INTERIM FINANCIAL REPORT
2ND QUARTER | 1ST HALF-YEAR 2017

PWO

DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

Our components are in demand. With the tailwinds from the continued positive economic environment and several new series productions in the Group, we are making great progress. We are already close to achieving our sales target for 2020 of more than EUR 500 million – which does not include the current material price increases.

We are proud of this success as well as the fact that we are able to meet this demand with the delivery reliability and quality our customers have grown to expect from PWO. Our highly efficient locations in Germany, Canada and Czechia are the key contributors to this performance. The development of our Mexico location is also increasingly positive. However, this rapid expansion also places some demands on our organization. This is particularly true for our newest location in China, which is now growing rapidly.

In Oberkirch, we have to carefully manage our revenue and expenses. Operating with a structurally high cost base in the high-wage country of Germany means that a somewhat flatter growth curve combined with some extraordinary effects can lead to a marked decline in earnings. This was the case in the past quarter.

Our forecast for revenue of around EUR 450 million in 2017, roughly EUR 20 million of which stems from material price effects, now appears to be conservative. In terms of EBIT before currency effects, we believe we are on the right track to reach our target of EUR 23 to 24 million. Higher-than-expected positive earnings contributions from some locations are expected to compensate for the additional expenses incurred to realize growth. Step by step, we will align the organization to handle our growing size and thereby increase both our efficiency and profitability.

Oberkirch, August 2017

The Management Board

NEW REGISTRATIONS/SALES OF PASSENGER VEHICLES IN UNITS
(SOURCES: GERMAN ASSOCIATION OF THE AUTOMOTIVE INDUSTRY, GERMAN FEDERAL MOTOR TRANSPORT AUTHORITY)

Region	6M 2017	Change vs. previous year (%)	6M 2016	Change vs. previous year (%)
Germany	1,787,100	+3.1	1,733,839	+7.1
Western Europe (EU15 + EFTA)	7,793,500	+3.7	7,510,800	+8.5
Europe (EU28 + EFTA) [1]	8,461,500	+4.6	8,090,900	+9.1
Russia [2]	718,500	+6.9	672,100	−14.1
USA [2]	8,401,700	-2.2	8,598,300	+1.3
China	10,929,100	+2.9	10,618,600	+12.2

[1] Excluding Malta | [2] Light Vehicles

BUSINESS ENVIRONMENT

MACROECONOMIC ENVIRONMENT

The German economy is showing strength and continues to soar. The ifo business climate index, a leading indicator for economic activity in Germany, rose to another record in June. Companies were again much more satisfied with their current situation, and the business outlook was also better. Demand and order backlog are developing very positively, and production plans continue to expand.

This upward trend is supported not only by buoyant industrial activity, which receives stimulus from both Germany and abroad, but also the very favorable labor market, which supports consumer sentiment, and with it, private consumption.

Against this backdrop, the Bundesbank expects the current upswing to last several years. After an increase of 1.9 percent in the current year, the Bundesbank expects calendar-adjusted real GDP in 2018 to rise 1.7 percent and a further 1.6 percent in 2019.

With regard to the growth of the global economy, economic observers also expect a continuation of the global economic upturn, which is now more broad-based. Among the advanced economies, a slightly higher rate of expansion is expected, particularly in the United States. In Great Britain, however, uncertainty about the effects of the Brexit is expected to result in weaker economic growth over the next two years.

The growth prospects for the EU have improved. With sustained employment growth, higher wage growth and increasing capacity utilization, domestic demand remains an important driver, although exports are also expected to be robust, developing in line with the sales markets. As a result, the expectations for GDP growth in the euro area (excluding Germany) were recently raised by the experts at Eurosystem, the monetary authority of the eurozone, to a calendar-adjusted 1.9 percent for this year, 1.8 percent for the coming year and 1.7 percent for the year 2019.

The rate of expansion is also strengthening in the emerging markets. The downtrends in Russia and Brazil seem to be over. A continuation of the current growth rate is expected for emerging Asian economies. A gradual slowdown in China may be able to be largely offset by a pickup in momentum in other countries. A slight increase in the growth rate in the coming years is expected in the emerging economies as a whole.

THE AUTOMOTIVE INDUSTRY

In the first half-year of 2017, the development of the three major automotive markets diverged. Overall, growth rates declined appreciably compared to the same prior-year period. Some of the growth in the previous year, however, was generated by extraordinary effects, particularly in China.

With a total of 7.8 million new vehicles, Western Europe registered a year-on-year increase of just under 4 percent. China achieved a volume of a solid 10.9 million units, for growth of 3 percent, while the United States recorded a decline of 2 percent to 8.4 million new light vehicles.

The new EU countries continue to report particularly strong momentum. In the first half-year of 2017, sales of passenger cars continued to grow at a double-digit rate of 12 percent year-on-year to 688,000 units, after an increase of 17 percent in the prior-year period.

The severe automobile recession in Russia over the last few years appears to have ended. During the reporting period, sales in Russia rose just under 7 percent from a low level to 718,500 light vehicles. The same could be seen in Brazil, where growth was a solid 4 percent. The Japanese market showed considerable strength in the first half of 2017, recording a 10 percent increase in new car registrations.

New car registrations in Germany in the first half of 2017 reached nearly 1.8 million units and were a good 3 percent higher than in the same period in the prior year. Importers in particular recorded strong growth of 11 percent, while domestic manufacturers were able to maintain their registration figures at the previous year's level.

Passenger cars with alternative drives achieved two- to three-digit growth rates. Among hybrid passenger vehicles (+82 percent), registrations for plug-in hybrids doubled, while those of pure electric cars increased by 134 percent. The share of alternative drive vehicles as a percentage of total registrations still remained very low at just over 2 percent.

New registrations of diesel-powered passenger vehicles dropped a significant 9.1 percent, bringing their share of total registrations down to 41 percent after 47 percent in the first half of 2016. Registrations of vehicles with petrol engines increased by 11.7 percent and reached an overall share of 56 percent compared to 52 percent in the prior year. Domestic passenger vehicle production in the reporting period fell by 3 percent to 2.94 million units, 2.25 million of which were exported (–2 percent).

