

REMUNERATION REPORT

The remuneration report presents the Management and Supervisory Boards' remuneration pursuant to the provisions of the German Commercial Code (HGB), the German Accounting Standards (GAS 17) and the recommendations of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017.

REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD

The Supervisory Board determines the remuneration system for the Management Board, as well as the total remuneration for the individual Management 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 Management 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 twelve equal monthly payments, non-cash benefits, pension benefits and contributions to build up a private pension.

The system of performance-related remuneration for the members of the Management Board was redesigned in the 2018 fiscal year. The previous one-year variable and multi-year variable components have been combined into one remuneration component and continues to be measured against the Group's net income for the period which, in the opinion of the Supervisory Board, reflects the combined performance of the Management Board and the workforce to secure jobs at the Company and the ability to pay a dividend. The calculation 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 Management Board and is due for payment upon the adoption of the annual financial statements of the new fiscal year under this calculation basis.

The existing 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 Management Board members. Starting as of the 2018 fiscal year, 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.

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

Management Board member Bernd Bartmann 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 Management 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.

Management Board members Dr. Volker Simon and Johannes Obrecht are not entitled to pension benefits but, as set out in their Management Board contracts, instead receive a fixed annual benefit for a private retirement scheme that is also paid by the Company, at the request of both gentlemen, directly into a pension trust.

The Company has concluded a financial loss liability insurance policy (D&O insurance) for the members of the

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MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GAS 17 ACCOUNTING STANDARD

EURK

	Dr. Volker Simon (CEO)		Bernd Bartmann		Johannes Obrecht		Total remuneration	
	2019	2018	2019	2018	2019	2018	2019	2018
FIXED REMUNERATION								
Basic annual salary	276	270	234	216	192	192	702	678
Fringe benefits	25	25	34	34	17	19	76	78
TOTAL	301	295	268	250	209	211	778	756
PERFORMANCE-RELATED REMUNERATION								
NEW REMUNERATION SYSTEM¹								
Variable remuneration	292	240	219	180	185	--	696	420
PREVIOUS REMUNERATION SYSTEM								
One-year variable remuneration	--	--	--	--	--	65	--	65
Multi-year variable remuneration	--	--	--	--	--	86	--	86
TOTAL	292	240	219	180	185	151	696	571
TOTAL REMUNERATION	593	535	487	430	394	362	1.474	1.327

¹ The new remuneration system is applicable for Dr. Volker Simon and Bernd Bartmann as of January 1, 2018; for Johannes Obrecht as of January 1, 2019.

Management Board. This policy has a deductible of 10 percent of the loss up to the amount of one and a half times the Management Board member's fixed remuneration.

The current Management Board contracts stipulate that when a Management Board member's contract is terminated prematurely, any payments to members, including fringe benefits, shall not exceed the value of two 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 Management 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 Management 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 Management Board member.

The Personnel Committee of the Supervisory Board regularly reviews the remuneration system for the Management Board in preparation for the resolution of the plenary. As previously mentioned, the last review was conducted in the 2018 fiscal year.

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	
	2019	2018	2019	2018	2019	2018
Dr. Volker Simon, CEO	0	0	0	0	0	0
Bernd Bartmann ²	72	72	1.603	1.308	94	107
Johannes Obrecht	0	0	0	0	0	0
TOTAL	72	72	1.603	1.308	94	107

¹ With the pension event occurring at the age of 65 on the basis of the entitlements acquired up to December 31, 2019.

² The allocation to the pension provision for Mr. Bartmann does not include the fixed annual payment of EURk 20 agreed made to a pension trust in addition to the pension commitment.

MANAGEMENT BOARD REMUNERATION IN ACCORDANCE WITH THE GAS 17 ACCOUNTING STANDARD

The total Management Board remuneration for the 2019 fiscal year amounted to EURk 1,474 (p/y: EURk 1,327). This includes performance-based remuneration of EURk 696 (p/y: EURk 571). Added to this amount were non-cash benefits of EURk 76 (p/y: EURk 78), which mainly consisted of company cars, phone bills, insurance premiums and non-cash benefits. The table on page 38 shows the individual remuneration of the Management Board members.

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

There are no pension entitlements for the benefit of Dr. Volker Simon or Johannes Obrecht. To establish a private pension plan, Dr. Simon and Mr. Obrecht instead receive fixed annual payments of EURk 50 and EURk 40, respec-

tively, which the Company pays directly into a pension fund at the request of both gentlemen. A fixed annual benefit of EURk 20 for Bernd Bartmann was agreed in addition to the pension commitment. The payment is also made directly to a pension trust at the request of Bernd Bartmann.

The table above shows the individual expenses for pensions.

Former Management Board members and their surviving dependents have received pension payments amounting to EURk 236 (p/y: EURk 233) during the reporting year. The corresponding pension provisions amounted to EURk 4,391 (p/y: EURk 4,107) on December 31, 2019.

A provision amounting to EURk 1,034 (p/y: EURk 884) was recognized in the 2019 fiscal year for current pensions and entitlements for former members of the Management Board.

