INTERIM FINANCIAL REPORT
2ND QUARTER | 1ST HALF-YEAR 2019

100 YEARS OF PIONEERING

PWO

DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

The automotive industry continues to find itself in a very challenging environment. While the call orders from our customers in Europe and the United States appear to have stabilized at a low level after recent fluctuations, the market situation in China is becoming more difficult. We are still not anticipating any pick-up in the global automotive cycle in the second half of the current fiscal year that was expected by some market experts at the beginning of the year.

In this situation, it is of particular importance to ensure we achieve further efficiency improvements through cost reductions and process enhancements to stabilize the Group's profitability. We are working hard to achieve this. In the first half of the year, and particularly in the second quarter, the market's weakness had the presumed impact on the Group's revenue and total output. As a result of our efforts – which among other things led to positive one-off effects – we were able to limit the impact of this weakness on the EBIT before currency effects. As a result, we can confirm our forecasts for revenue and EBIT before currency effects in the current year.

New business in the reporting quarter surpassed expectations. Following the satisfactory volume achieved already in the first quarter, new business in the second quarter went on to rise significantly. Overall, we achieved new business of around EUR 340 million after only six months. In light of this, we now intend to exceed our previous full-year forecast of around EUR 400 million and raise our target to a volume of an estimated roughly EUR 500 million.

We are also pleased with the management of free cash flow. In the second quarter, we managed to exceed the high level of the first quarter slightly and generated total free cash flow in the first half-year of EUR 10.8 million. The fact that the equity ratio still declined was a result of the higher valuation of the pension obligations based on capital market interest rates and the dividend payment following our Annual General Meeting in May of this year.

Amid the anticipated difficult market environment, the business development thus far this year is in line with our plan. Nevertheless, the challenges in the coming quarters will persist, and we will continue to consistently work towards reaching our revenue and EBIT targets.

Oberkirch, August 2019

The Management Board

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

Region	6M 2019	Change vs previous year (%)	6M 2018	Change vs previous year (%)
Germany	1,849,000	+0.5	1,839,031	+2.9
Western Europe (EU15 + EFTA)	7,671,200	-3.5	7,951,300	+2.0
Europe (EU28 + EFTA) [1]	8,426,200	-0.3	8,449,200	-0.1
Russia [2]	828,800	-2.4	849,200	+18.2
USA [2]	8,412,900	-1.9	8,574,300	+2.0
China	9,932,900	-13.9	11,540,600	+5.6

[1] Excluding Malta | [2] Light vehicles

BUSINESS ENVIRONMENT

MACROECONOMIC ENVIRONMENT

In the view of the German Bundesbank, the fundamental economic trend in the middle of 2019 is weak. The key reason for this is the continuing downturn in export-dependent industries, while the upward forces for the more domestic-oriented sectors are fundamentally intact.

Employment continues to increase, albeit at a slower pace, and income gains are stimulating private consumption. In contrast, production in the manufacturing sector adjusted for calendar effects declined 3.7 percent in real terms in May 2019 compared with the same month in the prior year. This decline was even stronger than in April. The domestic vehicle manufacturers had to accept particularly bitter production cuts.

The weak order situation and dampened business climate signal that the clearly subdued industrial cycle is likely to continue. The German Federal Ministry of Economics expects the economic upswing to pick up strength in the second half of the year but only if foreign trade stabilizes. Currently, however, there is considerable downside risk, not least as a result of trade conflicts, the Brexit process and geopolitical tensions.

The aforementioned risks are resulting in a period of weakness for the global economy. Industrial production has been weak in both the advanced and emerging economies, and the Ifo world economic climate continues to show signs of a chill after four consecutive readings of deterioration, despite a slight recovery in the second quarter.

The mood in German boardrooms, however, has recently deteriorated again, as seen by the decline in the Ifo Business Climate Index from 97.9 points to 97.4 points in June. This is the lowest level since November 2014. The companies surveyed showed they were increasingly pessimistic about the months ahead. Based on these indicators and the piling up of global risks, the international organizations are making the assumption that global economic development will be less dynamic but continue to rise.

THE AUTOMOTIVE INDUSTRY

Three out of four passenger cars manufactured in Germany are exported, which is why the weaker order intake from abroad has had a negative impact on production and exports in the first half of the year. According to the German Association of the Automotive Industry (VDA), the German passenger car manufacturers produced 2.5 million passenger cars between January and June, corresponding to a year-on-year decline of 12 percent.

The half-year figures for the German passenger car market, however, are positive, with more than 1.8 million new cars registered, amounting to a year-on-year increase of a solid 0.5 percent.

SELECTED GROUP AND SEGMENT INFORMATION

EURK

1st Half-Year 2019	Germany	Rest of Europe	North America	Asia	Consolidation effects	Group
Total revenue	131,224	40,851	62,482	22,950	-12,391	245,116*
Total output	133,185	41,555	54,061	21,088	-12,430	237,459
EBIT before currency effects	3,081	3,792	3,504	537	-68	10,846
EBIT including currency effects	1,984	3,758	3,412	640	-13	9,781
Investments	8,117	4,259	3,226	1,914	0	17,516
1st Half-Year 2018						
Total revenue	154,282	40,376	50,718	24,001	-20,716	248,661*
Total output	149,333	39,710	53,307	24,505	-20,411	246,444
EBIT before currency effects	6,036	3,856	3,189	116	262	13,459
EBIT including currency effects	5,856	3,893	3,399	351	172	13,671
Investments	5,325	6,283	4,005	4,030	0	19,643

* External revenue

The volume in the first half of 2019 is thereby the highest market volume achieved in a first half-year for the past decade. With a plus of 4 percent, new orders from Germany also developed positively. Incoming orders from abroad in the first half of the year were almost 6 percent below the prior year's level.