RESULTS OF OPERATIONS

In the first six months of the current fiscal year, revenue increased to EUR 233.1 million (p/y: EUR 208.7 million), and total output amounted to EUR 244.1 million (p/y: EUR 209.9 million). The distribution of revenue in the first two quarters of 2017 was almost equal.

The strong growth continued to come from the pass through of higher material prices and a higher-than-expected level of customer call orders. The increase in total output, which outpaced the rise in revenue, reflects the tools currently being produced in preparation for the Group's future growth.

The higher tool inventories led to an increase in the material expense ratio, which was also affected by the higher material prices. The effect of these higher prices is purely calculatory when passed on to customers but is operational to the extent they cannot be passed on.

The lower staff cost ratio was offset by higher expenses for temporary employees, which we have been increasingly using for the ramp-up of production. EBIT was particularly impacted by the additional growth-related expenses.

Nevertheless, it was possible to increase the EBIT before currency effects to EUR 12.3 million (p/y: EUR 11.5 million). This improvement, however, was mainly achieved in the first quarter, with the second quarter essentially unchanged at the previous year's level.

Currency effects amounted to EUR –1.9 million (p/y: EUR –1.5 million). These affected other operating income and expenses and are shown in the notes to this interim financial report.

In the first half-year and the second quarter, financial expenses were slightly below or at the same level as in the respective prior-year periods.

SELECTED GROUP AND SEGMENT INFORMATION

EURK

1st Half-Year 2017	Germany	Rest of Europe	NAFTA Area	Asia	Consolidation effects	Group
Total revenue	135,156	38,028	52,593	21,589	−14,252	233,114
Total output	144,302	37,120	52,332	24,703	−14,371	244,086
EBIT before currency effects	3,969	4,517	4,241	−284	−110	12,333
EBIT including currency effects	3,394	4,510	3,885	−1,289	−110	10,390
Investments	5,486	4,177	3,063	465	0	13,191
1st Half-Year 2016						
Total revenue	121,887	37,357	45,724	13,467	−9,774	208,661
Total output	124,467	36,325	45,675	13,301	−9,832	209,936
EBIT before currency effects	6,026	2,973	2,383	256	−167	11,471
EBIT including currency effects	5,799	2,970	1,890	−502	−154	10,003
Investments	7,760	2,978	604	193	0	11,535

At EUR 5.9 million (p/y: EUR 4.8 million), net income for the period in the first half-year was significantly higher than in the prior year, while at EUR 3.1 million (p/y: EUR 3.5 million), net income for the period in the second quarter did not quite match the prior year's level. The corresponding earnings per share in the first half of the year amounted to EUR 1.89 (p/y: EUR 1.55) and EUR 0.98 (p/y: EUR 1.12) in the quarter under review.

SEGMENTS

The following segment information refers to EBIT before currency effects because this is the figure that best reflects the Group's operating development.

Total revenue and total output at our home location of Oberkirch, which comprises the Germany segment, rose significantly in the first half of 2017, although the growth rates flattened somewhat in the course of the six-month period. This resulted in a lower earnings contribution in the second quarter versus the first quarter. There was also an impact from higher material prices and additional growth-related expenses.

Still, the significant decline in EBIT reported in the second quarter is not satisfactory. At a location such as Oberkirch that is operating in a market with limited growth and the permanent cost pressure typical of a high-wage country, it is necessary to improve efficiency on an ongoing basis and to review the cost structures in order to secure profitability. We are working intensively on this.

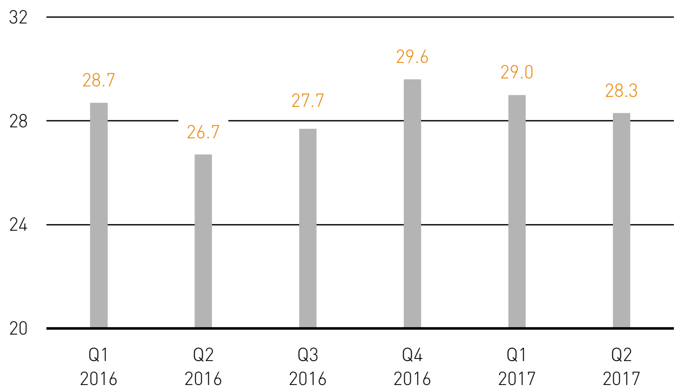
The Czech location, which forms the Rest of Europe segment, is maintaining high capacity utilization and continues to operate with a very good and stable EBIT margin. In preparation for further growth, we have now expanded the press area, and a new 1,600-ton press will soon be put into operation. We have also set up assembly space that is required for the future production of cross-members.

We are now quite satisfied with our two locations Canada and Mexico, which make up the NAFTA Area segment. Based on higher total sales and total output, the EBIT in the six-month period almost doubled.

The EBIT margin in Canada further increased based on continued high capacity utilization. Mexico also achieved a visible and steady improvement in margin.

In Hermosillo in the north of Mexico, we stopped construction of an assembly location in the second quarter, which had been intended for making deliveries to Ford.

EQUITY RATIO
IN PERCENT



Ford had recently announced it was transferring production of the vehicle models to be supplied by PWO to China. We had not planned on providing a location in China to supply these models.

This change will not affect the Group's medium-term growth during the planning period that lasts through the year 2020. For our customers BMW and Daimler, we will be manufacturing their new cross-member orders at our production site in Puebla and will build a new location for their assembly nearby.

The high growth in China accelerated even more during the six-month period. Despite the associated additional expenses, we were able to achieve a positive EBIT in the second quarter and thus partially offset the loss of the first quarter.

NET ASSETS AND FINANCIAL POSITION

Total assets in the first half of 2017 increased significantly to EUR 389.9 million compared to EUR 359.4 million as of December 31, 2016. This rise resulted not only from higher revenues and a corresponding increase in receivables but also from the unusually high volume of unfinished tool inventories, which are also reflected in current assets.

