leases for vehicles are not included in the lease term either as 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.

6.2 Estimates and assumptions

Inventories

Write-downs for reduced marketability are recognized for materials that are difficult to realize or unusable. The amount of the write-downs recognized is based on past experience.

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. In turn, these usage patterns were used to estimate the frequency of potential damage, which was used as an estimate for the amount of the provision. 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. The provision for adjustments in prices of materials is measured based on the quantities delivered in the past fiscal year for which price adjustments are required owing to legal or constructive obligations, multiplied by the anticipated price reduction. All information arising from customer negotiations as of the end of the reporting period is taken into account in measurement.

Loss allowance on trade receivables and contract assets

The recognition of loss allowances for doubtful receivables is largely dependent on estimates and assessments of individual receivables based on the credit rating of the respective customer, current economic developments and the analysis of past receivables. If the Group derives the loss allowance from past default rates, a fall in the volume of receivables will reduce such provisions accordingly and vice versa. Loss allowances on trade receivables amounted to EURk 333 in the reporting year (p/y: EURk 107). The default risk is therefore classified as low.

Impairment of goodwill, intangible assets 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, 2023, the carrying amount of goodwill was EURk 4,331 (p/y: EURk 4,331). Please refer to note 5.9, "Intangible assets" with regard to the sensitivities.

In conjunction with the asset impairment test in accordance with IAS 36, the fair value less costs to sell is compared against the net carrying amount of the respective asset classes. The income approach (level 2, Germany) and the asset value method (level 2, Canada) were used to measure real estate. Technical equipment and machinery were measured on the basis of the indirect asset value method (level 2). The fair value determined must be reduced by costs to sell. 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 an increase/decrease in depreciation and amortization 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 in which the expected future benefit will accrue. As of December 31, 2023, the carrying amount of capitalized development costs was EURk 2,330 (p/y: EURk 2,874). Among other things, the reduction is due to an impairment of EURk 543. These development costs relate, in particular, to investments in the development of air suspension and chassis components as well as engine housings.

Taxes

Deferred tax assets are recognized for all unutilized tax loss carryforwards to the extent that it is likely on the basis of tax planning that future taxable income will be available for this purpose, meaning that the loss carryforwards and tax assets can actually be used. As of December 31, 2023, deferred tax assets were recognized on tax loss carryforwards in the amount of EURk 653 in total (p/y: EURk 808). These relate solely to PWO AG and EURk 0 of this figure is attributable to corporation tax loss carryforwards of EURk 0 (p/y: EURk 0) and EURk 653 to trade tax carryforwards of EURk 4,911 (p/y: EURk 6,072). Deferred tax assets were recognized on tax assets in the amount of EURk 7,123 (p/y: EURk 6,502). 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 7,776 in total (p/y: EURk 7,310) 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. All deferred tax assets were capitalized by the Group 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 audits were performed in 2023.

An external tax audit for the assessment periods 2019 to 2021 inclusive were announced by telephone by the competent audit office. A written audit order has not yet been produced.

The application of minimum tax and similar international regulations have no effect on the company or its subsidiaries.

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.

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 35).

8 Own work capitalized

Of the own work capitalized, EURk 335 (p/y: EURk 555) 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	2023	2022
Currency gains	4,729	6,660
Income from the derecognition of accruals	325	299
Income from the reversal of provisions[1]	5,163	737
Miscellaneous operating income	854	1,249
Total	**11,072**	**8,945**

[1] Income from the reversal of provisions includes income of EURk 3,871 from the reversal of provisions for onerous contracts.

Prior-period income of EURk 5,497 (p/y: EURk 875) was recognized in the reporting year, essentially as a result of the reversal of provisions for onerous contracts.

10 Staff costs and employees

10.1 Staff costs

58,067	2023	2022
Wages and salaries	107,763	98,667
Social security and post-employment expenses	23,317	21,992
of which in respect of pensions	2,645	2,340
Total	**131,080**	**120,659**

Government grants for social security contributions associated with the use of short-time work schemes amounted to EURk 0 (p/y: EURk 18) at PWO AG in Germany. Furthermore, government subsidies for staff expenses of EURk 46 (p/y: EURk 16) were granted at the international locations in China.

10.2 Average headcount for the year by area of employment

	2023	2022
Development and Sales	231	210
Production and Materials Management	1,894	1,835
Tool center	413	358
Administration	144	133
Core workforce	**2,682**	**2,536**
Temporary employees	179	170
Trainees	60	76
Inactive employees/passive stage of partial retirement	102	103
Total staff	**3,023**	**2,885**

11 Other operating expenses

Other operating expenses break down as follows:

EURk	2023	2022
Currency expenses	5,211	7,882
Costs for temporary employees	6,642	6,240
Maintenance costs	6,821	6,172
Legal, audit and consulting fees	5,384	3,797
Outgoing freight	3,930	3,415
Rental expenses	1,811	1,781
Insurance premium	2,054	1,756
Lease expenses	1,119	1,119
Travel costs	1,388	880
Miscellaneous operating expenses	12,984	15,724
Total	**47,343**	**48,766**

Prior-period expenses of EURk 80 (p/y: EURk 40) were incurred.

12 Finance costs

EURk	2023	2022
Interest expenses payable to financial Institutions	5,661	3,785
Interest expenses from interest rate swaps	1,037	969
Interest expenses from the accretion of interest on pension provisions	1,811	888
Interest expenses from finance leases	560	673
Total	**9,068**	**6,315**
of which interest expenses for financial instruments recognized at amortized cost	4,061	2,765

13 Income taxes

Taxes of EURk 1,540 (p/y: EURk 6,257) 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	2023	2022
Current taxes	4,631	7,278
Deferred taxes	-1,354	-1,371
Total	**3,277**	**5,907**

Actual taxes contained prior-period income of EURk 382 (p/y: EURk 10) in the reporting year.

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

EURk 73 (p/y: EURk 73) is recognized as deferred tax liabilities for temporary differences due to a future dividend distribution from Czechia. EURk 34 (p/y: EURk 0) is recognized as deferred tax liabilities for temporary differences due to a future investment restructuring in Hong Kong.

No further deferred taxes were recognized for temporary differences on retained profits at subsidiaries of EURk 26,263 (p/y: EURk 20,868), 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 expense can be found in the following reconciliation statement. The tax rate applied is based on the domestic rate of income tax.

EURk	2023	2022
Net income/loss before income taxes	**19,497**	**21,118**
Theoretical tax expense at 29.13% (p/y: 29.13%)	5,679	6,152
Effects from recognition and measurement of deferred taxes	-478	-1,371
Change in the theoretical tax expense caused by different tax rates at foreign companies	562	647
Tax increase due to non-deductible expenses	-1,123	1,308
Tax increase (+)/decrease (-) for previous years	-272	117
Tax effects from tax assets	-1,348	-940
Tax effects from future changes to tax rates	0	0
Effects from non-capitalized loss carryforwards	0	0
Non-deductible withholding tax	199	266
Other effects	58	-272
Taxes on income	**3,277**	**5,907**

In 2023, the domestic income tax consisted of corporation tax of 15.0 percent (p/y: 15.0%), plus the solidarity surcharge of 5.5 percent (p/y: 5.5%), and a trade tax rate of 13.30 percent (p/y: 13.30%).

