ANNUAL REPORT
2014

RIDING THE MEGATREND OF LIGHTWEIGHT CONSTRUCTION

PWO

ON THE COVER THE PWO ROTOR IS A PART OF THE AUTOMOBILE'S VENTILATION SYSTEM. WE DELIVER THE ROTORS READY-TO-INSTALL TO THE ASSEMBLY BELTS OF OUR CUSTOMERS – WITH THE MAGNETS ALREADY ATTACHED IF REQUESTED.

WITH OUR **COMPREHENSIVE EXPERTISE IN METAL FORMING FOR THE AUTOMOTIVE INDUSTRY** WE ARE A WORLD LEADER WHEN IT COMES TO HAVING FUNCTIONALITY, SAFETY, COMFORT, AND LIGHTWEIGHT CONSTRUCTION ALL UNDER ONE ROOF. OUR KNOW-HOW IN CREATING STRESS-OPTIMZED DESIGNS AND IN THE PROCESSING OF HIGH-STRENGTH STEELS, MAKES US THE **INNOVATIVE LEADER IN LIGHTWEIGHT CONSTRUCTION**.

PWO GROUP
FIVE-YEAR OVERVIEW OF KEY FIGURES

	2014	2013	2012[1]	2011	2010
INCOME STATEMENT (EURk)					
Revenue	**381,134**	377,447	358,072	331,080	264,195
Total output	**390,674**	384,244	366,624	328,832	270,714
Cost of materials	**209,746**	203,897	197,958	179,707	140,828
Staff costs	**110,650**	104,933	97,303	87,962	77,023
EBITDA	**39,015**	43,505	40,190	35,828	33,050
EBIT	**16,665**	22,313	21,255	19,161	16,007
EBT	**10,596**	16,677	14,929	12,880	9,803
Net income for the period	**7,310**	13,137	10,430	9,016	6,459
BALANCE SHEET (EURk)					
Total assets	**341,460**	299,384	279,303	240,735	223,459
Non-current assets	**189,661**	164,371	155,880	129,438	116,422
Current assets	**151,799**	135,013	123,423	111,297	107,037
thereof cash and cash equivalents	**5,404**	8,071	7,810	4,580	7,290
Equity	**96,100**	102,461	95,148	74,784	68,971
Financial liabilities	**130,449**	107,726	98,263	94,830	87,147
Other liabilities	**114,911**	89,197	85,892	71,121	67,341
Return on Equity in % (based on EBT)	**11.0**	16.3	15.7	17.2	14.2
Return on Equity in % (based on net income for the period)	**7.6**	12.8	11.0	12.1	9.4
Net debt as % of equity	**130**	97	95	121	116
Equity ratio in %	**28.1**	34.2	34.1	31.1	30.9
CASH FLOW (EURk)					
Cash flow from operating activities	**24,727**	30,425	26,617	25,547	24,840
Cash flow from investing activities	**-34,534**	-24,694	-33,262	-26,412	-16,849
Interest paid and received	**-4,859**	-4,162	-4,537	-4,716	-4,594
Free cash flow	**-14,666**	1,569	-11,182	-5,581	3,397
Dividends paid	**-5,625**	-5,000	-3,500	-2,500	0
Other cash flow from financing activities	**19,061**	-3,051	19,888	1,429	-2,461
Net change in cash and cash equivalents in the period	**-1,230**	-6,482	5,206	-6,652	936
NUMBERS PER SHARE (EUR)					
Average number of shares (in million)	**3.13**	3.13	2.89	2.50	2.50
Earnings per share (diluted = basic)	**2.34**	4.20	3.61	3.61	2.58
Dividend per share	**1.45**[2]	1.80	1.60	1.40	1.00
XETRA share price, year-end	**34.99**	43.90	28.20	31.34	35.50
EMPLOYEES (AS OF DECEMBER 31)					
PWO Group (incl. temporary employees)	**3,125**	3,103	2,916	2,664	2,288
thereof in Germany	**1,416**	1,451	1,393	1,340	1,209
thereof in international locations	**1,547**	1,482	1,356	1,174	954
thereof trainees	**162**	170	167	150	125

[1] Restated due to the effects of the application of IAS 19.

[2] Proposal to the 92nd Annual General Meeting.

PWO PRODUCT AREAS

MECHANICAL COMPONENTS FOR ELECTRICAL AND ELECTRONIC APPLICATIONS

We design and manufacture a wide range of high-precision round parts. They are among the most complex parts that can be produced by deep-drawing steel sheets. In this area, we are one of the world leaders – in terms of unit sales of electric motor housings and in terms of the features and precision of various other housings. Our product range also includes components for electric drives and housings for electronic control units.

SAFETY COMPONENTS FOR AIRBAGS, SEATS AND STEERING

We have been delivering components for airbags for over 20 years. In the last 10 years, we have continued to strengthen our position in the area of seats and steering systems. Here we develop and produce not only the seat structures, but also seat locks and adjusters – all components meeting the highest safety standards. The same applies to the adjustment mechanisms for steering columns. Our focus is always exclusively on our core competency in metal forming.

STRUCTURAL COMPONENTS AND SUBSYSTEMS FOR VEHICLE BODIES AND CHASSIS

Our third product range covers a wide variety of different components. Cross-members are one of the priorities. We produce them at our locations worldwide together with our partners who also work for us. Components for air suspension systems represent a different focus. They are now increasingly available for mid-range vehicles. This will open up a new high-volume market segment for us in the future.

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129 FURTHER INFORMATION

5 TO OUR SHAREHOLDERS

THE PWO ROTOR – IS A COMPONENT OF THE RADIATOR VENTILATOR.

It is used for cooling the engine and for air conditioning the inside of the vehicle. Our rotors run free of imbalance and, therefore, do not generate vibrations. This contributes to the highest comfort possible.

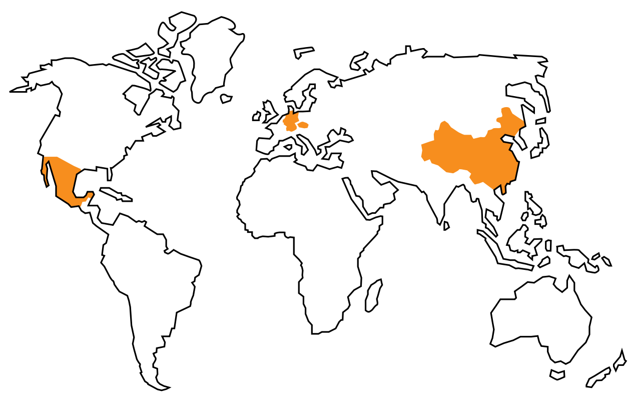
ROTORS
MECHANICAL COMPONENTS FOR ELECTRICAL / ELECTRONIC APPLICATIONS

920-1,250

TONS OF PRESSING FORCE
USED IN PRODUCTION

PRODUCTION LOCATIONS:

→ GERMANY
→ CZECH REPBULIC
→ MEXICO
→ CHINA



PROCESS INNOVATION

AVOIDING IMBALANCE BY ADHERENCE TO TIGHT TOLERANCES:

→ NO ADDITIONAL PROCESSING STEP NECESSARY

FIVE VARIATIONS

300
WATT

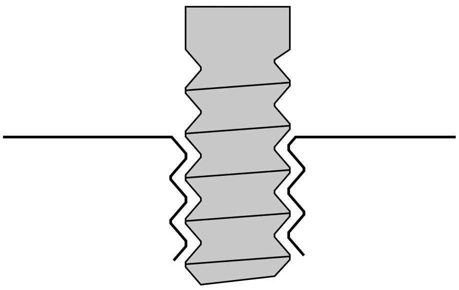
400
WATT

500
WATT

600
WATT

850
WATT

3 THREAD FORMS



→ ARE BEING INCLUDED IN THE DEEP-DRAWING PROCESS

LIGHTWEIGHT DESIGN THROUGH PERFORATION

OPTIMIZED FOR THE LOAD PLACED ON THE PART

DX54

CLASSIC, GALVANIZED DEEP-DRAWN STEEL

LETTER FROM THE MANAGEMENT BOARD

THE MANAGEMENT BOARD OF PROGRESS-WERK OBERKIRCH AG: BERND BARTMANN, DR. VOLKER SIMON (SPEAKER), DR. WINFRIED BLÜMEL

DEAR SHAREHOLDERS,

We consistently forged ahead with our international expansion in the 2014 fiscal year. Our focus was set on the Czech location where we accelerated our expansion. This location is on the verge of a growth spurt and in the coming years will develop into a second major pillar of the Group next to Oberkirch.

We are also investing in further expansion in Mexico and China. A new production and logistics building at our Mexican location is now contributing to a further improvement in our production and delivery processes. Our focus in China was on the expansion of our production location in Suzhou and the planning for the Group's first pure assembly location in Shenyang. This is bringing us closer to our customers in that region, reducing our costs, and helping us to achieve higher process security. These investments are part of our long-term development strategy that is being implemented irrespective of any temporary fluctuations in our business.

In the past year, many of our expectations were not met: The call orders of various series productions did not meet the volumes planned and some customers delayed production start-ups. This factor contributed to overall Group revenues of only EUR 381.1 million, or essentially at the prior year's level. EBIT declined seven percent to EUR 20.7 million as a result of one-time charges for staff adjustments.

The new business generated by the German location was increasingly impacted by the rising portion of customer vehicle production being transferred to foreign plants. This limits our domestic growth prospects. To safeguard the profitability and performance capabilities of our Oberkirch location, we introduced an efficiency improvement program that entailed a reduction of approximately 100 jobs. In 2014, we recognized expenses of EUR 4.0 million related to these reductions. By February 20, 2015, we were able to announce the completion of the targeted staff reductions and, consequently, the conclusion of these measures. In making these reductions, it was possible to take social aspects into account and still achieve our cost reduction targets.

We are continuing to streamline the structures and processes in Oberkirch to take advantage of potential yields. Our business is characterized by a broad spectrum of very differing orders: At one end of the spectrum, we have a large number of series orders every year with lifetime volumes in the single-digit million range. Here we aim to be faster and more efficient. At the other end of the spectrum, we have large platform orders with lifetime volumes in the three-digit million range. The processes of such varying order structures are hard to standardize. In the future, we want to bring our organizational structure even more in line with the various order requirements. In doing so, our largest location Oberkirch we set the standards once again for even more efficient growth throughout the entire Group.

My dear shareholders, irrespective of these current challenges, PWO's growth story remains intact. We expect considerable growth in the years to come, especially in China and the Czech Republic. Revenues in China are expected to more than double over the next two years. This means our activities at that location will gain material size within the Group. This rapid growth is well secured by a number of new orders: In 2014, the lifetime volume of new orders of the segment Asia was twice as high as the segment's current annual revenues.

At our Czech location, we want to increase revenues in the next two years by almost half. The respective orders to achieve this are already secured, and the required investments are being made. In Canada, we expect stable development. The Mexican location is expected to successively increase its performance to take better advantage of the local market potential. We have laid all of the groundwork necessary for PWO to continually grow in a targeted manner.

A major key to our success in this respect is our proven capability to create lightweight solutions with the lowest possible material costs yet stable production costs. This has allowed us to make a substantial contribution to vehicle manufacturers' ability to produce car models with ever lower emissions and less weight without sacrificing safety and comfort.

Our highly qualified employees develop the best possible solutions daily to meet the diverse challenges existing in our business. Even the most recent adjustments were carried out with a high level of motivation and commitment. At this point, we would like to thank them wholeheartedly. We would also like to extend our thanks and appreciation to our shareholders for placing their trust in us.

Dr. Volker Simon
(Speaker)

Bernd Bartmann

Dr. Winfried Blümel

REPORT OF THE SUPERVISORY BOARD

The following is a report of the Supervisory Board of Progress-Werk Oberkirch Aktiengesellschaft ("the Company") on its activities during the 2014 fiscal year. The focus of this report is the collaboration of the Supervisory Board and the Management Board, and the presentation of the key issues addressed at the Supervisory Board meetings. The Supervisory Board also reports on the work of its committees.

In fiscal year 2014, the Supervisory Board carried out its duties as defined by law and the Company's Articles of Association and its Rules of Procedure. For this purpose, the Supervisory Board and the Management Board continuously cooperated and maintained close dialogue that included all other major issues concerning the Company's and the Group's development. The Supervisory Board regularly advised the Management Board and monitored the management of the Company in the aspects of legality, expediency, and efficiency. The Management Board directly involved the Supervisory Board in decisions of fundamental importance to the Company and the Group. The Supervisory Board and the Management Board coordinated closely, particularly in matters relating to the strategic direction of the Group.

The Management Board kept the Supervisory Board promptly and fully informed on the basis of detailed verbal and written reports on all significant issues relating to the markets relevant to the Company and the Group, the current state of business, and the position of the Company and the Group. Detailed reports on current development projects and investments, short- and long-term corporate planning, and the strategic progression of the Group were also discussed with the Supervisory Board. In addition, the Management Board reported on the liquidity and risk situation as well as on the Group-wide risk management system, including compliance topics. Deviations from the forecasts and targets, as well as any counteractive measures, were discussed in detail by the Management Board and were reviewed by the Supervisory Board.

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

The Chairman of the Supervisory Board was regularly in close contact with the Management Board outside of the Supervisory Board meetings, particularly with the Management Board's Chairman and, as of July 1, 2014, also with its Speaker. The Chairman of the Supervisory Board advised the Management Board on questions of strategy, planning, business development, risk situation, risk management, and company compliance. The Chairman of the Supervisory Board was also always informed of all material business transactions. Outside of the meetings, he also briefed the other Supervisory Board members and discussed current developments with these members.

The Chairman of the Supervisory Board was always provided with information concerning special business transactions that were deemed vital to the assessment of the situation, progress, and management of the Company and the Group. The Chairman of the Supervisory Board was kept informed by the Management Board on a timely basis through verbal and written reports.

There were no events during the reporting year that could be classified as unusual or problematic. Therefore, it was not necessary to call an extraordinary meeting of the Supervisory Board.

Conflicts of interest involving members of the Management Board and the Supervisory Board that would require immediate disclosure to the Supervisory Board and the notification of the Annual General Meeting did not occur in fiscal year 2014. The Supervisory Board approved the mandate awarded by the administration to the law firm Gleiss Lutz, where the Supervisory Board member Dr. Gerhard Wirth is a partner.

THE WORK OF THE PLENARY

During the reporting year, the plenum met on five occasions: March 25; May 21; July 25; October 1; and December 9, 2014. Except for one occasion, all Supervisory Board meetings took place at the Company's headquarters. Following a longstanding tradition, one of the meetings in 2014 took place at one of the Group's international locations. This gave the Supervisory Board an opportunity to take a closer look at this location. On October 1, 2014, the Supervisory Board meeting took place at the Czech Republic subsidiary. All members of the Supervisory Board were present at all meetings.

The Supervisory Board regularly and thoroughly concerns itself with corporate strategy, current market conditions, on-going development projects, and the status of investments. In all meetings, the Supervisory Board discussed the Management Board's situation and earnings reports concerning the business performance and operational environment. Other topics discussed included the Annual General Meeting, questions on financing, and the forecasts for the reporting year. The following items were also on the meeting agendas:

At the meeting of March 25, 2014, the Supervisory Board dealt in detail with the fiscal year 2013 financial statements, the report of the Supervisory Board, the 2013 Annual Report, and the agenda of the Annual General Meeting on May 21, 2014. Questions concerning risk management, particularly of the subsidiaries, were also discussed.

On May 21, 2014, the focus was on the 2014 Annual General Meeting, which took place on that same day. In addition to dealing with the regular items on the agenda at all meetings, the initial forecast for the current fiscal year and compliance questions were also addressed.

At the meeting of July 25, 2014, the Supervisory Board discussed the Management Board's report on how to proceed with the supplemental agreement for the Oberkirch location and the development of the location in Mexico.

At the meeting on October 1, 2014, the visit to the Czech Republic operations in Valašské Meziříčí and the second forecast for the 2014 fiscal year were discussed.

At the meeting on December 9, 2014, the focus was on the presentation, discussion, and adoption of the medium-term planning until the year 2017 with regard to earnings development, the balance sheet, financing, and personnel and investment requirements. In this respect, the Management Board and the Supervisory Board came to the conclusion that measures are necessary to strengthen the profitability at the Company's headquarters in Oberkirch. The Supervisory Board discussed in detail and approved a program to be implemented promptly for strengthening the Oberkirch site.

The Supervisory Board also discussed corporate governance issues at this meeting and addressed the efficiency of its activities in detail. The subject of this review was, among others, the number, preparation, and execution of Supervisory Board meetings, the quality of the meeting documents, as well as the completeness and regularity of the topics of the obligatory questions posed to the Management Board by the Supervisory Board.

Also in this meeting, the Supervisory Board and the Management Board discussed and resolved Progress Werk Oberkirch AG's Declaration of Conformity pursuant to Section 161 AktG on the recommendations of the "Government Commission German Corporate Governance Code" in its version of June 24, 2014, and the deviations from these recommendations. Further information on corporate governance can be found in the Progress Werk Oberkirch AG's Corporate Governance Report and the statement on corporate governance pursuant to Section 289a of the German Commercial Code. Both of these documents can be found on the Company's website under www.progress-werk.de/en/investor-relations/corporate-governance/.

At its meeting on March 24, 2015 after the end of the reporting year, the Supervisory Board dealt extensively with the 2014 financial and consolidated financial statements, including the combined management report for the Company and the Group, the Management Board's proposal for the appropriation of unappropriated earnings, as well as the Management Board's Dependency Report under Section 312 of the Stock Corporation Act. In compliance with Section 315a of the German Commercial Code, consolidated financial statements have not been prepared in accordance with HGB (German Commercial Code).

The accounting, financial statements, consolidated financial statements, combined management report for the Company and the Group, and the Dependency Report were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and furnished with an unqualified audit opinion. The audit opinion given by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with regard to the Dependency Report is as follows: "In accordance with our dutiful audit and assessment, we hereby confirm that the details specified in the report are accurate."

The financial and consolidated financial statements, the combined management report for the Company and the Group, the Management Board's proposal for the appropriation of unappropriated earnings, the Dependency Report, and the audit reports prepared by the auditor, were provided to the Supervisory Board members in advance of the meeting on March 24, 2015. The Audit Committee reviewed these documents at its meeting on March 11, 2015.

The auditor was present at the meeting of the Audit Committee on March 11, 2015. At the Supervisory Board meeting on March 24, 2015, the auditor reported on the material results of the audit.

The Supervisory Board examined the financial statements, the consolidated financial statements, the combined management report for the Company and the Group, and the Management Board's proposal for the appropriation of unappropriated earnings. At the recommendation of the Audit Committee, the Supervisory Board agreed with the auditor's results at the meeting on March 24, 2015.

No objections were raised following the conclusive results of the Supervisory Board's examination. The Supervisory Board approved the consolidated financial statements and financial statements, which were thereby adopted.

At the meeting on March 24, 2015, the Supervisory Board also examined and approved the Dependency Report and the results of the auditor's examination. There were no objections to the Management Board's statement at the end of the Dependency Report following the conclusive results of the Supervisory Board's examination.

The Supervisory Board also agreed with the Management Board's proposal for the appropriation of the 2014 unappropriated earnings. The management will propose a dividend of EUR 1.45 per share to the Annual General Meeting on May 19, 2015.

THE WORK OF THE COMMITTEES

To efficiently perform its duties and in accordance with its Rules of Procedure, the Supervisory Board has established a Personnel Committee and an Audit Committee. It has conferred these committees with certain decision-making rights to the extent permissible by law. The committees also prepare the relevant issues for their consideration by the plenary. The Chairmen of the committees regularly report to the plenary on the deliberation and resolutions of the respective committee.

The Chairman of the Supervisory Board heads the Personnel Committee. The Committee prepares the personnel decisions of the Supervisory Board. The Personnel Committee, rather than the Supervisory Board, decides on the Company's representation in dealings with the Management Board members, the consent to any outside or competing offices held by Management Board members, and the granting of loans to Management Board and Supervisory Board members.

The Personnel Committee met on one occasion, on December 6, 2014, during the reporting year. All members were present at this meeting. The main subject of the meeting was compensation issues.

Dr. Georg Hengstberger is the Chairman of the Audit Committee. He possesses particular knowledge and experience in the area of accounting.

In the place of the Supervisory Board, the Audit Committee assumes the tasks of reviewing the financial statements and consolidated financial statements, the management report, the Group management report, and audit report furnished by the auditor. In addition, the

Audit Committee prepares the report to be submitted by the Supervisory Board in accordance with Section 171 AktG. The Audit Committee also concerns itself with monitoring the accounting process, the effectiveness of internal control and audit systems, the risk management system, as well as with the audit and compliance.

The Audit Committee met on five occasions during the fiscal year: February 12; March 12; April 30; July 25; and on October 28, 2014. All Audit Committee members were present at all meetings. The main topics discussed were the 2013 fiscal year financial statements, the interim statements of fiscal year 2014, and the recommendation for the Supervisory Board's proposal to the Annual General Meeting for the election of the auditor for fiscal year 2014. The Committee also dealt with internal audit issues.

The Audit Committee also appointed the auditor and agreed on his fee. Furthermore, the Audit Committee obtained the auditor's Declaration of Impartiality pursuant to Section 7.2.1 of the German Corporate Governance Code. During the reporting year, the Audit Committee found no evidence that would cast doubt on the auditor's impartiality.

Additionally, the Audit Committee thoroughly concerned itself with the Company's business development. This included accepting the reports of the Management Board and giving special attention to the current development of the Company's and Group's profitability. Moreover, the Committee discussed questions regarding the measurement of equity interests, corporate management, and accounting principles. The Audit Committee regularly reviewed the Company's and the Group's current development and compared it to the corresponding plan in order to determine the need for any action.

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

PERSONNEL COMMITTEE
Dieter Maier (Chairman)
Dr. Gerhard Wirth
Ulrich Ruetz

AUDIT COMMITTEE
Dr. Georg Hengstberger (Chairman)
Herbert König
Dieter Maier (independent financial expert as defined by Section 100 (5) AktG)

CHANGES IN THE COMPOSITION OF THE GOVERNING BODIES

During the reporting year, there were changes made to the composition of the Management Board and the Supervisory Board:

The Supervisory Board appointed Dr. Volker Simon to the Management Board as the successor to the longtime Chairman and member of the Management Board, Karl M. Schmidhuber, effective July 1, 2014. Dr. Simon is responsible for the Market and Technology area and was appointed to Speaker of the Management Board.

After 20 years of successful service to the Company, Mr. Schmidhuber retired from the Management Board effective at the end of the Annual General Meeting on May 21, 2014. He had been a member of the Management Board since 1993 and acted as its Chairman since 2004. He is one of the longest serving Management Board members in the Company's 95-year history. Under his reign, the PWO Group attained its present market position. The concept of internationalization that he vigorously promoted and PWO's early positioning in lightweight construction, contributed significantly to the growth acceleration we have seen in recent years. The Supervisory Board would like to extend its heartfelt thanks to Mr. Schmidhuber for his tremendous entrepreneurial achievements at PWO. The entire Supervisory Board wishes him and his family all the best for the future.

There was a change in the employee representative on the Supervisory Board. Ms. Katja Ullrich resigned from the Company on August 31, 2014 and with her resignation also left the Supervisory Board. Ms. Ullrich was elected in 2001 as an employee representative on the Supervisory Board. The Supervisory Board expresses its thanks to Ms. Ullrich for her hard work and dedication. Effective September 1, 2014, Ms. Ullrich was succeeded by Mr. Franz Schmidt as a substitute member on the Supervisory Board to be elected by the employees. Mr. Schmidt is manufacturing supervisor and a member of the Company's Works Council.

A WORD OF THANKS

The business development in the reporting year did not match our original planning due to lower customer call orders and unexpectedly slow start-ups and ramp-ups of new series productions. As a result, in 2014, we were not able to maintain the high level of earnings we have achieved over the past several years. Nevertheless, the Company is still on track. By consistently enhancing our international competitiveness in recent years, the PWO Group has been able to significantly strengthen its future viability. The structural measures set in motion at our Oberkirch headquarters and at the Chinese assembly plant currently under construction will make a key contribution.

The Supervisory Board is aware that future challenges can only be met with a highly motivated and committed staff. The trend in recent years shows that people at PWO are not only able to face these types of challenges successfully, but that they have made the Company what it is today: a globally established strategic partner for the international automotive industry. The Supervisory Board extends its gratitude to all employees at all of the Group's locations and the Management Board for their performance and their commitment in fiscal year 2014.

This report was discussed in detail and approved by the Supervisory Board at its meeting on March 24, 2015.

Oberkirch, March 24, 2015

Dieter Maier
(Chairman)

CORPORATE GOVERNANCE REPORT

The joint report of the Management Board and Supervisory Board of Progress-Werk Oberkirch AG on corporate governance, including the Declaration of Conformity with the Code pursuant to Item 3.10 of the German Corporate Governance Code with regard to the Statement on Corporate Governance, which was adopted in December 2014, was made available at www.progress-werk.de/investor-relations/corporate-governance.

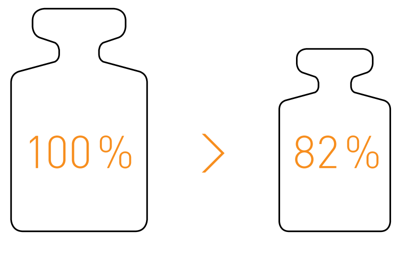
CROSS-MEMBERS – ARE DEVELOPED INDIVIDUALLY FOR EACH VEHICLE MODEL AND EACH VEHICLE PLATFORM.

The dashboard, steering wheel, and other features are attached to them. Cross-members provide stability, shield from unwanted vibrations, and are designed to protect occupants in the event of accidents.

CROSS-MEMBERS

STRUCTURAL COMPONENTS AND SUBSYSTEMS FOR VEHICLE BODIES AND CHASSIS

LIGHTWEIGHT DESIGN
THROUGH THE
OPTIMIZATION OF FORM
AND SHEET THICKNESS



18 % LESS WEIGHT

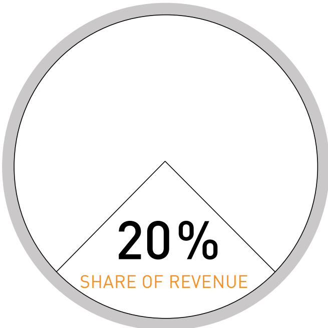
LESS THAN
5 KG
OF WEIGHT

PROCESS INNOVATION

→ ZERO DEFECT QUALITY THROUGH OPTICAL METROLOGY

→ BONDING PROCESS FOR HEAD-UP-DISPLAY

→ 6 VARIATIONS
→ 20 % SHARE OF REVENUE
→ 2 MILLION UNITS P. A.



20 % IS EQUIVALENT TO
EUR 75 MILLION AT GROUP LEVEL

9

MONTHS
DEVELOPMENT PERIOD

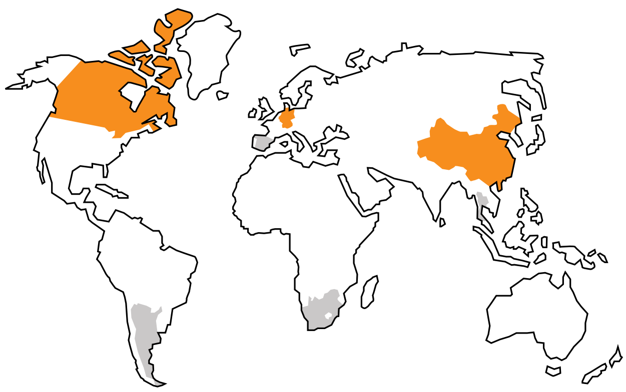
PRODUCTION LOCATIONS:

PWO LOCATIONS

→ GERMANY
→ CANADA
→ CHINA

COOPERATION PARTNERS

→ ARGENTINA
→ SPAIN
→ SOUTH AFRICA
→ THAILAND



WORLDWIDE CROSS-MEMBER PRODUCTION POSSIBLE UNDER THE DIRECTION OF THE OBERKIRCH LOCATION.

UP TO

55

SINGLE PARTS USED IN EVERY CROSS-MEMBER

PROCESS INNOVATION

REDUCING THE TRANSFER OF HEAT DURING WELDING:
LOWER TOLERANCES CAN BE ACHIEVED WITH EVEN THINNER SHEETS

In 2014, we welcomed numerous analysts and investors to our fourth Capital Markets Day in Oberkirch. The focus of the presentations and discussions was on one of our key success factors: PWO's concept of cost-efficient lightweight construction.

THE PWO SHARE

INVESTOR RELATIONS ACTIVITIES

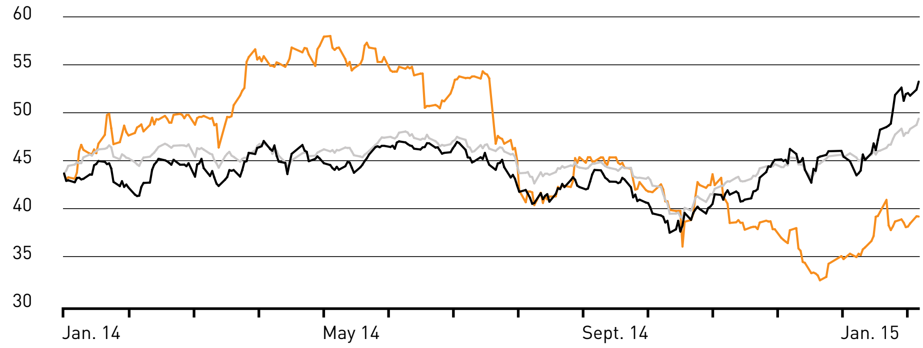
At the center of our capital market communications in the reporting year were the German Equity Forum in Frankfurt and the Capital Markets Day at our headquarters in Oberkirch, which has now become a tradition. In addition, we have continued our intensive investor relations activities, participated in four further capital market conferences at home and abroad, and held numerous individual meetings with analysts and investors. We have made numerous new investor contacts in the process. With the addition of Bankhaus Hauck & Aufhäuser, another renowned research house was won early in 2014 that observed the PWO share and also published research reports.

At the German Equity Forum in late November 2014, two days of individual interviews were conducted with numerous analysts and investors in addition to the group presentation. What was particularly well received was our reporting on our expertise in lightweight design. This expertise represents one of the main drivers for our current growth in new business.

On October 9, 2014, analysts and investors were given another opportunity to experience the Oberkirch location first hand. All three members of the Management Board were available for questions at the presentations and discussions on current topics related to PWO and the development of the international automotive markets. In addition to the lectures, participants were given an opportunity to tour the plant to gain more insight into PWO's capabilities and the future technology of cold metal forming.

