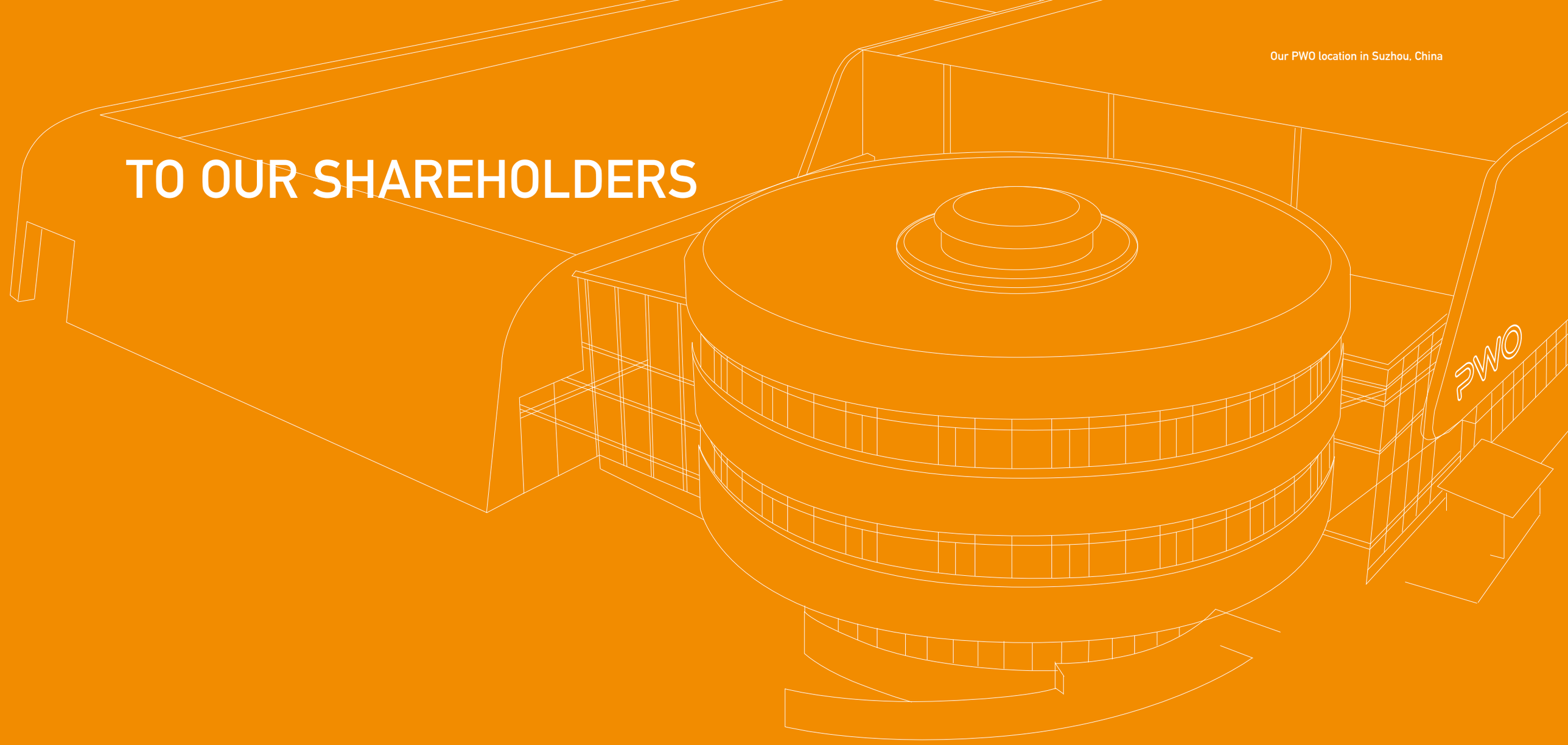
PWO

PEOPLE, PLANET, PROGRESS!

2020 Annual Report

CONTENTS

TO OUR SHAREHOLDERS



Our PWO location in Suzhou, China

LETTER FROM THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,

In the 2020 fiscal year, your company proved that it is crisis-proof. We successfully made it through the world's greatest economic crisis of the post-war period, caused by an insidious virus. And what is more, despite the tremendous amount of crisis management related to the immediate present, we still kept a clear eye on our future by setting a strategic course.

Because we want to not only master the current crisis but also seize the many opportunities that are already available to us today for a successful future! We want to sustainably increase the competitiveness of your company and thus its value and that of the PWO share. For these reasons, we have identified eight qualities that make an investment in PWO worthwhile:

PWO is

- positioned for the future as an active player shaping tomorrow's mobility.
- focused on the trends of electrification, safety & comfort.
- an innovation leader in the cold forming of metal sheets and their joining.
- a trendsetter in the progressive digitization of all its processes with the tools of the fourth industrial revolution.
- outstanding in reliability, delivery reliability and quality.
- constantly working to increase its efficiency throughout the Group.
- committed to comprehensive sustainability.
- a proven success in steadily globalizing its business in line with the needs of its customers.

First, however, the commentary on the 2020 fiscal year should begin with what is most important at a time like this. As a corporate citizen, your company is a member of society, employing and maintaining contact with a great many people around the world. That is why the health of all our employees worldwide, their families and our business partners were the focus of our activities in 2020. Very quickly after the first cases of corona appeared, the Executive Board implemented a pandemic plan at all our sites and adapted it step-by-step to the respective phases of incidence development. As of today, this pandemic plan has been successful. We will, of course, continue to adapt it regularly.

PWO was also naturally hit by the global economic crisis, and not only in terms of the economic repercussions, which also affects your investment. We can state however that the challenges posed by the pandemic were well mastered with the tireless efforts of everyone involved and the quick response taken that was tailored to the respective needs of our locations. Our business was able to grow in those places where the economic environment improved during the year, which was clearly above all in China.

Despite the recent availability of vaccines, it is still not possible to reliably forecast an end to the pandemic. The massive reluctance of buyers to make purchases in the face of the corona pandemic has only slightly diminished. The pre-crisis levels of automotive sales are thus a long way off, and most observers believe that the global economy as a whole is likely to see only a sluggish recovery. The challenges for the entire industry and for the PWO Group will, therefore, remain exceptionally high in the current fiscal year.

Looking back on 2020, the pandemic and the consequences thus far naturally play a major role in the annual report before you. But we are also looking ahead! In this report, we present our vision of the PWO Group of the future to you in detail. For more on this, please turn to pages 19 to 37.

For several years now, the international automotive industry has been confronted with considerable systemic challenges that are usually summarized under the term "transformation." This development will continue to significantly shape our industry in the years to come. PWO's products and core expertise are both independent

of the type of drive while simultaneously being a part of the electrification and safety & comfort trends, which means we have not only succeeded in effectively meeting these challenges so far but are in a position to actively shape the industry's transformation — and tomorrow's mobility.

This leads us to our firm conviction: Based on the technological and logistical core competencies of your company, we have the best chance of leveraging all the potential offered by the term tomorrow's mobility.

We are also very well-positioned in terms of sustainability and environmental friendliness. Our product range is virtually unaffected by the extinction of internal combustion engines. We are consistently following the trend toward electrification in the mobility sector with innovative solutions. The metals we process — especially steel — are fully recyclable and can therefore be reused almost indefinitely. This is not the only reason they are environmentally friendlier than plastic and other non-recyclable "modern" materials such as carbon fiber; it is primarily due to their low overall CO_2 footprint.

Our innovative solutions are also often significantly lighter than potential plastic-made alternatives, thanks to our unique expertise in forming and joining metals that pushes the limits of what is technologically feasible today. Our agenda to reach CO_2-neutrality at the Oberkirch site by 2026 and at our global sites by 2030 is being implemented on schedule as envisaged. We always keep current by refining this agenda with added detail.

Tomorrow's mobility is not only defined by electrification and the broader issue of sustainability. The trend towards autonomous driving and, in turn, the holistic networking of the entire traffic situation in real-time is where our core competencies in safety and comfort come into play as these aspects once again gain importance.

But tomorrow's mobility does not end with automobiles or other road vehicles such as buses or transportation trucks but will also require tailor-made solutions. There is no one to stop us from also demonstrating the capabilities we have in this area!

Even in this new world of mobility, we cannot afford to relax our efforts to maintain your company's competitiveness; on the contrary, we must continue to make progress. This involves selectively expanding and adapting individual sites to ensure they remain viable in the future within their respective environments. We must particularly keep a close eye on regional shifts in customer demand and make sure we are prepared as best as possible.

As our largest production site, Oberkirch is especially faced with the challenges resulting from customers increasingly relocating their production capacities abroad. This follows the sharp rise in costs in Germany over the past few years and the accompanying overall decline in competitiveness. Our locations abroad are growing steadily and generating positive EBIT without exception — even in the difficult, corona-plagued year 2020! The decline in volumes that has occurred at the Oberkirch production site is expected to continue. This trend can only be turned around by systematic modernization to reach a fully data-driven and largely automated Industry 4.0 site.

This is the reason we are transforming the Oberkirch site into a best-in-class location for highly efficient modern, data-driven manufacturing. The goals are to increase competitiveness by continuously reducing the use of resources while improving both process efficiency and manufacturing quality, which is ultimately the path to future growth. To this end, we are relying on big data analytics and machine learning. In taking this approach, we are making the jobs in Oberkirch more future-proof — with a flagship effect on the entire Group. This strategy underscores our clear commitment to Oberkirch as the headquarters of the PWO Group.

There is still plenty of work to be done — especially during the current fiscal year. We must steadily increase our efficiency, especially from a cost perspective, and position ourselves organizationally and geographically in such a way that our core competencies are put to the best possible use. Technological competitiveness is only one prerequisite for future viability. Only when we couple that with a competitive cost base can we secure the long-term future and growth of the entire PWO Group. The Executive Board is particularly committed to achieving this.

After a particularly challenging fiscal year due to the corona pandemic, we would like to take this occasion to thank our employees for their extraordinary commitment and their families.

We would also like to thank you, our shareholders, for the trust you have placed in us. We are convinced that we can seize the opportunities offered to your company by the mobility of the future and expand and strengthen its market position beyond its existing customer base.

Carlo Lazzarini
(CEO)

Dr. Cornelia Ballwießer
(CFO)

Johannes Obrecht
(COO)

JOHANNES OBRECHT
COO

CARLO LAZZARINI
CEO

DR. CORNELIA BALLWIEßER
CFO

REPORT OF THE SUPERVISORY BOARD

In the 2020 fiscal year, the Supervisory Board of Progress-Werk Oberkirch Aktiengesellschaft (the "Company") carried out its duties as defined by law, the Company's Articles of Association and Rules of Procedure. The Supervisory Board and Executive Board continuously cooperated and maintained a close dialog. The Supervisory Board regularly advised the Executive Board and monitored the Company's management in terms of its legality, practicality and efficiency.

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

As the global economic development in the reporting year was almost entirely dominated by the COVID-19 pandemic (the "corona pandemic"), the focus often turned to overall economic conditions and the effects on our industry in particular. The Executive Board and the Supervisory Board agreed that the health of all employees and business partners is a top priority for PWO. Both Boards thoroughly discussed ongoing development projects and capital expenditures, as well as short- and long-term corporate planning, specifically in this context.

The Executive Board also reported on the liquidity and risk situation, the status and development of the Group-wide risk and compliance management systems, as well as on IT security and data protection.

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

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

During the 2020 fiscal year, the chairman of the Supervisory Board was in regular and close personal contact with the Executive Board in the periods outside of the Supervisory Board meetings, particularly with the CEO. The chairman also advised the Executive Board with respect to strategy, planning, business and financial development, risk situation, risk management and compliance issues and was always informed of current business developments and all material business transactions. Outside of the Supervisory Board meetings, the chairman also briefed the other Supervisory Board members and discussed the current developments with these members.

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

There were no conflicts of interest in the 2020 fiscal year that involved Executive Board or Supervisory Board members that would require immediate disclosure to the Supervisory Board and the notification of the Annual General Meeting.

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. The Company supports Supervisory Board members in ensuring this and offers in-house information events for targeted further training as required.

THE WORK OF THE PLENARY

The particular challenges of the 2020 reporting year led to significantly more intensive work for the Supervisory Board. Therefore, the full Supervisory Board met on a total of nine occasions – February 14, March 6, March 26, May 26, July 27 and 28, August 10, August 25, September 29 and December 10 – which is much more frequent than required by law. Furthermore, the Supervisory Board approved the amended agreement for the syndicated loan in a circular resolution. With the exception of the conference calls in March, all Supervisory Board meetings were held at the Company's headquarters. The meetings on February 14, March 6 and in August were convened on an extraordinary basis. All Supervisory Board members attended all meetings except one.

The Supervisory Board dealt regularly and in detail with the corporate strategy, current market situation, ongoing development projects, status of capital expenditures and the respective situation and earnings reports of the Executive Board on the economic and operating situation. All of these were always considered against the backdrop of the global corona pandemic, which broke out early in the fiscal year, and its impact on the Group. In addition, the further ongoing and planned measures to secure the Group's future, and particularly that of the Oberkirch site, were also a focus of attention during the reporting year.

On the basis of the resolution of the Annual General Meeting on July 28, 2020, the chairman of the Supervisory Board appointed the new auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Stuttgart branch, and agreed on its fee. The Supervisory Board chairman also obtained the statement of the independence of the auditor. No findings were made during the reporting year that called the auditor's independence into question.

The following items were also on the respective meeting agendas in the 2020 fiscal year:

At the meeting on February 14, the Supervisory Board dealt in detail with the report of the Audit Committee and the preliminary financial statements for 2019, among other topics. Also discussed were the anticipated business development for the new fiscal year and the status of ongoing discussions with employee representatives on the future development of the Oberkirch site. The latter was also the subject of the meeting on March 6.

On March 26, the Supervisory Board dealt in detail with the financial statements for the 2019 fiscal year, including the report of the auditor, the Executive Board's dependency report, the report of the Supervisory Board, the 2019 Annual Report, the Corporate Governance Report and the review of the content of the Non-Financial Statement 2019. Furthermore, the Executive Board's proposal to shareholders on the appropriation of unappropriated earnings were also discussed, and the latter was approved by the Supervisory Board. Following its own detailed examination, the Supervisory Board approved the 2019 annual financial statements and the 2019 consolidated financial statements; the annual financial statements were thus adopted. Also discussed were the reports from the Audit and Personnel Committees as well as the regular reports on the general market situation, ongoing development projects, capital expenditures and current developments at the Oberkirch site, particularly with regard to the site's cost-cutting program.

At its meeting on May 26, in addition to the regularly called topics, the Supervisory Board dealt with the report from the corona crisis team that had been appointed by the Executive Board. The Supervisory Board also discussed the Audit Committee report and the report on Group compliance. Also at this meeting, the Supervisory Board dealt with the agenda and proposed resolutions for the Annual General Meeting on July 28, and approved the Executive Board's decision to hold the meeting as a virtual General Meeting without the physical presence of shareholders or their proxies in accordance with Section 1(1) to (5) of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic of March 27, 2020 ("COVID-19 Act").

The two-day meeting on July 27 and 28 was largely dominated by the Annual General Meeting of Progress-Werk Oberkirch AG on July 28. Based on the COVID-19 Act, the Annual General Meeting was held for the first time as a virtual meeting without the physical presence of shareholders or their proxies. The fact that attendance (including votes cast by mail) was nevertheless equal to around two-thirds of the total voting rights, and thus only marginally lower than the previous year's level, demonstrates our shareholders' high level of acceptance of this venue. The Supervisory Board would like to thank all shareholders for their understanding and all those responsible for the smooth success of the debut of this meeting venue.

During this two-day meeting, the Supervisory Board focused on strategic issues, as well as related measures and their implementation. The ongoing effort and the current status to reduce costs at the Oberkirch location, as well as the further development of the China and Czechia locations, were also topics of discussion. The Supervisory Board also dealt with the report on the half-year results as of June 30, 2020, financing issue, and the Audit Committee's report on the Group's data privacy.

At its meetings on August 10 and 25, the Supervisory Board dealt with Executive Board matters relating to the Executive Board's composition and members. On August 25, the Supervisory Board appointed Mr. Carlo Lazzarini as the successor to previous CEO, Dr. Volker Simon, who left prematurely for personal reasons. The Supervisory Board also appointed Dr. Cornelia Ballwießer as the successor to longstanding Chief Financial Officer (CFO) Mr. Bernd Bartmann, who retired at the end of 2020.

At the meeting on September 29, in addition to the regularly discussed topics, the earnings report as of the end of August 2020, financing issues, and the reports of the Audit and Personnel Committees were received and discussed in detail.

At the meeting on December 10, in addition to the regularly discussed topics and the Audit Committee report, the Supervisory Board dealt primarily with the business development in the second half of 2020, the forecast for 2020 and the preliminary annual planning for the 2021 fiscal year. The Board also discussed the planning considerations for the medium-term period up to 2025, which included a detailed discussion of the earnings, balance sheet and financing planning, the development of key financial indicators, as well as the planning for the further development of the Group, capital expenditures, personnel development and the risk situation. In addition, the Supervisory board addressed in detail the current situation at the individual locations and the possible short- and medium-term effects of the corona pandemic.

Further focal points of this meeting again included various measures – such as the headcount reduction program – and plans to improve the cost base and competitiveness of the Oberkirch location. Compliance and corporate governance issues were also a focus and included the annual reports on compliance, risk management and internal auditing, the efficiency review of the Supervisory Board, the independence of the shareholder representatives on the Supervisory Board, and the adoption of the 2020 Declaration of Conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Section 161 of the German Stock Corporation Act (AktG).

The Supervisory Board resolved an amended version of its requirements profile (objectives of the Supervisory Board for its composition including competency profile and diversity concept for the Supervisory Board) taking into account the recommendations of the German Corporate Governance Code in its now applicable version dated December 16, 2019, which was published in the German Federal Gazette on March 20, 2020 ("GCGC 2020").

Further information on corporate governance can be found in the Company's Corporate Governance Statement pursuant to Sections 289 f and 315 d of the German Commercial Code (HGB), which is available on the Company's website at https://www. progress-werk.de/en/group/corporate-governance/.

In addition, at its meeting on December 10, the Supervisory Board discussed and approved the matters of the Executive Board, including its new schedule of responsibilities starting on January 1, 2021.

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. The Supervisory Board 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 plenary. The chairpersons of these committees regularly report to the plenary on the deliberation and resolutions of the respective committee.

The chairman of the Supervisory Board heads the Personnel Committee. The Personnel Committee prepares the personnel decisions of the Supervisory Board. The Personnel Committee, rather than the Supervisory Board, decides on the Company's representation in dealings with the Executive Board members, the consent to any outside or competing offices held by Executive Board members, and the granting of loans to Executive Board or Supervisory Board members. The Personnel Committee also submits proposals to the Supervisory Board for the compensation system and the total remuneration of the individual Executive Board members. The Personnel Committee met on seven occasions in the 2020 fiscal year, two of which were via video conference. All members were present at all but one of the meetings. The key matters discussed at the meetings concerned Executive Board issues and succession planning. Also discussed was the conception of a new compensation system for the members of the Executive Board that takes into account the new requirements of Sections 87 a and 120 a AktG introduced by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) of December 12 and the recommendations of the GCGC 2020.

Carsten Claus is the chairman of the Audit Committee. He possesses special knowledge and experience in the area of accounting. The Audit Committee, rather than the Supervisory Board, assumes the tasks of previewing the financial statements and consolidated financial statements, the management report, the Group management report and audit report furnished by the auditor. The Audit Committee also prepares the report to be submitted by the Supervisory Board in accordance with Section 171 AktG. In addition to monitoring the accounting and accounting process, the Audit Committee also concerns itself with overseeing the effectiveness of internal control and audit systems, the risk management system, the audit, compliance and the compliance management system.

The Audit Committee met on five occasions in the 2020 fiscal year. With one exception, all Audit Committee members were present at each and every meeting. The main topics discussed were the 2019 fiscal year financial statements, the 2020 interim financial report and quarterly statements. It also dealt with the consequences of the corona pandemic for the Group, corporate governance issues, and the preparation of the 2020 financial statements and, in this context, the appointment of the new auditor (rotation of the auditor in accordance with

Article 17 of Regulation (EU) No. 537/2014). Furthermore, the Audit Committee dealt with the audit of systems pursuant to Section 32 of the German Securities Trading Act (WpHG) for non-financial counterparties (EMIR).

Additionally, the Audit Committee discussed the Company's business development in depth, including the reports received from the Executive Board, while paying special attention to the current development of the Company's and Group's profitability. Moreover, the Committee discussed questions regarding the Company's financing, the measurement of equity interests, corporate management and accounting principles. The Audit Committee regularly reviewed the Company's and the Group's current performance and compared it to the corresponding planning data to determine if there was any need for action.

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

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

AUDIT COMMITTEE
- Carsten Claus (Chairman, financial expert as defined under Section 100 [5] AktG)
- Dr. Georg Hengstberger
- Herbert König
- Karl M. Schmidhuber

DISCLOSURE OF MEETING ATTENDANCE FOR INDIVIDUAL MEMBERS

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

SUPERVISORY BOARD MEETINGS

– February 14, 2020	Full attendance
– March 6, 2020	Full attendance
– March 26, 2020	Full attendance
– May 26, 2020	Full attendance
– July 27-28, 2020	Full attendance
– August 10, 2020	Absent: Carsten Claus; all other members in attendance
– August 25, 2020	Full attendance
– September 29, 2020	Full attendance
– December 10, 2020	Full attendance

PERSONNEL COMMITTEE MEETINGS

– February 13, 2020	Full attendance; guest attendance of Carsten Claus
– June 15, 2020	Full attendance; guest attendance of Carsten Claus
– June 29, 2020	Full attendance; guest attendance of Carsten Claus
– July 8, 2020	Full attendance; guest attendance of Carsten Claus
– July 10, 2020	Absent: Dr. Ruetz; all other members in attendance; guest attendance of Carsten Claus
– August 25, 2020	Full attendance; guest attendance of Carsten Claus
– December 3, 2020	Full attendance; guest attendance of Carsten Claus

In addition, resolutions were passed in circular resolution during the year.

AUDIT COMMITTEE MEETINGS

– February 14, 2020	Full attendance
– March 13, 2020	Full attendance
– May 6, 2020	Full attendance
– July 27, 2020	Full attendance
– November 4, 2020	Absent: Karl M. Schmidhuber; all other members in attendance

CHANGES IN THE COMPOSITION OF GOVERNING BODIES

No change was made to the composition of the Supervisory Board in the 2020 fiscal year.

Two changes were made to the composition of the PWO AG Executive Board.

Dr. Volker Simon, CEO, left the Company for personal reasons, effective September 4, 2020. The Supervisory Board noted his decision with regret, thanked him for his many years of successful service and wished him all the best for the future.

Carlo Lazzarini was appointed as Dr. Simon's successor on the Executive Board, effective September 1, 2020, and assumed the role of CEO of PWO AG starting on September 5, 2020.

The contract of longstanding Executive Board member and CFO Bernd Bartmann expired on December 31, 2020, and he entered retirement. At the Supervisory Board meeting on December 10, 2020, Supervisory Board Chairman Karl M. Schmidhuber thanked Bernd Bartmann on behalf of the entire Board for Mr. Bartmann's full commitment to PWO for 16 years, during which he had played a decisive role in shaping the Company and wished him all the best for his future endeavours. Mr. Bartmann was also thanked by Herbert König, chairman of the Works Council and employee representative on the Supervisory Board, on behalf of the workforce.

Mr. Bartmann's successor as CFO starting on January 1, 2021 is Dr. Cornelia Ballwießer, who had already assumed her role on December 12, 2020 as Bernd Bartmann's successor. Her appointment as a member of the Executive Board of PWO AG took effect on November 1, 2020.

CONFLICTS OF INTEREST

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

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At its meeting on March 25, 2021, the Supervisory Board dealt in detail with the annual and consolidated financial statements for the 2020 fiscal year, including the combined management report for the Company and the Group, and the dependency report of the Executive Board in accordance with section 312 AktG.

This meeting also included a detailed discussion of the effects of the current corona pandemic on the PWO Group and, among other things, the related report of the Executive Board on the Group-wide measures to protect the health of all employees and business partners. In the current fiscal year, the Executive Board continues to continuously and comprehensively monitor the situation. The Executive Board ensures that the Supervisory Board is kept continually informed, particular the chairman of the Supervisory Board, about all measures initiated in connection with the corona pandemic to secure the Group's future.

The extended efficiency and restructuring program for the Oberkirch location was also discussed in detail.

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

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

The financial statements 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 were promptly provided to the Supervisory Board members in advance of the meeting on March 25, 2021. The Audit Committee reviewed these documents at its meeting on March 22, 2021. The auditors were present at this meeting of the Audit Committee and at the Supervisory Board meeting on March 25, 2021 and reported on the main findings of their audit.

The Supervisory Board conducted its own review of the financial statements and consolidated financial statements and the combined management report for the Company and the Group. At the recommendation of the Audit Committee, the Supervisory Board agreed with the auditor's results at the meeting on March 25, 2021. No objections were raised following the conclusive results of the Supervisory Board's examination.

The Supervisory Board approved the financial statements and consolidated financial statements, thereby adopting the financial statements for the 2020 fiscal year. The Supervisory Board also approved the Report of the Supervisory Board and the Corporate Governance Statement and the Remuneration Report. The Supervisory Board also subjected the dependency report to its own review and, at the meeting on March 25, 2021, confirmed the auditor's audit result. There were no objections to the Executive Board's statement at the end of the dependency report following the conclusive results of the Supervisory Board's examination.

The Supervisory Board also conducted a review of the content of the 2020 Non-Financial Statement in accordance with Sections 289 c, 315 c HGB, which had been explained in detail by the Executive Board. The review did not lead to any objections by the Supervisory Board.

As in the prior year's meeting on the approval of the financial statements, the renewed suspension of the dividend payment to shareholders was given special attention and discussed in detail. 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. The Supervisory Board and Executive Board therefore expressly emphasized that this suspension does not represent a departure from the Company's long-term dividend policy, which remains valid. In light of the Company's reported net loss for the year, no dividend distribution can be made again in the current fiscal year.

A WORD OF THANKS

Over the past several years, the automotive industry has been faced with significant industry-specific problems and pressures that continue to this day. The global outbreak of the corona pandemic at the beginning of 2020 and the widespread lockdowns imposed on society as a whole in most countries to contain it, brought about tremendous added burdens from the resulting production losses. Despite the availability of vaccines, it is still impossible to reliably predict an end to this global crisis. Furthermore, problems in the supply chain for electronic components have been affecting vehicle production in the automotive industry since the beginning of 2021. There also continues to be a noticeable reluctance to make purchases in view of the corona pandemic, which is delaying a return to pre-crisis levels of automotive sales. Since most observers believe that the recovery in the global economy as a whole will likely be sluggish, the challenges for the PWO Group remain high.

In view of these circumstances, we must continue the level of our efforts to maintain the competitiveness of our company and, in fact, increase them even more. This will include expanding or adapting individual locations in a targeted manner so that they remain viable in the future in their respective environments. In particular, we must keep a close eye on geographical shifts in demand from our customers in this context and remain prepared for them as best as possible.

Our home location of Oberkirch is particularly challenged by the fact that our customers are increasingly relocating their production capacities and making their purchases abroad given the cost levels in the high-wage country of Germany. The decline in volumes that have already occurred at the Oberkirch location is expected to continue going forward. This can only be countered in the future through the systematic modernization of this location towards a data-based and largely automated Industry 4.0 site.

The Supervisory Board is confident that the strategic group of measures prepared by the Executive Board as an extension of previous efforts will significantly strengthen the competitiveness of the Oberkirch location, as well as that of the entire PWO Group. This should enable us to successfully overcome the economy's currently very difficult phase and use the transformation of the automotive industry as a great opportunity for PWO.

The Supervisory Board would like to express its special thanks to all employees of the PWO Group for their extraordinary commitment during the highly challenging 2020 fiscal year and for their perseverance, patience, and flexibility in mastering the difficult circumstances of this corona year together with their families and loved ones.

The Executive Board and Supervisory Board continue to assure all employees and business partners of the PWO Group that their good health will be given unrestricted priority. We continue to wish you and your families all the best during this difficult time.

Stay healthy!

This report was discussed in detail and approved by the Supervisory Board at its meeting on March 25, 2021.

Oberkirch, March 25, 2021

Karl M. Schmidhuber
(Chairman of the Supervisory Board)

THE PWO SHARE

INVESTOR RELATIONS ACTIVITIES

We practice an all-encompassing approach to capital market communications. We do this by maintaining an active, open and continuous dialog with investors, analysts and media representatives. We do this using a variety of communication channels.

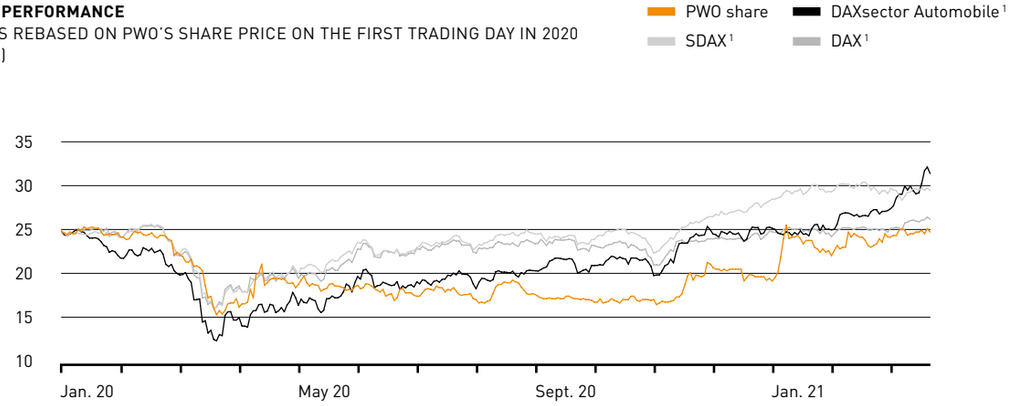
Due to the corona pandemic, all presentations and discussions were held virtually in the 2020 fiscal year. Despite these challenging conditions, we can report that there was continued and active interest in our company among private and institutional investors and from the press.

Aside from our ongoing communication with our contacts, particularly as a follow-up to our regular reports and other current announcements, the main focus of our IR activities in 2020 was the Virtual 1-on-1 Summer Summit of the service provider Equity Forum in July and the German Equity Forum (Eigenkapitalforum – EKF) of the Deutsche Börse AG in November. At the Summer Summit, we presented to a total of eleven institutional investors and analysts. At the EKF, we met with thirteen investment companies and analysts. At both events, we took the opportunity to establish several new contacts.

In terms of content, our discussions during the reporting year were naturally focused on the effects of the corona pandemic on our industry and the PWO Group in particular. We were persuasive with our good interim results during the year, especially those of our international locations. The rapid recovery of our activities in China after the slump in the first quarter gained particular attention. Questions concerning the international automotive industry's continued development focused on the industry's accelerated conversion process towards electromobility, autonomous driving, and networked traffic concepts based on comprehensive real-time communication.

In this context, the almost complete independence of our range of solutions from the powertrain and our special core competencies in the areas of comfort and safety, as well as our expertise in automotive electrics and electronics, attracted a great deal of attention from our discussion partners. All these areas are considered by market observers to have above-average development potential as the industry transforms, and therefore as part of a completely new world of mobility. There was also a great interest — particularly from the regional press — in the progress of the restructuring efforts at the Oberkirch site.

SHARE PERFORMANCE
INDICES REBASED ON PWO'S SHARE PRICE ON THE FIRST TRADING DAY IN 2020 (IN EUR)



[1] Price index

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

THE DEVELOPMENT OF THE PWO SHARE SINCE THE START OF 2020

The stock markets experienced a rollercoaster of emotions in the course of 2020. In the wake of the global outbreak of the corona pandemic and the associated fears that the almost complete shutdown of economic activity in many countries could drive the global economy into a downward spiral, prices on the international stock exchanges fell dramatically into the second half of March. After climbing slightly from the beginning of the year, the US Dow Jones index plummeted 36 percent within a few weeks from its high on February 12 to its low for the year on March 23. The performance on the German stock exchange was almost identical: the DAX index also initially rose slightly, only to drop by almost 39 percent, while the SDAX index lost 37 percent.

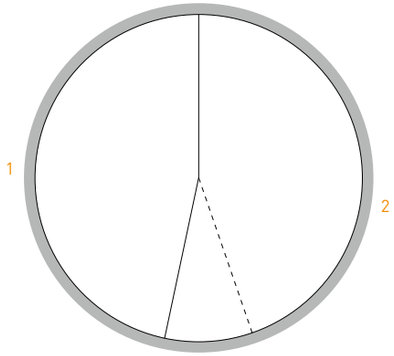
By comparison, the German automotive industry DAXsector Automobile index lost significantly more than average. After already missing out on the short uptrend in the first few weeks of the year that was experienced by the overall market, the automotive and supplier stocks slid 52 percent to lose more than half of their value in the period from January to March 19. PWO shares were also unable to escape the general market reaction to the global economic lockdowns and reached their low for the year on March 19, falling "only" just under 40 percent compared to their price at the beginning of the year.

Following this shock, stock exchanges around the world made a brilliant recovery during the remainder of the year, in many cases closing the 2020 year at new all-time highs. The Dow reached index levels above the 30,000 mark for the first time and closed the year with a gain of a good 6 percent. The DAX and SDAX indices recorded strong year-end rallies after the imminent availability of effective vaccines became known and also reached new all-time highs. The DAX, for example, closed the year slightly up by 2.5 percent on its opening level, and the SDAX even achieved a gain of more than 18 percent.

PWO's share price also rose sharply again from March 19, reaching an interim high on April 14 that was 40 percent above its March low. In the period that followed, the share price trended sideways with a downward tendency. This price trend continued until the end of October when it returned to an upward trend. The share ultimately closed the year 2020 with a loss of 22 percent. The recovery in the DAXsector Automobile index was stronger, rising almost 3 percent above its price at the beginning of the year.

The stock market reacted very positively to our plans for the future, announced in an ad hoc statement on December 29, 2020, to promptly focus the Oberkirch location specifically on its core competencies, and strengthen it technologically, including the implementation of modern, data-driven production for lasting competitiveness as a prerequisite for future growth. In the first trading days of 2021, PWO shares rose 41 percent from their 2020 year-end price of EUR 19.40 to a peak of EUR 27.40. In the subsequent share price consolidation, the daily closing price remained at a minimum of EUR 22 and was quoted at EUR 25.20 at the end of the third week of March.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2020
SOURCE: WPHG NOTIFICATIONS, OWN ANALYSIS



1 Consult Invest Beteiligungsberatungs-GmbH, Böblingen **46.73 %**

2 Free Float **53.27 %**
- thereof Sparkasse Offenburg/Ortenau, Offenburg **8.56 %**

SHAREHOLDER STRUCTURE

The shareholding of our long-standing major shareholder, Consult Invest Beteiligungsberatungs-GmbH, equaled 46.73 percent of the shares outstanding at the end of the reporting year.

Sparkasse Offenburg/Ortenau, also a long-standing shareholder, held 8.56 percent of the shares outstanding as of December 31, 2020. In accordance with the criteria of Deutsche Börse AG, the shareholding is counted as part of the free float, which corresponds to 53.27 percent of the shares issued.

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

DIVIDEND POLICY

PWO sees itself as a value investment with a sustainable growth component and is especially committed to its shareholders as the main providers of capital. We have therefore pursued a shareholder-friendly dividend policy for many years and –in step with our targeted operating development – a steady and sustainable development of the dividend. The Executive Board and Supervisory Board consider the Company's ability to pay dividends, and thus returns on the capital provided by its shareholders, as an important goal.

