Interim Management Statement January to March 2023

SOLUTIONS FOR A WORLD ON THE MOVE

GRAMMER

Revenue
589.1 EUR m

Operating EBIT
13.9 EUR m

Operating EBIT margin
2.4%

Equity ratio
21.1%

Net profit/loss
2.9 EUR m

Free cash flow
8.7 EUR m

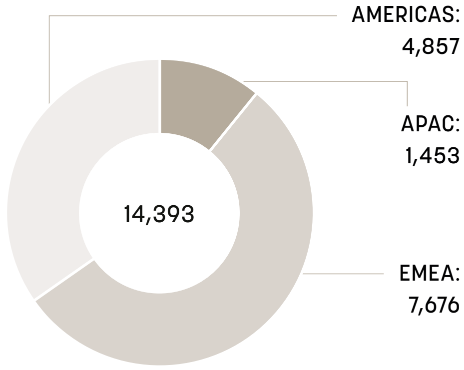
EBIT
11.7
EUR m

Capital expenditure
14.4
EUR m

Company profile

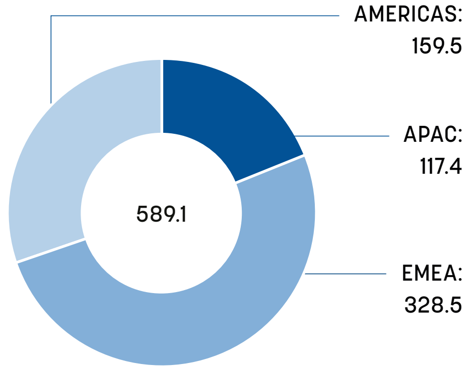
GRAMMER AG, which has its head office in Ursensollen, operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. GRAMMER is a full service provider of driver and passenger seats for trucks, buses, trains, and offroad vehicles. At present, GRAMMER AG has about 14,500 employees in 19 countries around the world. Its revenue in 2022 was about EUR 2.2 billion. GRAMMER shares are listed in the Prime Standard and traded on the Munich and Frankfurt stock exchanges and via the Xetra electronic trading platform.

Employees by region[1]
Annual average



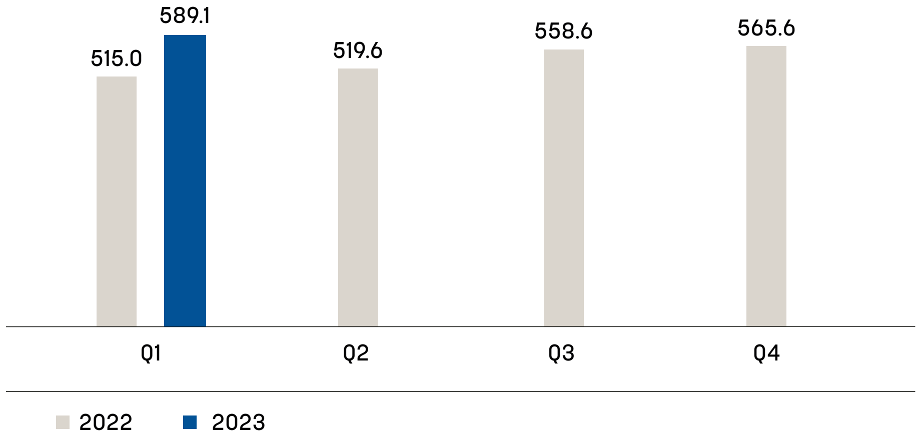
[1] An average of 407 people were employed in Central Services.

Revenue by region[2]
EUR m



[2] The consolidation effect of revenue between the regions amounts to EUR 16.3 million.