The performance of the international automotive markets in the first half of the year was predominantly negative. Fewer vehicles were sold in each of the large sales regions of China, the United States and Europe (EU28 & EFTA) than in the first half of 2018. Russia and India also recorded declines, while the Japanese market managed almost to reach the prior year's level.

Brazil (+11 percent) was the sole country to report a double-digit increase. Europe (EU28 & EFTA) with a total of 8.4 million units, registered 3 percent fewer new cars in the first half of 2019 than in the same period of the prior year. Apart from Germany, new registrations were down in the five largest markets in Europe: 2 percent in France, 3 percent in the United Kingdom, 4 percent in Italy and 6 percent in Spain.

In the US, volume in the light vehicle market (passenger cars and light trucks) declined 2 percent year-on-year to 8.4 million new vehicles. Whereas the light truck segment, which accounts for more than two-thirds of the total market, rose by one percent, the passenger car segment recorded a decline of 9 percent. The Chinese new car market ended the first half of 2019 very weak with 9.9 million cars sold, representing a year-on-year decline of 14 percent.

RESULTS OF OPERATIONS

At EUR 245.1 million (p/y: EUR 248.7 million), revenue in the first half of the year almost matched the prior year's level. Tool invoicing was a significant contributor to this result, especially in the second quarter.

Total output amounted to EUR 237.5 million (p/y: EUR 246.4 million) and remained below the previous year's level. The decline was even more pronounced in the second quarter, reflecting the development of the series business and thereby the currently weak market environment in the automotive industry.

The above factors and the cost-cutting measures that had not yet taken their full effect in all areas led, as expected, to a disproportionate decline in EBIT before currency effects. Currency effects, shown in the table above, impact other operating income and other operating expenses and are disclosed in the notes to this interim financial report.

The lower level of utilization requires an adaptation in our staff resources, which, can only be implemented gradually. At the Oberkirch location, for example, the structure of the collective wage agreement and the Company's supplementary collective agreement limit the actions we can take in the short-term.

At our Canadian site, we will certainly retain the qualified employees in the Company required for the upcoming series productions, even during a temporary slowdown. In the first half of 2019, our commitment to this approach led to a year-on-year rise in our staff costs ratio.

The depreciation and amortization ratio was also above the prior year's level, as we have only a limited ability to influence this item in relation to the development of our revenue. Our cost-cutting efforts are the most visible in other operating expenses where, excluding currency effects, the reduction in the expense ratio was even slightly higher than reported overall.

As a result, EBIT before currency effects declined accordingly, as anticipated. It should be noted that positive one-off effects were recognized at several locations and will not recur in the next few quarters.

Reported EBIT had an even greater decline as negative currency effects were recorded in the reporting period, whereas they were almost neutral in the previous year.

Net income for the period was also affected by two opposing developments: an increase in the financing expenses, which was offset by the sharply lower tax rate following completion of the tax audit at Progress-Werk Oberkirch AG in the past fiscal year.

Overall, net income for the period declined to EUR 4.5 million (p/y: EUR 7.2 million), and earnings per share fell to EUR 1.42 (p/y: EUR 2.31).

SEGMENTS

The PWO Group is represented worldwide with five production locations and four assembly locations. As the latter are separate operating sites of the production locations, the explanations that follow refer to the five locations and subsidiaries, respectively.

The discussion of the segment results continues to refer to EBIT before currency effects as this is the figure that best reflects the Group's operating development.

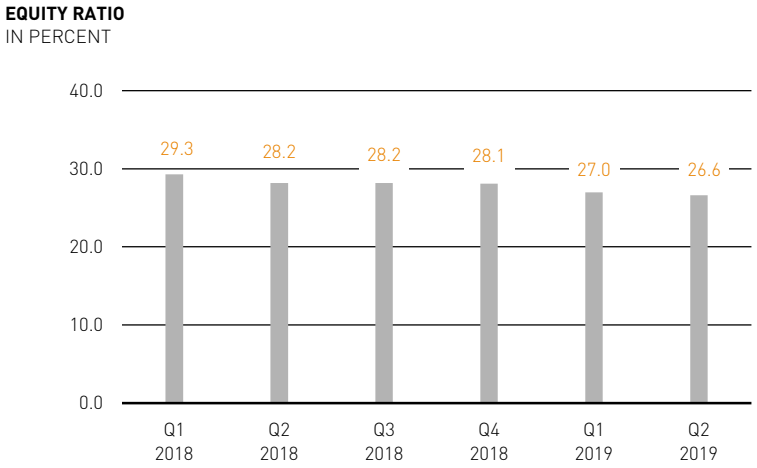
The economic downturn in the automotive industry is becoming readily apparent at our German location in Oberkirch. Total revenue and total output in the half-year reporting period were significantly below the previous year. The second quarter of the current year saw even lower series productions than the first quarter; a development which was reflected above all in total output.

The one-off effects already mentioned led to an equally high EBIT reported in both quarters. EBIT in the first half of the year, however, was sharply lower compared to the strong prior-year period.

The Oberkirch location faces the additional burden of up-front costs that typically emerge during the start-up and ramp-up of large series productions. Still, the location's earnings development is unsatisfactory overall, which is the reason for the current review of all processes.

The development of the Czech location, which forms the Rest of Europe segment, was stable within the range of the normal fluctuations. The reporting quarter was somewhat weaker than the start of the year, but the first half-year as a whole still saw a slight increase in total revenue and an even sharper rise in total output. EBIT remained essentially at the previous year's level.

In the North America segment, which combines the Canadian and Mexican locations, total revenue increased significantly, and total output increased slightly in the reporting quarter and half-year. The EBIT clearly exceeded the values of the respective prior-year periods. Here, two different developments came together:



At the Canadian location, tool invoicing and a one-off effect had a positive impact on business development. As previously mentioned, however, this site is seeing a temporary slowdown in business, as customers in the current market phase are rapidly reducing call orders for expiring series, while only gradually increasing call orders for new series.