SHARE PRICE PERFORMANCE
INDICES ARE REBASED TO THE PWO SHARE PRICE ON THE FIRST DAY OF TRADING IN 2014
SOURCE: REUTERS (AMOUNTS IN EUR)

PWO SDAX DAXsector Automobile



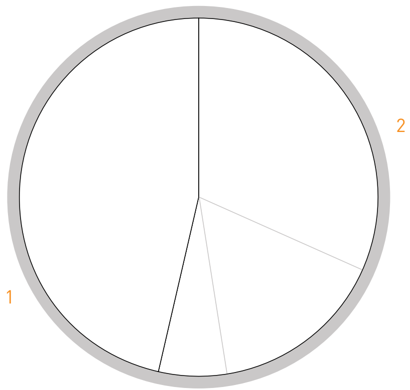
PWO SHARE PRICE PERFORMANCE IN FISCAL YEAR 2014

The year 2014 brought mixed results for the German automotive industry. While the large manufacturers were able to report new sales records, the stock prices have generally developed very differently (all of the following information is based on XETRA prices). With an increase of 4.0 percent, the DAXsector Automobile price index slightly outperformed the DAX price index (0.0 percent) and was broadly in line with the SDAX price index (+3.8 percent). The range within the industry, however, was quite dramatic. Share prices varied from double-digit declines, some of more than 20 percent, to price increases of up to ten percent. The rise in the index was due to the positive price performance of two large capitalization automobile manufacturers and the largest listed German suppliers. Overall, however, the price declines outweighed the increases, especially among the suppliers. The PWO share price in the reporting year fell more than 20 percent. After ending 2013 at EUR 43.90, the share price at the end 2014 was EUR 34.99. Last year the share price had risen 55.7 percent.

Initially, the PWO share had risen dramatically until early May 2014 and marked an all-time high of EUR 58.20 on May 8. This price increase was driven by several positive corporate announcements such as record results in fiscal year 2013, a dividend increase, the receipt of the "Volvo Car Quality Excellence Award 2013", and the successful issue of a promissory note loan. The promissory note loan was five times oversubscribed and was issued with a volume of EUR 60 million, or twice the initial volume.

After a 33 percent increase in the share price since the end of 2013, the shares entered a consolidation phase in June 2014 in line with the overall market. On July 21, 2014, PWO made an ad hoc announcement reporting a business slowdown in the second quarter that would continue into the second half of 2014. Consequently, the Company adjusted its annual forecasts for the 2014 fiscal year. As a result, the PWO share fell significantly in an overall weak market. A temporary recovery in August 2014 ended with renewed market weakness following a deterioration of the political situation in Eastern Europe. The share's weakness continued until shortly before the end of 2014. In reaction to the ad hoc announcement on December 9, 2014 about a headcount reduction at the Oberkirch location and the recognition of the required provisions, the share initially continued to fall, but was able to partially recover by the year's end. This upturn gained momentum from mid-January 2015, and the stock had a noticeable recovery and returned to a level of around EUR 40.

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2014



1 Consult Invest Beteiligungsberatungs-GmbH, Böblingen **46.62%**

2 Free Float **53.38%**
- of which Delta Lloyd N.V., Amsterdam, the Netherlands **15.99%**
- of which Sparkasse Offenburg/Ortenau, Offenburg **5.88%**

SHAREHOLDER STRUCTURE

There were no significant changes in the shareholder structure of Progress-Werk Oberkirch AG in the 2014 fiscal year. Our large shareholders continue to have confidence in us. We are very proud of this fact.

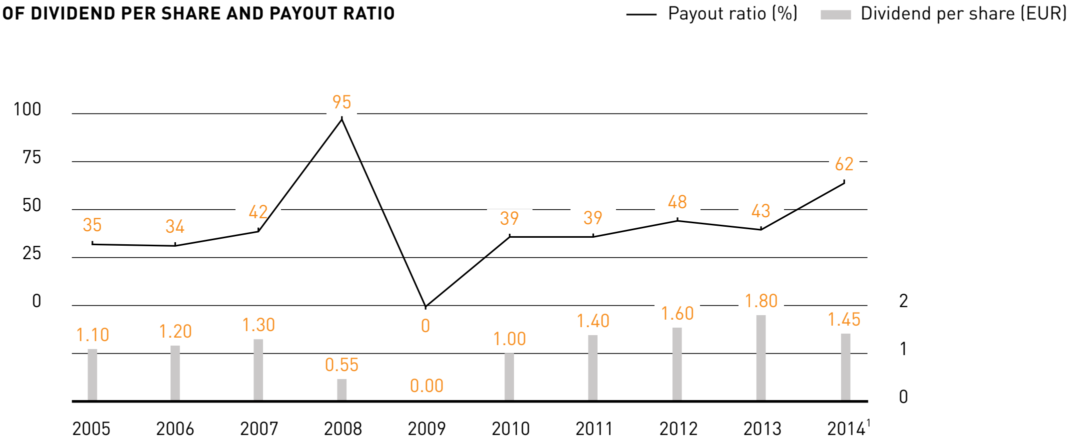
DIVIDEND POLICY

PWO considers itself as a value investment with a sustainable growth component. This is the reason we have been pursuing a shareholder-friendly dividend policy for many years. In line with our targeted operating development, we are also aiming for steady and sustainable development in our dividend.

For the 2014 fiscal year, a dividend payment in the amount of EUR 1.45 per share will be proposed to the Annual General Meeting. This is below the previous year's dividend of EUR 1.80 per share and reflects our weaker results. This reduction, however, is lower than the fall in the net income for the period. EBIT in the past year was impacted by expenses of EUR 4.0 million for headcount adjustments at the Oberkirch location. These are one-time components of income.

The proposed dividend represents a payout ratio of 62%. The dividend yield based on the 2014 year-end closing price amounts to 4.1 percent, which is an attractive level.

DEVELOPMENT OF DIVIDEND PER SHARE AND PAYOUT RATIO



[1] Proposal to the 92nd Annual General Meeting

STOCK EXCHANGE DATA

DATA AS OF DECEMBER 31, 2014

Subscribed capital	EUR 9,375,000
Total number of shares outstanding	3,125,000
Treasury shares	None
ISIN	DE0006968001
Ticker symbol	PWO
Market segment	Regulated Market (Prime Standard)
Sector	Automobile
Subsector	Auto Parts and Equipment
Stock exchanges	Regulated market: Frankfurt, Stuttgart, and XETRA Regulated unofficial market: Berlin, Düsseldorf, Hamburg, and Munich
Designated Sponsor	ODDO SEYDLER BANK AG

COMPOSITION AND DEVELOPMENT OF SHARE CAPITAL

The amount and composition of the share capital and the authorized capital did not change in fiscal year 2014. Detailed information on this subject is provided in the Management Report. The development of equity is presented in detail in the "Statement of Changes in Equity", which is part of the financial statements.

Share options continue to play no part in the compensation of PWO's Management Board members or its employees. From the viewpoint of management, there is only a small link between the performance of individual employees and the development of the share price. As a result, share options do not offer any additional performance incentive.

KEY FIGURES OF THE PWO SHARE

		2014	2013	2012[1]	2011	2010
CORPORATE KEY FIGURES						
Revenue	EUR million	381.13	377.45	358.07	331.08	264.20
EBIT	EUR million	16.67	22.31	21.26	19.16	16.01
Net income for the period	EUR million	7.31	13.14	10.43	9.02	6.46
Revenue per share	EUR	121.96	120.78	124.02	132.43	105.68
Earnings per share	EUR	2.34	4.20	3.61	3.61	2.58
Dividend per share	EUR	1.45[2]	1.80	1.60	1.40	1.00
Book value per share	EUR	30.75	32.79	30.45	29.91	27.59
VALUATION KEY FIGURES (BASED ON YEAR-END SHARE PRICE ON XETRA)						
XETRA share price, year-high	EUR	58.20	47.65	44.50	46.95	37.00
XETRA share price, year-low	EUR	32.79	28.68	25.75	30.88	20.40
XETRA share price, year-end	EUR	34.99	43.90	28.20	31.34	35.50
Market capitalization	EUR million	109.34	137.19	88.13	78.35	88.75
Net debt	EUR million	125.05	99.66	90.45	90.25	79.86
Enterprise Value (EV)	EUR million	234.39	236.84	178.58	168.60	168.61
Price/Sales		0.29	0.36	0.23	0.24	0.34
PER		14.95	10.44	7.81	8.68	13.76
Price/Book		1.14	1.34	0.93	1.05	1.29
Dividend yield	%	4.14	4.10	5.67	4.47	2.82
EV/Sales		0.61	0.63	0.50	0.51	0.64
EV/EBIT		14.06	10.61	8.40	8.80	10.53

[1] Adjusted due to the effects from the application of IAS 19.
[2] Proposal to the 92nd Annual General Meeting.

25 GROUP MANAGEMENT REPORT & MANAGEMENT REPORT OF PWO AG

PRECISION HOUSINGS FOR ELECTRIC MOTORS – ARE MANUFACTURED BY THE MILLIONS.

Electric motors contribute significantly to the safety and comfort of the automobile. They control the power windows and operate the windshield wipers and hydraulics used for ABS, ESP, and ASR systems.

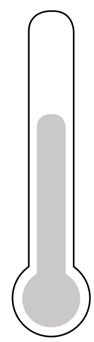
ELECTRIC MOTOR HOUSINGS

MECHANICAL COMPONENTS FOR ELECTRICAL / ELECTRONIC APPLICATIONS

-50%

LESS WEIGHT THROUGH TARGETED CHANGES IN MATERIAL THICKNESS

SPECIAL TOOL CONCEPT FOR **COOLING DURING HIGH-SPEED PRODUCTION**

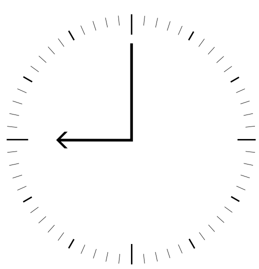


400°C

TOOL TEMPERATURE

140°C

TEMPERATURE OF THE FINISHED PART



100 PARTS IN 1 MINUTE

- UTMOST PRECISION
- TIGHT TOLERANCES
- THIN MATERIALS

10µm TOLERANCE

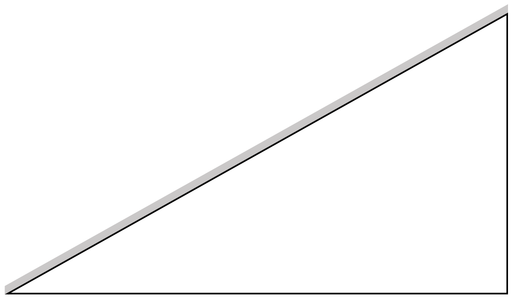
THE HUMAN HAIR IS SIX TIMES THICKER THAN OUR PRODUCTS' TOLERANCES

OVER

120

MILLION UNITS P. A.

+45%

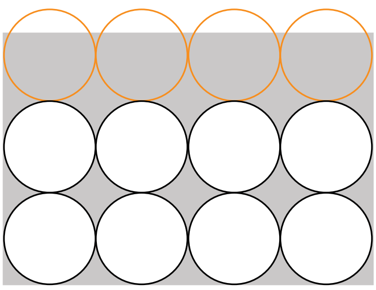


UNITS OVER THE **LAST 5 YEARS**

PROCESS INNOVATION

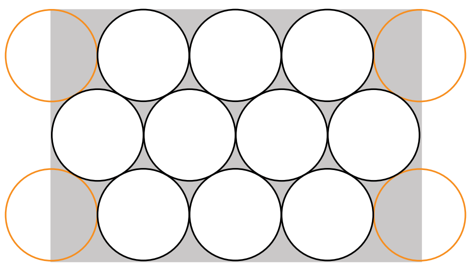
OPTIMUM USE OF MATERIALS THROUGH ZIGZAG CUTTING

STRAIGHT CUTTING



8 PARTS – HIGHER AMOUNT OF WASTE

ZIGZAG CUTTING



10 PARTS – REDUCED WASTE

On the following pages, we present the combined management report for Progress-Werk Oberkirch Aktiengesellschaft and the PWO Group for the 2014 fiscal year ending December 31, 2014.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF PWO AG

The Group continues to conduct its accounting in accordance with the international IFRS accounting standards as applicable in the EU. Progress-Werk Oberkirch AG continues to conduct its accounting according to the provisions of the German Commercial Code (HGB).

The composition of the scope of consolidation is described in detail in the notes to the consolidated financial statements. There have been no changes to the scope of consolidation in the reporting year.

GROUP PRINCIPLES

BUSINESS MODEL

ORGANIZATIONAL STRUCTURE OF THE GROUP
The Group is geared towards maximum efficiency. Therefore, its structure is kept as simple as possible. The five production locations worldwide form the main units of the Group. Our business in China is the only location where we have established an intermediate company. This company is based in Hong Kong and currently has no operational functions. To expand our regional coverage in China, we have also established an assembly location in the northeastern part of the country in Shenyang during the reporting year. From an organizational viewpoint, this unit is a branch of the Chinese production site in Suzhou.

This Group structure allows us to make decisions quickly and ensures maximum efficiency in managing the Group. We also maintain flat hierarchies at our individual locations.

The Group's main office is located at the German site in Oberkirch. From this location, PWO AG assumes the task of Group management. A Management Board consisting of three persons leads the Group. A six-member Supervisory Board forms the supervisory body.

SEGMENTS AND LOCATIONS
The Group is represented in three continents: In Europe at the German location in Oberkirch and the Czech Republic in Valašské Meziříčí; in America at the Canadian location in Kitchener and the Mexican location in Puebla; and in Asia with the Chinese locations in Suzhou and Shenyang. These are all production locations with the exception of Shenyang, which is the first pure assembly plant.

These locations result in the following breakdown of our operating business: A total of four business segments, namely Germany, Rest of Europe, NAFTA, and Asia, reflect the regions in which we operate.

All production locations are principally responsible for acquiring their own orders and managing their own operations. They each have development, production, and assembly capacities and are expected to cover the Group's entire product range. PWO AG assumes a coordinating role in the Group and offers assistance to the subsidiaries when needed.

The individual companies still differentiate themselves through their various technological capabilities and by the varying levels of maturity of their business processes: Within our portfolio of locations, the German, Canadian, and Czech Republic locations are operating at the highest level. In China, we began establishing a local site in 2008. This site is now making excellent progress. In 2007, a local company was acquired in Mexico, and we are now gradually improving this site's capabilities.

Tool development capacity is positioned within the Group according to the respective stage of a location's technological development. This capacity is mainly situated in Germany and the Czech Republic. Canada has a high level of expertise in this area, but it has limited capacity. In China, we have made good progress in setting up our tool development capacity. In Mexico, we are presently focused on tool maintenance.

OPERATING PROCESSES AND PRODUCTS

PWO is one of the world's leading developers and manufacturers of advanced metal components and subsystems used in lightweight construction for automotive safety and comfort. Our key competency lies in the production of these products within the increasingly important area of cost-efficient lightweight construction. The majority of our components and modules are delivered to the premium automotive segment. We are also doing business with a number of volume models.

We are positioned as a strategic outsourcing partner for our customers and tailor- make solutions for large series whose unit volumes sometimes stretch into the millions. In doing so, we cover the entire value chain from development and tool design to series production.

In the course of our nearly 100-year company history, we have built the utmost expertise in the behavior of steel during the cold forming process and in the use of sophisticated joining technologies. Today, we produce components and subsystems made of steel including high-strength lightweight steel as well as stainless steel and aluminum. These serve to increase both the comfort and safety of the automobile.

Several unique factors form the basis of our reputation and our market position: High innovation; technological leadership in products, processes, and tool design; zero-defect quality; local delivery capability; and delivery reliability.

Every innovative product solution requires components made from a forming process suitable for the materials used. By developing the appropriate tools, we can achieve the utmost in quality and production speed for our components at costs in line with the market. These capabilities pose barriers to entry for every potential competitor who wants to compete on an international scale.

A COMPETITIVE FACTOR:
LIGHTWEIGHT CONSTRUCTION

Next to a product's functionality and quality of production, which are still the crucial criteria, a third criterion that has evolved is the product's weight. The importance of this factor has risen tremendously over the past several years and will continue to rise. Having extensive competence in lightweight construction is becoming an ever-important success factor in being able to compete internationally.

We established ourselves in the field of lightweight construction early on and today enjoy an excellent reputation in this area. As a result, we have contributed substantially to vehicle manufacturers reducing the weight of their vehicles without compromising on safety and comfort. This helps them meet the more demanding international CO_2 requirements of the future and produce vehicles with progressively lower emissions.

Lightweight construction cannot be considered without taking its efficiency into account. Being "lightweight" at all costs is only a solution when costs do not play a role. This is neither true for the volume models nor for the premium segment. This is the reason we developed the principle of cost-efficient lightweight construction. Our solutions are made of high-strength and ultra-high-strength steel sheets, some with completely new forming and joining concepts so that these products can also be produced with high precision at competitive costs.

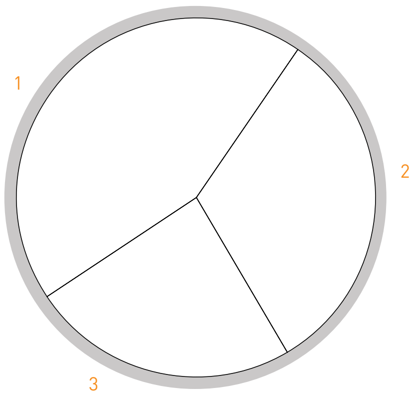
One way to reduce weight is by substituting traditional deep drawn steel with high-strength steels. Another method is to generate significant weight savings through components with a load-optimized design, even when using traditional deep drawn steel. This is how we achieve a 20 percent reduction in the weight of our cross-members while increasing their performance and incurring the same costs. A number of measures allowed us to add more functionality at the same time.

Our proven expertise to create lightweight solutions with minimal material costs and still maintain stable production costs is yet another one of PWO's unique advantages.

A COMPETITIVE FACTOR: COMPREHENSIVE SOLUTIONS

Cost-efficient lightweight solutions are a prime example of how important it is today, more than ever, to combine product and process capabilities for competing internationally. Our competitive advantage in this area can be explained by our expertise to link our single capabilities in products and processes individually for our clients in an economically reasonable and successful way.

REVENUE IN FISCAL YEAR 2014
100 % = EUR 381.1 MILLION



1 Structural components and subsystems for vehicle bodies and chassis **44%**

2 Safety components for airbags, seats and steering **32%**

3 Mechanical components for electrical and electronic applications **24%**

We have built a broad range of individual skills thanks to our years of extensive experience, our development resources, and our vast expertise in materials and production processes. We fulfill the highest quality standards and can achieve this quality at cost-efficient prices despite the growing complexity of the products' functionality, and we can deliver at any time of day regardless of the client's location. We also design and manufacture high-quality yet cost-effective tools and are able to achieve high turnover rates with our individual capabilities such as our thorough technical understanding of customer systems and processes and the expertise necessary to be able to develop, describe, and communicate the ideal process for the customers.

From our pool of individual skills, we develop customized, intelligent combinations for each customer order. Our five core competencies are comprised of: Cost leadership at all levels, the targeted use of available process technology options, an understanding of the customer's value chain, development know-how in the efficient combination of processes, and the reliability of our technical concepts.

Our individual core capabilities combine to create PWO's overall competence: Complete solutions across all of the relevant services.

Our revenue is divided into three strategic product areas as shown in the chart above.

Mechanical components for electrical/electronic applications and safety components for airbags, seats, and steering that are mainly supplied to international Tier 1 suppliers who in turn supply these as part of their own systems for numerous vehicle models at various automotive manufacturers.

Structural components and subsystems for vehicle bodies and chassis, however, are usually tied to a particular model and produced directly by order of the vehicle manufacturer. The scope of application is also continuously increasing in this area through the growing use of platform concepts upon which a variety of vehicle models of one manufacturer are based.

This structure gives us the highest independence possible from the market success of any single passenger car model. In the category of electric motor housings and air suspension components, we see ourselves as a world market leader.

We encounter different competitors in all three of our product areas. These include global corporations sometimes having a variety of other activities and specialized providers. In addition, some of our customers have their own presses located at least one their main sites. Therefore, in some areas of our product range, these customers do not give orders to outside suppliers. A fundamental fact is that the competitive pressure in the automotive industry is always very high.

SALES MARKETS

Our sites are located in those markets where a high number of premium vehicles are already being produced. Given the capital intensity of our business, these are the only markets where the sustained outsourcing volume from automotive manufacturers and tier 1 suppliers is high enough to make it profitable for us to invest in establishing our own production locations. We extend the regional reach of these sites by establishing our own assembly locations such as the one in China and another we have planned – possibly in the medium term – in the Southern United States.

To deliver worldwide to our customers for our global contracts, we also work together regularly with cooperation partners on a project basis. This means that we can serve all of our customers' important production locations worldwide. We have positioned ourselves within a small group of suppliers that have global delivery capabilities and at the same time conserve our own resources.

EXTERNAL FACTORS INFLUENCING OUR OPERATIONS
Some of the external factors influencing PWO's operations are changes in the macroeconomic environment as well as in the industry-specific environment. These are discussed in the chapters "Macroeconomic Environment" and "The International Automotive Industry Environment". Other external influencing factors and their impact, such as the ongoing price pressure that is typical for our industry, customer behavior in terms of call orders, as well as changes in material prices and exchange rates are all presented in the Risk Report.

MANAGEMENT SYSTEM

Our corporate management is centered on the growth of the Group while strengthening its earnings and financial position at the same time. Our corporate management seeks to limit order-related and cyclical risk while retaining the emerging opportunities. For this reason and to maintain our independence in terms of any single order or the success of specific vehicle models, we have built a broadly diversified product range. We also maintain a balanced revenue structure consisting of a number of smaller orders and single large orders with staggered points in time for their respective start-ups and ramp-ups.

Meanwhile, the area of structural components and subsystems for vehicle bodies and chassis makes up a larger-than-average share of our revenues. The component groups in this area are relatively high in volume. Their unit prices are higher than for many of our other components. Therefore, we expect that this distribution of revenue will stay virtually the same in the next several years, even if we continue to consistently push ahead with our growth in the other areas.

To steer profitability and manage the balance sheet, PWO uses primarily EBIT (Earnings Before Interest and Taxes), free cash flow (cash flow from operating activities less cash flow from investing activities less interest paid, plus interest received), gearing (net debt, i.e., current and non-current financial liabilities less cash and cash equivalents, as a percentage of equity), and the equity ratio.

Our goal is to steadily increase revenues and continuously improve our EBIT margin. Additionally, we strive for a clear reduction in net debt and gearing. The development of these indicators, however, is mainly driven by our investments made to seize additional market opportunities.

In our business, customers do not give firm volume commitments. They plan according to the market's situation, and this is typically done on short notice. This is why we rely on flexible processes when managing our operations.

Medium-term planning is based on our new business. This is the lifetime volume for the entire term of newly acquired orders. The calculation is based on the contractual information outlined in all contracts, as well as on past experience.

New business should reach a volume sufficient to secure our future growth in revenues. This, however, can fluctuate greatly from year to year, based on the different times customers make decisions on new orders, and due to the fact that large orders are not always awarded each year.

RESEARCH AND DEVELOPMENT

We develop and produce our components and subsystems exclusively to customer specifications. Consequently, the majority of our development costs are tied to customer projects. Customers pay according to the attainment of defined development stages or by the amortization of the price of the parts in the course of series production. Research and product development activities for the Group's own purposes are of secondary importance. The use of third-party services for these purposes is also immaterial.

PRODUCT AND PROCESS INNOVATION

The success we have had with customer projects is based on the utmost innovation we bring to product and process development. This provides the foundation necessary for securing and expanding our competitive position in an industry characterized by heavy differentiation and in which development services are to be increasingly provided by suppliers.

We are a development partner for our customers. We find new and creative solutions and, in doing so, promote ourselves for future jobs before a series order goes out to tender. Here we benefit from our extensive expertise in the area of sheet metal formation and joining technologies that we use for a variety of applications within our broad product range. This is also the foundation of our unique market position.

We also positioned ourselves early on to benefit from the trend towards lightweight construction. We do not expect any significant increase in future competition from other technologies such as sheet steel hot stamping or plastic injection molding, or from the use of new materials such as carbon fiber reinforced plastics (CFRP).

We also believe that any volumes lost to these new technologies will be amply compensated for by trends shifting in favor of our own portfolio. For example, we see a strong trend away from forged and cast components to those made of steel sheets. We have earned an excellent position in the market for these types of solutions. This also applies to the use of high-strength steels and high-quality joining and bonding technologies for load-optimized components and subsystems. Significant weight reduction can be achieved with modern laser welding and gluing methods.

At PWO, process innovation is inextricably linked to product innovation, even during the series production period. The necessary tools and the entire production process are already conceived as early as the solution's development phase. This is how we create innovations that make a significant contribution to the highest efficiency in mass production and sustainable profitability.

SUSTAINABILITY

CORPORATE RESPONSIBILITY

We see ourselves as a corporate citizen and, as such, believe our obligation is to act responsibly beyond simply complying with the law. This applies to our international locations as well as to our German domestic location. The goal is to shape the interaction between employees, customers, business partners, and the social environment overall, in a manner that avoids or restricts any impairments to social interests and the environment resulting from our business activities.

The appreciation of our employees stands at the center of our corporate culture. This is a core aspect of our executive development program. We let our employees know that they are the key to our success. We consistently support their voluntary social commitment. The Group itself is also socially involved in a variety of ways.

Our responsibility to our employees includes occupational safety, which is as comprehensive as possible and which we provide using the appropriate aids. We also direct our efforts at protecting the environment as extensively as possible. For example, for many years now, Progress-Werk Oberkirch AG has been certified in accordance with the Directive DIN EN ISO 14001.

We have also established an all-encompassing energy management system at our Oberkirch site. This makes our energy sources, energy flow, and our usage more transparent, allowing us to plan and optimize our use of energy in a targeted manner. Last year, we had this system externally audited in accordance with the international Directive DIN EN ISO 50001 for the first time. We are now part of a small group of companies that already fulfill this demanding standard. We also meet the requirements of the 2014 EEG amendment (German Renewable Energy Act) in order to continue to benefit from a reduced energy tax and energy tax refunds.

The basic principles of this environmental policy and the energy management system are also being applied at the four other production sites belonging to the PWO Group. Increasingly more elements are being anchored in the operational processes according to the respective operational needs of the individual sites.

QUALITY MANAGEMENT

As a producer of safety components, we are particularly committed to providing the highest quality, independent of the growing demands of the customer. Our zero-defect philosophy represents a core aspect of our identity. This philosophy permeates throughout the Group and applies to both the production and the administration areas. Stable processes and integrated, automated quality tests throughout the entire value chain are what set us apart. In production, we attach high importance to the permanent reduction of errors. In terms of customer deliveries, we provide the most far-reaching zero-defect quality possible.

This underpins our reputation with customers as a leading provider offering the utmost in dependability and delivery reliability. This also makes a significant contribution to securing our long-term market position and operational success. Consistently achieving the highest level of quality is our primary aim.

REPORT ON BUSINESS DEVELOPMENT

MACROECONOMIC ENVIRONMENT

After a positive start in 2014, the world economy clearly lost its momentum during the remainder of the fiscal year. In addition to the overall economic slowdown in China where growth has fallen back to a long-term low, there was also pressure from the increasing geopolitical tensions in Eastern Europe and the Middle East. The sanctions against Russia started in the course of the Ukraine crisis had a particularly negative effect on the business development of companies serving the Russian market. The Russian economy itself has steadily approached a recession during the year. The global economic consequences of the Ukraine crisis have rather intensified until recently.

Overall, real global economic growth amounted to 3.3 percent in 2014 and remained at 2013 levels. Given the declining growth rates in the emerging economies, growth was driven by the robust domestic markets, particularly in the USA and the United Kingdom. The eurozone recorded minimal growth again in 2014 and reported an increase of 0.8 percent, signaling it has come out of its recession. The German economy, however, has proven to be the growth engine of the euro area and achieved growth of 1.6 percent. Among the countries most affected by recessionary trends, the southern European countries of Spain and Italy are now showing significant improvements. While Spain exited its recession, the recession in Italy has merely slowed.

THE INTERNATIONAL AUTOMOTIVE INDUSTRY ENVIRONMENT

We can look back on a generally positive trend in the international automotive industry in 2014, despite the differing developments seen in the industry's submarkets. Next to the continued double-digit growth in China and the sustained robust automotive market in the US, the Western European market also showed visible growth again. The Russian car market, however, showed increasing signs of weakness given the scope of economic weakness.

In China, full-year 2014 car sales outpaced the previous year's level by 13 percent and amounted to 18.4 million units. Thus, the growth of the largest automobile market in the world has declined significantly. In the previous year, it still grew by 23 percent.

In the USA, the dynamic market for light trucks drove sales for light vehicles (passenger cars and light trucks) 6 percent higher to 16.4 million compared to the previous year. This meant the number of vehicles sold in 2014 has rebounded to the level existing prior to the outbreak of the international financial crisis. German manufacturers increased their sales of light vehicles in the USA by 2 percent to 1.4 million units in 2014 and achieved a new sales record. Nevertheless, they could not duplicate the previous year's high growth rate of 5 percent. German manufacturers were able to achieve significant gains, especially in the light truck segment. Here they increased their sales by nearly 8 percent to over 405,000 units. At this level, they have managed to almost double their light truck sales since 2010 (212,000 units).

Of the light vehicles sold by German manufacturers in 2014, 21 percent were manufactured in the United States. When adding the production from Mexico, which accounted for 15 percent in 2014, this would result in a total of 36 percent from the NAFTA area. A total of 46 percent of the vehicles sold in the US were produced at German locations. The United States, with a share of 14 percent (p/y: 16 percent) of total German car exports in 2014, was the second largest export partner for the German car manufacturers after Great Britain.

The United States is becoming an increasingly important production location for German car manufacturers: In 2014, they were able to increase their production at US locations by 15 percent to 715,000 units. Compared to 2010 (285,000 units), they have increased their production in the United States by 150 percent. Of the total production, 40 percent was sold in the US market. A quarter of the produced vehicles went to Asia, and almost another quarter was exported to Europe.

As the end of 2014 approached, Russia was experiencing a slight upturn but still reported an accelerated decline of 10 percent to 2.5 million light vehicles for the full year after recording a 5 percent decline in sales last year.

Clear signs of recovery appeared at the end of 2014 in Western Europe, where in December strong automotive sales were exhibited almost everywhere. A strong recovery also recorded for the full year. For the first time in four years, the Western European passenger car market exceeded the previous year's volume and increased by almost 5 percent to 12.1 million new cars. In the new EU countries, new passenger car registrations rose 14 percent to over 893,000 units for the full-year 2014 and were well above average. In the EU, a total of just under 12.6 million new cars were sold, or 5.7 percent more than in the previous year.

According to the German Federal Motor Transport Authority (Kraftfahrtbundesamt), 3.0 million new cars were registered in Germany in 2014. This represents an increase of 2.9 percent after a decline of 4.2 percent in the previous year. A total of 5.6 million passenger cars were produced in Germany. This represents a noticeable acceleration in year-over-year growth of more than three percent after just one percent in the previous year. Domestic passenger car production profited from both rising domestic and foreign demand. At 4.3 million units, 76 percent of the passenger cars built in Germany was exported.

BUSINESS DEVELOPMENT

ORDER SITUATION

In fiscal year 2014, new business was down from the previous year, as some customers had not yet awarded their orders for motor housings, seats, and cross members, among others. This was clearly the case with larger series productions. Therefore, a large number of smaller contracts characterized our new business with values rarely exceeding EUR 10 million.

In total, we were able to win contracts for new series productions with a lifetime volume of around EUR 260 million. Additionally, the corresponding tool volume amounted to around EUR 20 million. In the previous year, the volume of new series productions was EUR 425 million and the corresponding tool volume amounted to around EUR 31 million.