Revenue by quarter
EUR m



Operating EBIT by region

AMERICAS	EMEA	APAC
–9.3 EUR m	17.1 EUR m	11.6 EUR m

Overview of business performance

- GRAMMER AG posted an earnings performance well above the previous year's level in the first quarter of 2023, with all regions contributing to this

- EBIT thus improved considerably to EUR 11.7 million in the first three months of 2023 (Q1 2022: EUR -1.2 million). Operating EBIT also increased significantly to EUR 13.9 million (Q1 2022: EUR -2.5 million), resulting in an operating EBIT margin of 2.4% (Q1 2022: -0.5%)

- GRAMMER Group revenue increased by 14.4% to EUR 589.1 million in the first quarter of 2023 (Q1 2022: EUR 515.0 million). Both the Automotive Division and the Commercial Vehicles Division posted double-digit revenue growth at 14.7% and 13.8% respectively

- Looking at the different regions, earnings stabilized in APAC in particular, after the region had been heavily impacted in the previous year by COVID-19 lockdowns in China, high freight costs in Japan, and ramp-up costs for the new plants. Revenue here increased by 31.8% to EUR 117.4 million in the reporting period (Q1 2022: EUR 89.1 million), while operating EBIT was up 75.8% at EUR 11.6 million (Q1 2022: EUR 6.6 million)

- In the AMERICAS region, further progress on the measures initiated in the P2P restructuring project could be seen, with revenue increasing slightly to EUR 159.5 million (Q1 2022: EUR 154.1 million) and operating EBIT improving to EUR -9.3 million (Q1 2022: EUR -16.9 million)

- The EMEA region also developed positively, posting revenue growth of 13.4% to EUR 328.5 million in the first quarter of 2023 (Q1 2022: EUR 289.7 million), while operating EBIT improved by 40.2% to EUR 17.1 million (Q1 2022: EUR 12.2 million)

- However, GRAMMER AG generally still expects that the enormously challenging 2022 financial year is likely to be followed by adverse effects in connection with the ongoing difficult macroeconomic environment in the 2023 financial year, particularly in view of the sharp rise in material, energy, and wage costs and the anticipated weak economic development in Germany and Brazil

- Outlook for 2023 confirmed: Due to the continuing macroeconomic and industry-specific uncertainties, the GRAMMER Group anticipates revenue at the previous year's level of around EUR 2.2 billion and expects operating EBIT to double to around EUR 70 million in the current financial year

- As in the previous year, the positive effects are expected to materialize only gradually over the course of the year, meaning that a significantly stronger second half of the year is anticipated again

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1. Economic conditions

Global economy

Global economic development in 2022 was mainly dominated by the war in Ukraine. The consequences of the Russian invasion included dramatic cost increases across the board, especially for energy and raw materials, as well as material and supply bottlenecks. On top of this came the labor shortage and strict lockdowns in China. Accordingly to data from the International Monetary Fund (IMF) from April 2023, global economic output grew by 3.4% in 2022 as a whole. On the energy markets, initial signs of easing emerged towards the end of 2022 and continued in the first quarter of 2023. Price pressure remained high overall despite a slight decrease in inflation. In addition, China experienced waves of infections with high sickness rates after the strict COVID-19-related restrictions were lifted at the end of 2022. There was also turbulence in the banking sector at the beginning of the current year due to the sharp rise in interest rates. For 2023, the IMF therefore anticipates global growth of 2.8%, representing a slight decrease of 0.1 percentage points compared to the forecast from January 2023.

In the EMEA region, experts at the IMF expect to see far weaker growth of 0.8% in the eurozone. In Germany, current forecasts anticipate a slight decline in GDP of –0.1%, compared to January 2023 when the IMF still expected economic output to grow slightly by 0.1%.

In the AMERICAS region, economic output is expected to increase by 1.6% in the US and by 1.8% in Mexico. Especially in the US, the IMF believes the labor market has proved stable. Lower demand for goods was largely offset by demand for services.

China, the biggest market in the APAC region, is expected to grow by 5.2%. After the Chinese government's U-turn on its zero-COVID policy, economic activity is expected to pick up again considerably, which could make a positive contribution to global growth.