By contrast, the Mexican site continued its positive development. Total revenue and total output increased sharply in the second quarter and first half-year. The EBIT margin was noticeably higher than in both periods of the prior year.

In the Asia segment, which comprises our Chinese activities, the weak market in the reporting quarter had a clearly visible effect on our results. Total revenue, total output, and EBIT remained below prior-year levels with the consequence that no growth was recorded in the first half-year and the increase in EBIT in the six-month period was less pronounced than in the first quarter.

NET ASSETS AND FINANCIAL POSITION

Though the targeted management of our balance sheet, we were able to successfully limit the increase in total assets in the first half of 2019. Overall, total assets increased from EUR 405.6 million at the end of the prior fiscal year to EUR 415.5 million as of the current reporting date. At the same time, this meant that it was possible to realize a reduction in total assets of EUR 8.5 million during the second quarter.

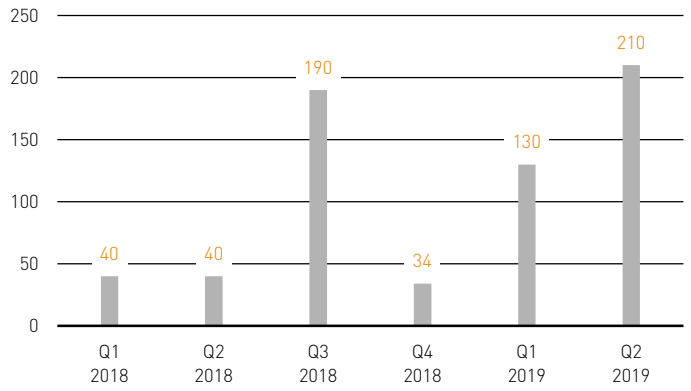
A sharp drop in inventories was the main factor in achieving this decline. Working capital for most other current assets was also reduced, in contrast to the noticeable increase in cash and cash equivalents.

The funds made available in the second quarter were used, above all, to reduce trade payables.

Operating development in the first half of the year facilitated a EUR 5.5 million reduction in net debt compared to the end of the previous fiscal year. The new accounting rules for leases under IFRS 16, however, led to an increase in net debt of EUR 6.4 million as of January 1, 2019. As a result, net debt increased slightly from EUR 131.4 million as of December 31, 2018 to EUR 132.3 million as of the reporting date.

The equity ratio as of the end of the first half-year stood at 26.6 percent compared to a level of 28.1 percent at the end of 2018. The ratio's decline resulted from the dividend distribution after the Annual General Meeting in May and negative other comprehensive income due to the higher valuation of pension liabilities primarily as a result of a lower discount rate. It was not possible to fully compensate for these two effects with the net income generated in the first half-year.

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



Cash flow from operating activities increased sharply in the reporting period to EUR 30.1 million (p/y: EUR 19.0 million). Cash flow in the second quarter clearly exceeded that in the first three months.

The strong increase in cash flow from operating activities was due, in part, to the aforementioned lower level of working capital as well as the changes in non-current assets and non-current liabilities (excluding financial liabilities). Whereas these changes had a negative impact on the cash flow in the previous year, the effects recorded in the reporting period were positive.

The cash inflow from operating activities was offset by cash flow from investing activities of EUR –16.3 million (p/y: EUR –14.6 million). The investments during the reporting period are explained below. Free cash flow after interest paid and received amounted to EUR 10.8 million (p/y: EUR 2.1 million).

Including the dividend distribution of EUR 4.2 million (p/y: EUR 5.2 million) and the net repayment of loans totaling EUR 0.7 million (p/y: EUR 0.3 million), cash and cash equivalents increased by EUR 5.9 million (p/y: EUR 3.4 million).

INVESTMENTS

We increased our investment activities in the second quarter. Of the EUR 17.5 million (p/y: EUR 19.6 million) invested in the first half of the year, as reported in the segment report, EUR 10.6 million (p/y: EUR 14.7 million) was invested in the period of April to June.

A key investment focus at all locations in the first half-year continued to be on production facilities for the start-ups and ramp-ups of instrument panel carriers. In addition, down payments for new forming presses were made at all locations except in Canada. Investments included a new 2,500-ton press for the production of seat components made of high-strength steel at our Czech location. We are currently getting prepared to commence production.

Constructions activities and a new measuring machine at the German and Czech location were carried out to further improve production efficiency. Two older facilities will also be replaced with a new degreasing line at the Oberkirch location, which will bring not only energy savings but also the implementation of further environmentally friendly measures.

NEW BUSINESS

After encouraging new business volume right from the start of the year, we were able to achieve significantly higher volume in the second quarter. We won new orders in the first half of the year with a volume of around EUR 340 million, which includes related tool volumes of around EUR 25 million.

More than half of this volume originated from the German and Czech locations. The Canadian and Mexican locations were also successful in the market.

Our entire product range in the market continues to meet with a high degree of acceptance. In the first half-year, in addition to components for seats and instrument panel carriers, our wide range of housings for a wide variety of automotive applications are also important to highlight. The start of production for new orders is planned to take place largely in the 2020 and 2021 fiscal years. The lifetime of these series tends to exceed the average life of five to eight years.

REPORT ON RISKS AND OPPORTUNITIES

The opportunities and risks for the development of the PWO Group and its segments presented in the 2018 Annual Report remain valid.

Business has stabilized since the automotive industry's weak sales performance starting in the fall of 2018. The customer call orders planned for the second half-year are still fluctuating at a low level.

Economic conditions are currently being shaped largely by political uncertainties, such as the global trade conflicts instigated primarily by the United States and the still unresolved Brexit problem in Europe. The softening of the global economy that resulted in the first half of 2019 is likely to continue if an improvement is not seen in the overall political climate.

The recent incidences of new tariff announcements targeting other policy areas also make our business difficult. China, in particular, is now suffering from US economic sanctions, as reflected by the significantly lower economic growth rate and declines in car sales.