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	2023	2022	2023	2022
Intangible assets and property, plant and equipment	3,329	1,670	7,115	7,055
Other assets	11,529	14,101	12,418	14,690
Tax loss carryforwards and tax credits	7,776	7,310	0	0
Provisions	8,913	7,297	162	51
Liabilities	2,856	3,041	494	114
Subtotal	**34,403**	**33,419**	**20,189**	**21,910**
Offset	-18,441	-20,179	-18,441	-20,179
Figures according to the consolidated statement of financial position	**15,962**	**13,240**	**1,748**	**1,731**

Please see note 5.3 for further explanations.

14 Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of PWO 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.

	2023	2022
Earnings after taxes in EURk	16,220	15,211
Average number of no-par shares	3,125,000	3,125,000
Earnings per share in EUR	**5.19**	**4.87**

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, 2022	135,799	331,206	35,241	5,775	508,021
Additions	5,075	3,809	1,563	7,630	18,077
Disposals	–	-3,043	-1,374	–	-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**
Additions	6,144	4,210	1,652	11,796	23,802
Disposals	-152	-4,371	-1,447	3	-5,967
Reclassifications	54	3,229	219	-3,461	41
Price change	-1,466	-4,269	-199	-126	-6,060
As of December 31, 2023	**146,321**	**336,131**	**35,789**	**17,416**	**535,657**
Depreciation/amortization					
As of January 1, 2022	58,131	241,530	28,440	–	328,101
Additions	4,127	16,139	2,374	–	22,640
Disposals	0	-2,015	-1,369	–	-3,384
Write-ups	–	–	–	–	–
Price change	47	884	-38	–	893
As of December 31, 2022	**62,305**	**256,538**	**29,407**	**–**	**348,250**
Additions	4,898	15,832	2,273	–	23,003
Disposals	-117	-3,946	-1,401	–	-5,464
Write-ups	-553	–	–	–	-553
Price change	-517	-2,622	-152	–	-3,291
As of December 31, 2023	**66,016**	**265,802**	**30,127**	**–**	**361,945**
Carrying amounts					
As of December 31, 2022	79,436	80,794	6,157	9,204	**175,591**
As of December 31, 2023	**80,304**	**70,329**	**5,662**	**17,416**	**173,711**

The standard useful life is 25 to 50 years for buildings, 5 to 16 years for technical equipment and machinery, 3 to 14 years for plant and office equipment and 3 to 5 years for IT hardware.

Impairment losses on land and buildings of EURk 553 were reversed at PWO AG as a result of the annual impairment test (see note 5.9, "Impairment test"). In addition, further write-downs of EURk 93 were recognized as a result of asset impairment at PWO AG. At PWO Canada, the asset impairment test resulted in further impairment of CADk 74 (p/y: CADk 25) on equipment and machinery.

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

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, 2022	**–**	**4,747**	**14,790**	**1,471**	**21,008**
Additions	–	4,317	1,007	89	5,413
Depreciation/amortization	–	-1,191	-2,023	-583	-3,797
Price change	–	84	1	7	92
As of December 31, 2022	**–**	**7,957**	**13,775**	**984**	**22,716**
Additions	–	656	1,649	51	2,356
Depreciation/amortization	–	-1,229	-857	-131	-2,217
Price change	–	-48	-44	-5	-97
As of December 31, 2023	**–**	**7,335**	**14,524**	**899**	**22,758**

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	2023	2022
Depreciation of right-of-use assets	1,729	3,797
Interest expenses for lease liabilities	560	673
Expenses for short-term leases	2,079	1,873
Expenses for leases for low-value assets	308	311
January 1 to December 31	**4,677**	**6,654**

The Group's cash outflows for leases amounted to EURk 5,535 excluding capital payments (p/y: EURk 4,727) in the reporting year. Also, the Group recognized non-cash additions to right-of-use assets and lease liabilities in the amount of EURk 4,366 in total in 2023 (p/y: EURk 5,413).

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, 2022	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**
Additions	335	2,057	0	0	317	2,709
Disposals	0	0	0	0	-5	-5
Reclassifications	0	61	0	0	-102	-41
Price change	-18	-55	-46	-40	0	-159
As of December 31, 2023	**14,209**	**17,947**	**6,763**	**1,121**	**397**	**40,437**
Depreciation, amortization and impairments						
As of January 1, 2022	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
Reclassifications	0	0	0	0	0	0
Price change	5	-11	49	68	0	111
As of December 31, 2022	**11,018**	**14,257**	**2,478**	**1,161**	**0**	**28,914**
Additions	871	861	0	0	0	1,732
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Price change	-11	-41	-46	-40	0	-138
As of December 31, 2023	**11,878**	**15,077**	**2,432**	**1,121**	**0**	**30,508**
Carrying amounts						
As of December 31, 2022	2,874	1,627	4,331	0	187	**9,019**
As of December 31, 2023	2,330	2,870	4,331	0	397	**9,928**

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

Development services capitalized in accordance with IAS 38 of EURk 2,330 (p/y: EURk 2,874) are amortized according to the number of units as soon as development is completed and production of the series parts starts. Impairment of EURk 161 was recognized in the reporting year.

As of December 31, 2023, the goodwill of PWO Czech Republic amounted 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 49 (p/y: EURk 32) for tools and EURk 161 (p/y: EURk 484) for development services (p/y: EURk 261 for equipment and EURk 180 for pay-to-play).

Contract liabilities are recognized if the services rendered as of the end of the reporting period are less than the consideration received from the customer. Payments received on account of orders amount to EURk 3,405 (p/y: EURk 3,874) as of the end of the reporting period. These are netted against services already supplied at contract level. An amount of EURk 3,007 (p/y: EURk 2,536) was generated from the previous year's advance payments.

As of December 31, 2023, contract assets capitalized in accordance with IFRS 15 were as follows:

EURk	2023	2022
As of January 1	87,267	76,859
Change in non-current contract assets	-854	3,201
Change in current contract assets	7,468	7,207
As of December 31	**93,881**	**87,267**

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, 2023, it is expected that claims to receive the consideration of EURk 5,147 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 37,749 (p/y: EURk 38,898) break down as follows:

EURk	2023	2022
Raw materials	14,174	15,650
Consumables and supplies, purchased parts	11,353	11,982
Customized spare parts for tools	10,634	9,384
Goods in transit	1,588	1,882
Total	**37,749**	**38,898**

Total impairment included in inventories amounted to EURk 19,739 as of the end of the reporting period (p/y: EURk 20,156), EURk 16,973 of which was attributable to customized spare parts for tools (p/y: EURk 17,723). The amount of impairment recognized in profit or loss for raw materials, consumables and supplies and for spare parts for tools in the reporting year is EURk 417.