Due to the outbreak of the corona pandemic and the significantly higher related risks to business development in 2020, particularly in terms of safeguarding liquidity, the management made the proposal to the 2020 Annual General Meeting to forego the distribution of a dividend for the 2019 fiscal year and carry forward the 2019 unappropriated retained profit of Progress-Werk Oberkirch AG to the 2020 fiscal year. At the same time, it was expressly emphasized that this measure did not represent a deviation from the long-term dividend policy. The shareholders showed tremendous understanding for this precautionary measure and agreed to it.

In view of the continued corona pandemic and the resulting burdens and risks, we are continuing our comprehensive measures to secure sufficient liquidity. In light of this and the net loss reported for the past year, no dividend distribution can be made again in the current fiscal year.

STOCK EXCHANGE DATA

DATA AS OF DECEMBER 31, 2020

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/Auto Parts & Equipment
Trading venues	Stuttgart and Frankfurt Stock Exchanges, XETRA
Designated sponsor	Pareto Securities AS

COMPOSITION AND DEVELOPMENT OF SHARE CAPITAL

The amount and composition of the share capital and authorized capital did not change in the 2020 fiscal year. Detailed information on this is provided in the management report. The development of equity is presented in detail in the statement of changes in equity, which forms part of the annual financial statements.

KEY FIGURES FOR THE PWO SHARE

		2020	2019 [2]	2018	2017	2016
COMPANY KEY FIGURES						
Revenue [2]	EUR million	371.2	458.5	476.3	461.0	409.6
EBIT before currency effects	EUR million	-8.1	22.1	19.6	23.4	21.6
EBIT including currency effects	EUR million	-10.1	19.8	18.4	20.5	19.7
Net income/loss for the period	EUR million	-11.7	9.1	6.6	10.1	9.5
Revenue per share [2]	EUR	118.8	146.7	152.4	147.5	131.1
Earnings per share	EUR	-3.73	2.90	2.12	3.22	3.05
Dividend per share	EUR	0.00	0.00	1.35	1.65	1.60
Book value per share	EUR	33.43	38.25	37.26	36.20	34.09
VALUATION RATIOS (BASED ON THE XETRA YEAR-END PRICE)						
Year high share price	EUR	25.40	31.10	48.00	50.35	50.35
Year low share price	EUR	15.00	21.80	24.00	38.75	29.85
Year-end share price	EUR	19.40	24.30	24.50	46.51	39.99
Market capitalization	EUR million	60.63	75.94	76.56	145.34	124.97
Net debt	EUR million	102.48	132.47	131.36	125.89	124.46
Price/revenue [1,2]		0.16	0.17	0.16	0.32	0.31
Price/earnings ratio [1]		-5.20	8.39	11.53	14.45	13.12
Price/book value [1]		0.58	0.64	0.66	1.28	1.17
Dividend yield [1]	%	--	--	5.51	3.55	4.00

[1] Based on the Xetra year-end price

[2] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")

OUR EQUITY STORY

Our PWO location in Oberkirch, Germany

WE ARE AN ENGINEERING HOUSE

Customer solutions with passion

Pushing the boundaries of metal forming to achieve the best solutions for our customers: That's what drives us every day and what we base our overall concepts on — from series production to joining and assembly technologies. Another key success factor is the creativity of our engineers when it comes to increasing the efficiency of ongoing production processes. This infuses reliability and cost-effectiveness throughout the entire life cycle of a series production.

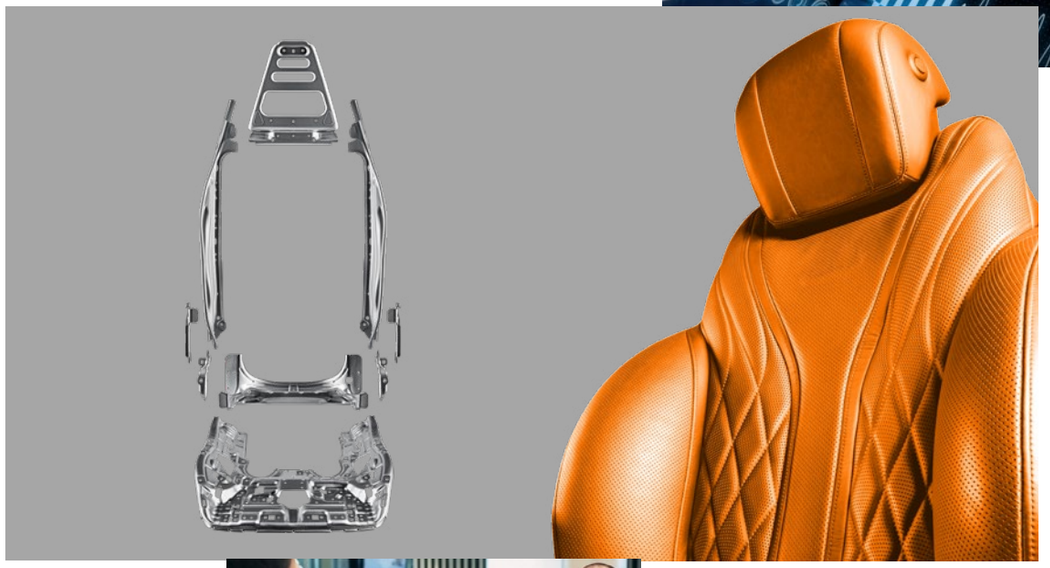
"WE ARE SHAPING THE MOBILITY OF THE FUTURE WITH INNOVATIVE SOLUTIONS AT THE FRONTIER OF METAL FORMING."

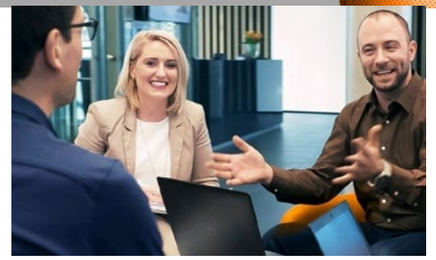
Carlo Lazzarini, CEO

FUTURE-PROOF MOBILITY SOLUTIONS

The future of mobility is our friend

We are ideally positioned for the current fundamental change in the mobility industry, as our product portfolio is almost completely independent of the type of vehicle drive. With advancing electrification, as well as automated and autonomous driving, vehicles are going through a comprehensive transformation. The interior is changing from a „place to drive“ to a „place to live“. This opens up new growth opportunities for us.





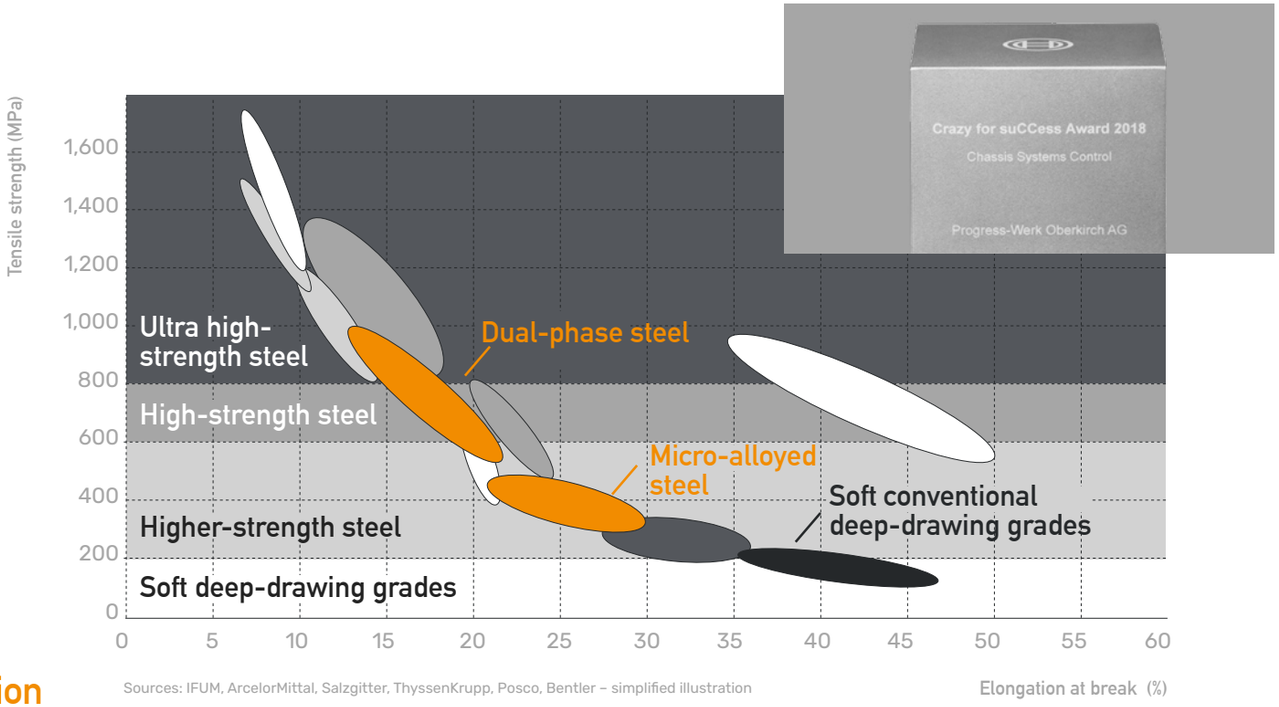
ELECTRIFICATION, SAFETY & COMFORT

Our focus: comfortably on the road

Electrification and safety & comfort are at the heart of our range of solutions. They will become even more important for automated and autonomous driving as passenger demands continue to rise. This applies just as much to the mobility services used via sharing platforms as to our own vehicles.

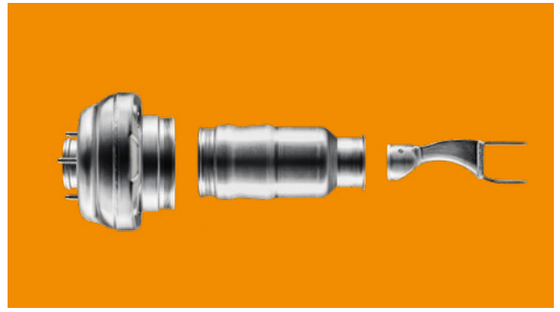
WE ARE CONSTANTLY REDEFINING COLD FORMING

And bring the most sophisticated design to large-scale production



Sources: IFUM, ArcelorMittal, Salzgitter, ThyssenKrupp, Posco, Bentler – simplified illustration

Our market success is essentially based on superior product design with the lowest tolerances. With our comprehensive know-how in the cold forming of metals and joining technologies, we master even the most complex geometries when it comes to reconciling our customers' current design ideas with the highest requirements for safety and comfort. And we do this for large series on an industrial scale. In the process, we regularly succeed in pushing the limits of what is technologically feasible today in the forming of high-strength and ultra-high-strength steels.



A PARTNER OF THE GLOBAL MOBILITY INDUSTRY

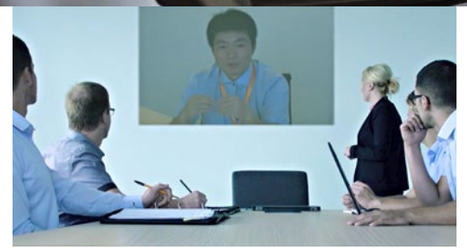
We are where we are needed

We supply our customers on three continents at almost any desired unloading location. Cooperation partners cover the regions where we are not yet represented ourselves. Finished plans for additional locations are at hand and will be realized as soon as market opportunities give us the impression that this is economically viable. Customer relationships, some of which have grown over decades, document our outstanding market position. We intend to use our excellent reputation in the future to further diversify our customer base.

ALWAYS GOING THE EXTRA MILE

Our full commitment in everything we do

Passion, creativity and giving our fullest level of commitment to our customers are what set us apart. Appreciation, consideration and flexibility characterize our culture. Foresight, openness and willingness to change secure our position in constantly evolving markets. Long-term thinking, a sense of responsibility and trustworthiness guide our actions as a corporate citizen.



PWO DE México S.A. DE C.V.
Puebla, Mexico

PWO Canada INC.
Kitchener, Ontario, Canada

PWO High-Tech Metal Components Co., LTD.
Suzhou, China

PWO AG
Oberkirch, Germany

PWO Czech Republic A.S.
Valašské Meziříčí, Czechia

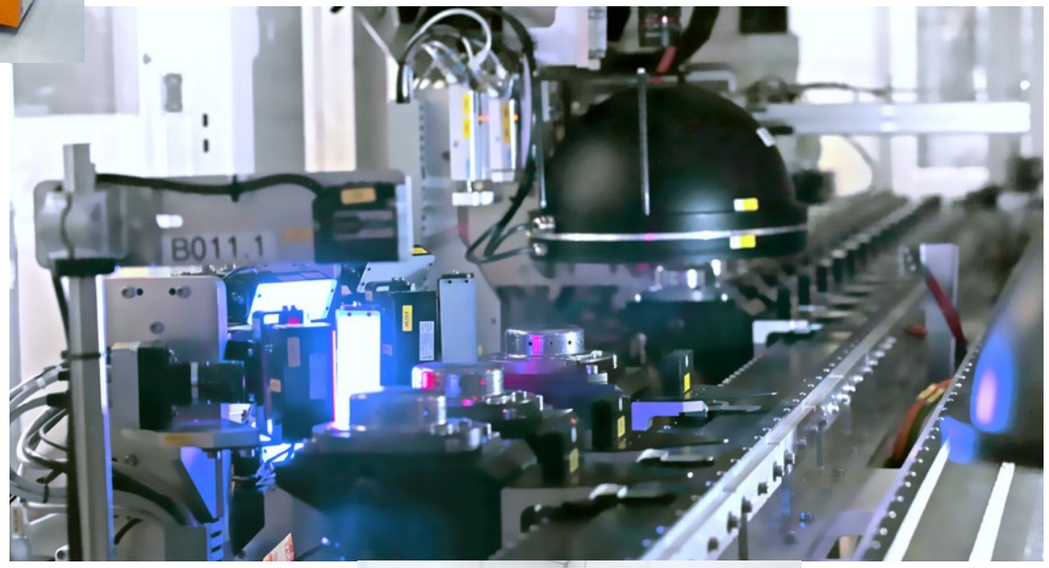
A COMMUNITY FOR FUTURE GROWTH

Our team spirit is global

We supply almost all of our Top 10 customers from several of our production locations. This means we not only meet our customers' demands for global delivery capability but this is also proof of the uniformly high performance of our teams in the individual countries worldwide. In the future, we will further diversify our production range, particularly in China and Mexico, and open up additional market potential.

"SUSTAINABILITY AND DIGITALIZATION ARE THE STRONGEST DRIVERS FOR FUTURE SUCCESS. THEY FORM THE BASIS FOR THE FURTHER DEVELOPMENT OF OUR BUSINESS PROCESSES."

Dr. Cornelia Ballwießer, CFO



A CLEAR COMMITMENT TO DIGITALIZATION

PWO 4.0!

We are consistently focusing on the opportunities of the fourth industrial revolution. With our current projects for the collection and evaluation of process data, we are positioning ourselves at the forefront of comparable companies in our industry. We will tap further potential for increasing our competitiveness by continuously reducing the use of resources while at the same time improving process efficiency and manufacturing quality.

BUSINESS AS A FORCE FOR GOOD

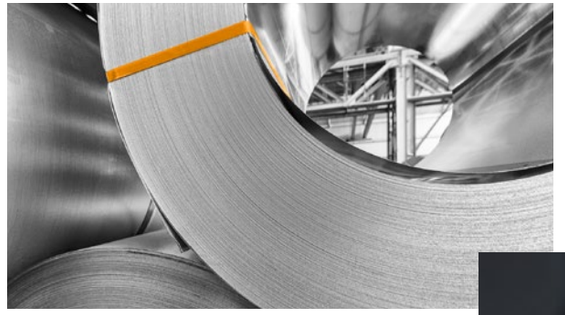
Responsibility down to the smallest detail

The commitment to sustainable, ecological and socially responsible action forms the basis of our economic activities. This helps us to safeguard the livelihoods of present and future generations. We focus on concrete social contributions in everyday life that have a direct positive impact — entirely separate from our major and long-term goals. This was particularly true in the corona year 2020.

SHAPING THE MOBILITY OF THE FUTURE TOGETHER

Our team spirit also includes our business partners

We have a comprehensive understanding of a vehicle's overall system, speak our customers' language, understand the systems along their value chain and can thus integrate our solutions seamlessly into their processes. That's why we are their partner of choice when it comes to setting off together for new shores and developing solutions for requirements that we are not even very familiar with today.



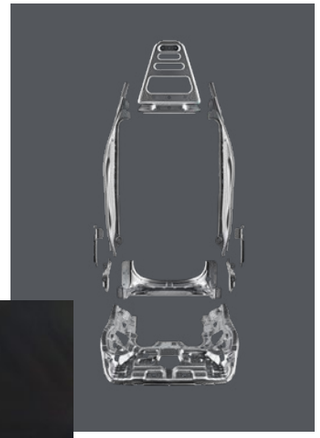
SUSTAINABILITY AT PWO

Concrete milestones for the 2020s

As a processor of steel, sustainability is something that comes naturally to us. Steel is a unique material that retains its quality properties, even after being melted down an unlimited number of times. The CO_2 emissions generated during its primary production are significantly lower than for aluminum and carbon fiber-reinforced plastic, for example; this is all the more true for steel made from recycled material. We are implementing a detailed roadmap to achieve CO_2 neutrality at the Oberkirch site by 2026 and within the Group by 2030.

"WE FOCUS ON COMPREHENSIVE UNDERSTANDING OF EACH CUSTOMER'S INDIVIDUAL NEEDS TO FIND THE BEST POSSIBLE SOLUTION."

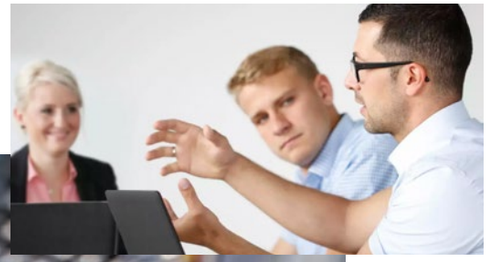
Johannes Obrecht, COO



LIGHTWEIGHT SOLUTIONS MADE OF SHEET METAL

Steel is light!

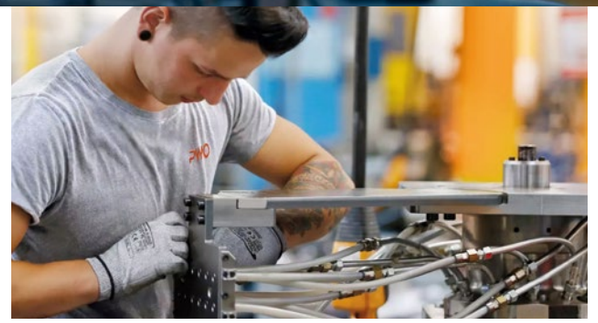
All the components we develop must meet the functionality required by the customer and be lightweight at the same time. To achieve this, we rely on components made of sheet steel and innovative solutions in joining technology. Modern high-performance steels offer unique forming possibilities that even help us to regularly succeed in developing solutions with global appeal. And above all: steel is 100 percent recyclable — good for our natural resources.



PRODUCT DEVELOPMENT FOR MAXIMUM COST-EFFECTIVENESS IN LARGE-SCALE PRODUCTION

Success with a technological edge

We cover the entire value chain from development to series production and always have the entire process in view. The aim of our efforts is to always find solutions that at the very least meet our customers' requirements and at the same time can be manufactured economically in large-scale production. This makes us highly competitive in the two key areas that determine whether we win a tender.



RELIABILITY OVER THE ENTIRE LIFETIME OF THE SERIES

Defects are the only thing that does not work for us

At PWO, zero-defect quality is not just a special requirement in the production process, it's a philosophy practiced holistically throughout the entire Group. This is the only way perfect products can be manufactured economically and delivered reliably for many years. This is how we create trust, which leads to regular awards and will continue to support our customer relationships.

THINK GLOBAL, ACT LOCAL

Continuous international expansion

Future growth will be driven by our foreign locations. We are already present in all major markets where there is demand for highly complex and precise components for the production of sophisticated vehicles. We intend to exploit our opportunities in those markets and win additional market share. We also plan to systematically develop our German site into a competitive high-tech flagship location.

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF PWO AG

Our PWO location in Valašské Meziříčí, Czechia

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF PWO AG

The combined management report for the January 1 through December 31, 2020 fiscal year contains the reports for Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, ("PWO," "PWO AG," the "Company") and the PWO Group ("Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union, and the supplementary provisions of the German Commercial Code (HGB). PWO AG conducts its accounting according to the provisions of the HGB in its currently valid version and the supplementary provisions of the German Stock Corporation Act (AktG).

The composition of the scope of consolidation is described in detail in the notes to the consolidated financial statements. The scope of consolidation did not change in the reporting year.

GROUP PRINCIPLES

BUSINESS MODEL

ORGANIZATIONAL STRUCTURE OF THE GROUP

The PWO Group manufactures components made of steel and aluminum sheets for the international automotive industry at 5 production sites. We also have 4 assembly locations with additional space that we can use for projects when needed.

PWO AG, headquartered in Oberkirch, Germany, is the Group's main location. The management of the Group is carried out from this head office. Most of the Company's international locations are direct subsidiaries. In China, PWO has established an intermediate holding company based in Hong Kong. This holding company continues to be a non-operating company.

PWO AG is led by an Executive Board consisting of 3 members. In the reporting year, the positions of chief executive officer (CEO) and chief financial officer (CFO) were reappointed with two new members. Temporarily, therefore, the Executive Board consisted of 4 persons.

A six-member Supervisory Board forms the supervisory body. The Supervisory Board has delegated some of its tasks to committees. These tasks are described in detail in the Report of the Supervisory Board.

SALES MARKETS, LOCATIONS, AND SEGMENTS

To deliver to our customers worldwide, we use a combination of production and assembly locations. The Group is represented worldwide by the following production locations: in Europe, one location in Oberkirch, Germany, and one in Valašské Meziříčí, Czechia; in Canada with one location in Kitchener; in Mexico with one location in Puebla; and in China with one location in Suzhou.

We also operate additional assembly sites in Mexico and Czechia located near our production areas. We are reducing the distance to our customers in China for large-volume instrument panel carriers with our assembly location in Shenyang. Assembly locations are always separate facilities belonging to our subsidiaries in the respective countries.

We pool our forming capacities at our capital-intensive production sites, in order to focus the know-how of our employees necessary for ongoing process innovation. Individual components are assembled together into subsystems at our assembly locations.

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

POSITIONING, EXPERTISE AND PROCESSES

PWO IN THE INTERNATIONAL AUTOMOTIVE MARKET

We manufacture tailor-made solutions for our customers — international automotive manufacturers and Tier 1 suppliers — for large series with unit volumes that sometimes stretch into the millions. In doing so, we cover the value chain from development and tool design to series production. We concentrate on the cold formation of steels, including high-strength lightweight steels, and to a lesser extent stainless steel and aluminum. We assemble the individual manufactured components into subsystems. Our focus is on providing solutions for automotive safety and comfort.

The Group's revenue in the past fiscal year is broken down into our three strategic product areas:

The first, mechanical components for electrical/electronic applications, accounted for 22 percent of revenue, followed by safety components for airbags, seats and steering with 30 percent, and structural components and subsystems for body and chassis with 48 percent.

The components from the first two areas are supplied primarily to international Tier 1 suppliers, who in turn supply them to various automakers as components of their own systems for numerous vehicle models. The components from the third area, in contrast, are largely manufactured directly on behalf of the vehicle manufacturers on a model-specific basis. Here, too, the range of applications is expanding continuously due to the increasing number of platform concepts on which the different car models of the manufacturer are based.

DEVELOPMENT

We develop our 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, as well as the utilization of third-party services for these purposes, amounted to approximately 3 percent of revenue in the reporting year, of which EUR 1.0 million (p/y: EUR 1.3 million) were capitalized as development costs. We do not conduct any research.

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 chapters "Macroeconomic Environment" and "The International Automotive Industry Environment."

Other external influential factors and their impact, such as the industry's ongoing price pressure, fluctuations in customer call-orders, the automotive industry's supply chain risks, changes in material prices and exchange rates, as well as the outlook for long-term demand resulting from regulatory changes, are presented in the risk report.

MANAGEMENT SYSTEM

Only financial indicators have been defined as the Group's overriding key performance indicators in the management system. Non-financial performance indicators are therefore not essential for an understanding of the Group's business performance and situation in the reporting year, although there are currently indications that these types of performance indicators may become more important in the future.

The key financial performance indicators are primarily revenue, EBIT (earnings before interest and taxes) before currency effects, free cash flow, the equity ratio, dynamic leverage and capital expenditure. The definition of these indicators is presented in the chapters "Results of operations, net assets and financial position". For the management of the segments, we focus in particular on revenue and EBIT before currency effects.

Our mid-term plans are managed by the financial indicator new business, which consists of the lifetime volume of newly acquired orders over their entire term, based on the orders' contractual agreements and past experience.

New business volume should offset the yearly volume of phased-out series productions and provide additional room for revenue growth. Volumes may, however, 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.

We aim to steadily increase revenue and, at the same time, continually improve our EBIT margin. We also strive to achieve positive free cash flow. The management of our capital expenditure takes both these goals into account, as well as the Group's growth targets. Through the combination of different key performance indicators, we intend to reduce the dynamic leverage ratio and improve our equity ratio.

However, this does not mean that all of these targets will be achieved every year. For example, winning major orders may temporarily require a higher level of capital expenditure at a particular location. The current transformation process in the automotive industry requires us to critically review the positioning of our locations on an ongoing basis. Adjustments to their capacity or regional positioning may temporarily impact their profitability.

Furthermore, in our business, there is typically a time lag between the start of an order and its phasing-out. This can lead to fluctuations in revenue. It is often not possible or economically viable to reduce these fluctuations with additional orders.

REPORT ON BUSINESS DEVELOPMENT

MACROECONOMIC ENVIRONMENT

In the wake of the global COVID-19 pandemic ("corona pandemic" or "pandemic"), the global economy slipped into a severe recession in 2020, according to the International Monetary Fund (IMF). Based on the IMF's preliminary estimate in January 2021, global economic output weakened by 3.5 percent in real terms, following growth of 2.8 percent in the previous year. Only China was able to achieve growth of 2.3 percent for the year as a whole, following a significant decline in the first quarter, compared with 6.0 percent in the previous year. In addition to some developing countries such as Mexico (-8.5 percent), the industrialized nations in particular recorded declines that were in some cases significantly higher than the global average. Such declines were also seen throughout the euro region, which the IMF expects to record a decline of -7.2 percent. Among the major EU countries, France and Italy had significantly weaker performance, with declines of 8.3 and 9.2 percent, respectively. The downturn in the UK was even double-digit at 10.0 percent. In the USA, the economic slump was limited to a decline of 3.5 percent.

The pandemic also left deep scars on German economic performance. Almost all sectors of the economy were affected, particularly the contact-intensive industries in the service sector and, especially in the first lockdown in the spring, also the industrial sector. As a result of the easing starting in the second quarter and extensive financial support from the public sector (including short-time work schemes and suspension of bankruptcy regulations), employment remained high. The German industry, on the whole, experienced a strong recovery from the second quarter onwards, which was also largely driven by a further significant increase in exports. According to calculations by the German Federal Statistical Office on January 29, 2021, real GDP fell by 5.0 percent year-on-year in 2020. The decline almost reached the dimension of 2009, when economic output fell by 5.7 percent in the wake of the global financial and economic crisis. However, similar to other countries, the decline in 2020 was noticeably less in Germany than originally feared.

THE INTERNATIONAL AUTOMOTIVE INDUSTRY ENVIRONMENT

In the wake of the corona pandemic, the global automotive sector was among the most hardest hit industrial sectors in 2020. Sales fell in almost all countries of the world, and in some cases dramatically. Of the three major sales regions, Europe recorded the strongest decline, with a drop of around 24 percent. Registrations fell by 3.8 million units to just under 12.0 million. The five largest European markets all recorded declines, in some cases in the high double-digit range. In France, new registrations fell by a quarter, in Italy by 28 percent, in the United Kingdom by 29 percent and in Spain by 32 percent. All countries belonging to the European market closed 2020 with a negative year-oy-year comparison.

In Germany, new registrations fell by almost one-fifth (-19 percent) to 2.9 million units, with new commercial registrations slumping by 22.4 percent. This was a much sharper decline than consumer registrations at 13.0 percent due to the general reluctance to invest in the economy. Notwithstanding this dramatic overall decline in the new car business, the very positive trend in EVs continued at an accelerated pace. In 2020 as a whole, they achieved a market share of 13.5 percent; new registrations of EVs totaled 394,943 EVs. This represents a year-on-year increase of 263 percent. In December, the market share of EVs actually exceeded that of diesel cars for the first time. With a 26.6 percent share of the total market, EVs not only reached a new high but slightly surpassed diesel combustion engines (including mild hybrids), which came to 26.2 percent in the final month of 2020. German manufacturers were able to gain further market share in the domestic electric passenger car market in 2020. In 2020 as a whole, German group brands achieved a market share of 67 percent.

German manufacturers have massively expanded their production capacities for electric vehicles. In 2020, more than a quarter of all electric vehicles produced worldwide came from German manufacturers. German OEMs overall doubled their global production to 866,000 electric vehicles (up 112 percent). At 428,000 units (up 121 percent), around half of these were produced in Germany, of which 62 percent were exported. For pure battery electric vehicles (BEV), the export ratio was as high as 68 percent.

In the USA, sales in 2020 were 14.7 percent lower overall than in the previous year. The light vehicle market (passenger cars and light trucks) closed 2020 with just under 14.5 million vehicles sold. Passenger cars were particularly hard hit, falling by 28 percent, while in the light truck segment, which now accounts for 76 percent of the light vehicle market, sales declined comparatively moderately by "only" 10 percent.

China largely moved on and escaped the severe consequences for automotive sales caused by the corona pandemic in the course of 2020. Thanks to its rapid recovery, the decline in 2020 was limited to 6 percent. As a

result of this much smaller decline by international standards, the gap between the world's largest automotive market and the rest of the world has widened significantly.

NEW REGISTRATIONS/SALES OF PASSENGER VEHICLES IN UNITS

Sources: German Automotive Industry Association, German Federal Motor Transport Authority

REGION	Full-year 2020	Change vs. 2019 (%)
Germany	2,917,678	-19.1
Western Europe (EU14 + EFTA + UK)[1]	10,804,200	-24.5
New EU countries (EU13)[1]	1,157,000	-23.0
Europe (EU27 + EFTA + UK)[1]	11,961,200	-24.3
USA[2]	14,463,900	-14.7
China	19,790,000	-6.1

1 Excluding Malta
2 Light Vehicles

BUSINESS DEVELOPMENT

ORDER SITUATION

After a gratifying start to the year followed by a weak second quarter due to the corona pandemic, a whole series of contracts were awarded by our customers in the second half of the reporting year. Overall, we were able to win a lifetime volume of around EUR 400 million (p/y: EUR 510 million), including associated tool volumes of around EUR 30 million.

In addition to Mexico and China, our Czech location was particularly successful and won a lifetime volume in the reporting year of more than double its total revenue. It once again impressed our customers with its special expertise in the area of seating. As a result, we will indirectly supply the new German plant of an American pioneer of electromobility in the future. We will also add instrument panel carriers as another key product line to be manufactured at this location in the future.

In addition to the seat components mentioned above, larger volumes were also acquired for chassis, steering components and electronic braking systems. In the future, we will supply air spring components for a premium platform for electric cars of a renowned German manufacturer, among others. We are also pleased to have received new orders for instrument panel carriers, including for a platform of a German premium automaker, who we are supplying for the first time in this area.

Most of the production starts-ups are scheduled for the 2022 fiscal year. However, the focus is increasingly shifting to the following year. The lifetimes of the new series are largely within the typical range for our business of 5 to 8 years on average. However, to the extent that production platforms are supplied to auto manufacturers or non-model-specific components are manufactured for suppliers, in some cases, the duration may be significantly longer.

FINANCIAL SITUATION

GENERAL STATEMENT OF BUSINESS PERFORMANCE AND GROUP'S POSITION

The corona pandemic is placing an unprecedented burden on the economies and populations of all countries worldwide. Following the outbreak of the pandemic, we expanded our ongoing cost reduction and process improvement programs early on and intensified our liquidity management. This enabled us to limit the impact on the Group. A major contribution to this was made by the fact that our supply chain held up in full throughout the reporting year — not least thanks to our efficient planning — so that we were able to deliver throughout the year.

The effectiveness of our measures is underscored by the positive results already achieved by our international locations in the mere moderate market recovery in the second half of 2020. At the Oberkirch location, we initiated far-reaching changes during the past fiscal year and have already implemented a significant part of them so that this site is once again positioned competitively. We are very confident overall that taking these actions will enable us to successfully meet the further challenges in 2021.

COMPARISON OF FORECAST TO ACTUAL BUSINESS RESULTS

	Actual results 2020	New 2020 forecast (published Nov. 9, 2020)	2020 forecast (published Feb. 25, 2020)	Actual results according to 2019 Annual Report
Revenue	EUR 371.2 million	Approx. EUR 350 million	Approx. EUR 450 million	EUR 458.6 million
EBIT before currency effects	EUR -8.1 million	Negative	EUR 19 – 20 million	EUR 22.2 million
Free cash flow	EUR 29.1 million	Visibly lower y-o-y	Clearly positive	EUR 15.0 million
Equity ratio	28.7 percent	Visibly lower y-o-y	Improved	30.1 percent
Dynamic leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	4.8 years	Significantly higher y-o-y	Improved	2.9 years
Capital expenditures according to segment report	EUR 13.8 million	Visibly lower y-o-y	Almost EUR 30 million	EUR 33.9 million
Lifetime volume of new business (series and tool orders)	Approx. EUR 400 million	Unclear if forecast in annual report can be achieved	More than EUR 500 million	Approx. EUR 510 million

In response to the outbreak of the pandemic, we withdrew our full-year forecast for 2020 on March 20, 2020, which we had published in February 2020 with the release of the preliminary figures for the 2019 fiscal year. It was not possible to issue a new forecast until the publication of the quarterly statement for the third quarter and first nine months of 2020.

Based on these revised expectations, we significantly exceeded the forecast for revenue. We assume that, in view of the ongoing pandemic and due to Brexit, customers filled their warehouses in the final weeks of the past fiscal year in order to prevent a possible interruption of their supply chains in the first quarter of 2021.

The new qualitative forecast for EBIT before currency effects, the equity ratio, and dynamic leverage ratio were confirmed with the results achieved in 2020. Nevertheless, on December 29, 2020, we announced further adjustments to our staff numbers at the Oberkirch location. The associated expenses were naturally not yet included in the quantitative key performance indicators communicated at the beginning of November. The free cash flow forecast was significantly exceeded, as a greater-than-expected share of the payments for the headcount adjustments will not occur until fiscal year 2021.

We confirmed the new forecast for capital expenditure. New business did not reach the targeted volume because customers did not make decisions on a number of orders in the past fiscal year that had backed this forecast. We believe we are well-positioned for these orders. For the future development of the Group's business, it is irrelevant whether an award is made at the end of one fiscal year or the beginning of the next.

RESULTS OF OPERATIONS

INCOME STATEMENT

Selected information (EURk)

	2020	in % of total output	2019 adjusted[1]	in % of total output
Revenue[1,2]	371,154	99.7	458,541	99.7
Total output	372,156	100.0	459,845	100.0
Cost of materials	191,559	51.5	246,969	53.7
Staff costs	107,282	28.8	128,464	27.9
Other operating expenses	61,997	16.7	46,751	10.2
EBITDA	21,169	5.7	45,893	10.0
Depreciation/amortization	31,268	8.4	26,047	5.7
EBIT before currency effects[2]	-8,123	-2.2	22,122	4.8
Currency effects according to the P&L	-1,976	-0.5	-2,276	-0.5
EBIT including currency effects	-10,099	-2.7	19,846	4.3
Net income/loss for the period[3]	-11,662	-3.1	9,051	2.0
No. of employees as of Dec. 31, including temporary employees	3,093	—	3,208	—

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")
[2] Group key performance indicator
[3] Net income/loss for the period is attributable in full to the shareholders of PWO AG

EBIT development was impacted by currency effects, similar to prior years. Currency effects are included in other operating income and expenses and reported as a separate line item in the notes to the consolidated financial statements. In the following explanations, we refer to EBIT before currency effects, as this figure most clearly reflects our operating performance.

