ANNUAL FINANCIAL STATEMENTS
2020

PWO

2020 ANNUAL FINANCIAL STATEMENTS OF PROGRESS-WERK OBERKIRCH AG

The management report of PWO AG and the group management report for the 2020 fiscal year have been combined in accordance with section 315 (5) HGB in conjunction with section 298 (2) HGB and are published in the 2020 annual report.

For the 2020 fiscal year, the annual financial statements of PWO AG and the management report, which is combined with the group management report, will be submitted to the administrator of the Federal Gazette and announced in that publication.

The annual financial statements of PWO AG and the 2020 annual report are also available online at www.progress-werk.de/en/investors-press/news-publications/reports/ and as of the convening of the 2021 Annual General Meeting at www.progress-werk.de/en/investors-press/annual-general-meeting/.

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BALANCE SHEET PROGRESS-WERK OBERKIRCH AG

ASSETS

EURk

Note no.		2020	2019
	Contract and customer-related development services	3,792	3,624
	Acquired industrial property rights and similar rights	1,990	1,951
	Intangible assets	**5,782**	**5,575**
	Land and buildings	31,637	33,235
	Technical equipment and machinery	23,154	27,684
	Other equipment, operating and office equipment	3,375	4,158
	Prepayments and assets under construction	364	1,046
	Property, plant and equipment	**58,530**	**66,123**
	Investments in affiliated companies	37,163	37,163
	Loans to affiliated companies	65,921	77,737
	Financial assets	**103,084**	**114,900**
2	**NON-CURRENT ASSETS**	**167,396**	**186,598**
	Raw materials and supplies	10,711	11,778
	Work-in-progress	10,982	14,464
	Finished goods and merchandise	18,703	23,318
3	**Inventories**	**40,396**	**49,560**
	Trade receivables	10,695	13,080
	Receivables from affiliated companies	39,447	45,129
	Other assets	9,374	5,218
4	**Receivables and other assets**	**59,516**	**63,427**
	Cash on hand, bank deposits	2,607	156
	CURRENT ASSETS	**102,519**	**113,143**
5	**Prepayments and accrued income**	**0**	**270**
6	**Deferred tax assets**	**10,259**	**4,728**
	TOTAL ASSETS	**280,174**	**304,739**

EQUITY AND LIABILITIES

EURk

Note no.		2020	2019
	Subscribed capital	9,375	9,375
	Capital reserves	38,690	38,690
	Statutory reserves	204	204
	Other retained earnings	67,300	67,300
	Retained earnings	**67,504**	**67,504**
	Unappropriated retained loss (p/y: unappropriated retained earnings)	-15,469	4,778
7	**EQUITY**	**100,100**	**120,347**
	Provisions for pensions and other employee benefits	52,579	47,793
	Tax provisions	903	640
	Other provisions	20,844	10,725
8	**PROVISIONS**	**74,326**	**59,158**
	Bank borrowings	69,819	88,908
	Advance payments received on account of orders	1,079	1,723
	Trade payables	11,633	11,954
	Liabilities to affiliated companies	288	214
	Other liabilities	22,929	22,435
9	**LIABILITIES**	**105,748**	**125,234**
	TOTAL EQUITY AND LIABILITIES	**280,174**	**304,739**

INCOME STATEMENT PROGRESS-WERK OBERKIRCH AG

EURk

Note no.		2020	2019
10	Revenue	209,711	265,149
	Change in finished goods and work-in-progress	-8,085	-4,915
11	Other own work capitalized	1,002	1,290
	TOTAL OUTPUT	**202,628**	**261,524**
12	Other operating income	6,771	5,166
	Cost of raw materials and supplies and merchandise purchased	-73,073	-96,352
	Cost of purchased services	-24,033	-31,379
	Cost of materials	**-97,106**	**-127,731**
	Wages and salaries	-59,814	-72,195
	Social security and post-employment costs	-15,717	-18,184
13	**Staff costs**	**-75,531**	**-90,379**
	Amortization of intangible non-current assets and depreciation of property, plant and equipment	-10,932	-12,386
14	Other operating expenses	-51,269	-34,012
15	Income from investments, of which from affiliated companies EURk 0 (p/y: EURk 5,000)	0	5,000
16	Income from loans of financial fixed assets, of which from affiliated companies EURk 3,106 (p/y: EURk 2,758)	3,106	2,758
17	Other interest and similar income, of which from affiliated companies EURk 1,712 (p/y: EURk 1,886)	2,377	2,097
18	Interest and similar expenses	-5,030	-5,343
	Financial result	**453**	**4,512**
	EARNINGS BEFORE TAXES	**-24,986**	**6,694**
19	Income taxes	5,079	-1,519
	EARNINGS AFTER TAXES	**-19,907**	**5,175**
	Other taxes	-340	-429
	NET LOSS (P/Y: NET INCOME)	**-20,247**	**4,746**
	Profit carried forward from previous year	4,778	32
	Transfer to other retained earnings	0	0
	UNAPPROPRIATED RETAINED LOSS (P/Y: UNAPPROPRIATED RETAINED EARNINGS)	**-15,469**	**4,778**

NOTES TO THE FINANCIAL STATEMENTS OF PROGRESS-WERK OBERKIRCH AG

GENERAL INFORMATION

Progress-Werk Oberkirch AG is a listed stock corporation headquartered at Industriestrasse 8, 77704 Oberkirch, Germany. The Company is recorded and registered under the number HRB 490007 in the commercial register of the District Court of Freiburg.