We are very pleased with the level of new business in China, where lifetime volumes were twice as high as the segment revenues in the fiscal year. This supports our expectations for high growth in our Chinese business in the coming years. Our new business in Mexico was also favorable. We will start delivering to a new customer plant from this location.

We are currently more cautious when it comes to acquiring new contracts for our Czech Republic location given its already high level of utilization. In Canada, we believe we are well positioned for the upcoming contract awards. New business at our German location was only slightly higher than in the previous year. At this level of new business, the costs of the location's current structure are not covered, which is why we are making the necessary adjustments to reduce staff levels.

Based on our three product areas, we were able to maintain the diversified structure of our orders. Larger single orders concerned gearbox components, among others, which will be produced at our Oberkirch location starting in 2016. We also had particular success with various customers with our components for air suspension systems.

A majority of the new series will begin in the years 2015 and 2016 and will still have terms ranging from five to eight years, which is customary for our type of business.

FINANCIAL SITUATION

OVERALL ASSESSMENT OF BUSINESS DEVELOPMENT AND POSITION OF THE GROUP

The 2014 fiscal year was characterized by flat Group revenues due to lower-than-expected customer call orders and the postponement of start-ups at several locations. Short-term capacity adjustments could counteract the resulting impact on earnings only to a limited extent. We regard this adverse development as temporary.

More important in the medium term is the accelerating trend in customers shifting part of their vehicle production to their foreign plants. This is having a sustained effect on our Oberkirch location and has prompted us to develop a comprehensive cost-cutting program. This plan and staff reductions will be promptly implemented.

Both of these developments were a burden during the fiscal year, but do not affect our corporate strategy: We still maintain our first-class market position. We continue to safeguard and strengthen our competitiveness as we are now doing in Oberkirch. Our Czech Republic location achieves high margins and has a full order book, which prompted us to accelerate this location's expansion during the past fiscal year. In China, we are on track and growing rapidly.

Finally, we have the means to further expand the Group's business. This is why we firmly believe that over the next few years we will see a return to the Group's traditionally strong and steady development and are taking rigorous steps to get there.

COMPARISON OF FORECAST WITH ACTUAL BUSINESS PERFORMANCE

	Actual figures for 2013	Forecasts for 2014	Adjusted June 24, 2014	Adjusted July 21, 2014	Adjusted Dec. 9, 2014	Actual Operating Development
Revenue	EUR 377.4 mn	Approx. EUR 400 mn	--	Approx. EUR 385 mn	Almost EUR 380 mn	EUR 381.1 mn
EBIT	EUR 22.3 mn	Approx. EUR 25 mn	--	EUR 20 to 21 mn	EUR 15 to 16 mn	EUR 16.7 mn
Free cash flows	EUR 1.6 mn	Slightly higher	--	--	--	EUR -14.7 mn
Net debt	EUR 99.7 mn	Almost unchanged	--	--	--	EUR 125.0 mn
Equity ratio	34.2 percent	Approx. 37 percent	--	--	--	28.1 percent
Gearing	97 percent	Visible reduction	--	--	--	130 percent
Investments as presented in the segment report	EUR 32.0 mn	Approx. EUR 33 mn	Approx. EUR 40 mn	--	--	EUR 37.4 mn
Lifetime volume of new business (series and tool orders)	EUR 456 mn	Decline	--	--	--	EUR 280 mn

We did not achieve our financial targets for the fiscal year just ended. The business developments responsible for this are discussed in the descriptions of the development of the locations and segments. Rather than a rise in revenues to around EUR 400 million as planned, revenues persisted at the prior year's level. As it became clear that the acceleration in business expected in the second half of the year would not materialize, we decided to adjust our revenue and EBIT forecasts and did so on July 21, 2014.

The adjustment on December 9, 2014 resulted from a decision by the Management Board and Supervisory Board to reduce the workforce at the Oberkirch location to secure profitability – even if future revenues remain at similar levels. This resulted in charges of EUR 4.0 million recognized under other liabilities.

We almost met our revenue forecast given in July; however, we did achieve the respective EBIT forecast, even if we exclude the additional charges resulting from the provisions since the actual EBIT benefited from positive currency effects of EUR 1.7 million. Currency effects are generally not incorporated into our forecasts.

Our Czech Republic location is currently operating at high capacity, and the new business continues to perform well. Therefore, in June 2014, we decided to start with the planned expansion a year ahead of schedule. The higher investment necessary for this expansion in fiscal year 2014 was announced on June 24. Most of this investment was carried out in the past year.

The accelerated expansion of the Czech Republic location and the lower revenue and EBIT expectations caused us to miss our original free cash flow targets and our targets for the balance sheet ratios. We did not publish new targets during the year.

We had expected a comparatively significant decline in our new business due the higher volumes in the prior year that resulted from individual larger volume orders.

INCOME STATEMENT
SELECTED INFORMATION

EURk

	2014	in % of total output	2013	in % of total output
Revenue	381,134	97.6	377,447	98.2
Total output	390,674	100.0	384,244	100.0
Cost of materials	209,746	53.7	203,897	53.1
Staff costs	110,650	28.3	104,933	27.3
Other operating expenses	39,518	10.1	36,501	9.5
EBITDA	39,015	10.0	43,505	11.3
EBIT	16,665	4.3	22,313	5.8
Net income for the period	7,310	1.9	13,137	3.4

RESULTS OF OPERATIONS
In fiscal year 2014, the PWO Group's revenues hovered at the previous year's level. This will be discussed in detail in the following sections on the individual locations and segments. Total output performed slightly better than revenues because the change in finished goods and work-in-progress, at EUR 8.1 million, was close to double the level of the previous year. At the time, it amounted to EUR 4.0 million.

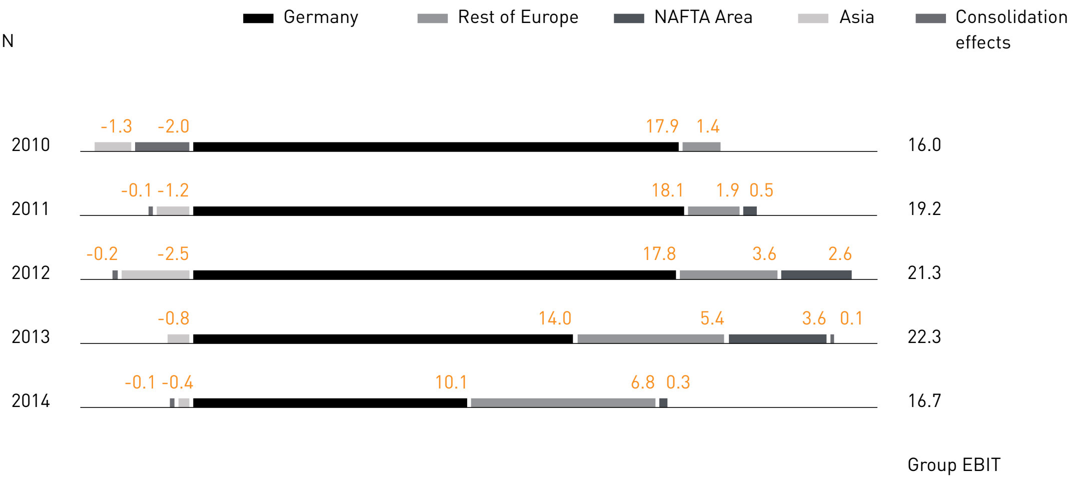
We had expected a substantial acceleration in business for the second half of 2014 and added the capacity necessary for this purpose in the first few months of the year. Missing contribution margins from the lack of revenue growth and a higher cost base – mainly from the annual wage increases – put a burden on the fiscal year 2014 EBIT.

Extending the usual cost reduction programs had a limited impact because the positive effects of these programs are only felt after a certain period of time and the charges were too high to be offset by the usual control measures.

The cost of materials ratio increased slightly despite the drop in commodity prices. The rise in this ratio at the Group level was mainly due to the higher unbilled finished goods and work-in-progress, a temporary increase in costs in China as well as ongoing quality-related costs in Mexico.

Price increases can usually be passed on to our customers. In return, however, we must also pass on any declines in purchasing prices.

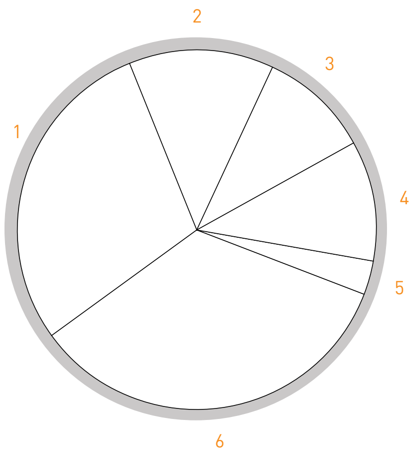
EBIT
IN EUR MILLION



Our investments over the last few years have led to an increase in the depreciation and amortization rate to 5.7 percent (p/y: 5.5 percent). The higher ratio of other operating expenses was partly due to higher expenses for temporary workers. We used a higher number of temporary workers in production to give us added flexibility. The wages of these employees also climbed visibly during the reporting year. Currency losses also grew. However, these were offset by an even greater increase in currency gains. On balance, there was a EUR 1.7 million (p/y: EUR -0.2 million) positive effect from currency hedging positions for our business.

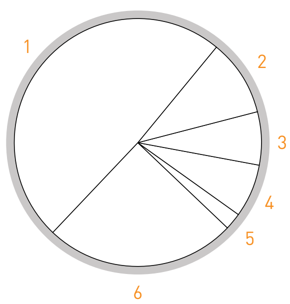
In the wake of the rise in financial liabilities – that are now more long term in nature – financial expenses increased to EUR 6.1 million (p/y: EUR 5.6 million). The tax rate was affected by higher losses in Mexico and China and rose to 31.0 percent (p/y: 21.2 percent). The Group's net income for the period declined to EUR 7.3 million (p/y: EUR 13.1 million) in fiscal year 2014, amounting to earnings per share of EUR 2.34 (p/y: EUR 4.20).

REVENUE IN FISCAL YEAR 2014
100 % = EUR 381.1 MILLION



1 Germany **29 %**
2 Czech Republic **13 %**
3 Mexico **10 %**
4 Canada **11 %**
5 China **3 %**
6 Export share of German site **34 %**

REVENUE IN FISCAL YEAR 2010
100 % = EUR 264.2 MILLION



1 Germany **49 %**
2 Czech Republic **10 %**
3 Mexico **7 %**
4 Canada **7 %**
5 China **2 %**
6 Export share of German site **25 %**

SEGMENTS
In line with the Group's internal management system, the individual production locations provide the basis for the segment reporting by region. The segments are determined according to the location of the Group's assets. The revenues are also categorized in this manner.

An essential portion of the deliveries and services between the individual locations are now parts deliveries between locations since production capacity for components is used flexibly for global projects. In addition, tools for other locations are produced in Germany, the Czech Republic, and in China.

SELECTED INFORMATION

EURk

	2014	in % of total output	2013	in % of total output
SEGMENT GERMANY				
Total revenue	249,431	98.9	252,974	99.1
External revenue	237,454	94.2	237,405	93.0
Total output	252,109	100.0	255,226	100.0
EBITDA	22,749	9.0	26,247	10.3
EBIT	10,079	4.0	14,029	5.5
Net income for the period	9,670	3.8	7,213	2.8
Investments	16,475	--	15,439	--
SEGMENT REST OF EUROPE				
Total revenue	52,977	92.3	45,107	97.3
External revenue	50,602	88.2	40,976	88.4
Total output	57,385	100.0	46,339	100.0
EBITDA	9,690	16.9	8,025	17.3
EBIT	6,804	11.9	5,403	11.7
Net income for the period	8,661	15.1	5,666	12.2
Investments	11,228	--	3,142	--
SEGMENT NAFTA AREA				
Total revenue	80,188	100.5	86,703	98.3
External revenue	80,067	100.3	86,405	97.9
Total output	79,801	100.0	88,215	100.0
EBITDA	5,773	7.2	8,854	10.0
EBIT	326	0.4	3,580	4.1
Net income for the period	-2,800	-3.5	1,722	2.0
Investments	6,485	--	9,743	--
SEGMENT ASIA				
Total revenue	16,038	86.8	14,094	96.8
External revenue	13,011	70.4	12,661	87.0
Total output	18,474	100.0	14,556	100.0
EBITDA	1,000	5.4	379	2.6
EBIT	-388	-2.1	-763	-5.2
Net income for the period	-1,325	-7.2	-1,517	-10.4
Investments	3,268	--	3,884	--

PWO Group headquarters are included in the segment Germany. The parent company, Progress-Werk Oberkirch AG, is situated and conducts the operating business from the Oberkirch location.

Total revenues and total output during the reporting year declined slightly to EUR 249.4 million (p/y: EUR 253.0 million) and EUR 252.1 million (p/y: EUR 255.2 million), respectively. This location was particularly affected by lower call orders for components and subsystems that we were producing for direct and indirect deliveries to customer factories in Russia, among others. We have counteracted the resulting impact on earnings with cost-cutting measures.

In order to improve the future profitability of the location, we introduced structural changes in the personnel area and a further general cost reduction program. As already mentioned, charges of EUR 4.0 million related to these measures were recognized under other liabilities. EBIT in the reporting year declined to EUR 10.1 million (p/y: EUR 14.0 million).

The financial result of the Germany segment was positive at EUR 3.7 million. A distribution from the Canadian subsidiary to the German parent company of EUR 6.8 million contributed to this result. Progress-Werk Oberkirch AG is financing its international subsidiaries to a larger extent than in previous years following the issuance of a promissory note loan in the 2014 fiscal year. Interest income was generated from these loans.

Net income for the period grew to EUR 9.7 million (p/y: EUR 7.2 million) accompanied by a reduced tax rate of 29.7 percent (p/y: 35.9 percent).

The Czech Republic, which represents the Rest of Europe segment, has continued its very successful development in the 2014 fiscal year.

Total revenues grew considerably by 17.4 percent to EUR 53.0 million (p/y: EUR 45.1 million) and total output grew by even 23.8 percent to EUR 57.4 million (p/y: EUR 46.3 million) due to unbilled finished goods and work-in-progress. Thus, this location is already operating at high capacity.

What is even more pleasing is that this location continues to generate a double-digit EBIT margin. EBIT in the past fiscal year climbed by 25.9 percent to EUR 6.8 million (p/y: EUR 5.4 million). This corresponds to an EBIT margin of 11.9 percent (p/y: 11.7 percent).

After interest and tax refunds due to the use of tax credits, as in the previous year, net income for the period climbed to EUR 8.7 million (p/y: EUR 5.7 million).

The NAFTA Area segment comprises our locations in Canada and Mexico. Both sites were impacted by lower call orders for components and subsystems of various series productions for different customers in the 2014 fiscal year. We achieved overall revenues of EUR 80.2 million (p/y: EUR 86.7 million) and total output of EUR 79.8 million (p/y: EUR 88.2 million) in the NAFTA Area.

EBIT declined at both of these locations. The high degree of maturity of the Canadian location made it possible to achieve a satisfactory EBIT margin. This is particularly encouraging since customer demand was not only weaker than expected, but was also much more volatile than usual. This placed additional demands on our process flexibility, which were successfully mastered by our workforce.

In Mexico, however, there are still quality problems. We are working continuously with the help of Oberkirch to provide local staff training and, meanwhile, are sending German employees on a long-term basis. Beyond the expenses required for these measures, we continue to incur above-average expenses for repairs partly outsourced to external suppliers, faulty products, special transportation, as well as for frequent maintenance measures. With our comprehensive quality control measures, we restrict these problems to production and ensure flawless deliveries to our customers. This, however, is costly and caused this location to report a significantly negative EBIT in the reporting year.

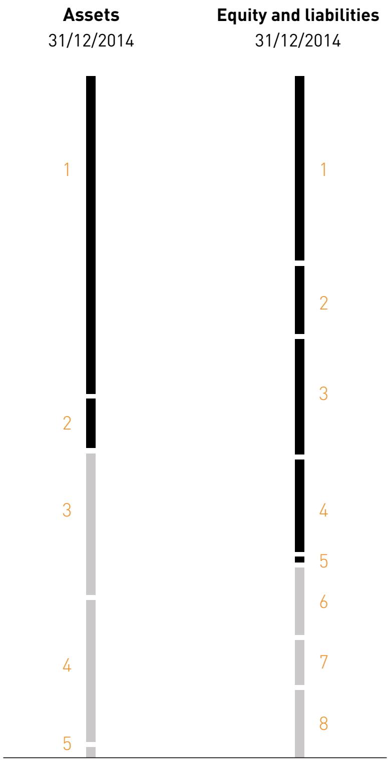
In total, the NAFTA Area segment generated an EBIT of EUR 0.3 million (p/y: EUR 3.6 million) in the reporting year. Net income for the period amounted to EUR -2.8 million (p/y: EUR 1.7 million).

The Asia segment consists of our China location. Here, the expected revenue growth for the 2014 fiscal year did not materialize since customers also called lower volumes in China than planned. Start-ups were also postponed.

This has led to a rise in revenues of a mere EUR 16.0 million (p/y: EUR 14.1 million) in the past year. This negatively impacted our EBIT. Our employees set up an assembly facility in Shenyang in the reporting year. The reported improvement in EBIT of the Segment China to EUR -0.4 million (p/y: EUR -0.8 million) resulted entirely from positive currency effects of EUR 1.1 million during the year under review.

We continue to be very pleased with the technological development of the site and the performance of our Chinese employees. The latter was evident in the course of the reporting year with the establishment and construction process for a second location that went according to plan. For this reason, we are still convinced that we will be able to achieve very satisfactory yields in China once both sites have reached a sufficient level of utilization. Therefore, we are pushing ahead with our expansion in China and investing continuously in the education and training of our employees.

BALANCE SHEET STRUCTURE
TOTAL ASSETS: EUR 341.5 MILLION



1 Property, plant and equipment **164.2**
2 Other non-current assets **25.5**

3 Inventories **73.1**
4 Receivables and other current assets **73.3**
5 Cash and cash equivalents **5.4**

1 Equity **96.1**
2 Non-current financial liabilities (w/o promissory note loan) **35.3**
3 Non-current promissory note loan **60.0**
4 Non-current provisions for pensions **53.5**
5 Other non-current liabilities **2.9**

6 Current financial liabilities **35.2**
7 Trade payables **23.4**
8 Other current liabilities **35.1**

NET ASSETS
In fiscal year 2014, we forged ahead with the expansion of our locations, despite the current slowdown in our growth. Total assets grew by EUR 42.1 million to EUR 341.5 million. Of this amount, EUR 25.3 million is attributable to a rise in non-current assets, specifically property, plant, and equipment. Major investments in the reporting year were made at our German and Czech Republic locations. The focus of this investment is detailed in the chapter "Financial Position". Under current assets, inventory as well as receivables and other assets rose to a similar degree.

DEVELOPMENT OF THE EQUITY AND GEARING RATIOS

EURk

	2014	2013
Equity	96,100	102,461
Total assets	341,460	299,384
EQUITY RATIO = EQUITY AS A % OF TOTAL ASSETS	**28.1%**	**34.2%**
Non-current financial liabilities	95,262	47,735
Current financial liabilities	35,187	59,991
Cash and cash equivalents	-5,404	-8,071
NET DEBT	**125,045**	**99,655**
GEARING = NET DEBT AS A % OF EQUITY	**130%**	**97%**

The growth in total assets is reflected by an increase in liabilities on the liability side of the balance sheet. Equity declined EUR 6.4 million to EUR 96.1 million due primarily to actuarial losses from defined benefit pension plans. This originated from the continued decline in interest rates on the capital markets. The Group's equity ratio declined to 28.1 percent (p/y: 34.2 percent) as a result. Net debt grew to EUR 125.0 million (p/y: EUR 99.7 million) and gearing increased to 130 percent (p/y: 97 percent). Current investments are building the basis for the Group's continued expansion and securing its further growth. Therefore, we knowingly accepted the rise in net debt and gearing that resulted.

During the reporting year, liabilities rose mainly in the Rest of Europe and NAFTA Area segments to EUR 34.3 million (p/y: EUR 10.5 million) and EUR 43.2 million (p/y: EUR 17.4 million), respectively. This rise was primarily related to our preparations for future business expansion in the Czech Republic and Mexico.

In the reporting year, non-current financial liabilities advanced to EUR 95.3 million (p/y: EUR 47.7 million) and current financial liabilities declined to EUR 35.2 million (p/y: EUR 60.0 million). This concerns a promissory note loan and liabilities to banks and leasing companies. The financial liabilities were granted at interest rates ranging from 1.21 % and 7.75 %.

Next to financial liabilities, the pension provisions continued to represent another significant source of funding. This item grew in the reporting year to EUR 53.5 million (p/y: EUR 41.0 million). This rise resulted mainly from the actuarial losses already mentioned. Trade payables represent a third significant source of funding and are partially used to refinance working capital. In contrast to working capital, trade payables in the reporting year declined slightly as of the reporting date and amounted to EUR 23.4 million (p/y: EUR 24.7 million).

DEVELOPMENT OF FREE CASH FLOW

EURk

	2014	2013
Cash flow from operating activities	24,727	30,425
Cash flow from investing activities	-34,534	-24,694
Interest paid	-4,998	-4,221
Interest received	139	59
FREE CASH FLOW	**-14,666**	**1,569**

FINANCIAL POSITION

Cash flow from operating activities declined to EUR 24.7 million in the reporting year (p/y: EUR 30.4 million). This was primarily the result of a EUR 5.8 million decline in net income for the period in fiscal year 2014. Positive and negative effects of the changes in the balance sheet items offset one another. The change in current assets – particularly the change in inventory and trade receivables and other receivables – had a negative impact of EUR 15.8 million on cash flow (p/y: EUR -11.6 million). In addition, other non-cash expenses/income amounted to EUR -19.2 million (p/y: EUR 0.9 million). At EUR 26.3 million (p/y: EUR 0.8 million) the net change in current and non-current liabilities (excluding financial liabilities) had a positive effect. Additional smaller changes were contained in various other items.

Cash flow from investing activities in the reporting year amounted to EUR 34.5 million (p/y: EUR 24.7 million). Free cash flow reached EUR -14.7 million (p/y: EUR 1.6 million) after interest paid and received of EUR -4.9 million (p/y: EUR -4.2 million).

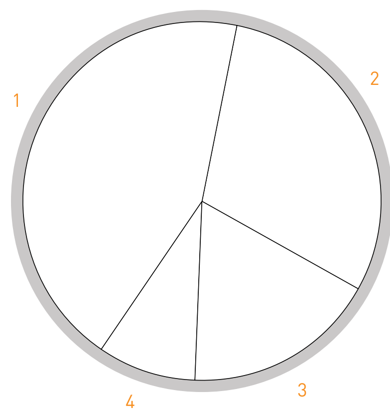
Including dividend payments of EUR 5.6 million (p/y: EUR 5.0 million) and net proceeds from borrowings of EUR 19.1 million (p/y: repayment of EUR 3.1 million), the net change in cash and cash equivalents during the reporting year amounted to EUR -1.2 million (EUR -6.5 million).

We were very successful in placing a EUR 60 million promissory note loan in the reporting year for the first time. The loan is divided into four tranches with maturities of five and seven years. The proceeds were used to pay down current liabilities in order to lengthen the maturity structure of our liabilities. This allowed us to secure the favorable interest rate level for the long term. There were no other significant financing activities in the 2014 fiscal year beyond this issue.

Ensuring adequate liquidity for the PWO Group is always at the focus of our financial management activities. We practice efficient liquidity management. Significant bank account balances can be called on daily to hold a liquidity reserve above and beyond current payment obligations. We also limit our use of short-term credit lines as much as possible by offsetting these lines with any excess liquidity. For further information on our financial management principles, please refer to the Notes.

As mentioned in the segment report, we invested a total of EUR 37.4 million (p/y: EUR 32.0 million) in the reporting year. The difference in comparison to the cash flow from investing activities previously mentioned arises from lease financing.

INVESTMENTS 2014 BY SEGMENT
100 % = EUR 37.4 MILLION



1 Germany **44%**
2 Rest of Europe **30%**
3 NAFTA Area **17%**
4 Asia **9%**

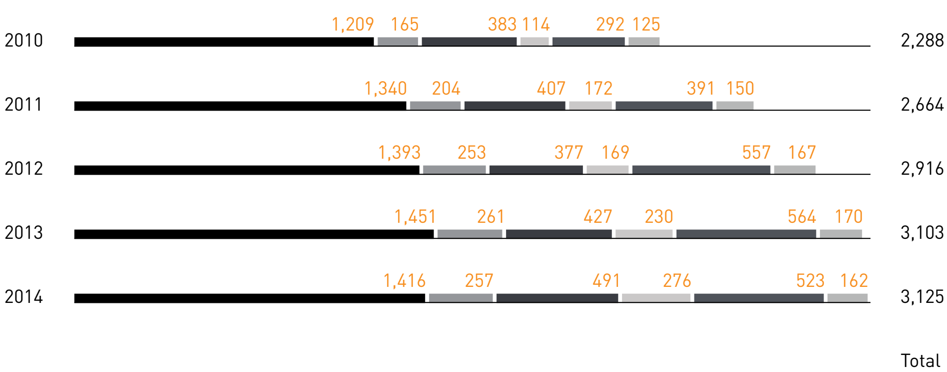
A total of EUR 16.5 million (p/y: EUR 15.4 million) was invested in our Oberkirch location. One focus of this investment was the construction of a new tool warehouse where we are implementing an innovative concept for space-saving storage. In addition, by relocating the entrance gate, initial preparations were made for the office building to be constructed next year. Here, sales, development, and procurement will be brought together under one roof to improve the efficiency of the operational processes. Further investments were made in welding cells and production lines for the start-up and ramp-up of series orders, a 450-ton fine cutting press and a turning lathe for hard machining tool for our tool center.

We invested EUR 11.2 million (p/y: EUR 3.1 million) in fiscal year 2014 in the expansion of our Czech Republic location. Most of this amount was invested in the construction of our new logistics and assembly hall, as well as for a new press facility. We also made the first down payment for a new press expected to become operational in 2015.

Various investment projects continued on schedule at our two NAFTA Area locations. We invested a total of EUR 6.5 million (p/y: EUR 9.7 million) in those locations in the reporting year. In Canada, we invested in the expansion of the logistics center, and in Mexico, we made investments in various production facilities.

Our total investments in China amounted to EUR 3.3 million (p/y: EUR 3.9 million). We made the first down payments for welding cells to be used at our new assembly plant in Shenyang. The expansion of the Suzhou production facility continued via a variety of smaller projects.

NUMBER OF EMPLOYEES BY GROUP LOCATION AS OF DEC. 31
(INCL. TEMPORARY EMPLOYEES)



EMPLOYEES

The development of our employee numbers is the forerunner of our revenue development. New employees are hired and trained in advance of extensive series start-ups to ensure that launches are both time and cost efficient. The trend in employee numbers for a particularly location is dependent on the maturity of the location's business processes and can vary considerably.

This was very evident in the past fiscal year when viewing the development of employee numbers at our Czech and Chinese locations. In the Czech Republic, the number of employees grew only 15.0 percent in 2014, despite an increase in total output of 23.8 percent and high growth expectations again for the current fiscal year. In China, however, additional employees were hired, and the staff increased by 20.0 percent in the reporting year, particularly in the second half of 2014, in anticipation of the projected expansion in 2015. In Suzhou, we have trained employees for the growth expected at that location and for assembly work to be carried out in Shenyang.

Our business development forced us to reduce the number of employees at our German location. A slight increase in permanent employees was offset by a significant reduction in temporary workers, especially in the second half of the year. In Canada, no significant changes were recorded. At our Mexican location, we continued to focus on training to improve the location's performance. Our aim is to promote the most talented employees to encourage their lasting commitment to the PWO Group. On balance, we have reduced the number of employees at that location.

We continue to be strongly committed to training young people to offer them an entry into their professional life and to secure skilled personnel for the Group in the future. We offer apprenticeships to principally all of our international locations above and beyond our headquarters in Germany. A particular focus of these apprenticeships is China. With this high level of commitment, we give our young people the necessary expertise in our production methods and offer them an education that approaches the German standard.

To make the training at the PWO Group even more attractive, we offer gifted and committed young people new opportunities including the possibility to spend time abroad during the training period. We invested heavily in training again in 2014. Overall, the cost of education and training during the fiscal year amounted to EUR 3.2 million (p/y: EUR 3.0 million).

The PWO Group's staff turnover rate is traditionally very low. In fiscal year 2014, it was 1.5 percent (p/y: 2.8 percent). The turnover at our German, Czech Republic, and Canadian locations is low to very low. In China, it was even below the Group's average. We are still not pleased, however, with the somewhat shorter average length of employment of our Mexican employees.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FISCAL YEAR

No events of significant importance to the net assets, financial position, or results of operations have occurred subsequent to the end of the 2014 fiscal year.

REPORT ON FORECASTS, OPPORTUNITIES, AND RISKS

RISK REPORT

RISK PHILOSOPHY AND RISK POLICY

The basic principle of our risk philosophy is to avoid any risk that could jeopardize the Company's existence and to limit and cope with strategic and operational risk. Risk, especially any finance risk that is not inherent in our operating business is avoided.

The aim of risk management is to optimize the Group's opportunity and risk profile. Recognizing market opportunities is a key element of PWO's risk philosophy. Full compliance with the relevant statutory provisions is our utmost concern and is expected to be ensured by our compliance management system detailed below. We have established our value-based business model and our operational and commercial processes with this in mind.

The focus of our risk policy is to preserve and expand our innovative abilities in product and process development and ensure our global delivery capabilities. This ensures that we meet our customers' main requirements when they select their strategic partners.

Our diversified product range, the strategic limitation of the share of individual large orders, the use of standardized machinery and equipment, and our organization along standardized and continuously developed processes, all serve to mitigate risk. Aside from costs, both quality and our ability to deliver are at the forefront when it comes to procurement. This is why we maintain long-standing relationships with our suppliers and have established stable processes with them.

These close and long-standing relationships with our customers – automakers and Tier 1 suppliers – are of central importance when it comes to identifying opportunities, while general market analyses, particularly those on overall economic developments, play a lesser role. Rather, our customer relationships enable us to identify future trends and megatrends on the international automotive markets at an early stage.

THE PWO RISK MANAGEMENT SYSTEM

In recognition of good Corporate Governance, the PWO Group uses a comprehensive risk management system to manage, control, and monitor the Group. The risk management system is oriented towards the Company's objectives and strategy used to achieve these objectives and provides transparency with respect to the risk situation in the Group. We also integrate the dimension of risk into our planning. Beyond optimizing our opportunity and risk profile, this helps to reduce and optimize risk-related costs and increases transparency. The risk management system serves as an early warning system and at the same time raises the risk awareness of the entire organization.