Last but not least, discussions about reducing harmful emission limits and the transition to e-mobility are also delaying the purchasing decisions of end customers, especially in Europe and China. We are still not anticipating any pick-up in the global automotive cycle in the second half of the current fiscal year that was expected by some market experts at the beginning of the year.

The above factors present a significant challenge for companies in our industry, which is the reason we are continuing our efforts to improve the Group's profitability with undiminished intensity. The uncertainty in the forecast for the 2019 fiscal year was recently reduced as a result of the earnings development in the first half-year.

Forecasting future exchange rate developments are not part of our business projections. In addition, we enter into the appropriate hedging transactions to avoid currency risk.

The aim of hedging transactions is to safeguard the currency parities assumed upon the receipt of an order and, thereby, the expected contribution margins. We also essentially bear the risks associated with Group loans. As these are intercompany obligations commitments, we only hedge a portion of these loans.

REPORT ON FORECASTS AND OUTLOOK

Based on the revenue generated in the first half-year and the realized EBIT before currency effects, we are on course to achieve our forecasts for the current fiscal year. We continue to target stabilization in revenue within the range of EUR 480 to 490 million, and EBIT before currency effects in a range of EUR 18 to 19 million.

Ongoing cost reductions and process improvements are expected to contribute to reaching this target. The aforementioned positive one-off effects in the first half-year, however, are not expected to recur.

New business development exceeded expectations in the first half of 2019. Over the next few months, our customers will award further contracts, and we believe we are well-positioned to receive them. We are therefore raising our forecast for new business volume in 2019 to an estimated roughly EUR 500 million.

In terms of the other financial key indicators described in the 2018 Annual Report, we are reconfirming the forecasts published therein.

RESPONSIBILITY STATEMENT

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

Oberkirch, July 24, 2019

The Management Board

Dr. Volker Simon (CEO)
Bernd Bartmann
Johannes Obrecht

CONSOLIDATED INCOME STATEMENT

EURK

	Q2 2019	% share	Q2 2018	% share
Revenue	127,083	111.8	125,897	103.4
Change in finished goods and work-in-progress / other own work capitalized	-13,387	-11.8	-4,135	-3.4
TOTAL OUTPUT	**113,696**	**100.0**	**121,762**	**100.0**
Other operating income	1,707	1.5	2,636	2.2
Cost of materials	62,130	54.6	66,319	54.4
Staff costs	31,518	27.7	32,217	26.5
Depreciation and amortization	6,503	5.7	6,067	5.0
Other operating expenses	11,357	10.0	13,590	11.2
EBIT	**3,895**	**3.4**	**6,205**	**5.1**
Financial expenses	2,019	1.8	1,565	1.3
EBT	**1,876**	**1.7**	**4,640**	**3.8**
Income taxes	639	0.6	1,438	1.2
NET INCOME FOR THE PERIOD	**1,237**	**1.1**	**3,202**	**2.6**
Earnings per share in EUR	0.40	--	1.02	--

CONSOLIDATED INCOME STATEMENT

EURK

	1st HY 2019	% share	1st HY 2018	% share
Revenue	245,116	103.2	248,661	100.9
Change in finished goods and work-in-progress / other own work capitalized	-7,657	-3.2	-2,217	-0.9
TOTAL OUTPUT	**237,459**	**100.0**	**246,444**	**100.0**
Other operating income	5,385	2.3	5,980	2.4
Cost of materials	128,649	54.2	134,018	54.4
Staff costs	66,116	27.8	64,994	26.4
Depreciation and amortization	12,881	5.4	12,318	5.0
Other operating expenses	25,417	10.7	27,423	11.1
EBIT	**9,781**	**4.1**	**13,671**	**5.5**
Financial expenses	3,786	1.6	3,059	1.2
EBT	**5,995**	**2.5**	**10,612**	**4.3**
Income taxes	1,544	0.6	3,393	1.4
NET INCOME FOR THE PERIOD	**4,451**	**1.9**	**7,219**	**2.9**
Earnings per share in EUR	1.42	--	2.31	--

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURK

	Q2 2019	Q2 2018
NET INCOME FOR THE PERIOD	**1,237**	**3,202**
Net gains (p/y: net losses) from cash flow hedges	12	-4,251
Tax effect	-2	1,203
Currency translation differences	889	612
Items that may be reclassified to profit and loss in future	**899**	**-2,436**
Actuarial losses from defined benefit pension plans	-2,423	0
Tax effect	689	0
Items that will not be reclassified to profit and loss	**-1,734**	**0**
OTHER COMPREHENSIVE INCOME AFTER TAX	**-835**	**-2,436**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**402**	**766**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURK

	1st HY 2019	1st HY 2018
NET INCOME FOR THE PERIOD	**4,451**	**7,219**
Net losses from cash flow hedges	-145	-3,708
Tax effect	42	1,064
Currency translation differences	2,173	-69
Items that may be reclassified to profit and loss in future	**2,070**	**-2,713**
Actuarial losses from defined benefit pension plans	-7,858	0
Tax effect	2,234	0
Items that will not be reclassified to profit and loss	**-5,624**	**0**
OTHER COMPREHENSIVE INCOME AFTER TAX	**-3,554**	**-2,713**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**897**	**4,506**

CONSOLIDATED BALANCE SHEET

ASSETS

EURK

	Jun. 30, 2019	Dec. 31, 2018
Property, plant and equipment	200,713	189,496
Intangible assets	9,929	10,990
Contract assets	19,621	22,925
Deferred tax assets	14,357	12,437
NON-CURRENT ASSETS	**244,620**	**235,848**
Inventories	**78,122**	**87,282**
Trade receivables and other receivables	44,070	42,090
Contract assets	22,644	16,663
Other assets	11,587	12,047
Other financial assets	430	510
Income tax receivables	1,046	785
Receivables and other assets	**79,777**	**72,095**
Cash and cash equivalents	**12,974**	**10,382**
CURRENT ASSETS	**170,873**	**169,759**
TOTAL ASSETS	**415,493**	**405,607**