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) as amended by the Accounting Directives Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz [BilRUG]) for large stock corporations and the provisions of the German Stock Corporation Act (Aktiengesetz – AktG). The provisions of the Articles of Association govern the distribution of profits.

The income statement has been prepared using the nature of cost method. The financial statements are presented in thousands of euros.

The Company's fiscal year corresponds to the calendar year.

In the past fiscal year, PWO AG's business and economic environment was impacted by the corona-virus 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 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, 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 financial statements were prepared.

ACCOUNTING POLICIES

1 SUMMARY OF KEY ACCOUNTING POLICIES

The following accounting policies continued to apply when preparing the annual financial statements.

NON-CURRENT ASSETS

Intangible assets and property, plant and equipment are measured at acquisition or production cost. In determining the production cost of own work capitalized, both directly attributable material and production costs and the necessary material and production overhead costs, including reasonable amounts of depreciation, were taking into account.

The capitalization option under Section 248 (2) HGB was utilized for self-generated intangible assets.

Since 2011, scheduled depreciation of property, plant and equipment and intangible assets has been calculated using the straight-line method (before 2011 also according to the diminishing balance method). Certain machinery items and order-related tools are depreciated based on the number of units produced in the reporting year in relation to the total number of items specified or planned for the order.

Low-value assets with individual net values of up to EUR 250.00 are fully depreciated and expensed in the year of acquisition, assuming they are retired immediately from the balance sheet. A collective item was formed for assets with individual net values exceeding EUR 250.00 up to EUR 1,000.00. Of the collective items whose total amounts are of lesser significance, an amount of 20 percent is depreciated on a lump-sum basis in the year they are formed and the four years thereafter.

Investments in affiliated companies are carried at the lower of acquisition cost or fair value. Loans are carried at their nominal value. To the extent required and permissible, impairment losses on investments are recognized for permanent impairment. The determination of impairment losses required on investments in affiliated companies is derived from annual impairment tests that are based on discounted earnings models. These models are based on the respective company's mid-term planning and assume a sustainable level of income (terminal value) after the last year of the planning period. If the resulting discounted earnings value is below the carrying amount, an impairment loss is required.

If the reasons for the impairment no longer exist, the impairment is reversed up to the maximum of amortized acquisition or production costs.

CURRENT ASSETS

Inventories of raw materials and supplies are recognized at the lower of the average cost or current value. Write-downs were made to unsalable or obsolete materials. Work-in-progress and finished goods are measured at the lower of production cost or fair value based on an item-by-item calculation under current operational accounting. General administration expenses and borrowing costs are not capitalized. The measurement was free of loss.

Tooling and development contracts are measured at acquisition or production costs. In this context, a loss-free valuation is performed in such a way that maximum acquisition and production cost is equivalent to the selling price plus revenue generated by series production.

In most cases, customers acquire the economic ownership of tools. Tools are recognized as inventory until the economic ownership has been transferred to the customer.

Receivables and other assets are carried at their nominal values. Non-interest-bearing receivables with a term of more than one year have been discounted. Foreign currency items are measured on a loss-free basis. Appropriate and specific provisions are taken into account for all items that carry risk. General credit risk is reflected in a lump-sum allowance.

Cash and cash equivalents are carried at nominal value.

Payments carried out prior to the reporting date are recognized as prepayments and accrued income when they represent an expense for a specific period after the reporting date.

DEFERRED TAXES

Deferred taxes on temporary and quasi-permanent differences between the carrying amounts of assets, liabilities, and prepayments in the commercial accounts and the tax carrying amounts and tax loss carryforwards are calculated based on a tax rate. If applicable, deferred taxes are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are offset with one another. Any resulting net deferred tax assets are recognized utilizing the option provided under Section 274 (1) sentence 2 HGB.

Deferred taxes are calculated based on an effective tax rate of 28.43% (p/y: 28.43%). This tax rate consists of the corporate tax rate, including a solidarity surcharge of 15.83% (p/y: 15.83%), and a trade tax rate of 12.60% (p/y: 12.60%) expected at the time the temporary differences are settled. The tax rate for trade taxes is based on an average trade tax multiplier of 360% (p/y: 360%).

EQUITY

Subscribed capital is carried at nominal value.

PROVISIONS AND LIABILITIES

Pension obligations have been measured according to actuarial principles under the projected unit credit method using the Heubeck RT 2018 G mortality tables as a biometric actuarial base. The average market interest rate of the past 10 years for assumed maturities of 15 years was applied as the discount rate. Additionally, future salary and pension increases and probabilities for staff turnover are taken into account.

The measurement of provisions for phased retirement is based on an average discount rate, salary trend and actuarial principles, for which the Heubeck mortality tables RT 2018 G were used. Provisions for phased retirement obligations are recognized in accordance with the "block model" for phased retirement agreements concluded as of the reporting date and future potential agreements. The provisions include top-up amounts and obligations accrued by the Company as of the reporting date.

Provisions for anniversary bonuses are calculated based on actuarial principles under the projected unit credit method taking into account average discount rates and the Heubeck mortality tables 2018 G. The provisions also consider factors such as salary and career trends, inflation rates, staff turnover rates and increases in the assessment ceiling of the statutory pension and health insurance.

Tax and other provisions include all uncertain obligations and contingent losses from pending transactions. They are carried in amounts deemed necessary by reasonable commercial assessment, i.e., including future cost and price increases.