At the beginning of the reporting year, we had already expected lackluster performance in the automotive industry in the 2020 fiscal year. Following the outbreak of the pandemic, economic output in our industry fell dramatically in the second quarter, as it did in most other sectors. Even the recovery in the second half of the year was not enough to offset that decline. In addition, beyond the lower call-orders for series production, tool revenue was down year-on-year, as expected. Overall, the revenue in fiscal year 2020 was significantly lower than in the previous year.

We responded quickly and systematically to the massive drop in revenue in the second quarter with cost reductions and process improvements. This helped us to succeed in achieving a significant increase in the Group's EBIT margin in the second half of the year before charges for extraordinary items.

The extraordinary items, which mainly related to the Oberkirch location, had a significant impact on earnings. We expect the long-term capacity utilization at this site to be significantly lower in the future than in the past. We therefore completed an initial program to adjust the workforce by 200 employees. A further program to adjust the workforce by around 120 to 150 employees was agreed to shortly before the end of the fiscal year. For certain areas, the reduction of 85 employees from this total has already been specified. The measures currently being implemented resulted in combined expenses totaling EUR 18.4 million in the reporting year, which were included in other operating expenses. This item also includes additions to provisions for onerous orders in the amount of EUR 3.1 million.

The lower capacity utilization in Oberkirch, which is expected to continue in the future, and therefore the limited earnings perspective for this location also necessitated adjustments to the carrying amounts of non-current assets. In addition, the adjustment of goodwill for our Canadian subsidiary also had a negative impact, albeit to a lesser extent. In total, these charges amounted to EUR 5.6 million. EBIT therefore came under pressure from extraordinary items totaling EUR 27.1 million. At the same time, our Chinese location recorded positive operating effects from, among others, contractual negotiations with customers and postponements of wage and salary negotiations amounting to EUR 3.1 million, which cannot be extrapolated into the future. The net result is an extraordinary effect of EUR 24.0 million in the reporting year. Before extraordinary items, EBIT amounted to EUR 15.9 million.

The Group's earnings situation in the reporting year was thus characterized by a significantly negative EBIT at the Oberkirch location on the one hand and distinctly positive EBIT contributions from the international locations in Czechia, Mexico and China on the other.

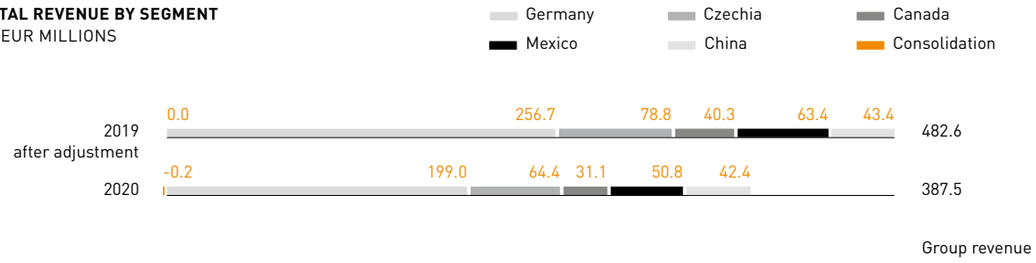
In detail, the Group's cost of materials ratio declined due to a change in the product mix triggered by new orders for instrument panel carriers that are starting up. We achieved considerable savings in other operating expenses — excluding expenses for currency translation and personnel adjustments — but were unable to fully compensate for the substantial decline in total output. The most significant reduction was in expenses for temporary employees, whose number correlates closely with the number of call-orders for series production and the volume of business. For the same reason, expenses for outgoing freight were down on the previous year. However, almost all other items under other operating expenses were lower than in the previous year and, in some cases, significantly so.

The staff costs ratio, in contrast, increased. The change in the product mix and the additional payments for short-time work schedule also contributed to this. In principle, we aim to retain the qualified employees we need for the long-term development of the Group, even in periods of market weakness. We did already adjust the number of employees at the Oberkirch location in the course of the year. However, a supplementary collective agreement there had ruled out compulsory redundancies until December 31, 2020.

Despite the reduction in net debt, the negative balance of the financial result of EUR 6.0 million (p/y: EUR 6.9 million) was only reduced to a limited extent. As part of the agreement on a covenant holiday period, which we were able to reach with our financing partners for the syndicated loan due to the pandemic, the interest rates for this loan increased. Income tax benefits amounted to EUR 4.4 million (p/y: tax expense of EUR 3.9 million), as we benefited in particular at the Oberkirch site from the option to carry forward and carry back losses created by the German government to provide relief for companies as part of the corona measures. Overall, net income for the period decreased to EUR -11.7 million (p/y: EUR 9.1 million) and earnings per share to EUR -3.73 (p/y: EUR 2.90). Despite the exceptional challenges and the high volume of extraordinary items, the net assets, financial position and results of operations were satisfactory in the reporting year. The favorable development of our international locations made a major contribution to this performance.

SEGMENTS

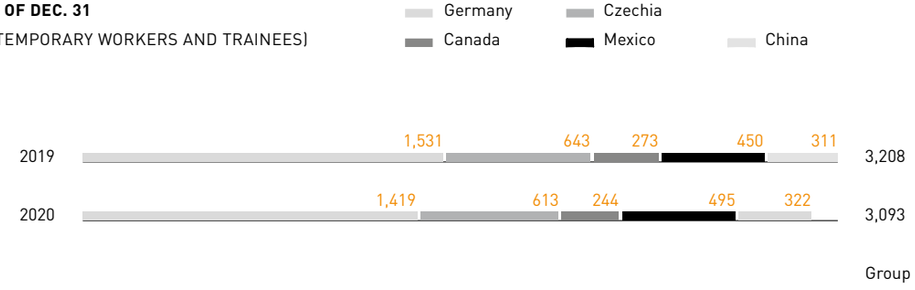
TOTAL REVENUE BY SEGMENT
IN EUR MILLIONS



In line with the Group's internal management system, our five production sites form the basis for segment reporting. The segments are defined according to the locations of the Group's assets, which is also the basis for the allocation of the Group's revenue. The former segment "Rest of Europe" has been renamed "Czechia" and the former segment "Asia" has been renamed "China". The two sites in Mexico and Canada, which were previously combined in the North America segment, are now reported in two separate segments — the Canadian site as the Canada segment and the Mexican site as the Mexico segment. Intercompany revenue between the individual sites concerns mainly deliveries of series parts and tools.

The Group's three assembly sites are separate operating facilities from the production sites. They are therefore addressed below as parts of the production locations. In the tables that follow, we present selected information on segment development. The indicators we use to manage the Group are labeled accordingly.

NUMBER OF EMPLOYEES BY LOCATION AS OF DEC. 31
(INCLUDING TEMPORARY WORKERS AND TRAINEES)



SELECTED INFORMATION

SEGMENT GERMANY

EURk

	2020	in % of total output	2019	in % of total output
Total revenue [1]	199,046	99.5	256,704	99.5
External revenue	186,942	93.4	242,259	93.9
Total output	200,048	100.0	257,994	100.0
EBIT before currency effects [1]	-22,639	-11.3	9,624	3.7
EBIT including currency effects	-24,116	-12.1	7,592	2.9
No. of employees on Dec. 31, incl. temporary employees	1,419	—	1,531	—

[1] Key performance indicator for Group and segment

At our home location in Oberkirch, which forms the Germany segment, total revenue weakened to a similar extent as in the Group as a whole. Lower tool revenue also contributed to this.

Due to the lower level of customer call-orders, production was reduced temporarily by up to 80 percent. Short-time work schedules were therefore put in place on a percentage-adjusted scale in the direct and indirect areas in March 2020. Meanwhile, the second and third shifts have been suspended.

We also compensated for the negative impact of lower revenue by cutting short-term costs. The measures implemented, however, are not enough to make the location competitive in the long term. Staff costs in Germany, as an industrial hub, have risen sharply in recent years. As a result, our customers are relocating production to Eastern Europe, and it is necessary for us to follow suit.

For this reason, we decided in the reporting year to adjust the capacity at the Oberkirch location to match the lasting expected lower level of revenue. In October, a program to reduce the number of employees by around 200 was initially adopted and has since been successfully implemented. The reported reduction in the number

of employees in the reporting year was mainly due to the expiry of fixed-term contracts and a small number of temporary workers. This will continue in 2021. In addition, 74 employees were carried over into a transfer company on January 1, 2021; a further 24 will follow in the course of the year once the processes in their respective areas have been reorganized.

We also decided and made the announcement at the end of December 2020, that we would further reduce the workforce in Oberkirch, mainly permanent employees in the production area. For certain areas, the reduction of 85 employees has already been determined. This reduction is connected to the placement of an ongoing series production at our site in Czechia. Negotiations on this matter with employee representatives began after the end of the reporting year.

These measures, as well as the other extraordinary items presented in the explanation of the Group's results of operations, had a significant negative impact on the EBIT of the Germany segment in the reporting year.

SEGMENT CZECHIA

EURk

	2020	in % of total output	2019 adjusted	in % of total output
Total revenue[1,2]	64,420	100.0	78,125	100.0
External revenue	62,706	97.3	75,546	96.7
Total output	64,420	100.0	78,137	100.0
EBIT before currency effects[2]	4,549	7.1	6,893	8.8
EBIT including currency effects	4,515	7.0	6,847	8.8
No. of employees on Dec. 31, incl. temporary employees	613	—	643	—

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")
[2] Key performance indicator for Group and segment

In the Czechia segment, total revenue in the reporting year was also significantly lower than a year earlier. Individual lines and customer-specific facilities were shut down in April. By mid-May, almost all of the employees working in series production had been affected. Tool design employees were also partially affected.

There is no instrument in Czechia similar to the German instrument of short-time work schedules. We paid 75 percent of the wages of the employees who stayed at home for "operational reasons". A total of 60 percent of the wage costs were reimbursed to the Czech site through a state subsidy program. In order to limit the corona-related burdens, we had to adjust the number of our employees in the course of the year. Overall, we succeeded in achieving a satisfying positive EBIT, even in the 2020 corona year.

SEGMENT CANADA

EURk

	2020	in % of total output	2019 adjusted	in % of total output
Total revenue[1,2]	31,080	100.0	39,910	100.0
External revenue	30,941	99.6	39,891	99.9
Total output	31,080	100.0	39,911	100.0
EBIT before currency effects[2]	-151	-0.5	14	0.0
EBIT including currency effects	-237	-0.8	-19	0.0
No. of employees on Dec. 31, incl. temporary employees	244	—	273	—

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")
[2] Key performance indicator for Group and segment

Total revenue in the Canada segment was also down significantly. In addition to lower series call-orders, declining tool revenue also contributed. Despite these considerable burdens, our consistent management approach succeeded in limiting the decline in EBIT and achieving earnings close to break-even. To accomplish this, the number of employees had to be reduced significantly on a temporary basis in the course of the year as, under local law, employees are only entitled to state support if they are laid off. In April and May 2020, the US automotive

industry suspended vehicle production in a coordinated manner. We scaled back our production accordingly, and from mid-June, we were able to return again to operating three shifts.

SEGMENT MEXICO

EURk

	2020	in % of total output	2019	in % of total output
Total revenue [1]	50,797	100.0	62,561	100.0
External revenue	50,737	99.9	62,491	99.9
Total output	50,797	100.0	62,561	100.0
EBIT before currency effects [1]	2,757	5.4	2,410	3.9
EBIT including currency effects	2,646	5.2	2,375	3.8
No. of employees on Dec. 31, incl. temporary employees	495	—	450	—

[1] Key performance indicator for Group and segment

The lower total revenue in the Mexico segment in the reporting year remained below the previous year's level due to corona and lower tool revenue. The site is continuously improving the stability of its processes and increasing its technological capabilities. This, together with cost savings, contributed to an increase in EBIT and a satisfactory EBIT margin despite the negative impact.

In Mexico, there was no government aid provided to companies. In looking ahead to the upcoming start-ups and ramp-ups of new series productions, we retained most of our well-trained team there during the lockdown and even increased the number of employees in the second half of the year. In spring 2020, the automotive industry was initially classified as not relevant to the system, with the result that a shutdown was ordered for our plant from early April to mid-May. Since the end of May, we have been allowed to work again in compliance with hygiene requirements, but only with our shifts running at 30 percent occupancy.

SEGMENT CHINA

EURk

	2020	in % of total output	2019 adjusted	in % of total output
Total revenue [1,2]	42,370	100.0	43,299	100.0
External revenue	40,026	94.5	38,354	88.6
Total output	42,370	100.0	43,300	100.0
EBIT before currency effects [2]	7,721	18.2	3,181	7.3
EBIT including currency effects	7,452	17.6	3,051	7.0
No. of employees on Dec. 31, incl. temporary employees	322	—	311	—

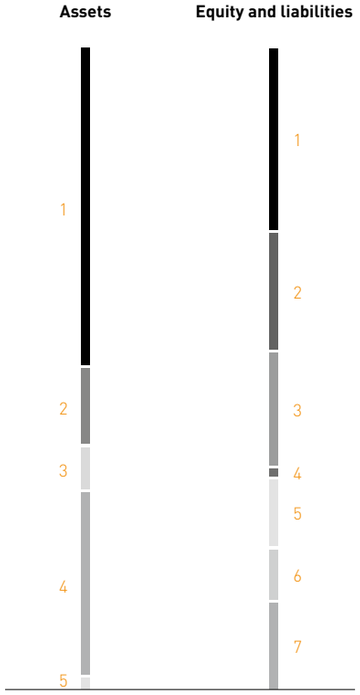
[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")
[2] Key performance indicator for Group and segment

The least noticeable impact of the pandemic was felt in the China segment. Although the pandemic originated in China and is the reason operations there were temporarily closed or shifts reduced very early in the year, particularly in February and March, total revenue in the reporting year almost reached the previous year's level.

This location also worked intensely on further stabilizing and improving its processes, with the result that EBIT more than doubled in the reporting year. However, as already mentioned, this was also due to positive operating effects which cannot be extrapolated to the future. We therefore regard the current margin level as a temporary situation that cannot be sustained.

NET ASSETS

BALANCE SHEET STRUCTURE AS OF DECEMBER 31, 2020
TOTAL ASSETS: EUR 363,6 MILLION
IN EUR MILLIONS



1 Property, plant and equipment **181.1**
2 Other non-current assets **44.5**
3 Inventories **25.6**
4 Receivables and other current assets **106.2**
5 Cash and cash equivalents **6.2**

1 Equity **104.5**
2 Non-current financial liabilities **67.8**
3 Non-current provisions for pensions **65.5**
4 Other non-current liabilities **6.7**
5 Trade payables **40.8**
6 Other current liabilities **30.1**
7 Other current liabilities **48.2**

DEVELOPMENT OF EQUITY RATIO AND DYNAMIC LEVERAGE RATIO

EURk

	2020	2019 adjusted[1]
Equity	104,464	119,529
Total assets	363,654	393,306
EQUITY RATIO = EQUITY IN % OF TOTAL ASSETS	**28.7**	**30.4**
Non-current financial liabilities	67,800	89,633
Current financial liabilities	40,845	44,207
Cash and cash equivalents	-6,161	-1,367
NET DEBT	**102,484**	**132,473**
EBITDA	**21,169**	**45,893**
DYNAMIC LEVERAGE RATIO IN YEARS = NET DEBT/EBITDA[2]	**4.8**	**2.9**

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets")
[2] Group key performance indicator

In the 2020 fiscal year, total assets decreased to EUR 363.6 million (p/y: EUR 393.3 million). This was due in particular to the decline in property, plant and equipment as a result of our lower level of capital expenditure to safeguard the Group's liquidity. Significant capital expenditure volumes related to our locations in Germany, Canada, Mexico and Czechia. The main areas of capital expenditure are explained in detail in the chapter "Financial position".

Receivables and other assets also decreased significantly in line with the lower volume of business. This resulted in particular from lower contract assets in the run-up to new large-volume series orders, particularly for instrument panel carriers, where the tools necessary were accepted by the customer and invoiced by us.

Due to our consistent liquidity management, we succeeded in significantly reducing our net debt by EUR 30.0 million in the reporting year. We also visibly reduced trade payables. Lower capital market interest rates, however, resulted in higher allocations to pension provisions. Together with equity, these three items represent the Group's main sources of financing.

Under current liabilities, other liabilities and other current provisions in particular increased significantly. This was mainly a result of obligations arising from staff adjustments at the Oberkirch location.

The net loss the period and the higher allocation to pension provisions contributed significantly to the decline in equity to EUR 104.5 million (p/y: EUR 119.5 million). As a result, the equity ratio fell to 28.7 percent (p/y: 30.4 percent) and the dynamic leverage ratio increased visibly to 4.8 years (p/y: 2.9 years).

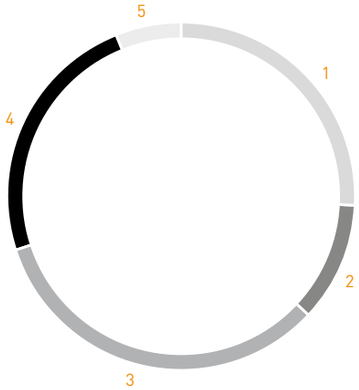
The structure of financial liabilities, which were assumed at interest rates of between 0.85 percent and 7.13 percent (current) and 1.35 percent and 7.00 percent (non-current), did not change substantially in the past year. As of the reporting date, these consisted primarily of a syndicated loan and a promissory note made up of several tranches. The previous syndicated loan of EUR 110 million remains unchanged, and the commitment remains until mid-2023. The covenants associated with this loan have been adjusted to reflect the change in conditions caused by the pandemic.

In addition, there are still a number of higher-interest bilateral loans whose fixed interest rates will not expire for another few years. The higher interest rates in the above range are primarily on subordinated local financing of individual subsidiaries. The Group's unused lines of credit, including cash and cash equivalents, totaled EUR 116.9 million as of the reporting date (p/y: EUR 94.4 million).

After the end of the fiscal year, we were able to expand our scope of liquidity with financing from the corona aid program "KfW-Unternehmerkredit 037" from the Kreditanstalt für Wiederaufbau in the amount of EUR 30 million. This loan is subject to a distribution restriction. It matures on December 30, 2023 but can be terminated prematurely at any time.

As a result, we continue to be well-positioned on the refinancing side. We periodically review our options to extend our existing agreements and plan the Group's medium-term financing in close cooperation with our financing partners.

CAPITAL EXPENDITURE IN 2020 BY SEGMENT
100 % = EUR 13.8 MILLION



1 Germany **26 %**
2 Czechia **11 %**
3 Canada **33 %**
4 Mexico **24 %**
5 China **6 %**

FINANCIAL POSITION

Cash flow from operating activities improved to EUR 49.2 million in the reporting period (p/y: EUR 47.9 million).

The decline in business volume had a significant negative impact on cash flow from operating activities, while — in contrast to the prior year — we were able to significantly reduce capital employed in current assets. This affected contract assets in particular. Non-cash expenses and income include the expense of EUR 18.4 million presented in the chapter "Results of operations."

Cash inflow from operating activities was accompanied by significantly lower cash flow from investing activities of EUR -13.5 million (p/y: EUR -27.8 million). The capital expenditures made in the reporting period are explained in the following chapter. Free cash flow after interest paid and received amounted to EUR 29.1 million in the reporting period (p/y: EUR 15.0 million).

Ensuring sufficient liquidity for the PWO Group is the focus of our financial management at all times. We strive to maintain a liquidity reserve above and beyond current payment obligations while limiting the utilization of short-term credit lines as much as possible and therefore balance these with surplus liquidity. In the reporting year, the Group was solvent at all times. In view of the Group's high level of available credit lines, we are

convinced that we have taken sufficient precautions to ensure solvency at all times in the future. For further information on the principles and objectives of financial and cash management, please refer to the notes to the consolidated financial statements.

Capital expenditure in the 2020 fiscal year amounted to EUR 13.8 million (p/y: EUR 39.3 million). The difference between this amount and the aforementioned cash flow from investing activities is due to new lease financing arrangements concluded in the reporting year. In almost all our segments, we significantly reduced capital expenditure in the short term. In order to safeguard the Group's liquidity during the pandemic, we concentrated exclusively on product-related projects, while the structural expansion of our locations was second priority.

In the Germany segment, capital expenditure of EUR 3.6 million (p/y: EUR 14.5 million) related specifically to equipment in the area of housings production, control and warehousing technology, and a welding system. In the Czechia segment, capital expenditure amounted to EUR 1.5 million (p/y: EUR 12.4 million) and were allocated to various smaller measures.

The two segments Canada and Mexico accounted for significant capital expenditure in the reporting year of EUR 4.6 million (p/y: EUR 2.2 million) and EUR 3.4 million (p/y: EUR 6.8 million), respectively. These two locations are being prepared for the upcoming large-volume start-ups and ramp-ups of new instrument panel carrier production. Additional production equipment was also installed, specifically for this purpose. In addition, one additional forming press each was purchased for future growth.

In the China segment, capital expenditure of EUR 0.8 million (p/y: EUR 3.5 million) were incurred primarily for production equipment for instrument panel carriers.

REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

REPORT ON RISKS AND OPPORTUNITIES

RISK PHILOSOPHY AND RISK POLICY

For PWO, risk management is a central component of corporate management. The focus of risk management is derived from the corporate goals and corporate strategy. Risk management is designed to support full compliance with the legal rules and regulations relevant to PWO. It is also used as a control instrument. PWO's risk management activities continue to focus on balancing the Group's opportunities and risks and, where possible, on reducing risk costs. This focus includes, above all, the avoidance of risks that could endanger the company's existence, as well as the limitation and management of strategic and operational risks while taking advantage of the available opportunities. Operating currency risks are mainly hedged by forward exchange contracts. The hedges always relate to an underlying transaction.

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 correspond to the internationally accepted "Three 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 Corporate Audit department (formerly Internal Audit). These three monitoring and control bodies report to the Executive Board, who in turn, reports to the Supervisory Board and its Audit Committee. The risk management system is also subject to external auditing.

STATUS AND DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

Opportunities and risks are generally defined as uncertain events that can lead to a deviation from the plan. Opportunities can lead to a positive deviation, risks to a negative one. All opportunities and risks are clearly assigned to owners and are evaluated using scenario distributions with regard to their amount and probability of occurrence.

Risk management at PWO is developed and refined on a continual basis. In fiscal year 2020, we made an organizational change to the governance functions and integrated risk management into the Controlling & Risk Management unit. Corporate Audit remains an independent functional unit.

COMPLIANCE MANAGEMENT AND CORPORATE AUDIT

PWO has established a Group-wide Compliance Management System (CMS) and its own binding Code of Conduct.

Compliance management is another area that is being continuously expanded. In the spring of 2020, we strengthened this area with additional personnel. In addition, we plan to successively advance our e-learning courses. The first module on corruption, antitrust and competition law, conflicts of interest and data protection was successfully completed by an initial group of participants selected with a risk-oriented approach in fiscal year 2020. Until the outbreak of the pandemic, trainees and students received classroom instruction at the German location but, since the pandemic, further classroom training has been omitted.

In addition, the CMS has been enhanced with newly drafted fundamental documentation and guidelines. The Group-wide presentation and introduction of these additions, including accompanying communications and short training courses, is scheduled for the current fiscal year.

The preparations were also made for the establishment of a new Compliance Committee, whose purpose will be to advise on current issues and submit department-specific topics from the PWO organization. The committee will commence its activities in the 2021 fiscal year.

The Internal Audit department was reorganized effective January 1, 2020, and in the course of this reorganization renamed Corporate Audit. In organizational terms, it continues to be assigned to the chief financial officer as a staff unit.

Corporate Audit monitors proper compliance with laws and directives in accordance with a risk-oriented audit plan. Going forward this unit will be conducting even more forward-looking, needs-based and efficient audits and providing advice to process owners to increase the effectiveness and efficiency of the internal control system. Regular cooperation will also take place with external consultants to supplement internal process expertise with benchmark experience.

CONTROL AND RISK MANAGEMENT IN THE FINANCIAL REPORTING PROCESS

The control and risk management in the financial reporting process constitute an integral part of group risk management in that all operating units are integrated by a precisely defined management and reporting structure. This structure relies on a clear separation of duties and the principle of double-checking.

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

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

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

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

DEVELOPMENT OF THE OVERALL RISK POSITION

The overall risk situation of the PWO Group increased in the reporting year, particularly as a result of the pandemic. Whereas during the course of the year there was initially hope that the number of infections could be contained relatively quickly, at the turn of the year, a renewed extended and tightened lockdown had to be imposed in many European countries. The emergence of new, highly infectious virus mutations is also increasing the risk. Initial studies however indicate that the recently approved vaccines are effective against these mutations. This is fueling the hope that the pandemic will be effectively brought under control in the course of 2021.

Changes in the political framework also increased risk. It was possible to avoid a hard, no-deal Brexit but, as early as the beginning of January 2021, it was clear that the new framework conditions now in force would lead to greater trade barriers than some market participants had anticipated. As a result, uncertainties in the markets remain extremely high, and the development of revenue in fiscal year 2021 is very difficult to estimate.

The changes in the ranking of the individual risk categories in comparison to the prior year's annual report are clearly and conveniently shown in the table below. A higher assessment of risk categories compared with the previous year can not only be the result of an increase in the risks summarized in those categories but can also reflect the sharper decline in the risks in the other categories.

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

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

PRESENTATION OF RISKS AND OPPORTUNITIES HAVING PREDOMINANTLY A SHORT-TERM EFFECT

The following presents the major risks and opportunities for our 2021 operating planning based on the scenario assessment and taking into account any risk mitigating measures. We continue to classify risk in the following risk categories: financial, performance, market, regulatory and other risks and opportunities. The order of the

risk categories and the order of the highest respective individual risks within each category presented below reflect our current assessment of the relative level of risk in descending order.

Our business is characterized by long-term contracts. New orders sometimes require lead times of several years. During the series lifetime of 5 to 8 years, customers usually stay with the same supplier. On the one hand, this aspect of our business contributes to our planning certainty; on the other hand, it limits our short-term opportunities. Therefore, in terms of our operational planning for the year 2020, the risks outweigh the opportunities.

All individual risks and opportunities 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 risks and opportunities of a particular category yields their net expected value. Portfolio and correlation effects are not taken into account. The risk significance of the individual categories is defined in the table below:

DEFINITION OF RISK SIGNIFICANCE

Description	Net expected value Risk category
Low	≤ EUR 1.0 million
Moderate	› EUR 1.0 million ‹ EUR 3.0 million
High	≥ EUR 3.0 million

OVERVIEW OF RISK SIGNIFICANCE FOR THE RISK CATEGORIES

Risk	Risk significance (Net expected value)	Y-o-Y change in the risk ranking
Market risk	High	Increased
Financial risk	Moderate	Decreased
Other risk	Low	Increased
Performance risk	Low	Increased
Regulatory risk	Low	Decreased

MARKET RISKS AND OPPORTUNITIES

Sales Volume Fluctuations

Fluctuations in sales volumes can give rise to capacity utilization risks. In the case of existing orders, fluctuations may result from declines in demand from end customers. An additional burden came from supply bottlenecks for computer chips after the end of the reporting year, which slowed down production at manufacturers. Politicians have now intervened however and are helping to mitigate the consequences at the highest level. There were also burdens on the supply chains in the reporting year and at the beginning of the 2021 fiscal year as a result of corona protection measures. In the case of new orders in our business, we also have to reckon with repeated start-up delays on the part of vehicle manufacturers.

At the time of preparing the planning, we anticipated and took into account corona risks based on the knowledge available and the assessments derived from this knowledge. Given the uncertainties and unpredictability of the pandemic development, it is uncertain whether this assessment adequately anticipates future developments. The assessment of this risk is therefore subject to higher uncertainty. This is accompanied by an increased risk of not achieving the planned revenue but, at the same time, the chance that the forecast figures will be exceeded if the pandemic progresses favorably.

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 try to retain our highly qualified employees in temporary periods of weakness. Government aid programs launched in various countries as a result of the pandemic can have a supporting effect. The regulations on short-time work

in Germany are particularly important to mention. We have also identified additional savings opportunities, for example, in the areas of special transport and overhead materials.

Dependence on Suppliers
The risk of a strategic supplier defaulting due to financial difficulties has recently increased as a result of the current market weakness. 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.

Raw Materials
The raw materials required for our production processes include, first and foremost, steel and, to a much lesser extent, aluminum and stainless steel. Where temporary shortages of raw materials have occurred in the past, we have always been able to successfully manage them. Although procurement risks have also recently increased, we still expect to be able to continue to manage them successfully.

In our business, we are generally exposed to earnings risks from changes in raw material prices. When prices increase, as is currently the case, there is a risk that this increase cannot be passed on to customers. When prices fall, there is a risk that customers will demand higher or faster throughput than stipulated in our purchasing agreements. In the past, we have always been able to negotiate acceptable solutions with our customers, and we are confident that we will be able to continue to do this in the future. Our success in the negotiations however will also depend on how great the pressure on market participants will turn out to be during the course of the pandemic.

Sales Price Reductions
A permanent increase in competitive and price pressures is one of the typical risks faced by the automotive supply industry and fundamentally impacts the profitability of the PWO Group. When auto manufacturers are in phases of weaker profitability — as is currently the case — price pressure increases as customers seek to pass some of their margin pressure on to the supply chain. We therefore focus on maintaining the highest delivery quality and reliability over the entire contract term in order to have a strong starting position in the usual negotiations with our customers.

FINANCIAL RISKS AND OPPORTUNITIES
Impairment Risk
The risk of impairment of non-current assets exists particularly when plan targets have not been achieved, the earnings outlook deteriorates, the market environment develops negatively, or the discount rate applied to future expected cash flows increases.

This risk relates in particular to our sites in Germany and Canada. In Germany, we are working to improve the Company's profitability in order to counter the risk of a further impairment of fixed assets. In Canada, we aim to secure the long-term capacity utilization of the site through additional new business. In our view, all of the risks are controlled by the measures we have introduced.

Financing and Interest Rate Risk
As explained in the chapter "Net assets," we have extensive credit lines available. The funds required to finance our ongoing business and planned capital expenditure are therefore more than covered by committed financial resources. We mitigate interest rate risks by having a balanced mix of long-term and short-term financing resources.

Following an adjustment in the covenant structure of the syndicated loan due to the changes in the macroeconomic environment caused by corona, there is currently no significant risk of interest rate increases. However, a further reduction in capital market interest rates could lead to a higher valuation of the pension provisions and thus impact the equity ratio. We are countering these risks through our efforts to secure and increase the profitability of our locations and limiting capital expenditure.

Currency Risk
All of the PWO Group's locations are subject to currency risk in terms of translation risk (translating the subsidiaries financial statements in euro) and transaction risk (sales and procurement). The Group's main currencies are the euro, Canadian dollar, US dollar, the Czech koruna, the Mexican peso and the Chinese renminbi.

We use hedging to avoid these risks with the aim of securing currency parities when receiving orders and thereby the expected contribution margins. We have been able to significantly reduce previous translation risks arising from loans granted by the parent company to the international locations by having the loans denominated in the local currencies of those locations and hedged in Germany. For a further explanation of the risks arising from the use of financial instruments, please refer to the notes to the consolidated financial statements.

OTHER RISKS AND OPPORTUNITIES

Personnel Risks

The timely availability of staff in sufficient numbers and with the right qualifications continues to pose a particular risk. This applies in particular to our sites in Czechia and Mexico to secure the planned series start-ups and new business.

At our German location, we plan to hire only selectively in 2021 due to the weakness in the market and in accordance with our cost-savings programs. However, employees are less willing to change jobs, which means that it may take a longer period of time to fill individual specialist positions or find potential replacements in the event of staff leaving. At the Oberkirch site, we are also planning to implement short-time work schedules in the indirect area in fiscal year 2021, albeit to a lesser extent than in the reporting year. The existing capacities in this area are geared towards the previous higher volume of business at that location, which means they are now also underutilized. Because it is not yet certain whether this target can be achieved, we are also focusing systematically on central operating processes and further improvements in workflows.

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

IT Risk

Open IT structures, which make processes available worldwide and, at the same time, always guarantee the confidentiality of information and data security, are among the basic requirements for sustainable corporate success today. For years, we have been focusing on consolidating all IT services in a PWO Private Cloud. All employees who work remotely also have access to their working environment via these services. As a result, no additional security risks arose in the Group in the reporting year as a result of increased in remote working during the pandemic. We also continuously expand our certified information security management system (IMS) at the Oberkirch site. The processes and structures established in this context are implemented in the subsidiaries as required. Based on these activities, we remain confident that we are well-positioned in this area.

PERFORMANCE RISKS AND OPPORTUNITIES

Business Interruption in Production

Business interruption risk can result primarily from damage to or failure of production equipment or tools. Depending on the extent of the damage and the duration of the outage, this can impair the timely delivery of goods to customers. The risk of the failure of an entire location however can be virtually ruled out. Business interruption risks have declined further as a result of market weakness, as this frees up capacity on the forming presses.

Quality Risks/Product Liability and Recall Risks

Customers in the automotive industry traditionally have very high quality requirements. Product liability risks and risks resulting from product recalls have increased steadily in the past several years.

We limit these risks with our quality management system, which has been established and certified for many years and also takes into account the IATF 16949 standard, which includes fundamental requirements for quality management systems for volume and spare parts production in the automotive industry.

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

Start-up and Ramp-up Risks

The start-up and ramp-up of new series productions involve a number of risks. First, we have to make up-front investments, for example, by providing suitable capacities. This results in capacity utilization risks. In addition, the tools required for production have to be developed, manufactured and run in. This results in cost risks. And finally, production runs through a so-called learning curve during start-up and ramp-up until the expected profitability is achieved. In the planning period, this risk relates in particular to the Mexico site, where large-volume series start-ups are imminent.

To limit the resulting scheduling and economic risks, we have set up dedicated start-up teams made up of experienced specialists. They accompany the start-ups and ramp-ups beyond the usual coordination of the locations.

REGULATORY RISKS AND OPPORTUNITIES

Compliance Risk

We counter compliance risks with our compliance management system described at the beginning of this risk report. We closely manage the risk of potential patent infringements through the many years of product and industry expertise of our employees and through cooperation with an external patent attorney. At present, there

are still no disputes. We are carefully monitoring the further development of the requirements of the EU General Data Protection Regulation in practice.

Contract-Related Risk
Risks from unfavorable contractual arrangements include, specifically, timing differences between contractually agreed material and production releases and the lead times of actual procurement and production. This can give rise to significant risks in the event of sharp short-term declines in demand. We are therefore working both on appropriate contractual adjustments and on optimizing our planning processes.

Tax and Political Risks
The PWO Group operates in countries on three continents with very different tax environments. In some cases, this results in extensive requirements, the complexity of which is also tending to increase.

The political risks for the global economy have increased continuously in recent years, as perceived or actual short-term advantages increasingly influence the political actions of individual governments worldwide. This results not only in concrete economic risks from possible trade wars but also in an overall increase in uncertainty that paralyzes global economic development. The election of Joe Biden as the new President of the United States of America and his first official acts after taking office are giving rise to the hope that at least the leading Western power will return to a more reliable and predictable negotiating style.

In addition, following the UK's exit from the European Union, the further development of bilateral trade is unclear. As of January 1, 2021, the UK is no longer part of the EU customs union. A free trade agreement has been concluded so that the levying of customs duties has largely been avoided. However, customs formalities often have to be observed and documentation prepared, which delays and increases the cost of trade. For German automakers, the United Kingdom represented the world's largest export market in 2019. The German automotive industry has more than 100 production facilities in the United Kingdom. Sometimes automotive parts cross the channel several times before the vehicle is completed. Effects on the industry as a whole can therefore still not be ruled out, even though PWO itself only maintains relationships with customers in Great Britain to a limited extent.