EQUITY AND LIABILITIES

EURK

	Jun. 30, 2019	Dec. 31, 2018
EQUITY	**110,546**	**113,868**
Non-current financial liabilities	90,433	89,851
Provisions for pensions	60,789	52,509
Other provisions	1,542	1,481
Non-current liabilities	**152,764**	**143,841**
Current portion of provisions for pensions	1,604	1,602
Current portion of other provisions	1,344	1,209
Trade payables and other liabilities	87,038	83,617
Other financial liabilities	7,379	9,580
Current financial liabilities	54,818	51,890
Current liabilities	**152,183**	**147,898**
TOTAL LIABILITIES	**304,947**	**291,739**
TOTAL EQUITY AND LIABILITIES	**415,493**	**405,607**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURK

	Equity attributable to PWO AG shareholders						
				Other reserves			
	Subscribed capital	**Capital reserves**	**Retained earnings**	**Defined benefit pension plans**	**Currency translation differences**	**Cash flow hedges**	**Total**
JANUARY 1, 2018	**9,375**	**37,494**	**78,650**	**-15,935**	**2,206**	**1,326**	**113,116**
Net income for the period			7,219				7,219
Other comprehensive income			-177		-69	-2,644	-2,890
TOTAL COMPREHENSIVE INCOME	**9,375**	**37,494**	**85,692**	**-15,935**	**2,137**	**-1,318**	**117,445**
Dividend payment			-5,156				-5,156
JUNE 30, 2018	**9,375**	**37,494**	**80,536**	**-15,935**	**2,137**	**-1,318**	**112,289**
JANUARY 1, 2019	**9,375**	**37,494**	**79,967**	**-13,708**	**1,066**	**-326**	**113,868**
Net income for the period			4,451				4,451
Other comprehensive income			0	-5,624	2,173	-103	-3,554
TOTAL COMPREHENSIVE INCOME	**9,375**	**37,494**	**84,418**	**-19,332**	**3,239**	**-429**	**114,765**
Dividend payment			-4,219				-4,219
JUNE 30, 2019	**9,375**	**37,494**	**80,199**	**-19,332**	**3,239**	**-429**	**110,546**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURK

	1st HY 2019	1st HY 2018
Net income for the period	4,451	7,219
Depreciation of property, plant and equipment and intangible assets	12,881	12,318
Income tax expense	1,544	3,393
Interest income and expenses	3,786	3,059
Change in current assets	1,739	12,261
Change in non-current assets	3,304	-10,983
Change in current liabilities (excluding financial liabilities)	1,209	-70
Change in non-current liabilities (excluding financial liabilities)	7,628	-1,004
Income taxes paid	-1,599	-2,755
Other non-cash expenses/income	-5,116	-4,382
Losses (p/y: gains) on disposal of property, plant and equipment	228	-7
CASH FLOW FROM OPERATING ACTIVITIES	**30,055**	**19,049**
Proceeds from disposal of property, plant and equipment	1,191	24
Payments for investments in property, plant and equipment	-16,966	-13,645
Payments for investments in intangible assets	-550	-1,016
CASH FLOW FROM INVESTING ACTIVITIES	**-16,325**	**-14,637**
Dividend payments	-4,219	-5,165
Interest paid	-3,023	-2,344
Interest received	88	15
Proceeds from borrowings	23,893	18,991
Repayment of borrowings	-24,566	-19,276
CASH FLOW FROM FINANCING ACTIVITIES	**-7,827**	**-7,779**
Net change in cash and cash equivalents	5,903	-3,367
Effect of exchange rates on cash and cash equivalents	-78	-46
Cash and cash equivalents as of January 1	6,060	1,440
CASH AND CASH EQUIVALENTS AS OF JUNE 30	**11,885**	**-1,973**
of which cash and cash equivalents	12,974	6,316
of which bank borrowings due on demand that are included in the Group's cash management	-1,089	-8,289

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Progress-Werk Oberkirch AG is a listed stock corporation headquartered at Industriestraße 8, 77704 Oberkirch, Germany. The Company is registered and recorded in the commercial register of the District Court of Freiburg under HRB 490007. The currently applicable Articles of Association are those in the version dated May 26, 2015. The Company's fiscal year corresponds to the calendar year.

The condensed interim consolidated financial statements of Progress-Werk Oberkirch AG (PWO) and its subsidiaries for the second quarter and first half-year of 2019 were authorized by the Management Board on the basis of a resolution passed on July 24, 2019 and were subsequently submitted to the Supervisory Board's Audit Committee for examination.

PWO's main business activities are the development and production of advanced metal components and subsystems using lightweight construction for automobile safety and comfort.

ACCOUNTING POLICIES

BASIS OF PRESENTATION

These condensed interim consolidated financial statements as of June 30, 2019 were prepared in accordance with IAS 34 "Interim Financial Reporting." All of the International Financial Reporting Standards (IFRS), including the interpretation of the IFRS Interpretations Committee (IFRIC) that were adopted into EU law by the European Commission and which were mandatorily applicable as of the reporting date, were applied as of the reporting date.

These interim consolidated financial statements do not contain all of the information and disclosures required for consolidated financial statements at the end of the financial year, and, therefore, should be read in conjunction with the annual consolidated financial statements as of December 31, 2018. In principle, the accounting policies used in preparing the interim consolidated financial statements are the same as those used for the consolidated financial statements as of December 31, 2018. Detailed explanations are provided on page 76 et sqq. of the notes to the 2018 Annual Report.

The interim consolidated financial statements and the interim management report are not subject to an external audit or an auditor's review.

CHANGES IN ACCOUNTING POLICIES

With the exception of the standards and interpretations to be applied for the first time as of January 1, 2019, the same accounting methods that were applied in the preparation of the consolidated financial statements as of December 31, 2018 were used for the condensed interim consolidated financial statements.