Other provisions include individual provisions for all identifiable risks from uncertain liabilities and for onerous contracts. In measuring these provisions, expected price and cost increases have been taken into account. Provisions with a remaining term of more than one year were discounted at the average market interest rate for the past seven financial years for matching maturities, calculated and published by the Deutsche Bundesbank.

Liabilities are measured at their repayment amount.

FOREIGN CURRENCY ITEMS AND TRANSLATION

Assets and liabilities denominated in foreign currencies are generally translated based on the exchange rate prevailing as of the reporting date. If the maturity exceeds one year, the realization principle (Section 252 [1] no. 4 [second indent] HGB) and the historical cost principle (Section 253 [1]) no. 1 HGB are considered.

To the extent that valuation units were created in accordance with Section 254 HGB, the following accounting and valuation principles are applied: Economic hedging relationships are reflected in the accounting through the formation of valuation units. If both the net hedge presentation method and the gross hedge presentation method can be applied, the gross hedge presentation method is selected. According to the net hedge presentation method, offsetting value changes of the hedged risk are not recognized, whereas under the gross hedge presentation method, offsetting value changes of the underlying transaction and related hedge instruments of the hedged risk are recognized. In this respect, the gross hedge presentation method is used to hedge recognized underlying transactions. Under the gross hedge presentation method, PWO designates only the spot component of the derivative as a hedging instrument, while the forward component of the derivative is accounted for in accordance with the general rules. The offsetting positive and negative valuation changes are both recognized in profit or loss on a gross basis. In contrast, the net hedge presentation method is used for hedging anticipatory underlying transactions, and the derivative as a hedging instrument is designated in full (in its entirety).

NOTES TO THE BALANCE SHEET

2 NON-CURRENT ASSETS

The development of non-current assets is shown in the following table:

EURk

	Contract and customer-related development services	Acquired industrial property rights and similar rights	**Intangible assets**	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	**Property, plant and equipment**	Investments in affiliated companies	Loans to affiliated companies	**Financial assets**
ACQUISITION AND PRODUCTION COSTS											
As of Jan. 1, 2019	7,363	14,837	22,200	60,319	149,169	25,551	6,273	241,312	50,013	80,148	130,161
Additions	1,209	483	1,692	1,211	8,526	599	637	10,973	0	17,254	17,254
Disposals	-76	-844	-920	0	-5,975	-427	0	-6,402	0	-5,850	-5,850
Reclassifications	0	0	0	1,010	4,819	35	-5,864	0	0	0	0
AS OF DEC. 31, 2019	**8,496**	**14,476**	**22,972**	**62,540**	**156,539**	**25,758**	**1,046**	**245,883**	**50,013**	**91,552**	**141,565**
Additions	992	577	1,569	120	1,081	467	311	1,979	0	6,295	6,295
Disposals	-118	0	-118	-281	-1,737	-249	0	-2,267	0	-18,111	-18,111
Reclassifications	0	0	0	70	923	0	-993	0	0	0	0
AS OF DEC. 31, 2020	**9,370**	**15,053**	**24,423**	**62,449**	**156,806**	**25,976**	**364**	**245,595**	**50,013**	**79,736**	**129,749**
DEPRECIATION AND AMORTIZATION											
As of Jan. 1, 2019	3,101	12,785	15,886	27,540	127,782	20,452	0	175,774	12,850	13,815	26,665
Additions	1,847	584	2,431	1,765	6,625	1,565	0	9,955	0	0	0
Disposals	-76	-844	-920	0	-5,552	-417	0	-5,969	0	0	0
AS OF DEC. 31, 2019	**4,872**	**12,525**	**17,397**	**29,305**	**128,855**	**21,600**	**0**	**179,760**	**12,850**	**13,815**	**26,665**
Additions	824	538	1,362	1,789	6,531	1,250	0	9,570	0	0	0
Disposals	-118	0	-118	-282	-1,734	-249	0	-2,265	0	0	0
AS OF DEC. 31, 2020	**5,578**	**13,063**	**18,641**	**30,812**	**133,652**	**22,601**	**0**	**187,065**	**12,850**	**13,815**	**26,665**
CARRYING AMOUNTS											
As of Dec. 31, 2019	3,624	1,951	5,575	33,235	27,684	4,158	1,046	66,123	37,163	77,737	114,900
As of Dec. 31, 2020	3,792	1,990	5,782	31,637	23,154	3,375	364	58,530	37,163	65,921	103,084

The useful life is 3-5 years for software, 25-50 years for buildings, 2-10 years for technical equipment and machinery, 3-14 years for operating and office equipment, and 3-5 years for IT hardware.

Impairment losses for presumably permanent impairment as defined by Section 277 (3) sentence 1 of the German Commercial Code (HGB) were recognized for property, plant and equipment in the amount of EURk 78 and for intangible assets in the amount of EURk 31.

3 INVENTORY

EURk

	2020	2019
Raw materials and supplies	10,711	11,778
Unfinished goods and services	10,982	14,464
Finished goods	18,703	23,318
TOTAL	**40,396**	**49,560**

Raw materials and supplies include customer-related tool spare parts in the amount of EURk 5,691 (p/y: EURk 6,423).