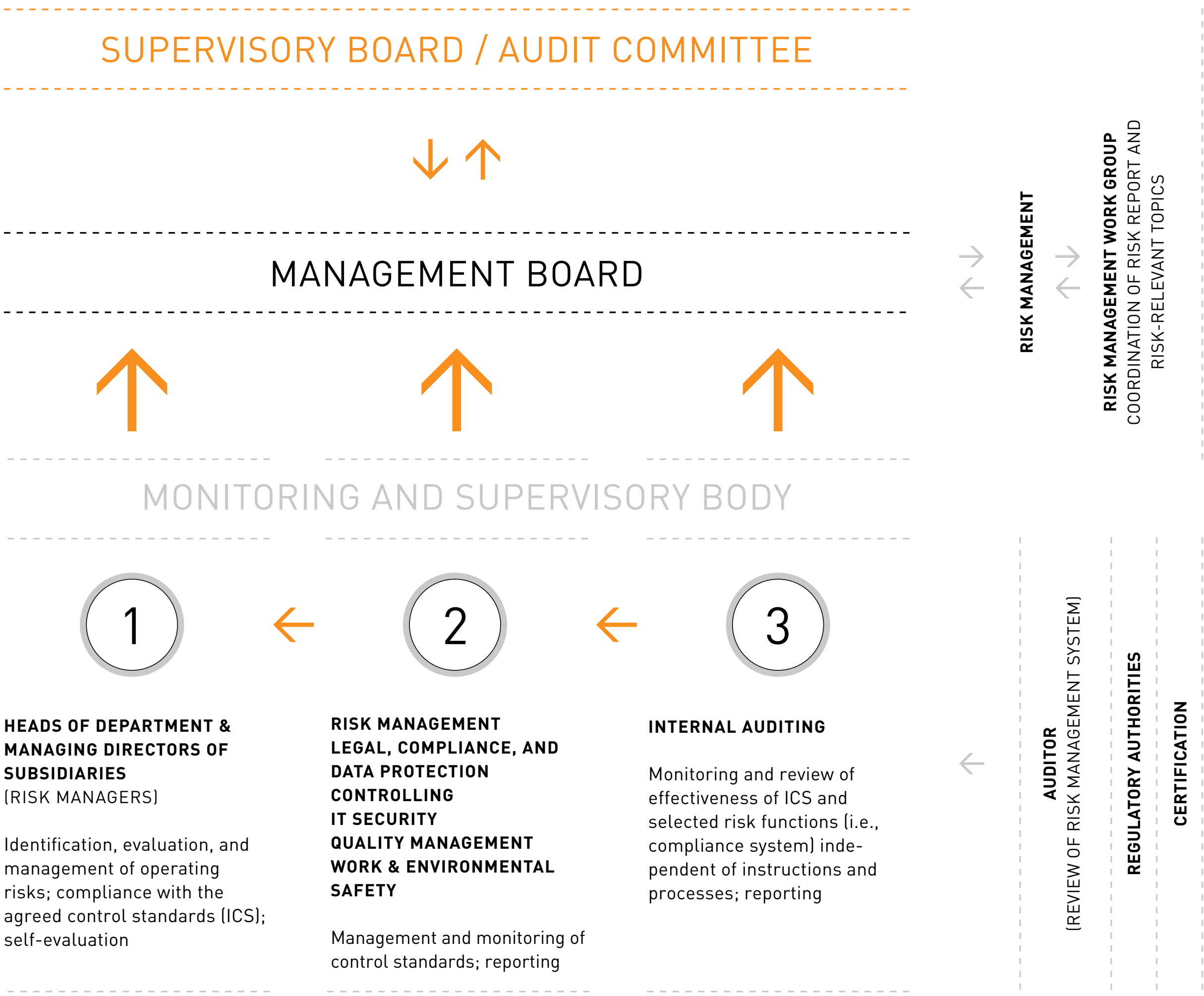
THREE LINES OF DEFENSE MODEL

The organization and reporting lines are established in accordance with the internationally accepted "Three Lines of Defense Model" recommended for stock corporations. This model is required as a basic element by the European Confederation of Institutes of Internal Auditing (ECIIA). An appropriate risk and control process is guaranteed through the implementation of three monitoring and supervisory bodies. This involves linking and integrating all business units across all hierarchical levels within the Group. A clear delineation and coordination of the individual areas of responsibility provide both effective and efficient business processes. The three bodies are equipped with different functions, responsibilities, and tasks.

ORGANIZATION OF THE RISK MANAGEMENT SYSTEM WITHIN THE PWO GROUP

The organization of the PWO Group's risk management system is presented in the following diagram.

ORGANIZATION OF THE RISK MANAGEMENT SYSTEM WITHIN THE PWO GROUP



STATUS AND DEVELOPMENT OF THE RISK MANAGEMENT SYSTEM

The PWO Group's existing risk management system has proven itself in the past and has put its capabilities to the test. Our rapidly expanding international activities and the significantly more volatile macroeconomic and sector developments have prompted us to develop this system intensively over the last several years. We linked our international locations even more tightly to our risk management system in as early as 2013. In fiscal year 2014, the focus was on selected concentrations of risk, the Group-wide establishment of the relevant processes of the risk management system, and, in collaboration with the Group's controlling department, the system's integration into Group-wide planning.

This entailed Group-wide training and workshops for executives for identifying, assessing, and managing risk. This strengthened the risk awareness of our employees, particularly the awareness of our employees at the subsidiaries.

In the PWO Group, risk is generally defined as an event that can lead to either a positive or a negative deviation from the plan. All risks are assessed using different scenarios in terms of the amount of loss and probability of occurrence. In the future, with the help of certified software, we can calculate the potential impact of all risks on our corporate planning.

At PWO, all risks and actions in the context of the planning and forecasting processes are reviewed and updated throughout the Group by all those responsible. Workshops are held at least once per year in all companies to ensure the highest possible quality of data, also for cross-departmental risks. These workshops focus on the systematic analysis, discussion, and evaluation of risk. The aim is to uncover any potential weaknesses early on and to initiate the appropriate measures to reduce risk. The effectiveness of the measures already taken is also reviewed and confirmed. In the future, we will also identify and analyze opportunities in the same way.

Until now, risk management activities were mainly conducted in the operational area using rather short- and medium-term time horizons. Now, however, risk management is being gradually transformed into a strategic instrument as well.

COMPLIANCE MANAGEMENT AND COMPLIANCE CONTROL

The compliant behavior of the Group and all its employees is one of the basic principles of good corporate governance. A prerequisite for successful and sustainable growth is compliance with the laws, rules, and regulations that PWO's entrepreneurial activities are subject to on a global scale. The Management Board and Supervisory Board consider complete compliance as one of its most important objectives.

A Group-wide compliance management system should ensure compliant behavior by the Group and its employees. In 2012, this system was thoroughly revised and introduced at PWO AG. In 2013 and 2014, the focus was on the integration of this system at the subsidiaries as part of the development of a comprehensive Group-wide system. Meanwhile, the system's implementation is complete. The Group's transactions are presented in a transparent manner, and legal issues and contracts are generally reviewed by the legal department. The system is continually expanded and updated based on the feedback received from seminars and surveys.

PWO's compliance management system provides further value in addition to ensuring conformance with regulations:

- Avoidance fines and criminal proceedings
- Protection of reputation
- Image enhancement
- Exculpation (Foreign Corrupt Practices Act, UK Bribery Act) or at least a minimization of fault in the case of violations
- Higher risk awareness
- Raising the awareness of all employees for the special relevance of individual compliance issues
- This leads to securing the strategic objectives of the Group and its viability

At PWO, compliance issues are handled openly and communicated effectively. Compliance with the published and binding Code of Conduct of all those responsible, is routinely checked and documented. Maintaining employee awareness raises the awareness of the special importance of compliance issues and aids in preventing new risks.

DEVELOPMENT OF THE OVERALL RISK EXPOSURE

The sector environment did not change fundamentally for the PWO Group during the reporting year. Growth rates in Europe continue to be sluggish while the rates in NAFTA and China are quite positive. These trends are expected to continue in 2015. Over the medium term, the trend of automotive manufacturers transferring parts of their vehicle production to their foreign plants is expected to grow stronger. This dampens the growth outlook for our Oberkirch location. Therefore, at the end of the reporting year, we introduced a comprehensive program to safeguard this location's profitability even under the current change in conditions. By doing so, we have put this location and the Group on the path towards a better risk position.

Revenue and net income performance fell short of our forecasts for the reporting year. This led to a rise in the overall risk in relation to our results of operations, net assets, and financial positions because of a lack of earnings contributions and lower cash flow than projected.

This development was mainly due to slower-than-expected ramp-ups of new series and from delays in start-ups at several of our locations. As is customarily done in our business, we have taken actual call order volumes into account when preparing our plan for 2015. The performance of the Czech Republic location was particularly better than our expectations. We accelerated this location's expansion in the course of the reporting year.

The funds needed for this expansion and the expansion of our other foreign locations are provided completely by banks at the same attractive terms we have enjoyed in the past. We also successfully placed a promissory note loan during the reporting year. This has allowed us to lock in current interest levels. We currently exceed the terms of the associated financial covenants and expect to continue to do so in the foreseeable future.

In summary, our overall risk position continues to remain within the range customary for our business. The Management Board firmly believes that the Group's risks, described in detail below, are manageable and do not jeopardize the Company's continued existence.

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

The following presentation provides an overview of the potential impact of the major risks and opportunities on the operational planning for 2015 while taking into account any mitigating internal measures. In line with our risk management system, we have categorized the individual risk explanations according to the following risk categories: Performance, financial, market, regulatory, and other risk. The order of the risk categories and individual risks within each category presented below reflects our current assessment of PWO's relative level of risk in descending order.

Our business is characterized by a high degree of predictability within a manageable amount of fluctuation. This results partly from the multiple-year lead times of orders, as well as from the five- to eight-year terms of series productions. It also reflects the organization of the Group's strategic management to promote the steadiest course of business possible.

The long-term nature of our business helps us to limit risk. However, at the same time, this also means that near-term opportunities are limited in terms of better-than-expected revenues and earnings development. Therefore, in the following illustration of our operational plan for 2015, the risks outweigh the opportunities.

FINANCIAL RISKS AND OPPORTUNITIES

Impairments

The risk of impairments exists particularly when plans are not achieved, and the earning's outlook deteriorates. A rise in the discount rate used for future expected cash flows also increases risk. This risk usually rises in times of economic difficulty. Since we assume the planned targets will be reached, we believe there is a low probability of impairment due to a deviation from the 2015 targets.

The PWO Group's goodwill recognized in the balance sheet is attributable to the Czech and Canadian subsidiaries. Given their high profitability, there is no risk of impairment of these locations. There is no goodwill allocated to our Mexican and Chinese subsidiaries.

Currency risks and opportunities
All of the PWO Group's locations are generally exposed to currency risk. This risk is comprised of translation risk (translating the financial statements of each subsidiary into euros) and transaction risk (on the sales and supply sides). In addition to the euro, the Group's main currencies are the Canadian dollar, the US dollar, the Chinese renminbi, and the Czech koruna.

We undertake the proper hedging transactions to avoid currency risk. The available range of hedging instruments is based on a thorough analysis of the underlying transaction. The majority of our currency risk is hedged in stages. The residual risk is very limited. There is always the possibility that exchange rates will develop better than expected, which could lead to an improvement in earnings. However, a high degree of hedging also means that opportunities for gains are limited.

Interest rate risk
The Group is principally exposed to interest rate risk due to its use of bank borrowings used for refinancing and, since 2014, of a promissory note loan divided into four tranches. Therefore, there is a risk that bank loans and promissory note loans will need to be refinanced at a higher rate when they expire. We minimize this risk through an appropriate combination of short- and long-term borrowings.

One example is the manner in which we secured the current level of very low interest rates by repaying bank borrowings in the course of our promissory note loan issue. We strive to achieve a balanced maturity profile of our financial liabilities and interest rate hedges. We consider this an integral part of our risk management.

Financing risk
We have built long-standing and solid relationships with our banking partners that remain sound. As a result, we still do not face any risk in terms of financing our current business and investments. Nevertheless, we continuously review any possible alternative refinancing instruments in order to expand our available options in case the economic situation changes or if this appears to be appropriate for our diversification.

A further decline in the interest rate levels on the capital markets would lead to additional pressure on the equity ratio and in turn the quality of the Group's balance sheet due to the discounting of pension provisions. We do not believe, however, that the interest rates will have another steep drop. Nevertheless, we are closely monitoring this risk and would be in a position to counteract this risk by implementing balance sheet reduction measures. A future rise in interest rates would have a correspondingly positive effect on the valuation of pension provisions and on the equity ratio.

Financing risk can also arise when a financial institution does not fulfill its obligations regarding the investment of liquid funds or as a counterparty to derivative financial assets. In this respect, we rely on the careful selection and diversification of our partners and see no need for adjustments in our risk management.

PERFORMANCE RISK

Quality risk / product liability and recall risk
Providing series production for the international automotive industry implies being able to meet the requirements of maximum process reliability, product quality, and delivery reliability on an ongoing and reliable basis over a period of many years. Performance failures not only lead to short-term costs but also to significant damage to one's reputation. Therefore, for providers like PWO, who are positioned at the forefront of the market, performance failures must be avoided in all circumstances.

The quality of our PWO production system allows us to cope with phases of volatile call order volumes without compromising on delivery quality and reliability. Today, we achieve a comparable level of performance at our locations in Germany, the Czech Republic, and Canada. The performance and reliability of our Chinese location correspond to its relatively low level of revenue and to the low complexity of its processes. Our Mexican location needs to significantly improve its production performance. We are working emphatically to improve this situation. We not only strengthened the local management at this site in the reporting year, but we also put an experienced team in place that was trained at our Oberkirch location. Deliveries from this location to our customers, however, are at same high level as found in the remaining PWO Group.

Product liability risk and risk resulting from product recalls have continuously increased in the automotive industry in recent years. So far, we have not been affected by this trend. Naturally, the PWO Group is insured against these types of risks. The sums insured by the contracts are regularly reviewed. We have also prepared a detailed plan during the reporting year, in case we do experience a product recall.

Business interruption in production
Business interruption risks can result mainly from the damage to a manufacturing line or tool or their failure. Depending on the extent of damage or the duration of the failure, this can prevent timely delivery to our customers.

This risk is effectively limited to the PWO Group through a variety of measures from the Business Continuity Management area – a company-specific emergency and crisis management system to systematically prepare for dealing with emergencies critical for the Company. Business Continuity Management is being introduced gradually, starting with the Oberkirch location, to manage risk Group-wide.

In the view of the Management Board, the risk of a complete location outage, i.e., a risk to the Company's continued existence, originates only from external and uncontrollable factors. In particular, these include natural disasters or force majeure. With safeguards applied throughout the Group, which are checked regularly and extensively by recognized external consultants, we can effectively limit the potential damage caused by natural events. The Management Board firmly believes that the failure of a complete location can be ruled out almost entirely.

Start-up and ramp-up risk
The start-up and ramp-up of new series production involves a number of risks. For one, we are required to do up-front investments, such as providing suitable capacity. This results in capacity utilization risk. This risk is tending to rise as customers increasingly extend the period between the provision of the required production facilities and the start of production so that they may hedge their own production starting dates.

In addition, the start-up and ramp-up of production go through a learning curve where efficiency is still relatively low at the start of production and then continually increases. Services provided, for example, in the development or in tool design, are increasingly compensated for over the unit price of the components or subsystems supplied. This means that compensation is received over the entire duration of a series, which also continuously raises the risk of actually receiving the consideration for the services provided in development and tool design over the life of the series.

This is the reason we always strive to increase the flexibility of our processes and boost our production efficiency quickly at the beginning of new series productions.

In Shenyang, China, the Group is currently building an assembly plant for the production of cross-members. The risk in this project is higher than the risk incurred when starting or ramping up an assembly line at an existing location. Since these projects are not altogether different in character, they can be controlled and monitored using our proven systems. We have built tremendous expertise in this product segment over decades. We have also already included the upfront costs for this location in our planning.

MARKET RISK

Cyclical risk
Significant risks to results of operations, financial position, and net assets generally arise when there is a strong economic downturn in the major markets we serve. Last year, international tensions and the number of crises increased. This was especially the case in Russia and the Ukraine, as well as in the Middle East. The lasting consequences of the decline in oil prices, however, are not yet visible. While the oil price decline is supporting the growth of the world economy over the short term, there are risks threatening the budgets of important oil-producing countries until the point of individual states experiencing potential payment difficulties.

At the moment, we do not believe that there will be an abrupt drop in the world economy. However, we do see more risks than opportunities. At our Oberkirch location, we generate both direct and indirect revenues from Russia. We plan to have lower volumes in Russia in 2015.

Fluctuations in customer call orders and postponement of start-ups
An essential prerequisite for achieving the margins necessary for our capital-intensive business is ensuring the sufficient utilization of our production locations. For existing contracts, utilization risk extends to sales fluctuations during series production from the fluctuation in demand of end customers. The risk with new orders is that starting dates for new projects will be delayed. By broadly diversifying our product range and strategically limiting large orders, we are independent of the success

of individual vehicle models and individual contracts. Nevertheless, lower-than-expected volumes across a larger number of start-ups or for single large-volume production start-ups could still result in burdens. Unplanned series discontinuations are shown as a separate individual risk.

We are continuously increasing the flexibility of all our business processes to respond to these risks as best as possible. We have also set up our manufacturing facilities as flexible as possible and are implementing uniform processes worldwide. This allows us to replace expiring series contracts with different follow-up orders. In principle, we are also able to shift machines and assembly lines within our portfolio of locations.

The following arrangements have been included in the majority of contracts that define the services we should provide: If there are amortization agreements for our services that stretch over the entire duration of the contract, then the customer has obligations that still must be fulfilled if the contract is cancelled. Project-specific market risks are hedged contractually to the degree customary when investments and advance services are provided. Significant risks do not exist for development services that are amortized over the course of the series production.

Risk of price declines

The continuous increase in competition and pricing pressure is one of the typical risks of the automotive supply industry. This puts fundamental pressure on the Group's profitability. This risk is currently increasing as vehicle manufacturers try to shift the discounts granted particularly to end customers in Europe, to suppliers.

Through our innovative strength, we generate quantifiable added value for our customers. We also belong to a small group of global suppliers in our market segment that are able to supply globally. This gives us a good bargaining position during routine negotiations with our customers. However, we still need to continuously increase the efficiency of our operating processes at all of our locations and generate visible revenue growth each year to secure our profitability.

Low level of new tool business at the Oberkirch site

Based on our planning, the confirmed tool volume for 2015 is still lower than in previous years. A number of orders are still being tendered because customers have not yet made decisions on their award. If we fail to win these tenders, there would only be a limited effect on our current fiscal year revenues and their corresponding contribution margins. The more serious impact would be seen in subsequent years when series revenues are not realized.

To counteract these risks in the short term, we currently have particularly tight control over our request management and have implemented target costing accounting. In the medium term, implementing the planned reductions in the workforce by approximately 100 employees will contribute to strengthening the location's competitiveness.

Unplanned series phase-outs

In our business, series orders usually have average terms of five to eight years, which are determined at the start of the respective contracts. The final series phase-out date is typically decided by customers with relatively short notice based on a variety of internal factors such as the prevailing market situation and a model's success.

Our sales management sets out to compensate for any scheduled series phase-outs and to supporting future growth. In addition, we also take into account the usual volume of unplanned series phase-outs. Since our business is long-term in nature, it is difficult to compensate for any shortfall in revenues due to higher-than-expected phase-outs in any given year. In this case, we can only respond in production-related areas by adjusting our personnel capacity and through overall cost savings in order to limit the resulting financial pressure.

Failure of a strategic supplier due to insolvency

In some areas, PWO limits its purchases of intermediary products to just a few selected suppliers. When there is an unexpected failure of one of these strategic suppliers due to insolvency, there is a risk that we may not find any near-term alternative sources of supply. This can also lead to problems with customer deliveries and have a corresponding impact on the earnings of the PWO Group.

We address this risk by systematically selecting suppliers to keep the probability of an actual failure low. We also increased our monitoring of supplier creditworthiness in the reporting year and added stricter guidelines to our procurement directive for new suppliers. The supply chain management in this area was also improved during the current fiscal year.

Raw material price risk

The raw materials and supplies required for our production processes are mainly steel and, to a far lesser extent, aluminum. We purchase these metals on the world market. Raw material prices were increasingly volatile during the years following the 2008 financial market crisis. In this past fiscal year, steel prices took a steep fall.

We maintain long-standing supplier relationships with selected suppliers to avoid delivery bottlenecks and ensure that we meet the delivery deadlines given by our customers. We have never experienced supply constraints for any of our intermediate products. Any price increases in excess of the fluctuation range contractually agreed upon with the customer, is passed on directly through escalation clauses or by successfully arriving at a solution with the customer. Falling commodity prices are also passed on to our customers.

Long-term framework agreements are now being offered again on the market. We have secured the majority of our demand until mid-2015. Continued price volatility cannot be ruled out for the future. We believe the risk of occasional supply shortages is currently low when looking at the decline in global economic growth.

Loss of a major customer

The PWO Group operates in a very competitive environment. We are exposed to the risk of being displaced by existing or new competitors.

At the Group level, we are not dependent on any one customer due to our broadly based position. In the reporting year, only one customer accounted for slightly more than 10 percent of our revenues, spread across all of our segments. Additionally, revenues with our customers are usually spread across several contractually independent projects. The probability of the projects of any one customer failing simultaneously is extremely low.

However, at some of our locations a substantial share of revenue is attributable to individual customers. In these cases, meeting the quality and delivery requirements of the respective customer is particularly important since the loss of the customer could have a substantially negative impact. Tenders for new and follow-up orders are monitored very closely in request management to limit utilization risks.

OTHER RISK

Labor costs

Increases in wages and salaries need to be compensated by productivity increases every year to ensure the profitability of the Group. This is a challenge, particularly for a high-wage location like Oberkirch. Therefore, the location's profitability is constantly under pressure. This is especially true when Oberkirch's annual sales growth is only in the low single digits. Every year, our plans include wage increases. Therefore, there will be no unexpected burdens on the 2015 fiscal year earnings from the recent wage agreements for the metal industry. There is, however, still a risk that the agreements made by the labor and employers' associations exceed our expectations.

IT risk

Confidentiality, integrity, and availability of information are among a company's strategic success factors. PWO has a comprehensive, modern IT infrastructure in its administration and production. A loss of stored data or a prolonged failure of the systems could lead to business disruptions. Therefore, PWO's security policy aims to identify and analyze IT risks, and make them manageable by employing the appropriate measures. We achieve this aim by continuously implementing the appropriate measures.

In the past fiscal year, the Information Security Management System (IMS) and the IT systems at the Oberkirch location were checked and certified for the first time in accordance with the newly revised ISO IEC 27001:2013/2014 standard. The certification also leads to regular reviews and the ongoing development of the security policy and the IMS as a result of annual audits.

The basic principles of this management system are already being applied today at the PWO Group's four other production locations in the Czech Republic, Canada, Mexico, and China. More elements will be permanently anchored in the operational processes and adjusted to the development and the respective operational needs of the individual sites.

Availability of skilled personnel

To continue the Group's expansion and ensure the punctual launch of new contracts received by our customers, the timely availability of sufficiently skilled personnel is essential to having the required qualifications and expertise for the various positions. At our three locations in Germany, the Czech Republic, and Canada, above-average risks have not been found because the labor markets there provide a sufficient number of qualified workers.

Particularly, the new assembly plant in China is faced with the risk of finding a sufficient number of professionals in a timely manner and win over their loyalty to the Group. Since the key executives have already been hired, the main risk at the moment is to find and keep an adequate number of employees for the assembly activities. A suitable concept addressing this problem has been developed and is being closely monitored.

Mexico, on the other hand, is at an above-average risk of not finding suitable professionals. For one, the average level of education of local workers is low compared to the knowledge and skills required. In addition, training often leads to lower improvements in performance than at other locations within the Group. This problem is compounded by the relatively low degree of employee loyalty.

The current and planned development and expansion of production sites by renowned international automotive manufacturers and supplier companies in Mexico could help increase the average education level of workers in the medium term. In the near term, shortages of skilled personnel are expected to rise, which may cause higher-than-average wage and salary increases and increase personnel expenses.

REGULATORY RISK

Patent infringement

Developing new products involves a risk of violating the commercial property rights of third parties, which in our industry represent patents and utility models. Problems can arise when property rights that have already been registered are not yet published. From the time between the registration of the rights and their publication, it is unclear whether the property rights of another market participant have been violated. The risk is that this may lead to unexpected subsequent royalty payments, which, in the automotive industry, is usually not expected to result in a ban on production.

We limit this risk by cooperating with an external patent attorney and through the long-standing product and industry expertise of our employees in the areas of product and process development. There are currently no disputes.

Compliance risk

Violations of national and international laws and internal and external regulations may lead to substantial fines, claims for damages, or the imprisonment of the employees involved.

We address compliance risk by using our compliance management system discussed at the beginning of the risk report. We completed the integration of our subsidiaries into this system in the course of the reporting year. Individual components of this system will be expanded in the future.

PRESENTATION OF STRATEGIC RISKS AND OPPORTUNITIES HAVING A PREDOMINANTLY MEDIUM-TERM EFFECT

The following presentation provides an overview of the medium-term strategic risks and opportunities of the Group, i.e., those predominantly impacting a period of at least three years. In this chapter, the order of the risks and opportunities presented reflects our current assessment of their relative importance for PWO.

DEVELOPMENT OF NEW PRODUCTS AND TECHNOLOGY

Ongoing product and process innovation is the key success factors in ensuring the preservation and expansion of our competitive position in an industry where the suppliers are increasingly supplying innovation.

Since new developments are becoming more complex, the risk is increasing that the related development and start-up costs throughout the entire value chain are not properly assessed in advance and may turn out to be higher than expected. At the same time, the resulting opportunities clearly outweigh this risk because the customer's product specifications are often accompanied by conflicting requirements. For example, when higher security parameters are required, so is lower weight. Another example is the requirement that new developments do not result in any additional investment by the customer, for example, in the form of a change in the process chain.

Especially when we have been met with such cases, we have always been able to offer a "better" solution and win the contract. This is where our deep understanding of the respective demand of the customer and our decades of experience in metal processing come into play.

We are continually expanding our expertise and thereby reduce the risk of excessive development and start-up costs. To effectively reduce these types of risks, we systematically and continually validate them in cross-divisional teams and introduce appropriate measures for their control, when necessary.

Therefore, the opportunities in this area also significantly outweigh the risks.

LONG-TERM DEVELOPMENT IN DEMAND
With our product and service portfolio and our innovative strength and global presence, we believe we are well positioned to benefit from several trends in the automotive industry simultaneously.

Energy-saving and emission-reducing mobility: Minimizing the weight of all of the vehicle's components and bringing about a reduction in fuel consumption represent one of the main criteria. We are particularly interested in seizing the opportunities in this area that arise from our leading expertise in lightweight construction. We have been very successful with our concept of cost-optimized lightweight construction. We assume that the share of lower weight parts and components in the total volume will continue to grow significantly in the years to come and result in an expansion of our overall market share.

More comfort in the automobile: We believe that the trend in the international automotive industry will clearly continue in this direction over the next few years. For years, PWO has been firmly established in the field of comfort-enhancing solutions (i.e., reduced vibration in cross-members, multi-optional seat adjusters, components for the growing number of electrically driven functions). Automotive manufacturers traditionally introduce their innovations in their premium models and then introduce them in their volume models. Our strong presence in the premium sector gives us the opportunity to participate in these developments from the start.

More safety in the automobile: The arguments given on the subject of comfort also apply when it comes to the ever-increasing demand for automotive safety. Here again, we can build upon our many years of expertise and innovation. This also represents an area where we have had close and faithful collaborations with numerous customers over a period of many years, which gives us an excellent starting point for our future growth.

DEVELOPMENT OF THE CUSTOMER AND THE COMPETITIVE ENVIRONMENT
The high capital intensity of the automotive industry, increasing competition in global markets, and CO_2 reduction requirements increasingly force global automakers to use outside expertise, making them obtain substantial portions of their value chain from suppliers. All studies by industry experts conclude that the suppliers will significantly increase their share of value added in the future. We are convinced that we can benefit tremendously from this trend with our innovation, recognized delivery quality and reliability, and our global delivery capabilities.

EXTENSION OF PWO'S GLOBAL REACH
We have invested quite substantially in the last several years in extending PWO Group's global presence. By expanding our capacity in local markets, we were able to leverage our potential for synergies and cost reductions and improve our proximity to the customer. We are now in a position to win global tenders including those for platform concepts.

We intend to take even more advantage of these opportunities in the coming years by establishing assembly locations specifically in our key automotive markets. With this approach, we will be able to benefit from a further trend: The automakers are tending to reduce their number of suppliers and turning their focus to suppliers able to deliver globally.

TOOL SOURCING FROM CHINA
We have implemented a strategy for tool-sourcing from China that includes the purchase of tool components in China and the processing of these components into finished tools at our location. The capabilities of our tool development in China will expand to include a greater number and more technologically sophisticated tools for the Group.

The location's progress to date and particularly the employees' ability to gain the necessary expertise quickly, gives us confidence that we may even exceed our medium-term expectations. Therefore, we believe in the years to come the opportunities for increasing earnings in this area will outweigh the risk.

CONTINUED IMPROVEMENT IN THE INTEREST RATE STRUCTURE OF FINANCIAL LIABILITIES
In previous years, non-current financial liabilities were taken out at fixed interest rates that were higher than today's prevailing interest rates. With the successive expiry of these periods over the next several years, there is an opportunity to refinance these liabilities at more favorable interest rates. Should the current conditions on the capital market continue, we would be able to secure the attractive current level of interest rates – beyond the promissory note loan issued in 2014 – for an even larger portion of our financial liabilities.

DEVELOPMENT OF CURRENCY EXCHANGE RATES
Hedging instruments to protect against currency fluctuations are generally not available for the entire duration of series production. The effect of hedging transactions can be extended by roll-overs beyond the term of the individual transaction. There still may be some fundamental changes in exchange rates over the medium term for the currencies important for the PWO Group. This can result in both risks and opportunities for our earnings development.

REPORT ON FORECASTS AND OUTLOOK

EXPECTED GENERAL ECONOMIC AND INDUSTRY DEVELOPMENT

The International Monetary Fund (IMF) is forecasting an impact from opposing factors on the global economy in 2015. Overall, only a slight upturn in real growth of 3.5 percent is expected after a rise of 3.3 percent in the prior year. The sharp decline in oil prices will have a significant positive effect. The general lack of investment and lower underlying medium-term growth expectations should more than compensate for this effect.

In addition, growth differentials are expected to increase in 2015. The US economy is expected to grow significantly faster than in 2014 (2.4 percent) and report 3.6 percent growth in the current year, supported by very robust domestic demand. In the euro area, the upturn will be much lower with an expected 1.2 percent growth after 0.8 percent in the prior year. The primary factor to blame for the moderate upturn in the euro area is the IMF's expected growth slowdown in Germany from 1.5 percent in 2014 to 1.3 percent in 2015. Other important countries such as France, Italy, and Spain are projected to have somewhat stronger growth but from a low base. The United Kingdom, however, is expected to accelerate slightly and grow 2.7 percent after reporting comparatively high growth in the previous year.

Whereas the extremely expansionary economic policy in Japan is only expected to result in a slight upturn in 2015, economic growth in China is expected to continue to decline. After an increase of 7.4 percent in 2014, the Chinese economy is expected to grow by just 6.8 percent in the current year. The IMF expects Russia to undergo a severe recession in 2015 with a three percent decline in gross domestic product after growth more than halved in 2014 to 0.6 percent.