In the event of termination of employment, no other benefits were promised to any member of the Management Board. In the 2019 fiscal year, no members of the Management Board had received any payments or promises from a third party in connection with their work as Management Board members.

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MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GCGC: TABLE BENEFITS GRANTED DURING THE REPORTING YEAR

EURk

	Dr. Volker Simon (CEO) Market and Technology Entry: 01/07/2014				Bernd Bartmann Administration and Finance Entry: 01/01/2005				Johannes Obrecht Production and Materials Entry: 01/07/2016			
	2018	2019	2019	2019	2018	2019	2019	2019	2018	2019	2019	2019
			Min.	Max.			Min.	Max.			Min.	Max.
Fixed remuneration	270	276	--	--	216	234	--	--	192	192	--	--
Fringe benefits	25	25	--	--	34	34	--	--	19	17	--	--
TOTAL	295	301	--	--	250	268	--	--	211	209	--	--
Discretionary bonus ¹	-60	0	--	100	-48	0	--	80	-48	0	--	80
NEW REMUNERATION SYSTEM²												
Variable remuneration (2017-2019)	--	355	--	500	--	266	--	400	--	225	--	400
Variable remuneration (2016-2018)	456	--	--	--	342	--	--	--	--	--	--	--
PREVIOUS REMUNERATION SYSTEM												
One-year variable remuneration	--	--	--	--	--	--	--	--	140	--	--	--
Multi-year variable remuneration (2017-2018)	--	--	--	--	--	--	--	--	158	--	--	--
TOTAL	396	355	--	--	294	266	--	--	250	225	--	--
Pension expenses ³	50	66	--	--	127	114	--	--	40	40	--	--
TOTAL REMUNERATION	741	722	--	--	671	648	--	--	501	474	--	--

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 The new remuneration system is applicable for Dr. Volker Simon and Bernd Bartmann as of January 1, 2018; for Johannes Obrecht as of January 1, 2019.

³ The pension expenses include payments into a pension trust (Dr. Simon: EUR 50k for 2018 / EUR 66k for 2019; Mr. Bartmann: EUR 20k; Mr. Obrecht: EUR 40k).

MANAGEMENT BOARD REMUNERATION IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to the recommendations of the German Corporate Governance Code as amended on February 7, 2017, both the benefits granted and the payments are presented using the sample tables.

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 payments to a pension trust in addition to the pension commitments are also included.

The total remuneration granted to the Management Board in accordance with the German Corporate Governance Code reached EURk 1,844 (p/y: EURk 1,913) for the 2019 fiscal year.

The total remuneration paid to the Management Board in accordance with the German Corporate Governance Code reached EURk 1,694 (p/y: EURk 1,388) for the 2019 fiscal year).

MANAGEMENT BOARD REMUNERATION ACCORDING TO THE GCGC: TABLE BENEFITS PAID DURING THE REPORTING YEAR

EURk

	Dr. Volker Simon (CEO) Market and Technology Entry: 01/07/2014		Bernd Bartmann Administration and Finance Entry: 01/01/2005		Johannes Obrecht Production and Materials Entry: 01/07/2016	
	2018	2019	2018	2019	2018	2019
Fixed remuneration	270	276	216	234	192	192
Fringe benefits	25	25	34	34	19	17
TOTAL	295	301	250	268	211	209
Discretionary bonus ¹	-60	0	-48	0	-48	0
NEW REMUNERATION SYSTEM ²						
Variable remuneration (2017-2019)	--	292	--	219	--	185
Variable remuneration (2016-2018)	240	--	180	--	--	--
PREVIOUS REMUNERATION SYSTEM						
One-year variable remuneration	--	--	--	--	65	--
Multi-year variable remuneration (2017-2018)	--	--	--	--	86	--
TOTAL	180	292	132	219	103	185
Pension expenses ³	50	66	127	114	40	40
TOTAL REMUNERATION	525	659	509	601	354	434

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 The new remuneration system is applicable for Dr. Volker Simon and Bernd Bartmann as of January 1, 2018; for Johannes Obrecht as of January 1, 2019.

³ The pension expenses include payments into a pension trust (Dr. Simon: EUR 50k for 2018 / EUR 66k for 2019; Mr. Bartmann: EUR 20k; Mr. Obrecht: EUR 40k).

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

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EURk

	Fixed remuneration		Attendance fees		Total remuneration	
	2019	2018	2019	2018	2019	2018
Karl M. Schmidhuber, Chairman	69	69	11	5	79	74
Dr. Georg Hengstberger, Deputy Chairman	50	46	11	5	61	51
Carsten Claus	38	25	10	3	47	28
Herbert König	31	31	9	5	40	36
Dr. Jochen Ruetz	31	21	6	3	37	24
Gerhard Schrempp	25	25	5	3	30	28
Ulrich Ruetz (until May 23, 2018)	0	16	0	3	0	19
Dr. Gerhard Wirth (until May 23, 2018)	0	18	0	2	0	20
TOTAL	244	251	50	28	294	279

(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 above.