4 RECEIVABLES AND OTHER ASSETS

Receivables from affiliated companies consist of trade receivables of EURk 2,857 (p/y: EURk 5,356), current loans of EURk 36,590 (p/y: EURk 34,773), and a dividend payment in the prior year from PWO Czech Republic in the amount of EURk 5,000.

EURk

	2020	of which remaining term › 1 year	2019	of which remaining term › 1 year
Trade receivables	10,695	0	13,080	0
Receivables from affiliated companies	39,447	0	45,129	0
Other assets	9,374	0	5,218	0
TOTAL	**59,516**	**0**	**63,427**	**0**

5 PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income include the deferral of the interest rate floors from the syndicated loan and promissory note of EURk 0 (p/y: EURk 270).

6 DEFERRED TAXES

Deferred taxes were calculated on the basis of the domestic income tax rate of 28.43% (p/y: 28.43%). Deferred tax assets and liabilities at the level of the individual balance sheet items are shown in the following overview:

EURk

	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Intangible assets, property, plant and equip-ment, financial assets and other assets	82	0	1,417	1,292
Provisions	8,266	6,020	0	0
Tax loss carryforwards	3,328	0	0	0
SUB-TOTAL	**11,676**	**6,020**	**1,417**	**1,292**
Netting	-1,417	-1,292	-1,417	-1,292
TOTAL ACCORDING TO BALANCE SHEET	**10,259**	**4,728**	**0**	**0**

The netting of deferred tax assets and liabilities resulted in net deferred tax assets.

7 EQUITY

EURk

	Subscribed capital	Capital reserves	Statutory reserve	Other retained earnings	Unappropria-ted retained earnings	**Equity PWO AG**
AS OF JAN. 1, 2020	**9,375**	**38,690**	**204**	**67,300**	**4,778**	**120,347**
Dividend payment						0
Net income/loss					-20,247	-20,247
Appropriation to other retained earnings						0
AS OF DEC. 31, 2020	**9,375**	**38,690**	**204**	**67,300**	**-15,469**	**100,100**

SUBSCRIBED CAPITAL

Progress-Werk Oberkirch AG's subscribed capital amounted to EUR 9,375,000.00 (p/y: EUR 9,375,000.00) as of December 31, 2020 and continues to be divided into 3,125,000 no-par value bearer shares, each granting one vote. The subscribed capital is fully paid in. The notional interest of each no-par value share in the subscribed capital is EUR 3.00. The distribution of profits is governed by Section 60 AktG in conjunction with Section 18 of the Articles of Association.

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 non-par value bearer shares against payment in cash and/or in kind until and including the date of July 27, 2025

The Executive Board has not yet utilized this authorization.

RETAINED EARNINGS AND OTHER EQUITY

Retained earnings (thereof statutory reserve: EURk 204) are unchanged compared to the prior year and amount to EURk 67,504.

The unappropriated retained loss in the 2020 fiscal year in the amount of EURk 15,469 includes profit carried forward from the previous year of EURk 4,778.

DISCLOSURES PURSUANT TO SECTION 33 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

As of the reporting date December 31, 2020, 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.

8 PROVISIONS

PENSION PROVISIONS

Provisions for defined benefit plans were calculated under the projected unit credit method and based on the Heubeck mortality tables RT 2018.

The transitional amount of EURk 6,669 according to the Accounting Modernization Act (BilMoG) is spread over 15 years. Of this amount, EURk 1,778 (p/y: EURk 2,223) has not yet been recognized. For discounting purposes, a flat rate representing the average market interest rate of the past 10 years for the remaining term of 15 years forecast in the month of October as of the reporting date was applied in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).

The difference between the recognition of pension provisions based on the 7-year and 10-year average interest rate amounts to EURk 7,601. This amount is subject to a distribution restriction under Section 253 (6) HGB (see Note 25).

The valuation of the defined benefit obligations is subject to the following actuarial assumptions:

	2020	2019
Interest rate	2.31 %	2.71 %
Staff turnover rate	2.50 %	2.50 %
Future salary trend ‹ 40 years	3.50 %	3.50 %
Future salary trend › 40 years	2.50 %	2.50 %
Future pension adjustments	1.75 %	1.75 %

OTHER PROVISIONS

Other provisions include required amounts for personnel-related expenses of EURk 11,478 (p/y: EURk 5,428) and other identifiable obligations and risks for which provisions must be recognized under commercial law. Provisions mainly include those for restructuring, onerous contracts, phased retirement, holidays, flex-time and anniversary bonuses and profit-sharing. The provisions for phased retirement are based on an interest rate of 0.48%, and the provisions for the anniversary bonuses are based on an interest rate of 1.61%.

9 LIABILITIES

Of the bank borrowings, EURk 2,450 (p/y: EURk 3,675) are secured by mortgages. In addition, the usual retention of proprietary rights exists for the supply of raw materials, supplies and merchandise.

Liabilities to affiliated companies include trade payables of EURk 288 (p/y: EURk 214).

EURk

		of which remaining term				of which remaining term		
	2020	‹ 1 year	› 1 year	› 5 years	2019	‹ 1 year	› 1 year	› 5 years
Bank borrowings	69,819	29,574	40,245	0	88,908	24,384	63,039	1,485
Prepayments on orders	1,079	1,079	0	0	1,723	1,723	0	0
Trade payables	11,633	11,633	0	0	11,954	11,954	0	0
Liabilities to affiliated companies	288	288	0	0	214	214	0	0
Other liabilities[1]	22,929	18,740	2,770	1,419	22,435	17,504	2,709	2,222
of which from taxes	2,064	2,064	0	0	886	886	0	0
TOTAL	**105,748**	**61,314**	**43,015**	**1,419**	**125,234**	**55,779**	**65,748**	**3,707**

[1] The item "Other liabilities" includes lease liabilities.