19 Trade receivables

Trade receivables of EURk 63,823 (p/y: EURk 54,233) reported in the statement of financial position as of the end of the reporting period were written down by EURk 333 (p/y: EURk 107). The table below shows changes in the allowance account:

EURk	2023	2022
Loss allowance as of January 1	107	103
Additions	251	18
Reversals	-76	-15
Foreign exchange differences	51	1
Loss allowance as of December 31	**333**	**107**

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

Loss allowances on receivables and contract assets are usually recognized in separate allowance accounts and lead to an impairment loss recognized through profit or loss, which is reported in other operating expenses. Actual defaults result in the receivables in question being derecognized.

Application of IFRS 9 meant that a portfolio-based loss allowance based on expected default rates was posted in the reporting year, which was derived from a customer-related credit model. The probabilities of default used to determine expected credit losses on trade receivables and contract assets are provided by business information services. These are based on individual and continuously updated data relating to the credit risk of customers (e.g. payment behavior) or on company and industry data, taking into account forward-looking macroeconomic data.

Hedging (commercial credit insurance) limited the default risk to EURk 190. Without hedging, the loss allowance would have amounted to EURk 234.

20 Cash and cash equivalents

Interest is paid at variable rates on bank balances available at short notice. As of December 31, 2023, the PWO Group had unutilized credit lines, which all meet the conditions for utilization.

21 Equity

ISSUED CAPITAL

As of December 31, 2023, the 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. The notional interest of each no-par share in share capital is EUR 3.00.

AUTHORIZED CAPITAL

By way of resolution of the Annual General Meeting of July 28, 2020, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company by up to EUR 4,687,500 in total by issuing new no-par bearer shares in return for cash or non-cash contributions on 1 or several occasions (Authorized Capital 2020) by July 27, 2025 (inclusive).

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

CAPITAL RESERVES

Capital reserves contain allocations from the premium.

RETAINED EARNINGS AND OTHER PROVISIONS

Retained earnings contain both the current profits and those from previous years generated by PWO AG and included subsidiaries that have not yet been distributed, and the legal reserve of EURk 204.

Differences of EURk 1,250 (p/y: EURk 3,018) 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 of December 31, 2023, PWO AG reported net retained profits of EURk 7,763 in its annual financial statements prepared in accordance with HGB. The distributable profit was determined in accordance with the provisions of the German Commercial Code (HGB).

It will be proposed to the Annual General Meeting to utilize the net retained profits of PWO AG as follows:

Distribution of a dividend of EUR 1.75 per eligible no-par share	EURk 5,469
Balance to be carried forward to the next accounting period	EURk 2,294

In fiscal year 2023, a total dividend of EURk 5,156 (EUR 1.65 per eligible no-par share) was paid for fiscal year 2022. A dividend totaling EURk 4,688 (EUR 1.50 per eligible no-par share) was distributed in fiscal year 2022.

NOTIFICATIONS IN ACCORDANCE WITH SECTION 33 WPHG

PWO AG had received the following notifications as of December 31, 2023. There may have been changes to the voting rights shown after the stated dates that did not have to be reported to the company.

Sparkasse Offenburg/Ortenau, Offenburg, Germany, notified us on December 15, 2020, that its share of the voting rights in PWO AG, Oberkirch, Germany, amounted to 8.56% (corresponding to 267,429 voting rights) on December 14, 2020.

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, notified us on May 23, 2012, that it held between 30.0% and 50.0% of the voting rights in PWO AG.

22 Pension provisions

22.1 Defined contribution plans

The PWO Group has defined contribution plans. This resulted in an amount of EURk 98 (p/y: EURk 144) recognized in staff costs for PWO Canada and of EURk 383 (p/y: EURk 315) 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 10,329 (p/y: EURk 9,529), which is also reported in staff costs. The statutory pension insurance system is also a defined contribution plan.

22.2 Defined benefit plans

The majority of the obligations under defined benefit plans relate to PWO AG. A provision of EURk 318 (p/y: EURk 254) 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 remuneration 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.

Amounts recognized in the income statement break down as follows:

EURk	2023	2022
Current service cost	481	1,085
Past service cost	0	0
Interest expense for defined benefit obligations	1,752	943
Total	**2,233**	**2,028**

The following table shows adjustments recognized in other comprehensive income:

EURk	2023	2022
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	4,352	-21,266
Adjustments based on adjustments due to experience	1,868	152
Total	**6,220**	**-21,114**

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

EURk	2023	2022
Present value of service cost on January 1	42,755	63,738
Service cost	481	1,085
Past service cost	0	0
Interest expenses	1,752	943
Pension payments	-1,943	-1,912
Adjustments based on changes in demographic assumptions	0	0
Adjustments based on changes in financial assumptions	4,352	-21,266
Adjustments based on adjustments due to experience	1,868	152
Foreign currency differences	30	15
Present value of service costs on December 31	**49,295**	**42,755**

Of the reported pension provisions, EURk 47,319 (p/y: EURk 41,578) are current and EURk 1,976 (p/y: EURk 1,177) are non-current.

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

	2023	2022
Discount rate	3.60%	4.21%
Staff turnover rate	2.00%	2.00%
Future salary trend > 40 years	2.75%	2.75%
Future salary trend < 40 years (career trend)	3.75%	3.75%
Future increase pensions	2.40%	2.20%
Mortality	2018 G Heubeck RT	2018 G Heubeck RT

For reasons of materiality, the actuarial assumptions are limited to Germany.

Defined benefit obligations had an average residual term of 16 years (p/y: 15 years) in the reporting year.

The following table shows a sensitivity analysis with the key assumptions as of December 31, 2023:

	Scenario			
Assumption	Increase of		Decrease of	
		EURk		EURk
Discount rate	0.50%	-3,614	0.50%	4,121
Staff turnover	0.50%	-17	0.50%	25
Future increases in salaries (income trend)	0.25%	10	0.25%	-10
Future increases in salaries (career trend)	0.50%	43	0.50%	-42
Future increases in pensions	0.25%	1,422	0.25%	-1,361
Average life expectancy	1 year	1,990	–	–

Sensitivity analyses of the defined benefit plans 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	2023	2022
Within the next 12 months	2,026	1,932
Between 2 and 5 years	8,918	8,458
Between 5 and 10 years	13,370	12,418
TOTAL expected payments	**24,314**	**22,808**

Breakdown of pension commitments by groups of beneficiaries:

EURk	2023		2022	
	Germany	Mexico	Germany	Mexico
Active beneficiaries	13,832	318	11,190	254
Employees who have left the company	8,163	0	8,037	0
Pensioners	26,982	0	23,274	0
Total	**48,977**	**318**	**42,501**	**254**

23 Other provisions

Other provisions take account of the amounts needed for staff costs and other discernible risks and obligations. Provisions reported in the statement of financial position essentially comprise provisions for personnel (obligations for partial retirement and anniversary benefits), provisions for onerous contracts, warranty provisions and provisions for adjustments in the prices of materials. 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 end of the reporting period.