PRESENTATION OF RISKS AND OPPORTUNITIES HAVING A PREDOMINANTLY MEDIUM- OR LONG-TERM EFFECT
The following provides an overview of the Group's strategic risks and opportunities over the medium term, which is defined as a period of at least three years. In the following section, these risks and opportunities are discussed in accordance with our momentary assessment of their relative importance for the PWO Group.

IMPROVING COMPETITIVENESS THROUGH ADAPTATION OF INTERNAL PROCESSES
Price and performance pressure on automotive suppliers are continuously increasing and requires us to continually adapt our structures and internal processes to ensure our current orders are profitable and that we stay competitive when bidding for new orders. Accomplishing this requires adapting the Group's organizational structures and the stability and efficiency of the production processes. The current market weakness has once again increased the pressure to take action. If the sales figures of the automotive industry do not significantly recover, then this poses a considerable risk to the Group's profitability.

Consequently, we have greatly increased our efforts during the past fiscal year to adjust our personnel and cost structures to the current market environment. The success of measures already introduced is monitored promptly and systematically. More effort is continuously being demanded of the respective departments and especially across departments within the process chain.

The focus here is particularly on the German location in Oberkirch. In addition to the ongoing cost reductions and the implemented or still planned adjustments in the number of employees by a total of 320 to 350 people, we are currently developing and evaluating various scenarios to sustainably increase the location's profitability and secure its future viability.

To accomplish this, we will focus the Oberkirch location even more on its core competencies and, at the same time, exploit the opportunities emerging from the fourth industrial revolution, which offers new possibilities. By introducing modern, data-driven manufacturing methods, we aim to continuously reduce the use of resources and, at the same time, further improve process efficiency and production quality, which is ultimately the prerequisite for future growth.

We are therefore confident that we will be able to not only secure the PWO Group's profitability over the next few years despite the growing challenges but to be able to increase it significantly.

EXTERNAL TOOL SOURCING
Over the last few years, we have been purchasing a steadily increasing volume of tools externally and have meanwhile established relationships with efficient suppliers for a wide range of requirements. The objective is to purchase low-cost, high- quality services externally on the market in the future. In addition, we intend to increase the automation of our internal processes and make them more efficient. We plan to continue to follow this strategy in the future and are confident this approach will make it possible for us to cut costs and reduce capacity utilization risks compared with our previous proprietary toolmaking operations. Irrespective of this, we

will continue to maintain in-house competence for the development and manufacture of highly complex, highly specialized tool components.

REGIONAL EXPANSION
With our five production sites, we are positioned in all of our relevant markets. Our locations in China and Mexico, however, are still relatively small in relation to the market volumes in those markets. In addition, we see above-average growth opportunities in Eastern Europe. We therefore continually look for opportunities to tap further market potential. In all three regions, we can envisage the establishment of new assembly and production locations as soon as market developments indicate that this would be economically viable.

DEVELOPMENT OF HIGHLY EFFICIENT PRODUCTION PROCESSES
Permanent product and process innovation is the key factor in securing and expanding our competitive position in the industry. Our customers need product solutions with persuasive technology to be able to comply with the ever-growing regulatory requirements to reduce the environmental impact caused by vehicles.

From the Executive Board's point of view, PWO wins over customers first and foremost with its innovative solutions that can be manufactured economically in efficient processes. Based on the highest delivery quality over many years of series production, we can make commitments that last over a complete development and production cycle. We are convinced that this is what underlies our long-term success.

DEVELOPMENT OF LONG-TERM DEMAND
With our product and service portfolio, our innovative strength, and our global presence, we are well-positioned to take advantage of multiple demand trends in the automotive industry at the same time.

Energy-Saving Mobility and Electromobility
One of the essential challenges to today's automotive industry is reducing the weight of the vehicle's components to lower fuel consumption. We will continue to take advantage of emerging opportunities, especially those in lightweight construction. We expect the share of weight-reduced parts and components to continue to grow significantly over the next few years, which will present us with opportunities to grow our market share.

Currently, we are not faced with any material risks to our production range from increased electromobility or the potential full conversion to this type of drive system as only very few of our solutions can be used exclusively for vehicles with internal combustion engines. Lower vehicle weight is also relevant for electric vehicles, for example, to increase their range.

More Automotive Comfort and Safety
Increasing comfort and higher safety in the automobile are key requirements for vehicle buyers. Our product solutions are concentrated mainly in these two areas.

The trend towards partially or fully autonomous driving also means additional degrees of freedom for drivers and passengers. This will further increase the demands on vehicle equipment leading to the development of new concepts for the interiors of the future. As a result, the requirements for the necessary components and subsystems will become even more complex. We are convinced that we are well-positioned to benefit from this trend in the future. As part of this development, the electrification of vehicles will continue to increase. We already have the components needed for this in our product portfolio and continuously look for opportunities to expand our range.

Development of Customers and the Competitive Environment
The high capital intensity of the automotive industry, coupled with the ever-increasing competition in global markets and continuously rising demands for CO2 reduction, are placing considerable burdens on global automobile manufacturers. Consequently, we expect manufacturers to source additional significant sections of their value chain from suppliers in the future. We are confident that we will benefit from this trend more than our competitors given our innovative strength, recognized delivery quality and reliability, and our global delivery capabilities.

This trend could be muted by a stronger tendency towards insourcing if jobs are lost to a greater extent from the digitization of manufacturers' production facilities or a faster than expected switch to electric drives in their engine plants. This would also however require a significant amount of capital expenditure to shape capacities and the specific skills of employees.

REPORT ON FORECASTS AND OUTLOOK

EXPECTED GENERAL ECONOMIC AND INDUSTRY DEVELOPMENT
Against the backdrop of the ongoing corona pandemic, forecasts for global economic development in 2021 continue to be characterized by major uncertainty. In view of the renewed increase in infections in late 2020 and the rapid spread of new, highly contagious virus mutations, as well as the reintroduction of lockdowns, forecasters were forced to question their cautiously optimistic expectations early on in the current fiscal year.

The International Monetary Fund (IMF) raised its forecast for the global economy slightly in January, partly due to the approval of several vaccines and the launch of large-scale vaccination campaigns, which had raised hopes

of an end to the pandemic. Numerous fiscal programs had also brought about a growth effect. At the same time, however, the IMF warned of possible setbacks as a result of the above-mentioned factors. It also pointed to the marked differences in development in the individual regions. While positive impetus is expected for the USA and Japan in 2021 due to better-than-forecast economic developments in the second half of 2020, the IMF sees the development in Europe as the exact opposite. Accordingly, the forecasts for the eurozone and the United Kingdom have been lowered and, in some cases, significantly.

In its annual economic report of January 2021, the German government also expects German real GDP to increase by only 3.0 percent (IMF: 3.5 percent, down from 4.2 percent). This is also a much lower rate than the Council of Economic Experts had forecast in its November projection (+3.7 percent). The background to the more cautious estimate is the lockdown, which has been tightened again since November 2020 and has continued in the new year. This is also where the German government sees the main risk to its projection, should the course of the pandemic necessitate more far-reaching containment measures. According to the German government, growth is to be driven mainly by domestic demand and particularly by private consumption.

At its annual press conference on January 26, 2021, the German Association of the Automotive Industry (VDA) emphasized that the year 2021 will be the year that decides the future of the industry in Germany and Europe. It sees this year as a turning point that will set the direction for the decades that follow. In the view of the VDA, the entire German automotive industry continues to follow the corona development with great concern. Overall, the situation is expected to improve in the second half of 2021 but only on the condition that progress in vaccination is great enough to be able to noticeably contain the pandemic in everyday life.

At the same time, the transformation of the industry is being driven fiercely forward despite corona. By 2025, the German automotive industry will have invested a total of EUR 150 billion in future technologies, especially electromobility and digitization. The German automotive industry is realizing "the new mobility that everyone is talking about". However, the association also points out that the location conditions in Germany urgently need to be improved. Labor costs and income tax burdens are above average in Germany, it says. The German automotive industry is better equipped for the future than Germany as a business location. Policymakers should therefore take the necessary steps to retain and strengthen production and employment in Germany.

The VDA expects the German market to grow by around 8 percent year-on-year to 3.15 million cars in 2021, albeit from a very low base in the prior year of 2.9 million cars. This growth would not make up for the declines in 2020, and the domestic passenger car market in 2021 would therefore still be well below the roughly 3.5 million new registrations in the years 2017 to 2019.

These expectations were confirmed by the first figures for the current 2021 fiscal year. According to the VDA, in January, 169,800 new cars were registered in Germany, 31 percent fewer than in the same month of the prior year. Reasons for this included car dealerships being closed due to the pandemic and the VAT rate, which after being reduced for a period of six months was raised again to 19 percent at the turn of the year. The latter led to a pull-forward effect and an associated high level of new registrations in December. New registrations of electric passenger cars rose by 129 percent in January to 36,900 units. This gave EVs a 21.7 percent share of the overall market.

In January, German car manufacturers received 39 percent fewer orders from the domestic market. Business outside Germany fared much better, with orders up 1 percent. Overall, orders received in January 2021 were just under 5 percent below the previous year's figure.

German production fell by 23 percent in January to 262,800 cars. In addition to the lower number of working days, supply bottlenecks for semiconductors played a major role in the decline. Exports developed similarly to production, with 19 percent fewer cars shipped abroad in January.

According to the VDA, vehicle sales in the respective markets — with the exception of China — will only slowly approach their respective pre-crisis levels. For Europe, the association expects a 12 percent increase to 13.4 million cars in 2021. In the USA, sales are expected to increase by 9 percent to 15.8 million light vehicles in 2021. The Chinese passenger car market will already exceed pre-corona levels again, with 21.4 million units (+8 percent). The global passenger car market is thus expected to grow by 9 percent to 73.9 million new vehicles in 2021, following a 15 percent slump last year. This sales volume would still be well below the pre-corona level.

BUSINESS DEVELOPMENT AND FUTURE DIRECTION

DEVELOPMENT OF THE PWO GROUP

	2021 forecast	2020 actual results
Revenue	Approx. EUR 380 million	EUR 371.2 million
EBIT before currency effects	Positive in low double-digit millions	EUR -8.1 million
Free cash flow	Negative in low double-digit millions	EUR 29.1 million
Equity ratio	Flat	28.7 percent
Dynamic leverage ratio (financial liabilities less cash and cash equivalents in relation to EBITDA)	Less than 4 years	4.8 years
Capital expenditure according to segment report	Over EUR 20 million	EUR 13.8 million
Lifetime volume of new business (series and tool orders)	Towards EUR 500 million	Approx. EUR 400 million

Our planning for 2021 is based on the assumption that the Group's scope of consolidation will remain unchanged. It is also based on detailed individual estimates of the volumes of the series productions currently underway, as well as on the upcoming start-ups and ramp-ups and phase-outs. In the following comments, we focus on our key performance indicator EBIT before currency effects.

Due to the ongoing corona pandemic, the forecast for the just-started 2021 fiscal year is subject to increased uncertainty. However, we consider it necessary to prepare ourselves for the possibility of successfully managing the Group through a longer period of macroeconomic weakness. In particular, the intensification of the pandemic in many countries around the world at the beginning of 2021, the emergence of new highly contagious virus mutations and the assessment by some economic researchers that it will take several years before the economic performance of 2019 is expected to be achieved again prompt us to do so.

FORECAST OF THE RESULTS OF OPERATIONS

Against the backdrop of these risks, we expect the Group's revenue to grow to around EUR 380 million in the 2021 fiscal year. This expectation means that cost increases will largely be reflected in EBIT. This relates in particular to the Oberkirch site with the upcoming annual wage increases and the expected lower relief from short-time working than in 2020. At the same time, the savings from the adjustments to the number of employees will only gradually take effect in the course of the year.

We therefore expect a significant improvement in Group EBIT in 2021 compared with the reported figure for 2020. However, as described in the section "Results of operations", the prior-year figure was impacted by extraordinary items of EUR 24.0 million. In the 2021 fiscal year, the Group's EBIT is not expected to reach the prior-year's level before extraordinary items of EUR 15.9 million.

In the Germany segment, we expect revenue to move sideways for the reasons outlined above. EBIT is expected to be slightly positive. The Czech site should be able to increase its revenue by a good 5 percent, although expenses for the expansion of the site will have a temporary negative impact, so EBIT could be significantly below the previous year's level.

In the Canada segment, new ramp-ups of series production, among other things, are expected to lead to growth in revenue to more than EUR 35 million, but EBIT is likely to remain at around EUR 1 million due to the associated start-up costs. For the same reasons, we are forecasting a similar development for the Mexico segment: an increase in revenue to around EUR 55 million with an improvement in EBIT to around EUR 3 million.

In the China segment, we expect revenue to move sideways on the basis of the planned series phase-outs and start-ups. EBIT is therefore expected to weaken beyond the positive one-time effects of EUR 3.1 million presented in the "Results of operations" section and reach around EUR 3.5 million.

FORECAST FOR CAPITAL EXPENDITURE, FINANCIAL POSITION AND NET ASSETS

To safeguard liquidity, we limited or postponed capital expenditure where possible in the reporting year. For the 2021 fiscal year, we are again planning a significantly higher volume of more than EUR 20 million as part of our long-term growth strategy. In addition to the Germany segment, significant amounts will be spent, in particular, in the Czechia segment for expansion there and in the Mexico segment, for which we expect high growth in subsequent years.

Rising capital expenditure and cash outflows for personnel adjustments at the Oberkirch site are expected to result in temporary, significantly negative free cash flow and, consequently, a sideways development of the equity

ratio. The dynamic leverage ratio should nevertheless improve visibly, as EBITDA is expected to be significantly better than in the reporting year for the same reasons as EBIT.

FORECAST FOR THE ORDER SITUATION
In the reporting year, customers no longer completed some orders and postponed them to 2021. We are currently working on a large number of development projects and customer inquiries in which we believe we are well-positioned. We therefore expect a strong increase in the volume of new business (lifetime volumes) in the direction of EUR 500 million in fiscal year 2021.

GENERAL STATEMENT ON FUTURE DEVELOPMENT
We expect the 2021 fiscal year to continue to present considerable challenges for the companies and their employees. However, during the past fiscal year, we were able to once again demonstrate that we can consistently and successfully adapt to very unusual developments and manage the Group safely and with an eye to the future, even under such conditions. We are therefore cautiously optimistic about the fiscal year ahead. This is not only due to the fact that we have now implemented mature and resilient processes to enable us to implement necessary adjustments quickly in all areas of the Group. Above all, it is crucial that our entire workforce is highly committed and motivated to ensure that our customers are always served with the highest delivery quality and reliability, even in challenging times.

DEPENDENCY REPORT

With respect to the legal transactions and measures described in the section on related parties and based on the circumstances known at the time the transactions were executed and measures taken or not taken, our Company received appropriate compensation for every transaction and was not disadvantaged by any of the measures taken or not taken.

TAKEOVER-RELATED DISCLOSURES PURSUANT TO SECTIONS 289 A (1) AND 315 A (1) HGB

The information required under Sections 289 a (1) and 315 a (1) HGB is detailed and explained below.

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

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

Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, has notified us of its interest exceeding 10 percent of the voting rights in PWO. As of December 31, 2020, it held 46.73 percent (p/y: 46.62 percent) of the voting rights and is the main shareholder.

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

Pursuant to Section 179 (1) and Section 119 (1), No. 5 AktG, each amendment to the Articles of Association requires a shareholder resolution of the Annual General Meeting. In deviation from Section 179 (2), sentence 1 AktG, Section 15 of the Articles of Association provides the adoption of resolutions on amendments to the Articles of Association by the Annual General Meeting by a simple majority of the voting capital if a larger majority is not legally required. The Supervisory Board is authorized to adopt amendments to the Articles of Association that relate only to their wording.

Subject to the consent of the Supervisory Board, the Executive Board is authorized to increase the Company's share capital once or several times by up to a total of EUR 4,687,500.00 (Authorized Capital 2020) by issuing new no-par bearer shares against contribution in cash and/or in kind until and including the date of July 27, 2025. Generally, subscription rights must be granted to shareholders. Further details of the authorization are contained in the resolution of the Annual General Meeting of July 28, 2020.

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

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289 F AND 315 D HGB

The Corporate Governance Statement of PWO AG is published on the Company's website under https://www.progress-werk.de/en/group/corporate-governance. The corporate governance statement is an unaudited segment of the management report.

NON-FINANCIAL GROUP STATEMENT PURSUANT TO SECTIONS 289 B, 315 B-C HGB

The non-financial group statement was published in the form of a separate non-financial group report at https://www.progress-werk.de/en/group/corporate-governance/. The non-financial Group statement is an unaudited segment of the management report.

REMUNERATION REPORT

The remuneration report presents the Executive and Supervisory Boards' remuneration pursuant to the provisions of the German Commercial Code (HGB) and the German Accounting Standards (GAS 17). The remuneration report also continues to contain the sample tables recommended by the German Corporate Governance Code in the version dated February 7, 2017 ("GCGC 2017") on Section 4.2.5 (3) — this notwithstanding the fact that the recommendation on the sample tables has been dropped by the German Corporate Governance Code in its now applicable version dated December 16, 2019, which was published in the Federal Gazette on March 20, 2020 ("GCGC 2020"). For reasons of consistency and transparency, the model tables are to be continued until the changeover to the new remuneration report within the meaning of Section 162 of the German Stock Corporation Act (AktG), which was introduced by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) of December 12, 2019 and is applicable for Progress-Werk Oberkirch AG for the first time for the fiscal year beginning on January 1, 2021.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

The Supervisory Board determines the remuneration system for the Executive Board, as well as the total remuneration for the individual Executive Board members based on the proposal of the Personnel Committee. The criteria for defining remuneration include the Company's and the Group's financial situation, success and outlook, the duties and personal performance of the individual Board members, the prevailing level of compensation at peer companies and the Company's remuneration structure. In doing so, the Supervisory Board takes into account the relation of the Executive Board's compensation and the remuneration of senior management and the workforce as a whole and with respect to its development over time. The overall remuneration structure is geared toward the Group's sustainable development.

Total remuneration consists of fixed and performance-related components.

The fixed components include the basic annual salary paid in 12 equal monthly payments, non-cash benefits, pension benefits and contributions to build up a private pension.

The performance-related remuneration for the members of the Executive Board is measured against the Group's net income for the period which, in the opinion of the Supervisory Board, reflects the combined performance of the Executive Board and the workforce to secure jobs at the Company and the ability to pay a dividend. The calculation for existing Executive Board contracts is based on 10 percent of the Group's net income for the prior two years, 20 percent of the prior year and 70 percent of the new fiscal year — making 70 percent of this remuneration forward-looking. The proportion of variable remuneration to the Group's net income for the period, as well as the maximum achievable amount, varies among the individual members of the Executive Board and is due for payment upon the adoption of the annual financial statements of the new fiscal year under this calculation basis.

The variable remuneration for the new contracts of the members appointed to the Executive Board in the 2020 fiscal year is calculated on the basis of the period from the beginning of the current fiscal year to the end of the next fiscal year. The calculation is based on the sum of the relevant Group's net income for the period with a weighting of 30 percent for the current fiscal year and 70 percent for the coming fiscal year. In addition to a maximum achievable amount, a minimum amount is now also guaranteed for individual Executive Board members.

Employment contracts also provide for a discretionary bonus, whereby the Supervisory Board may consider extraordinary positive and negative developments at its discretion up to a limited annual maximum amount. The maximum amount for the CEO is different than for the other Executive Board members. The development of free cash flow, the dynamic leverage ratio and net debt over a 3-year period based on the planning from the beginning of the respective fiscal year are deemed to be multi-year assessment components.

Executive Board members do not receive separate remuneration for their work as members of bodies at the Company's subsidiaries.

There are no pension commitments for the Executive Board members Carlo Lazzarini, Dr. Cornelia Ballwießer, Johannes Obrecht or for the Executive Board member Dr. Volker Simon, who retired on September 4, 2020. Instead, the Executive Board contracts stipulate the receipt of a fixed annual allowance (or a monthly allowance in the case of Mr. Lazzarini) to build up a private pension plan, which can be paid directly into a provident fund by the Company at the request of the Executive Board members.

Bernd Bartmann, who retired and left the Executive Board effective December 31, 2020, is entitled to receive retirement, disability and survivor pension. The retirement pension is paid either upon reaching the current retirement age of 65 or through early retirement from the Company at 60 years of age, provided a full retirement pension is being drawn simultaneously from the statutory pension scheme. The monthly amount of the retirement pension for Mr. Bartmann is set out in his retirement contract. When drawing benefits prematurely, this amount is reduced during the length of pension payment by 0.25 percent per month from the start of early retirement until reaching 65 years of age. Future retirement benefits of the present members of the Executive Board are adjusted in line with changes in the cost of living for a four-person household of hourly and salaried workers with an average income as defined by the Federal Statistics Office. Furthermore, Mr. Bartmann receives a fixed annual payment of EURk 20 as a subsidy for the establishment of a private pension, which at the request of Mr. Bartmann, the Company makes directly to a pension trust.

The Company has concluded a financial loss liability insurance policy (D&O insurance) for the members of the Executive Board. This policy has a deductible of 10 percent of the loss up to the amount of one and a half times the Executive Board member's fixed remuneration.

The current Executive Board contracts stipulate that when an Executive Board member's contract is terminated prematurely, any payments to members, including fringe benefits, shall not exceed the value of 2 year's remuneration and shall not be higher than the remuneration for the remaining term of the contract (severance payment cap). In accordance with the Executive Board contracts, the calculation of severance payment caps is based on the total remuneration of the previous fiscal year and, if applicable, also the expected total remuneration for the current fiscal year. If the Executive Board member is responsible for the termination of his contract for good cause as defined by Section 626 of the German Civil Code (BGB), then no payments will be made to the Executive Board member.

NEW REMUNERATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD IN CONSIDERATION OF ARUG II AND GCGC 2020

In consideration of the new Section 87 a AktG introduced by the ARUG II and the new GCGC 2020 and based on the recommendation of its Personnel Committee, the Supervisory Board will resolve a new remuneration system for members of the Executive Board that complies with the new legal requirements and takes into account the new recommendations of letter G of the GCGC 2020.

REMUNERATION OF THE EXECUTIVE BOARD IN ACCORDANCE WITH THE GAS 17 ACCOUNTING STANDARD

Total Executive Board remuneration for the 2020 fiscal year amounted to EURk 1,240 (p/y: EURk 1,600). This includes performance-based remuneration of EURk 343 (p/y: EURk 696). Added to this amount were fringe benefits of EURk 206 (p/y: EURk 202), consisting mainly of company cars, phone bills, insurance premiums, non-cash benefits and contributions to build a private pension plan. The following table shows the individual remuneration of the Executive Board members.

MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GAS 17 ACCOUNTING STANDARD

EURk

	Carlo Lazzarini (CEO) (since Sep. 1, 2020)		Dr. Cornelia Ballwießer (CFO) (since Nov. 1, 2020)		Johannes Obrecht (COO)		Dr. Volker Simon (CEO) (until Sep. 4, 2020)		Bernd Bartmann (CFO) (until Dec. 31, 2020)		Total remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
FIXED REMUNERATION												
Basic annual salary	100	--	38	--	173	192	169	276	211	234	691	702
Fringe benefits[2]	28	--	9	--	52	57	63	91	54	54	206	202
TOTAL	**128**	**--**	**47**	**--**	**225**	**249**	**232**	**367**	**265**	**288**	**897**	**904**
PERFORMANCE-RELATED REMUNERATION												
Variable remuneration[1]	90	--	20	--	106	185	47	292	80	219	343	696
TOTAL	**90**	**--**	**20**	**--**	**106**	**185**	**47**	**292**	**80**	**219**	**343**	**696**
TOTAL REMUNERATION	**218**	**--**	**67**	**--**	**331**	**434**	**279**	**659**	**345**	**507**	**1,240**	**1,600**

[1] Mr. Bartmann's variable compensation for 2020 in the amount of EURk 80 includes a discretionary bonus of EURk 25.
[1] The variable compensation of Mr. Obrecht for 2020 in the amount of EURk 106 includes a discretionary bonus of EURk 60.
[1] The variable compensation of Mr. Lazzarini and Dr. Ballwießer in the 2020 fiscal year is a contractually agreed guarantee bonus.
[2] The fringe benefits for the fiscal years 2019 and 2020 include, among other things, benefits for building up a private pension.

The Executive Board members receive or have received fixed annual payments (or monthly payments in the case of Mr. Lazzarini) to build up a private pension plan, which can be or have been paid by the Company directly into a provident fund at the request of the Executive Board members: Carlo Lazzarini (EURk 20), Dr. Cornelia Ballwießer (EURk 7), Johannes Obrecht (EURk 40) and the former member Dr. Volker Simon (EURk 45). In the case of former member Bernd Bartmann, in addition to the pension commitment, a fixed annual allowance of EURk 20 was agreed, which can be paid directly into a provident fund if requested.

The Company has recognized pension provisions for the future pension entitlement of Mr. Bartmann. The allocation to pension provisions in the reporting year amounted to a total of EURk 107 (p/y: EURk 94). The allocation amount included what is known as service costs, excluding interest costs.

The table below shows the expenses for pensions.

MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GAS 17 ACCOUNTING STANDARD: PENSION EXPENSES

EURk

	Annual entitlement [1]		Present value of benefit obligations		Allocation to pension provisions	
	2020	2019	2020	2019	2020	2019
Carlo Lazzarini, CEO (since Sep. 1, 2020)	0	0	0	0	0	0
Dr. Cornelia Ballwießer (since Nov. 1, 2020)	0	0	0	0	0	0
Johannes Obrecht	0	0	0	0	0	0
Dr. Volker Simon (until Sep. 4, 2020)	0	0	0	0	0	0
Bernd Bartmann[2] (until Dec. 31, 2020)	72	72	1,996	1,603	107	94
TOTAL	**72**	**72**	**1,996**	**1,603**	**107**	**94**

[1] With the pension event occurring at the age of 65 on the basis of the entitlements acquired up to December 31, 2020.
[2] The allocation to the pension provision for Mr. Bartmann does not include the fixed annual payment of EURk 20 agreed made to a provident fund in addition to the pension commitment.

Former Executive Board members and their surviving dependents received pension payments amounting to EURk 239 (p/y: EURk 236) during the reporting year. The corresponding pension provisions amounted to EURk 4,456 (p/y: EURk 4,391) on December 31, 2020.

In connection with the mutually agreed termination of Dr. Volker Simon's Executive Board activities on September 4, 2020, a severance payment of EURk 1,100 was agreed, which was due on the termination date.

In the event of termination of employment, no other benefits were promised to any member of the Executive Board. In the 2020 fiscal year, no members of the Executive Board had received any payments or promises from a third party in connection with their work as Executive Board members.

REMUNERATION OF THE EXECUTIVE BOARD IN FISCAL YEAR 2020 PURSUANT TO GCGC 2017 (VOLUNTARY DISCLOSURE)

In the table titled "Benefits granted," the amounts budgeted for one- and multiple-year variable remuneration are shown as opposed to GAS 17. The minimum and maximum values that can be achieved are also reported.

The pension expenses shown in the table under "Individual pension expenses" as an allocation to pension provisions is also included in the total remuneration. The fixed annual (or monthly) payments that can be made into a pension trust in addition to the pension commitments are also included.

The total remuneration granted to the Executive Board in accordance with the German Corporate Governance Code reached EURk 1,863 (p/y: EURk 1,844) for the 2020 fiscal year.

BENEFITS GRANTED FOR THE REPORTING YEAR

EURk

	Carlo Lazzarini (CEO) Entry: Sep. 1, 2020				**Dr. Cornelia Ballwießer (CFO)** Entry: Nov. 1, 2020				**Johannes Obrecht (COO)** Entry: Jul. 1, 2016				**Dr. Volker Simon (CEO)** Exit: Sep. 4, 2020				**Bernd Bartmann (CFO)** Exit: Dec. 31, 2020			
	2019	**2020**	**2020** Min.	**2020** Max.	**2019**	**2020**	**2020** Min.	**2020** Max.	**2019**	**2020**	**2020** Min.	**2020** Max.	**2019**	**2020**	**2020** Min.	**2020** Max.	**2019**	**2020**	**2020** Min.	**2020** Max.
Fixed remuneration	--	100	100	100	--	38	38	38	192	173	173	173	276	169	169	169	234	211	211	211
Fringe benefits	--	8	8	8	--	3	3	3	17	12	12	12	25	18	18	18	34	34	34	34
TOTAL	**--**	**108**	**108**	**108**	**--**	**41**	**41**	**41**	**209**	**185**	**185**	**185**	**301**	**187**	**187**	**187**	**268**	**245**	**245**	**245**
Discretionary bonus[1]	--	--	0	100	--	--	0	80	0	60	-80	80	0	0	-100	100	0	25	-80	80
Variable remuneration[3]	--	90	90	90	--	20	20	20	225	237	--	400	355	253	--	339	266	280	--	400
TOTAL	**--**	**90**	**90**	**190**	**--**	**20**	**20**	**100**	**225**	**297**	**-80**	**480**	**355**	**253**	**-100**	**439**	**266**	**305**	**-80**	**480**
Pension expense[2]	--	20	20	20	--	7	7	7	40	40	40	40	66	45	45	45	114	20	20	20
TOTAL REMUNERATION	**--**	**218**	**218**	**318**	**--**	**68**	**68**	**148**	**474**	**522**	**145**	**705**	**722**	**485**	**132**	**671**	**648**	**570**	**185**	**745**

[1] At its own discretion, the Supervisory Board may decide to grant a special remuneration in cases of extraordinary performance or success in the amounts shown above. In turn, in cases of extraordinary developments, the entitlements to variable remuneration may be reduced in the amounts shown above.

[2] Pension expenses include payments to build up a private pension plan (Carlo Lazzarini: EURk 20 / Dr. Cornelia Ballwießer: EURk 7) and payments to a provident fund (Johannes Obrecht: EURk 40 / Dr. Volker Simon: EURk 45 / Bernd Bartmann: EURk 20).

[3] The variable compensation of Mr. Lazzarini and Dr. Ballwießer is a contractually agreed guarantee bonus for the 2020 fiscal year. The variable remuneration (incl. max. limit) for Dr. Volker Simon for the 2020 fiscal year has been calculated on a pro rata basis until September 4, 2020.

The total remuneration paid to the Executive Board pursuant to the German Corporate Governance Code amounted to EURk 1,348 for the 2020 fiscal year (p/y: EURk 1,694).

BENEFITS PAID DURING THE REPORTING YEAR

EURk

	Carlo Lazzarini (CEO) Entry: Sep. 1, 2020		**Dr. Cornelia Ballwießer (CFO)** Entry: Nov. 1, 2020		**Johannes Obrecht (COO)** Entry: Jul. 1, 2016		**Dr. Volker Simon (CEO)** Exit: Sep. 4, 2020		**Bernd Bartmann (CFO)** Exit: Dec. 31, 2020	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Fixed remuneration	--	100	--	38	192	173	276	169	234	211
Fringe benefits	--	8	--	3	17	12	25	18	34	34
TOTAL	**--**	**108**	**--**	**41**	**209**	**185**	**301**	**187**	**268**	**245**
Discretionary bonus[1]	--	--	--	--	0	60	0	0	0	25
Variable remuneration[3]	--	90	--	20	185	46	292	47	219	55
TOTAL	**--**	**90**	**--**	**20**	**185**	**106**	**292**	**47**	**219**	**80**
Pension expense[2]	--	20	--	7	40	40	66	45	114	127
TOTAL REMUNERATION	**--**	**218**	**--**	**68**	**434**	**331**	**659**	**279**	**601**	**452**

[1] At its own discretion, the Supervisory Board may decide to grant a special remu-neration in cases of extraordinary performance or success in the amounts shown above. In turn, in cases of extraordinary developments, the entitlements to variable remuneration may be reduced in the amounts shown above.

[2] The 2020 pension expenses include payments to build up a private pension plan (Carlo Lazzarini: EURk 20 / Dr. Cornelia Ballwießer: EURk 7) and payments to a provident fund (Johannes Obrecht: EURk 40 / Dr. Volker Simon: EURk 45 / Bernd Bartmann: EURk 20).

[3] The variable compensation of Mr. Lazzarini and Dr. Ballwießer in the 2020 fiscal year is a contractually agreed guarantee bonus.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board members is described in Section 11 of the Company's Articles of Association essentially as follows:

Each Supervisory Board member receives fixed annual remuneration of EURk 25. The Chairman of the Supervisory Board receives double this amount, and the Deputy Chairman receives one and a half times this amount. Each Supervisory Board member receives a 25 percent bonus based on their fixed remuneration for their membership in committees, and the chairperson of the committee receives a bonus of 50 percent. The total annual remuneration of a Supervisory Board member may not exceed twice the member's fixed remuneration or three times the fixed remuneration in the case of the Supervisory Board chairperson.

Members of the Supervisory Board also receive an attendance fee of EUR 500 for each meeting of the Supervisory Board and its committees the members personally attend. This also applies to the participation in telephone or video conferences and the visual and/or acoustic participation in a physical meeting of the Supervisory Board and its committees. This fee is paid only once per meeting day, even if several meetings are attended in the course of one day.

Supervisory Board members, who have been members for only part of the fiscal year, receive one-twelfth of the yearly compensation for the start of each month they were present. The Company also reimburses the Supervisory Board members for their expenses as well as for any value-added tax payable on their remuneration and expenses.

Compensation is payable at the end of the fiscal year.

The members of the Supervisory Board are covered by the Company's existing financial loss liability insurance policy (D&O insurance). The policy's premiums are paid by the Company. A deductible has been agreed that amounts to half of the fixed annual remuneration of the Supervisory Board member.

Also in this reporting year, the Company did not pay any remuneration to Supervisory Board members for activities performed outside of their supervisory role.

The individual remuneration of the Supervisory Board members is shown in the table below.

EURk

	Fixed remuneration		Attendance fees		Total remuneration	
	2020	2019	2020	2019	2020	2019
Karl M. Schmidhuber, Chairman	69	69	9	11	78	79
Dr. Georg Hengstberger, Deputy Chairman	50	50	10	11	60	61
Carsten Claus	38	38	9	10	47	47
Herbert König	31	31	7	9	38	40
Dr. Jochen Ruetz	31	31	9	6	40	37
Gerhard Schrempp	25	25	6	5	31	30
TOTAL	**244**	**244**	**48**	**50**	**292**	**294**

REVIEW OF REMUNERATION ARRANGEMENTS FOR SUPERVISORY BOARD MEMBERS

In consideration of ARUG II, the 2021 Annual General Meeting must also pass a resolution on the remuneration of members of the Supervisory Board pursuant to Section 113 (3) AktG. In this context, an adjustment in the Supervisory Board remuneration, which has remained unchanged since the 2015 fiscal year and is governed by Section 11 of the Articles of Association, is being reviewed.

BUSINESS DEVELOPMENT OF PROGRESS-WERK OBERKIRCH AG

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

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

As of the reporting date, the number of employees at the Company, including temporary staff, was 1,419, which was significantly lower than in the previous year (p/y: 1,531). This figure includes 127 (p/y: 139) young trainees who are currently completing their training. We reduced the number of trainees in the reporting year as we will have a lower demand for junior staff in the future than in previous years.

As explained in the Group management report, the automotive industry was hit hard by the pandemic. Structural underutilization of capacity is expected for a longer period in the coming years due to an anticipated slow recovery. Furthermore, our customers are increasingly manufacturing in Eastern Europe. We need to follow this trend if we do not want to lose current series productions and want to continue to win attractive new orders in the future. For this reason, we decided on two workforce adjustment programs in the reporting year. For details, please refer to the comments on the Germany segment in the Group management report.