We are currently preparing for a large number of new series start-ups. For the production of cross-members, which require the assembly of up to 55 individual parts, a corresponding number of individual tool sets are required.

Despite the significant increase in total assets and the distribution of the dividend after the Annual General Meeting in May of this year, the equity ratio as of the reporting date was 28.3 percent compared to 29.6 percent at the end of the 2016 fiscal year.

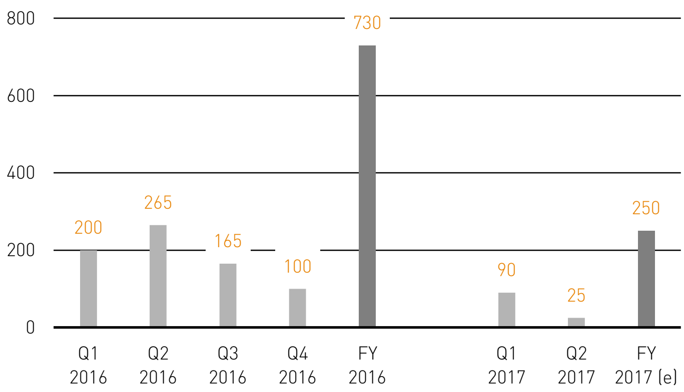
We expect that a significant portion of the unfinished tools will be invoiced during the second half of 2017. Therefore, the increase in tool inventories was mainly financed through current liabilities, particularly higher trade payables. This was the reason for the disproportionately low rise in net debt from EUR 124.5 million as of December 31, 2016 to EUR 135.4 million as of the reporting date.

Some of the refinancing was funded by our promissory note of EUR 65 million. In the second quarter, we repaid the tranches with variable interest rates amounting to EUR 25 million and at the same time successfully placed a new EUR 30 million promissory note with a maturity of 5 to 7 years essentially at fixed interest rates.

Most of the growth in total assets occurred in the first quarter with only a smaller portion recorded in the second quarter. As a result, there was a clear improvement in cash flow from operating activities in the course of the first half-year from EUR –6.6 million in the first quarter of 2017 to EUR 14.6 million in the second quarter.

Nevertheless, at EUR 8.0 million, cash flow was still significantly below the previous year's level of EUR 24.3 million for the entire first half of 2017.

NEW BUSINESS (LIFETIME VOLUME OF SERIES AND TOOL ORDERS)
IN EUR MILLION



At EUR –11.3 million (p/y: EUR –11.4 million), cash flow from investing activities remained virtually unchanged compared to the prior-year period. The investments made during the reporting period are explained in the following section. Free cash flow after interest paid and received amounted to EUR –5.4 million (p/y: EUR 10.9 million).

The change in cash and cash equivalents amounted to EUR 7.6 million (p/y: EUR 3.9 million), which included the dividend payment and the assumption of loans in a net amount of EUR 17.9 million (p/y: repayment of EUR 2.1 million).

INVESTMENTS

As mentioned in the segment report, a total of EUR 13.2 million (p/y: EUR 11.5 million) was invested in the first half of 2017. Of that amount, EUR 6.3 million (p/y: EUR 5.8 million) was invested during the second quarter.

In Oberkirch, the new series start-ups are the focus in 2017. In the first half-year, these start-ups mainly related to cross-members and seat components. We also implemented some structural changes during this period.

The expansion of the press area at the Czech location has been progressing well. We are also expanding our capacities in Mexico. Among others, we made down payments on two new transfer presses in the first half-year.

In China, additional forming presses have been ordered, but they have not yet led to any significant investments in the first half-year.

The total investment budget for the current fiscal year is approximately EUR 40 million.

NEW BUSINESS

Of the roughly EUR 250 million in new business that we are expecting in the current fiscal year, we were already able to secure almost half of that amount – around EUR 115 million including roughly EUR 5 million of related tool volumes – in the first half of this year.

The volume of new business in the second quarter was low, as expected, amounting to around EUR 25 million, as no major new orders were up for bid from our customers.

After a very high level of new business in recent years, we are now directing our sales efforts to specific projects only. We were therefore very pleased to receive an order for our Mexican site for the indirect supply of electromechanical components to a renowned US manufacturer of electric vehicles.

Beyond this, we are concentrating on the preparations for the new start-ups scheduled over the next few years and on filling specific gaps in capacity.

REPORT ON OPPORTUNITIES AND RISKS

The opportunities and risks presented in the 2016 annual report for the development of the PWO Group and its segments remain valid.

In our annual report, we stated that our earnings development in 2017 may be particularly affected by performance risk due to increased capacity utilization as well as material price risk.

In the first half of the year, customer call orders were even higher than expected. The established locations in Germany, Canada and Czechia were able to master the situation well as was Mexico. In China, we have now adjusted the production processes to allow us to return to the usual production rhythm during the third quarter. However, there are still risks associated with the upcoming complex start-ups and ramp-ups planned.

With regard to material price risks, we must now assume it is unlikely that we will be able to pass on the full cost increases still in the current year. We also have the new added tax risk from a tax audit being conducted on Progress-Werk Oberkirch AG for the years 2012 to 2015.

Projections about the future development of exchange rates are not part of our corporate forecasts. We enter into the appropriate hedging transactions to avoid currency risks with the aim of hedging the currency parities on which the contracts are based so that we can lock in the expected contribution margins. Additional risks are mainly related to inter-company loans. Since these loans are not subject to economic risk, they are only partially hedged.

REPORT ON FORECASTS AND OUTLOOK

The positive revenue development in the first three months of the current fiscal year continued into the reporting quarter. Our 2017 revenue target of around EUR 450 million, roughly EUR 20 million of which stems from material price effects, now appears to be conservative.

Although the stronger-than-expected growth offers earnings opportunities, it is also associated with additional expenses at some locations. Overall, we expect that both developments will offset one another and therefore confirm our forecast for EBIT before currency effects of EUR 23 to 24 million.