From the VDA's (German Association of the Automotive Industry) perspective, international automotive markets will continue their growth in the current fiscal year. The major markets of the USA and China, however, should have somewhat lower growth than last year. The VDA expects Western Europe to see an increase of two percent. Differing development in the individual EU Member States is also expected in 2015.

BUSINESS DEVELOPMENT AND FUTURE DIRECTION

DEVELOPMENT OF THE PWO GROUP
In light of the opportunities and risks described, and under the assumption that no changes are made to the Group's composition, we expect the following developments in fiscal year 2015.

As in prior years, our forecast is based on the individual detailed projections of the volumes of current series productions and on the upcoming production start-ups, ramp-ups, and phase-outs during the next fiscal year. Lower-than-expected volumes from the prior fiscal year have been incorporated into our forecasts. This means the forecast for the current fiscal year is based on a lower level than the forecast for the 2014 fiscal year. We have not included any expectations of positive momentum in the overall economy or in sector trends. Regarding the exchange rate, we expect a neutral impact on EBIT due to our high hedging ratio.

We expect revenues in fiscal year 2015 to rise to around EUR 400 million. EBIT is expected to increase significantly to approximately EUR 19 million. However, this increase will be primarily driven by the non-recurrence of expenses for personnel reductions at the Oberkirch location. Net income for the period should see a strong rise again accompanied by an unchanged financial result and a lower effective tax rate.

We plan to continue our shareholder-friendly dividend policy. Generally, we intend to propose increases only when it is highly probable that we can maintain this dividend in the future.

The Group's revenue growth will continue to be mainly supported by its foreign subsidiaries. We expect the German location to report unchanged revenues and stable total output.

The savings targeted from the reduction in employees and higher efficiency will be counteracted by the further rise in costs from annual tariff increases and from the expiration of the supplemental agreement. We will not extend the current employment agreement because we can no longer guarantee employment for a period of several years given the current market environment. Therefore, the workweek at the Oberkirch location will gradually decline in the coming years from today's 39.0 hours until it reaches the set level of 35.0 hours in early 2017 in accordance with the current collective bargaining agreements for the metal industry.

In fiscal year 2015, this will result in a significant decline in the EBIT of the Oberkirch location adjusted for the effects of the provisions.

The Czech Republic location is on the verge of a jump in revenues to over EUR 70 million in fiscal year 2015. This represents an increase of over 30 percent. Part of this increase, however, will result from the invoicing of unbilled finished goods and work-in-progress from fiscal year 2014. Therefore, total output should grow in the order of almost 20 percent.

Managing the upcoming start-ups and ramp-ups and carry out the expansion of the location at the same time will make significant demands on our employees. Nevertheless, we firmly believe that they can do this successfully. Therefore, we still expect another solid double-digit EBIT margin. Within the Group, the EBIT margin is determined based on total output because only this calculation takes into account all finished goods and work-in-progress rendered and all related expenses.

In the NAFTA area, we expect a positive development that will be driven mainly by a reduction in the losses of the Mexican location. In Canada, there are no larger series start-ups scheduled. Therefore, we expect only limited changes in revenues and total output. Our efforts will be aimed at limiting the decline in EBIT wherever possible.

Start-ups and ramp-ups of series productions at the Mexican location should generate growth in revenues and total output in the low double-digit percentage range. Since we have still not solved the fundamental quality problems in production, we do not believe that this location will entirely reach the break-even point.

In China, we expect both locations to grow strongly and together achieve revenue and total output of approx. EUR 20 million. This growth should contribute to almost halving the losses recorded by the segment in the prior year, excluding currency effects.

NET ASSETS AND FINANCIAL POSITION

The PWO Group's net assets and financial position are expected to remain stable in 2015. Our underlying profitability is not expected to improve until 2016. It will be at this time that Oberkirch's cost reductions should have their full effect on earnings and when Mexico and China are expected to generate positive results. Therefore, for fiscal year 2015, we expect slightly negative free cash flow and a corresponding minor increase in net debt and higher gearing. The equity ratio, however, should remain stable at the level of 2014 at a minimum.

INVESTMENTS

The investment plan for the current fiscal year calls for a reduction to approximately EUR 33 million after EUR 37.4 million in the reporting year. This stems mainly from starting the expansion of the Czech Republic location in fiscal year 2014, or one year earlier than planned. The past year's business development does not prompt us to revise any of our short-term investment plans. In the three-year period from 2015 to 2017, the total volume planned is around EUR 80 million. In the period from 2014 to 2016, the total volume was still around EUR 100 million.

Looking at individual locations, the investment focus will again be in Germany and the Czech Republic. The expansion in Mexico and China continues to go forward. In Oberkirch, we will build an office building to bring together several non-production areas that are currently spread throughout our entire premises. This is an essential part of the efficiency gains we are targeting. At the Czech Republic location, additional presses and production lines will be put into operation to achieve the planned growth. In China, investments will primarily be made in our assembly plant in Shenyang while the investments in Mexico will be to increase the location's efficiency overall.

ORDER SITUATION
In addition to the usual contracts for small- to medium-volume series productions awarded every year, in 2015, there are several large volume contracts being tendered. We believe we are well positioned to win these contracts and many others. Therefore, we expect that the lifetime volume of new business in 2015 to exceed the previous year's figure.

OVERALL STATEMENT ON FUTURE DEVELOPMENT
Fiscal year 2014 brought new challenges for the PWO Group. We have consistently responded to these challenges and have initiated the necessary steps to realign our Oberkirch location. The full effect of these measures on our earnings will be visible starting in 2016.

At the same time, we are not slowing down our efforts at international expansion. The very successful development of the Czech Republic location highlights the opportunities that exist for the PWO Group. We want to achieve this level of success at our other production locations. In 2015, we expect positive developments in some locations, then, starting in 2016, we expect all foreign locations to make a positive contribution.

In fiscal year 2015, we will lay the groundwork for the Group's future successful development.

CONTROL AND RISK MANAGEMENT IN THE FINANCIAL REPORTING PROCESS

The control and risk management of the financial reporting process constitute an integral part of Group risk management. It is based on special established policies, procedures, regulations, and measures that are directed at the organizational implementation of management decisions and pursue the following objectives:

- to ensure the effectiveness and efficiency of business activities (this also includes the protection of assets);

- to ensure the accuracy and reliability of internal and external accounting;

- to comply with applicable legal regulations, in particular, the compliance of the consolidated financial statements and the Group management report with the respective standards.

In order to achieve these objectives, all operating units are integrated according to a precisely defined organization of the management and reporting. The principles, procedures, processes, schedules, and systems are documented in writing. The entire organization is reviewed periodically for effectiveness and adapted to external and internal developments.

There is a clear segregation of duties among all units involved, which is just as consistently implemented as the four-eye principle. Employees involved in the financial reporting process meet the quality requirements and are routinely trained.

The consolidated financial statements are prepared in a multi-stage process. Automated or manual controls are embedded at all levels. The individual subsidiaries prepare their financial statements, which are audited by the respective auditors and are then combined with the consolidated financial statements of Progress-Werk Oberkirch AG.

The PWO Group's accounting policies ensure that the consolidated domestic and foreign companies apply uniform recognition and measurement standards. Underlying these policies is a uniform Group-wide system of accounts. New laws, accounting standards, and other official announcements are continually analyzed for their relevance and their impact on the consolidated financial statements and the combined management report. If necessary, the accounting policies and the draft of the accounts are adjusted accordingly.

Recording the business transactions of the operating units is carried out in a uniform manner on the SAP-based accounting system. The access rights are clearly defined.

To ensure the accuracy of the accounting and the overall statement of the financial statements, including the management report, the following reviews and measures are implemented, evaluated, and developed regularly in a structured process:

- identification and analysis of the essential areas of risk and control;

- monitoring and plausibility checks in order to oversee the processes and their results at the level of the Management Board and the operating business units. This includes regular visits to foreign locations throughout the year by the Management Board and parent company management staff;

– preventive control measures in finance and accounting, as well as the essential operational business processes for accounting;

– measures to ensure the proper, complete, and timely IT-based processing of accounting-related matters and data;

– measures to monitor the accounting-related internal control and risk management systems, as well as measures to overcome any weaknesses in control; and

– documentation of the control process.

DEPENDENCY REPORT

A dependency report in accordance with section 312 AktG has been prepared with regard to the relationship with Consult Invest Beteiligungsberatungs-GmbH, Böblingen. As in previous years, the report concludes with the following statement: "Transactions subject to disclosure have not occurred in the fiscal year".

TAKEOVER-RELATED DISCLOSURES

The information required under sections 289 (4) and 315 (4) HGB is detailed and explained below.

The share capital of Progress-Werk Oberkirch AG ("Company") is EUR 9,375,000.00. It is divided into 3,125,000 ordinary bearer shares with a notional interest in the share capital of EUR 3.00 per share each. All shares are bearer shares. They carry identical rights and convey one vote each at the Annual General Meeting.

Preference or other rights conveying powers of control do not exist. The provisions of the German Stock Corporation Act regarding the rights and obligations related to the holding of shares are referenced.

There are no restrictions on the voting rights or the transfer of shares. In addition, the Management Board is not aware of such arrangements agreed between shareholders.

The following two entities have notified us of their interests exceeding 10 percent of the voting rights in Progress-Werk Oberkirch AG: Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, with 46.62 percent, and Delta Lloyd N.V., Amsterdam, the Netherlands, with 15.99 percent.

There is no participation of employees who do not exercise their control rights directly.

In accordance with the Company's Articles of Association, the Management Board consists of two or more members. These members are appointed for a period of no more than five years. A reappointment or extension of the term of office is permissible in each case up to a maximum of five years.

The Supervisory Board determines the number of Management Board members, their appointment, and the revocation of their appointment, as well as the conclusion, amendment, and termination of employment contracts concluded with them. The Supervisory Board may appoint one member of the Management Board as Chairman or Speaker of the Management Board. The nomination, as well as the appointment of Board Members, can be revoked before the expiration of the term if there is good cause.

Pursuant to section 179 (1) and section 119 (1), No. 5 AktG, each amendment of the Articles of Association requires a shareholder resolution of the Annual General Meeting. In a deviation to section 179 (2), no. 1 of the said Act, section 15 of the Articles of Association provides for resolutions on amendments to the Articles of Association to be adopted by the Annual General Meeting by a simple majority of the voting capital to the extent that legally a larger majority is not required. In addition, the Supervisory Board is authorized to adopt amendments to the Articles of Association that relate only to their wording.

There is no authorization to repurchase own shares.

There are two categories of authorized capital for increasing the share capital. 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 1,125,000.00 (Authorized Capital I/2010) and up to EUR 750,000.00 (Authorized Capital II/2010) by issuing new non-par bearer shares against payment in cash until May 25, 2015. Subscription rights must generally be granted to shareholders when using both categories of authorized capital. Subject to the consent of the Supervisory Board, the Management Board is authorized to exclude the subscription rights of shareholders to settle any fractional amounts. In the case of Authorized Capital

I/2010, subscription rights can also be excluded in order to issue shares to the Company's employees or employees of Group companies.

The Management Board is also authorized to issue warrant-linked or convertible bonds (collectively referred to as "debentures") in the name of the bearer, once or several times up to a total amount of EUR 65,000,000.00 until May 25, 2015. Subject to the consent of the Supervisory Board, the Management Board is also authorized to grant option rights to holders of warrant-linked bonds or conversion rights to holders of convertible bonds for shares of the Company representing a proportion of share capital totaling up to EUR 3,000,000.00, pursuant to the terms of the warrants and convertible bonds (Conditional Capital 2010).

The share capital shall, therefore, be conditionally increased by up to EUR 3,000,000.00 through the issue of bearer shares, insofar as the holders of debentures shall exercise their option or conversion rights or meet any incumbent conversion obligations.

When bonds are issued, shareholders must be afforded the right to subscribe. The Management Board is however authorized, with the consent of the Supervisory Board, to exclude the right of shareholders to subscribe, insofar as the Management Board upon due investigation is of the opinion that the issue price of the debentures is not materially below their hypothetical market price as calculated in accordance with recognized and, in particular, actuarial methods.

This authorization to exclude subscription rights applies to debentures with warrants or conversion rights, or conversion obligations with respect to Company shares that amount to a pro rata amount of the share capital that may not exceed 10 percent of the share capital. This 10 percent limit may not be exceeded at the time it takes effect or at the time of executing this authorization if the value is lower.

No warrant-linked or convertible bonds have been issued to date.

Other than the usual extraordinary rights of termination contained in loan agreements and contracts with customers, no further agreements have been entered into in the event of a change in control resulting from a takeover. Compensation agreements, which favor the Management Board or employees, do not exist.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A HGB

The Corporate Governance Statement of Progress-Werk Oberkirch AG is part of the Company's corporate governance report, which is published on the Company's website under www.progress-werk.de/investor-relations/corporate-governance/.

REMUNERATION REPORT

The remuneration report contains a presentation of the Management Board's remuneration pursuant to the applicable accounting principles (DRS 17 in conjunction with sections 314 (1) No. 6a, 315 (2) No. 4 HGB) and the German Corporate Government Code in the valid version dated June 24, 2014, as well as the presentation of the Supervisory Board's remuneration.

REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD

The Supervisory Board determines the methodology and amount of the Management Board's remuneration based the proposal of the Personnel Committee. The criteria for defining remuneration include the duties of the individual Board members, their personal performance, the financial situation, success and future prospects of the Group, as well as the prevailing level of compensation at peer companies and the remuneration structure of the Company. Here, the Supervisory Board also takes into account the relation of the Management Board's compensation and the remuneration of senior management and the workforce, as a whole, and its development over time.

Total remuneration consists of fixed and performance-related components. The fixed components include the basic annual salary, non-cash benefits, and pension benefits. The bonus represents the performance-based element of remuneration and is divided into one-year and multiple-year variable components. The one-year variable component is measured according to the net income of the Group for the previous fiscal year. The multiple-year variable component is measured according to the Group's average net income over a period of three years.

The existing employment contracts also provide for a discretionary bonus, whereby the Supervisory Board may consider extraordinary positive and negative developments at its discretion up to a limited maximum amount. The maximum amount is different for the Speaker of the Management Board than for its members.

The absolute amount of performance-based remuneration is limited, and remuneration is structured in a manner that gives the long-term components more weight. Performance-based remuneration also ensures that both positive and negative corporate developments are taken into account.

The Management Board members Mr. Bernd Bartmann and Dr. Winfried Blümel are entitled to receive retirement, disability, and survivor pensions. Retirement pensions are paid either upon reaching the current retirement age of 65 or through early retirement from the Company at 60 years of age, provided a full retirement pension is being drawn simultaneously from the statutory pension scheme.

The retirement pension's monthly amount for Mr. Bartmann and Dr. Blümel is set out in the respective retirement contracts. When drawing benefits prematurely, this amount is reduced during the length of pension payment by 0.25 percent per month from the start of early retirement until reaching 65 years of age. Future retirement benefits of the present members of the Management Board are adjusted in line with changes in the cost of living for a 4-person household of hourly and salaried workers with an average income as defined by the Federal Statistics Office.

Management Board member Dr. Volker Simon is not entitled to pension benefits, but instead receives a fixed annual benefit to establish a private retirement program. This arrangement is set out in his Management Board contract.

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

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

The Management Board's remuneration system was last reviewed by the Personnel Committee in fiscal year 2011.

EURk

	Non-performance related remuneration						Performance-related remuneration				Total remuneration	
	Basic annual salary		Non-cash benefits		Other benefits		One-year variable remuneration		Multi-year variable remuneration			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Dr. Volker Simon, Speaker (since July 1, 2014)[1]	150	0	13	0	0	0	100	0	0	0	263	0
Karl M. Schmidhuber, Chairman (until May 21, 2014)	123	304	10	23	40	0	38	180	65	187	276	694
Bernd Bartmann	198	189	29	28	0	0	76	140	122	136	425	493
Dr. Winfried Blümel	216	207	28	27	0	0	76	140	122	136	442	510
TOTAL	**687**	**700**	**80**	**78**	**40**	**0**	**290**	**460**	**309**	**459**	**1,406**	**1,697**

[1] Dr. Simon's basic annual salary includes EURk 25 to establish a private retirement program. The one-year variable remuneration for 2014 was agreed as a fixed amount.

MANAGEMENT BOARD REMUNERATION IN ACCORDANCE WITH THE DRS 17 ACCOUNTING STANDARD

The total Management Board remuneration for the 2014 fiscal year amounted to EURk 1,406 (p/y: EURk 1,697). This includes performance-based remuneration of EURk 599 (p/y: EURk 919). Management Board members also received non-cash benefits equal to EURk 80 (p/y: EURk 78), which mainly consist of company cars, phone bills, insurance premiums, and non-cash benefits. The table above shows the individual remuneration of the Management Board members.

The Company has recognized pension provisions under IFRS for the future pension entitlements of the Management Board members Mr. Bernd Bartmann and Dr. Winfried Blümel. The allocation to pension provisions in the reporting year amounted to EURk 169 (p/y: EURk 179). This amount considers what is known as service costs excluding interest costs. The following table shows the individual expense for pensions. Management Board member Dr. Volker Simon is not entitled to pension benefits, but instead receives an annual gross fixed payment of EURk 50 to establish a private retirement program.

Former members of the Company's Management Board and their surviving dependents have received pension payments amounting to EURk 244 (p/y: EURk 240) during the reporting year. These payments include pension payments of EURk 59 to the former Chairman of the Management Board Mr. Karl M. Schmidhuber, whose resignation from the Board and entry into retirement was effective as of the Annual General Meeting on May 21, 2014. The corresponding pension provisions amounted to EURk 3,708 (p/y: EURk 2,057) on December 31, 2014.

In the event of termination of employment, no other benefits were promised to any member of the Management Board. In fiscal year 2014, no members of the Management Board had received any payments or promises from a third party in connection with their work as Management Board member.

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

EURk

	Annual entitlement[1]		Present value of benefit obligations		Allocation to pension provisions	
	2014	2013	2014	2013	2014	2013
Dr. Volker Simon, Speaker (since July 1, 2014)	0	0	0	0	0	0
Karl M. Schmidhuber, Chairman (until May 21, 2014)	96	96	1,803	1,898	0	0
Bernd Bartmann	72	72	846	796	95	100
Dr. Winfried Blümel	72	72	708	677	74	79
TOTAL	**240**	**240**	**3,357**	**3,371**	**169**	**179**

[1] At the start of pension at the age of 65 Jahren based on the entitlements earned until December 31, 2014.

MANAGEMENT BOARD REMUNERATION IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to the recommendations of the German Corporate Governance Code as amended on June 24, 2014, both the benefits granted and the payments are reported using the sample tables.

In the table titled "Benefits granted", the amounts budgeted for one- and multiple-year variable remuneration are shown as opposed to DRS 17. The minimum and maximum values that can be achieved are also reported. The pension expenses shown in the table under "Individual pension expenses" as an addition to pension provisions, is also included in the total remuneration.

The total remuneration granted to the Management Board in accordance with the German Corporate Governance Code reached EURk 1,848 (p/y: EURk 1,826).

The total Management Board remuneration paid, according to the German Corporate Governance Code, totaled EURk 1,575 in fiscal year 2014 (p/y: EURk 1,876).

BENEFITS GRANTED DURING THE REPORTING YEAR

EURk

	Dr. Volker Simon (Speaker) Market and Technology Entry: 01/07/2014				**Karl M. Schmidhuber (Chairman)** Market and Technology Retirement: 21/05/2014				**Bernd Bartmann** Administration and Finance Entry: 01/01/2005				**Dr. Winfried Blümel** Production and Materials Entry: 19/04/2004			
	2013	**2014**	**2014**	**2014**	**2013**	**2014**	**2014**	**2014**	**2013**	**2014**	**2014**	**2014**	**2013**	**2014**	**2014**	**2014**
			Min.	**Max.**			**Min.**	**Max.**			**Min.**	**Max.**			**Min.**	**Max.**
Fixed remuneration[1]	--	250	--	--	304	123	--	--	189	198	--	--	207	216	--	--
Non-cash benefits	--	13	--	--	23	10	--	--	28	29	--	--	27	28	--	--
TOTAL	**--**	**263**	**--**	**--**	**327**	**133**	**--**	**--**	**217**	**227**	**--**	**--**	**234**	**244**	**--**	**--**
Discretion bonus[2]	--	0	--	100	0	40	--	100	0	0	--	80	0	0	--	80
One-year variable remuneration[3]	--	0	--	--	172	77	--	225	134	155	--	187	134	155	--	187
Multi-year variable remuneration (2012-2014 plan)	--	--	--	--	--	81	--	275	--	152	--	213	--	152	--	213
Multi-year variable remuneration (2011-2013 plan)	--	--	--	--	175	--	--	--	127	--	--	--	127	--	--	--
TOTAL	**--**	**0**	**--**	**--**	**347**	**198**	**--**	**--**	**261**	**307**	**--**	**--**	**261**	**307**	**--**	**--**
Pension expenses	--	0	--	--	0	0	--	--	100	95	--	--	79	74	--	--
TOTAL REMUNERATION	**--**	**263**	**--**	**--**	**674**	**331**	**--**	**--**	**578**	**629**	**--**	**--**	**574**	**625**	**--**	**--**

[1] Dr. Simon's fixed remuneration included EURk 25 to establish a private retirement program and EURk 100 of variable remuneration which was agreed as fixed in 2014.
[2] At its own discretion, the Supervisory Board may decide to grant a special remuneration in cases of extraordinary performance or success in the amounts shown above. In turn, in cases of extraordinary developments, the entitlements to one-year and multi-year variable remuneration may be reduced in the amounts shown above.
[3] Dr. Simon's one-year variable remuneration for 2014 was agreed as a fixed amount and is reported under fixed remuneration.

BENEFITS PAID OUT DURING THE REPORTING YEAR

EURk

	Dr. Volker Simon (Speaker) Market and Technology Entry: 01/07/2014		**Karl M. Schmidhuber (Chairman)** Market and Technology Retirement: 21/05/2014		**Bernd Bartmann** Administration and Finance Entry: 01/01/2005		**Dr. Winfried Blümel** Production and Materials Entry: 19/04/2004	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
Fixed remuneration[1]	--	250	304	123	189	198	207	216
Non-cash benefits	--	13	23	10	28	29	27	28
TOTAL	**--**	**263**	**327**	**133**	**217**	**227**	**234**	**244**
Discretion bonus[2]	--	0	0	40	0	0	0	0
One-year variable remuneration[3]	--	0	180	38	140	76	140	76
Multi-year variable remuneration (2012-2014 plan)	--	--	--	65	--	122	--	122
Multi-year variable remuneration (2011-2013 plan)	--	--	187	--	136	--	136	--
TOTAL	--	**0**	**367**	**143**	**276**	**198**	**276**	**198**
Pension expenses	--	0	0	0	100	95	79	74
TOTAL REMUNERATION	**--**	**263**	**694**	**276**	**593**	**520**	**589**	**516**

[1] Dr. Simon's fixed remuneration included EURk 25 to establish a private retirement program and EURk 100 of variable remuneration which was agreed as fixed in 2014.
[2] At its own discretion, the Supervisory Board may decide to grant a special remuneration in cases of extraordinary performance or success in the amounts shown above. In turn, in cases of extraordinary developments, the entitlements to one-year and multi-year variable remuneration may be reduced in the amounts shown above.
[3] Dr. Simon's one-year variable remuneration for 2014 was agreed as a fixed amount and is reported under fixed remuneration.

EURk

	Fixed remuneration		Attendance fees[1]		Total remuneration	
	2014	2013	2014	2013	2014	2013
Dieter Maier, Chairman	40	40	5	7	45	47
Dr. Gerhard Wirth (Deputy Chairman since May 22, 2013)	30	27	3	5	33	32
Dr. Klaus-Georg Hengstberger (Deputy Chairman until May 22, 2013)	0	13	0	4	0	17
Dr. Georg Hengstberger (member since May 22, 2013)	20	13	5	3	25	16
Herbert König	20	20	5	5	25	25
Ulrich Ruetz	20	20	3	4	23	24
Franz Schmidt (since September 1, 2014)	7	0	1	0	8	0
Katja Ullrich (until August 31, 2014)	13	20	2	3	15	23
TOTAL	**150**	**153**	**23**	**31**	**173**	**184**

[1] All figures shown have been rounded. This may result in deviations when using addition.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board members is specified in section 11 of the Company's Articles of Association and is essentially governed as follows:

Each Supervisory Board member receives a fixed annual remuneration of EUR 20,000. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman receives one and a half times this amount. Members of the Supervisory Board also receive an attendance fee of EUR 500 for each meeting of the Supervisory Board and its committees the members personally attend. This fee is paid only once for the attendance of several meetings in the course of one day.

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

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

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

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

RESPONSIBILITY STATEMENT

"We declare to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Oberkirch, March 12, 2015

The Management Board

Dr. Volker Simon (Speaker)

Bernd Bartmann

Dr. Winfried Blümel

The following management report of Progress-Werk Oberkirch AG discusses the Company's development in the 2014 fiscal year.

MANAGEMENT REPORT FOR PROGRESS-WERK OBERKIRCH AG

Progress-Werk Oberkirch AG (the "parent company") is located in Oberkirch, Baden-Wuerttemberg. This location forms the Group's headquarters and is its largest production location. To limit risk, the Group's international locations are closely managed by the Oberkirch location, particularly in the areas of finance, controlling, and legal affairs. However, they are responsible for a majority of their daily business operations.

The financial statements for the AG are prepared in accordance with the provisions of the German Commercial Code (HGB), and the consolidated financial statements are prepared in accordance with IFRS.

The general statements of the combined management report also apply to PWO AG, particularly in the areas of the market, strategy, management, and the opportunities and risks inherent in their business activities. The AG is less affected by currency risk than the Group. The risk of impairments mainly applies to the AG's financial assets. In the year under review, a valuation allowance was made to financial assets as explained below.

As of the reporting date, the number of employees of the AG, including temporary workers, declined to 1,416 (p/y: 1,451). We also trained 133 young people in the reporting year, as in the previous year.

The revenue of the AG did not increase as planned during the reporting year, but even recorded a slight absolute decline. This performance was mainly due to normal business fluctuations. Nevertheless, we still need to prepare for weaker growth and unchanged revenues in the future, as customers increasingly move portions of their vehicle production to their foreign plants.

Therefore, towards the end of the reporting period, we decided to create and promptly implement a comprehensive program to boost the location's profitability. Personnel costs, especially in the indirect areas, are expected to fall significantly as part of this program. Therefore, provisions of EUR 4.0 million were recognized in the reporting year for the adjustment in the workforce of approximately 100 employees. This has increased the personnel expenses ratio. In contrast to the accounting used for the Group balance sheet under IFRS, this was recognized under other provisions in PWO AG's balance sheet under HGB.

Other operating expenses at the AG developed similar to those of the Group and grew more than average, especially the wages of temporary workers. The financial result was impacted by a variety of somewhat conflicting effects. We have reduced the carrying amounts of loans to our subsidiary PWO Holding Co., Ltd., Hong Kong by EUR 5.0 million. In contrast, the distribution made by PWO Canada Inc., Kitchener to the AG of EUR 6.8 million had a positive effect.

In addition, after the successful promissory note loan issue during the reporting year, the AG has now taken over a larger portion of the refinancing of its subsidiaries than in the past. This led to an increase in income from loans to affiliated companies to EUR 1.2 million (p/y: EUR 0.6 million). We will be able to sustain this development. In total, the result from ordinary activities of the AG declined to EUR 9.2 million (p/y: EUR 12.6 million).

The tax rate increased from 36.0 percent last year to 47.4 percent in the fiscal year following a tax audit. Net income declined to EUR 4.7 million (p/y: EUR 7.9 million).

INCOME STATEMENT
SELECTED INFORMATION

EURk

	2014	in % of total output	2013	in % of total output
Revenue	249,431	98.9	252,974	99.2
Total output	252,109	100.0	255,113	100.0
Cost of materials	126,790	50.3	130,958	51.3
Staff costs	81,868	32.5	78,206	30.7
Depreciation and amortization	10,785	4.3	10,153	4.0
Other operating expenses	27,539	10.9	24,633	9.7
Financial result	-1,405	-0.6	-2,996	-1.2
Result from ordinary activities	9,226	3.7	12,584	4.9
Net income	4,685	1.9	7,853	3.1
Unappropriated retained earnings	4,689	1.9	5,629	2.2

Total assets increased significantly because of the greater refinancing of the subsidiaries by the AG. Total assets climbed EUR 43.7 million from EUR 228.0 million in the previous year to EUR 271.8 million in the year under review. This rise primarily related to loans to affiliated companies, which reported an increase of EUR 17.1 million, and to receivables from affiliated companies, which gained EUR 20.4 million.

This is reflected on the liabilities' side of the balance sheet by the increase in bank borrowings of EUR 42.1 million. The promissory note loan issued has a volume of EUR 60 million. The proceeds from this issue were primarily used to repay short-term bank borrowings.

The EUR 4.4 million increase in provisions was primarily due to the provisions for the planned reduction in the number of employees, higher pension provisions, and the releases occurring during the reporting year.

With unappropriated retained earnings slightly lower in the reporting year due to the decline in net income, equity declined from EUR 114.4 million to EUR 113.5 million. The equity ratio decreased to 41.8 percent after 50.2 percent in the prior year.

In terms of future business development, the statements regarding the opportunities and risks for the Group also essentially apply to the AG. We do assume, however, that that AG will have flat revenues in fiscal year 2015. At the same time, the targeted savings volume will have its full effect on earnings starting in 2016 because of the long notice periods of some of the employees. Therefore, for the current fiscal year, we expect a further decline in the result from ordinary activities, despite the non-recurrence of expenses associated with provisions recognized in the fiscal year just ended.

71 CONSOLIDATED FINANCIAL STATEMENTS

SEAT SIDE PART – MOST VEHICLE SEATS TODAY ARE BUILT BASED ON STEEL COMPONENTS.

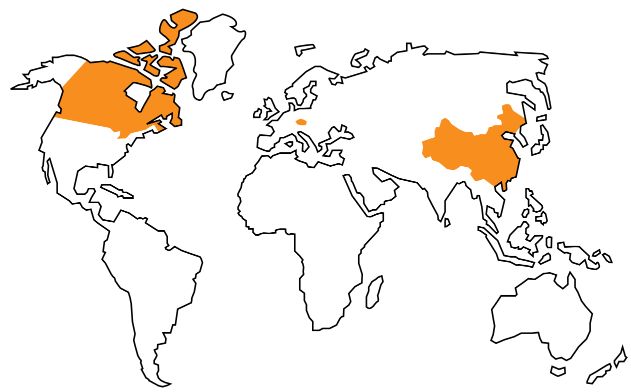
They promote the well-being of the passenger and absorb a large amount of energy in accidents. Through innovative design, we improve the performance of our components and make them lighter at the same time.