INCOME STATEMENT
SELECTED INFORMATION

EURk

	2020	in % of total output	2019	in % of total output
Revenue	209,711	103.5	265,149	101.4
Total output	202,628	100.0	261,524	100.0
Cost of materials	97,106	47.9	127,731	48.8
Staff costs	75,531	37.3	90,379	34.6
Depreciation/amortization	10,932	5.4	12,386	4.7
Other operating expenses	51,269	25.3	34,012	13.0
Financial result	453	0.2	4,512	1.7
Earnings before taxes	-24,986	-12.3	6,694	2.6
Net loss (p/y: net income)	-20,247	-10.0	4,746	1.8
Unappropriated retained loss (p/y: unappropriated retained earnings)	-15,469	-7.6	4,778	1.8

The outbreak of the corona pandemic in the spring of 2020 had a tremendous negative impact on global macroeconomic development. This resulted in a significant decline in PWO AG's revenue in fiscal year 2020. Total output was also affected by a somewhat greater reduction in finished goods and work-in-progress than in the previous year. In 2020, we were able to invoice customers for a higher volume of finished tool inventories than in the previous year.

The weakening of business impacted earnings before taxes in the reporting year. The result was also significantly affected by extensive measures to realign PWO AG and to strengthen its competitiveness. The two previously mentioned programs to adjust the number of employees were associated with expenses totaling EUR 18.4 million, which were included in other operating expenses. This item also includes additions to provisions for onerous contracts in the amount of EUR 3.9 million.

In addition to these individual measures, we worked hard in the reporting year to implement further process improvements and cost reductions, for example, in other operating expenses. The largest reduction was in expenses for temporary employees, whose number correlates closely with the number of series call-orders. The cost of materials ratio also remained below the prior-year level due to an improved product mix. By contrast, the staff costs ratio increased. The change in the product mix and additional payments for short-time allowances also contributed to this. Due to a supplementary collective agreement that excluded redundancies for operational reasons until December 31, 2020, we were only able to adjust the number of employees to a limited extent in the reporting year.

In addition to financial expenses, the financial result includes interest income from loans to subsidiaries. It decreased to EUR -0.4 million (p/y: EUR 4.5 million), primarily because no income was distributed from investments. In the previous year, PWO AG had received EUR 5.0 million.

In total, earnings before taxes decreased to EUR -25.0 million (p/y: EUR 6.7 million). Income taxes included benefits from deferred taxes in the amount of EUR 5.4 million (p/y: EUR 1.6 million). This was due, in particular, to the recognition of deferred taxes on loss carryforwards in the reporting year. Overall, the net loss for the period amounted to EUR 20.2 million (p/y: net income of EUR 4.7 million).

Total assets decreased to EUR 280.2 million as of the reporting date (p/y: EUR 304.7 million). This was due both to lower property, plant and equipment as a result of our restrained capital expenditure activity and to reduced loans to affiliated companies. In current assets, almost all line items were lower than in the previous year. The tax effects described above led to an increase in deferred tax assets.

On the liabilities side of the balance sheet, provisions for pensions and similar obligations increased due to valuation effects. Of the aforementioned expense of EUR 18.4 million for staff adjustments, EUR 1.5 million had already been utilized as of the reporting date. The remaining amount of EUR 8.0 million related to other provisions and EUR 8.9 million to other liabilities. As other sub-items in this item decreased significantly, the overall increase was only moderate. We were able to reduce bank borrowings to EUR 69.8 million (p/y: EUR 88.9 million).

Due to the net loss for the period, equity remained below the previous year's level at EUR 100.1 million (p/y: EUR 120.3 million). The equity ratio as of the reporting date was 35.7 percent (p/y: 39.5 percent). All in all, we succeeded in achieving satisfactory net assets, financial position and results of operations in a fiscal year that presented exceptional challenges.

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

RECONCILIATION OF KEY PERFORMANCE INDICATORS

EURk

	2020	2019
Revenue acc. to HGB	209,711	265,149
Reconciliation	-10,665	-8,445
Total revenue acc. to IFRS	199,046	256,704
Earnings before taxes acc. to HGB	-24,986	6,694
Financial result	-453	-4,512
Currency effects	1,477	2,032
EBIT before currency effects acc. to HGB	-23,962	4,214
Reconciliation	1,323	-5,410
EBIT before currency effects acc. to IFRS	-22,639	9,624

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

In the reporting year, the IFRS performance indicators remained below their prior-year values and below the forecasts. In the 2019 Annual Report, we communicated our expectation of a decline in total revenue in the mid-single-digit percentage range and a resulting negative impact on earnings. This forecast was withdrawn on March 20, 2020.

The declines in the reporting year compared to the performance indicators of the previous year and the shortfall compared to the forecasts resulted from the developments described above.

The management of PWO AG corresponds to the management of the Germany segment. With regard to its expected future business development, reference is therefore made to the Group's forecast report.

Oberkirch, March 25, 2021
The Executive Board

Carlo Lazzarini (CEO)	Dr. Cornelia Ballwießer (CFO)	Johannes Obrecht (COO)

CONSOLIDATED FINANCIAL STATEMENTS

Our PWO location in Puebla, Mexico

CONSOLIDATED INCOME STATEMENT

EURk

Note no.		2020	2019 adjusted
8	Revenue[1]	371,154	458,541
9	Other own work capitalized	1,002	1,304
	TOTAL OUTPUT	**372,156**	**459,845**
10	Other operating income	9,851	8,232
	Cost of raw materials and supplies and merchandise purchased	-171,132	-213,053
	Cost of purchased services	-20,427	-33,916
	Cost of materials	**-191,559**	**-246,969**
	Wages and salaries	-88,115	-105,599
	Social security and post-employment costs	-19,167	-22,865
11	**Staff costs**	**-107,282**	**-128,464**
	Amortization of intangible non-current assets and depreciation of property, plant and equipment	-31,268	-26,047
12	Other operating expenses	-61,997	-46,751
	EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**-10,099**	**19,846**
	Financial income	653	213
13	Financial expenses	-6,630	-7,101
	Financial result	**-5,977**	**-6,888**
	EARNINGS BEFORE TAXES (EBT)	**-16,076**	**12,958**
14	Income taxes[1]	4,414	-3,907
	NET INCOME/LOSS FOR THE PERIOD[2]	**-11,662**	**9,051**
15	Earnings per share in EUR (diluted = basic) based on net income/loss attributable to the shareholders of PWO AG	-3.73	2.90

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").
[2] The net income/loss for the period is entirely attributable to the shareholders of PWO AG.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk

Note no.		2020	2019 adjusted
	NET INCOME/LOSS FOR THE PERIOD[1]	**-11,662**	**9,051**
26	Net gains from cash flow hedges	1,264	1,655
	Tax effect	-338	-373
	Currency translation differences	-1,496	1,061
	Items that may be reclassified to profit and loss in future periods	**-570**	**2,343**
23	Actuarial losses from defined benefit pension plans	-3,959	-7,848
	Tax effect	1,126	2,231
	Items that will not be reclassified to profit and loss	**-2,833**	**-5,617**
	OTHER COMPREHENSIVE INCOME AFTER TAX	**-3,403**	**-3,274**
	TOTAL COMPREHENSIVE INCOME AFTER TAX	**-15,065**	**5,777**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

CONSOLIDATED BALANCE SHEET

ASSETS

EURk

Note no.		31/12/2020	31/12/2019 after adjustment	01/01/2019 after adjustment
	Land and buildings	76,543	84,659	82,996
	Technical equipment and machinery	91,485	102,710	84,146
	Other equipment, operating and office equipment	5,891	7,403	7,915
	Prepayments and assets under construction	7,150	7,350	14,439
16	**Property, plant, and equipment**	**181,069**	**202,122**	**189,496**
	Development services	4,249	4,113	4,262
	Industrial property rights and similar rights	1,035	1,175	1,425
	Goodwill	4,331	5,368	5,301
	Prepayments	80	35	2
17	**Intangible assets**	**9,695**	**10,691**	**10,990**
18	**Contract assets**	**15,818**	**16,569**	**49,641**
	Deferred tax assets[1]	**19,124**	**12,910**	**12,217**
	NON-CURRENT ASSETS	**225,706**	**242,292**	**262,344**
	Raw materials and supplies	25,385	27,662	30,505
	Prepayments	180	194	306
19	**Inventories**	**25,565**	**27,856**	**30,811**
	Trade receivables and other receivables	43,688	41,401	42,090
18	Contract assets[1]	51,410	69,295	32,828
	Other assets	7,746	9,252	12,047
	Other financial assets	2,811	459	510
	Income tax receivables	567	1,384	785
20	**Receivables and other assets**	**106,222**	**121,791**	**88,260**
21	**Cash and cash equivalents**	**6,161**	**1,367**	**10,382**
	CURRENT ASSETS	**137,948**	**151,014**	**129,453**
	TOTAL ASSETS	**363,654**	**393,306**	**391,797**

EQUITY AND LIABILITIES

EURk

Note no.		31/12/2020	31/12/2019 after adjustment	01/01/2019 after adjustment
	Subscribed capital	9,375	9,375	9,375
	Capital reserves	37,494	37,494	37,494
	Retained earnings[1]	77,240	88,902	84,070
	Other reserves	-19,645	-16,242	-12,968
22	**TOTAL EQUITY**	**104,464**	**119,529**	**117,971**
	Non-current financial liabilities	67,800	89,633	89,851
	Provisions for pensions	65,488	61,126	52,509
	Other provisions	4,833	1,642	1,481
	Deferred tax liabilities[1]	1,861	1,588	1,074
	Non-current liabilities	**139,982**	**153,989**	**144,915**
	Trade payables	30,103	34,717	38,208
	Current financial liabilities	40,845	44,207	51,890
	Other liabilities	28,468	24,967	26,330
	Other financial liabilities	7,913	12,465	9,580
	Income tax liabilities	1,056	641	92
	Current portion of provisions for pensions	1,770	1,678	1,602
	Current portion of other provisions	9,053	1,113	1,209
	Current liabilities	**119,208**	**119,788**	**128,911**
23	**TOTAL LIABILITIES**	**259,190**	**273,777**	**273,826**
	TOTAL EQUITY AND LIABILITIES	**363,654**	**393,306**	**391,797**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk

	Equity attributable to PWO AG shareholders						
				Other reserves			
	Subscribed capital	Capital reserves	Retained earnings	Defined benefit pension plans	Currency translation differences	Cash flow hedges	Total
JANUARY 1, 2019	**9,375**	**37,494**	**82,549**	**-13,708**	**1,066**	**-326**	**116,450**
Adjustments			1,521				1,521
JANUARY 1, 2019	**9,375**	**37,494**	**84,070**	**-13,708**	**1,066**	**-326**	**117,971**
Net income/loss for the period[1]			9,051				9,051
Other comprehensive income				-5,617	1,061	1,282	-3,274
TOTAL COMPREHENSIVE INCOME			**9,051**	**-5,617**	**1,061**	**1,282**	**5,777**
Dividend payment			-4,219				-4,219
DECEMBER 31, 2019	**9,375**	**37,494**	**88,902**	**-19,325**	**2,127**	**956**	**119,529**
JANUARY 1, 2020	**9,375**	**37,494**	**88,902**	**-19,325**	**2,127**	**956**	**119,529**
Net income/loss for the period			-11,662				-11,662
Other comprehensive income				-2,833	-1,496	926	-3,403
TOTAL COMPREHENSIVE INCOME			**-11,662**	**-2,833**	**-1,496**	**926**	**-15,065**
Dividend payment							0
DECEMBER 31, 2020	**9,375**	**37,494**	**77,240**	**-22,158**	**631**	**1,882**	**104,464**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk

Note no.		2020	2019 adjusted
	Net income/loss for the period[1]	-11,662	9,051
	Depreciation/amortization of property, plant and equipment and intangible assets	31,268	26,047
14	Income tax expense[1]	-4,414	3,907
13	Interest income and expenses	5,977	6,888
	Change in current assets[1]	17,860	-32,547
	Change in non-current assets	751	32,425
	Change in current liabilities (excluding financial liabilities)	-14,118	-1,440
	Change in non-current liabilities (excluding financial liabilities)	7,826	9,280
14	Income taxes paid	595	-3,382
	Other non-cash expenses/income	14,972	-2,502
	Loss on disposal of property, plant and equipment	142	221
	CASH FLOW FROM OPERATING ACTIVITIES	**49,197**	**47,948**
	Proceeds from disposal of property, plant, and equipment	256	203
	Payments for investments in property, plant, and equipment	-12,381	-25,858
	Payments for investments in intangible assets	-1,346	-2,165
	CASH FLOW FROM INVESTING ACTIVITIES	**-13,471**	**-27,820**
22	Dividends paid	0	-4,219
	Interest paid	-6,630	-5,176
	Proceeds from borrowings	6,288	7,007
	Repayment of borrowings	-27,803	-27,598
	Repayment of lease liabilities	-4,097	-4,360
	CASH FLOW FROM FINANCING ACTIVITIES	**-32,242**	**-34,346**
	Net change in cash and cash equivalents	3,484	-14,218
	Effect of exchange rates on cash and cash equivalents	263	-115
	Cash and cash equivalents as of January	-8,273	6,060
	CASH AND CASH EQUIVALENTS AS OF DECEMBER 31	**-4,526**	**-8,273**
21	of which cash and cash equivalents according to the balance sheet	6,161	1,367
23	of which bank borrowings due on demand that are included in the Group's cash management	-10,687	-9,640

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

NOTES TO THE PWO GROUP'S FINANCIAL STATEMENTS

GENERAL PRINCIPLES

In the past fiscal year, PWO AG's business and economic environment were impacted by the coronavirus pandemic (COVID-19), although the various measures taken by the Company, as well as by governments and states worldwide, had a mitigating effect. PWO AG's revenue and net income were affected by COVID-19 in the past fiscal year. The effects of COVID-19 differed significantly depending on the region and customer. In February, for example, our local subsidiary in China was particularly hard hit. In the months from March to June 2020, our sites in the NAFTA region and Europe were severely affected, and some areas of production had to be shut down completely. Due to the ongoing spread of the virus, it is difficult to forecast the duration and extent of the resulting impact on PWO AG's net assets, financial position, and results of operations. The estimates and assumptions made or assumed in the preparation of these financial statements as of December 31, 2020 that are relevant to the financial statements were based on the latest available knowledge and information.

The COVID-19 risks had been anticipated and were taken into account at the time the planning was prepared on the basis of the available knowledge and the resulting assessments. Given the uncertainties and unpredictability of the pandemic's development, it is uncertain as to whether this assessment adequately anticipates future developments. Various covenants were stressed in order to secure financing. Accordingly, PWO AG assumes that the impact on the financial statements will not be of a material, serious nature.

COVID-19-related effects on the consolidated financial statements may also result from interest rate adjustments in various countries, increasing volatility of foreign currency exchange rates, deteriorating creditworthiness, payment defaults, delayed payments, delays in order intake or order execution or contract fulfillment, and contract cancellations, changes and modifications in revenue and cost structures, the limited use of assets, volatility in financial and commodity markets, limited or no access to customers' premises, or the difficulty in making forecasts and projections due to uncertainties in the amount and timing of cash flows.

These factors may affect fair values and carrying amounts of assets and liabilities, the amount and timing of revenue recognition, and cash flows. It may be necessary to make adjustments to assumptions and carrying amounts in the next fiscal year. PWO AG assumes that the assumptions made adequately reflect the situation at the time the consolidated financial statements were prepared.

COMPANY INFORMATION

Progress-Werk Oberkirch AG is a listed stock corporation headquartered at Industriestrasse 8, 77704 Oberkirch, Germany. The Company is registered and recorded in the commercial register of the District Court of Freiburg under HRB 490007. The currently applicable Articles of Association are those in the version dated September 3, 2020. The Company's fiscal year corresponds to the calendar year.

The consolidated financial statements of Progress-Werk Oberkirch AG (PWO) and its subsidiaries for the January 1 through December 31, 2020 fiscal year were authorized by the Executive Board on the basis of a resolution passed on March 25, 2021 and were subsequently submitted to the Audit Committee and Supervisory Board for examination.

The main business activities of the PWO Group are described in detail in the group management report in the chapter titled "Group principles."

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

The consolidated financial statements of Progress-Werk Oberkirch AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union and the supplementary provisions of the German Commercial Code (HGB) under Section 315e (1) HGB. The distribution of profits is governed by the Articles of Association and the German Stock Corporation Act.

The consolidated financial statements are prepared using the historical cost principle, except in the case of derivative financial instruments and foreign currency receivables/payables. Derivative financial instruments are carried at fair value, and foreign currency receivables/payables are carried at amortized acquisition costs using the closing exchange rates prevailing on the reporting date. The income statement has been prepared on the basis of the nature of cost method. The consolidated financial statements are presented in thousands of euros. Unless otherwise indicated, all values are rounded up or down to the nearest euro thousands (EURk) according to the commercial method.

2 CHANGES IN ACCOUNTING POLICIES

STANDARDS AMENDED OR APPLIED FOR THE FIRST TIME

The accounting policies applied are unchanged from the previous year, with the exception of the amended standards listed below, the application of which is mandatory as from January 1, 2020.

ANNOUNCEMENT	FIRST-TIME APPLICATION	AMENDMENTS	IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS
Amendments to IAS 1 and IAS 8: Definition of „Material"	Jan. 1, 2020	The amendments create a uniform and more precise definition of the materiality of financial statement information and supplement it with accompanying examples. In this context, the definitions from the conceptual framework, IAS 1, IAS 8 and IFRS Practice Statement 2 Making Materiality Judgements are harmonized.	No material impact.
Amendments to IFRS 3: Definition of a Business	Jan. 1, 2020	Clarification that a business operation comprises a group of activities and assets that involve at least one input and one substantial process that together contribute significantly to the ability to produce output. Furthermore, the output is now based on the provision of goods and services to customers; the reference to cost reductions is eliminated. The new regulations also include an optional „concentration test", which is intended to simplify the identification of a business operation.	No material impact.
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan. 1, 2020	The changes address existing uncertainties in connection with the IBOR reform. Under the existing hedge accounting rules, the upcoming changes in reference interest rates would, in many cases, result in the termination of hedging relationships. It is now possible to continue existing hedge accounting relationships for a transitional period. For this purpose, the amendments provide for selective mandatory exceptions from the previous hedge accounting requirements, e.g., for the assessment of the highly probable criterion for expected transactions in the context of cash flow hedges.	No material impact.
Amendments to References to the Conceptual Framework in IFRS Standards	Jan. 1, 2020	The revised conceptual framework consists of a new overarching section entitled „Status and purpose of the conceptual framework", as well as eight sections that are now included in full. Sections on „The reporting entity" and „Presentation and disclosure" are now included; derecognition has been added to the recognition section. Content has also been amended, for example, the distinction between income in revenues and gains has been abandoned. References to the conceptual framework in various standards have also been amended.	No material impact.

FUTURE APPLICABLE STANDARDS AND AMENDMENTS

The following standards and amendments have already been adopted by the EU but their application is not yet mandatory. Early application is not intended.

ANNOUNCEMENT	FIRST-TIME APPLICATION	AMENDMENTS	IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS
Amendment to IFRS 16: COVID-19-Related Rent Concessions	Jun. 1, 2020	Under the previous provisions of IFRS 16, the lessee is required to assess for each lease whether the lease incentives granted constitute modifications of the lease and to remeasure the lease liability accordingly. The amendment to IFRS 16 provides practical relief when applied. This is subject to certain conditions and is limited in time. As a result of the relief, the lessee need not account for lease concessions granted in connection with the coronavirus pandemic in accordance with the rules for changes in the lease, but as if they were no changes to the lease.	No material impact expected.
Amendment to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9	Jan. 1, 2021	The amendments are intended to address the temporary accounting issues arising from the different effective dates of IFRS 9 Financial Instruments and the future IFRS 17 Insurance Contracts. In particular, the temporary exemption from IFRS 9 will be extended until 2023 in order to align the effective date of IFRS 9 with the effective date of the new IFRS 17.	No material impact expected.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform — Phase 2	Jan. 1, 2021	The changes of the second phase of the IBOR reform project supplement the specifications of the first phase of the project and basically start with the replacement of a reference interest rate by another reference interest rate. With regard to the accounting of financial instruments, the following aspects are affected in particular: In the event of changes in contractual cash flows, based on the amendments, it may not be necessary to adjust or derecognize the carrying amount of financial instruments. Rather, under certain circumstances, the option is opened to adjust the effective interest rate to reflect the change in the alternative reference interest rate. With regard to hedge accounting, based on the amendments, it is not necessary under certain circumstances to terminate a hedging relationship designated for hedge accounting purposes due to adjustments triggered by the IBOR reform. New risks arising from the reform and, in addition, how the transition to alternative reference rates will be handled must be disclosed. In addition to adjustments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor adjustments to IFRS 4 and IFRS 16.	No material impact expected.
Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use	Jan. 1, 2022	Clarification that revenue received by an entity from the sale of items produced while preparing the asset for its intended use (for example, product samples) and the related costs should be recognized in profit or loss. It is not permissible to include such amounts in determining acquisition cost.	No material impact expected.
Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract	Jan. 1, 2022	The amendments include the definition of which costs an entity includes when assessing whether a contract will be loss-making. Accordingly, performance costs are all costs that directly relate to the contract. This means that both costs that would not be incurred without the contract (incremental costs) and other costs directly attributable to the contract must be taken into account.	No material impact expected.
Amendments to IFRS 3: Reference to the Conceptual Framework	Jan. 1, 2022	In line with the amended conceptual framework, references to the conceptual framework in various standards, including IFRS 3, have been adjusted. The rules for accounting for business combinations have not been changed in substance.	No material impact.

ANNOUNCEMENT	FIRST-TIME APPLICATION	AMENDMENTS	IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS
Annual improvements to IFRS standards 2018-2020 Cycle	Jan. 1, 2022	The amendment to IFRS 1 allows first-time adopters of IFRS 1.D16 (a) to measure cumulative translation differences at the amounts recognized by the parent. IFRS 9 clarifies which fees are to be included in the 10% test (IFRS 9.B3.3.6) for assessing whether a financial liability is derecognized. Only fees paid or received between the entity as borrower and the lender are considered. In IFRS 16, the presentation of the reimbursement of leasehold improvements has been removed from Explanatory Example 13 to IFRS 16. In IAS 41, the prohibition on including tax payments in the fair value measurement has been removed.	No material impact expected.
Amendment to IAS 1: Classification of Liabilities as Current or Non-current	Jan. 1, 2023	Clarification that the classification of liabilities as current depends on the entity's rights at the reporting date to defer settlement of the liability for at least twelve months after the end of the reporting period: If such rights exist, the liability is classified as non-current. The right to defer settlement of the liability must be substantial. If the entity has to meet certain conditions in order to exercise such a right, these conditions must be met at the reporting date; otherwise the liability is classified as current. For the classification of a liability, it is irrelevant whether management intends or expects that the liability will actually be settled within twelve months after the reporting date. The only decisive factor for classification is the right existing at the reporting date to defer settlement of the liability for at least 12 months. This also applies in the event of settlement after the reporting period.	No material impact expected.
IFRS 17: Insurance Contracts and Amendments to IFRS 17: Insurance Contracts	Jan. 1, 2023	IFRS 17 replaces IFRS 4 and for the first time sets out uniform requirements for the recognition, measurement and presentation of disclosures in the notes to 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 risks and a contractual service margin that results in a profit being recognized in line with the service provided. The June 2020 amendments include a deferral of the first-time application of IFRS 17 by two years from Jan. 1, 2021, to Jan. 1, 2023. The exemption from the first-time application of IFRS 9 applicable to insurers is also deferred to Jan. 1, 2023, so that both standards can continue to be applied for the first time at the same time.	No material impact expected.
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Still pending	According to IFRS 10, a parent company must recognize the full amount of the gain or loss on the disposal of a subsidiary in the income statement when control is lost. In contrast, IAS 28.28, which is currently applicable, requires that the gain or loss on disposal of an investment in a subsidiary accounted for using the equity method - whether an associate or a joint venture - be recognized only to the extent of the investor's interest in the entity. With the amendment, the entire gain or loss on a transaction is to be recognized in the future only if the assets sold or contributed constitute a business as defined by IFRS 3. This applies regardless of whether the transaction is structured as a share or asset deal. If, on the other hand, the assets do not constitute a business, only a proportionate profit or loss may be recognized.	No material impact expected.

3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements (IFRS 10) include the financial statements of Progress-Werk Oberkirch AG and its subsidiaries for each fiscal year ending December 31. Subsidiaries are included in the scope of consolidation as of the date control was assumed by the Group. Consolidation ends as soon as the parent company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared using uniform accounting methods for the identical reporting periods used for the financial statements of the parent company.

Business combinations are accounted for by applying the purchase method (IFRS 3). The consideration transferred for acquisition is allocated to the acquired identifiable assets, liabilities, and contingent liabilities at their fair values applicable on the acquisition date. Insofar as the remaining difference is positive, it is then reported as goodwill; insofar as it is negative, it is recognized in profit or loss following a further reassessment. Revenues, expenses and income, as well as receivables and payables between consolidated entities, are offset against one another. Deferred taxes are recognized for consolidation measures affecting income taxes.

4 SCOPE OF CONSOLIDATION

The consolidated financial statements include five foreign entities held either directly or indirectly. Details relating to ownership interests, equity, and net income of the consolidated entities are outlined below:

EURk

	Interest in capital	Equity	Net income
PWO Canada Inc., Kitchener, Canada	100 %	11,377	-696
PWO Czech Republic a.s., Valašské Meziříčí, Czechia	100 %	34,138	3,007
PWO Holding Co., Ltd., Hong Kong, China	100 %	-1,144	-5
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China [1]	100 %	15,634	5,298
PWO de México S.A. de C.V., Puebla, Mexico [2]	100 %	458	-136

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

There were no changes to the scope of consolidation in the reporting year. The information on equity and net income for the period is based on the IFRS figures of the subsidiaries.

5 SUMMARY OF KEY ACCOUNTING POLICIES

CURRENCY TRANSLATION

The consolidated financial statements are presented in euros, which is the functional currency of the parent company.

The financial statements of the companies included in the consolidated financial statements, which are prepared using foreign currencies, are translated according to the functional currency concept (IAS 21). Each company within the Group determines its own functional currency. The items contained in the financial statements of the respective companies are measured using this functional currency. All balance sheet items of the consolidated foreign entity were translated into euros by applying the relevant mean rate of exchange at the reporting date. The translation of expenses and income recognized on the Group income statement was based on the year's average year-to-date exchange rates. The net income for the period from the translated income statement was transferred to the balance sheet. Differences are recognized directly in equity as a currency translation difference.

Foreign currency transactions are initially translated at the spot rate of the foreign currency and functional currency prevailing on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate. All exchange rate differences are recognized in the net income or net loss for the period. Non-monetary items measured at historical purchase or production cost in foreign currency are translated at the foreign exchange rate prevailing on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing at the time the fair value was determined.

Goodwill relating to the acquisition of a foreign operation and adjustments in the fair value of the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

		Year-end exchange rate		Average exchange rate	
		Dec 31, 2020	Dec 31, 2019	2020	2019
China	CNY	8.02	7.82	7.87	7.73
Canada	CAD	1.56	1.46	1.53	1.49
Mexico	USD	1.23	1.12	1.14	1.12

The functional currencies of PWO de México and PWO Czech Republic are the US dollar and the euro because the principal business relationships are settled in these currencies.

REVENUE AND EXPENSE RECOGNITION

Revenue is recognized when separately identifiable goods or services are transferred to the customer, which is when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of an asset. The prerequisite is that a contract exists with enforceable rights and obligations and, among others, the receipt of the consideration is probable while taking the creditworthiness of the customer into account.

The amount of revenue corresponds to the transaction price PWO is likely to be entitled to. This usually corresponds to the agreed price. A small number of customers receive payments that are recognized as other assets and reduce the sales recognized in accordance with the service performed. If the period between the transfer of the goods or services and the time of payment exceeds 12 months and the client or PWO benefits significantly from the financing, the consideration is adjusted for the time value of money.

The PWO Group generates revenue from contracts with customers primarily from series deliveries. In addition, there are tool sales, which are made in advance of a series delivery, and only to a lesser extent, order-related development services and other services. A distinction is made here between full amortization contracts, for which the customer pays 100% directly, and partial amortization contracts with deferred reimbursement of costs. In the case of partial amortization contracts, the transaction price is allocated to the individual performance obligations on the basis of the relative individual selling prices (IFRS 15.74).

Revenue from series deliveries is realized over a period of time. Revenue from tool sales and order-related development services are also realized over a period of time according to their stage of completion. Invoices are issued in accordance with the terms of payment in the ordinary course of business.

Income other than income from contracts with customers is recognized when it is likely that the economic benefit of the transaction will accrue to the Group and when the amount of income can be reliably determined, regardless of the time of payment. Income is measured at the fair value of the consideration received or claimable and in accordance with the contractual payment terms stipulated, net of taxes or other duties.

Interest income from financial instruments carried at amortized cost is recognized on the basis of the effective interest rate. This is the rate that discounts future expected cash payments or receipts precisely to the net carrying amount of the financial asset or financial liability throughout the expected term of the financial instrument or, when appropriate, for a shorter period. Interest income is reported under financial income in the income statement.

Operating expenses are recognized in the consolidated income statement when the performance is received or at the time of origination.

Government grants are recognized when there is reasonable assurance that the conditions attached to them will be met and the grants will be received. Grants related to an asset are deducted from the asset on the balance sheet. Grants related to expenses are recognized as income or offset against the expense item.

INCOME TAXES AND DEFERRED TAXES

Actual tax refund claims and tax liabilities for the current period are calculated based on the amount expected to be refunded by the taxation authorities or paid to the taxation authorities. The calculation of the amount is based on the tax rates and tax laws in force on the reporting date in the countries where the Group operates and generates taxable profit.

Deferred taxes are recognized using the balance sheet liability method for all temporary differences existing on the reporting date between the recognition of an asset or liability in the balance sheet and the tax valuation rates. Deferred taxes are recognized for all temporary taxable differences, excluding non-tax-deductible goodwill and temporary differences originating from the initial recognition of an asset or a liability in a business transaction which is not a business combination, and which at the time of the transaction influences neither IFRS results for the period or the taxable results. In accordance with the tax regulations of the respective countries, deferred taxes are recognized for tax loss carryforwards to the extent that it is probable that these can be used.

The carrying amount of deferred tax assets is reviewed as of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can at least partially be used. Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax assets and liabilities are measured on the basis of the expected applicable tax rates for the period in which an asset's value will be realized or the liability will be settled. The basis used is the tax rates (and tax laws) applicable as of the reporting date.

Deferred taxes attributable to items accounted for directly in equity are recognized in equity rather than through the income statement.

Deferred tax assets and deferred tax liabilities are offset when certain prerequisites have been met.

LEASES

At the inception of an agreement, the Group assesses whether the agreement constitutes or contains a lease. This is the case if the contract gives the Group the right to control the use of an identified asset for a specified period of time in return for the payment of a fee.

All leases are recognized and measured using a single model except for short-term leases and low-value leases (≤ EUR 5,000). Liabilities for lease payments and rights-of-use for the right to use the underlying asset are recognized.

Rights-of-use are determined at the date they are available (i.e., the date on which the underlying lease asset is ready for use). Rights-of-use are measured at cost less any accumulated amortization and any accumulated impairment losses and are adjusted for any revaluation of the lease liabilities. The costs of rights-of-use include the recognized lease liabilities, the initial direct costs incurred, and the lease payments made at or before the date on which the lease asset is ready for use, less any incentives received. Rights-of-use are amortized on a straight-line basis over the shorter of the lease term and the expected useful life of the lease as follows: buildings (25 to 50 years), technical equipment and machinery (2 to 10 years) and operating and office equipment (3 to 14 years). In cases where ownership of the lease asset is transferred to the Group at the end of the lease term, or where the cost includes the exercise of a purchase option, amortization is determined based on the expected useful life of the lease asset. Rights-of-use are included in the balance sheet line items 'Property, plant and equipment' and 'Intangible assets'.

On the date the lease asset is available, lease liabilities are recognized at the present value of the lease payments to be made over the term of the lease. Lease payments comprise fixed payments less any incentives to be received and variable payments that are index-linked or interest-rate based as well as the amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise it and penalties for termination of the lease if the lease term reflects the fact that the termination option may be exercised.

In calculating the present value of the lease payments, each subsidiary uses its incremental borrowing rate at the inception date of the lease if the interest rate underlying the lease cannot be readily determined. After the date the lease asset is available, the amount of lease liabilities is increased or decreased to reflect the increase in interest expense or lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there are changes in the lease, the lease term, in lease payments (for example, changes in future lease payments resulting from a change in the index or interest rate used to determine those payments) or a change in the assessment of a purchase option for the underlying asset.

For short-term leases of machinery and equipment, the exemption for short-term leases (i.e., leases with a maximum term of 12 months from the date of provision) is applied. For low-value leases of operating and office equipment, the exemption for low-value leases is applied. Lease payments for short-term leases and low-value leases are expensed on a straight-line basis over the term of the lease.

BORROWING COSTS

Borrowing costs directly related to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially available for their intended use or sale. Qualified assets are assets that take a substantial period of time to prepare for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they occur. No borrowing costs were capitalized in the reporting year and in the previous year.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not accounted for. They are disclosed in the Notes unless they cannot be reliably measured or when it is highly unlikely that there will be an outflow of resources with economic benefits. Contingent assets are not accounted for but are disclosed in the Notes if an inflow of economic benefits is probable and can be reliably measured.

PROPERTY, PLANT AND EQUIPMENT

The items in property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Depreciation is generally performed on the basis of the straight-line method. Certain items of machinery, as well as order-related tools, were depreciated according to the units of production method, based on the number of units produced in the reporting year, and calculated in terms of the total number of items specified or planned in the order.

INTANGIBLE ASSETS

Purchased intangible assets are measured at acquisition cost less cumulative amortization and impairment losses. Intangible assets include goodwill, patents, development services, software, licenses and similar rights. The Group applies the straight-line method to amortize intangible assets with finite useful lives over the expected useful life to the estimated residual value except for development services, which are amortized based on their volume. Goodwill is not amortized on a scheduled basis but instead subject to an annual impairment test. With the exception of goodwill, the Group has not identified any intangible assets with indefinite useful lives.

Development costs are capitalized if the recognition criteria of IAS 38 are fulfilled. After initial capitalization, the asset is carried at cost less accumulated amortization and impairment losses. Capitalized development costs include all directly attributed individual costs, as well as proportional overhead, and are amortized over the planned product lifespan (5 to 7 years). The amortization of capitalized development costs forms part of the production costs.

An impairment test relating to goodwill is performed annually. An impairment test is performed for other intangible assets with a finite useful life, as well as for property, plant and equipment if there are specific indications that an asset may be impaired. Impairment is recognized in profit or loss under the expense item "Depreciation and Amortization" included in the income statement if the recoverable amount of the asset is less than its carrying amount. The recoverable amount must be determined for each asset unless the asset does not generate cash inflows that are largely independent of those of other assets or other groups of assets. The recoverable amount is the higher of an asset's net realizable value and its value in use. The net realizable value is the amount that can be realized from the sale of an asset in a normal market transaction, less selling costs. Value in use is calculated using the discounted cash flow method on the basis of the estimated future cash flows expected to arise from the continuing use of an asset and its disposal. The cash flows are derived from long-term corporate planning that takes into account historical developments and macroeconomic trends. The value in use of the relevant cash-generating unit is customarily considered in order to calculate the intrinsic value of the goodwill. The cash-generating unit represents the respective location that is equivalent to a legal entity.

Long-term corporate planning approved by the Executive Board and acknowledged by the Supervisory Board extends until the end of the 2025 detailed planning period. In addition to increasing new business and improving productivity, the key assumptions to which long-term corporate planning is sensitive are the passing on of raw material price increases to customers. For the planning period, the assumed and actual development of raw material price increases was taken into account in the cost of materials and revenue to the extent that supplier contracts that have already been concluded. These developments were assessed and determined on the basis of past experience using publicly available data, existing project agreements and measures decided internally.