Other provisions developed as follows:

	Personnel-related provisions		Provisions for onerous contracts		Provisions for warranties		Provisions for adjustments in prices of materials	
EURk	2023	2022	2023	2022	2023	2022	2023	2022
As of January 1	1,812	2,089	6,731	1,424	2,422	2,400	2,064	2,055
Utilization	-844	-352	0	0	-22	0	-491	-3,348
Reversal	-15	-16	-3,871	0	0	0	-1,176	-452
Allocation	1,109	90	617	5,307	94	22	4,187	3,809
As of December 31	**2,062**	**1,812**	**3,477**	**6,731**	**2,494**	**2,422**	**4,584**	**2,064**
of which non-current	1,252	956	1,898	4,401	0	0	0	0
of which current	809	856	1,579	2,330	2,494	2,422	4,584	2,064

In fiscal year 2023, provisions for onerous contracts in connection with longer-term delivery obligations were reduced to EURk 3,477 (p/y: EURk 6,731), partly as a result of an improvement in the internal cost structure. The discounting effect resulting from changes in interest rates amounted to EURk 11.

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

24 Government grants

Government grants in accordance with IAS 20 are recognized if there is reasonable assurance of compliance with the conditions attaching to it and that the grant will be received.

Grants for assets of EURk 4,952 were recognized in fiscal year 2023. These essentially contain government grants for the acquisition of land in Serbia on which to build a new plant. On receiving the grants, the PWO Group has undertaken to make a valuable contribution to the economic development of the nation of Serbia. In addition to capital expenditure on property, plant and equipment, the grants received are also linked to the hiring of contractually agreed employees. The grant received is reported as deferred income. It will be recognized in profit or loss in the periods in which the expenses for which the grants are intended to compensate are recognized. Grants recognized for expenses amount to EURk 2,298 in the fiscal year. EURk 2,252 of this was recognized as a reduction of the cost of materials and EURk 46 as a reduction of staff costs. The grants for the cost of materials comprise the amount of relief from the act to introduce a cap on electricity and gas prices.

25 Financial liabilities

Financial liabilities were composed as follows:

	Current		Non-current				TOTAL financial liabilities	
	< 1 year		1 to 5 years		> 5 years			
EURk	2023	2022	2023	2022	2023	2022	2023	2022
Liabilities to banks	26,835	71,587	44,136	3,208	0	0	70,971	74,795
Liabilities from promissory notes	25,000	0	0	24,986	0	0	25,000	24,986
Liabilities to leasing companies	2,983	4,936	13,097	11,553	1,678	2,296	17,758	18,785
Total	**54,818**	**76,523**	**57,233**	**39,748**	**1,678**	**2,296**	**113,729**	**118,567**

Changes in liabilities from financing activities are shown below:

EURk	January 1, 2023			Non-cash changes		Dec. 31, 2023
		Cash changes	Deferment based on maturity	New leases	Currency effects	
Non-current financial liabilities	50,444	24,719	-30,523	0	-504	44,136
Current financial liabilities	49,338	-27,916	30,523	0	-110	51,835
Lease liabilities	18,785	-5,534	0	4,366	141	17,758
Total	**118,567**	**-8,731**	**0**	**4,366**	**-473**	**113,729**

EURk	January 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**

Within current financial liabilities, current bank liabilities of EURk 24,812 (p/y: EURk 14,805) were assigned to cash and cash equivalents.

The financial management of the PWO Group is based on internal financing guidelines and ongoing financial and liquidity planning. Financial management focuses on ensuring the sufficient liquidity of the PWO Group at all times. We strive to maintain a liquidity reserve that exceeds current payment obligations on the one hand while limiting the utilization of short-term credit as much as possible on the other. Compliance with internal financing guidelines is assured. The financing and liquidity of the PWO Group is secured in the long term with sufficiently unutilized 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. The Group's unutilized lines of credit, including cash and cash equivalents, amounted to EUR 116.8 million as of the end of the reporting period (p/y: EUR 93.1 million).

Interest is generally payable on financial liabilities at rates ranging from 3.24 to 8.81 percent (current) and from 1.35 to 5.97 percent (non-current). The higher interest rates are primarily on subordinated local financing of individual subsidiaries.

Bank liabilities due on demand amounted to EURk 24,812 (p/y: EURk 14,805). Liabilities to banks of EURk 17,758 (p/y: EURk 18,785) are secured 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.

26 Contingencies and other financial obligations

As of December 31, 2023, there were other financial obligations including purchase commitments of EURk 10,232 (p/y: EURk 21,963). 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	from 2024	from 2023	from 2024	from 2023	from 2024	from 2023	from 2024	from 2023
Remaining term up to 1 year	1,071	3,216	1,182	4,732	5	140	0	472
Remaining term 1 to 5 years	5,059	8,502	0	0	0	0	0	1,417
Remaining term > 5 years	2,915	3,248	0	0	0	0	0	236
Total	**9,045**	**14,966**	**1,182**	**4,732**	**5**	**140**	**0**	**2,125**

27 Off-balance sheet transactions

Trade receivables are sold on an ongoing basis to generate cash and cash equivalents to finance operating activities and thereby allow improved liquidity planning. All material risks have been transferred to the factor. Receivables with a nominal amount of EURk 19,277 (p/y: EURk 19,866) had been sold as of December 31, 2023. 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 end of the reporting period, there were receivables from the factoring company of EURk 2,456 (p/y: EURk 3,665), which are reported under other assets.

Moreover, trade receivables are financed by a factor under a supplier finance scheme initiated by the customer in order to further optimize liquidity. The factor bears the default risk to the supplier. Receivables of EURk 10,785 (p/y: EURk 7,047) had been transferred to the factor as of December 31, 2023.

28 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 combined management report.

The cumulated material risks are explained below:

28.1 Credit risk

Credit risks arise if counterparties fail to fulfill their obligations in full when financial instruments fall due. PWO 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. Based on these findings, it sets individual credit facilities for customers. 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. An impairment analysis is performed as of the end of each reporting period and taken into account by 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.

In connection with the investment of liquid funds and its holdings of derivative financial assets, the PWO Group is exposed to losses and credit risks 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.

As of December 31, 2023, 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 for trade receivables.

EURk	2023	2022
Trade receivables and contract assets	157,703	141,499
Hedging through commercial risk insurance	-9,533	-9,763
Maximum credit risk	**148,170**	**131,736**
Derivative financial assets	2,741	3,017
Cash and cash equivalents	6,443	3,201

The analysis of past due trade receivables that are not impaired as of December 31, 2023, was as follows:

EURk	2023	2022
Trade receivables and contract assets	157,703	141,499
of which neither past due nor impaired	144,149	135,050
of which < 30 days past due (but not impaired)	8,934	4,775
of which > 30–90 days past due (but not impaired)	2,086	894
of which > 90–180 days past due (but not impaired)	900	375
of which > 180–360 days past due (but not impaired)	1,611	351
of which > 360 days past due (but not impaired)	23	54

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.