Announcement / title	Applicable time frame	Anticipated amendments	Anticipated impact on the Group's net assets, financial position and results of operations
IFRS 16: Leases	Jan. 1, 2019	New regulation for the accounting of leases. In accordance with IFRS 16, the lessee must now also account for all leases (exceptions are short-term leases or low-value lease assets). The accounting of leases by the lessor remains virtually unchanged.	Detailed information on the effects of the application of IFRS 16 is provided in the section following the table.
IFRS 9: Amendments to IFRS 9: Prepayment features with negative compensation	Jan. 1, 2019	The amendments relate to a limited adjustment in the assessment criteria relevant for the classification of financial assets. Subject to certain conditions, financial assets with prepayment features and negative compensation may be recognized at amortized cost or at fair value in other comprehensive income rather than at fair value through profit or loss.	No material effect.
IFRIC 23: Uncertainty over Income Tax Treatments	Jan. 1, 2019	The interpretation clarifies the recognition and measurement of uncertain income tax items.	No material effect.

EFFECTS OF THE APPLICATION OF IFRS 16: LEASES

In January 2016, the IASB published the new IFRS 16 "Leases" standard, which replaced the previous leasing standard IAS 17. IFRS 16 establishes principles for recognizing, measuring, presenting and disclosing leases and requires lessees to recognize all leases based on a single model similar to the accounting of finance leases under IAS 17. The basic idea of the new standard is that all leases and the related contractual rights and obligations are to be recognized in the lessee's balance sheet. The previous distinction between finance lease and operating lease agreements under IAS 17 will therefore no longer apply to the lessee. In accordance with IFRS 16, the lessee recognizes lease liabilities in the balance sheet for all leases amounting to the present value of future lease payments and, at the same time, capitalizes a corresponding right to use for the underlying asset. During the term of the lease contract, the lease liability is deferred in a manner similar to that under the previous IAS 17 for finance leases, while the right to use is amortized as scheduled. IFRS 16 provides simplifications for lease contracts with terms of up to 12 months and for low-value assets that can be used independently. These contracts may continue to be accounted for under the previous provisions for operating leases and, therefore, remain off-balance sheet transactions. The PWO Group will make use of these simplifications.

The first first-time application of IFRS 16 has been carried out in accordance with the transitional provisions under IFRS 16 based on the modified retrospective approach. The comparative figures of the previous year have not been adjusted.

The transition resulted in an increase in non-current assets and financial liabilities of EUR 6.4 million as of January 1, 2019. The transition had a slightly positive effect on the EBIT and cash flow.

CURRENCY TRANSLATION

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

		Closing rate		Average rate	
		Jun. 30, 2019	Jun. 30, 2018	1st HY 2019	1st HY 2018
China	CNY	7.82	7.72	7.67	7.71
Canada	CAD	1.49	1.54	1.51	1.55
Mexico	USD	1.14	1.17	1.13	1.21

INCOME TAXES

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

NOTES TO THE INCOME STATEMENT

REVENUE

The breakdown of Group revenue from the sale of products by location is shown in the segment reporting. Revenue in the reporting period was reduced by EURk –233 (p/y: EURk 276) due to the realization of hedging transactions.

The following table shows the breakdown of external revenues into the three strategic product areas, which are explained in the group management report contained in the 2018 Annual Report in the section entitled "Group Principles// Positioning, Expertise and Processes" (page 33).

EURK

	1st HY 2019	1st HY 2018
Mechanical components for electrical and electronic applications	50,171	51,819
Safety components for airbags, seats and steering	77,205	83,357
Structural components and subsystems for vehicle bodies and chassis	117,740	113,485
Total	**245,116**	**248,661**

OTHER OPERATING INCOME

Other operating income primarily comprises currency gains in the amount of EURk 3,415 (p/y: EURk 4,792).

OTHER OPERATING EXPENSES

Other operating expenses primarily comprise the following items:

EURK

	1st HY 2019	1st HY 2018
Costs for temporary employees	6,950	8,277
Currency losses	4,480	4,551
Maintenance costs	2,978	3,282
Outgoing freight	1,599	2,018
Leasing costs/rents	1,404	1,804

INCOME TAXES

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

EURK

	1st HY 2019	1st HY 2018
Actual taxes	1,480	3,016
Deferred taxes	64	377
Total	**1,544**	**3,393**

The higher tax expenses in the prior year resulted from a tax audit for the years 2012 to 2015 carried out at Progress-Werk Oberkirch AG in fiscal year 2017, which was completed in 2018.

EARNINGS PER SHARE

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

EURK

	Q2 2019	Q2 2018
Net income for the period	1,237	3,202
Average number of no-par value shares	3,125,000	3,125,000
Earnings per share in EUR	**0.40**	**1.02**

EURK

	1st HY 2019	1st HY 2018
Net income for the period	4,451	7,219
Average number of no-par value shares	3,125,000	3,125,000
Earnings per share in EUR	**1.42**	**2.31**

NOTES TO THE BALANCE SHEET

GOODWILL

An impairment test relating to goodwill is performed annually (as per December 31). An impairment test is also performed if there are indications that goodwill might be impaired. When testing for impairment of goodwill and intangible assets with a finite useful life, the PWO Group assesses the value in use. The main assumptions for determining the recoverable amount for the various cash-generating units are provided in the consolidated financial statements as of December 31, 2018. As of June 30, 2019, there were no indications requiring an impairment test and therefore no need for impairment.

INVENTORIES

The decline in inventories resulted primarily from the reclassification of tool inventories into contract assets.

RECEIVABLES AND OTHER ASSETS

The increase in receivables and other assets resulted from the aforementioned reclassification of tool inventories into "contract assets." Tool services invoiced to customers during the first half-year were fully recognized as revenue and not recorded as contract assets.