SEAT SIDE PARTS

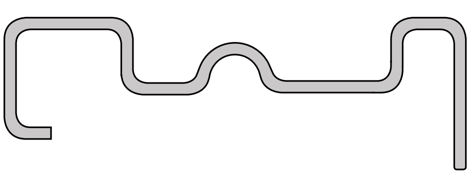
SAFETY COMPONENTS FOR AIRBAGS, SEATS, AND STEERING

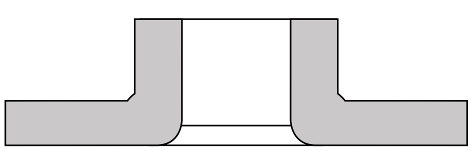
PRODUCTION LOCATIONS:

→ CZECH REPUBLIC
→ CANADA
→ CHINA



CHANGES IN THE GEOMETRY: CORRUGATIONS AND DRAWING INCREASE THE PART'S STABILITY WHILE MAINTAINING THE SAME THICKNESS

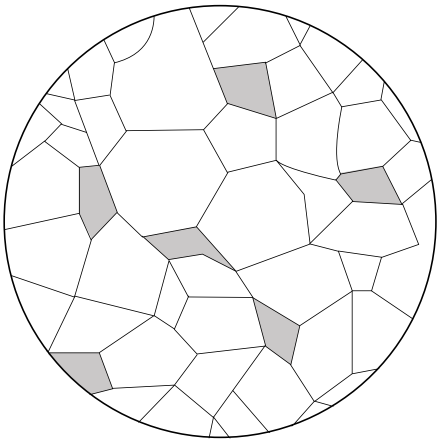




CHALLENGES IN FORMING HIGH-STRENGTH STEELS:

→ LESS ELONGATION
→ HIGHER RESILIENCE

USE OF
HIGH-STRENGTH
STEELS



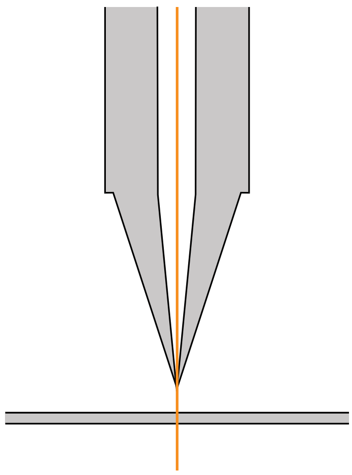
→ DUAL-PHASE STEEL

EXTRAORDINARY FLEXIBILITY DURING PRODUCTION: EXCHANGEABLE TOOLS FOR MANUFACTURING PRODUCT VARIATIONS RESULT IN LOWER TOOL SET COSTS AND SHORTER SET-UP TIMES

LIGHTWEIGHT DESIGN THROUGH PERFORATION

PROCESS INNOVATION

HIGHEST REQUIREMENTS FOR PRECISIONS FOR DOWNSTREAM LASER WELDING



CONSOLIDATED INCOME STATEMENT

EURk

Note no.		2014	2013
7	Revenue	381,134	377,447
	Change in finished goods and work-in-progress	8,104	3,994
8	Other own work capitalized	1,436	2,803
	TOTAL OUTPUT	**390,674**	**384,244**
9	Other operating income	8,255	4,592
	Cost of raw materials and supplies and merchandise purchased	-184,558	-182,559
	Cost of purchased services	-25,188	-21,338
	Cost of materials	**-209,746**	**-203,897**
	Wages and salaries	-92,836	-86,344
	Social security and post-employment costs	-17,814	-18,589
10	**Staff costs**	**-110,650**	**-104,933**
	Amortization of intangible non-current assets and depreciation of property, plant and equipment	-22,350	-21,192
11	Other operating expenses	-39,518	-36,501
	EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**16,665**	**22,313**
	Financial income	139	60
12	Financial expenses	-6,208	-5,696
	FINANCIAL RESULT	**-6,069**	**-5,636**
	EARNINGS BEFORE TAXES (EBT)	**10,596**	**16,677**
13	Income taxes	-3,286	-3,540
	NET INCOME FOR THE PERIOD[1]	**7,310**	**13,137**
14	Earnings per share in EUR (diluted = basic) based on net income attributable to the shareholders of PWO AG	2.34	4.20

[1] The net income for the period is entirely attributable to the shareholders of PWO AG.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk

	2014	2013
NET INCOME FOR THE PERIOD	**7,310**	**13,137**
Items that may be reclassified to profit and loss in future periods		
Net losses/gains from cash flow hedges	-4,218	252
Tax effect	1,220	-155
Unrealized losses/gains from derivative financial instruments	**-2,998**	**97**
Currency translation differences	**3,193**	**-2,449**
Items that will not be reclassified to profit and loss		
Actuarial losses/gains from defined benefit pension plans	-11,459	2,126
Tax effect	3,218	-598
Actuarial losses/gains from defined benefit pension plans	**-8,241**	**1,528**
OTHER COMPREHENSIVE INCOME AFTER TAX	**-8,046**	**-824**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**-736**	**12,313**

CONSOLIDATED BALANCE SHEET

ASSETS

EURk

Note no.		2014	2013
	Land and buildings	63,098	52,474
	Technical equipment and machinery	73,941	68,513
	Other equipment, operating and office equipment	14,609	11,737
	Prepayments and assets under construction	12,561	11,746
15	**PROPERTY, PLANT, AND EQUIPMENT**	**164,209**	**144,470**
	Contract and customer-related development services	4,665	4,481
	Industrial property rights and similar rights	1,767	1,743
	Goodwill	5,407	5,363
	Prepayments	349	227
16	**INTANGIBLE ASSETS**	**12,188**	**11,814**
	NON-CURRENT PORTION OF OTHER ASSETS	**16**	**164**
	NON-CURRENT PORTION OF INCOME TAX RECEIVABLES	**227**	**330**
	DEFERRED TAX ASSETS	**13,021**	**7,593**
	NON-CURRENT ASSETS	**189,661**	**164,371**
	Raw materials and supplies	21,938	21,226
	Work-in-progress	31,301	25,063
	Finished goods and merchandise	18,549	15,895
	Prepayments	1,352	0
17	**INVENTORIES**	**73,140**	**62,184**
	Trade receivables and other receivables	62,194	55,892
	Other assets	9,597	7,109
	Other financial assets	26	1,232
	Income tax receivables	1,438	525
18	**RECEIVABLES AND OTHER ASSETS**	**73,255**	**64,758**
19	**CASH AND CASH EQUIVALENTS**	**5,404**	**8,071**
	CURRENT ASSETS	**151,799**	**135,013**
	TOTAL ASSETS	**341,460**	**299,384**

EQUITY AND LIABILITIES

EURk

Note no.		2014	2013
	Subscribed capital	9,375	9,375
	Capital reserves	37,494	37,494
	Retained earnings	46,746	56,300
	Currency translation differences	2,485	-708
20	**TOTAL EQUITY**	**96,100**	**102,461**
	Non-current financial liabilities	95,262	47,735
	Provisions for pensions	53,523	41,002
	Other provisions	2,515	2,904
	Non-current portion of other liabilities	155	144
	Deferred tax liabilities	271	1,056
	NON-CURRENT LIABILITIES	**151,726**	**92,841**
	Trade payables	23,379	24,719
	Advance payments received on account of orders	7,626	2,765
	Current financial liabilities	35,187	59,991
	Other liabilities	17,599	11,669
	Other financial liabilities	5,462	865
	Income tax liabilities	1,244	1,002
	Current portion of provisions for pensions	1,515	1,525
	Current portion of other provisions	1,622	1,546
	CURRENT LIABILITIES	**93,634**	**104,082**
21	**TOTAL LIABILITIES**	**245,360**	**196,923**
	TOTAL EQUITY AND LIABILITIES	**341,460**	**299,384**

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, 2013	**9,375**	**37,494**	**56,078**	**-9,804**	**1,741**	**264**	**95,148**
Net income for the period			13,137				13,137
Other comprehensive income				1,528	-2,449	97	-824
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**13,137**	**1,528**	**-2,449**	**97**	**12,313**
Dividend payment			-5,000				-5,000
DECEMBER 31, 2013	**9,375**	**37,494**	**64,215**	**-8,276**	**-708**	**361**	**102,461**
JANUARY 1, 2014	**9,375**	**37,494**	**64,215**	**-8,276**	**-708**	**361**	**102,461**
Net income for the period			7,310				7,310
Other comprehensive income				-8,241	3,193	-2,998	-8,046
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**7,310**	**-8,241**	**3,193**	**-2,998**	**-736**
Dividend payment			-5,625				-5,625
DECEMBER 31, 2014	**9,375**	**37,494**	**65,900**	**-16,517**	**2,485**	**-2,637**	**96,100**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk

Note no.		2014	2013
	Net income for the period	7,310	13,137
	Amortization of intangible non-current assets and depreciation of property, plant, and equipment, net of write-ups	22,350	21,192
13	Income tax expense/refund	3,286	3,540
12	Interest income and expenses	6,070	5,636
	Change in current assets	-15,804	-11,569
	Change in non-current assets	148	468
	Change in current liabilities (excluding financial liabilities)	15,731	2,781
	Change in non-current liabilities (excluding financial liabilities)	10,580	-1,984
13	Income taxes paid	-5,636	-3,731
	Other non-cash expenses/income	-19,156	869
	Gain/loss on disposal of property, plant and equipment	-152	86
	CASH FLOW FROM OPERATING ACTIVITIES	**24,727**	**30,425**
	Proceeds from disposal of property, plant, and equipment	1,117	258
	Payments for investments in property, plant, and equipment	-33,541	-22,873
	Payments for investments in intangible assets	-2,110	-2,079
	CASH FLOW FROM INVESTING ACTIVITIES	**-34,534**	**-24,694**
20	Dividends paid	-5,625	-5,000
	Interest paid	-4,998	-4,221
	Interest received	139	59
	Proceeds from borrowings	69,249	24,457
	Repayment of borrowings	-50,188	-27,508
	CASH FLOW FROM FINANCING ACTIVITIES	**8,577**	**-12,213**
	Net change in cash and cash equivalents	-1,230	-6,482
	Effect of exchange rates on cash and cash equivalents	-207	97
	Cash and cash equivalents as at January 1	-3,721	2,664
	CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	**-5,158**	**-3,721**
19	of which cash and cash equivalents	5,404	8,071
21	of which bank borrowings due on demand	-10,562	-11,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION

The consolidated financial statements of Progress-Werk Oberkirch AG (PWO) and its subsidiaries for the January 1, 2014 to December 31, 2014 fiscal year were authorized by the Management Board on the basis of a resolution passed on March 12, 2015 and were subsequently submitted to the Supervisory Board for examination. PWO is an exchange-listed stock corporation headquartered in Oberkirch, Germany. The Company's shares are traded on XETRA, within the regulated market in Frankfurt and Stuttgart, as well as within the Regulated Unofficial Market in Berlin, Düsseldorf, Hamburg-Hannover, and Munich.

The main business activities of the Company and its subsidiaries are described in detail in the Group management report in the chapter titled "Group principles".

The consolidated financial statements are included in the consolidated financial statements of Consult Invest Beteiligungsberatungs GmbH, Böblingen, as the premier group parent company, and can be accessed from the Bundesanzeiger (Federal Gazette).

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

The consolidated financial statements of Progress-Werk Oberkirch AG and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable in the European Union, as well as with the commercial regulations also applicable under section 315a (1) HGB (German Commercial Code).

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

2 PRINCIPLES OF CONSOLIDATION

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

Business combinations are accounted for by applying the purchase method (IFRS 3). The acquisition costs of the business combination are allocated to the acquired identifiable assets, liabilities, and contingent liabilities, at their fair values applicable on the acquisition date. Insofar as the remaining difference is positive, it is then reported as goodwill; insofar as it is negative, it is recognized in profit or loss following a further reassessment. Revenues, expenses, and income, as well as receivables and payables between consolidated entities, are offset against one another (IAS 27). Deferred taxes are recognized for consolidation measures affecting income taxes.

3 SCOPE OF CONSOLIDATION

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

EURk

	Interest in capital	Equity	Net income
PWO Canada Inc., Kitchener, Canada	100%	9,118	2,107
PWO Czech Republic a.s., Valašské Meziříčí, Czech Republic (formerly PWO UNITOOLS CZ a.s.; renamed on June 1, 2014)	100%	26,427	8,661
PWO Holding Co., Ltd., Hong Kong, China	100%	-892	-36
PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China[1]	100%	17,352	-1,143
PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China[1]	100%	188	40
PWO de México S.A. de C.V., Puebla, Mexico[2]	100%	5,149	-4,907

[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%

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CURRENCY TRANSLATION

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

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

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

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

		Year-end exchange rate		Average exchange rate	
		31/12/2014	31/12/2013	2014	2013
China	CNY	7.54	8.35	8.19	8.17
Canada	CAD	1.41	1.47	1.47	1.37
Mexico	USD	1.21	1.38	1.33	1.33

REVENUE RECOGNITION

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

Revenue is recognized from the sale of products when the key opportunities and risks associated with the sold products pass from the seller to the buyer. This normally occurs when the goods are delivered.

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

GOVERNMENT GRANTS
Government grants are recognized if there is reasonable assurance that the grants will be received and the entity will comply with the conditions attached to it. Grants related to assets are presented in the balance sheet by deducting the grant in order to arrive at the carrying amount of the asset. Cost-related grants are reported as income.

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and if these relate to the income taxes of the same taxable entity and are imposed by the same taxation authority.

PROPERTY, PLANT AND EQUIPMENT

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

LEASES

The decision of whether an agreement contains a lease is based on the economic content of the agreement at the time the agreement was concluded. Determination also requires an assessment of whether the performance of the contractual agreement depends on the utilization of a specific asset or assets and whether the agreement grants a right to the use of the assets even if this right is not expressly stated in an agreement.

Upon initial recognition, finance lease arrangements where nearly all risks and opportunities associated with the ownership of the transferred assets are transferred to the Group, are recognized at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between financial expenses and the repayment of the outstanding lease liability so that a fixed and variable interest rate will be applied to the remaining residual carrying amount of the lease liability. Leased assets are depreciated over the useful life of the asset. If, however, the transfer of the asset to the Group is not guaranteed to occur at the end of the lease period, the leased asset is completely depreciated over the shorter of either the expected useful life or the lease term.

Lease payments under operating leases are recognized as expenses on a straight-line basis over the term of the lease.

BORROWING COSTS

Borrowing costs are recognized as part of the acquisition or production costs of an asset if they can be allocated directly to the acquisition or production of the asset and if a considerable period is required to render the asset in its intended usable or saleable condition. All other borrowing costs are recognized as an expense in the period they are incurred. Borrowing costs consist of interest costs and other costs incurred by a company in connection with the borrowing of funds.

INTANGIBLE ASSETS

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

Development costs are capitalized if the recognition criteria of IAS 38 are fulfilled. This specifically relates to the existence of specific customer orders for the development of tools. After initial capitalization, the asset is carried at cost less accumulated amortization and impairment losses. Capitalized development costs include all directly attributed individual costs as well as proportional overhead, and are amortized over the planned product life span (5 to 7 years). The amortization of capitalized development costs forms part of the production costs and is allocated to the components from which they were incurred.

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

Long-term corporate planning approved by the Management Board and acknowledged by the Supervisory Board extends until the end of the 2017 detailed planning period. Long-term corporate planning is sensitive to the key assumptions regarding the development of sales figures in the automotive industry, commodity prices, and increases in productivity. These developments were assessed and determined on the basis of past experience using publicly available data, existing project agreements, and measures decided internally.

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

	PWO Canada Inc.		PWO Czech Republic a.s.	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Phase 1: Weighted average cost of capital (WACC)	13.12%	14.35%	9.71%	10.99%
Phase 2: Growth rate (in perpetuity)	1.48%	1.29%	1.28%	1.03%

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

Assumptions that have been made are subject to a certain level of sensitivity. While based on reasonable judgment, a change to one of the assumptions made in determining the value in use for PWO Canada and PWO Czech Republic is possible, we believe it is rather unlikely that the carrying amount of goodwill of these units could significantly exceed its recoverable amount. The actual recoverable amounts exceed the carrying amount of PWO Canada by EURk 1,914 (p/y: EURk 7,420) and PWO Czech Republic by EURk 31,543 (p/y: EURk 13,054), respectively).

Under the assumption of an unchanged capitalization rate, an impairment would be required if PWO Canada's free cash flows were sustainably reduced by more than 10.26%. Conversely, under the assumption of unchanged free cash flows, an impairment would be required if the capitalization rate increased to 14.20%.

Under the assumption of an unchanged capitalization rate, an impairment would be required if PWO Czech Republic's free cash flows were sustainably reduced by more than 40.61%. Conversely, under the assumption of unchanged free cash flows, an impairment would be required if the capitalization rate increased to 13.94%.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that create a financial asset for one entity and a financial liability or equity instrument for another entity (IAS 39). In the case of financial assets where the trade and the settlement can occur on different dates, the settlement date is used for the purpose of initial recognition. Financial instruments are measured at cost on initial recognition; transaction costs are generally included in the initial measurement. The subsequent measurement of financial instruments is dependent on how these instruments are allocated to the categories in accordance with IAS 39. They are either measured at fair value or amortized cost. IAS 39 differentiates between primary and derivative financial instruments.

Primary financial instruments relate specifically to trade receivables and payables, other financial assets, cash and cash equivalents, bank borrowings, liabilities from promissory note loans, and other financial liabilities. These items are measured at amortized cost. In the case of trade receivables and payables and other liabilities as well as cash and cash equivalents, the carrying amount mainly corresponds to fair value.

Currency-related derivatives in the form of interest-rate swaps, foreign exchange swaps, options, and foreign exchange forward contracts are employed to hedge interest-rate and exchange-rate risks. These are carried at fair value at the time of purchase and for subsequent measurements. In the case of derivative financial instruments that do not fulfill the criteria of a hedging transaction, the gains or losses from changes in the fair value are reported immediately in profit or loss. Changes in the market values of derivative financial instruments used to hedge future cash flows (cash flow hedges) are recognized directly in equity according to the amount of the effective share of equity, while the ineffective share is immediately recognized in profit or loss. When the hedged transaction takes place, the derivative is transferred from equity to profit or loss. The fair value of exchange listed derivatives corresponds to the positive or negative market value. If no market values are available, these are calculated using recognized actuarial valuation models, e.g., the discounted cash flow model or the option price model.

In the case of current financial assets and financial liabilities, the carrying amount is a reasonable approximation of the fair value. On each reporting date, the Group determines whether there is objective evidence of an impairment of a financial asset or group of financial assets.

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

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

In the case of financial liabilities, the Group has not yet made use of the option to designate these as financial liabilities at fair value through profit or loss at the time of their initial recognition.

MEASUREMENT OF FAIR VALUE
Derivative financial instruments are valued at their fair value as of each reporting date. The fair values of financial instruments carried at amortized cost are described in note 23.

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

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

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

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

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

- Level 2: Valuation methods in which the lowest level of input parameters essential for the overall measurement at fair value, is either directly or indirectly observable in the market.

- Level 3: Valuation methods in which the lowest level of input parameters essential for the overall measurement at fair value is not observable on the market.

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

INVENTORIES

Inventories of raw materials and supplies are recognized at the lower of average purchase price or realizable values. Unsaleable or obsolete materials are impaired accordingly. Work-in-progress and finished goods are measured at the lower of cost or net realizable value using item-by-item calculations based on current operational accounting. Production costs include not only direct costs but also appropriate portions of material and production overheads as well as production-related depreciation and production-related administration costs. Costs arising from general administration and borrowing costs are not capitalized.

Tooling and development contracts are measured at acquisition and production costs. In this context, a loss-free valuation considers the maximum cost to be recognized as the selling price plus revenue generated via series production.

Revenue is recognized when the Group has transferred the significant risks and opportunities relating to ownership of the goods to the buyer.

CASH AND CASH EQUIVALENTS

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

PROVISIONS

In the case of defined benefit plans, provisions for pensions and similar obligations are measured using the projected unit credit method in accordance with IAS 19. This method takes into account pensions and vested rights known on the balance sheet date as well as future expected salary and pension increases. With the abolition of the corridor method, a change was made to the OCI method (other comprehensive income) as of fiscal year 2013. Actuarial gains and losses are recognized entirely in the year they occur through other comprehensive income in equity. Any past service cost is recognized immediately in profit or loss and is reported under staff costs together with the current service cost. The interest portion of the additions to provisions is recognized in the financial result.

For defined contribution plans, the payments at maturity are recognized as an expense and included in staff costs.

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

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

5 CHANGES IN ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS
The accounting methods applied remained unchanged compared to the prior year with the exception of the following list of amendments to the standards that require mandatory application as of January 1, 2014:

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS
In the European Union, IFRS 10 is applicable with retrospective effect to fiscal years beginning on or after January 1, 2014. It replaces the consolidation provisions of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Under IFRS 10, the term "control" is redefined as the decisive criterion for distinguishing the scope of consolidation. As defined under IFRS 10, an investor controls an entity when he meets the following three criteria simultaneously: An investor must have the ability to determine the relevant activities; due to his involvement with the entity he must be exposed to variable returns; and he must have the possibility to influence these returns through his power of disposition over the entity. Upon the initial application of IFRS 10, the Group assessed whether it exercised control over the investees in accordance with the new definition of control and the related application guidance. There were no changes in comparison with the previous consolidation practice and, therefore, no impact on the net assets, financial position, and results of operations of the Group.

IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES
In the European Union, IFRS 12 is applicable with retrospective effect to fiscal years beginning on or after January 1, 2014. This standard aims at improving the disclosures for all types of interests in other entities, i.e. investees, joint arrangements, associates, structured entities, and off-balance sheet activities by extending the disclosure requirements and combining them in a single standard. The first-time application of the IFRS 12 did not have an impact on the net assets, financial position, and results of operations of the Group.

AMENDMENTS TO IAS 32 – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES
The amendments are effective with retrospective effect for fiscal years beginning on or after January 1, 2014. The amendment further specifies the requirements for offsetting financial assets and financial liabilities by providing additional guidance. The specification has no impact on the net assets, financial position, and results of operations of the Group, as the Group has already been offsetting its financial assets and financial liabilities accordingly.

AMENDMENT TO IAS 36 – IMPAIRMENT OF ASSETS: RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS
These amendments are applicable with retrospective effect for fiscal year beginning on or after January 1, 2014 and eliminate unintended sequence changes from IFRS 13 "Measurement of Fair Value". IFRS 13 introduced a new disclosure requirement that specified that the recoverable amount of each cash-generating unit shall be indicated to which a relevant amount of goodwill or a relevant intangible asset with an indefinite useful life is allocated. This amendment has a broader scope than the IASB had intended. Through the publication of the amended standard

to IAS 36 in May 2013, the disclosure requirement is limited to cases where an impairment or a reversal of impairment was recognized in the current reporting period and is in accordance with the original intention of the IASB. This amendment has no impact on the net assets, financial position, and results of operations of the Group.

AMENDMENT TO IAS 39 - NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING
These amendments are applicable with retrospective effect for fiscal years beginning on or after January 1, 2014. The reason for this amendment is the statutory changes to the transfer of certain standardized over-the-counter derivatives to a central clearing counterparty in the wake of the financial crisis. The amendment to IAS 39 permits, under certain conditions, the continuation of the hedging relationship in cases where derivatives designated as hedging instruments are transferred to a central clearing counterparty due to legal or regulatory provisions (novation). The amendments have no impact on the Group’s net assets, financial position, and results of operations, as the existing derivatives in the Group are not subject to statutory or regulatory requirements for the transfer to a central counterparty.

PUBLISHED STANDARDS NOT YET MANDATORY
Standards and interpretations published and adopted into EU law but not yet mandatory at the time of the publication of these consolidated financial statements are presented below. The Group does not intend early adoption.

AMENDMENTS TO IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS (INITIATIVE TO IMPROVE DISCLOSURES IN NOTES)
The IASB resolved amendments to “IAS 1 – Presentation of Financial Statements” in December 2014. These amendments are subject to adoption into European law and are mandatory for financial years beginning on or after January 1, 2016. The following amendments should facilitate an improvement in financial reporting concerning the disclosures in the notes. These amendments will not have an effect on the net assets, financial position or results of operations of the Group.

– Stronger focus on the principle of materiality: Disclosures in the notes are only mandatory when they are material. A further breakdown of the minimum classification items in the balance sheet and the statement of subtotals.

– Greater flexibility in the preparation of the notes with respect to the order of the information.

– Suspension of provisions in IAS 1 in relation to the identification of significant accounting policies as part of the notes: The IASB deletes the examples listed in IAS 1.120 and adds a clarification, namely, that the identification of significant accounting policies shall be made based on the company-specific requirements.

AMENDMENTS TO IAS 19 – EMPLOYEE CONTRIBUTIONS
These amendments are applicable with retrospective effect for fiscal years beginning on or after July 1, 2014. The amendment provides for the recognition of contributions from employees or third parties to the pension plan as a reduction of the service cost, provided they reflect the services performed in the reporting period. This change has no impact on the Group's net assets, financial position and results of operations since contributions from employees or third parties were not made to pension plans.

IMPROVEMENTS TO IFRS 2010–2012
The improvements to IFRS 2010-2012 are a collection of standards whose subject matter consists of various IFRS amendments. These are mainly applicable with retrospective effect for financial years beginning on or after July 1, 2014. The amendments relevant to the Group relate to:

IFRS 8: Expands the disclosure requirements with the inclusion of a description of the combined business segments and discloses the economic characteristics used as a basis to determine whether the relevant segments are 'comparable'. This amendment has no impact on the Group's net assets, financial position, and results of operations.

IFRS 8: Clarifies that a reconciliation of the total assets of the reportable business segments to the group's total assets is only to be presented in the financial statements when the chief decision maker is regularly informed about the segments' assets. This amendment has no impact on the Group's net assets, financial position, and results of operations.

IFRS 13: Clarifies those current receivables and payables with no stated interest rate may be measured at the invoice amount if the effect of discounting is immaterial. This amendment has no impact on the Group's net assets, financial position and results of operations since it has been previously accounted for accordingly.

IMPROVEMENTS TO IFRS 2011–2013
The improvements to IFRS 2011-2013 is a collection of standards whose subject matter consists of various IFRS amendments. These are mainly applicable with retrospective effect for financial years beginning on or after July 1, 2014. The amendments relevant to the Group relate to:

IFRS 13: Clarifies that the portfolio exceptions of IFRS 13.52, which allow a deviation from the principle of the individual valuation of financial instruments in terms of market and credit risks, are applicable to all contracts within the scope of IAS 39 and IFRS 9 applies regardless of whether these contracts meet the definition of "financial assets" or "financial liabilities" under IAS 32. This amendment will have no impact on the Group's net assets, financial position and results of operations since no portfolio exceptions were made.

The following new provisions are not applicable to the Group and, therefore, have no effect on its net assets, financial position, or results of operations:

Description	Applicable as of
IAS 27 - Separate Financial Statements (revised 2011)	01/01/2014
IAS 28 - Investments in Associates and Joint Ventures (revised 2011)	01/01/2014
IFRS 11 - Joint Arrangements	01/01/2014
Amendments to IFRS 10, IFRS 12, and IAS 27 - Investment Entities	01/01/2014
IFRIC Interpretation 21 - Levies	01/01/2014

RECENTLY PUBLISHED ACCOUNTING STANDARDS NOT YET ADOPTED

The following accounting standards published by the IASB are not yet mandatorily applicable in the European Union. The Group does not intend to apply these standards in advance, even after their adoption into EU law.

AMENDMENTS TO IAS 16 AND IAS 38 – CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTIZATION

In May 2014, the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" concerning the admissibility of income-based depreciation/amortization methods. The amendments are mandatory for fiscal years beginning on or after January 1, 2016. Early application is permitted but subject to the amendment's adoption into European law. IAS 16 now contains the clarification that depreciation/amortization based on revenues arising from an activity that involves the use of depreciable asset is inappropriate. This is justified by the fact that revenues represent the generation of economic benefits but not their consumption. In IAS 38, the rebuttable presumption was included that revenue-based depreciation/amortization for the reasons mentioned above is inappropriate. These changes will have no impact on the Group's net assets, financial position and results of operations since no revenue-based depreciation/amortization was made.

IFRS 9 – FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final IFRS 9 "Financial Instruments" standard with the inclusion of the missing/revised chapters on the classification and measurement of financial assets and impairments. The standard also includes the regulations for hedge accounting (the topic of macro hedge accounting has been excluded and will be continued by the IASB as stand-alone project) that were already published in 2013. Thus, the project for establishing new accounting rules for financial instruments and completely replacing IAS 39 "Financial Instruments: Recognition and Measurement" has been completed to a large extent. IFRS 9 is now applicable for the first time to fiscal years beginning on or after January 1, 2018. Early application is permitted but subject to the amendment's adoption into European law.

Compared with IAS 39, the provisions of IFRS 9 are largely unchanged with regard to the scope, recognition, and derecognition of financial instruments. The provisions of IFRS 9 do, however, provide a new classification model for financial assets. Going forward, the subsequent measurement of financial assets will also be based on three categories with different measures of value and a different method of recognizing changes in value. For financial liabilities, the existing provisions of IAS 39 were largely adopted in IFRS 9. The only major change relates to financial liabilities designated at the fair value option. In this case, fair value changes due to changes in a company's own credit risk are to be recognized in other comprehensive income.

The new impairment model shifts the focus to recognizing credit losses earlier. IFRS 9 outlines three stages for determining the amount of losses to be recognized and income revenue to be calculated. In principle, this impairment model applies to all instruments within the scope of IFRS 9. Limited simplifications are provided for trade receivables, contract assets, and lease receivables. In addition to extensive transitional provisions, IFRS 9 is also related to extensive disclosure requirements both in the course of the transition and in the current application. These amendments are expected to lead to a partial reclassification of financial assets, and the impairment model will be adapted to the new rules.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS
In May 2014, the IASB issued IFRS 15 with new provisions for revenue recognition. The new standard includes a single, comprehensive model, as well as extensive guidance on how entities shall recognize revenue from contracts with customers. It replaces the current revenue regulations in IAS 11 – "Construction Contracts", IAS 18 – "Revenue", and related interpretations. IFRS 15 is mandatory for fiscal years beginning on or after January 1, 2017, subject to its adoption into European law. Entities can either use the standard retrospectively or select modified transitional provisions. The core principle of the new revenue recognition model is that an entity should recognize revenue when the performance obligation assumed has been provided; in other words, when the power to dispose of the goods or services has been transferred. Revenue is to be recognized in the amount that is expected as consideration. The main new provision is that the contract concluded with the customer does not represent the accounting object, but rather the independently definable performance obligation(s) contained therein. Revenue is recognized when the performance obligation has been fulfilled. This can take place over a period of time or at a single point in time. A material impact on the consolidated financial statements is currently not expected.

IMPROVEMENTS TO IFRS 2012-2014
The improvements to IFRS 2012-2014 is a collection of standards whose subject matter consists of various IFRS amendments. These are mainly applicable with retrospective effect for financial years beginning on or after July 1, 2016. The amendments relevant to the Group relate to:

IAS 19 – Discount Rate: After the clarification by the standard, an entity that determines the discount rate for the accounting of post-employment benefits may also consider fixed-rate high quality corporate bonds issued by entities operating in another country, provided these bonds are denominated in the same currency as the payments to be made. As a result, the market depth for high quality corporate bonds is to be assessed at the level of the currency (e.g., EUR) and not at the level of the country of issue. This clarification will have no impact on the Group's net assets, financial position and results of operations, as the discount rate is already determined on the basis of the currency.