28.2 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 receive long-term financing on a project 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 as of the end of the reporting period:

	< 1 year		1 to 5 years		> 5 years		TOTAL	
EURk	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Liabilities to banks	52,662	72,806	20,344	3,258	0	0	**73,006**	**76,064**
of which repayments	51,835	71,587	19,654	3,208	0	0	71,489	74,795
of which interest payments	827	1,219	690	50	0	0	1,517	1,269
Liabilities from promissory notes	479	514	24,482	25,458	0	0	**24,961**	**25,972**
of which repayments	0	0	24,482	24,986	0	0	24,482	24,986
of which interest payments	479	514	0	472	0	0	479	986
Liabilities to leasing companies	3,618	5,542	14,048	12,767	1,781	2,476	**19,447**	**20,785**
of which repayments	2,983	4,936	13,097	11,553	1,678	2,296	17,758	18,785
of which interest payments	635	606	951	1,214	103	180	1,689	2,000
Trade payables	52,245	41,461	0	0	0	0	**52,245**	**41,461**
Hedging derivative financial instruments	0	0	0	0	0	0	**0**	**0**
Non-hedging derivative financial instruments	840	1,066	157	2,227	0	0	**997**	**3,293**
Other financial liabilities/other	0	0	0	0	0	0	**0**	**0**

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

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

	Hedging currency derivatives							
	< 1 year		1 to 5 years		> 5 years		TOTAL	
EURk	2023	2022	2023	2022	2023	2022	2023	2022
Inflow	40,001	35,690	41,978	36,319	0	0	81,979	72,009
Outflow	-38,394	-35,071	-41,145	-34,377	0	0	-79,539	-69,448
Balance	**1,607**	**619**	**833**	**1,943**	**0**	**0**	**2,440**	**2,562**
	Non-hedging currency derivatives							
EURk	2023	2022	2023	2022	2023	2022	2023	2022
Inflow	19,770	20,864	4,477	9,949	0	0	24,247	30,813
Outflow	-20,396	-21,396	-4,255	-10,782	0	0	-24,651	-32,178
Balance	**-626**	**-532**	**222**	**-833**	**0**	**0**	**-404**	**-1,365**

28.3 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, 2023, had been 100 basis points higher, earnings before taxes (EBT) would have been EURk 523 (p/y: EURk 156) lower. If the market interest rate as of December 31, 2023, had been 100 basis points lower, earnings before taxes (EBT) would have been EURk 523 (p/y: EURk 156) higher.

28.4 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, insofar as this results in future cash flows in foreign currencies that 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 euro area. Since the consolidated financial statements are prepared in euros, these companies' financial statements are translated into euros, which may result in differences due to exchange rates. Hedging these risks is not the primary objective in currency risk management.

Sensitivity analysis

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	**2023**	**2022**	**2023**	**2022**
EUR/CAD	-95	-16	99	16
EUR/CNY	-43	-270	83	257
EUR/CZK	286	218	-350	-267
EUR/MXN	83	36	-101	-44
EUR/USD	-274	-415	280	487
EUR/RSD	-52	0	64	0
Total	**-95**	**-446**	**75**	**448**

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	**2023**	**2022**	**2023**	**2022**
EUR/CAD	255	0	-312	0
EUR/CNY	27	161	-33	-197
EUR/CZK	-4,125	-3,933	5,042	4,807
EUR/MXN	0	0	0	0
EUR/USD	3,620	2,578	-3,004	-3,150
Total	**-223**	**-1,194**	**1,693**	**1,459**

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

	2023						2022					
	EURk	USDk	RMBk	CZKk	MXNk	RSDk	EURk	USDk	CADk	RMBk	CZKk	MXNk
Trade receivables	649	3,694	0	758	0	11,061	325	4,763		–	20	0
Cash and cash equivalents	448	730	380	32	1,551	135,912	205	310		827	217	1,900
Financial liabilities	-318	-3,459	-15,000	-29,048	0	0	-9	-94		-25,000	-26,999	0
Trade payables	-293	-923	0	-48,669	-18,501	-59,729	-383	-1,954		–	31,240	-10,142

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

28.5 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 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 around 20 percent of requirements were secured with 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).

28.6 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 aims for a net leverage ratio of less than 3 years and an equity ratio of 30.0%.

NET LEVERAGE RATIO

EURk	2023	2022
Financial liabilities	113,729	118,567
Less cash and cash equivalents	-6,443	-3,201
Net financial debt	**107,286**	**115,366**
EBITDA[1]	**52,042**	**51,193**
Net leverage ratio (in years)[2]	**2.1**	**2.3**

[1] Earnings before interest, taxes, depreciation and amortization
[2] Changed name (previously: dynamic leverage ratio) but unchanged calculation method

EQUITY RATIO

EURk	2023	2022
Equity	156,534	151,316
Total equity and liabilities	423,100	400,281
Equity ratio	**37.0%**	**37.8%**

29 Financial instruments

The following derivative financial instruments are outstanding as of December 31, 2023:

EURk	Nominal value	Repayment in 2023	Residual amount	Term	Market value
Cross currency swaps	**18,169**	**528**	**160,579**	**until 2026**	**-363**
Interest rate swap	**25,000**	**0**	**25,000**	**until 2026**	**-268**
FX without hedge accounting	**24,921**		**24,921**	**until 2025**	**-368**
of which to hedge CAD intercompany loans	5,464		5,464	until 2024	-133
of which to hedge USD intercompany loans	19,457		19,457	until 2025	-235
FX with hedge accounting	**71,513**		**71,513**	**until 2027**	**1,872**
of which to hedge planned CNY receivables	843		843	Current	15
	0		0	Non-current	0
of which to hedge planned CZK liabilities	19,283		19,283	Current	772
	26,095		26,095	Non-current	192
of which to hedge planned MXN liabilities	-5,218		-5,218	Current	493
	0		0	Non-current	–
of which to hedge planned USD receivables	13,605		13,605	Current	197
	14,100		14,100	Non-current	200
of which to hedge planned CAD receivables	1,002		1,002	Current	3
	1,803		1,803	Non-current	0

Outstanding derivative financial instruments as of December 31, 2022:

EURk	Nominal value	Repayment in 2022	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**
of which to hedge planned CNY receivables	295		295	Current	3
	3,800		3,800	Non-current	39
of which to hedge planned CZK liabilities	19,834		19,834	Current	1,220
	23,427		23,427	Non-current	955
of which to hedge planned MXN liabilities	4,495		4,495	Current	-302
	–		–	Non-current	–
of which to hedge planned USD receivables	11,652		11,652	Current	-588
	9,338		9,338	Non-current	-173

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 the 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.

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 291 (p/y: EURk 1,654).

As part of hedge accounting, differences of EURk 467 (p/y: EURk 472) 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 amounted to EURk 166 (p/y: EURk 121).