Conditions in the automotive industry

According to the market data published by S&P Global Mobility, 2.7% more vehicles were manufactured worldwide in the first quarter of 2023 than in the same period of the previous year. In absolute terms, global growth in the first three months of 2023 amounted to 0.5 million units. The majority of this figure – 0.4 million units – was attributable to the EMEA region, representing growth of 8.7% compared to the first quarter of 2022. In particular, the supply chain disruptions in EMEA subsided at the beginning of the current year. The disruptions to production that had been feared as a result of the energy crisis also did not materialize. However, the semiconductor shortage in particular is still an uncertainty factor for S&P Global Mobility's forecast.

Production in the APAC region declined by –1.3% in the first three months of 2023. This decrease was chiefly due to the market situation in China. After the strict restrictions during the COVID-19 pandemic were lifted here, there were waves of infections and consequently production stoppages in the first quarter of 2023. The decline in production in China came to –9.7% or 0.6 million units in total. By contrast, the rest of the region not including China recorded an increase of 8.9% (0.5 million units).

According to the S&P Global Mobility data, the AMERICAS region saw year-on-year growth of 7.1% or 0.3 million units in the first quarter of 2023. Despite the gradual recovery, production in the region is still negatively impacted by supply chain and logistics problems as well as a shortage of workers.

Conditions in the commercial vehicles industry

In the commercial vehicles sector, S&P Global Mobility's latest forecast expects a decline in the global production volume in the current 2023 financial year. It notes that the global truck market already contracted by –5.3% in the first quarter as compared to the same quarter of 2022. Here, too, the lower production volume compared to the previous year is particularly attributable to the Chinese market.

In the APAC region as a whole, the decrease in the first quarter of 2023 came to –11.6%. The number of units manufactured thus fell by around 0.06 million. In China alone, there was a decline of -18.6%, which was particularly due to the discontinuation of the zero-COVID policy. Not including China, the decrease was only –1.6%. However, S&P Global Mobility expects production figures to recover significantly again over the course of the year after the waves of infections end and due to government incentives.

Production in the AMERICAS region increased by 6.5% or 0.01 million units year-on-year in the first quarter of 2023. Over the year as a whole, however, the analysts at S&P Global Mobility expect production to be reduced overall in 2023. The supply bottlenecks are only gradually easing in the AMERICAS.

In the EMEA region, S&P Global Mobility reported a slight increase in production figures of 1.9% in the first three months of 2023. The geopolitical crises mean that the prospects for a future upturn in EMEA are uncertain. In addition, high operating costs and a shortage of drivers are negatively impacting commercial vehicle production in the region.

2. GRAMMER Group key figures

Key figures in accordance with IFRS GRAMMER Group

EUR m

	01–03 2023	01–03 2022	01–12 2022
Group revenue	**589.1**	**515.0**	**2,158.8**
Revenue EMEA	328.5	289.7	1,131.4
Revenue AMERICAS	159.5	154.1	672.5
Revenue APAC	117.4	89.1	426.7
Income Statement			
EBITDA	32.1	20.3	117.4
EBITDA margin (%)	5.4	3.9	5.4
EBIT	11.7	-1.2	-45.0
EBIT margin (%)	2.0	-0.2	-2.1
Operating EBIT	13.9	-2.5	35.5
Operating EBIT margin (%)	2.4	-0.5	1.6
Earnings before taxes	3.9	-2.2	-62.8
Net profit/loss	2.9	-8.0	-78.6

EUR m

	March 31, 2023	March 31, 2022	December 31, 2022
Consolidated Statement of Financial Position			
Total assets	1,428.9	1,518.9	1,444.6
Equity	301.3	355.8	301.1
Equity ratio (%)	21.1	23.4	20.8
Net debt	427.1	436.8	429.3
Gearing (%)	141.8	122.8	142.6

	01–03 2023	01–03 2022	01–12 2022
Statement of Cash Flows			
Capital expenditure (without financial assets)	14.4	14.3	91.0
Depreciation and amortization	20.4	21.5	162.4
Free Cash Flow	8.7	-12.0	31.3
Employees (number, average)	14,393	14,009	14,044