NOTES TO THE INCOME STATEMENT

10 REVENUE

Revenue was recognized according to Section 277 (1) HGB in the version of BilRUG and breaks down as follows:

REVENUE BY REGION

EURk

	2020	2019
Germany	122,637	150,397
Rest of Europe	48,860	72,545
North America	23,099	25,291
Other countries	14,115	16,916
TOTAL	**209,711**	**265,149**

REVENUE BY PRODUCT CATEGORY

EURk

	2020	2019
Mechanical components for electrical and electronic applications	69,711	82,496
Safety components for airbags, seats, and steering	42,218	54,820
Structural components and subsystems for vehicle body and chassis	94,125	123,080
Other revenue	3,657	4,753
TOTAL	**209,711**	**265,149**

11 OTHER OWN WORK CAPITALIZED

Other own work capitalized consists primarily of development costs and investments in machinery.

12 OTHER OPERATING INCOME

Other operating income contains primarily currency gains amounting to EURk 6,067 (p/y: EURk 3,242) and non-periodic income relating to the reversal of provisions and refunds for prior years of EURk 794 (p/y: EURk 1,561).

13 STAFF COSTS AND EMPLOYEES

STAFF COSTS

EURk

	2020	2019
Wages and salaries	59,814	72,195
Social security and post-employment costs	15,717	18,184
of which post-employment costs	4,891	5,221
TOTAL	**75,531**	**90,379**

Staff costs decreased as a result of the government grants for social security contributions in the amount of EURk 2,799 related to the use of short-time work schedules in the 2020 fiscal year. The grants and the short-time working allowance in the amount of EURk 3,461 were netted against staff costs.

NUMBER OF EMPLOYEES BY DIVISION (YEAR AVERAGE)

	2020	2019
Development and sales	134	137
Production and materials	720	747
Tool center	147	159
Administration	72	72
PERMANENT WORKFORCE	**1,073**	**1,115**
Temporary employees	196	275
Trainees	116	132
Non-active employees in phased retirement	59	61
TOTAL WORKFORCE	**1,444**	**1,583**

14 OTHER OPERATING EXPENSES

Other operating expenses mainly comprise expenses for temporary employees of EURk 7,588 (p/y: EURk 11,920), currency translation expenses of EURk 7,609 (p/y: EURk 5,260), outgoing freight, rental and leasing fees, maintenance expenses, legal, auditing and consulting fees, and training and further development costs.

In the 2020 financial year, provisions for onerous contracts in connection with long-term supply obligations of EURk 3,938 (p/y: EURk 203) had to be recognized due to changes in the underlying conditions and cost structure.

The increase compared with the previous 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 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.

In addition, this item includes non-periodic expenses in the amount of EURk 0 (2006: EURk 341) and extraordinary expenses in the reporting year for restructuring measures in the amount of EURk 18,418 and EURk 445 (2006: EURk 445) resulting from the application of Sections 66 and 67 (1) to (5) EGHGB (transitional provisions to BilMoG).

15 INCOME FROM INVESTMENTS

Income from investments in the prior year resulted from the dividend payment of PWO Czech Republic to Progress-Werk Oberkirch AG.

16 INCOME FROM LOANS OF FINANCIAL FIXED ASSETS

This position comprises income from loans of financial fixed assets to affiliated companies.

17 OTHER INTEREST AND SIMILAR INCOME

Other interest and similar income include EURk 1,712 (p/y: EURk 1,886) to affiliated companies.

18 INTEREST AND SIMILAR EXPENSES

This position also includes interest expenses of EURk 1,340 (p/y: EURk 1,435) related to discounting.

19 INCOME TAXES

Income taxes include deferred tax benefits in the amount of EURk 5,405 (p/y: EURk 1,645). This item includes extraordinary income from the recognition of deferred taxes in the amount of EURk 125 (p/y: EURk 125).

Income taxes in the reporting year also include non-periodic benefits of EURk 238 (p/y: EURk 1).

ADDITIONAL INFORMATION

20 CONTINGENT LIABILITIES

Liabilities exist in the amount of EURk 17,134 (p/y: EURk 20,933) that are related to guarantees for borrowings by PWO Canada, PWO Czech Republic, PWO High-Tech Metal Components (Suzhou) and PWO de México. Furthermore, PWO AG issued a guarantee in the amount of USDk 2,500, limited until December 31, 2021, to a supplier for PWO de México. Based on the current financial position, net assets and results of operations as well as the forecasts of the subsidiaries, there is currently no identifiable risk of utilization.

21 OFF-BALANCE SHEET TRANSACTIONS

The Company continuously sells trade receivables to generate the liquid assets required to finance the operating business and facilitate better liquidity planning. The Company has transferred all of the material risks to the factor. As of December 31, 2020, receivables with a nominal amount of EURk 14,304 (p/y: EURk 16,173) had been sold.

22 RELATED PARTIES

Progress-Werk Oberkirch AG is the parent company of the PWO Group. The main shareholder of Progress-Werk Oberkirch AG is Consult Invest Beteiligungsberatungs-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.