The Group's balance sheet and cash flow are still characterized by high tool inventories. We assume that a significant portion of these inventories will be invoiced in the course of the second half of 2017. Until now, we have used only just under one-third of our investment budget of EUR 40 million.

Our forecast for positive free cash flow and a consolidation of the equity ratio and dynamic leverage ratio at the last year's levels continue to apply under the condition stated in the 2016 annual report: the consistent and effective management of investments.

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the interim group management report provides a fair review of the development and performance of the business and the position of the Group together with a description of the principal opportunities and risks associated with the Group's expected development during the remainder of the financial year."

Oberkirch, July 25, 2017

The Management Board

Dr. Volker Simon (Speaker)
Bernd Bartmann
Johannes Obrecht

CONSOLIDATED INCOME STATEMENT

EURK

	Q2 2017	% share	Q2 2016	% share
Revenue	116,011	95.0	104,993	95.7
Change in finished goods and work-in-progress / other own work capitalized	6,085	5.0	4,704	4.3
TOTAL OUTPUT	**122,096**	**100.0**	**109,697**	**100.0**
Other operating income	4,455	3.6	624	0.6
Cost of materials	68,996	56.5	58,209	53.1
Staff costs	30,138	24.7	28,993	26.4
Depreciation and amortization	5,944	4.8	6,430	5.9
Other operating expenses	16,251	13.3	10,286	9.4
EBIT	**5,222**	**4.3**	**6,403**	**5.8**
Financial expenses	1,362	1.1	1,377	1.2
EBT	**3,860**	**3.2**	**5,026**	**4.6**
Income taxes	803	0.7	1,515	1.4
NET INCOME FOR THE PERIOD	**3,057**	**2.5**	**3,511**	**3.2**
Earnings per share in EUR	0.98	--	1.12	--

CONSOLIDATED INCOME STATEMENT

EURK

	1st HY 2017	% share	1st HY 2016	% share
Revenue	233,114	95.5	208,661	99.4
Change in finished goods and work-in-progress / other own work capitalized	10,972	4.5	1,275	0.6
TOTAL OUTPUT	**244,086**	**100.0**	**209,936**	**100.0**
Other operating income	6,313	2.6	3,286	1.6
Cost of materials	136,459	55.9	110,717	52.7
Staff costs	61,608	25.2	57,492	27.4
Depreciation and amortization	12,045	4.9	12,620	6.0
Other operating expenses	29,897	12.3	22,390	10.7
EBIT	**10,390**	**4.3**	**10,003**	**4.8**
Financial expenses	2,741	1.1	2,813	1.4
EBT	**7,649**	**3.1**	**7,190**	**3.4**
Income taxes	1,742	0.7	2,359	1.1
NET INCOME FOR THE PERIOD	**5,907**	**2.4**	**4,831**	**2.3**
Earnings per share in EUR	1.89	--	1.55	--

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURK

	Q2 2017	Q2 2016
NET INCOME FOR THE PERIOD	**3,057**	**3,511**
Net gains/losses from cash flow hedges	3,004	-429
Tax effect	-789	126
Items that may be reclassified to profit and loss in future periods	**2,215**	**-303**
Currency translation differences	**-990**	**294**
Actuarial gains/losses from defined benefit pension plans	909	-5,327
Tax effect	-258	1,515
Items that will not be reclassified to profit and loss	**651**	**-3,812**
OTHER COMPREHENSIVE INCOME AFTER TAX	**1,876**	**-3,821**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**4,933**	**-310**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURK

	1st HY 2017	1st HY 2016
NET INCOME FOR THE PERIOD	**5,907**	**4,831**
Net gains from cash flow hedges	4,960	2,744
Tax effect	-1,351	-745
Items that may be reclassified to profit and loss in future periods	**3,609**	**1,999**
Currency translation differences	**-1,171**	**-163**
Actuarial gains/losses from defined benefit pension plans	909	-12,711
Tax effect	-258	3,614
Items that will not be reclassified to profit and loss	**651**	**-9,097**
OTHER COMPREHENSIVE INCOME AFTER TAX	**3,089**	**-7,261**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**8,996**	**-2,430**

CONSOLIDATED BALANCE SHEET

ASSETS

EURK

	Jun. 30, 2017	Dec. 31, 2016
Property, plant and equipment	174,146	176,637
Intangible assets	11,185	11,452
Deferred tax assets	12,654	13,400
NON-CURRENT ASSETS	**197,985**	**201,489**
Inventories	110,878	97,104
Receivables and other assets	70,146	58,491
Other financial assets	2,701	192
Income tax receivables	2,245	129
Cash and cash equivalents	5,939	2,014
CURRENT ASSETS	**191,909**	**157,930**
TOTAL ASSETS	**389,894**	**359,419**

EQUITY AND LIABILITIES

EURK

	Jun. 30, 2017	Dec. 31, 2016
EQUITY	**110,532**	**106,536**
Non-current financial liabilities	92,503	87,395
Provisions for pensions	52,387	52,927
Other provisions	1,653	1,732
Deferred tax liabilities	203	0
NON-CURRENT LIABILITIES	**146,746**	**142,054**
Current portion of provisions for pensions	1,540	1,540
Current portion of other provisions	1,717	1,231
Trade payables and other liabilities	76,510	54,103
Other financial liabilities	4,057	14,878
Current financial liabilities	48,792	39,077
CURRENT LIABILITIES	**132,616**	**110,829**
TOTAL EQUITY AND LIABILITIES	**389,894**	**359,419**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURK

	Equity attributable to PWO AG shareholders						
				Other components of equity Items that may be reclassified to profit and loss in future periods			
	Subscribed capital	Capital reserves	Retained earnings	Defined benefit pension plans	Currency translation differences	Cash flow hedges	Total
JANUARY 1, 2016	**9,375**	**37,494**	**68,913**	**-12,003**	**3,382**	**-4,050**	**103,111**
Net income for the period			4,831				4,831
Other comprehensive income				-9,097	-163	1,999	-7,261
TOTAL COMPREHENSIVE INCOME	**9,375**	**37,494**	**73,744**	**-21,100**	**3,219**	**-2,051**	**100,681**
Dividend payment			-4,844				-4,844
JUNE 30, 2016	**9,375**	**37,494**	**68,900**	**-21,100**	**3,219**	**-2,051**	**95,837**
JANUARY 1, 2017	**9,375**	**37,494**	**73,591**	**-14,614**	**3,639**	**-2,949**	**106,536**
Net income for the period			5,907				5,907
Other comprehensive income				651	-1,171	3,609	3,089
TOTAL COMPREHENSIVE INCOME	**9,375**	**37,494**	**79,498**	**-13,963**	**2,468**	**660**	**115,532**
Dividend payment			-5,000				-5,000
JUNE 30, 2017	**9,375**	**37,494**	**74,498**	**-13,963**	**2,468**	**660**	**110,532**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURK

	1st HY 2017	1st HY 2016
Net income for the period	5,907	4,831
Depreciation of property, plant and equipment and intangible assets, net of write-ups	12,045	12,620
Income tax expense/refund	1,742	2,359
Interest income and expenses	2,741	2,813
Change in current assets	-31,827	-2,711
Change in current liabilities (excluding financial liabilities)	11,570	4,870
Change in non-current liabilities (excluding financial liabilities)	-1,530	12,304
Income taxes paid	-4,793	-1,971
Other non-cash expenses/income	12,083	-10,869
Gains/losses on disposal of property, plant and equipment	19	38
CASH FLOW FROM OPERATING ACTIVITIES	**7,957**	**24,284**
Proceeds from disposal of property, plant and equipment	35	25
Payments for investments in property, plant and equipment	-10,907	-11,085
Payments for investments in intangible assets	-477	-295
CASH FLOW FROM INVESTING ACTIVITIES	**-11,349**	**-11,355**
Dividends paid	-5,000	-4,844
Interest paid	-2,009	-2,058
Interest received	31	8
Proceeds from borrowings	52,532	10,975
Repayment of borrowings	-34,589	-13,098
CASH FLOW FROM FINANCING ACTIVITIES	**10,965**	**-9,017**
Net change in cash and cash equivalents	7,573	3,912
Effect of exchange rates on cash and cash equivalents	217	13
Cash and cash equivalents as of January 1	-11,782	-7,308
CASH AND CASH EQUIVALENTS AS OF JUNE 30	**-3,992**	**-3,383**
of which cash and cash equivalents	5,939	11,964
of which bank borrowings due on demand	-9,931	-15,347

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 May 26, 2015. The Company's fiscal year corresponds to the calendar year. PWO's main business activities are the development and production of advanced metal components and subsystems using lightweight construction for automobile safety and comfort.

The condensed interim consolidated financial statements of Progress-Werk Oberkirch AG (PWO) and its subsidiaries for the second quarter and first half-year of 2017 were authorized by the Management Board on the basis of a resolution passed on July 25, 2017 and were subsequently submitted to the Supervisory Board's Audit Committee for examination.

ACCOUNTING POLICIES

BASIS OF PRESENTATION

These condensed interim consolidated financial statements as of June 30, 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting." All of the International Financial Reporting Standards (IFRS), including the interpretation of the IFRS Interpretations Committee (IFRIC) that were adopted into EU law by the European Commission and which were mandatorily applicable as of the reporting date, were applied as of the reporting date.

These interim consolidated financial statements do not contain all of the information and disclosures required for consolidated financial statements at the end of the financial year, and, therefore, should be read in conjunction with the annual consolidated financial statements as of December 31, 2016. In principle, the accounting policies used in preparing the interim consolidated financial statements are the same as those used for the consolidated financial statements as of December 31, 2016. Detailed explanations are provided on page 70 et sqq. of the notes to the 2016 Annual Report.

The interim consolidated financial statements and the interim management report are subject neither to an external audit nor to an auditor's review.

CURRENCY TRANSLATION

The financial statements of the companies included in the interim consolidated financial statements that were prepared using foreign currencies were translated using the following exchange rates:

			Closing rate		Average rate
		Jun. 30, 2017	Jun. 30, 2016	1st HY 2017	1st HY 2016
China	CNY	7.74	7.38	7.44	7.29
Canada	CAD	1.48	1.44	1.44	1.49
Mexico	USD	1.14	1.11	1.08	1.12

TAXES

In accordance with IAS 34, income tax expenses in the reporting period were recognized based on the tax rate expected for the full year.

CHANGES IN ACCOUNTING POLICIES

The same accounting methods that were applied in the preparation of the consolidated financial statements as of December 31, 2016 were used in the preparation of the condensed interim consolidated financial statements.

The IASB and the IFRS Interpretations Committee have issued the following standards and interpretations, which were adopted by the EU in the 2017 fiscal year but are not yet mandatory or have not yet been incorporated into EU law.

As of June 30, 2017, no early application was made by the PWO Group with respect to standards that were not yet mandatory.

Title / Announcement	Applicable time frame	Anticipated amendments	Anticipated impact on the PWO Group
IFRS 9: Financial Instruments	Jan. 1, 2018	The final version of IFRS 9 as a complete standard includes all previously published regulations and has merged these with the new regulations for the recognition of impairments and limited changes to the classification and measurement of financial assets. Except for the topic "Macro Hedging," this concludes the project of revising financial instruments accounting and the complete replacement of IAS 39 "Financial Instruments: Recognition and Measurement."	The analyses and measures regarding the potential impact on the Group's net assets, financial position and results of operations described in the 2016 annual report have not yet been finalized. A quantification of the effects from the application of the new standard will be made at a later date after completion of the detailed analysis.
IFRS 15: Revenue from contracts with customers	Jan. 1, 2018	The new standard includes a single, comprehensive model and extensive guidance on how entities shall recognize revenue from contracts with customers. The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue and the related interpretations.	The internal project described in the 2016 annual report with regard to the detailed analysis of the effects and implementation aspects of IFRS 15 has not yet been completed. The first project phase (analysis of the effects on existing contracts) has been carried out in the meantime. The second phase of the project with the aim of the Group-wide review of the series and tool contracts concerned and a concept devised for the reconciliation of the revenue recognition to the new regulations of IFRS 15 has not yet been completed. The review is very intensive and time-consuming and calls for the clarification of detailed questions in the second half of 2017. A quantification of the effects from the application of the new standard will be made at a later date after the completion of the next project phase.