CASH AND CASH EQUIVALENTS

The amount of cash and cash equivalents reported in the consolidated statement of cash flows as of June 30, 2019 of EURk 12,974 (p/y: EURk 6,316) consists of cash on hand, and short-term bank deposits less any bank borrowings due on demand that are included in the Group's cash management.

EQUITY

SUBSCRIBED CAPITAL

As of the June 30, 2019 reporting date, the fully paid-up and subscribed capital amounted to EURk 9,375 (p/y: EURk 9,375) and was divided into 3,125,000 no-par value shares (p/y: 3,125,000 no-par value shares).

AUTHORIZED CAPITAL

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

RETAINED EARNINGS AND OTHER EQUITY

As of June 30, 2019, Group equity includes income and expenses arising from the currency translation of foreign subsidiaries of EURk 3,239 (p/y: EURk 2,137) and income and expenses from cash flow hedges of EURk –429 (p/y: EURk –1,318).

NOTIFICATIONS PURSUANT TO SECTION 33 WPHG

In the first half-year of 2019, there were no notifications received regarding investments in Progress-Werk Oberkirch AG.

LIABILITIES

PENSION PROVISIONS

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

	Jun. 30, 2019	Dec. 31, 2018
Discount rate	1.50%	2.20%
Employee turnover rate	2.50%	2.50%
Future salary trend > 40 years	2.50%	2.50%
Future salary trend < 40 years (career trend)	3.50%	3.50%
Future pension adjustments	1.75%	1.75%
Mortality	RT Heubeck 2018 G	RT Heubeck 2018 G

The adjustment of the discount rate to the interest rate applicable as of the reporting date resulted in a change in estimates. The reduction by 0.7 percentage points mainly led to an increase in non-current pension provisions of EURk 8,280.

OTHER PROVISIONS

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

OFF-BALANCE SHEET TRANSACTIONS

The Group continuously sells trade receivables to generate the liquid assets required to finance the operating business and facilitate better liquidity planning. All material risks have been transferred to the factor. As of June 30, 2019, receivables with a nominal value of EURk 20,773 (p/y: EURk 23,354) were sold. The transferred receivables are current receivables where the carrying amount corresponds to the fair value of the assets transferred.

CAPITAL MANAGEMENT

Capital monitoring at PWO takes place based on the dynamic leverage ratio (financial liabilities less cash in relation to EBITDA) and the equity ratio (equity as a percentage of total assets). In accordance with our financial strategy, we strive for a dynamic leverage ratio of less than 3 years and an equity ratio of 30%.

DYNAMIC LEVERAGE RATIO

EURK

	Jun. 30, 2019	Dec. 31, 2018
Financial liabilities	145,251	141,741
Less cash and cash equivalents	-12,974	-10,382
Net financial liabilities	**132,277**	**131,359**
EBITDA [1]	**39,410**	**42,737**
Dynamic leverage ratio (in years)	**3.3**	**3.1**

[1] Earnings before interests, taxes, depreciation and amortization of the last 12 months.

EQUITY RATIO

EURK

	Jun. 30, 2019	Dec. 31, 2018
Equity	110,546	113,868
Total assets	415,493	405,607
Equity ratio	**26.6%**	**28.1%**

FINANCIAL INSTRUMENTS

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

EURK

	Category		Carrying amount		Fair value	
	IAS 39	IFRS 9 [1]	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
ASSETS						
Trade receivables and other receivables	LaR	AC	44,070	42,090	44,070	42,090
Other financial assets			430	510	430	510
of which derivatives with hedging relationship	n.a.	n.a.	405	203	405	203
of which derivatives without hedging relationship	FAHfT	FVtPL	25	307	25	307
of which deposits > 3 months	LaR	AC	0	0	0	0
Cash and cash equivalents	LaR	AC	12,974	10,382	12,974	10,382
LIABILITIES						
Financial liabilities			145,251	141,741	151,128	151,284
Bank borrowings	FLAC	AC	78,832	65,266	80,148	69,070
of which variable interest rate			8,058	6,470	8,058	6,470
of which fixed interest rate			70,774	58,796	72,090	62,600
Liabilities from promissory notes	FLAC	AC	49,883	64,863	54,414	69,834
of which variable interest rate			2,993	2,994	2,993	2,994
of which fixed interest rate			46,890	61,869	51,421	66,840
Liabilities to leasing companies	n.a.	n.a.	16,537	11,613	16,566	12,380
of which variable interest rate			0	0	0	0
of which fixed interest rate			16,537	11,613	16,566	12,380
Trade payables	FLAC	AC	40,088	38,208	40,088	38,208
Other financial liabilities			7,379	9,580	7,379	9,580
of which derivatives with hedging relationship	n.a.	n.a.	702	1,919	702	1,919
of which derivatives without hedging relationship	FLHfT	FVtPL	3,067	2,911	3,067	2,911
of which others	FLAC	AC	3,610	4,750	3,610	4,750

EURK

		Category	Carrying amount		Fair value	
	IAS 39	IFRS 9 [1]	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
of which aggregated according to measurement categories:						
Loans and Receivables	LaR	AC	57,045	52,472	57,045	52,472
Financial Liabilities Measured at Amortized Cost	FLAC		172,413	173,087	178,260	181,862
Financial Assets Held for Trading	FAHfT	FVtPL	25	307	25	307
Financial Liabilities Held for Trading	FLHfT		3,067	2,911	3,067	2,911

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

According to IFRS 13, all assets and liabilities that are carried at fair value are allocated to Level 2 of the valuation hierarchy with the exception of the embedded interest rate floor from the syndicated loan agreement, which is allocated to Level 3. An amount of EURk 807 from changes in fair value was recognized as an interest expense in the reporting period (p/y: EURk 17). There were no changes to the valuation methods applied in the reporting period and no reclassifications among the hierarchy levels.