23 OTHER FINANCIAL OBLIGATIONS

As of December 31, 2019, other financial obligations, including purchase commitments, totaled EURk 9,958 (p/y: EURk 10,704).

The following table shows the maturities of other financial liabilities:

EURk

		of which remaining term				of which remaining term		
	2021 ff.	‹ 1 year	› 1 year	› 5 years	2020 ff.	‹ 1 year	› 1 year	› 5 years
Obligations arising from lease and rental contracts	5,768	1,620	3,302	846	6,538	1,932	3,492	1,114
Order commitments from investment orders	1,768	1,768	0	0	1,425	1,425	0	0
Remaining other financial obligations	2,422	319	1,277	826	2,741	319	1,277	1,145
TOTAL	**9,958**	**3,707**	**4,579**	**1,672**	**10,704**	**3,676**	**4,769**	**2,259**

Lease agreements concluded to take advantage of the cash flow benefits related to the required investments contain the risks usually inherent in leasing transactions.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are used for hedging currency and interest rate risks and not for speculative purposes. This means that derivatives are purchased only in connection with the corresponding underlying transaction. The risk management and hedging strategies are defined by uniform treasury guidelines and other internal guidelines and are subject to continuous internal risk.

CURRENCY RISKS

Currency hedge contracts are employed for the hedging of currency risks that result from our operating activities. These currency hedge contracts are individually measured at their fair value as of the reporting date. In accordance with the general requirements, negative valuation results are recognized in profit and loss and lead to the recognition of a provision for contingent losses from pending transactions. A positive valuation result, on the other hand, is not recognized.

Valuation units were created for the following hedges of loans to affiliated companies using the gross hedge presentation method. The hedges mature in 2023.

Underlying transaction / hedge instrument	Risk / type of valuation unit	Nominal volume	Amount of risk hedged
Receivables in foreign currency / Currency hedge instrument	Currency risk / micro hedge	CADk 20,500	EURk -7
Receivables in foreign currency / Currency hedge instrument	Currency risk / micro hedge	CADk 49,885	EURk -418

Accrued valuation units were created for currency hedge instruments that are employed for planned sales in foreign currency due to their reliable projectable quantities and the expected timing. The hedging contracts cover the defined portion of the expected risk and have a maturity up to 2023.

Underlying transaction / hedge instrument	Risk / type of valuation unit	Nominal volume	Amount of risk hedged
Planned receivables in foreign currency / Currency hedge instrument	Currency risk / micro hedge	USDk 5,050	EURk -24

We apply the critical terms match method to prospectively evaluate our foreign currency hedges. Because the currencies, maturities, planned transaction amounts and spot components of the currency hedge instrument are identical, opposing value changes are expected to fully offset one another.

Existing ineffectiveness is quantified retrospectively by applying the dollar offset method of the hypothetical derivative model.

The fair values of the derivative financial instruments reflect the estimated amount the Company would receive or pay to terminate the contracts as of the reporting date. For the calculation of the fair value, the fair value of foreign currency hedge instruments is determined based on discounted expected future cash flows over the respective remaining term of the contracts using the respective market interest rates and spot rates.

INTEREST RATE RISKS

Interest rate and currency swaps were concluded to economically hedge non-current foreign currency loans to affiliated companies. The derivatives are shown in the following table:

EURk

Balance sheet item	Hedging instrument	Nominal volume	Term	Market value	Carrying amount
Liabilities (other liabilities)	Interest rate and currency swap	3,838	until 2023	-65	-65
Assets (other assets)	Interest rate and currency swap	5,409	until 2024	342	0

The fair value of interest rate derivative financial contracts is determined by discounting the expected future cash flows over the respective remaining term of the contracts using applicable market interest rates and futures. The embedded interest rate derivatives, which were previously accounted for separately, were derecognized as of the reporting date.

25 AMOUNTS RESTRICTED FROM DISTRIBUTION

The total amount restricted from distribution under Section 268 (8) HGB is EURk 22,058 (p/y: EURk 15,547). Amounts restricted from distribution relate to capitalized internally-generated intangible assets of EURk 3,792 (p/y: EURk 3,624), capitalized deferred tax assets of EURk 10,259 (p/y: EURk 4,728) and the difference according to Section 253 (6) HGB of EURk 7,601 (p/y: EURk 7,195).

26 RESEARCH AND DEVELOPMENT COSTS

Of the development-related costs of EURk 9,194 (p/y: EURk 7,872), a total of EURk 992 (p/y: EURk 1,209) were capitalized under intangible assets and EURk 38 under inventories.

27 AUDITOR'S FEE

The auditor's fee, which was recognized as an expense according to Section 285 (1) no. 17 HGB, consisted 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 relate to the new auditor, KPMG AG Wirtschaftsprüfungsgesellschaft; the figures for the previous year relate to the previous auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

28 TOTAL REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

In the 2020 fiscal year, the total remuneration of the Executive Board amounted to EURk 1,240 (p/y: EURk 1,600); of this amount, EURk 624 (p/y: EURk 1,166) was attributable to the Executive Board members who had left the company during the reporting year. In connection with the mutually agreed termination of Dr. Volker Simon's service on the Executive Board on September 4, 2020, a severance payment of EURk 1,100 was agreed to which was due on the date of termination and granted in addition to the above total remuneration. The total remuneration includes performance-related components of EURk 343 (previous year: EURk 696), of which EURk 127 (p/y: EURk 511) relates to the former members of the Executive Board. The total remuneration of the Supervisory Board amounted to EURk 292 (p/y: EURk 294). No advances or loans were granted to members of governing bodies.