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

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

When setting hedging ratios, PWO makes a distinction between risk exposure from series (parts) business, project business (tools, investments) and financing. Since series transactions usually have a longer term and the accuracy of planning decreases over time because of the planning horizon, the risk exposure is hedged as part of the (falling) hedging ratios defined in our guidelines. As 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	1.1164	1.1116
EUR/CZK	25.8433	25.6022
EUR/CAD	1.5125	1.5027
EUR/CNY	7.7443	–
USD/CAD	1.3089	1.3273
USD/MXN	19.3100	–
USD/CNY	7.2247	–

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

	Category	**Book value**		**Fair value**	
EURk	**IFRS 9**	**2023**	**2022**	**2023**	**2022**
ASSETS					
Trade receivables	AC	**63,823**	**54,233**	**63,823**	**54,233**
Other financial assets		**2,741**	**3,017**	**2,741**	**3,017**
of which hedging derivatives	n/a	2,318	2,287	2,318	2,287
of which non-hedging derivatives	FVtPL	423	730	423	730
of which deposits > 3 months	AC	0	0	0	0
Cash and cash equivalents	AC	**6,443**	**3,201**	**6,443**	**3,201**
EQUITY AND LIABILITIES					
Financial liabilities		**113,729**	**118,567**	**114,523**	**118,528**
Liabilities to banks	AC	70,971	74,795	71,870	75,929
of which variable rate		49,293	14,805	49,293	14,805
of which fixed rate		21,678	59,990	22,577	61,124
Liabilities from promissory notes	AC	25,000	24,986	25,135	24,850
of which variable rate		3,000	2,998	3,000	2,998
of which fixed rate		22,000	21,988	22,135	21,852
Liabilities to leasing companies	n/a	17,758	18,785	17,518	17,749
of which variable rate		0	0	0	0
of which fixed rate		17,758	18,785	17,518	17,749
Trade payables	AC	**52,245**	**41,461**	**52,245**	**41,461**
Other financial liabilities		1,869	4,256	1,869	4,256
of which hedging derivatives	n/a	715	1,133	715	1,133
of which non-hedging derivatives	FVtPL	1,154	3,123	1,154	3,123
of which others	AC	0	0	0	0
of which aggregated by measurement category					
Loans and receivables	AC	70,265	57,434	70,265	57,434
Financial liabilities at amortized cost	AC	148,216	141,243	149,250	142,240
Financial assets held for trading	FVtPL	423	730	423	730
Financial liabilities held for trading	FVtPL	1,154	3,123	1,154	3,123

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

	Level 1		Level 2		Level 3		Total	
EURk	2023	2022	2023	2022	2023	2022	2023	2022
Assets measured at fair value								
Other financial assets	0	0	2,741	3,017	0	0	2,741	0
of which hedging derivatives	0	0	2,318	2,287	0	0	2,318	0
of which non-hedging derivatives	0	0	423	730	0	0	423	0
Assets recognized at fair value								
Trade receivables	0	0	63,823	54,233	0	0	63,823	0
Cash and cash equivalents	0	0	6,443	3,201	0	0	6,443	0
Liabilities measured at fair value								
Other financial liabilities	0	0	1,869	4,256	0	0	1,869	0
of which hedging derivatives	0	0	715	1,133	0	0	715	0
of which non-hedging derivatives	0	0	1,154	3,123	0	0	1,154	0
of which others	0	0	0	0	0	0	0	0
Liabilities for which a fair value is reported								
Fixed rate liabilities to banks	0	0	21,678	59,990	0	0	21,678	0
Variable rate liabilities to banks	0	0	49,293	14,805	0	0	49,293	0
Fixed rate liabilities from promissory notes	0	0	22,000	21,988	0	0	22,000	0
Variable rate liabilities from promissory notes	0	0	3,000	2,998	0	0	3,000	0
Fixed rate liabilities to leasing companies	0	0	17,758	18,785	0	0	17,758	0
Variable rate liabilities to leasing companies	0	0	0	0	0	0	0	0
Trade payables	0	0	52,245	41,461	0	0	52,245	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	2023	2022	2023	2022
Recognized in the income statement:				
Non-hedging derivatives	**761**	**221**	**449**	**896**
Recognized in equity:				
Hedging derivatives	**1,232**	**1,654**	**281**	**0**

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Income and expenses from the fair value measurement 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	2023	2022
Loans and receivables	AC	**-1,785**	**-422**
of which based on disposal		61	155
of which based on impairment/reversal		-98	-11
of which based on currency effects		-1,748	-566
Financial assets held for trading	FVtPL	**2,258**	**1,828**
of which based on disposal		1,255	1,003
of which based on remeasurement		1,003	825
Financial liabilities measured at amortized cost	AC	**379**	**-104**
of which based on disposal		265	144
of which based on currency effects		114	-248
Financial liabilities held for trading	FVtPL	**-133**	**1,646**
of which based on disposal		-133	0
of which based on remeasurement		0	1,646

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	2023	2022
Financial assets		
Reported gross amounts of financial assets	67,509	57,799
Offset gross amounts of financial liabilities	-945	-549
Net amounts of financial assets shown	**66,564**	**57,250**
of which derivatives	2,741	3,017
of which trade receivables	63,823	54,233
(Potentially) offsettable based on framework agreements	-1,869	-3,017
Total net value (potential) of financial assets	**64,695**	**54,233**
Financial liabilities		
Reported gross amounts of financial liabilities	-54,345	-45,880
Offset gross amounts of financial assets	231	163
Net amounts of financial liabilities shown	**-54,114**	**-45,717**
of which derivatives	-1,869	-4,256
of which trade payables	-52,245	-41,461
of which other financial liabilities	0	0
(Potentially) offsettable based on framework agreements	1,869	3,017
Total net value (potential) of financial	**-52,245**	**-42,700**

Other disclosures

30 Research and development expenses

Of the costs of EURk 13,997 (p/y: EURk 12,735) associated with development services, EURk 335 (p/y: EURk 555) was capitalized in intangible assets and EURk 4,118 (p/y: EURk 3,298) in contract assets.

31 Auditor's fee

The fee for the auditor expensed in accordance with section 314(1) no. 9 HGB breaks down as follows:

EURk	2023	2022
Audit	497	369
Other verification services	15	28
Tax consultancy services	0	0
Other services	0	26
Total	**512**	**423**

Prior-period expenses of EURk 53 are included in the fee for the auditor. Expenses for services in addition to the audit of the financial statements related to the formal audit of the remuneration report. The project-related review of the CSRD reporting obligation was commissioned in 2023. Significant services have not been performed to date.

32 Total remuneration of the Executive Board and the Supervisory Board

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

EURk	2023	2022
Short-term benefits[1]	1,279	1,726
Long-term benefits[2]	672	483
Post-employment benefits[3]	640	0
Total	**2,591**	**2,209**

[1] The basic annual salary, including benefits in kind and payments to a private pension, are reported in this item. This includes the current portion (STI = short-term incentive) of variable remuneration.

[2] This item comprises the non-current portion (LTI = long term incentives) of variable remuneration under the 2022 remuneration system (relevant to Carlo Lazzarini (CEO) and Jochen Lischer (CFO)).