Cash flows are discounted to the reporting date by applying risk equivalent capitalization rates (pre-tax). The determination of the intrinsic value of the goodwill of PWO Canada Inc. and PWO Czech Republic a.s. is based on the assumptions shown in the following table:

	PWO Canada		PWO Czech Republic	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Phase 1: Weighted average cost of capital (WACC) before taxes	10.52 %	8.99 %	7.32 %	10.90 %
Phase 2: Growth rate (in perpetuity)	1.49 %	1.61 %	1.50 %	1.44 %

The total cost of capital used for discounting is based on the risk-free interest rate and a market premium. This also takes the items beta factor, cost of debt and the Group's capital structure into account, which were derived from a relevant peer group for each of the cash-generating units. Specific tax rates and country risks are also taken into consideration when determining the total cost of capital.

The revenue growth rates of the relevant local automotive markets are generally used as a basis for determining the cash flows.

The recoverable amount for PWO Canada amounts to EURk 25,285 and falls short of the carrying amount by EURk -2,094 (difference in the previous year: EURk 11,266). As a result, an impairment of the entire goodwill in the amount of CADk 1,514 (EURk 969) was recognized. As the difference between the value in use and the carrying amount exceeds the goodwill, the other assets of the cash-generating unit were also tested for impairment. The fair value less cost of disposal was determined for the individual assets in the land and buildings and tech-

nical equipment and machinery asset classes and compared with the carrying amount. This asset impairment test resulted in an additional impairment loss of CADk 182 for technical equipment and machinery, which was recognized in the income statement under depreciation and amortization. If the recoverable amount increases again in subsequent years, the impairment loss will be reversed in accordance with IAS 36.

The recoverable amount for PWO Czech Republic amounts to EURk 168,312 and exceeds the carrying amount by EURk 103,278 (difference in the previous year: EURk 5,127). The sharp year-on-year increase of the recoverable amount of PWO Czech Republic is based on the revenue growth in accordance with the corporate planning and correspondingly good earnings margins. The assumptions made are subject to a certain degree of sensitivity. We do not consider it probable that a reasonably possible change in one of the basic assumptions used to determine the value in use of PWO Czech Republic could cause the carrying amounts of the identified assets of the cash-generating unit plus the carrying amount of goodwill to significantly exceed their recoverable amount. If PWO Czech Republic were to experience a sustained shortfall in free cash flow of more than -69.5%, assuming that the capitalization rate (after tax) remains unchanged, an impairment loss would have to be recognized. Conversely, if the capitalization rate (after tax) were to increase to more than 15.5%, an impairment loss would be necessary, assuming that the planned free cash flow remained unchanged.

As the recoverable amount for PWO AG in Germany is lower than its carrying amount, the recoverability of the individual assets of this cash-generating unit was tested in addition to the annual goodwill impairment tests. The respective fair value less cost of disposal was determined for the individual assets in the asset classes land and buildings and technical equipment and machinery and compared with the carrying amount. This asset impairment test resulted in an additional impairment loss of EURk 4,520 (thereof EURk 3,512 for land and buildings and EURk 1,008 for technical equipment and machinery), which was recognized in the income statement under depreciation and amortization. If the recoverable amount increases again in subsequent years, the impairment loss will be reversed in accordance with IAS 36.

CONTRACT ASSETS AND RECEIVABLES

If one of the parties to the contract with the customer has fulfilled its contractual obligations, a contract asset, contract liability or receivable is recognized, depending on the relationship between PWO's performance and the customer's payment.

Contract assets are recognized for conditional claims for consideration in exchange for already delivered goods or services. Receivables (see Financial Instruments) are recognized if the right to receive the 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 prepayments received from customers before contractually agreed services are performed and are offset against the contract assets. Upon fulfillment of the performance obligations, these contract liabilities are recognized as revenue.

As of December 31, 2020, the accounting for tool work-in-progress has been changed. PWO has concluded that the cost-plus method is the most appropriate method to measure the progress of tooling production. The cost-plus method assumes the costs incurred in an intercompany transaction. These costs are increased by different profit mark-ups according to the respective company. Due to the change in accounting, the previous year was corrected in accordance with IAS 8 (see Note 7).

FINANCIAL INSTRUMENTS

Financial instruments are contracts that create a financial asset for one entity and a financial liability or equity instrument for another entity. In the case of financial assets where the trade and the settlement can occur on different dates, the settlement date is used for the purpose of initial recognition.

The measurement of a financial asset or financial liability is initially at fair value. This does not apply to trade receivables without significant financing components, which are initially measured at transaction price.

Transaction costs that are directly attributable to the acquisition or disposal of a financial instrument are included in the initial recognition of financial instruments that are not measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the consolidated income statement.

The subsequent measurement of financial instruments is dependent on the underlying business model and how these instruments are allocated to the IFRS 9 categories. They are either measured at fair value through profit or loss or at amortized cost. A financial asset is measured at amortized cost if it is not designated as FVTPL, and both of the following conditions are met: It is held within a business model whose objective is to hold financial assets to collect the 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 outstanding. IFRS 9 differentiates between primary and derivative financial instruments.

Primary financial instruments relate specifically to trade receivables and payables, other financial assets, cash and cash equivalents, bank borrowings, liabilities from promissory notes and other financial liabilities. These

items are measured at amortized cost. In the case of trade receivables and payables and other liabilities as well as cash and cash equivalents, the carrying amount mainly corresponds to the fair value.

Currency-related derivatives in the form of interest rate swaps, foreign exchange swaps, options and foreign exchange forward contracts are employed to hedge interest rate and exchange rate risks. These are carried at fair value at the time of purchase and for subsequent measurements. In the case of derivative financial instruments that do not fulfill the criteria of a hedging transaction, the gains or losses from changes in the fair value are reported immediately in profit or loss. Changes in the market values of derivative financial instruments used to hedge future cash flows (cash flow hedges) are recognized directly in equity according to the amount of the effective share of equity, while the ineffective share is immediately recognized in profit or loss. When the hedged transaction takes place, the derivative is transferred from equity to profit or loss. The fair value of OTC derivatives is calculated using recognized actuarial valuation models such as the discounted cash flow model. For forward exchange contracts, the fair value is determined using quoted forward rates as of the reporting date and net present value calculations based on yield curves with high credit ratings in the corresponding currencies.

For current financial assets and financial liabilities, the carrying amount is a reasonable approximation of fair value. The Group assesses at each reporting date whether there is objective evidence that the creditworthiness of a financial asset is impaired. This would be the case if one or more events have occurred that have an adverse effect on the expected future cash flows of the financial asset. Indicators that the creditworthiness of a financial asset is impaired include observable data indicating the probability that a debtor will enter bankruptcy or other financial reorganization or that the debtor will experience significant financial difficulty.

The fair value of fixed rate liabilities due to banks, liabilities from promissory notes, and liabilities to leasing companies is determined on the basis of the discounted cash flow model using interest rates with the appropriate maturity and credit rating.

The Group has not yet made use of the option to designate financial assets or financial liabilities at fair value through profit or loss at the time of their initial recognition.

MEASUREMENT OF FAIR VALUE

Derivative financial instruments are valued at their fair value as of each reporting date. The fair values of financial instruments carried at amortized cost are described in Note 26.

The fair value is the amount to be achieved upon the sale of an asset in an orderly business transaction between market participants on the valuation date or the amount to be paid for the transfer of a liability. Measurement of fair value assumes that the transaction leading to the sale of the asset or the transfer of the liability takes place in the asset's principal market or the principal market for the transfer of the liability or, if such a principal market is not available, on the most favorable market for the asset or transfer of the liability. The Group must have access to either the principal market or the most favorable market.

The fair value of an asset or liability is determined on the basis of assumptions that market participants would take into consideration when pricing the asset or liability. It is assumed that market participants act in their own best economic interest.

The Group uses valuation techniques that are appropriate for the respective circumstances and for which sufficient data are available for measuring the fair value. The use of relevant, observable input factors should be kept as high as possible, and the use of unobservable input factors should be kept as low as possible.

All assets and liabilities, for which fair value is determined or reported in the financial statements, are allocated to the fair value hierarchy described below based on the input parameters of the lowest level relevant for the overall measurement of the fair value:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Valuation methods in which the lowest level of input parameters essential for the overall measurement at fair value is either directly or indirectly observable in the market.
- Level 3: Valuation methods in which the lowest level of input parameters essential for the overall measurement at fair value 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 hierarchy levels have taken place. The Group does this by reviewing the classification (based on the input parameters of the lowest level relevant for the overall measurement of the fair value) at the end of each reporting period.

INVENTORIES

Inventories of raw materials and supplies are recognized at the lower of the average purchase price or realizable values. Unsaleable or obsolete materials are impaired accordingly.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on hand and short-term bank deposits that have an initial remaining term of less than 90 days.

PROVISIONS
In the case of defined benefit plans, provisions for pensions and similar obligations are measured using the projected unit credit method in accordance with IAS 19. This method takes into account pensions and vested rights known on the reporting date as well as future expected salary and pension increases. Actuarial gains and losses are recognized entirely in the year they occur through other comprehensive income in equity. Any past service cost is recognized immediately in profit or loss and reported under staff costs together with the current service cost. The interest portion of the additions to provisions is recognized in the financial result.

Payments under defined contribution plans are recognized as staff costs upon maturity.

Other provisions are recognized when the Group has a current legal or factual obligation with respect to third parties or where a future outflow of resources is probable, and a reliable estimate of the amount of the obligation can be made. If the interest effect is relevant, provisions are discounted.

To the extent that the Group expects at least a partial reimbursement for a provision carried as a liability, this reimbursement is recognized as a separate asset, provided the inflow of the reimbursement is likely.

6 KEY JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the Executive Board makes judgments, estimates and assumptions that affect the level of income, expenses, assets, liabilities and contingent assets and liabilities reported at the end of the reporting period. The uncertainty relating to these assumptions and estimates could lead to results that may require material adjustments to the carrying amounts of the relevant assets and liabilities in the future.

ACCOUNTING JUDGMENTS
When applying Group accounting policies, the Executive Board has made the following judgments that materially affect the consolidated financial statements:

REVENUES FROM CONTRACTS WITH CUSTOMERS
PWO has concluded that revenue from series deliveries should be recognized over a period of time because assets are produced that have no alternative use, and PWO has a legal right to the payment for the performance already provided.

PWO has concluded that the output-based method is best suited for determining the stage of completion for series deliveries because this method directly reflects the relationship between the value of the previously transferred goods and the value of the remaining contractually promised goods. Revenue is recognized upon completion and not upon delivery of the series parts.

Revenue from tool manufacture and order-related development services are realized over a period of time. The stage of completion is determined based on input and according to the proportion of incurred contract costs as of the reporting date versus the overall expected contract costs (cost-to-cost method).

DETERMINING THE TERM OF LEASES WITH EXTENSION AND TERMINATION OPTIONS
The Group determines the term of the lease on the basis of the non-cancellable basic term of the lease and including the periods resulting from an option to extend the lease if it is reasonably certain that it will exercise this option or the periods resulting from an option to terminate the lease if it is reasonably certain that it will not exercise this option.

Several lease agreements concluded contain extension and termination options. Discretionary decisions 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 extension or termination option are taken into account. After the date the lease asset is available, the Group reassesses the lease term if a significant event or change in circumstances occurs that is within its control and affects whether or not the renewal or termination option is exercised.

The Group has included the renewal period in the lease terms of leases of technical equipment and machinery with shorter non-cancellable terms (i.e., 3 to 5 years). The option to extend these leases is usually exercised as it would have a significant negative impact on production if a replacement asset would not be available in time. In addition, the extension options for leases of motor vehicles are not included in the lease term, as the Group generally leases the vehicles for a maximum period of 5 years and, consequently, does not exercise extension options. Furthermore, periods arising from a termination option are only included in the lease term if it is sufficiently certain that the option will not be exercised.

ESTIMATES AND ASSUMPTIONS

The most important forward-looking assumptions and other key sources of estimation uncertainties existing on the reporting date that result in a significant risk that a material adjustment to the carrying amounts of assets and liabilities will be required within the next fiscal year are discussed below.

IMPAIRMENT OF TRADE RECEIVABLES

Impairment of doubtful receivables involves a significant degree of judgment and an assessment of the individual receivables based on the creditworthiness of the relevant customers, current economic trends and an analysis of historical receivables. If the Company derives the impairment from historical default rates, a decline in the volume of receivables reduces the amount of impairment and vice versa. Impairment of for trade receivables in the reporting year amounted to EURk 67 (p/y: EURk 49). The default risk is therefore low overall.

IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The Group tests goodwill and property, plant and equipment for impairment at least once per year. This requires an estimate of the value in use of the cash-generating units to which goodwill and property, plant and equipment are allocated. The production sites are defined as cash-generating units in accordance with the segment reporting. In order to estimate the value in use, the Group must estimate the expected future cash flows from the respective cash-generating unit and also select an appropriate discount rate to determine the present value of these cash flows. As of December 31, 2020, the carrying amount of goodwill was EURk 4,331 (p/y: EURk 5,368). For information on sensitivities, please refer to Note 5, in the chapter "Intangible assets".

For asset impairment in accordance with IAS 36, the fair value less cost of disposal compared to the net carrying amount of the respective asset classes is decisive. For the measurement of real estate, the discounted earnings method (Level 2) (Germany) and the asset value method (Level 2) (Canada) were used. The measurement of machinery and technical equipment was based on the indirect asset value method (Level 2). The fair value determined must be reduced by the cost of disposal. The methods are heavily dependent on the correctness of the input parameters (e.g., areas and years of construction for real estate and historical acquisition costs and data for machinery and technical equipment). The choice of valuation parameters must be based on customary market ranges but is subject to expert judgment in the specific approach (e.g., amount of rent or construction costs for real estate and price development and economic useful lives for machinery and technical equipment).

CHANGE IN THE USEFUL LIFE OF NON-CURRENT ASSETS

A review of the economic useful life of non-current assets could lead to an increase/decrease in depreciation and amortization in future fiscal years.

DEVELOPMENT COSTS

Development costs are capitalized in accordance with the accounting policy described. The initial capitalization of costs is based on the Group's assessment that technical and economic feasibility has been established. To determine the amounts to be capitalized, the Group makes assumptions as to the project's future cash flows, the applicable discount rates and the period over which the expected future benefit will accrue. The carrying amount of capitalized development costs as of December 31, 2020 was EURk 4,250 (p/y: EURk 4,113). These development costs consisted mainly of capital expenditures for the development of housings, instrument panel carriers, body components and steering, seat and air suspension components. Series orders are on hand for these projects.

TAXES

Deferred tax assets are recognized for all unutilized tax loss carryforwards and tax credits, to the extent that, based on tax planning, it is probable that future taxable profit will be available against which the unused tax losses and tax credits can actually be utilized. As of December 31, 2020, deferred tax assets of EURk 3,328 (p/y: EURk 0) relating to tax loss carryforwards were recognized. These related exclusively to PWO AG and include EURk 1,577 for corporate tax loss carryforwards in the amount of EURk 9,964 (p/y: EURk 0) and EURk 1,751 for trade tax loss carryforwards in the amount of EURk 13,895 (p/y: EURk 0). Deferred tax assets of EURk 5,987 (p/y: EURk 6,029) were recognized on tax credits. As in the previous year, this relates to PWO Czech Republic. In total, deferred tax assets on tax loss carryforwards and tax credits amounted to EURk 9,315 (p/y: EURk 6,029).

The Second Act on the Implementation of Tax Relief Measures in Response to the Corona Pandemic in the Federal Republic of Germany allows companies to carry back the tax loss from 2020 to 2019 up to an amount of EURk 5,000. In application of this loss carryback rule, an asset of EURk 791 is recognized on a portion of the tax loss from 2020, which is accordingly no longer included in the calculation of deferred tax assets on loss carryforwards.

As of December 31, 2020, the value of the unrecognized tax loss carryforwards that can be used for a limited period of time, translated into euros at the closing rate, amounted to EURk 12,119 (p/y: EURk 20,320). Further details are described in Note 14.

Based on the planned business development in subsequent years, it is assumed that the deferred tax assets will be recoverable. In determining the amount of deferred tax assets, significant judgment is required with respect to the expected timing and amount of future taxable income and future tax planning strategies. If the Group were able to capitalize all unrecognized deferred tax assets, the net income for the period and equity would increase by EURk 3,445 (p/y: EURk 5,777).

The expiration of the unrecognized tax loss carryforwards, which may be utilized for a limited period, is presented below:

EURk

	Dec 31, 2020	Dec 31, 2019
2021	314	4,250
2022	1,573	322
2023	179	1,614
2024	0	183
2025	5,564	1,967
2026	4,489	11,984
TOTAL	**12,119**	**20,320**

From the Company's perspective, the requirements resulting from the tax audit that ended in 2018 have been implemented. A tax audit for the years 2016 to 2018, which started in 2019, was not yet completed in the reporting period.

DEFINED BENEFIT PLANS
Expenses related to post-employment defined benefit plans are determined on the basis of actuarial methods. The actuarial valuation is conducted on the basis of assumptions about discount rates, staff turnover, future wage and salary increases (income and career trends), future pension increases and mortality. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are described in Note 23 in the chapter "Pension provisions."

In accordance with IAS 19, the discount rate is calculated based on high-quality corporate bonds as of the reporting date. For this purpose, a yield curve is calculated based on the yields of bonds available on the market with a rating of AA. The average discount rate is derived by applying the yield curve to PWO's future cash flows.

OTHER PROVISIONS
A provision for restructuring expenses is recognized when PWO has prepared a detailed formal restructuring plan which, by commencing implementation of the plan or announcing its main features, has raised a valid expectation in those affected that the restructuring measures will be carried out. When measuring a restructuring provision, only the direct expenses for the restructuring are taken into account. A liability for termination benefits is recognized when the Group is no longer able to withdraw the offer of such benefits or, if earlier, the Group has recognized related restructuring costs.

7 ERROR CORRECTION ACCORDING TO IAS 8

Previously, unfinished tools at the locations in Canada, Czechia and China were included in full without a profit margin when determining contract assets. This was due to an incorrect, i.e., too low, allocation of the transaction prices to the respective percentage of completion. This resulted in a retrospective error correction in accordance with IAS 8 by adjusting the affected items of the financial statements for the previous year accordingly (see Note 5, chapter "Contract assets").

The impact on the balance sheet is as follows:

EURk

	Jan 1, 2019 before adjustment	Adjustment	Jan 1, 2019 after adjustment	Dec 31, 2019 before adjustment	Adjustment	Dec 31, 2019 after adjustment
Current contract assets	30,857	1,971	32,828	67,407	1,888	69,295
Deferred tax assets	12,437	-220	12,217	13,084	-174	12,910
ASSETS		**1,751**			**1,714**	
Retained earnings	82,549	1,521	84,070	87,431	1,471	88,902
Deferred tax liabilities	844	230	1,074	1,345	243	1,588
EQUITY AND LIABILITIES		**1,751**			**1,714**	

The impact on the income statement is as follows:

EURk

	2019 before adjustment	Adjustment	2019 after adjustment
Revenue	458,624	-83	458,541
Total output	459,928	-83	459,845
Income taxes	-3,940	33	-3,907
Net income for the period	9,101	-50	9,051
Total comprehensive income	5,827	-50	5,777

The adjustment to the net income for the period results in a decrease in earnings per share from EUR 2.91 to EUR 2.90.

NOTES TO THE INCOME STATEMENT

8 REVENUE

The breakdown of Group revenue from the sale of goods by location and product area is shown in the segment reporting (see Note 32).

9 OWN WORK CAPITALIZED

Own work capitalized consists of EURk 1,002 (p/y: EURk 1,304) of development costs subject to mandatory capitalization according to IAS 38. These development costs mainly relate to the development of housings, instrument panel carriers, chassis components, as well as steering, seat and air suspension components.

10 OTHER OPERATING INCOME

Other operating income breaks down as follows:

EURk

	2020	2019
Currency gains	8,155	4,831
Income from derecognition of accruals	419	1,184
Other income	1,277	2,217
TOTAL	**9,851**	**8,232**

In the reporting year, non-periodic income amounted to EURk 822 (p/y: EURk 1,603).

11 STAFF COSTS AND EMPLOYEES

STAFF COSTS

EURk

	2020	2019
Wages and salaries	88,115	105,599
Social security and post-employment costs	19,167	22,865
of which post-employment costs	2,151	2,327
TOTAL	**107,282**	**128,464**

The use of short-time work schedules during the corona pandemic reduced staff costs in the 2020 fiscal year. In Germany, government grants for social security contributions totaled EURk 2,799. Government grants in other countries for staff costs totaled EURk 1,242.

YEAR'S AVERAGE NUMBER OF EMPLOYEES BY DIVISION

	2020	2019
Development and sales	210	222
Production and materials	1,789	1,909
Tool center	407	441
Administration	137	141
PERMANENT WORKFORCE	**2,543**	**2,713**
Temporary employees	248	339
Trainees	126	147
Inactive employees in phased retirement	101	101
TOTAL WORKFORCE	**3,018**	**3,300**

12 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

EURk

	2020	2019
Currency losses	10,131	7,107
Costs for temporary employees	8,389	13,263
Maintenance costs	5,484	6,030
Outgoing freight	2,536	2,996
Legal, audit and consultancy costs	2,007	1,847
Rental expenses	1,609	1,739
Insurance premiums	1,155	1,276
Lease expenses	945	907
Travel costs	249	1,352
Other expenses[1]	29,492	10,234
TOTAL	**61,997**	**46,751**

[1] This line item contains the expenses for the restructuring program at the Oberkirch site of EURk 18,418.

Non-periodic expenses amounted to EURk 11 (p/y: EURk 395).

13 FINANCIAL EXPENSES

EURk

	2020	2019
Interest expenses paid to financial institutions	4,320	4,969
Interest expenses for interest-rate swaps	704	512
Interest expenses for interest accrued on pension provisions	936	1,178
Interest expenses from leases	670	442
TOTAL	**6,630**	**7,101**
of which interest expenses for financial instruments classified as "amortized cost"	3,191	3,591

14 INCOME TAXES

According to the statement of comprehensive income, other comprehensive income includes taxes of EURk 788 (p/y: EURk 1,858).

Income taxes recognized in the net income for the period break down as follows:

EURk

	2020	2019 after adjustment	2019 before adjustment
Actual taxes	640	3,344	3,344
Deferred taxes[1]	-5,054	563	596
TOTAL	**-4,414**	**3,907**	**3,940**

[1] Adjustment due to change in accounting (see Note 5, chapter "contract assets").

Actual taxes in the reporting year included non-periodic expenses of EURk 238 (p/y: EURk 7).

Deferred taxes resulted from temporary differences and tax loss carryforwards.

For temporary differences on retained earnings at subsidiaries amounting to EURk 35,385 (p/y: EURk 29,009) no deferred taxes were recognized as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

The differences between the expected income tax benefits based on the calculated tax rate and the actual income tax benefits have been outlined in the following reconciliation. The tax rate applied is based on the domestic income tax rate.

EURk

	2020	2019 after adjustment	2019 before adjustment
EARNINGS BEFORE INCOME TAXES	**-16,076**	**13,041**	**13,041**
Theoretical tax expense at 28.43% (p/y: 28.43%)	-4,570	3,708	3,708
Change in theoretical tax expense due to different tax rates applicable to foreign entities	-290	-554	-554
Tax increase due to non-deductible expenses	1,029	1,150	1,150
Tax increase (+) / reduction (-) previous years	587	-142	-142
Taxes on foreign dividends	0	71	71
Tax effects from tax credits	-398	-115	-115
Tax effects from future tax rate changes	25	0	0
Effects from non-capitalized tax loss carryforwards	-1,466	-213	-213
Non-deductible withholding taxes	493	0	0
Other effects[1]	177	2	35
INCOME TAXES	**-4,414**	**3,907**	**3,940**

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "contract assets").

The domestic income tax rate consists of the corporate tax rate of 15% (p/y: 15%) plus a solidarity surcharge of 5.5% (p/y: 5.5%) and a trade tax rate of 12.60% (p/y: 12.60%). The trade tax rate is derived from the average trade tax rate multiplier of 360% (p/y: 360%).

Deferred tax assets and deferred tax liabilities for each balance sheet item are shown in the following table:

EURk

	Deferred tax assets			Deferred tax liabilities		
	2020	2019 after adjustment [1]	2019 before adjustment	2020	2019 after adjustment [1]	2019 before adjustment
Intangible assets and property, plant and equipment	1,285	0	0	5,022	4,404	4,404
Other assets	9,080	11,093	11,267	11,384	13,754	13,754
Tax loss carryforwards and tax credits	9,315	6,029	6,029	10	0	0
Provisions	12,950	10,662	10,662	31	243	0
Liabilities	1,336	2,227	2,227	257	288	288
SUB-TOTAL	**33,966**	**30,011**	**30,185**	**16,704**	**18,689**	**18,446**
Offsetting	-14,843	-17,101	-17,101	-14,843	-17,101	-17,101
TOTAL RECORDED ON THE GROUP BALANCE SHEET	**19,124**	**12,910**	**13,084**	**1,861**	**1,588**	**1,345**

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "contract assets").

For further details, please refer to Note 6.

15 EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the period attributable to Progress-Werk Oberkirch AG shareholders by the weighted average number of shares outstanding during the fiscal year. Dilution effects from stock options or convertible preferred shares did not occur.

	2020	2019 after adjustment [1]	2019 before adjustment
Net income for the period in EURk	-11,662	9,051	9,101
Average number of no-par value shares	3,125,000	3,125,000	3,125,000
Earnings per share in EUR	-3.73	2.90	2.91

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "contract assets").

NOTES TO THE BALANCE SHEET

16 PROPERTY, PLANT AND EQUIPMENT

EURk

	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
ACQUISITION AND PRODUCTION COSTS					
As of Jan. 1, 2019	124,758	286,028	37,112	14,439	462,337
Additions	4,699	23,834	3,090	5,543	37,166
Disposals	-466	-8,079	-2,494	673	-10,366
Reclassifications	1,244	12,272	101	-13,617	0
Currency effects	916	975	280	312	2,483
AS OF DEC. 31, 2019	**131,151**	**315,030**	**38,089**	**7,350**	**491,620**
Additions	415	4,663	1,340	5,963	12,381
Disposals	-83	-2,735	-2,980	0	-5,798
Reclassifications	549	4,998	191	-5,738	0
Currency effects	-1,719	-5,711	-547	-425	-8,402
AS OF DEC. 31, 2020	**130,313**	**316,245**	**36,093**	**7,150**	**489,801**

EURk

	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
DEPRECIATION					
As of Jan. 1, 2019	41,762	201,882	29,197	0	272,841
Additions	4,485	16,500	3,703	0	24,688
Disposals	-89	-7,658	-2,453	0	-10,200
Currency effects	334	1,596	239	0	2,169
AS OF DEC. 31, 2019	**46,492**	**212,320**	**30,686**	**0**	**289,498**
Additions	7,994	17,952	2,946	0	28,892
Disposals	-83	-2,366	-2,953	0	-5,402
Currency effects	-633	3,146	-477	0	-4,256
AS OF DEC. 31, 2020	**53,770**	**224,760**	**30,202**	**0**	**308,732**
CARRYING AMOUNTS					
As of Dec. 31, 2019	84,659	102,710	7,403	7,350	202,122
As of Dec. 31, 2020	76,543	91,485	5,891	7,150	181,069

The useful life of buildings is 25 to 50 years. The useful life of technical equipment and machinery is 2 to 10 years and 3 to 14 years for other equipment, operating and office equipment. The useful life of IT hardware is 3 to 5 years. In the reporting year, the need to extend the useful lives of various items of technical equipment and machinery was identified in the course of the review of useful lives. This will result in lower depreciation of around EURk 700 in the next fiscal year.

The annual impairment test (see Note 5, chapter "Intangible assets") resulted in impairment losses on property, plant and equipment in the reporting year of EURk 4,636. Of this amount, EURk 3,512 were attributable to land and buildings and EURk 1,124 to technical equipment and machinery. There were no impairment losses recognized in the previous year.

Leasing agreements have been concluded for various land and buildings, technical equipment and machinery, other equipment, operating and office equipment. Several leasing agreements contain extension and termination options.

The Group has also entered into leases for machinery and equipment with a term of twelve months or less and for office equipment of minor value. The Group applies to these leases the practical remedies applicable to short-term leases and low-value leases.

The following table shows the carrying amounts of the rights-of-use recognized:

EURk

	Intangible assets	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
AS OF JAN. 1, 2019	**0**	**5,700**	**9,818**	**1,529**	**17,047**
Additions	0	990	4,480	404	5,874
Depreciation/amortization	0	-1,029	-2,257	-896	-4,182
AS OF DEC. 31, 2019	**0**	**5,661**	**12,041**	**1,037**	**18,739**
Additions	0	699	118	432	1,249
Depreciation/amortization	0	-897	-2,383	-817	-4,097
Currency effects	0	-139	-15	-11	-165
AS OF DEC. 31, 2020	**0**	**5,324**	**9,761**	**641**	**15,726**

Lease liabilities are included in interest-bearing loans under the balance sheet items current and non-current financial liabilities.

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

EURk

	2020	2019
Depreciation/amortization of right-of-use assets	-4,097	-4,182
Interest expenses for lease liabilities	670	442
Expenses for short-term leases	1,536	1,744
Expenses for low-value leases	308	282
TOTAL AMOUNT RECOGNIZED IN PROFIT OR LOSS	**-1,583**	**-1,714**

The Group's cash outflows for leases in the reporting year, excluding repayments, amounted to EURk 2,514 (p/y: EURk 2,468). In addition, the Group recognized non-cash additions to rights-of-use and lease liabilities in the amount of EURk 1,249 in 2020 (p/y: EURk 11,484).

17 INTANGIBLE ASSETS

EURk

	Development services	Industrial property rights and similar rights	Goodwill	Other intangible assets	Prepayments	Total
ACQUISITION AND PRODUCTION COSTS						
As of Jan. 1, 2019	11,452	16,235	6,669	1,081	1	35,438
Additions	1,698	433	0	0	34	2,165
Disposals	-1,256	-1,067	0	0	0	-2,323
Currency effects	0	-41	83	21	0	63
AS OF DEC. 31, 2019	**11,894**	**15,560**	**6,752**	**1,102**	**35**	**35,343**
Additions	1,002	270	0	0	74	1,346
Disposals	-118	-45	0	0	0	-163
Reclassifications	0	29	0	0	-29	0
Currency effects	-41	79	-142	-93	0	-197
AS OF DEC. 31, 2020	**12,737**	**15,893**	**6,610**	**1,009**	**80**	**36,329**
AMORTIZATION						
As of Jan. 1, 2019	7,190	14,810	1,368	1,081	0	24,449
Additions	667	691	0	0	0	1,358
Disposals	-76	-1,067	0	0	0	-1,143
Currency effects	0	-49	16	21	0	-12
AS OF DEC. 31, 2019	**7,781**	**14,385**	**1,384**	**1,102**	**0**	**24,652**
Additions	825	561	990	0	0	2,376
Disposals	-118	-44	0	0	0	-162
Currency effects	0	-44	-95	-93	0	-232
AS OF DEC. 31, 2020	**8,488**	**14,858**	**2,279**	**1,009**	**0**	**26,634**
CARRYING AMOUNTS						
As of Dec. 31, 2019	4,113	1,175	5,368	0	35	10,691
As of Dec. 31, 2020	4,249	1,035	4,331	0	80	9,695

The useful life of software is 3 to 5 years.

Development costs of EURk 4,249 (p/y: EURk 4,113) that required capitalization under IAS 38 are amortized using the units of production method as soon as development is complete and production of series parts commences. Impairment of EURk 31 was recognized in the reporting year.

As of December 31, 2020, the goodwill of PWO Czech Republic in the "Czechia" segment amounted to EURk 4,331 (p/y: EURk 4,331).

The impairment test performed as of the reporting date (see Note 5, chapter "Intangible assets") resulted in the full impairment of the goodwill attributable to the Canadian subsidiary in the amount of EURk 969 (p/y: EURk 1,037) in the 2020 fiscal year. This reduction compared to the previous year was the result of changes in foreign currency exchange rates.

18 CONTRACT ASSETS

Contract assets result from revenue recognition from series deliveries over a period of time in which series parts are recognized as revenue before their delivery to customers. Contract assets also result from the revenue recognition of customer-specific tools sales and customer-specific development services over a period of time.

The annual impairment test of contract assets for tools and development services resulted in a volume-related impairment loss of EURk 742 for tools and EURk 130 for development services in the year under review. In addition, creditworthiness-related impairment for contract assets were not recognized in the reporting year due to immateriality.

Contract liabilities represent prepayments received for which control has not yet been transferred to the customer. These are netted at the contract level against the services already provided. As of the reporting date, contract liabilities amounted to EURk 5,536 (p/y: EURk 7,050). A total of EURk 6,142 was recognized as revenue from prepayments received in the previous year.

Capitalized contract assets under IFRS 15 as of December 31, 2020 were as follows:

EURk

	2020	2019 after adjustment [1]	2019 before adjustment
As of January 1	85,864	82,386	80,498
Change in non-current contract assets	-2,265	-33,072	-33,072
Change in current contract assets	-16,371	36,550	36,550
AS OF DECEMBER 31	**67,228**	**85,864**	**83,976**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

The transaction prices allocated to the unfulfilled or partially fulfilled performance obligations result predominantly from order-related tooling and development contracts with an expected original term of more than one year. As of the December 31, 2020 reporting date, claims to receive the consideration in the amount of EURk 31,665 are expected to be unconditional within the next year and reclassified to receivables accordingly. PWO makes use of the simplification provision of IFRS 15 and exempts contracts with an expected original term of one year or less from the disclosure requirement.

19 INVENTORIES

Raw materials and supplies in the amount of EURk 25,385 (p/y: EURk 27,662) include customer-specific tool spare parts in the amount of EURk 9,157 (p/y: EURk 10,525). Impairment on inventories amounted to EURk 19,925 in the reporting year (p/y: EURk 12,875), of which EURk 18,428 related to customer-specific tool spare parts (p/y: EURk 11,249).

EURk

	2020	2019
Raw materials	6,580	6,590
Supplies	4,621	5,396
Purchased parts	3,764	4,187
Customer-specific tool spare parts	9,157	10,525
Goods in transit	1,263	964
TOTAL	**25,385**	**27,662**

20 RECEIVABLES AND OTHER ASSETS

The trade receivables of EURk 43,688 (previous year: EURk 41,401) reported as of the reporting date were impaired by EURk 67 (previous year: EURk 49). The following table shows the development of the allowance account:

EURk

	2020	2019
Impairment losses as of Jan. 1	49	63
Additions	38	9
Utilization	-4	-17
Reversals	-16	-6
IMPAIRMENT LOSSES AS OF DEC. 31	**67**	**49**

For individual receivables of a relevant amount, allowances are recognized according to uniform standards and at the level of the incurred loss. Potential impairment is assumed in the presence of various factors such as late payments over a specified period, the initiation of compulsory measures, threat of default or insolvency, the filing or commencement of insolvency proceedings, or the failure of restructuring measures.

Impairment on doubtful accounts is regularly recorded on separate impairment accounts and lead to an impairment loss through profit or loss, which is recognized in other operating expenses. The allocation to and resulting increase in the impairment losses during the year concerned only a few isolated cases. Definite defaults result in the derecognition of the relevant receivables. Due to the application of IFRS 9, a portfolio-based impairment on the basis of the expected loss rate was recognized in the reporting year that was derived from a custom-related credit rating model. The assumed default probability amounted to roughly 0.5% (p/y: 0.4%).

21 CASH AND CASH EQUIVALENTS

Deposits at banks bear interest at variable interest rates for short-term call deposits. On December 31, 2020, the Group had undrawn credit lines for which all necessary conditions for use are already met.

22 EQUITY

SUBSCRIBED CAPITAL

As of December 31, 2020, fully paid-in subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375) divided into 3,125,000 no-par value shares (p/y: 3,125,000 shares).