Title / Announcement	Applicable time frame	Anticipated amendments	Anticipated impact on the PWO Group
IFRS 16: Leases	Jan. 1, 2019	New regulation for the accounting of leases. In accordance with IFRS 16, the lessee must now also account for all leases (exceptions are current leases or low-value lease items). The accounting of leases by the lessor remains virtually unchanged.	The analysis of the effects of the potential impact on the Group's net assets, financial position and results of operations described in the 2016 Annual Report is still at an early stage. A quantification of the effects from the application of the new standard will be made at a later date when the detailed analysis has been completed.
Amendments to IAS 7: Disclosure Initiative: Changes in liabilities arising from financing activities	Jan. 1, 2017	The amended standard supplements IAS 7 with additional disclosure requirements in connection with liabilities from financing activities.	The addition of a reconciliation statement as of the beginning of the period to the final reporting date with a distinction made between cash and non-cash changes. Disclosures for the comparable period are not required upon first-time application. Otherwise, the changes have no effect.
Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses	Jan. 1, 2017	The amendments remove primarily uncertainties related to the recognition of deferred tax assets on debt instruments carried at fair value.	This amendment will not have any effect on the Group since the amendment corresponds to the current accounting practice.
Clarifications to IFRS 15: Revenue from Contracts with Customers	Jan. 1, 2018	These clarifications address three issues (identification of performance obligations, principal-agent relationships and intellectual property licenses) and aim to facilitate transitional arrangements for modified and completed contracts.	The effects of the amendments are examined together with the implementation of IFRS 15.
Annual improvement project to IFRS: Annual improvements to IFRS 2014-2016	Jan. 1, 2017	The amendments relevant to the Group relate to IFRS 12. According to IFRS 12.5, disclosures are also required if investments are classified as held for sale or disposal. An exception exists only for information explicitly excluded under IFRS 12.B10-B16.	No effect.
IFRIC 22: Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018	Regulates the point in time of the determination of the foreign currency exchange rate for transactions with advance payments in foreign currencies.	No material effect.

NOTES TO THE INCOME STATEMENT

REVENUE

The breakdown of Group revenue by location is shown in the segment reporting. Revenue in the reporting period was reduced by EURk 510 (p/y: EURk 724) due to the realization of hedging transactions.

OTHER OWN WORK CAPITALIZED

Other own work capitalized is comprised of EURk 306 (p/y: EURk 181) of development costs subject to mandatory capitalization according to IAS 38. These development costs are particularly related to investments in the development of cross-members as well as steering and air suspension components.

OTHER OPERATING INCOME

Other operating income primarily comprises currency gains in the amount of EURk 5,125 (p/y: EURk 2,520).

OTHER OPERATING EXPENSES

Other operating expenses primarily comprise the following items:

EURK

	1st HY 2017	1st HY 2016
Costs for temporary employees	7,464	6,242
Currency losses	7,051	3,987
Maintenance costs	3,354	2,963
Outgoing freight	2,829	1,517
Leasing costs/rents	1,585	1,345

INCOME TAXES

The income taxes reported in the consolidated income statement are comprised as follows:

EURK

	1st HY 2017	1st HY 2016
Actual taxes	1,916	2,416
Deferred taxes	-174	-57
Total	**1,742**	**2,359**

During the reporting period, Progress-Werk Oberkirch AG has been undergoing a tax audit for the years 2012 through 2015 that had not yet been completed.

EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the period attributable to the shareholders of PWO AG by the weighted average number of shares outstanding. Actions resulting in dilution effects did not occur.

EURK

	Q2 2017	Q2 2016
Net income for the period	3,057	3,511
Average number of no-par value shares	3,125,000	3,125,000
Earnings per share in EUR	**0.98**	**1.12**

EURK

	1st HY 2017	1st HY 2016
Net income for the period	5,907	4,831
Average number of no-par value shares	3,125,000	3,125,000
Earnings per share in EUR	**1.89**	**1.55**

NOTES TO THE BALANCE SHEET

GOODWILL

An impairment test relating to goodwill is performed annually (as per December 31). An impairment test is also performed if there are indications that goodwill might be impaired. When testing for impairment of goodwill and intangible assets with a finite useful life, the PWO Group assesses the value in use. The main assumptions for determining the recoverable amount for the various cash-generating units are provided in the consolidated financial statements as of December 31, 2016. As of June 30, 2017, there were no indications requiring an impairment test and therefore no need for impairment.

RECEIVABLES AND OTHER ASSETS

The rise in receivables and other assets from EURk 58,491 on December 31, 2016 to EURk 70,146 on the reporting date is mainly a result of a reporting date-related increase in trade receivables.

CASH AND CASH EQUIVALENTS

The amount of cash and cash equivalents reported in the consolidated statement of cash flows as of June 30, 2017 of EURk 5,939 (p/y: EURk 11,964) consists of cash on hand and short-term bank deposits.

EQUITY

SUBSCRIBED CAPITAL

As of the June 30, 2017 reporting date, the fully paid-up and subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375) and was divided into 3,125,000 no-par value shares (p/y: 3,125,000 no-par value shares).

AUTHORIZED CAPITAL

By resolution of the Annual General Meeting of May 19, 2015 and subject to the consent of the Supervisory Board, the Management Board is authorized to increase the Company's share capital once or several times by up to EUR 4,687,500.00 (Authorized Capital 2015) by issuing new no-par value bearer shares against contribution in cash and/or in kind until and including the date of May 18, 2020.