[3] This item comprises the termination payment (gross) to Mr. Johannes Obrecht, who received a one-time payment to settle remuneration claims for the remaining term of his contract following its premature termination.

The total remuneration of the Supervisory Board (short-term) amounted to EURk 320 (p/y: EURk 318). No loans or advances were granted to members of executive bodies.

Former members of the Executive Board of PWO AG and their surviving dependents received pension payments of EURk 324 (p/y: EURk 323). The corresponding pension provisions amount to EURk 5,177 as of the end of the reporting period (p/y: EURk 4,699).

33 Related parties

PWO AG is the parent company of the PWO Group with the subsidiaries listed in section 4 "Consolidated group". The main shareholder of PWO AG is Consult Invest Beteiligungsberatungs-GmbH, Böblingen, whose majority shareholder is 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 PWO AG and their close relatives are also related parties of the PWO Group. Details of the remuneration of management in key positions required under IAS 24 are presented under note 32. As in the previous year, there were no other business transactions.

34 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 24,812 (p/y: EURk 14,805) are included in "Current financial liabilities" in the statement of financial position.

35 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 PWO AG. The segments are defined according to the locations of the Group's assets, which is also the basis for the allocation of the segments' revenue. They are broken down into the regions Germany, Czechia, Serbia, Canada, Mexico and China.

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

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

As of December 31, 2023, there are 4 customers with a share of more than 10.0% in reported revenue, amounting to EURk 81,016 and EURk 62,732 (essentially resulting from the Body & Instrument Panel Carrier Components business unit), to EURk 71,174 (essentially resulting from the Electronic, Chassis & Airbag Components business unit) and to EURk 78,493 (essentially resulting from the Steering & Seat Components business unit).

In the previous year, 4 customers were identified with a share of over 10.0 percent of revenue, amounting to EURk 86,151 and EURk 54,017 (essentially resulting from the Body & Instrument Panel Carrier Components business unit) and to EURk 67,055 and EURk 63,144 (essentially resulting from the Electronic, Chassis & Airbag Components and the Steering & Seat Components business units).

35.1 Segment information by region in fiscal year 2023

EURk	Germany	Czechia	Serbia	Canada	Mexico	China	Consolidation	Group
Total revenue	239,103	136,246	1,124	47,172	113,250	54,920	-608	**591,208**
Internal revenue	-17,303	-12,517	-872	-906	–	-3,767	–	**-35,365**
External revenue	**221,800**	**123,730**	**252**	**46,266**	**113,250**	**51,154**	**-608**	**555,843**
Total operating revenue	**239,426**	**136,246**	**1,124**	**47,172**	**113,395**	**54,920**	**-35,973**	**556,311**
Total income	16,656	919	69	1,069	1,146	568	-9,355	**11,072**
Total expenses	-242,204	-123,624	-1,362	-45,948	-100,389	-46,533	44,720	**-515,341**
Depreciation/amortization	-9,077	-5,340	-98	-2,289	-4,753	-2,656	30	**-24,183**
EBIT before currency effects	**5,241**	**8,244**	**-261**	**48**	**9,380**	**6,155**	**-578**	**28,229**
EBIT including currency effects	**4,802**	**8,201**	**-267**	**3**	**9,399**	**6,300**	**-578**	**27,859**
Interest income	5,730	1	23	11	2	3	-5,162	**607**
Distributions from affiliated companies	5,000	–	–	–	–	–	-5,000	**–**
Interest expenses	-6,553	-3,394	-93	-991	-2,253	-847	5,162	**-8,969**
Earnings before taxes (EBT)	**8,978**	**4,808**	**-337**	**-977**	**7,148**	**5,455**	**-5,578**	**19,497**
Income taxes	-2,143	268	–	80	-273	-1,377	168	**-3,277**
Net income/loss for the period	**6,835**	**5,076**	**-337**	**-897**	**6,875**	**4,079**	**-5,410**	**16,220**
Assets	171,555	135,411	8,121	37,983	75,474	50,099	-55,543	**423,100**
of which non-current assets	47,386	61,818	5,739	20,046	26,569	22,160	-78	**183,640**
of which contract assets	34,101	30,934	811	8,724	12,837	9,879	-3,405	**93,880**
Liabilities	46,299	79,228	5,568	12,902	47,383	50,031	25,154	**266,566**
Capital expenditure	5,707	5,447	5,837	4,968	3,534	1,018	–	**26,510**

35.2 Segment information by region in fiscal year 2022

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 operating revenue	**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	-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	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**

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

35.3 Additional segment information

REVENUE BY BUSINESS UNIT

EURk	2023	2022
Electronic, Chassis and Airbag Components	200,479	196,541
Steering and Seat Components	118,543	107,894
Body and Instrument Panel Carrier Components	192,281	173,382
Other revenue	44,540	52,944
Total	**555,843**	**530,761**

REVENUE BY REGION (BY CUSTOMER'S REGISTERED OFFICE)

EURk	2023	2022
Germany	164,863	151,387
Rest of Europe	156,268	144,218
North America	181,011	168,959
Other countries	53,701	66,197
Total	**555,843**	**530,761**

36 Declaration of conformity with the German Corporate Governance Code

The declaration of compliance with the German Corporate Governance Code, as amended on April 28, 2022, issued by the Executive Board and the Supervisory Board in December 2023 in accordance with section 161 AktG is permanently available to shareholders on the company's website at → **https://www.pwo-group.com/en/group/corporate-governance/**.

The remuneration report, which states the individual remuneration of the Executive Board and the Supervisory Board and was prepared separately from the combined management report, will be formally reviewed by the auditor and made permanently available at → **www.pwo-group.com/en/group/corporate-governance/**.

37 Events after the end of the reporting period

The syndicated loan with a volume of EUR 155 million and a term of 3 years plus an extension option for up to 2 years concluded on March 10, 2023, was extended early by one year on February 8, 2024. The first maturity date is thus March 10, 2027.

There were no other reportable events of particular significance for the net assets, financial position and results of operations after the end of the reporting period.

38 Composition and mandates of the Supervisory Board and Executive Board

SUPERVISORY BOARD

Name, location	Position	Profession	Member of 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 PWO 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 representative	Process planner and Chairman of the Works Council of PWO AG	–
Carsten Claus, Aidlingen		Former CEO of Kreissparkasse Böblingen	• Deutsche Sport Marketing GmbH, Frankfurt | Member of the Advisory Board • Gemeinnützige Werkstätten und 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	Production planner and member of the Works Council of PWO 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 PWO AG from 1989 to 2016)	–

EXECUTIVE BOARD

Name, location	Position	Member of other statutory German supervisory boards or comparable German or foreign supervisory bodies at commercial enterprises
Carlo Lazzarini, Bergisch-Gladbach	CEO and Chairman of the 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 • Sparkasse Offenburg/Ortenau | Member of the Advisory Board • Hochschule Offenburg (Offenburg University of Applied Sciences) | Member of the Board of Trustees
Jochen Lischer, Brühl	CFO | from July 1, 2023	• 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

FORMER MEMBERS OF THE EXECUTIVE BOARD

Name	Position	Member of other statutory German supervisory boards or comparable German or foreign supervisory bodies at commercial enterprises
Dr. Cornelia Ballwießer	CFO | until June 30, 2023	• PWO Canada Inc., Kitchener, Canada | Member of the Board of Directors • PWO Czech Republic a.s., Valašské Meziříčí, Czechia | Chair 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	COO | until April 30, 2023	–

39 Proposal for the appropriation of profits

It will be proposed to the Annual General Meeting to utilize the net retained profits of PWO AG of EURk 7,763 as reported as of December 31, 2023, as follows:

Distribution of a dividend of EUR 1.75 per eligible no-par share	EURk 5,469
Balance to be carried forward to the next accounting period	EURk 2,294

The number of eligible shares may change by the time at which the resolution on the appropriation of profits is adopted, for instance as a result of the acquisition of treasury shares by the company (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 1.75 in total.