The combined 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). As of the reporting date, corresponding pension provisions under HGB amounted to EURk 3,719 (p/y: EURk 3,563). As of December 31, 2020, the transitional amount not yet recognized, as defined by the German Accounting Law Modernization Act (BilMoG), amounts to EURk 198.

29 INVESTMENTS IN AFFILIATED COMPANIES

As of December 31, 2020, Progress-Werk Oberkirch AG had investments in the following companies:

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%.

The information on equity and net income/loss for the period is based on the IFRS figures of the subsidiaries.

30 CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements are included in the consolidated financial statements of Progress-Werk Oberkirch AG, Oberkirch, which represent the consolidated financial statements for the Company's smallest and largest scope of consolidation.

31 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 AktG issued by the Executive Board and Supervisory Board in December 2020 is permanently available to shareholders via the Company's website at www.progress-werk.de/en/corporate-governance.

32 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.

33 COMPOSITION AND MANDATES OF THE 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, Mexico | 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)

34 PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS/LOSSES

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 ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

AUDIT OPINION

We have audited the annual financial statements of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, consisting of the balance sheet as of December 31, 2020, the income statement for the fiscal year from January 1 to December 31, 2020, and the notes to the annual financial statements, including the presentation of significant accounting and measurement policies. We have also audited the combined management report of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, 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 annual financial statements comply, in all material respects, with the provisions of the German commercial law for corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2020 and its results of operations for the fiscal year from January 1 to December 31, 2020, in accordance with the German principles of due and proper accounting; and

- the accompanying combined management report, as a whole, provides an accurate view of the Company's position. The combined management report is consistent with the annual 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 combined management report does not extend to the content of the components of the combined management report mentioned 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 annual financial statements and the combined management report.

BASIS FOR AUDIT OPINION

We conducted our audit of the annual 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 annual financial statements and combined management report" section of our audit report. We are independent of the Company 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 annual financial statements and combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the annual 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 annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

THE RECOVERABILITY OF FINANCIAL ASSETS AND RECEIVABLES FROM AFFILIATED COMPANIES

For information on the accounting and valuation principles applied, please refer to Note 1. For information on the business development, please refer to the section "Report on Business Development of PWO AG" in the combined management report.

THE RISK TO THE FINANCIAL STATEMENTS

In the financial statements of Progress-Werk Oberkirch AG as of December 31, 2020, investments in affiliated companies amounting to EUR 37 million and loans to affiliated companies amounting to EUR 65.9 million are reported under financial assets. The share of financial assets to total assets amounts to 36.8% and thus has a significant influence on the Company's financial position. Receivables from affiliated companies amounted to EUR 39.5 million as of December 31, 2020.

Financial assets are carried at cost or, in the case of expected permanent impairment, at the lower fair value. Receivables from affiliated companies are carried at the lower of cost or fair value. The fair value for the total exposure is determined by the Company using the discounted earnings model. When measuring current receivables, the Company also assesses whether a temporary impairment exists.

The cash flows used for the discounted earnings model are based on individual investment forecasts for the next five years, which are extrapolated using assumptions about long-term growth rates. The respective discount rate is derived from the return on a risk-adequate alternative investment. If the fair value is lower than the carrying amount, the impairment of the financial assets is assessed using qualitative and quantitative criteria to determine whether the impairment is expected to be permanent.

The assessment of recoverability, including the calculation of fair value using the discounted earnings model, is complex and highly dependent on the Company's estimates and judgments with regard to the assumptions made. These include, among others, the estimation of future earnings trends and long-term growth rates, the determination of capitalization rates, and the assessment of the permanence of the impairment in order to assess the recoverability of the financial assets.

The economic market environment of the Company and its subsidiaries deteriorated significantly during the 2020 fiscal year. In addition to the COVID-19-related declines in sales of automobile manufacturers, falling purchase volumes, in particular, are having a negative impact on the future business and earnings prospects of the subsidiaries. The Company did not recognize any impairment losses on financial assets or receivables from affiliated companies in the 2020 fiscal year. The risk for the financial statements exists that the financial assets and the receivables from affiliated companies are not recoverable.

OUR AUDIT APPROACH

We first obtained an understanding of the Company's process for assessing the recoverability of the financial assets and receivables from affiliated companies held by the Company through explanations provided by the investment controlling department and an assessment of the documentation provided. In doing so, we considered the Company's approach to determining impairment and assessed whether there was any evidence of impairment not identified by the Company based on the information obtained in our audit.

Subsequently, with the involvement of our valuation specialists, we assessed the appropriateness of the key assumptions and the valuation method used for the business valuations performed by an independent expert engaged by the Company. To this end, we discussed the expected development of revenues and earnings and the assumed long-term growth rates with the persons responsible for the planning. We also performed reconciliations with other internally available forecasts and the budget prepared by the legal representatives and presented to 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 the planning of earlier fiscal years of the investments with the 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 our own assumptions and publicly available data, with the involvement of our valuation specialists.

In order to ensure the mathematical accuracy of the valuation method used, we have 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 have examined the effects of possible changes in the capitalization rate and expected results on the fair value by calculating alternative scenarios and comparing them with the Company's valuation results (sensitivity analysis).