	March 31, 2023	March 31, 2022	December 31, 2022
Share data			
Prices (Xetra closing price in EUR)	14.40	16.70	10.55
Market capitalization (EUR m)	219.4	254.5	160.8
Earnings per share (basic/diluted, EUR)	0.19	-0.53	-5.26

3. Business performance in the first quarter of 2023

GRAMMER Group revenue amounted to EUR 589.1 million in the first three months of 2023, up 14.4% or EUR 74.1 million on the same period of the previous year (Q1 2022: EUR 515.0 million). This positive development was in particular due to revenue growth of 31.8% to EUR 117.4 million in the APAC region (Q1 2022: EUR 89.1 million). In the previous year, revenue in the region was still significantly impacted by COVID-19-related lockdowns. The EMEA region generated revenue of EUR 328.5 million (Q1 2022: EUR 289.7 million), corresponding to growth of 13.4%. In the AMERICAS region, revenue amounted to EUR 159.5 million in the first three months of 2023 (Q1 2022: EUR 154.1 million), a slight increase of 3.5% on the same period of the previous year.

GRAMMER Group earnings before interest and taxes (EBIT) increased significantly to EUR 11.7 million in the period from January to March 2023 (Q1 2022: EUR –1.2 million). GRAMMER Group's operating EBIT also increased significantly to EUR 13.9 million (Q1 2022: EUR –2.5 million), resulting in an operating EBIT margin of 2.4% (Q1 2022: –0.5%). In addition to a more stable business performance in the APAC region, the main reasons for the increase in quarterly earnings also included progress on the turnaround measures initiated in the AMERICAS region. The EMEA region also developed positively, as expected. Operating EBIT was adjusted for expenses for restructuring measures in the AMERICAS region in the amount of EUR 0.9 million and for negative currency effects of EUR 1.3 million.

In addition, the passing on of the substantial inflation-related cost increases (material, energy, transport and wage costs), which were already agreed in 2022, also had a positive effect on the result in the first three months of 2023. Negotiations with additional OEMs are also planned for the following quarters in order to achieve compensation. In addition, the company aims to achieve a sustainable turnaround in AMERICAS, today's second largest market, by 2024.

With regard to the turnaround project „P2P - Path to Profitability" in this region, GRAMMER succeeded in completing an important component in the first quarter of 2023 with the restructuring of the TMD business. The agreements reached here with customers on significant price adjustments are also reflected in the results for the first quarter of 2023. In addition, one plant was closed earlier than originally planned, which already led to an additional burden on earnings in the first quarter of 2023. The measures initiated to stabilise and improve the operating performance will need to be consistently pursued over the coming months in order to further improve the results of the region.

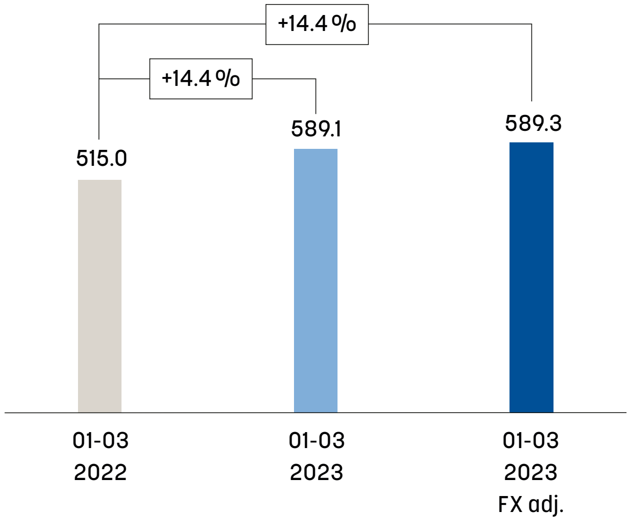
Looking to the remainder of the year, the GRAMMER Group still anticipates a positive development, with the second half of the year expected to be significantly stronger than the first again in 2023, as in the previous year.