ADDITIONAL INFORMATION

RELATED PARTY DISCLOSURES

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

ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash funds reported in the cash flow statement comprise cash and cash equivalents in addition to bank borrowings due on demand. The bank borrowings payable on demand, amounting to EURk 1,089 (p/y: EURk 8,289) have been included in the balance sheet under "current financial liabilities".

SEGMENT REPORT

Of the revenue reported as of June 30, 2019, four customers accounted for more than 10% of the Group's revenue (EURk 31,103, EURk 28,991, EURk 28,192 and EURk 25,887) originating from all segments with a focus on components for vehicle bodies and chassis. In the previous year, 3 customers accounted for revenue of over 10% in the individual amounts of EURk 34,008, EURk 30,342 and EURk 30,066, respectively, across all segments.

SEGMENT INFORMATION BY REGION FOR THE 1ST HALF-YEAR 2019

EURK

	Germany	Rest of Europe	North America	Asia	Consolidation effects	Group
Total revenue	131,224	40,851	62,482	22,950	55	257,562
Inter-segment revenue	-8,116	-1,437	-48	-2,845	0	-12,446
EXTERNAL REVENUE	**123,108**	**39,414**	**62,434**	**20,105**	**55**	**245,116**
TOTAL OUTPUT	**133,185**	**41,555**	**54,061**	**21,088**	**-12,430**	**237,459**
Other income (aggregated)	5,395	131	1,123	643	-1,907	5,385
Other expenses (aggregated)	128,991	35,465	49,266	19,604	-13,144	220,182
Depreciation and amortization	7,605	2,463	2,506	1,487	-1,180	12,881
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**1,984**	**3,758**	**3,412**	**640**	**-13**	**9,781**
Interest income	2,253	0	5	3	-2,132	129
Interest expenses	3,137	434	1,333	1,143	-2,132	3,915
EARNINGS BEFORE TAXES (EBT)	**1,100**	**3,324**	**2,084**	**-500**	**-13**	**5,995**
Income taxes	823	309	435	0	-23	1,544
NET INCOME FOR THE PERIOD	**277**	**3,015**	**1,649**	**-500**	**10**	**4,451**
Assets	210,783	87,435	103,725	54,423	-40,873	415,493
of which non-current assets [1]	76,215	55,438	47,669	31,390	-70	210,642
of which contract assets	24,979	3,881	11,030	2,526	-151	42,265
Liabilities	53,301	35,376	78,877	62,847	74,546	304,947
Investments	8,117	4,259	3,226	1,914	0	17,516
Employees (as of June 30)	1,573	666	753	312	—	3,304

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

SEGMENT INFORMATION BY REGION FOR THE 1ST HALF-YEAR 2018

EURK

	Germany	Rest of Europe	North America	Asia	Consolidation effects	Group
Total revenue	154,282	40,376	50,718	24,001	-43	269,334
Inter-segment revenue	-11,635	-4,192	-213	-4,633	0	-20,673
EXTERNAL REVENUE	**142,647**	**36,184**	**50,505**	**19,368**	**-43**	**248,661**
TOTAL OUTPUT	**149,333**	**39,710**	**53,307**	**24,505**	**-20,411**	**246,444**
Other income (aggregated)	5,128	270	1,340	914	-1,672	5,980
Other expenses (aggregated)	142,545	33,701	48,686	23,758	-22,255	226,435
Depreciation and amortization	6,060	2,386	2,562	1,310	0	12,318
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**5,856**	**3,893**	**3,399**	**351**	**172**	**13,671**
Interest income	1,770	9	0	1	-1,724	56
Interest expenses	2,273	523	1,150	893	-1,724	3,115
EARNINGS BEFORE TAXES (EBT)	**5,353**	**3,379**	**2,249**	**-541**	**172**	**10,612**
Income taxes	2,040	613	650	2	88	3,393
NET INCOME FOR THE PERIOD	**3,313**	**2,766**	**1,599**	**-543**	**84**	**7,219**
Assets	206,986	85,431	93,770	59,731	-47,459	398,459
of which non-current assets [1]	73,883	52,331	39,310	31,756	-92	197,188
of which contract assets	15,340	3,166	4,558	2,935	-182	25,817
Liabilities	45,413	33,639	73,517	62,386	71,215	286,170
Investments	5,325	6,283	4,005	4,030	0	19,643
Employees (as of June 30)	1,640	664	811	330	—	3,445

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

SUBSEQUENT EVENTS

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

REPORT OF THE SUPERVISORY BOARD'S AUDIT COMMITTEE

The interim financial report for the second quarter and first half-year 2019 was presented to the Supervisory Board's Audit Committee and explained by the Management Board. The Audit Committee concurred with the interim financial report.

Oberkirch, July 29, 2019

The Chairman of the Audit Committee
Carsten Claus

GOVERNING BODIES

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

MEMBERS OF THE MANAGEMENT BOARD

- Dr. Volker Simon | CEO
- Bernd Bartmann
- Johannes Obrecht

MEMBERS OF THE SUPERVISORY BOARD

- Karl M. Schmidhuber | Chairman
- Dr. Georg Hengstberger | Deputy Chairman
- Carsten Claus
- Herbert König | Employee representative
- Dr. Jochen Ruetz
- Gerhard Schrempp | Employee representative

FINANCIAL CALENDAR

Nov. 7, 2019	Quarterly statement for the 3rd Quarter and 9 Months of 2019
Nov. 25–27, 2019	German Equity Forum, Frankfurt/Main
May 27, 2020	Annual General Meeting 2020

CONTACT

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FORWARD-LOOKING STATEMENTS AND FORECASTS

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

DISCLAIMER

Figures in this report are typically presented on EURk and EUR million. Differences in comparison to the actual number in euro may emerge in individual figures due to rounding. Such differences are not of a significant nature. For reasons of better readability, the generic masculine form is used in addition to gender-specific forms but expressly refers to all genders.