OUR CONCLUSIONS

The calculation method used for the impairment test of financial assets and receivables from affiliated companies is appropriate and in line with the applicable valuation principles. The Company's assumptions and data underlying the valuation are appropriate.

RECOGNITION AND MEASUREMENT OF RESTRUCTURING PROVISIONS

For information on the accounting methods applied, please refer to Note 1.

THE RISK TO THE FINANCIAL STATEMENTS
As of December 31, 2020, a restructuring provision of EUR 8.0 million was recognized in the financial statements of Progress-Werk Oberkirch AG.

Provisions must be recognized for restructuring measures if the recognition criteria are met. The measurement of the restructuring provisions, which are 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 annual financial statements are that the requirements for the recognition of restructuring provisions are not met or that the provisions are 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 this regard, we assessed in particular whether the creation of an external obligation as of the reporting date was legally established by the necessary resolution of the responsible bodies or whether its future legal establishment was sufficiently probable.

We then obtained an explanation from the legal representatives of the assumptions on which the measurement of the restructuring provisions was based. We assessed the consistency of the assumptions with the detailed formal restructuring plans. We also compared the assumptions to restructuring measures implemented in the past and critically assessed them.

To ensure mathematical accuracy, we have reconstructed the Company's calculations on the basis of elements selected on a risk-oriented basis.

OUR CONCLUSIONS
The recognition of the provision and the assumptions used by the legal representatives for measurement are appropriate.

CORRECT TIMING OF RECOGNITION OF CUSTOMER-SPECIFIC TOOL REVENUES
For information on the accounting methods applied, please refer to Note 1.

THE RISK TO THE FINANCIAL STATEMENTS
The annual financial statements of Progress-Werk Oberkirch AG for the 2020 fiscal year show revenue of EUR 209.7 million, including revenue from the development and manufacture of customer-specific tools in the amount of EUR 13.4 million.

Revenue from customer-specific tools is recognized upon acceptance of the tool by the customer or upon delivery of the series as a component of the price of the parts. The contractual constellations for the tools vary widely as is customary in the industry and, when invoiced after acceptance by the customer or delivery of the prototypes, result in revenue recognition that has to be assessed individually and recognized manually. There is a risk for the annual financial statements that the customer-specific tool revenues in the past fiscal year are too high and thus not recognized in the correct period.

OUR AUDIT APPROACH
To test the correct timing of the revenue recognition of customer-specific tool revenue, we assessed the design, establishment, and effectiveness of internal controls related to purchase order pricing, acceptance of service, and invoicing.

In addition, we assessed the correct timing of the recognition of customer-specific tool revenue by reconciling the invoices with the purchase orders or contracts and the acceptance protocols or delivery notes of the prototype deliveries. This was based on selected tool revenue recorded in the last quarter of 2020 using a mathematical-statistical method.

OUR CONCLUSIONS
The Company's approach to accruing customer-specific tool revenue is 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 annual financial statements, the management report disclosures audited for content, or our audit opinion thereon.

Our audit opinion of the annual 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 annual financial statements, the 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 ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the provisions of the German commercial law for corporations in all material respects, and that the annual financial statements give a true and fair view of the net assets, financial positions and results of operations of the Company in accordance with the German principles of due and proper accounting. Furthermore, the legal representatives are responsible for such internal control as they determine necessary in accordance with the German principles of due and proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company'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 actual and legal circumstances prevent them from doing so.

The legal representatives are also responsible for preparing the combined management report, which, as a whole, provides an accurate view of the Company's position and is consistent in all material respects with the annual 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 Company's financial reporting process used in preparing the annual financial statements and the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual 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 Company's position and is consistent in all material respects with the annual 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 annual 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 annual 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 annual 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 annual 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 Company'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 annual 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 Company to cease to continue as a going concern;

– evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the Company's net assets, financial position, and results of operations in accordance with the German principles of due and proper accounting;

– evaluate the consistency of the combined management report with the annual financial statements, its legal compliance and the presentation of the Company's position;

– 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, trace 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 annual 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 ANNUAL 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_187788_Einzelabschluss. zip" (SHA256 hash value: 9fda3bf44640669901ff- b03b43b554d9b32b6bf43c7aaf825b3557c1d229392d), which is available in the protected client portal for the issuer, and which have been prepared for the purpose of disclosure of the annual 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 in the annual 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 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 annual 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 Annual Financial Statements and Combined Management Report.”

We conducted our audit of the reproductions of the annual 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 Combined 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 annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 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 annual 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 annual financial statements and the audited combined management report.

OTHER DISCLOSURES PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were appointed as 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 auditors of Progress-Werk Oberkirch Aktiengesellschaft, 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 Mathias Laubert.

Stuttgart, March 25, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Laubert	Herr
Auditor	Auditor

RESPONSIBILITY STATEMENT

“We declare to the best of our knowledge, and in accordance with the applicable accounting standards, the annual financial statements provide a true and fair view of the Company’s net assets, financial position and results of operations, and the management report of Progress-Werk Oberkirch Aktiengesellschaft, which is combined with the Group management report, presents the Company’s business performance, including the financial performance and the financial position, in a manner that gives a true and fair view and describes the principal opportunities and risks of the Company’s anticipated development.”

Oberkirch, March 25, 2021

The Executive Board

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

IMPRINT

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Figures in this annual report are typically presented in EURk. Differences in the individual figures versus the actual amounts may emerge due to rounding. Such differences are not of a significant nature. 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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