Oberkirch, March 19, 2024

PWO AG

The Executive Board

Carlo Lazzarini
Chairman/CEO

Jochen Lischer
CFO

Independent auditor's report

To PWO AG (until May 16, 2023: 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 PWO AG (until May 16, 2023: Progress-Werk Oberkirch Aktiengesellschaft), Oberkirch, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, 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, 2023, 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 PWO AG for the financial year from January 1 to December 31, 2023.

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, 2023, and of its financial performance for the fiscal year from January 1 to December 31, 2023, 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, 2023. 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

Please refer to Note 5 for information on the accounting principles and the assumptions used. Information on the carrying amounts 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 35 Segment reporting of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The plots of land and buildings at the Group amount to EUR 80.3 million and technical equipment and machinery to EUR 70.3 million as of December 31, 2023.

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 as of the end of the reporting period and compares this to the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized. If the carrying amount is lower than the recoverable amount, the impairment is reversed. The reversal is limited by the amortized cost. The recoverable amount is regularly calculated at the level of the cash-generating units.

Impairment testing 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.

The reversals of write-downs on land and buildings recognized in fiscal year 2023 for PWO Germany amount to EURk 553. For technical equipment and machinery, impairment of EURk 93 was recognized for PWO Germany and of CADk 74 for PWO Canada.

There is a risk to the consolidated financial statements that impairment losses or reversals on the same were not recognized in an appropriate amount, and that the carrying amounts of the land and buildings and technical equipment and machinery of the PWO Germany and PWO Canada cash-generating units are not recoverable. There is also the risk that the related disclosures in the notes 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 of impairment or that previous impairment losses recognized no longer apply or are reduced and the calculation of the recoverable amount.

With the support of our measurement specialists, we assessed the accuracy of the calculations and whether the measurement methods used by the company, which commissioned an independent expert to determine the recoverable amount, are consistent 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 whether the related disclosures in the notes 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

The Group's revenue amounted to EUR 555.8 million in fiscal year 2023 and predominantly related to series deliveries.

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.

PWO AG's management has presented the criteria for revenue recognition in Group Accounting Guidelines and has implemented processes for correct recognition and accrual.

Given the scope for discretion in assessing the stage of completion, there is a risk for the financial statements that the amount of revenue recognized as of the end of the reporting period is incorrect.

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 and establishment 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.

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 implementation 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 procedure for the accrual basis of accounting for revenue is appropriate. The assumptions underlying accounting are appropriate.

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 that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors 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 "5299006TWTYFNXLFV488-2023-12-31-de.zip" (SHA256Hashwert: d55ea76da167bfc43179414435e1e129be957e194147bac77f4565de0e284663) 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, 2023, 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 QMS 1 (09.2022)).

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

In addition, the company's management is responsible for such internal control that they have 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 of 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, 2023. We were engaged by the Supervisory Board on October 31, 2023. We have been the auditor of the consolidated financial statements of PWO AG without interruption since fiscal year 2020.

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.

German public auditor responsible for the audit

The auditor responsible for the audit is Mathias Laubert.

Stuttgart, March 21, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Laubert	Rupperti
German Public Auditor	German Public Auditor

Responsibility statement

“We declare to the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group’s net assets, financial position and results of operations, and the Group management report combined with the management report of PWO AG, 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 19, 2024

The Executive Board

Carlo Lazzarini
Chairman/CEO

Jochen Lischer
CFO

Other information

PWO Group 5-year overview of key figures

	2023	2022	2021	2020	2019
Income statement (EURk)					
Revenue	555,843	530,761	404,274	371,154	458,541
Total operating revenue	556,311	531,327	404,817	372,156	459,845
EBITDA	52,042	51,193	47,155	21,169	45,893
EBIT before currency effects	28,229	27,513	22,131	-8,123	22,122
EBIT including currency effects	27,859	26,779	21,823	-10,099	19,846
Net income/loss for the period	16,220	15,211	14,742	-11,662	9,051
Balance sheet (EURk)					
Total equity and liabilities	423,100	400,281	373,272	363,654	393,306
Equity	156,534	151,316	125,301	104,464	119,529
Net debt[1]	107,286	115,366	103,609	102,484	132,473
Equity ratio in %	37.0	37.8	33.6	28.7	30.4
Leverage ratio in years[2]	2.1	2.3	2.2	4.8	2.9
Cash flows (EURk)					
Cash flow from operating activities	37,388	11,572	20,962	49,197	47,948
Cash flow from investing activities	-19,197	-14,354	-9,947	-13,471	-27,820
Free cash flow	11,312	-5,760	4,863	29,096	14,952
Net change in cash and cash equivalents	-6,638	-5,515	1,076	3,484	-14,218
Non-financial performance indicators					
Scope 1 and 2 greenhouse gas emissions in metric tons	9,417	11,772	–	–	–
Training rate for e-learning courses in %	100	100	–	–	–
Supplier audits in % (from July 1, 2023)	100	–	–	–	–
Work accidents (AccR)	9.9	4.9	–	–	–

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

	2023	2022	2021	2020	2019
Order situation (EUR million)					
Lifetime volume (new business)	845	890	570	400	510
of which series orders	805	845	535	370	475
of which tool orders	40	45	35	30	35
Numbers per share (EUR)					
Earnings per share (diluted = basic)	5.19	4.87	4.72	-3.73	2.90
Dividend per share	1.75[1]	1.65	1.50	0	0
XETRA share price, year-end	30.00	31.20	31.80	19.40	24.30
Employees (as of Dec. 31)					
PWO Group (incl. temporary employees and trainees)	3,112	2,820	2,957	3,093	3,208
of which in Germany	1,007	970	1,151	1,419	1,531
of which at international locations	2,105	1,850	1,806	1,674	1,677

[1] Proposed dividend

Financial calendar

June 6, 2024	Annual General Meeting 2024
May 15, 2024	Quarterly statement for the first quarter of 2024
August 9, 2024	Interim financial report on the second quarter and first half of 2024
November 13, 2024	Quarterly statement on the third quarter and first 9 months of 2024
November 25 to 27, 2024	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.

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