AUTHORIZED CAPITAL

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

CAPITAL RESERVES

Capital reserves include the premium from the issuance of shares.

RETAINED EARNINGS AND OTHER RESERVES

Retained earnings include current earnings as well as earnings generated in previous years by Progress-Werk Oberkirch AG and consolidated subsidiaries that have not yet been distributed, as well as the statutory reserve.

Differences resulting from the earnings-neutral currency translation of the financial statements of foreign subsidiaries in the amount of EURk 631 (p/y: EURk 2,127) are reported separately.

In addition, the portion of the profit or loss is recognized when it results from a cash flow hedging instrument, which has been determined as an effective hedge, as well as the actuarial gains and losses from defined benefit retirement plans.

PROPOSED AND DISTRIBUTED DIVIDENDS

As Progress-Werk Oberkirch AG's annual financial statements as of December 31, 2020 show an un-appropriated retained loss for the 2020 fiscal year, which will be carried forward to the new fiscal year, no resolution on the appropriation of retained earnings/losses is to be passed by this year's Annual General Meeting. Consequently, the proposal for the appropriation of retained earnings/losses is not applicable.

A dividend was not distributed in fiscal year 2020 for fiscal year 2019. The dividend payment in fiscal year 2019 for fiscal year 2018 amounted to EURk 4,219 (EUR 1.35 per dividend-bearing no-par value share).

DISCLOSURES PURSUANT TO SECTION 33 OF THE GERMAN SECURITIES TRADING ACT (WPHG)
As of the December 31, 2020 reporting date, notifications were received for the following shareholdings in Progress-Werk Oberkirch AG. There may have been changes in the aforementioned voting rights after the dates indicated that were not required to be notified to the Company.

Sparkasse Offenburg/Ortenau, Offenburg, Germany, notified us on December 15, 2020, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, amounted to 8.56% (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 more than 30% of the voting rights but less than 50% of the voting rights in Progress-Werk Oberkirch AG.

23 LIABILITIES

PENSION PROVISIONS

DEFINED CONTRIBUTION PLANS
The Group has defined contribution plans. These resulted in recognized staff costs at PWO Canada Inc. in the amount of EURk 138 (p/y: of EURk 166) and PWO Czech Republic in the amount of EURk 174 (p/y: EURk 280).

The Group also contributes to statutory pension insurance schemes in the amount of currently applicable percentage of the employer's share of obligatory pension compensation totaling EURk 9,714 (p/y: EURk 10,149), which were also reported under staff costs. The statutory pension system also constitutes a defined contribution plan.

DEFINED BENEFIT PLANS
The majority of obligations for defined benefit plans concern Progress-Werk Oberkirch AG. Total provisions of EURk 194 (p/y: EURk 133) are attributable to PWO de México. The provision to be recognized pursuant to Mexican law includes obligations for employee benefits, depending upon their length of employment and the salary received during their service.

Provisions for pensions and similar obligations are recognized on the basis of pension plan entitlements for retirement, invalidity and survivor dependent benefits. The retirement benefits are based on salary and length of service. The obligations include those arising from current pensions as well as benefits for pensions and retirement allowances payable in the future. Plan assets to meet pension obligations do not exist.

The following tables present the components of the expenses for retirement benefits recognized in the income statement and the amounts recognized in the balance sheet.

The amounts recognized in the income statement consist of the following:

EURk

	2020	2019
Current service cost	1,534	1,290
Past service cost	-287	-6
Interest expenses for defined benefit obligations	935	1,178
TOTAL	**2,182**	**2,462**

The following table presents the adjustments recognized in other comprehensive income:

EURk

	2020	2019
Adjustments due to changes in demographic assumptions	0	0
Adjustments due to changes in financial assumptions	3,974	7,885
Experiential adjustments	-15	-37
TOTAL	**3,959**	**7,848**

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

EURk

	2020	2019
Present value of defined benefit obligations as of Jan. 1	62,804	54,112
Service cost	1,534	1,290
Past service cost	-287	-6
Interest expenses	935	1,178
Pension payments rendered	-1,671	-1,621
Adjustments due to changes in demographic assumptions	0	0
Adjustments due to changes in financial assumptions	3,974	7,885
Experiential adjustments	-15	-37
Foreign currency differences	-16	3
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS AS OF DEC. 31	**67,258**	**62,804**

Of the recognized pension provisions, EURk 65,488 (p/y: EURk 61,126) are non-current and EURk 1,770 (p/y: EURk 1,678) are current.

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

	2020	2019
Interest rate	1.20 %	1.50 %
Employee turnover rate	2.50 %	2.50 %
Future salary trend → 40 years	2.50 %	2.50 %
Future salary trend ← 40 years (career trend)	3.50 %	3.50 %
Future pension increases	1.75 %	1.75 %
Mortality	RT Heubeck 2018 G	RT Heubeck 2018 G

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

The defined benefit obligations have an average remaining term of 20 years (p/y: 21 years) in the reporting year.

The following table shows a sensitivity analysis with the key assumptions as of December 31, 2020:

EURk

				Scenario
Assumption		**Increase of**		**Decline of**
Discount rate	0.50 %	-6,315	0.50 %	7,396
Staff turnover rate	0.50 %	-41	0.50 %	50
Future salary increases (income trend)	0.25 %	48	0.25 %	-47
Future salary increases (career trend)	0.50 %	138	0.50 %	-133
Future pension increases	0.25 %	2,302	0.25 %	-2,190
Average life expectancy	1 year	3,207	—	—

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

The DBO sensitivity analyses for the relevant actuarial assumptions were carried out using the same measurement procedure (the projected unit credit method) used to determine the obligations for employee benefits following the termination of the employment relationship recorded in the balance sheet. The effect of changes in assumptions was determined separately and, therefore, possible correlation effects were not analyzed.

The following amounts are expected to be paid as current pensions over the next few years as part of the defined benefit obligation:

EURk

	2020	2019
Within the next 12 months	1,795	1,678
Within 2 to 5 years	7,621	7,327
Within 5 to 10 years	11,390	11,186
TOTAL EXPECTED PAYMENTS	**20,806**	**20,191**

OTHER PROVISIONS

Other provisions consist of necessary amounts for employee-related expenses and other identifiable obligations and risks. The provisions recognized in the balance sheet include mainly provisions for employees (obligations for phased retirement and anniversary bonuses) and provisions for onerous contracts. It is expected that the total amount of obligations for phased retirement will accrue within five years after the reporting date.

Other changes in provisions are as follows:

EURk

	Personnel-related provisions		Provisions for onerous contracts		Provisions for restructuring measures	
	2020	2019	2020	2019	2020	2019
As of Jan. 1	2,552	2,528	203	162	0	0
Utilization	-925	-1,133	0	0	0	0
Reversal	12	-11	0	0	0	0
Additions	926	1,168	3,119	41	8,000	0
AS OF DEC. 31	**2,566**	**2,552**	**3,321**	**203**	**8,000**	**0**
of which non-current	1,513	1,533	3,321	109	0	0
of which current	1,053	1,019	0	93	8,000	0

In the 2020 financial year, provisions of EURk 3,321 (previous year: EURk 203) had to be recognized for onerous contracts in connection with long-term supply obligations due to changes in the framework conditions and cost structure. The discounting effect resulting from the interest rate changes amounted to EURk 17.

The increase compared with the prior year is mainly due to changes in forward-looking estimates based on more comprehensive data. These estimates relate mainly to the subproject level and are calculated by comparing the expected selling prices, taking into account future price changes, with production costs over the project periods. The effects are consolidated at the overall project level only in the case of meaningful evidence. The provision is expected to be utilized over the term of the projects concerned.

The restructuring provision concerns severance payments related to two restructuring programs carried out in the 2020 fiscal year. The first restructuring program included the reduction of 98 staff at the Oberkirch site, which resulted in the recognition of a restructuring provision amounting to EUR 10.4 million in September 2020. As of the reporting date, 74 of the affected employees had transferred to a transfer company, with the result that EUR 8.9 million was reclassified to other liabilities as of December 31, 2020. The second restructuring

program comprised the reduction of a further 84 employees at the Oberkirch site, for which restructuring provisions of EUR 8.0 million were recognized in December 2020. As of the reporting date, no employees had left the Company as a result of this program. The remaining employees from the two restructuring programs will leave the company in fiscal year 2021.

FINANCIAL LIABILITIES

EURk

	Current				Non-current		Total financial liabilities	
	‹ 1 year		1 to 5 years		› 5 years			
	2020	2019	2020	2019	2020	2019	2020	2019
Bank borrowings	17,192	40,367	25,796	23,350	0	1,485	**42,988**	**65,202**
Liabilities from promissory notes	20,000	0	29,932	49,899	0	0	**49,932**	**49,899**
Liabilities to leasing companies	3,654	3,840	9,704	10,622	2,368	4,277	**15,726**	**18,739**
TOTAL	**40,845**	**44,207**	**65,432**	**83,871**	**2,368**	**5,762**	**108,645**	**133,840**

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

EURk

	Jan. 1, 2020	Cash-effective changes	Change due to maturity	Non-cash changes		Dec. 31, 2020
				New lease contracts	Currency effects	
Non-current loans	71,228	-4,955	-10,065	0	-481	55,727
Current loans	43,873	-16,559	10,065	0	-187	37,192
Lease liabilities	18,739	-4,097	0	1,250	-166	15,726
TOTAL	**133,840**	**-25,611**	**0**	**1,250**	**-834**	**108,645**

Including interest paid of EURk 6,631, the cash outflow from financing activities amounted to EURk 32,242.

EURk

	Jan. 1, 2020	Cash-effective changes	Change due to maturity	Non-cash changes		Dec. 31, 2020
				New lease contracts	Currency effects	
Non-current loans	80,621	195	-9,433	0	-155	71,228
Current loans	49,508	-15,467	9,433	0	399	43,873
Lease liabilities	17,047	-4,360	0	5,874	178	18,739
TOTAL	**147,175**	**-19,632**	**0**	**5,874**	**422**	**133,840**

Current bank liabilities of EURk 10,687 (p/y: EURk 9,640) included in current loans are allocated to cash funds.

The financial management of the PWO Group is ensured through compliance with internal financing regulations. The Group's financing is secured in the long term by sufficient unutilized credit lines and is primarily based on a syndicated loan and promissory notes with market-based interest rates and customary financial covenants. The financial covenants were met as of December 31, 2020. The Executive Board assumes that the agreed financial covenants will also be complied with in the 2021 fiscal year.

Financial liabilities generally have interest rates between 0.85% and 7.13% (current) and between 1.35% and 7.00% (non-current). The higher interest rates are mainly on subordinated, local financing of individual subsidiaries.

Bank borrowings repayable on demand amounted to EURk 10,687 (p/y: EURk 9,640). Of the bank borrowings, EURk 2,686 (p/y: EURk 4,067) are secured by mortgages and EURk 15,726 (p/y: EURk 18,739) by assignment as security. In addition, the usual retention of proprietary rights exists for the supply of raw materials, supplies and merchandise.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2020, other financial obligations, including purchase commitments, amounted to EURk 12,056 (p/y: EURk 15,436). They will come due in the coming fiscal year as follows:

EURk

	Obligations from non-cancellable lease and rental agreements		Purchase commitments from capital expenditures in property, plant and equipment		Purchase commitments from capital expenditures in intangible assets		Other financial obligations	
	2021 ff.	2020 ff.	2021 ff.	2020 ff.	2021 ff.	2020 ff.	2021 ff.	2020 ff.
Remaining term of up to 1 year	1,469	1,510	3,395	6,882	119	57	**171**	**171**
Remaining term of 1 - 5 years	3,961	3,586	0	0	0	0	**684**	**684**
Remaining term of more than 5 years	1,816	1,934	0	0	0	0	**441**	**612**
TOTAL	**7,246**	**7,030**	**3,395**	**6,882**	**119**	**57**	**1,296**	**1,467**

24 OFF-BALANCE SHEET TRANSACTIONS

The Group continuously sells trade receivables to generate the liquid assets required to finance the operating business and facilitate better liquidity planning. All material risks have been transferred to the factor. As of December 31, 2020, receivables with a nominal value of EURk 14,610 (p/y: EURk 18,223) were sold. The transferred receivables are current receivables where the carrying amount corresponds to the fair value of the assets transferred. Cash inflows and outflows from factoring are allocated to cash flow from operating activities.

25 FINANCIAL RISK MANAGEMENT

The Group's financial risk management system is focused on the uncertainty of future financial market developments and aims at the minimization of adverse effects for the overall financial strength of the Group. The Executive Board has the lead responsibility for this risk management system and also sets out the general principles for risk management and defines the procedures. All significant concentrations of risk are shown in the Notes and the management report.

The summarized key risks are described in the following:

CREDIT RISK

Credit risk arises when counterparties fail to fully meet their obligations upon the maturing of financial instruments. The credit risk from trade receivables is controlled by Progress-Werk Oberkirch AG and its subsidiaries based on uniform standards, procedures and controls. The creditworthiness of the customer is regularly checked using credit reports and historical data. The customer's individual credit limits are set on the basis of these findings. Outstanding trade receivables and other receivables are regularly monitored by diligently managing receivables. Furthermore, commercial credit insurance was concluded to additionally secure a significant portion of the receivables. The need for valuation allowances is analyzed at each reporting date, and appropriate allowances are made. With the introduction of IFRS 9, a portfolio-based impairment is also recognized.

With regard to investments of cash and cash equivalents as well as the portfolio of derivative financial assets, the Group is exposed to potential losses from credit risks to the extent that financial institutions do not fulfill their obligations. PWO manages the resulting risk exposure through policies and guidelines of the Group Treasury as well as through diversification and the careful selection of financial institutions. In addition, all financial institutions are reviewed at regular intervals, particularly with the aim of quantifying their default risk. Currently, there are no cash and cash equivalents nor derivative financial assets which are overdue or impaired resulting from default.

As of December 31, 2020, the maximum credit risk of financial assets in the event of counter-party default was equivalent to the carrying amount of those instruments. Additional commercial credit insurance is being deducted for trade receivables.

EURk

	2020	2019
Trade receivables and other receivables	43,688	41,401
Protection from commercial credit insurance	-13,694	-21,459
MAXIMUM DEFAULT RISK	**29,994**	**19,942**
Derivative financial assets	2,811	459
Cash and cash equivalents	6,161	1,367

On December 31, 2020, the analysis of overdue but not impaired trade receivables breaks down as follows:

EURk

	2020	2019
TRADE RECEIVABLES	**43,688**	**41,401**
of which neither overdue nor impaired	40,087	36,030
of which ‹ 30 days overdue (but not impaired)	2,444	4,227
of which › 30-90 days overdue (but not impaired)	949	524
of which › 90-180 days overdue (but not impaired)	40	368
of which › 180-360 days overdue (but not impaired)	90	143
of which › 360 days overdue (but not impaired)	78	109

For overdue and unimpaired trade receivables that are not subject to commercial credit insurance, portfolio-based impairment based on expected default rates in accordance with IFRS 9 were recognized as of the reporting date.

LIQUIDITY RISK

Liquidity risk arises when Group companies are unable to meet their financial obligations. There are sufficient credit lines available from a number of banks for our current level of business. Financing risks are limited by an appropriate combination of current and non-current liabilities. Long-term customer contracts and the related capital expenditures and pre-financing of services are generally financed on a long-term, project-specific basis. The Group has secured over half of its financing needs with long-term financing at fixed interest rates. Additional derivative interest rate hedges have been concluded when necessary.

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

EURk

	‹ 1 year		1 to 5 years		› 5 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Bank borrowings	18,249	41,790	26,319	24,612	0	1,497	44,568	67,899
of which repayment of principal	17,192	40,367	25,796	23,350	0	1,485	42,988	65,202
of which interest payment	1,057	1,423	523	1,262	0	12	1,580	2,697
Liabilities from promissory notes	21,173	1,170	31,346	52,485	0	0	52,519	53,655
of which repayment of principal	20,000	0	29,932	49,899	0	0	49,932	49,899
of which interest payment	1,173	1,170	1,414	2,586	0	0	2,587	3,756
Liabilities to leasing companies	4,083	4,467	10,644	12,307	2,545	5,014	17,272	21,788
of which repayment of principal	3,654	3,840	9,704	10,622	2,368	4,277	15,726	18,739
of which interest payment	429	627	940	1,685	177	737	1,546	3,049
Trade payables	30,103	34,717	0	0	0	0	30,103	34,717
Derivative financial instruments with hedging relationship	0	0	0	0	0	0	0	0
Derivative financial instruments without hedging relationship	398	2,407	882	3,013	0	0	1,280	5,420
Other remaining financial liabilities	7,333	8,498	0	0	0	0	7,333	8,498

The amounts of derivative financial instruments presented in the maturity overview correspond to the undiscounted cash flows on a gross basis.

The following table shows the undiscounted cash inflows and outflows of foreign currency derivatives with and without a hedging relationship:

EURk

	Foreign currency derivatives with hedging relationship							
	‹ 1 year		1 to 5 years		› 5 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Cash inflow	36,164	38,232	34,708	38,148	0	0	70,872	76,380
Cash outflow	-35,413	-37,814	-33,762	-37,043	0	0	-69,175	-74,857
NET BALANCE	**751**	**418**	**946**	**1,105**	**0**	**0**	**1,697**	**1,523**
	Foreign currency derivatives without hedging relationship							
	2020	2019	2020	2019	2020	2019	2020	2019
Cash inflow	47,686	41,539	17,419	16,680	0	0	65,105	58,219
Cash outflow	-46,585	-43,383	-17,521	-18,591	0	0	-64,106	-61,974
NET BALANCE	**1,101**	**-1,844**	**-102**	**-1,911**	**0**	**0**	**999**	**-3,755**

INTEREST RATE RISK

Interest rate risk arises when the fair value of financial instruments fluctuates due to changes in the market interest rate. In order to assess risks arising from changes in interest rates, as a matter of principle, financial instruments must be categorized as either fixed or variable interest rates, in accordance with IAS 32. Risks arising from changes in interest rates exist in the case of variable interest rate bank borrowings. These risks are addressed using interest rate swaps. Interest rate risks are determined by means of a sensitivity analysis. This shows the effects of changes in market interest rates on interest payments, interest income and expense, other income components and where applicable, the effects on equity.

The interest rate sensitivity analysis is based on the following assumptions:

Changes in the market interest rates of primary financial instruments with fixed interest rates only affect income if these instruments are measured at fair value. Accordingly, all financial instruments with fixed interest rates measured at amortized cost are not subject to interest rate risks as defined by IFRS 7. Currency derivatives are not accounted for due to their immateriality in the interest rate sensitivity analysis.

PWO is subject to interest rate risk at all locations. If the market interest rates at December 31, 2020 had been 100 basis points higher, earnings before taxes (EBT) would have been EURk 180 lower (p/y: EURk 499 higher). If market interest rates as of December 31, 2020 had been 100 basis points lower, earnings before taxes (EBT) would have been EURk 182 higher (p/y: EURk 1,209 lower).

CURRENCY RISK

The PWO Group's global orientation exposes the Group to a number of currency risks, whereby there is a distinction made between transaction and translation risks.

TRANSACTION RISK

Transaction risks arise for all PWO companies as a result of exchange rate-induced changes in the value of primary financial instruments and the conclusion of transactions with international counterparties, to the extent that they result in future cash flows in foreign currencies that are not denominated in the functional currency of the respective company.

Within the scope of the Group's financial risk management process, currency risks are monitored in accordance with the Global Foreign Currency Directive and controlled by Group Treasury with appropriate countermeasures. The objective of risk management is to limit the impact of currency risks on future cash flows to an acceptable level. Part of the currency risk is mitigated by sourcing merchandise, commodities and services in the relevant foreign currencies and producing in local markets. Appropriate hedging transactions are concluded to reduce the remaining risks. Within the PWO Group, hedging transactions are permitted only to the extent that the corresponding underlying transactions exist at the time of the hedging decision and can be proven to be a highly probable forecast of demand.

The PWO companies are responsible for identifying, assessing and monitoring their own transaction-related foreign currency risks. However, depending on the maturity, the net foreign currency position of the respective PWO company is never hedged by more than 100% within defined bandwidths. Group-internal financing of PWO companies in the respective functional currency is given priority and hedged at a level of 100% at the Group level.

Hedge accounting in accordance with IAS 39 (Cash Flow Hedges) is used for derivative hedges for underlying transactions with future expected but not yet offsetting cash flows in foreign currencies.

TRANSLATION RISK

Some PWO companies are operating outside the eurozone. Since the consolidated financial statements are prepared in euros, the Group translates the financial statements of these companies into euros, which may result in exchange-rate-related differences. The hedging of these differences is not the primary objective of currency risk management.

A sensitivity analysis is conducted for each currency that constitutes a significant risk for the Company. This analysis is based on the following assumptions:

For the sensitivity analysis, the Group takes into account all monetary financial instruments that are not denominated in the functional currency of the respective separate entities. Thus, translation currency risk is not considered. The hypothetical effect on profit or loss and equity for each separate primary item included in the sensitivity analysis is determined by comparing the carrying amount (calculated on the basis of the closing rate) with the translation amount, which in turn is determined by applying a hypothetical exchange rate.

Exchange rate effects from the hedging of intra-group financing through currency swaps or cross-currency swaps are not included because they are directly offset by currency fluctuations from underlying loans to affiliated companies.

The following tables illustrate the currency risk with regard to the most important Group currencies.

SENSITIVITY OF EARNINGS BEFORE TAXES VERSUS A CHANGE IN EXCHANGE RATES:

EURk

	Exchange rate development +10 %		Exchange rate development -10%	
	2020	2019	2020	2019
EUR/CAD	-59	-157	61	155
EUR/CNY	-334	-859	289	710
EUR/CZK	242	111	-296	-136
EUR/MXN	23	47	-28	-58
EUR/USD	-886	-595	1,055	681
TOTAL	**-1,014**	**-1,454**	**1,081**	**1,352**

SENSITIVITY OF NET GAINS/LOSSES FROM CASH FLOW HEDGES RECOGNIZED IN EQUITY VERSUS A CHANGE IN EXCHANGE RATES:

EURk

	Exchange rate development +10 %		Exchange rate development -10%	
	2020	2019	2020	2019
EUR/CAD	0	0	0	0
EUR/CNY	179	0	-219	0
EUR/CZK	-3,765	-3,640	4,602	4,449
EUR/MXN	-856	-664	1,047	812
EUR/USD	1,843	3,087	-2,252	-3,773
TOTAL	**-2,600**	**-1,217**	**3,178**	**1,488**

The following table shows the currency risk in the Group from a different perspective, that is, cumulative of the respective exposures in the respective non-functional currencies (excluding internal sales).

	2020				2019			
	EURk	USDk	RMBk	CZKk	EURk	USDk	RMBk	CZKk
Trade receivables	586	9,081	--	59	719	5,099	--	313
Cash and cash equivalents	10	1,872	2,673	320	10	759	--	218
Financial liabilities	-130	--	-35,000	-45,605	-720	-708	-34,328	-16,773
Trade payables	-681	-986	--	-24,726	-315	-1,084	-41	-31,529

The gross currency risks presented are largely hedged based on the PWO Group's hedging policy.

RAW MATERIAL PRICE RISK

The raw materials necessary for our production processes include primarily steel and, to a much lesser extent, aluminum. We purchase these metals on the world market from our long-time suppliers. Despite the global material shortage that occurred in the fourth quarter of 2020, supply could be maintained. Going forward, we believe that we will be able to secure the necessary supply through the appropriate arrangements, even though the relevant requirements have risen.

In the past, we have always been able to pass on price increases in raw materials that have exceeded the range of fluctuation agreed to in our customer contracts through either customer-specific escalation clauses or by coming to an acceptable solution with customers.

Most of the framework contracts for raw materials were concluded for a period of 12 months. Only about 20% of demand was hedged through 6-month contracts. In doing so, we orientate ourselves to the duration of the contracts with the customers.

The contracts used are concluded in accordance with the expected purchase, sale or usage requirements (own use) of the Company exclusively for the purpose of actual purchases or raw materials. Accordingly, they do not qualify as financial derivatives (own use exemption).

CAPITAL MANAGEMENT

The key target of our capital management is to secure the Group's liquidity and a high credit rating, including access to the financing markets at all times and the increase of the Company's value. Achievement of these targets includes the optimization of the capital structure, dividend policy, equity measures and reduction of liabilities.

Capital monitoring at PWO is based on the dynamic leverage ratio (financial liabilities less cash in relation to EBITDA) and the equity ratio (equity as a percentage of total assets). Under our financial strategy, the Group targets a dynamic leverage ratio of less than 3 years and an equity ratio of 30%.

DYNAMIC LEVERAGE RATIO

EURk

	2020	2019 after adjustment	2019 before adjustment
Financial liabilities	108,645	133,840	133,840
Less cash and cash equivalents	-6,161	-1,367	-1,367
NET FINANCIAL LIABILITIES	**102,484**	**132,473**	**132,473**
EBITDA[1,2]	**21,169**	**45,893**	**45,976**
DYNAMIC LEVERAGE RATIO (IN YEARS)	**4.8**	**2.9**	**2.9**

[1] Earnings before interests, taxes, depreciation and amortization.
[2] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets".

EQUITY RATIO

EURk

	2020	2019 after adjustment	2019 before adjustment
Equity[1]	104,464	119,529	118,058
Total assets	363,654	393,306	391,592
EQUITY RATIO	**28.7 %**	**30.4 %**	**30.1 %**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

26 FINANCIAL INSTRUMENTS

As of December 31, 2020, the following derivative financial instruments were not yet settled:

EURk

	Nominal value	Redemption 2020	Residual value	Term	Market value
CROSS CURRENCY SWAPS	**11,325**	**1,562**	**9,247**	**until 2024**	**332**
of which to hedge CNY inter-company loans	11,325	1,562	9,247	until 2024	332
FX WITHOUT HEDGE ACCOUNTING	**53,766**		**53,766**	**until 2023**	**1,387**
of which to hedge CAD inter-company loans	13,113		13,113	until 2021	41
of which to hedge USD inter-company loans	40,653		40,653	until 2023	1,346
FX WITH HEDGE ACCOUNTING	**73,025**		**73,025**	**until 2024**	**513**
of which to hedge planned CNY receivables	1,980		1,980	current	32
	--		--	non-current	--
of which to hedge planned CZK liabilities	15,031		15,031	current	65
	26,386		26,386	non-current	-154
of which to hedge planned MXN liabilities	4,915		4,915	current	184
	4,505		4,505	non-current	19
of which to hedge planned USD receivables	13,068		13,068	current	256
	7,141		7,141	non-current	110

As of December 31, 2019, the following derivative financial instruments were not yet settled:

EURk

	Nominal value	Redemption 2019	Residual value	Term	Market value
INTEREST RATE SWAPS	**1,250**	**156**	**392**	**until 2020**	**-7**
CROSS CURRENCY SWAPS	**10,808**		**10,808**	**until 2024**	**-11**
of which to hedge CNY inter-company loans	10,808		10,808	until 2024	-11
FX WITHOUT HEDGE ACCOUNTING	**61,974**		**61,974**	**until 2022**	**-2,581**
of which to hedge CAD inter-company loans	12,673		12,673	until 2020	-29
of which to hedge USD inter-company loans	49,301		49,301	until 2022	-2,552
FX WITH HEDGE ACCOUNTING	**80,420**		**80,420**	**until 2023**	**-268**
of which to hedge planned CZK liabilities	15,516		15,516	current	338
	24,526		24,526	non-current	-184
of which to hedge planned MXN liabilities	3,770		3,770	current	391
	3,534		3,534	non-current	158
of which to hedge planned USD receivables	19,337		19,337	current	-519
	13,737		13,737	non-current	-451

The embedded interest rate derivatives, which were previously accounted for separately, were derecognized as of the reporting date.

Generally, the PWO Group pursues a strategy of fully hedging all risks employing the hedging instruments listed in the table "Derivative financial instruments."

To hedge expected future transactions, the Group performs a prospective assessment of the qualitative effectiveness using the critical terms match method. It conducts this assessment because the critical terms (i.e., nominal value, term, and underlying) of the forward exchange contracts and the corresponding hedged items

are identical, and the expectation is that the value of the forward exchange contracts and the value of the corresponding hedged items will change systematically in the opposite direction in response to changes in the underlying exchange rates. Retrospectively, existing ineffectiveness is quantified using the dollar offset method in the form of the hypothetical derivative method. The changes in the value of the hedged item used to determine the ineffectiveness of the hedging relationship are the mirror image of the changes in the fair value of the hedging instruments recognized directly in equity.

The market value changes of derivative financial instruments used to hedge future cash flows were recognized directly in equity and amounted to EURk 956 (p/y: EURk 1,282), including related tax effects.

In the context of hedge accounting, differences from currency translations of derivatives maturing in the current fiscal year amounting to EURk 476 (p/y: EURk 176) were reclassified from equity to profit or loss (other revenue). The resulting tax effect amounts to EURk 129 (p/y: EURk 40).

As of the reporting date, the assumption is that all planned transactions will occur. Furthermore, hedged cash flows are expected within the period specified in the table and would affect profits and losses.

Should transactions not occur as planned, hedges may become ineffective. PWO considers this risk to be immaterial based on the creditworthiness of the customers and financing partners. Any ineffective hedges would also be seen as immaterial. Hedging instruments are adjusted accordingly as part of a rolling hedging strategy.

In determining hedging quotas, PWO distinguishes between risk positions from series (parts) business, project business (tools, capital expenditures) and financing. As series business generally has a longer duration and the accuracy of planning decreases over time due to the planning horizon, risk positions are hedged within the framework of the (falling) hedging quotas defined in our guidelines. As the cash flows from short-term project business (tool production) and from intra-Group loans or borrowings in foreign currency are easy to plan, higher hedging quotas are provided for in accordance with our guidelines.

The average forward and exercise rates of the currency hedging instruments are as follows:

	Maturity	
	1 to 12 months	**› 1 year**
EUR/USD	1.1789	1.2337
EUR/CZK	26.4730	26.838
EUR/CAD	1.5639	--
USD/CAD	1.2959	1.3121
USD/MXN	21.1390	21.234
USD/CNY	6.8120	--

The following table lists the carrying amounts and fair values according to valuation categories and classes:

EURk

	Category		Carrying amount		Fair value
	IFRS 9 [1]	2020	2019	2020	2019
ASSETS					
TRADE RECEIVABLES	AC	43,688	41,401	43,688	41,401
OTHER FINANCIAL ASSETS		2,811	459	2,811	459
of which derivatives with hedging relationship	n. a.	667	420	667	420
of which derivatives without hedging relationship	FVtPL	2,144	39	2,144	39
of which deposits › 3 months	AC	0	0	0	0
Cash and cash equivalents	AC	6,161	1,367	6,161	1,367
LIABILITIES					
FINANCIAL LIABILITIES		108,645	133,840	114,711	141,932
Bank borrowings	AC	42,988	65,202	45,826	68,722
of which variable interest rate		12,405	10,032	12,405	10,032
of which fixed interest rate		30,583	55,170	33,421	58,690
Liabilities from promissory notes	AC	49,932	49,899	52,827	53,848
of which variable interest rate		2,996	2,994	2,996	2,994
of which fixed interest rate		46,936	46,905	49,831	50,854
Liabilities to leasing companies	n. a.	15,726	18,739	16,058	19,362
of which variable interest rate		0	0	0	0
of which fixed interest rate		15,726	18,739	16,058	19,362

EURk

	Category		Carrying amount		Fair value
	IFRS 9 [1]	2020	2019	2020	2019
TRADE PAYABLES	AC	30,103	34,717	30,103	34,717
Other financial liabilities		7,913	12,465	7,913	12,465
of which derivatives with hedging relationship	n. a.	154	702	154	702
of which derivatives without hedging relationship	FVtPL	425	3,265	425	3,265
of which others	AC	7,334	8,498	7,334	8,498
OF WHICH AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES:					
Loans and Receivables	AC	49,849	42,768	49,849	42,768
Financial Liabilities Measured at Amortized Cost	AC	130,356	158,316	136,090	165,785
Financial Assets Held for Trading	FVtPL	2,144	39	2,144	39
Financial Liabilities Held for Trading	FVtPL	425	3,265	425	3,265

[1] AC: Amortized Cost | FVtPL: Fair Value through Profit & Loss

Financial instruments measured at fair value were classified in the fair value hierarchy as follows:

EURk

	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS MEASURED AT FAIR VALUE								
Other financial assets	0	0	2,811	459	0	0	2,811	459
of which derivatives with hedge relationship	0	0	667	420	0	0	667	420
of which derivatives without hedge relationship	0	0	2,144	39	0	0	2,144	39
ASSETS FOR WHICH A FAIR VALUE IS DISCLOSED								
Trade receivables	0	0	43,688	41,401	0	0	43,688	41,401
Cash and cash equivalents	0	0	6,161	1,367	0	0	6,161	1,367
LIABILITIES MEASURED AT FAIR VALUE								
Other financial liabilities	0	0	7,913	11,876	0	589	7,913	12,465
of which derivatives with hedge relationship	0	0	154	702	0	0	154	702
of which derivatives without hedge relationship	0	0	425	2,676	0	589	425	3,265
of which other	0	0	7,334	8,498	0	0	7,334	8,498
LIABILITIES FOR WHICH A FAIR VALUE IS DISCLOSED								
Fixed-interest rate bank borrowings	0	0	30,583	58,690	0	0	30,583	58,690
Variable-interest rate bank borrowings	0	0	12,405	10,032	0	0	12,405	10,032
Fixed-interest rate liabilities from promissory notes	0	0	46,936	50,854	0	0	46,936	50,854
Variable-interest rate liabilities from promissory notes	0	0	2,996	2,994	0	0	2,996	2,994
Fixed-interest rate borrowings from leasing companies	0	0	15,726	19,362	0	0	15,726	19,362
Variable-interest rate borrowings from leasing companies	0	0	0	0	0	0	0	0
Trade payables	0	0	30,103	34,717	0	0	30,103	34,717

There were no reclassifications between Level 1 and Level 2 assessments at fair value and no reclassifications into or from Level 3 values at fair value.

The following total comprehensive income and expenses resulted from the fair value measurement of financial instruments held in the portfolio:

EURk

	Assets		Liabilities	
	2020	2019	2020	2019
Recognized in the income statement:				
DERIVATIVES WITHOUT HEDGE RELATIONSHIP	**452**	**990**	**7**	**1,317**
Recognized in equity:				
DERIVATIVES WITH HEDGE RELATIONSHIP	**0**	**0**	**1,264**	**1,655**

The income and expenses resulting from the fair value measurement of derivatives without a hedge relationship are reported in other operating income or other operating expenses.

The net gains and losses on financial instruments, which are recognized in the income statement (excluding derivative financial instruments included in hedge accounting) are comprised as follows:

EURk

	Category		
	IFRS 9 [1]	2019	2018
LOANS AND RECEIVABLES	AC	**-6,147**	**-1,913**
of which due to disposal		75	73
of which due to impairment/impairment reversal		9	-42
of which due to currency effects		-6,231	-1,944
FINANCIAL ASSETS HELD FOR TRADING	FVtPL	**4,342**	**1,254**
of which due to disposal		3,890	264
of which due to remeasurement		452	990
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	AC	**143**	**589**
of which due to disposal		208	419
of which due to currency effects		-65	170
FINANCIAL LIABILITIES HELD FOR TRADING	FVtPL	**31**	**1,718**
of which due to disposal		24	401
of which due to remeasurement		7	1,317

[1] AC: Amortized Cost | FVtPL: Fair Value through Profit& Loss

The table below provides an overview of the offsetting of financial assets and financial liabilities undertaken in the balance sheet. The table also shows the extent offsetting agreements exist as a result of framework agreements that do not lead to the recognition of the offset amounts in the balance sheet. At the PWO Group, offsetting agreements relate only to derivative financial instruments whose framework agreements with the banks provide for offsetting in the event of default of the mutual receivables and liabilities at that time.