RETAINED EARNINGS AND OTHER EQUITY

As of June 30, 2017, Group equity includes income and expenses arising from the currency translation of foreign subsidiaries of EURk 2,468 (p/y: EURk 3,219) and income and expenses from cash flow hedges of EURk 660 (p/y: EURk –2,051).

DIVIDENDS PAID

On May 23, 2017, the Annual General Meeting resolved the payment of the proposed dividend of EUR 1.60 per share for the 2016 fiscal year. This is equivalent to a distribution of EURk 5,000.

NOTIFICATIONS PURSUANT TO SECTION 21 (1) WPHG

In the first half-year 2017, there were no notifications received regarding investments in Progress-Werk Oberkirch AG.

LIABILITIES

PENSION PROVISIONS

Provisions for pensions and similar obligations are recognized on the basis of pension plan entitlements for retirement, invalidity and survivor dependent's benefits. The retirement benefits are based on the employees' 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.

Defined benefit obligations have been measured on the basis of the following actuarial assumptions:

	Jun. 30, 2017	Dec. 31, 2016
Discount rate	2.10 %	2.00 %
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 adjustments	1.75 %	1.75 %

The adjustment in the discount rate to the level of the market interest rate applicable as of the reporting date resulted in a change in estimates. The decrease in pension provisions of EURk 540 was mainly the result of the 0.1 percentage points increase in the discount rate.

OTHER PROVISIONS

The provisions recognized in the balance sheet primarily include provisions for employees (obligations for phased retirement and anniversary bonuses) and provisions for contingent losses.

TRADE PAYABLES AND OTHER LIABILITIES

The change in trade payables mainly resulted from financing higher inventories, particularly unfinished tools and raw materials.

The increase in other liabilities stemmed from an increase in personnel-related provisions (Christmas bonuses, vacation pay, and holiday pay) and an increase in liabilities from wage taxes.

OTHER FINANCIAL LIABILITIES

The main effect of the appreciation in the euro versus the US dollar was a decrease in other financial liabilities from EURk 14,878 on December 31, 2016 to EURk 4,057 on June 30, 2017.

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, and only the costs for late payment risk remain with PWO AG. As of June 30, 2017, receivables with a nominal value of EURk 22,580 (p/y: EURk 18,117) were sold. The transferred receivables are current receivables where the carrying amount corresponds to the fair value of the assets transferred.

FINANCIAL INSTRUMENTS

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

EURK

	Valuation category pursuant to IAS 39	Carrying amount		Fair value	
		Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
ASSETS					
Trade receivables and other receivables	LaR	58,258	49,208	58,258	49,208
Other financial assets		2,701	192	2,701	192
of which derivatives with hedging relationship	n.a.	1,297	115	1,297	115
of which derivatives without hedging relationship	FAHfT	1,404	77	1,404	77
of which deposits > 3 months	LaR	0	0	0	0
Cash and cash equivalents	LaR	5,939	2,014	5,939	2,014
LIABILITIES					
Financial liabilities		141,295	126,472	143,241	134,864
Bank borrowings	FLAC	69,757	60,381	64,841	62,990
of which variable interest rate		16,539	24,257	16,539	24,257
of which fixed interest rate		53,218	36,124	48,302	38,733
Liabilities from promissory notes	FLAC	64,803	59,877	70,642	64,538
of which variable interest rate		2,991	24,949	2,991	24,949
of which fixed interest rate		61,812	34,928	67,651	39,589
Liabilities to leasing companies	n.a.	6,735	6,214	7,758	7,336
of which variable interest rate		0	0	0	0
of which fixed interest rate		6,735	6,214	7,758	7,336
Trade payables	FLAC	43,666	31,438	43,666	31,438
Other financial liabilities		4,057	14,878	4,057	14,878
of which derivatives with hedging relationship	n.a.	493	4,519	493	4,519
of which derivatives without hedging relationship	FLHfT	1,188	3,736	1,188	3,736
of which others	FLAC	2,376	6,623	2,376	6,623
of which aggregated according to IAS 39 measurement categories:					
Loans and Receivables (LaR)		64,197	51,222	64,197	51,222
Financial Assets Held for Trading (FAHfT)		1,404	77	1,404	77
Financial Liabilities Measured at Amortized Cost (FLAC)		180,603	158,319	181,526	165,589
Financial Liabilities Held for Trading (FLHfT)		1,188	3,736	1,188	3,736

According to IFRS 13, all assets and liabilities that are carried at fair value are allocated to Level 2 of the valuation hierarchy. In the reporting period, there were no changes to the valuation methods applied and no reclassifications between the hierarchy levels.

Derivative financial instruments are mainly concluded with financial institutions. Derivatives measured by applying a measurement method using input factors observable in the market, primarily comprise interest-rate swaps, foreign exchange swaps and foreign exchange forward contracts. Forward price models and swap models based on net present value calculations are the most frequently used measurement methods. These models incorporate various input factors such as the counterparty's credit risk, spot and forward rates, yield curves of selected foreign currencies, currency spreads between selected foreign currencies and yield curves.

ADDITIONAL INFORMATION

RELATED PARTY DISCLOSURES

Related parties include the Group's parent company, Consult Invest Beteiligungsberatungs-GmbH, Böblingen, as well as the members of the Management Board and Supervisory Board. In the reporting period, there were no transactions between the Group and the parent company. There were no relationships with related parties with regard to the supply of goods or the rendering of services.

ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

In the statement of cash flows, cash flows are presented on the basis of IAS 7. Cash and cash equivalents reported in the cash flow statement comprise cash and cash equivalents as well as bank borrowings due on demand. The bank borrowings payable on demand, amounting to EURk 9,931 (p/y: EURk 15,347) have been included in the balance sheet under "current financial liabilities".