IAS 34 – Disclosure of Information 'Elsewhere in the Interim Financial Report': This amendment defines the phrase 'elsewhere in the interim financial report' in relation to the disclosure of information. Furthermore, it is noted that when entities disclose required information 'elsewhere in the interim report' (e.g., in the interim management report), it is mandatory that they include a cross-reference the interim financial statements that indicates the information's location. The amendment will have no impact on the Group's net assets, financial position and results of operations, but may make it necessary to provide additional references in the report.

The following new provisions are not applicable to the Group and therefore have no effect on its net assets, financial position, and results of operations:

Description	**Applicable as of**
Amendments to IAS 16 and IAS 41 - Bearer Plants	01/01/2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements	01/01/2016
Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures	01/01/2016
Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations	01/01/2016
IFRS 14 - Regulatory Deferral Accounts	01/01/2016

6 KEY JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

JUDGMENTS

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

DEVELOPMENT COSTS

Development costs are capitalized in accordance with the accounting policy described. The initial capitalization of costs is based on the Group's assessment that technical and economic feasibility has been established. For the purposes of determining the amounts to be capitalized, the Group makes assumptions as to the project's future cash flows, the applicable discount rates, and the time period over which the expected future benefit will accrue. The carrying amount of capitalized development costs on December 31, 2014 was EURk 4,665 (p/y: EURk 4,481). This amount mainly consisted of investments in the development of steering components. Series orders are on hand for these projects.

SUMMARY OF BUSINESS SEGMENTS

With five production locations worldwide as the Group's key units, the Group's structure ensures fast decision-making and thus the effective management of the Group. The individual locations also have flat hierarchies and are spread across three continents: Europe, with the German location and the Company's headquarters in Oberkirch and in the Czech Republic in Valašské Meziříčí, America with the Canadian location in Kitchener and the location in Puebla, Mexico, and Asia with the locations in Suzhou and Shenyang in China. With the exception of Shenyang, which is a pure assembly plant, all other units are production sites. These locations result in the breakdown of the operating business and the business segments into Germany, Rest of Europe, the NAFTA Area, and Asia. The locations of Canada and Mexico were combined into the reporting segment "NAFTA Area". Further details are described in Note 29.

ESTIMATES AND ASSUMPTIONS

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

ALLOWANCES FOR TRADE RECEIVABLES

Allowances for doubtful receivables involve a significant degree of judgment and an assessment of the individual receivables based on the creditworthiness of the relevant customers, current economic trends, and an analysis of historical receivables. If the Company derives the allowance from historical default rates, a decline in the volume of receivables reduces the amount of allowances and vice versa. Allowances for trade receivables and other receivables in the reporting year amounted to EURk 959 (p/y: EURk 1,143).

IMPAIRMENT OF GOODWILL

The Group performs impairments tests for goodwill at least once a year. This requires making estimates with regard to the value in use of cash generating units to which goodwill is allocated. Cash generating units are defined as the production locations in accordance with the segments report. For the purpose of estimating value in use, the Group is required to estimate the projected future cash flows associated with the relevant cash-generating unit, as well as to select an appropriate discount rate in order to determine the present value of the aforementioned cash flows. On December 31, 2014 the carrying amount of goodwill amounted to EURk 5,407 (p/y: EURk 5,363). For information on sensitivity, please refer to note 4, and the section titled "Intangible Assets".

TAXES

Deferred tax assets are recognized for all unutilized tax-loss carryforwards and tax credits, to the extent that, based on tax planning, it is probable that future taxable profit will be available against which the unused tax losses and tax credits can actually be utilized. As of December 31, 2014, deferred tax assets relating to unutilized tax-loss carryforwards in an amount of EURk 545 (p/y: EURk 1,039) and relating to tax credits in an amount of EURk 6,966 (p/y: EURk 4,292) had been recognized. Tax-loss carryforwards concern PWO de México S.A. de C.V. and the tax credits concern PWO Czech Republic.

Had the Group been able to capitalize all unrecognized deferred tax assets, the income and equity would be EURk 7,117 (p/y: EURk 4,506) higher.

It is assumed that the deferred tax assets will retain their value due to the planned business development for the subsequent years. Determining the amount of deferred tax assets requires a significant amount of estimation with regard to the timing and the amount of future taxable profit and the future tax planning strategies. On December 31, 2014 the recognized value of tax-loss carryforwards at the closing date translated into euros was EURk 1,818 (p/y: EURk 3,462), and the unrecognized tax-loss carryforwards, which may be utilized for a limited period of time, amounted to EURk 25,861 (p/y: EURk 17,231). Further details are provided in note 13.

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

EURk

	31/12/2014	31/12/2013
Within a period of 1 year	2,916	2,941
Within a period of 2 years	3,124	2,632
Within a period of 3 years	3,754	2,820
Within a period of 4 years	2,697	3,388
Within a period of 5 years	3,053	1,497
Subsequent years	10,317	3,953
TOTAL	**25,861**	**17,231**

DEFINED BENEFIT PLANS

Expenses related to post-employment defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions with respect to discount rates, future wage and salary increases, mortality, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are described in note 21 in the section titled "Pension provisions".

SPARE PARTS FOR TOOLS

Before the modification was made to the measurement of spare parts for tools in 2013, spare parts for tools that were unusable after 3 years were fully impaired. Through a change in the production logic, product-specific spare parts are no longer produced, but only spare parts for tools for specific product groups. This reduced the variety and costs. Spare parts for tools are completed on demand. As a result, full impairment is no longer appropriate. An estimated 15% of all unused spare parts for tools can still be used after 3 years. As result of this change in measurement, there was a one-time effect with an amount of EURk 436 that was capitalized in the previous year.

NOTES TO THE INCOME STATEMENT

7 REVENUES

The breakdown of Group revenue by location and product area is shown in the segment report (see note 29).

8 OTHER OWN WORK CAPITALIZED

Own work capitalized consists of EURk 1,350 (p/y: EURk 1,342) of development costs subject to mandatory capitalization according to IAS 38. These development costs are related particularly to the development of steering components. Series orders are on hand for these projects.

9 OTHER OPERATING INCOME

Other operating income is divided as follows:

EURk

	2014	2013
Currency gains	6,073	2,366
Income from derecognition of accruals	120	306
License income	119	120
Other income	1,943	1,800
TOTAL	**8,255**	**4,592**

Non-periodic income amounted to EURk 587 (p/y: EURk 692).

Government grants of EURk 191 (p/y: EURk 78) were provided for investments and development activities. These grants were recognized through profit or loss.

10 STAFF COSTS AND EMPLOYEES

STAFF COSTS

EURk

	2014	2013
Wages and salaries	92,836	86,344
Social security and post-employment costs	17,814	18,589
TOTAL	**110,650**	**104,933**

NUMBER OF EMPLOYEES BY DIVISION (YEAR-AVERAGE)

	2014	2013
Development and sales	161	153
Production and materials	1,693	1,668
Tool center	531	492
Administration	143	139
SUB-TOTAL	**2,528**	**2,452**
Temporary employees	400	370
Trainees	155	154
Non-active age-related part-time employees	93	93
TOTAL	**3,176**	**3,069**

11 OTHER OPERATING EXPENSES

Other operating expenses are divided as follows:

EURk

	2014	2013
Costs for temporary employees	12,327	11,315
Maintenance costs	5,300	5,286
Currency losses	4,359	2,520
Outgoing freight	3,681	3,621
Legal, audit, and consultancy costs	1,516	1,138
Travel costs	1,455	1,586
Rental costs	1,226	1,379
Insurance premiums	1,193	1,167
Minimum lease payments for operating leases	1,133	1,006
Other	7,328	7,483
TOTAL	**39,518**	**36,501**

Non-periodic expenses occurred in the amount of EURk 86 (p/y: EURk 136).

12 FINANCIAL EXPENSES

Financial expenses include interest expenses to banks amounting to EURk 4,023 (p/y: EURk 3,752), interest expenses for pension provisions of EURk 1,510 (p/y: EURk 1,383), interest expenses under finance leases in the amount of EURk 652 (p/y: EURk 540), and interest expenses on other provisions of EURk 23 (p/y: EURk 21). Of the interest expenses to banks, financial liabilities that were not recognized at fair value through profit or loss have resulted in interest expenses of EURk 3,868 (p/y: EURk 3,465).

13 INCOME TAXES

Income taxes are divided as follows:

EURk

	2014	2013
Actual taxes	5,106	5,008
Deferred taxes	-1,820	-1,468
TOTAL	**3,286**	**3,540**

A total of EURk 762 (p/y: EURk 746) of actual taxes are attributable to taxes from prior periods. Deferred taxes resulted entirely from temporary differences.

Deferred taxes were not recognized for temporary differences in retained profits from subsidiaries totaling EURk 15,046 (p/y: EURk 14,681), since these profits will be used to fund the further business expansion of the individual locations.

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

EURk

	2014	2013
EARNINGS BEFORE INCOME TAXES	**10,596**	**16,677**
Theoretical tax expense at 28,08% (p/y: 28,08%)	2,975	4,683
Change in theoretical tax expense due to different tax rates applicable to foreign entities	-651	-457
Tax increase due to non-deductible expenses	1,030	201
Tax increase (+) / -reduction (-) previous years	762	746
Taxation of foreign dividends	435	0
Tax effects from tax credits	-3,825	-2,203
Effects from non-capitalized tax-loss carryforwards	2,475	394
Other effects	85	176
INCOME TAXES	**3,286**	**3,540**

The domestic income tax rate consists of the corporate tax rate of 15% (p/y: 15%) plus a solidarity surcharge of 5.5% (p/y: 5.5%) and a trade tax rate of 12.25% (p/y: 12.25%).

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

EURk

	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
Intangible assets, property, plant, and equipment, and financial assets	51	53	6,025	4,842
Other assets	561	264	72	425
Tax-loss carryforwards and tax credits	7,511	5,331	11	78
Provisions	9,120	5,548	0	0
Liabilities	1,682	686	67	0
SUB-TOTAL	**18,925**	**11,882**	**6,175**	**5,345**
Offset	-5,904	-4,289	-5,904	-4,289
AMOUNT IN THE GROUP BALANCE SHEET	**13,021**	**7,593**	**271**	**1,056**

For further details, please refer to note 6.

The Group is not currently subject to audits by domestic and foreign tax authorities.

14 EARNINGS PER SHARE

Earnings per share is computed by dividing net income for the period attributable to PWO AG shareholders by the average number of shares outstanding during the fiscal year. Dilution effects did not occur.

	2014	2013
Net income for the period in EURk	7,310	13,137
Average number of no-par value shares	3,125,000	3,125,000
EARNINGS PER SHARE IN EUR	**2.34**	**4.20**

NOTES TO THE BALANCE SHEET

15 PROPERTY, PLANT AND EQUIPMENT

EURk

	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
ACQUISITION AND PRODUCTION COSTS					
As at Jan. 1, 2013	72,895	213,571	32,140	14,598	333,204
Additions	5,577	11,333	3,281	9,775	29,966
Disposals	-416	-1,577	-966	0	-2,959
Reclassifications	2,986	9,007	294	-12,400	-113
Currency effects	-1,223	-3,150	-730	-227	-5,330
AS AT DEC. 31, 2013	**79,819**	**229,184**	**34,019**	**11,746**	**354,768**
Additions	8,420	10,093	5,267	11,245	35,025
Disposals	-314	-4,186	-1,738	-415	-6,653
Reclassifications	3,227	6,738	1,220	-11,185	0
Currency effects	2,075	4,614	1,156	1,170	9,015
AS AT DEC. 31, 2014	**93,227**	**246,443**	**39,924**	**12,561**	**392,155**
DEPRECIATION					
As at Jan. 1, 2013	25,564	150,692	20,669	0	196,925
Additions	2,471	13,527	2,954	0	18,952
Disposals	-299	-1,372	-944	0	-2,615
Reclassifications	0	0	0	0	0
Currency effects	-391	-2,176	-397	0	-2,964
AS AT DEC. 31, 2013	**27,345**	**160,671**	**22,282**	**0**	**210,298**
Additions	2,559	13,967	3,756	0	20,282
Disposals	-184	-4,145	-1,360	0	-5,689
Reclassifications	0	0	0	0	0
Currency effects	409	2,009	637	0	3,055
AS AT DEC. 31, 2014	**30,129**	**172,502**	**25,315**	**0**	**227,946**
NET CARRYING AMOUNTS					
As at Dec. 31, 2013	52,474	68,513	11,737	11,746	144,470
As at Dec. 31, 2014	63,098	73,941	14,609	12,561	164,209

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

With regard to unscheduled impairment of property, plant and equipment, impairments of EURk 106 (p/y: EURk 0) were recognized.

The historical acquisition and production costs of property, plant and equipment that are fully depreciated but still in use, amount to EURk 140,860 (p/y: EURk 127,862).

16 INTANGIBLE ASSETS

EURk

	Contract and customer-related development services	Industrial property rights and similar rights	Goodwill	Other intangible assets	Prepayments	Total
ACQUISITION AND PRODUCTION COSTS						
As at Jan. 1, 2013	5,564	13,695	6,741	939	7	26,946
Additions	1,342	630	0	0	107	2,079
Disposals	0	-14	0	0	0	-14
Reclassifications	0	0	0	0	113	113
Currency effects	-15	-70	-155	-41	0	-281
AS AT DEC. 31, 2013	**6,891**	**14,241**	**6,586**	**898**	**227**	**28,843**
Additions	1,350	852	0	0	164	2,366
Disposals	0	-112	0	0	0	-112
Reclassifications	0	42	0	0	-42	0
Currency effects	6	70	141	122	0	339
AS AT DEC. 31, 2014	**8,247**	**15,093**	**6,727**	**1,020**	**349**	**31,436**
AMORTIZATION						
As at Jan. 1, 2013	1,403	11,320	1,256	939	0	14,918
Additions	1,010	1,230	0	0	0	2,240
Disposals	0	-14	0	0	0	-14
Reclassifications	0	0	0	0	0	0
Currency effects	-3	-38	-33	-41	0	-115
AS AT DEC. 31, 2013	**2,410**	**12,498**	**1,223**	**898**	**0**	**17,029**
Additions	1,168	900	0	0	0	2,068
Disposals	0	-112	0	0	0	-112
Reclassifications	0	0	0	0	0	0
Currency effects	4	40	97	122	0	263
AS AT DEC. 31, 2014	**3,582**	**13,326**	**1,320**	**1,020**	**0**	**19,248**
NET CARRYING AMOUNTS						
As at Dec. 31, 2013	4,481	1,743	5,363	0	227	11,814
As at Dec. 31, 2014	4,665	1,767	5,407	0	349	12,188

The useful life for software is 3 to 5 years.

Development costs of EURk 4,665 (p/y: EURk 4,481) that required capitalization under IAS 38 are amortized using the units of production method as soon as development is complete and production of series parts commences.

The residual carrying amount of SAP software is EURk 371 (p/y: EURk 503). The remaining amortization period is 1 to 5 years.

The historical acquisition and production costs of intangible assets, which are fully amortized but still in use, amount to EURk 13,203 (p/y: EURk 11,807).

As of December 31, 2014, the goodwill of PWO Czech Republic a.s. amounted to EURk 4,331 (p/y: EURk 4,331) and the goodwill of PWO Canada Inc. amounted to EURk 1,077 (p/y: EURk 1,032). The increase at PWO Canada resulted from a change in the currency exchange rates.

17 INVENTORIES

On the reporting date, the total amount of inventories of EURk 73,140 (p/y: EURk 62,184) include spare parts for tools in an amount of EURk 6,331 (p/y: EURk 6,703) accounted for at acquisition and production costs. In fiscal year 2014, an impairment of EURk 662 was recognized in profit or loss. The revaluation recognized through profit or loss in the amount of EURk 455 in the previous year was mainly due to a one-time effect from the change in the valuation of spare parts for tools.

18 RECEIVABLES AND OTHER ASSETS

As of December 31, 2014, the total allowances for trade receivables and other receivables amounted to EURk 959 (p/y: EURk 1,143). The carrying amount of trade receivables and other receivables before valuation allowances was EURk 63,153 (p/y: EURk 57,035). The following table shows the development of the valuation allowance account:

EURk

	2014	2013
Valuation allowance as at Jan. 1	1,143	1,094
Additions	3	95
Utilization	-7	0
Releases	-180	-46
VALUATION ALLOWANCE AS AT DEC. 31	**959**	**1,143**

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

Allowances for doubtful accounts are recorded regularly on separate impairment accounts and lead to an impairment loss through profit or loss. The allocation to, and thus, the increase in the valuation allowance during the year, concerned only a few isolated cases. Definite defaults result in derecognition of the relevant receivable.

19 CASH AND CASH EQUIVALENTS

Deposits at banks bear interest at variable interest rates for short-term call deposits. On December 31, 2014, the Group had undrawn credit lines for which all necessary conditions for use are already met.

On December 31, 2014, for purposes of the consolidated statement of cash flows, the balance of cash and cash equivalents of EURk 5,404 (p/y: EURk 8,071) consisted of cash on hand and bank deposits net of bank borrowings due on demand.

20 SUBSCRIBED CAPITAL AND RESERVES

On May 26, 2010, the Annual General Meeting had approved new authorized and contingent Capital.

An amount of EURk 1,875 of the total Authorized Capital I/2010 of EURk 3,000 was utilized by issuing 625,000 new shares via a capital increase in May 2012. As of December 31, 2014, the fully paid-up and subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375), and was divided into 3,125,000 (p/y: 3,125,000) bearer shares with a par value of EUR 3.00 each.

REMAINING AUTHORIZED CAPITAL
By resolution of the Annual General Meeting of May 26, 2010 and subject to the consent of the Supervisory Board, the Management Board is authorized, until May 25, 2015, to increase the Company's share capital once or several times by up to EURk 1,125 against payment in cash (Authorized Capital I/2010).

By resolution of the Annual General Meeting of May 26, 2010 and subject to the consent of the Supervisory Board, the Management Board is authorized, until May 25, 2015, to increase the Company's share capital once or several times by up to EURk 750 against payment in cash (Authorized Capital II/2010).

The Annual General Meeting of May 26, 2010 has approved a conditional increase in share capital by up to EURk 3,000 (Contingent Capital 2010).

CAPITAL RESERVES
Capital reserves include the premium from the issuance of shares.

RETAINED EARNINGS AND OTHER EQUITY
Current and previous years' earnings of PWO AG and the consolidated subsidiaries, which have not yet been distributed, have been allocated to retained earnings.

Differences resulting from the earnings-neutral currency translation of the financial statements of foreign subsidiaries in the amount of EURk 2,485 (p/y: EURk -708) are reported separately.

In addition, the portion of the profit or loss is recognized when it results from a cash flow hedging instrument, which has been determined as an effective hedge.

PROPOSED AND DISTRIBUTED DIVIDENDS
On December 31, 2014, PWO AG reported unappropriated retained earnings of EUR 4,688,804.26. The distributable amounts are based on the unappropriated retained earnings of PWO AG in accordance with commercial law.

It has been proposed to the Annual General Meeting that the unappropriated retained earnings of PWO AG be used as follows:

	EUR
Payment of a dividend of EUR 1.45 per dividend-bearing share	4,531,250.00
Carried forward to new account	157,554.26

In fiscal year 2014, a total dividend of EUR 5,625,000.00 (EUR 1.80 per dividend-bearing share) was paid for the 2013 fiscal year. The dividend payment in fiscal year 2013 for the 2012 fiscal year amounted to EUR 5,000,000.00 (EUR 1.60 per dividend-bearing share).

NOTIFICATIONS PURSUANT TO SECTION 21 (1) WPHG

As of the balance sheet date of December 31, 2014, the Company has received the following notifications concerning shareholdings in Progress-Werk Oberkirch AG. When shareholdings repeatedly exceeded or fell below reporting thresholds, only the most recent release of the person required to notify is listed. Changes in the voting rights not required to be reported to the Company may have occurred after the dates indicated.

On April 4, 2014, we were notified by Delta Lloyd Levensverzekering N.V., Amsterdam, the Netherlands, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, fell below the 3% threshold on March 31, 2014 and amounted to 2.79% (87,230 voting rights) on that date.

On April 4, 2014, we were notified by Delta Lloyd Houdstermaatschappij Verzekeringen N.V., Amsterdam, the Netherlands, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, fell below the 3% threshold on March 31, 2014 and amounted to 2.79% (87,230 voting rights) on that date. All of the voting rights are attributable to Delta Lloyd Houdstermaatschappij Verzekeringen N.V. in accordance with section 22 (1) sentence 1 no. 1 WpHG.

On November 7, 2013, we were notified by Delta Lloyd L SICAV, Luxemburg, Grand Duchy of Luxembourg, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, exceeded the 5% threshold on October 31, 2013 and amounted to 6.96% (217,613 voting rights) on that date.

On July 25, 2012, we were notified by Delta Lloyd N.V., Amsterdam, the Netherlands, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, exceeded the 10% and 15% thresholds on May 22, 2012 and amounted to 16.49% (515,379 voting rights) on that date. All of the voting rights are attributable to Delta Lloyd N.V. pursuant to section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 and 3 WpHG. Of these voting rights, 7.09% (221,552 voting rights) are held by Delta Lloyd Europees Deelnemingen Fund N.V., 4.28% (133,702 voting rights) are held by Delta Lloyd L SICAV, and 5.12% (160,125 voting rights) are held by Delta Lloyd Levensverzekering N.V. The 5.12% (160,125 voting rights) are attributable to Delta Lloyd N.V. pursuant to section 22 (1) sentence 1 no. 1 WpHG. The chain of controlled entities through which the voting rights are held is as follows: Delta Lloyd Houdstermaatschappij Verzekeringen N.V. and Delta Lloyd Levensverzekering N.V.

On May 23, 2012, we were notified by Consult Invest Beteiligungsberatungs-GmbH, Böblingen, Germany, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, fell below the 50% threshold on May 18, 2012, and amounted to 46.65% (1,458,048 voting rights) on that date.

On May 21, 2012, we were notified by Sparkasse Offenburg/Ortenau, Offenburg, Germany, that its voting rights in Progress-Werk Oberkirch AG, Oberkirch, Germany, exceeded the 5% threshold on May 18, 2012, and now amount to 5.88% (183,667 voting rights).

21 LIABILITIES

PENSION PROVISIONS

DEFINED CONTRIBUTION PLANS

The Group has defined contribution plans. These resulted in recognized staff costs at PWO Canada Inc. in the amount of EURk 75 (p/y: EURk 62) and at PWO Czech Republic a.s. in the amount of EURk 156 (p/y: EURk 155).

There are also defined contribution plans in the context of the statutory pension insurance, in which the employer makes contributions to the statutory pension scheme in the amount of the currently applicable percentage share of the employer's share of statutory pension compensation totaling EURk 7,881 (p/y: EURk 7,517). These costs were also recognized in staff costs.

DEFINED BENEFIT PLANS

The Group maintains defined benefit plans, whereby the majority share of the provisions for defined benefit plans concern PWO AG. Total provisions of EURk 188 (p/y: EURk 183) is attributable to PWO de México S. A. de C. V. The provision to be recognized pursuant to Mexican law includes obligations for employee benefits, depending upon their length of employment and the salary received during their service.

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

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

The amounts recognized in the income statement are composed as follows:

EURk

	2014	2013
Service cost	1,061	1,087
Past service cost	-30	1,198
Interest expenses for defined benefit obligations	1,510	1,383
TOTAL	**2,541**	**3,668**

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

EURk

	2014	2013
Adjustments due to changes in demographic assumptions	0	0
Adjustments due to changes in financial assumptions	12,260	-2,157
Experiential adjustments	-801	31
TOTAL	**11,459**	**-2,126**

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

EURk

	2014	2013
Present value of defined benefit obligations as at Jan. 1	42,527	42,469
Service cost	1,061	1,087
Past service cost	-30	1,198
Interest cost	1,510	1,383
Pension payments rendered	-1,506	-1,457
Adjustments due changes in assumptions	12,260	-2,157
Experiential adjustments	-801	31
Foreign currency differences	17	-27
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS AS AT DEC. 31	**55,038**	**42,527**

Of the recognized pension provisions, EURk 53,523 (p/y: EURk 41,002) are non-current and EURk 1,515 (p/y: EURk 1,525) are current.

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

	2014	2013
Interest rate	2.00%	3.60%
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%	2.00%

The defined benefit obligations have an average remaining term of 19 years (p/y: 18 years) in the reporting year.

The following table shows a sensitivity analysis with the key assumptions as of December 31, 2014:

EURk

				Scenario
Assumptions		Increase by		Decrease by
Discount rate	1.00 %	-9,085	1.00 %	12,209
Staff turnover rate	0.50 %	-141	0.50 %	149
Future salary trend (income trend)	0.25 %	152	0.25 %	-148
Future salary trend (career trend)	0.50 %	106	0.50 %	-102
Future pension adjustments	0.25 %	1,814	0.25 %	-1,726
Average life expectancy	1 year	1,968	--	--

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

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

EURk

	2014	2013
Within the next 12 months	1,515	1,525
Within 2 to 5 years	6,815	6,550
Within 5 to 10 years	10,070	8,910
TOTAL EXPECTED PAYMENTS	**18,400**	**16,985**

OTHER PROVISIONS

Other provisions consist of necessary amounts for employee-related expenses and other identifiable obligations and risks. The provisions recognized in the balance sheet include mainly provisions for employees (obligations for age-related part-time working and anniversary bonuses) and provisions for contingent losses. It is expected that the total amount of obligations for age-related part-time working will accrue within 5 years after the reporting date.

Other provisions have developed as follows:

EURk

	Personnel-related provisions		Provisions for contingent losses	
	2014	2013	2014	2013
As at Jan. 1	4,217	4,696	233	250
Utilization	-1,415	-1,571	-28	-7
Releases	-4	0	0	-10
Additions	1,078	1,092	58	0
of which accrued interest	23	21	0	0
AS AT DEC. 31	**3,876**	**4,217**	**263**	**233**
of which non-current	2,403	2,799	114	105
of which current	1,473	1,418	149	128

Grants from the Federal Employment Agency (Bundesagentur für Arbeit) as part of the retirement agreements of departing employees are reported as other assets in the amount of EURk 175 (p/y: EURk 554) and have not been offset against provisions.

FINANCIAL LIABILITIES

EURk

	2014	2013
Bank borrowings	32,788	57,429
Liabilities from promissory note loans	0	0
Liabilities to leasing companies	2,399	2,562
TOTAL CURRENT FINANCIAL LIABILITIES	**35,187**	**59,991**
Bank borrowings	27,316	36,155
Liabilities from promissory note loans	59,798	0
Liabilities to leasing companies	8,148	11,580
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**95,262**	**47,735**
TOTAL FINANCIAL LIABILITIES	**130,449**	**107,726**

In April 2014, PWO AG secured the current low interest rates for the long term by placing a promissory note loan of EUR 60 million with fixed and variable tranches and maturities of 5 and 7 years. The proceeds will be used to ensure the Company's future growth and to refinance existing non-current bank liabilities with medium and long-term financing.

The financial liabilities carry interest rates between 1.21% and 7.75%. Bank borrowings repayable on demand amounted to EURk 10,562 (p/y: EURk 11,792).

Of the bank borrowings, EURk 13,959 (p/y: EURk 12,750) are secured by mortgages and EURk 19,348 (p/y: EURk 32,449) by assignment as security. In addition, the usual retention of proprietary rights exists for the supply of raw materials, supplies, and merchandise.

FINANCE LEASES AND HIRE-PURCHASE AGREEMENTS

Finance leases are used for various technical equipment and machinery. In some cases, these leases contain a purchase option for the lessee. As of December 31, 2014 the assets had a carrying amount of EURk 7,039 (p/y: EURk 12,618). Due to the structure of the leases, the assets are depreciated over their expected useful life, pursuant to IAS 17.28, rather than according to the term of the lease agreement.

The future minimum lease payments under finance leases and hire-purchase agreements are reconciled to their present value as follows:

EURk

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Residual term up to 1 year	2,884	3,207	2,399	2,562
Residual term 1 to 5 years	7,176	10,495	6,133	9,021
Residual term › 5 years	2,708	3,410	2,015	2,559
TOTAL MINIMUM LEASE PAYMENTS	**12,768**	**17,112**	**10,547**	**14,142**
Less interest cost	-2,221	-2,970	0	0
PRESENT VALUE OF MINIMUM INTEREST PAYMENTS	**10,547**	**14,142**	**10,547**	**14,142**

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

A guarantee to secure age-related part-time working credits amounted to EURk 1,900 (p/y: EURk 2,345).

As of December 31, 2014, other financial obligations, including purchase commitments, totaled EURk 16,273 (p/y: EURk 13,480). The following amounts apply to subsequent fiscal years according to maturity:

EURk

	Obligations from non-cancellable operating lease and rental agreements		Order commitments from investments in property, plant and equipment		Order commitments from investments in intangible assets		Other financial obligations	
	2015 ff.	2014 ff.	2015 ff.	2014 ff.	2015 ff.	2014 ff.	2015 ff.	2014 ff.
Residual term up to 1 year	1,376	1,495	10,335	8,388	13	5	190	190
Residual term 1 to 5 years	1,830	996	231	0	0	0	707	726
Residual term › 5 years	124	0	0	0	0	0	1,467	1,680
TOTAL	**3,330**	**2,491**	**10,566**	**8,388**	**13**	**5**	**2,364**	**2,596**

In some cases, the existing operating leases contain extension and call options.

22 FINANCIAL RISK MANAGEMENT

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

The key risks are described below:

CREDIT RISK

The credit risk from trade receivables and other receivables is controlled by Progress-Werk Oberkirch AG and its subsidiaries based on uniform standards, procedures, and controls. The creditworthiness of the customer is regularly checked using credit reports and historical data. The customer's individual credit limits are set on the basis of these findings. Outstanding trade receivables and other receivables are monitored regularly by a diligent management of receivables. Furthermore, commercial credit insurance has been concluded for additional protection and protects a large portion of the receivables. The need for valuation allowances is analyzed at each reporting date and appropriate allowances are made.

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

As of December 31, 2014, the maximum credit risk of financial assets in the event of counter-party default was equivalent to the carrying amount of those instruments. Additional commercial credit insurance is being deducted for trade receivables and other receivables.

EURk

	2014	2013
Trade receivables and other receivables	62,194	55,892
Protection from commercial credit insurance	-50,376	-43,049
MAXIMUM DEFAULT RISK	**11,818**	**12,843**
Derivative financial assets	26	1,232
Cash and cash equivalents	5,404	8,071

On December 31, 2014, the analysis of overdue but not impaired trade receivables and other receivables breaks down as follows:

EURk

	2014	2013
TRADE RECEIVABLES AND OTHER RECEIVABLES	**62,194**	**55,892**
of which neither overdue nor impaired	53,013	47,307
of which ‹ 30 days overdue (but not impaired)	7,263	6,842
of which › 30-90 days overdue (but not impaired)	1,365	1,401
of which › 90-180 days overdue (but not impaired)	40	26
of which › 180-360 days overdue (but not impaired)	513	179
of which › 360 days overdue (but not impaired)	0	137

As of the reporting date, there were no indications of impairment on any non-impaired trade receivables or other receivables.