EURk

	2020	2019
FINANCIAL ASSETS		
Recognized gross amounts of financial assets	46,979	42,248
Netted gross amounts of financial liabilities	-480	-388
REPORTED NET AMOUNTS OF FINANCIAL ASSETS	**46,499**	**41,860**
of which derivatives	2,811	459
of which trade receivables	43,688	41,401
(Potentially) nettable due to framework agreement	-579	-459
(POTENTIAL) TOTAL NET AMOUNT OF FINANCIAL ASSETS	**45,920**	**41,401**
FINANCIAL LIABILITIES		
Recognized gross amounts of financial liabilities	-38,404	-47,264
Netted gross amounts of financial assets	388	82
REPORTED NET AMOUNTS OF FINANCIAL LIABILITIES	**-38,016**	**-47,182**
of which derivatives	-579	-3,967
of which trade payables	-30,103	-34,717
of which other financial liabilities	-7,334	-8,498
(Potentially) nettable due to framework agreement	579	459
(POTENTIAL) TOTAL NET AMOUNT OF FINANCIAL LIABILITIES	**-37,437**	**-46,723**

Liabilities of EURk 480 (p/y: EURk 388) were netted against financial assets and included outstanding credits to customers as of the reporting date. The assets netted against financial liabilities are receivables in the form of credits to suppliers in the amount of EURk 103 (p/y: EURk 82).

ADDITIONAL INFORMATION

27 RESEARCH AND DEVELOPMENT COSTS

Of the costs relating to development services of EURk 11,195 (p/y: EURk 9,532), EURk 1,002 (p/y: EURk 1,304) were capitalized under intangible assets and EURk 1,924 under contract assets.

28 AUDITOR'S FEE

The auditor's fee that was recognized as an expense according to Section 314 (1) no. 9 HGB consists of the following:

EURk

	2020	2019
Audit	227	204
Other assurance services	11	11
Tax consultancy services	18	150
Other services	0	56
TOTAL	**256**	**421**

As in the previous year, the auditor's fee did not consist of any non-periodic expenses. Other assurance services include the fee for the EMIR audit and assurance services related to the syndicated loan. The fees for other services in the previous year consisted primarily of technical support in connection with regulatory requirements. No other assurance and valuation services were utilized.

There was a change in the auditor in the reporting year. The fees shown in the table concern the new auditor, KPMG AG Wirtschaftsprüfungsgesellschaft; the figures for the previous year concern the previous auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

29 TOTAL REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

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

EURk

	2020	2019
Short-term remuneration [1]	1,240	1,600
Long-term remuneration	0	0
Post-employment benefits [2]	1,339	220
TOTAL	**2,579**	**1,820**

[1] This item includes basic annual salary, fringe benefits and variable remuneration.

[2] This item includes the service costs for pension entitlements and the fixed payments into a pension trust. In the reporting year, this item also includes a severance payment of EURk 1,100 to the departed Executive Board member Dr. Volker Simon.

The total remuneration of the Supervisory Board (short-term remuneration) amounted to EURk 292 (p/y: EURk 294). Loans and advances were not granted to members of governing bodies.

The group management report contains the remuneration report along with the individual remuneration of the Executive Board and Supervisory Board.

Pension payments to former members of the Executive Board of Progress-Werk Oberkirch AG and their surviving dependents amounted to EURk 239 (p/y: EURk 236). The corresponding pension provisions under IFRS amounted to EURk 4,456 (p/y: EURk 4,391) as of the reporting date.

30 RELATED PARTY DISCLOSURES

Progress-Werk Oberkirch AG is the parent company of the PWO Group and its subsidiaries listed in chapter 4. "Scope of consolidation." The main shareholder of Progress-Werk Oberkirch AG is Consult Invest Beteiligu-

ngsberatungs-GmbH, Böblingen, whose majority shareholder is Dr. Klaus-Georg Hengstberger. In the reporting year, there were no business transactions between the Group and Consult Invest Beteiligungsberatungs-GmbH, Böblingen, or its related parties.

Related parties of the PWO Group also include the members of the Executive Board and Supervisory Board of Progress-Werk Oberkirch AG and their close family members. Reportable compensation of management holding key positions according to IAS 24 is presented in Note 29. No other transactions occurred during the reporting year. The combined group management report contains the remuneration report along with the individual remuneration of the members of governing bodies according to Section 314 (1) No. 6a) sentence 5 HGB.

31 ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash funds reported in the cash flow statement comprise cash and cash equivalents. These include cash on hand and bank deposits with an initial term of less than 3 months, less any bank borrowings due on demand that are part of the Group's cash management and regularly feature fluctuation between credit and debit balances. Bank borrowings payable on demand amounting to EURk 10,687 (p/y: EURk 9,640) are included in the balance sheet item "current financial liabilities."

32 SEGMENT REPORTING

In line with the Group's internal management system, the individual production locations provide the basis for the segment reporting. The Group's main decision-making body is defined as the Executive Board of Progress-Werk Oberkirch AG. The segments are defined according to the location of the Group's assets. The revenues of these segments are also allocated according to the location of assets. The regions are categorized as Germany, the Czechia, Canada, Mexico, and China.

Earnings, assets, liabilities, depreciation and amortization among the individual segments are eliminated in the column titled "consolidation effects." The segment data is calculated in accordance with the accounting policies applied in the consolidated financial statements.

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

Of the reported revenue, four customers accounted for more than 10% of revenue as of December 31, 2020, amounting to EURk 66,171 and EURk 37,763 (mainly resulting from the structural components segment) and EURk 48,748 and EURk 47,639 (mainly resulting from the safety components and mechanical components segments). In the previous year, revenue of EURk 61,933, EURk 59,695, EURk 56,947 and EURk 51,618 also stemmed from four customers accounting for more than 10% of total sales.

SEGMENT INFORMATION BY REGION FOR FISCAL YEAR 2020

EURk

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

[1] Includes impairment of property, plant and equipment: EURk 4,520 in the Germany segment and EURk 116 in the Canada segment as well as goodwill impairment of EURk 969 in the Canada segment.

[2] Non-current assets do not include deferred taxes.

SEGMENT INFORMATION BY REGION FOR FISCAL YEAR 2019

EURk

	Germany	Czechia	Canada [1]	Mexico [1]	China	Consolidation effects	Group
Total revenue [2]	256,704	78,125	39,910	62,561	43,299	0	480,599
Inter-segment revenue	-14,445	-2,579	-19	-70	-4,945	0	-22,058
EXTERNAL REVENUE	**242,259**	**75,546**	**39,891**	**62,491**	**38,354**	**0**	**458,541**
TOTAL OUTPUT	**257,994**	**78,137**	**39,911**	**62,561**	**43,300**	**-22,058**	**459,845**
Other income (aggregated)	9,910	459	1,598	640	699	-5,074	8,232
Other expenses (aggregated)	244,382	66,829	40,192	56,589	37,868	-25,952	419,908
Depreciation and amortization	13,898	4,874	1,303	4,202	2,950	-1,180	26,047
EARNINGS BEFORE INTEREST AND TAXES (EBIT) BEFORE CURRENCY EFFECTS	**9,624**	**6,893**	**14**	**2,410**	**3,181**	**0**	**22,122**
EARNINGS BEFORE INTEREST AND TAXES (EBIT) INCLUDING CURRENCY EFFECTS	**7,592**	**6,847**	**-19**	**2,375**	**3,051**	**0**	**19,846**
Interest income	4,855	0	7	0	4	-4,653	213
Dividend distributions from affiliated companies	5,000	0	0	0	0	-5,000	0
Interest expenses	5,499	1,054	345	2,605	2,251	-4,653	7,101
EARNINGS BEFORE TAXES (EBT)	**11,948**	**5,793**	**-357**	**-230**	**804**	**-5,000**	**12,958**
Income taxes [2]	3,130	883	-94	0	-12	0	3,907
NET INCOME/LOSS FOR THE PERIOD	**8,818**	**4,910**	**-263**	**-230**	**816**	**-5,000**	**9,051**
Assets	198,463	85,954	34,407	64,325	55,756	-45,599	393,306
of which non-current assets [3]	74,318	59,619	14,232	33,898	30,815	-69	212,813
of which contract assets	40,684	9,686	9,903	17,311	8,280	0	85,864
Liabilities	40,337	34,231	18,532	56,814	62,706	61,157	273,777
Capital expenditures	14,468	12,380	2,182	6,765	3,536	0	39,331

[1] Previously combined in the "North America" segment.

[2] Adjusted due to change in accounting (see Note 5, chapter "contract assets").

[2] Non-current assets do not include deferred taxes.

The following table shows the breakdown of external revenues into the three strategic product areas. The product areas are discussed in the group management report in the section "Group Principles."

SEGMENT INFORMATION BY PRODUCT AREA
REVENUE

EURk

	2020	2019 after adjustment [1]	2019 before adjustment
Mechanical components for electrical and electronic applications	81,391	99,558	99,576
Safety components for airbags, seats and steering	111,576	140,687	140,712
Structural components and subsystems for vehicle bodies and chassis	178,187	218,296	218,336
TOTAL	**371,154**	**458,541**	**458,624**

[1] Prior-year adjusted due to change in accounting (see Note 5, chapter "contract assets").

33 DECLARATION OF CONFORMITY WITH GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Conformity with the German Corporate Governance Code in its versions of February 7, 2017 and December 16, 2019 submitted in December 2020 by the Executive Board and Supervisory Board pursuant to Section 161 AktG is permanently available to shareholders on the Company's website at www.progress-werk.de/en/group/corporate-governance/.

34 SUBSEQUENT EVENTS

On February 16, 2021, PWO announced in an ad hoc release that it had expanded its financial scope with KfW financing. There are now additional funds of EUR 30 million from a KfW special program available, thereby increasing the free credit lines. This has created a financial framework which, on the one hand, allows the Group to consistently pursue its expansion and, on the other hand, to be able to appropriately counter the uncertainties associated with a possibly prolonged corona pandemic.

35 COMPOSITION AND MANDATES OF SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

Karl M. Schmidhuber, Alzenau | Chairman of the Supervisory Board
Former Chief Executive Officer of Progress-Werk Oberkirch AG

Not a member of any other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises

Dr. Georg Hengstberger, Tübingen | Deputy Chairman of the Supervisory Board
Master's degree in mathematics, Managing Director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen

Membership in other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises
- Düker GmbH, Karlstadt | Chairman of the Supervisory Board and member of the Advisory Board
- Düker Email Technologie GmbH, Laufach | Chairman of the Advisory Board

Carsten Claus, Aidlingen
Former Chairman of the Management Board of Kreissparkasse Böblingen

Not a member of any other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises

Herbert König, Renchen | Employee Representative
Industrial Clerk and Chairman of the Works Council of Progress-Werk Oberkirch AG

Not a member of any other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises

Dr. Jochen Ruetz, Stuttgart
Managing Director/CFO and member of the Administrative Board of GFT Technologies SE, Stuttgart

Membership in other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises
- G. Elsinghorst Stahl und Technik GmbH, Bocholt | Member of the Supervisory Board

Gerhard Schrempp, Renchen | Employee Representative
Buying agent for stamping and forming tools and Member of the Works Council of Progress-Werk Oberkirch AG

Not a member of any other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises

Dieter Maier, Stuttgart | Honorary Chairman of the Supervisory Board
Former Member of the Executive Board of the Baden-Württembergische Bank AG, Stuttgart (Chairman of the Supervisory Board of Progress-Werk Oberkirch AG from 1989 until 2016)

EXECUTIVE BOARD

Carlo Lazzarini, Bergisch-Gladbach | CEO
(Member of the Executive Board as of September 1, 2020; CEO as of September 5, 2020)

Membership in other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises
- PWO Canada Inc., Kitchener, Canada | Member of the Board of Directors (as of September 1, 2020)
- PWO Czech Republic a.s., Valašské Meziříčí, Czechia | Member of the Supervisory Board (as of September 1, 2020)
- PWO Holding Co., Ltd., Hong Kong, China | Director (as of September 15, 2020)
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China | Chairman of the Board of Directors (as of September 11, 2020)
- PWO de México S.A. de C.V., Puebla, Mexiko | Chairman of the Board of Directors (as of September 1, 2020)

Dr. Cornelia Ballwießer, Munich | CFO
(Member of the Executive Board as of November 1, 2020; CFO as of January 1, 2021)

Membership in other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises
- PWO Canada Inc., Kitchener, Canada | Member of the Board of Directors (as of January 1, 2021)
- PWO Czech Republic a.s., Valašské Meziříčí, Czechia | Chairman of the Supervisory Board (as of January 1, 2021)
- PWO Holding Co., Ltd., Hong Kong, China | Director (as of December 7, 2020)
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China | Member of the Board of Directors (as of January 14, 2021)
- PWO de México S.A. de C.V., Puebla, Mexico, Member of the Board of Directors (as of January 1, 2021)

Bernd Bartmann, Schutterwald | CFO
(until December 31, 2020)

Johannes Obrecht, Oberkirch | COO

Not a member of any other statutory supervisory boards in Germany and comparable domestic and foreign supervisory bodies of commercial enterprises

Dr. Volker Simon, Offenburg | CEO
(until September 4, 2020)

36 PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

As Progress-Werk Oberkirch AG's annual financial statements as of December 31, 2020 show an unappropriated retained loss for the 2020 fiscal year, which will be carried forward to the new fiscal year, no resolution on the appropriation of retained earnings/losses is to be passed by this year's Annual General Meeting. Consequently, the proposal for the appropriation of retained earnings/losses is not applicable.

Oberkirch, March 25, 2021

Progress-Werk Oberkirch AG

The Executive Board

Carlo Lazzarini
(CEO)

Dr. Cornelia Ballwießer
(CFO)

Johannes Obrecht
(COO)

INDEPENDENT AUDITOR'S REPORT

To Progress-Werk Oberkirch Aktiengesellschaft

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

AUDIT OPINION

We have audited the consolidated financial statements of Progress-Werk Oberkirch AG, Oberkirch, and its subsidiaries ("Group"), consisting of the consolidated balance sheet as of December 31, 2020, and the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2020, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1 to December 31, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of Progress-Werk Oberkirch AG for the fiscal year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not reviewed the content of the components of the combined management report referred to in the "Other information" section of our audit opinion.

In our opinion and based on our audit findings

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as applicable in the EU and the supplementary provisions of German commercial law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2020 and its results of operations for the fiscal year from January 1 to December 31, 2020, in accordance with these requirements; and

- the accompanying combined management report as a whole provides an accurate view of the Group's position. The combined management report is consistent with the consolidated financial statements in all material respects, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the content of the components of the combined management report listed in the section "Other information."

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to the regularity of the consolidated financial statements and the combined management report.

BASIS FOR AUDIT OPINION

We conducted our audit of the consolidated financial statements and combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation") and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and group management report" section of our audit report. We are independent of the Group companies in accordance with the requirements of European Union law, German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

THE RECOVERABILITY OF THE GOODWILL OF THE CASH-GENERATING UNITS PWO CZECH REPUBLIC AND PWO CANADA AND THE RECOVERABILITY OF THE TECHNICAL EQUIPMENT AND MACHINERY AND LAND AND BUILDINGS OF PWO CANADA

For information on the accounting policies applied and the assumptions used, please refer to Note 5 in the notes to the consolidated financial statements. For information on the amount of goodwill and the amount of impairment losses recognized on goodwill, please refer to Note 5 ("Intangible assets"). For information on the amount of the Group's land, buildings, technical equipment and machinery and the amount of impairment losses recognized, please refer to Note 16. Explanations on the economic development of the cash-generating units PWO Czech Republic and PWO Canada can be found in the combined management report in the sections "Report on Business Development" and "Report on Forecasts and Outlook."

THE RISK TO THE FINANCIAL STATEMENTS

Goodwill before impairment amounted to EUR 5.4 million as of December 31, 2020, of which EUR 4.3 million is allocated to the cash-generating unit PWO Czech Republic and EUR 1.0 million to the unit PWO Canada. The impairment of goodwill of the cash-generating unit PWO Canada recognized in the reporting year amounted to EUR 1.0 million.

The Group's land and buildings amounted to EUR 76.5 million as of December 31, 2020, and technical equipment and machinery amounted to EUR 91.5 million. Combined, at 160.8% of the Group's equity, these have a significant impact on the net assets. Impairment of technical equipment and machinery recognized for the PWO Canada unit in fiscal year 2020 amounted to EUR 0.1 million.

Goodwill is tested for impairment annually at the level of the two cash-generating units PWO Czech Republic and PWO Canada. If there are indications of impairment during the year, an impairment test is also carried out on an ad hoc basis. For the impairment test, the carrying amount is compared with the recoverable amount of the respective cash-generating unit. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. The impairment test is performed as of December 31, 2020.

The impairment test for goodwill is complex and, with regard to the assumptions made, depends to a large extent on estimates and judgments made by the Company. These include, among other things, the estimation of the future development of revenue and cash flows of the cash-generating units for the next five years, the assumed long-term growth rates and the discount rates used.

In fiscal year 2020, the economic market environment of the cash-generating units PWO Canada and PWO Czech Republic deteriorated significantly. In addition to the COVID-19-related declines in unit sales by automotive manufacturers, falling purchase volumes, in particular, are having a negative impact on the future business and earnings prospects of the two cash-generating units. The impairment test performed for the PWO Czech Republic unit did not reveal any need for impairment of its goodwill. Impairment losses of EUR 1.0 million were recognized on the goodwill of PWO Canada, which is therefore fully written off. The remaining impairment need is allocated pro rata to the other assets of the entity based on the carrying amounts of each asset, but not below its fair value less costs to sell. As a result, the Company determined the fair values less costs to sell of the individual assets for the technical equipment and machinery as well as the land and buildings of the cash-generating unit PWO Canada as of the reporting date and compared them with their carrying amounts and the allocated impairment loss.

The determination of fair value less costs to sell for technical equipment and machinery and land and buildings is complex and based on a number of discretionary assumptions. In the case of land and buildings, these specifically include the underlying recoverable rents and economic useful lives. In the case of technical equipment and machinery, the underlying economic useful lives, discounts for technological obsolescence, and an economic discount are highly discretionary.

If the earnings outlook for PWO Czech Republic were to deteriorate more than expected, or if there were an increase in the capitalization rate, an impairment loss would also have to be recognized for this unit.

There is a risk for the consolidated financial statements that the goodwill of PWO Czech Republic existing as of the reporting date, as well as the land and buildings and the technical equipment and machinery of the cash-generating unit PWO Canada, are not recoverable. There is also a risk that the disclosures in the notes related to the impairment are not appropriate.

OUR AUDIT APPROACH

We first obtained an understanding of the Company's process for assessing the recoverability of goodwill and the determination of fair value less costs to sell through explanations provided by the investment controlling department and an assessment of the documentation.

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions, as well as the calculation method of the impairment tests of the cash-generating units performed by an independent expert engaged by the parent company. For this purpose, we discussed the expected revenue development and cash flows, as well as the assumed long-term growth rates with the persons responsible for planning. We also performed reconciliations with other internally available forecasts and the budget prepared by the legal representatives and approved by the Supervisory Board. In addition, we assessed the consistency of the assumptions with external market estimates.

In addition, we examined the past forecasting performance of the companies by comparing forecasts from previous fiscal years with actual results and analyzing deviations. We compared the assumptions and data underlying the capitalization rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with the involvement of our valuation specialists, with our own assumptions and publicly available data.

In order to ensure the mathematical accuracy of the valuation method used, we reconstructed the Company's calculations on the basis of elements selected on a risk-oriented basis.

In order to account for the existing forecast uncertainty, we examined the effects of possible changes in the capitalization rate, the expected cash flows on the recoverable amount by calculating alternative scenarios and comparing them with the valuation results of the Company (sensitivity analysis).

Furthermore, with the involvement of our valuation specialists, we assessed the mathematical accuracy and IFRS compliance of the valuation method used by the independent experts commissioned by the Company to determine the fair values less costs to sell for the technical equipment and machinery and the land and buildings of the cash-generating unit PWO Canada. For the valuation of the land and buildings, we assessed the appropriateness of the significant assumptions incorporated therein using external market assessments and publicly available data, and for the technical equipment and machinery, we assessed the impact of possible changes in the discount for technological obsolescence and the economic discount using alternative scenarios calculated by the Company. We compared the Company's valuation results with our own calculation of an alternative scenario.

Finally, we assessed whether the disclosures in the notes on impairment are appropriate.

OUR CONCLUSIONS

The calculation method used for the impairment test of the goodwill of the cash-generating units PWO Czech Republic and PWO Canada is appropriate and consistent with the applicable valuation principles.

The approach used in the impairment test for land and buildings and for technical equipment and machinery, including the valuation method, is in line with the valuation principles. The assumptions and data used by the companies are appropriate. The related disclosures in the notes are appropriate.

THE RECOVERABILITY OF PWO GERMANY'S LAND AND BUILDINGS AND TECHNICAL EQUIPMENT AND MACHINERY

For information on the accounting policies applied and the assumptions used, please refer to Note 5 in the notes to the consolidated financial statements. For information on the carrying amounts of land and buildings and technical equipment and machinery in the Group and on the amount of impairment losses recognized, please refer to Note 16. Explanations on the economic development of PWO Germany can be found in the combined management report in the sections "Report on Business Development" and "Report on Forecasts and Outlook."

THE RISK TO THE FINANCIAL STATEMENTS

As of December 31, 2020, the Group's land and buildings amounted to EUR 76.5 million, and its technical equipment and machinery amounted to EUR 91.5 million, representing 160.8% of the Group's equity, thereby having a significant impact on its net assets. The impairment recognized for PWO Germany in fiscal year 2020 amounted to EUR 3.5 million for land and buildings and EUR 1.1 million for technical equipment and machinery.

If there are indications of impairment, an ad hoc impairment test is carried out. As a result of the corona-related partial plant closures, the Company therefore determined the recoverable amount for PWO Germany as of the reporting date. If the carrying amount is higher than the recoverable amount, an impairment loss is recognized. For technical equipment and machinery and land and buildings, the fair value less costs to sell was determined as the recoverable amount and compared with the carrying amounts. Fair value less costs to sell is determined at the level of the individual asset.

The impairment test of land and buildings and technical equipment and machinery is complex and based on a number of discretionary assumptions. In the case of land and buildings, these specifically include the underlying recoverable rents and the economic useful lives. In the case of technical equipment and machinery, the underlying useful lives, discounts for technological obsolescence and an economic discount are highly discretionary.

There is a risk for the consolidated financial statements that the land and buildings and the technical equipment and machinery of PWO Germany are not recoverable. There is also a risk that the disclosures in the notes related to the impairment are not appropriate.

OUR AUDIT APPROACH
We obtained an understanding of the Company's process for identifying indications of impairment and determining fair values less costs to sell through explanations from accounting personnel and an assessment of the Group's accounting policy.

Furthermore, with the involvement of our valuation specialists, we assessed the mathematical accuracy and IFRS compliance of the valuation method used by the independent experts commissioned by the Company to determine the fair values less costs to sell. For the valuation of the land and buildings, we assessed the appropriateness of the significant assumptions incorporated therein using external market assessments and publicly available data, and for the technical equipment and machinery, we assessed the impact of possible changes in the discount for technological obsolescence and the economic discount using alternative scenarios calculated by the Company. We compared the Company's valuation results with our own calculation of an alternative scenario.

Finally, we assessed whether the disclosures in the notes regarding impairment are appropriate.

OUR CONCLUSIONS
The approach underlying the impairment test for land and buildings and for technical equipment and machinery of the cash-generating unit PWO Germany, including the valuation method, is in line with the valuation principles. The assumptions and data used by the Company are appropriate. The related disclosures in the notes are appropriate.

RECOGNITION AND MEASUREMENT OF THE RESTRUCTURING PROVISION
For information on the accounting methods applied, please refer to Note 5 to the consolidated financial statements. Information on the restructuring measures and the restructuring provision can be found in the combined management report in the section "Report on Business Development."

THE RISK TO THE FINANCIAL STATEMENTS
As of December 31, 2020, a restructuring provision of EUR 8.0 million was recognized in the consolidated financial statements of Progress-Werk Oberkirch AG.

Provisions for restructuring measures must be recognized if the general and specific recognition requirements of the relevant provisions are met. The measurement of the restructuring provision, which is significant in terms of amount, depends to a large extent on the estimates and assumptions made by the Company's legal representatives, in particular with regard to the form of the social plans, the severance amounts and the release of employees.

The risks for the consolidated financial statements are that the requirements for recognizing the restructuring provision are not met or that the restructuring provision is measured incorrectly.

OUR AUDIT APPROACH
As part of our audit, we first assessed whether the recognition criteria were met as of December 31, 2020. In particular, we assessed whether a detailed formal restructuring plan was available and whether the main elements of the restructuring measures had been communicated to the affected employees or whether implementation of the restructuring measures had begun.

We then obtained an explanation from the legal representatives of the assumptions on which the measurement of the restructuring provision was based. We assessed the consistency of the assumptions with the detailed formal restructuring plans. We also compared the assumptions with previously implemented restructuring measures and critically assessed them.

To ensure the mathematical accuracy, we have reconstructed the Company's calculations on the basis of elements selected on a risk-oriented basis.

OUR CONCLUSIONS

The assumptions made by the legal representatives are appropriate.

ACCRUAL OF REVENUES
For information on the accounting principles applied, please refer to Note 5 to the consolidated financial statements and the explanations in Note 7.

THE RISK TO THE FINANCIAL STATEMENTS
The Group's revenue in the 2020 fiscal year amounted to EUR 371.2 million.

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good to a customer. An asset is considered transferred when the customer obtains control of the asset. In accordance

with the transfer of control, revenue is recognized either at a point in time or over a period at the amount to which the Group expects to be entitled.

The Group's performance creates an asset that has no alternative use to the Group, and the Group has a legal right to payment for services already rendered, including an appropriate margin. Based on the existence of this criterion, management has determined that the performance obligations will be satisfied over a period of time and therefore revenue is recognized over time.

The legal representatives of Progress-Werk Oberkirch AG have presented the criteria for revenue recognition in a group-wide accounting policy and implemented processes for correct recognition and accrual.

Due to the use of different methods for measuring the progress of work, there is a risk for the financial statements that revenues are recognized incorrectly or in the wrong amount as of the reporting date.

OUR AUDIT APPROACH
We obtained an understanding of the industry-specific contract designs and components by obtaining explanations from the legal representatives and employees of the accounting, sales and controlling departments. Furthermore, based on our obtained process understanding, we assessed the design, set-up and effectiveness of identified internal controls, in particular with regard to ensuring the existence of customer contracts, the correct identification of margins and the determination of performance progress. We also assessed the presentation of revenue recognition in the Group-wide accounting policy for compliance with IFRS 15.

On the basis of a randomly selected sample of the contract assets, we assessed whether the requirements for the recognition of revenue over time are met by means of the related contracts and evaluated the appropriate implementation of the accounting policy.

We have satisfied ourselves regarding the quantity structure of the contract assets on the basis of a randomly selected sample. In addition, we used a randomly selected sample to check whether the stage of completion had been determined correctly and the transaction price had been taken into account correctly.

Based on our findings, we assessed the recognition of the contract assets in the balance sheet and in the income statement.

OUR CONCLUSIONS
The Group's approach for recognizing revenue over time as of the reporting date is appropriate. The assumptions underlying the accounting are appropriate.

OTHER INFORMATION

The legal representatives and the Supervisory Board are responsible for the other information. Other information comprises the following components of the combined management report that have not been audited for content:

- the combined separate non-financial report, to which reference is made in the combined management report, and
- the combined statement on corporate governance, to which reference is made in the combined management report.

Other information additionally includes the other remaining parts of the annual report.

Other information does not include the consolidated financial statements, the management report disclosures audited for content, or our audit opinion thereon.

Our audit opinion of the consolidated financial statements and the combined management report does not include the other information and, therefore, we do not express an audit opinion or any other form or audit conclusion on these sections.

As part of our audit, we are responsible for reading and assessing whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report disclosures audited for content, and our knowledge obtained during the audit,
- or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT
The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with IFRS as applicable in the EU and the supplementary requirements of German commercial law pursu-

ant to Section 315e (1) HGB in all material respects. They are also responsible for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial positions and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. The legal representatives are also responsible for disclosing, as applicable, matters related to going concern. In addition, the legal representatives are responsible for ensuring that accounting is performed on a going concern basis unless the intention is to liquidate the Group or cease operations, or when there is no other realistic alternative to doing so.

The legal representatives are also responsible for preparing the combined management report, which, as a whole, provides an accurate view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for such arrangements and measures (systems) as they deem necessary to enable the preparation of a combined management report in compliance with the applicable requirements of German commercial law and to provide sufficient and appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process used in preparing the consolidated financial statements and the combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatements due to either fraud or error; whether the combined management report, as a whole, provides an accurate view of the Group's position and is consistent in all material respects with the consolidated financial statements and our audit findings and complies with German statutory requirements; suitably presents the opportunities and risks of future development, and finally, to issue an auditor's report that includes our opinion of the consolidated financial statements and 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 Audit Regulation and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if individually or together 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.

As part of our audit, we exercise professional judgment and maintain a critical stance throughout the audit. We also

- identify and assess the risk of material misstatements in the consolidated financial statements and the combined management report from either 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal controls;

- obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the combined management report, to design audit procedures that are appropriate for the circumstances but not to express an opinion on the effectiveness of these systems of the Company;

- evaluate the appropriateness of the accounting policies used, as well as the feasibility of accounting estimates and related disclosures made by the legal representatives;

- make a conclusion as to the appropriateness of the legal representatives' 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 to this fact in our auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our particular opinion. 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 continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the Group's net assets, financial position, and results of operations in accordance with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the combined management report, maintain responsibility for the direction, supervision and performance of the Group audit and remain solely responsible for our audit opinion;

- evaluate the consistency of the combined management report with the consolidated financial statements, its legal compliance and the presentation of the Group's position; and

- perform audit procedures on the prospective information presented by the legal representatives in the combined management report. Based on sufficient and appropriate audit evidence, we hereby, in particular, review the significant assumptions used by the legal representatives as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly 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 relevant ethical requirements regarding independence and communicate with them all relationships or other matters that may reasonably be thought to have a bearing on our independence or any related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance during the audit of the consolidated financial statements of the current period and, therefore, represent the key audit matters. We describe these matters in our auditor's report unless laws or other legal provisions preclude public disclosures on the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR THE PURPOSE OF DISCLOSURE IN ACCORDANCE WITH SECTION 317 (3B) HGB

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the attached file "20210323_progresswerk_187929_Konzernabschluss. zip" (SHA256 hash value: cc7c01179e0075e94ff- 087b371a5d90f904b4e501bfb8cc5be63be83a29d3b69) and prepared for the purpose of disclosure of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") comply with the requirements of Section 328 (1) HGB regarding the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit extends only to the conversion of the information of the consolidated financial statements and the combined management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the attached file referred to above and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We do not express any opinion on the information contained in these reproductions or on the other information contained in the abovementioned file other than this opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2020 contained in the preceding "Report on the Audit of the Consolidated Financial Statements and Combined Management Report."

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the abovementioned attached file in accordance with Section 317 (3b) HGB and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3b) HGB (IDW EPS 410). Our responsibility thereunder is further described below. Our auditing firm has applied the quality

assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

The Company's legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the labelling of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the HGB.

Furthermore, the Company's legal representatives are responsible for the internal controls that they determine are necessary to enable the preparation of the ESEF documents that are free from material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Company's legal representatives are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and audited combined management report as well as other disclosable documents to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of 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. During the audit, we exercise professional judgment and maintain a critical attitude. Our additional objectives are to

- identify and assess the risks of material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- gain an understanding of internal control relevant to the audit of the ESEF documents 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 those controls.

- evaluate the technical validity of the ESEF documentation, i.e., whether the file containing the ESEF documentation complies with the technical specification requirements for that file as set out in Delegated Regulation (EU) 2019/815, as applicable at the reporting date.

- assess whether the ESEF documents allow for a consistent XHTML reproduction of the audited consolidated financial statements and the audited combined management report.

- assess whether the labelling of ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

OTHER DISCLOSURES PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were appointed as group auditors at the Annual General Meeting held on July 28, 2020 and commissioned by the Supervisory Board on September 22, 2020. We have been engaged as group auditors of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, since the 2020 fiscal year.

We declare that the audit opinion in this auditor's report is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the engagement is Jack Cheung.

Stuttgart, March 25, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Cheung	Laubert
Auditor	Auditor

RESPONSIBILITY STATEMENT

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

Oberkirch, March 25, 2021

The Executive Board

Carlo Lazzarini
(CEO)

Dr. Cornelia Ballwießer
(CFO)

Johannes Obrecht
(COO)

FURTHER INFORMATION

Our PWO location in Kitchener, Ontario, Canada

PWO GROUP
FIVE-YEAR OVERVIEW OF KEY FIGURES

	2020	2019 adjusted [1]	2018	2017	2016
INCOME STATEMENT (EURK)					
Revenue [1]	371,154	458,541	476,267	461,008	409,612
Total output	372,156	459,845	478,012	483,107	423,534
EBITDA	21,169	45,893	42,701	44,956	44,646
EBIT before currency effects	-8,123	22,122	19,575	23,358	21,598
EBIT including currency effects	-10,099	19,846	18,427	20,527	19,725
Net income/loss for the period	-11,662	9,051	6,640	10,059	9,522
BALANCE SHEET (EURK)					
Total assets	363,654	393,306	390,046	393,725	359,419
Equity	104,464	119,529	116,450	113,116	106,536
Net debt [2]	102,484	132,473	131,359	125,888	124,458
Equity ratio in %	28.7	30.4	29.9	28.7	29.6
Dynamic leverage ratio in years [3]	4.8	2.9	3.1	2.8	2.8
CASH FLOWS (EURK)					
Cash flow from operating activities	49,197	47,948	38,451	38,314	46,304
Cash flow from investing activities	-13,471	-27,820	-25,605	-29,261	-28,803
Free cash flow	29,096	14,952	8,070	4,332	13,049
Net change in cash and cash equivalents	3,484	-14,218	4,658	12,825	-4,452

[1] Prior year adjusted due to change in accounting (see Note 5, chapter "Contract assets").
[2] Total of current and non-current financial liabilities less cash and cash equivalents.
[3] Net debt/EBITDA.

	2020	2019	2018	2017	2016
ORDER SITUATION (EUR MILLION)					
Lifetime volume (new business)	400	510	304	300	730
thereof series orders	370	475	280	281	680
thereof tool orders	30	35	24	19	50
NUMBERS PER SHARE (EUR)					
Earnings per share (diluted = basic)	-3.73	2.90	2.12	3.22	3.05
Dividend per share	0.00 [1]	0.00	1.35	1.65	1.60
XETRA share price, year-end	19.40	24.30	24.50	46.51	39.99
EMPLOYEES (AS OF DEC. 31)					
PWO Group (incl. temporary employees and trainees)	3,093	3,208	3,426	3,404	3,229
thereof in Germany	1,419	1,531	1,656	1,645	1,538
thereof at international locations	1,674	1,677	1,770	1,759	1,691

[1] As a result of the unappropriated retained loss, the proposal for the appropriation of retained earnings to the ordinary Annual General Meeting is not applicable.

FINANCIAL CALENDAR

May 10, 2021	Quarterly Statement for the First Quarter of 2021
May 19, 2021	Annual General Meeting 2021
August 02, 2021	Interim Financial Report 2nd Quarter and Half-Year 2021
November 03, 2021	Quarterly Statement 3rd Quarter and 9 Months 2021
November 22, 2021 – November 24, 2021	German Equity Forum, Frankfurt

IMPRINT

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DESIGN
Title, Equity Story, Separator Pages
Mutants of Advertising Werbeagentur
moa.rocks

Figures in this annual report are typically presented in EURk and EUR million. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. For reasons of better readability, gender-neutral as well as gender-specific forms are used. Hereby all genders are expressly meant.

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