SEGMENT REPORTING

SEGMENT INFORMATION BY LOCATION FOR THE 1ST HALF-YEAR 2017

EURK

	Germany	Rest of Europe	NAFTA Area	Asia	Consolidation effects	Group
Total revenue	135,156	38,028	52,593	21,589	0	247,366
Inter-segment revenue	-7,889	-1,666	-55	-4,642	0	-14,252
EXTERNAL REVENUE	**127,267**	**36,362**	**52,538**	**16,947**	**0**	**233,114**
TOTAL OUTPUT	**144,302**	**37,120**	**52,332**	**24,703**	**-14,371**	**244,086**
Other income (aggregated)	6,304	174	1,232	394	-1,791	6,313
Other expenses (aggregated)	141,668	30,588	46,796	24,957	-16,045	227,964
Depreciation and amortization	5,544	2,196	2,883	1,429	-7	12,045
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**3,394**	**4,510**	**3,885**	**-1,289**	**-110**	**10,390**
Interest income	1,945	23	0	1	-1,713	256
Interest expenses	2,420	600	1,042	648	-1,713	2,997
EARNINGS BEFORE TAXES (EBT)	**2,919**	**3,933**	**2,843**	**-1,936**	**-110**	**7,649**
Income taxes	1,081	-11	703	0	-31	1,742
NET INCOME FOR THE PERIOD	**1,838**	**3,944**	**2,140**	**-1,936**	**-79**	**5,907**
Assets	206,227	86,242	84,182	55,180	-41,937	389,894
of which non-current assets	76,156	47,485	35,076	26,724	-110	185,331
Liabilities	40,687	35,823	60,471	65,362	76,820	279,163
Investments	5,486	4,177	3,063	465	0	13,191
Employees (as of June 30)	1,568	653	836	341	--	3,398

Of the reported revenues as of June 30, 2017, two customers accounted for more than 10% of revenues each, spread across all of the segments. As of June 30, 2016, two customers were identified with whom the Group had achieved slightly more than 10% of revenues.

SEGMENT REPORTING

SEGMENT INFORMATION BY LOCATION FOR THE 1ST HALF-YEAR 2016

EURK

	Germany	Rest of Europe	NAFTA Area	Asia	Consolidation effects	Group
Total revenue	121,887	37,357	45,724	13,467	0	218,435
Inter-segment revenue	-6,448	-2,058	-66	-1,202	0	-9,774
EXTERNAL REVENUE	**115,439**	**35,299**	**45,658**	**12,265**	**0**	**208,661**
TOTAL OUTPUT	**124,467**	**36,325**	**45,675**	**13,301**	**-9,832**	**209,936**
Other income (aggregated)	3,397	129	1,330	118	-1,688	3,286
Other expenses (aggregated)	115,688	31,446	42,122	12,695	-11,352	190,599
Depreciation and amortization	6,377	2,038	2,993	1,226	-14	12,620
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**5,799**	**2,970**	**1,890**	**-502**	**-154**	**10,003**
Interest income	1,639	0	0	1	-1,632	8
Interest expenses	2,167	620	878	744	-1,588	2,821
EARNINGS BEFORE TAXES (EBT)	**5,271**	**2,350**	**1,012**	**-1,245**	**-198**	**7,190**
Income taxes	1,961	-62	448	0	12	2,359
NET INCOME FOR THE PERIOD	**3,310**	**2,412**	**564**	**-1,245**	**-210**	**4,831**
Assets	190,421	83,802	75,390	52,437	-43,238	358,812
of which non-current assets	71,221	43,467	36,233	30,469	-141	181,249
Liabilities	28,872	44,825	55,465	54,539	79,274	262,975
Investments	7,760	2,978	604	193	0	11,535
Employees (as of June 30)	1,486	665	694	276	--	3,121

SUBSEQUENT EVENTS

No events of significant importance to the net assets, financial position and results of operations have occurred after the reporting date that require reporting.

REPORT OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The interim financial report for the second quarter and first half-year 2017 was presented to the Supervisory Board's Audit Committee and explained by the Management Board. The Audit Committee concurred with the interim financial report.

Oberkirch, July 26, 2017

The Chairman of the Audit Committee
Dr. Georg Hengstberger

GOVERNING BODIES

The composition of the Management Board and Supervisory Board did not change during the reporting period.

MEMBERS OF THE MANAGEMENT BOARD
- Dr. Volker Simon | Speaker
- Bernd Bartmann
- Johannes Obrecht | Deputy Member

MEMBERS OF THE SUPERVISORY BOARD
- Karl M. Schmidhuber | Chairman
- Dr. Gerhard Wirth | Deputy Chairman
- Dr. Georg Hengstberger
- Herbert König | Employee representative
- Ulrich Ruetz
- Gerhard Schrempp | Employee representative

FINANCIAL CALENDAR AND CONTACTS

Nov. 2, 2017	Quarterly statement for the 3rd Quarter and 9 Months of 2017
Nov. 2017	German Equity Forum, Frankfurt/Main

Bernd Bartmann
Member of the Board (Administration & Finance)

Charlotte Frenzel
Investor Relations

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FORWARD-LOOKING STATEMENTS AND FORECASTS
This interim financial report contains forward-looking statements that are based on current assumptions, expectations, estimates, forecasts and other information currently available to the PWO Management Board, and on assumptions, expectations, estimates, forecasts and budgets that are derived from these. The forward-looking statements should not be understood as guarantees of future developments and results that are mentioned therein. Various known and unknown risks and uncertainties as well as other factors may result in actual developments and results diverging significantly from estimates that are mentioned here explicitly or are contained implicitly. These factors include those that PWO has described in published reports, and which are available on the PWO website at www.progress-werk.de. Irrespective of statutory regulations, PWO accepts no obligation to update such forward-looking statements and to adjust them to future events or developments.

DISCLAIMER
Figures in this report are typically presented on EURk and EUR million. Differences in comparison to the actual number in euro may emerge in individual figures due to rounding. Such differences are not of a significant nature. For improved readability, individuals are sometimes referred to in this report using solely the masculine form, which explicitly refers to men and women equally.