LIQUIDITY RISK

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

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

EURk

	‹ 1 year		1 to 5 years		› 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Bank borrowings	34,318	59,734	27,008	36,319	2,420	2,396	63,746	98,449
of which repayment of principal	32,788	57,429	25,015	33,770	2,301	2,385	60,104	93,584
of which interest payment	1,530	2,305	1,993	2,549	119	11	3,642	4,865
Liabilities from promissory note loans	1,571	0	36,042	0	31,552	0	69,165	0
of which repayment of principal	0	0	29,899	0	29,899	0	59,798	0
of which interest payment	1,571	0	6,143	0	1,653	0	9,367	0
Liabilities to leasing companies	2,884	3,207	7,176	10,495	2,708	3,410	12,768	17,112
of which repayment of principal	2,399	2,562	6,133	9,021	2,015	2,559	10,547	14,142
of which interest payment	485	645	1,043	1,474	693	851	2,221	2,970
Trade payables	23,379	24,719	0	0	0	0	23,379	24,719
Derivative financial instruments with hedging relationship	2,130	471	1,341	212	0	0	3,471	683
Derivative financial instruments without hedging relationship	1,440	193	652	235	5	14	2,097	442

The amounts of derivative financial instruments presented in the maturity overview correspond to the undiscounted cash flows on a gross basis. The following table shows the undiscounted cash flows of foreign currency derivatives with and without a hedging relationship:

EURk

	Foreign currency derivatives with hedging relationship							
	‹ 1 year		1 to 5 years		› 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash inflow	35,839	7,809	24,990	4,588	0	0	60,829	12,397
Cash outflow	-37,969	-8,280	-26,331	-4,800	0	0	-64,300	-13,080
NET BALANCE	**-2,130**	**-471**	**-1,341**	**-212**	**0**	**0**	**-3,471**	**-683**
	Foreign currency derivatives without hedging relationship							
	2014	2013	2014	2013	2014	2013	2014	2013
Cash inflow	22,559	3,557	7,337	0	0	0	29,896	3,557
Cash outflow	-23,900	-3,576	-7,825	0	0	0	-31,725	-3,576
NET BALANCE	**-1,341**	**-19**	**-488**	**0**	**0**	**0**	**-1,829**	**-19**

INTEREST-RATE RISK

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

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

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

PWO is subject to interest rate risk at all locations. If the market interest rates at December 31, 2014 had been 100 basis points higher, earnings before taxes would have been EURk 364 (p/y: EURk 365) lower. If market interest rates at December 31, 2014 had been 100 basis points lower, earnings before taxes would have been EURk 415 (p/y: EURk 358) higher.

CURRENCY RISK

Currency risk is the risk of foreign-exchange-rate-induced fluctuations in the value of balance sheet items. A sensitivity analysis is conducted for each currency that constitutes a significant risk for the Company. This analysis is based on the following assumptions:

For the sensitivity analysis, the Group takes into account all monetary financial instruments that are not denominated in the functional currency of the respective separate entities. Thus, exchange rate differences arising from the translation of financial statements into the Group's reporting currency (translation risk) are not considered.

According to IFRS, an exchange risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. Therefore, in the case of derivative financial instruments, only the currency derivatives are included in the sensitivity analysis, since not all interest-rate derivatives are exposed to currency risk. The hypothetical effect on profit or loss and equity for each separate primary item included in the sensitivity analysis is determined by comparing the carrying amount (calculated on the basis of the closing rate) with the translation amount, which in turn is determined by applying a hypothetical exchange rate.

If the EUR had appreciated by 10% against the CZK as of December 31, 2014 the earnings before taxes would have been EURk 20 higher (p/y: EURk 7). The net gains (losses) from cash flow hedges recognized in equity would have been EURk 1,528 lower (p/y: EURk 439). If the EUR had depreciated by 10% against the CZK as of December 31, 2014 the earnings before taxes would have been EURk 24 lower (p/y: EURk 8) and net gains (losses) from cash flow hedges recognized in equity would have been EURk 1,868 higher (p/y: EURk 2,055).

If the EUR had appreciated by 10% against the USD as of December 31, 2014 the earnings before taxes would have been EURk 1,917 higher (p/y: EURk 246). The net gains (losses) from cash flow hedges recognized in equity would have been EURk 1,475 higher (p/y: EURk 1,197). If the EUR had depreciated by 10% against the USD as of December 31, 2014 the earnings before taxes would have been EURk 2,344 lower (p/y: EURk 300) and net gains (losses) from cash flow hedges recognized in equity would have been EURk 1,688 lower (p/y: EURk 1,376).

If the EUR had appreciated by 10% against the CAD as of December 31, 2014 the earnings before taxes would have been EURk 639 higher (p/y: EURk 17) and the net gains (losses) from cash flow hedges recognized in equity would have been EURk 483 higher (p/y: EURk 778). If the EUR had depreciated by 10% against the CAD as of December 31, 2014, the earnings before taxes would have been EURk 781 lower (p/y: EURk 21) and net gains (losses) from cash flow hedges recognized in equity would have been EURk 591 lower (p/y: EURk 951).

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to secure a high credit rating and a favorable equity ratio. In order to maintain or adjust the capital structure, adjustments in dividend payments to shareholders may be made and new shares may be issued. The monitoring of capital is performed via the gearing ratio, which is the ratio of net financial liabilities to equity. Net financial debt includes non-current and current financial debt less cash and cash equivalents. According to internal guidelines, the gearing target is in the range of 60% to 80%, which was not maintained in the reporting year and the prior year. The Group's medium-term corporate planning is aimed at reducing debt and bringing the gearing ratio back to the target range.

As of December 31, 2014 and 2013, the targets and guidelines remained unchanged.

EURk

	2014	2013
Financial liabilities	130,449	107,726
Less cash and cash equivalents	-5,404	-8,071
NET FINANCIAL LIABILITIES	**125,045**	**99,655**
Total equity	96,100	102,461
GEARING RATIO	**130 %**	**97 %**

23 FINANCIAL INSTRUMENTS

As of December 31, 2014 the following interest rate derivatives were open:

EURk

	Nominal value	Redemption 2014	Residual value	Variable rate	Term	Market value
Interest-rate swaps	11,437	1,755	7,321	1.15% to 2.19%	2015 until 2020	-149
Currency hedging instruments without hedge accounting	29,895	0	29,895	--	2015 until 2017	-1,549
Currency hedging instruments with hedge accounting	63,330	0	63,330	--	2015 until 2018	-3,738

As of December 31, 2013 the following derivative financial instruments were open:

EURk

	Nominal value	Redemption 2013	Residual value	Variable rate	Term	Market value
Interest-rate swaps	21,361	2,184	14,362	1.15% to 4.19%	2014 until 2020	-163
Currency hedging instruments without hedge accounting	7,285	0	7,285	--	until 2014	66
Currency hedging instruments with hedge accounting	49,957	0	49,957	--	2014 until 2018	464

The market value changes of derivative financial instruments used to hedge future cash flows were recognized directly in equity, and have taken into account tax effects of EURk -2,637 (p/y: EURk 361).

As part of hedge accounting, EURk 167 (p/y: EURk 289) was derecognized from equity and recognized in profit or loss. Of the amount derecognized, EURk 0 (p/y: EURk 0) was due to hedge ineffectiveness.

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

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

EURk

	Valuation category pursuant to IAS 39	Carrying amount		Fair Value	
		2014	2013	2014	2013
ASSETS					
Trade receivables and other receivables	LaR	62,194	55,892	62,194	55,892
Other financial assets		26	1,232	26	1,232
of which derivatives with hedging relationship	n. a.	26	1,147	26	1,147
of which derivatives without hedging relationship	FAHfT	0	85	0	85
of which deposits › 3 months	LaR	0	0	0	0
Cash and cash equivalents	LaR	5,404	8,071	5,404	8,071
LIABILITIES					
Financial liabilities		130,449	107,726	140,556	111,852
Bank borrowings	FLAC	60,104	93,584	62,660	96,219
of which variable interest rate		31,401	53,313	31,401	53,313
of which fixed interest rate		28,703	40,271	31,259	42,906
Liabilities from promissory note loans	FLAC	59,798	0	65,622	0
of which variable interest rate		24,916	0	24,916	0
of which fixed interest rate		34,882	0	40,706	0
Liabilities to leasing companies	n. a.	10,547	14,142	12,274	15,633
of which variable interest rate		21	3,005	21	3,005
of which fixed interest rate		10,526	11,137	12,253	12,628
Trade payables	FLAC	23,379	24,719	23,379	24,719
Other financial liabilities		5,462	865	5,462	865
of which derivatives with hedging relationship	n. a.	3,764	683	3,764	683
of which derivatives without hedging relationship	FLHfT	1,698	182	1,698	182
OF WHICH AGGREGATED ACCORDING TO IAS 39 MEASUREMENT CATEGORIES:					
Loans and Receivables (LaR)		67,598	63,963	67,598	63,963
Financial Assets Held for Trading (FAHfT)		0	85	0	85
Financial Liabilities Measured at Amortised Cost (FLAC)		143,281	118,303	151,661	120,938
Financial Liabilities Held for Trading (FLHfT)		1,698	182	1,698	182

Financial instruments carried at fair value are classified in the fair value hierarchy as follows:

EURk

	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS CARRIED AT FAIR VALUE								
Other financial assets	0	0	26	1,232	0	0	26	1,232
of which derivatives with hedge relationship	0	0	26	1,147	0	0	26	1,147
of which derivatives without hedge relationship	0	0	0	85	0	0	0	85
ASSETS FOR WHICH A FAIR VALUE IS DISCLOSED								
Trade receivables and other receivables	0	0	62,194	55,892	0	0	62,194	55,892
Cash and cash equivalents	0	0	5,404	8,071	0	0	5,404	8,071
LIABILITIES CARRIED AT FAIR VALUE								
Other financial liabilities	0	0	5,462	865	0	0	5,462	865
of which derivatives with hedge relationship	0	0	3,764	683	0	0	3,764	683
of which derivatives without hedge relationship	0	0	1,698	182	0	0	1,698	182
LIABILITIES FOR WHICH A FAIR VALUE IS DISCLOSED								
Fixed-interest rate banks borrowings	0	0	31,259	42,906	0	0	31,259	42,906
Variable-interest rate bank borrowings	0	0	31,401	53,313	0	0	31,401	53,313
Fixed-interest rate liabilities from promissory note loans	0	0	40,706	0	0	0	40,706	0
Variable-interest rate liabilities from promissory note loans	0	0	24,916	0	0	0	24,916	0
Fixed-interest rate borrowings from leasing companies	0	0	12,253	12,628	0	0	12,253	12,628
Variable-interest rate borrowings from leasing companies	0	0	21	3,005	0	0	21	3,005
Trade payables	0	0	23,379	24,719	0	0	23,379	24,719

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

The following total comprehensive income and expenses were generated with respect to the financial instruments held in the portfolio and reassessed at fair value:

EURk

	Assets		Liabilities	
	2014	2013	2014	2013
Recognized in the income statement:				
DERIVATIVES WITHOUT HEDGE RELATIONSHIP	**0**	**79**	**-1,603**	**187**
Recognized in equity:				
DERIVATIVES WITH HEDGE RELATIONSHIP	**0**	**1,108**	**-3,209**	**-722**

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

The following table shows the net gains or losses on financial instruments, which are recognized in the income statement (excluding derivative financial instruments, which are included in hedge accounting):

EURk

	2014	2013
LOANS AND RECEIVABLES (LAR)	**2,301**	**-198**
of which due to disposal	111	53
of which due to impairment/impairment reversal	183	-165
of which due to currency effects	2,007	-86
FINANCIAL ASSETS HELD FOR TRADING (FAHFT)	**-85**	**79**
of which due to disposal	-85	0
of which due to remeasurement	0	79
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (FLAC)	**1,753**	**110**
of which due to disposal	160	214
of which due to currency effects	1,593	-104
FINANCIAL LIABILITIES HELD FOR TRADING (FLHFT)	**-1,554**	**310**
of which due to disposal	49	123
of which due to remeasurement	-1,603	187

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

EURk

	2014	2013
FINANCIAL ASSETS		
Gross amount of financial assets recognized	62,830	58,048
Gross amounts of financial liabilities offset	-610	-924
REPORTED NET AMOUNTS OF FINANCIAL ASSETS	**62,220**	**57,124**
of which derivatives	26	1,232
of which trade receivables	62,194	55,892
Offsettable due to framework agreements	-26	-865
TOTAL NET AMOUNT OF FINANCIAL ASSETS	**62,194**	**56,259**
FINANCIAL LIABILITIES		
Gross amounts of financial liabilities recognized	-36,849	-29,031
Gross amounts of financial assets offset	382	682
REPORTED NET AMOUNTS OF FINANCIAL LIABILITIES	**-36,467**	**-28,349**
of which derivatives	-5,462	-865
of which trade payables and prepayments received	-31,005	-27,484
Offsettable due to framework agreements	26	865
TOTAL NET AMOUNT OF FINANCIAL LIABILITIES	**-36,441**	**-27,484**

The liabilities of EURk 610 (p/y: EURk 924) offset against financial assets include outstanding credits to customers as of the balance sheet date. The assets offset against financial liabilities are receivables in the form of credits to suppliers in the amount of EURk 382 (p/y: EURk 682).

ADDITIONAL INFORMATION

24 RESEARCH AND DEVELOPMENT COSTS

Research costs were not incurred. Of the EURk 9,330 (p/y: EURk 9,460) in contract- and customer-related development costs, EURk 1,350 (p/y: EURk 1,342) were capitalized as intangible assets.

25 TOTAL REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the 2014 fiscal year, the total remuneration of the Management Board (short-term remuneration) amounted to EURk 1,406 (p/y: EURk 1,697). These included performance-related components of EURk 599 (p/y: EURk 919). In fiscal year 2014, service costs for pension benefits for the members of the Management Board were incurred in the amount of EURk 169 (p/y: EURk 179).

The total remuneration of the Supervisory Board (short-term remuneration) in fiscal year 2014 amounted to EURk 173 (p/y: EURk 184).

The Group management report contains the remuneration report along with the individual remuneration of the Management Board and Supervisory Board.

Pension payments to former members of the Management Board of PWO AG and their surviving dependents amounted to EURk 244 (p/y: EURk 240). As of the reporting date, corresponding pension provisions amounted to EURk 3,708 (p/y: EURk 2,057).

26 AUDITOR'S FEE

The auditor's fee that was recognized as an expense according to section 285 (1) no. 17 HGB comprised the following:

EURk

	2014	2013
Audit	165	147
Tax consultancy services	70	73
Other services	81	12
TOTAL	**316**	**232**

The auditor's fee included non-periodic expenses of EURk 19 (p/y: EURk 2).

Further certification and valuation services were not utilized.

27 RELATED PARTY DISCLOSURES

Related parties include the Group's ultimate parent company as well as the members of the Management Board and Supervisory Board. In the course of the fiscal year, there were no transactions between the Group and the ultimate parent company. There were no relationships with related parties with regard to the supply of goods or the rendering of services. Please refer to the final declaration in the Dependency Report which is included in the Group management report.

According to IAS 24, reportable compensation of related parties of the Group includes the remuneration of the Management Board and the Supervisory Board. The Group management report contains the remuneration report along with the individual remuneration of the Management Board and Supervisory Board.

28 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 funds reported in the cash flow statement comprise cash and cash equivalents as well as bank borrowings due on demand. Bank borrowings payable on demand amounting to EURk 10,562 (p/y: EURk 11,792) have been included under the balance sheet item "current financial liabilities".

29 SEGMENT REPORTING

In line with the Group's internal management system, the individual production locations provide the basis for the segment reporting. The Group's main decision-making body is defined as the Management Board of PWO AG. The segments are determined according to the location of the Group's assets. Accordingly, the revenues of these segments are also allocated according to the location of assets. The regions are categorized as Germany, Rest of Europe, the NAFTA Area, and Asia. The combination of the locations in Canada and Mexico in the "NAFTA Area" segment is based on the joint participation in the NAFTA free trade agreement and due to the similarity and comparability of the economic characteristics of the business, the type of products and production processes, the type of customer relationships, as well as the methods of the sales organization.

Earnings, assets, liabilities, depreciation and amortization among the individual segments are eliminated in the column titled "consolidation effects". This column also contains items that cannot be allocated to individual segments. The segment data is calculated in accordance with the accounting policies applied in the consolidated financial statements.

Of the reported revenues as of December 31, 2014, one individual customer accounted for slightly more than 10 percent of revenues (EURk 39,400), spread across all of the segments. As of December 31, 2013, no customers were identified with whom the Group had achieved 10 percent or more of revenues.

SEGMENT INFORMATION BY LOCATION (FISCAL YEAR 2014)

EURk

	Germany	Rest of Europe	NAFTA Area	Asia	Consolidation effects	Group
Total revenue	249,431	52,977	80,188	16,038	0	398,634
Inter-segment revenue	-11,977	-2,375	-121	-3,027	0	-17,500
EXTERNAL REVENUE	**237,454**	**50,602**	**80,067**	**13,011**	**0**	**381,134**
TOTAL OUTPUT	**252,109**	**57,385**	**79,801**	**18,474**	**-17,095**	**390,674**
Other income	6,529	532	1,659	2,008	-2,473	8,255
Other expenses (aggregated)	235,889	48,227	75,687	19,482	-19,371	359,914
Depreciation and amortization[1]	12,670	2,886	5,447	1,388	-41	22,350
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**10,079**	**6,804**	**326**	**-388**	**-156**	**16,665**
Financial income	1,226	89	0	3	-1,179	139
Dividend distributions from affiliated companies	6,795	0	0	0	-6,795	0
Financial expenses	4,342	922	1,183	940	-1,179	6,208
EARNINGS BEFORE TAXES (EBT)	**13,758**	**5,971**	**-857**	**-1,325**	**-6,951**	**10,596**
Income taxes	4,088	-2,690	1,943	0	-55	3,286
NET INCOME FOR THE PERIOD	**9,670**	**8,661**	**-2,800**	**-1,325**	**-6,896**	**7,310**
Assets	187,189	74,266	69,623	46,218	-35,836	341,460
of which non-current assets	71,184	34,930	40,362	30,133	-212	176,397
Liabilities	25,505	34,255	43,171	46,575	95,854	245,360
Investments	16,475	11,228	6,485	3,268	-64	37,392

[1] Depreciation/amortization relating to the segments "Germany" and "Rest of Europe" include total impairments of EURk 106 (Germany: EURk 17, Rest of Europe: EURk 89).

SEGMENT INFORMATION BY LOCATION (FISCAL YEAR 2013)

EURk

	Germany	Rest of Europe	NAFTA Area	Asia	Consolidation effects	Group
Total revenue	252,974	45,107	86,703	14,094	0	398,878
Inter-segment revenue	-15,569	-4,131	-298	-1,433	0	-21,431
EXTERNAL REVENUE	**237,405**	**40,976**	**86,405**	**12,661**	**0**	**377,447**
TOTAL OUTPUT	**255,226**	**46,339**	**88,215**	**14,556**	**-20,092**	**384,244**
Other income	4,477	657	1,294	802	-2,638	4,592
Other expenses (aggregated)	233,456	38,971	80,655	14,979	-22,730	345,331
Depreciation and amortization	12,218	2,622	5,274	1,142	-64	21,192
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**14,029**	**5,403**	**3,580**	**-763**	**64**	**22,313**
Financial income	625	11	0	4	-580	60
Dividend distributions from affiliated companies	0	0	0	0	0	0
Financial expenses	3,403	1,082	1,033	758	-580	5,696
EARNINGS BEFORE TAXES (EBT)	**11,251**	**4,332**	**2,547**	**-1,517**	**64**	**16,677**
Income taxes	4,038	-1,334	825	0	11	3,540
NET INCOME FOR THE PERIOD	**7,213**	**5,666**	**1,722**	**-1,517**	**53**	**13,137**
Assets	159,472	50,622	63,155	41,856	-15,721	299,384
of which non-current assets	67,382	26,632	36,850	25,609	-189	156,284
Liabilities	22,111	10,529	17,365	42,340	104,578	196,923
Investments	15,439	3,142	9,743	3,884	-163	32,045

The segment assets and segment liabilities correspond to the values in the financial statements of the individual Group companies. The Germany segment contains significant non-cash items in an amount of EURk 2,159 (p/y: EURk 3,276).

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

SEGMENT INFORMATION BY PRODUCT AREA
REVENUE

EURk

	2014	2013
Mechanical components for electrical and electronic applications	90,665	86,514
Safety components for airbags, seats, and steering	122,548	116,544
Structural components and subsystems for vehicle bodies and chassis	167,921	174,389
TOTAL	**381,134**	**377,447**

30 CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code issued by the Management Board and Supervisory Board in December 2014 is permanently available to shareholders via the Company's website.

31 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No events of significant importance have occurred after the end of the fiscal year.

Oberkirch, March 12, 2015

The Management Board

Dr. Volker Simon
(Speaker)

Bernd Bartmann

Dr. Winfried Blümel

AUDIT OPINION

We issued the following audit opinion for the consolidated financial statements and Group management report which was amalgamated with the Company's management report:

"We have audited the consolidated financial statements prepared by Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes as well as the Group management report amalgamated with the Company's management report for the fiscal year from January 1 to December 31, 2014. It is the responsibility of the legal representatives of the Company to prepare the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to section 315a, (1) of the German Commercial Code (HGB). Our task is to deliver a judgment on the consolidated financial statements and Group management report on the basis of the audit we have undertaken.

We have conducted our audit of the consolidated financial statements in accordance with section 317 HGB in consideration of the German generally accepted standards for the audit of financial statements defined by the Institute of German Certified Public Accountants (IDW – Institut der Wirtschaftsprüfer). These require the audit to be planned and conducted in such a manner as to detect, with adequate certainty any inaccuracies or infringements which may have a significant impact on the impression of the net assets, financial position, and results of operations as conveyed by the consolidated financial statements and the Group management report in consideration of the applicable accounting standards. In determining the actions to be taken as part of the auditing procedure, consideration was given to the knowledge of the business activities of the Group and its economic and legal environment, as well as to the possible errors likely to be encountered. In the course of the audit, the effectiveness of the accounting-based internal control system and proof of the information contained in the consolidated financial statements and Group management report, were assessed on the basis of random samples. The audit encompasses an appraisal of the annual financial statements of the companies included in the consolidated financial statements, the demarcation of the scope of consolidated, the accounting and consolidation principles applied, and the principal assessments made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit forms an adequately secure foundation on which to base our judgment.

Our audit has caused us to raise no objections.

In our judgment based on the findings of our audit, the consolidated financial statements comply with International Financial Reporting Standards as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to section 315a, (1) HGB and, in consideration of these standards, convey an image of the net assets, financial position, and results of operations of the Group which concurs with the true circumstances. The Group management report is consistent with the consolidated financial statements and overall presents an accurate image of the position of the Group and the opportunities and risks of future development."

Freiburg i. Br., March 23, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nietzer	Schmelzle
Auditor	Auditor

AIR SUSPENSION SYSTEMS –
ARE PART OF THE VEHICLE'S SHOCK ABSORBERS.

Modern suspension systems provide driving comfort and safety. Air suspension components have to transmit high forces. They also take the volume of air that provides comfortable and sporty suspension.

AIR SUSPENSION COMPONENTS

STRUCTURAL COMPONENTS AND SUBSYSTEMS FOR VEHICLE BODIES AND CHASSIS

30%

GLOBAL MARKET SHARE

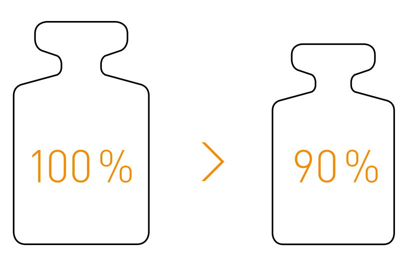
PRODUCTION OF SEVERAL MODULE VARIATIONS IN 1 TOOL

PRODUCTION LOCATIONS:

→ GERMANY

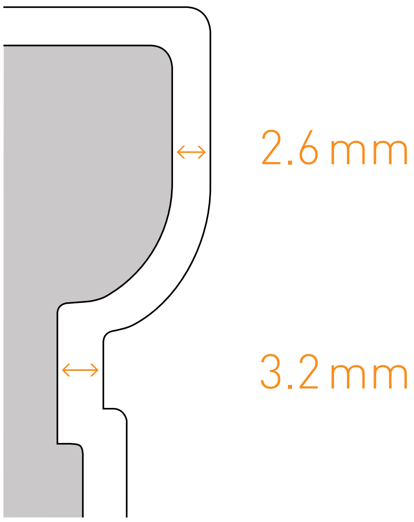
→ CANADA

LIGHTWEIGHT CONSTRUCTION USING A TAPERED DOM DESIGN FOR THE OPTIMAL FORCE TRANSMISSION **& CHANGE IN MATERIAL THICKNESS**



10 % LESS WEIGHT

TARGETED CHANGES IN MATERIAL THICKNESS: NOWHERE MORE MATERIAL THAN NECESSARY



PROCESS INNOVATION

A COMBINATION OF:

- → ROLLING
- → TURNING
- → WELDING
- → SEAL CHECKS
- → IN ONE PRODUCTION ISLAND

H320-S600

HIGH-STRENGTH STEEL INSTEAD OF TRADITIONAL DEEP-DRAWN STEEL DC04

A **TIGHTER FIT** FOR THE SEALING OF THE PISTON ROD INTEGRATED INTO THE PART

GOVERNING BODIES

SUPERVISORY BOARD

DIETER MAIER, STUTTGART
Chairman of the Supervisory Board,
Former member of the Executive Board of
Baden-Württembergische Bank AG, Stuttgart

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt,
  Member of the Supervisory Board
- Leitz GmbH & Co. KG, Oberkochen,
  Chairman of the Advisory Board

DR. GERHARD WIRTH, STUTTGART
Deputy Chairman of the Supervisory Board,
Attorney-at-law, Of-Counsel of the law firm Gleiss Lutz Hootz Hirsch, Partnerschaftsgesellschaft von Rechtsanwälten, Steuerberatern

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt,
  Member of the Supervisory Board
- Wolff & Müller Holding GmbH & Co. KG, Stuttgart,
  Member of the Advisory Board

DR. GEORG HENGSTBERGER, TÜBINGEN
Master's degree in mathematics, Managing Director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt,
  Chairman of the Supervisory Board

HERBERT KÖNIG, RENCHEN-ERLACH[1]
Industrial clerk and Chairman
of the PWO AG Works Council

ULRICH RUETZ, LUDWIGSBURG
Former Chairman of the Management Board
of BERU AG, Ludwigsburg

FURTHER MANDATES
- Düker GmbH & Co. KGaA, Karlstadt,
  Deputy Chairman of the Supervisory Board
- Sumida Corporation, Tokyo, Japan,
  Member of the Board
- Wüstenrot Holding AG, Ludwigsburg,
  Member of the Supervisory Board
- Wüstenrot & Württembergische AG, Stuttgart,
  Member of the Supervisory Board

FRANZ SCHMIDT, RENCHEN (SINCE SEPTEMBER 1, 2014)[1]
Manufacturing supervisor and Member
of the PWO AG Works Council

KATJA ULLRICH, DURBACH (UNTIL AUGUST 31, 2014)[1]
Commercial training officer

[1] Employee representatives

MANAGEMENT BOARD

DR. VOLKER SIMON, OFFENBURG (SINCE JULY 1, 2014)
Speaker, Markets and Technology

FURTHER MANDATES
- PWO Canada Inc., Kitchener, Canada, Member of the Board of Directors (since October 28, 2014)
- PWO Czech Republic a.s. (formerly PWO UNITOOLS CZ a.s.), Valašské Meziříčí, Czech Republic, Member of the Supervisory Board (since November 25, 2014)
- PWO Holding Co., Ltd., Hong Kong, China, Director (since September 22, 2014)
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China, Chairman of the Board of Directors (since October 27, 2014)
- PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China, Chairman of the Board of Directors (since October 19, 2014)
- PWO de México S.A. de C.V., Puebla, Mexico, Chairman of the Board of Directors (since October 22, 2014)

DIPL.-ING. KARL M. SCHMIDHUBER, ALZENAU (UNTIL MAY 21, 2014)
Chairman, Markets and Technology

BERND BARTMANN, OFFENBURG
Administration and Finance

FURTHER MANDATES
- PWO Canada Inc., Kitchener, Canada, Member of the Board of Directors
- PWO Czech Republic a.s. (formerly PWO UNITOOLS CZ a.s.), Valašské Meziříčí, Czech Republic, Member of the Supervisory Board
- PWO Holding Co., Ltd., Hong Kong, China, Director
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China, Member of the Board of Directors
- PWO High-Tech Tool Trading (Suzhou) Co., Ltd., Suzhou, China, Member of the Board of Directors
- PWO de México S.A. de C.V., Puebla, Mexico, Member of the Board of Directors (since October 22, 2014)
- Sparkasse Offenburg/Ortenau, Offenburg, Member of the Advisory Board
- avenit AG, Offenburg, Deputy Chairman of the Supervisory Board

DR.-ING. WINFRIED BLÜMEL, OBERKIRCH
Production and Materials

FURTHER MANDATES
- PWO Canada Inc., Kitchener, Canada, Member of the Board of Directors (since October 28, 2014)
- PWO Czech Republic a.s. (formerly PWO UNITOOLS CZ a.s.), Valašské Meziříčí, Czech Republic, Chairman of the Supervisory Board
- PWO High-Tech Metal Components (Suzhou) Co., Ltd., Suzhou, China, Member of the Board of Directors (since October 27, 2014)
- PWO de México S.A. de C.V., Puebla, Mexico, Member of the Board of Directors

PROPOSAL FOR THE APPROPRIATION OF PROFITS

It is proposed to the Annual General Meeting that the unappropriated retained earnings of PWO AG as of December 31, 2014 in the amount of EUR 4,688,804.26 to be appropriated as follows:

Payment of a dividend of EUR 1.45 per dividend-bearing share	EUR 4,531,250.00
Carried forward to new account	EUR 157,554.26

The proposal for the appropriation of the unappropriated retained earnings does not take treasury shares into account. Should the Company hold shares in treasury at the time a resolution on the appropriation of the unappropriated retained earnings is adopted by the Annual General Meeting, the sum to be distributed shall be reduced by the proportion of the dividend accruing to the treasury shares. The sum carried forward to new account shall increase by the same amount.

Oberkirch, March 12, 2015

The Management Board

Dr. Volker Simon (Speaker)

Bernd Bartmann

Dr. Winfried Blümel

IMPRINT

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(Administration and Finance)

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Figures in this annual report are typically presented in 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.

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FINANCIAL CALENDAR

06/05/2015	Interim Financial Report 1st Quarter 2015
19/05/2015	Annual General Meeting 2015
30/07/2015	Interim Financial Report 2nd Quarter and Half-Year 2015
04/11/2015	Interim Financial Report 3rd Quarter and 9 Months 2015
Nov 2015	German Equity Forum, Frankfurt/Main
19/04/2016	Annual Report 2015
04/05/2016	Interim Financial Report 1st Quarter 2016
31/05/2016	Annual General Meeting 2016

CONTENT

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