4. GRAMMER Group results of operations

GRAMMER Group revenue
GRAMMER Group revenue increased by 14.4% year-on-year to EUR 589.1 million in the first quarter of 2023 (Q1 2022: EUR 515.0 million). The Automotive Division and the Commercial Vehicles Division both recorded revenue growth. Revenue in the Automotive Division increased by 14.7% to EUR 371.9 million, while revenue in the Commercial Vehicles Division rose by 13.8% to EUR 217.2 million.

The EMEA and APAC regions were the main drivers of the positive revenue performance in the Commercial Vehicles Division, and the AMERICAS region also posted a slight increase. There was a similar picture in the Automotive Division in the first quarter of 2023. Here, too, the APAC and EMEA regions in particular contributed to the positive revenue development. Revenue in the AMERICAS region also increased slightly, but this was primarily due to currency effects.

GRAMMER Group revenue (incl. FX-adjustment)
EUR m



GRAMMER Group earnings
GRAMMER Group EBIT amounted to EUR 11.7 million in the first three months of 2023 (Q1 2022: EUR –1.2 million). Improved earnings were recorded in all three regions at GRAMMER, with first-quarter EBIT amounting to EUR 11.4 million in the APAC region (Q1 2022: EUR 6.3 million) and EUR 17.4 million in EMEA (Q1 2022: EUR 12.3 million). In the AMERICAS, EBIT came to EUR –11.2 million after EUR –16.4 million in the first quarter of 2022.

Group operating EBIT and the operating EBIT margin also increased considerably year-on-year to EUR 13.9 million and 2.4% respectively (Q1 2022: EUR -2.5 million and -0.5%) after adjustment for expenses for restructuring meausres in the AMERICAS region of EUR 0.9 million and negative currency effects of EUR 1.3 million.

Revenue performance by region and division
EUR m

	GRAMMER Gruppe			EMEA			AMERICAS			APAC		
	01-03 2023	01-03 2022	Change	01-03 2023	01-03 2022	Change	01-03 2023	01-03 2022	Change	01-03 2023	01-03 2022	Change
Automotive	371.9	324.2	14.7%	169.3	146.3	15.7%	128.1	124.3	3.1%	78.4	57.2	37.1%
Commercial Vehicles	217.2	190.8	13.8%	159.2	143.4	11.0%	31.4	29.8	5.4%	39.0	31.9	22.3%
Revenue	**589.1**	**515.0**	**14.4%**	**328.5**	**289.7**	**13.4%**	**159.5**	**154.1**	**3.5%**	**117.4**	**89.1**	**31.8%**

The consolidation effect of the revenue generated within the Group between the regions amounted to EUR 16.3 million in the reporting period (Q1 2022: EUR 17.9 million).

GRAMMER Group Condensed Statement of Income

EUR k

	01-03 2023	01-03 2022	Change
Revenue	589,101	514,998	74,103
Cost of sales	-531,729	-477,880	-53,849
Gross profit	**57,372**	**37,118**	**20,254**
Selling expenses	-7,811	-6,923	-888
Administrative expenses	-43,482	-39,541	-3,941
Other operating income	5,596	8,129	-2,533
Earnings before interest and taxes (EBIT)	**11,675**	**-1,217**	**12,892**
Financial result	-7,812	-935	-6,877
Earnings before taxes	**3,863**	**-2,152**	**6,015**
Income taxes	-941	-5,880	4,939
Net profit/loss	**2,922**	**-8,032**	**10,954**

Derivation of Operating EBIT

EUR m

	01-03 2023	01-03 2022	Change
EBIT	**11.7**	**-1.2**	**12.9**
Currency translation effects	1.3	-1.8	3.1
Costs for coronavirus-related protection and response measures	0.0	0.5	-0.5
Costs for restructuring measures	0.9	0.0	0.9
Operating EBIT	**13.9**	**-2.5**	**16.4**

5. Performance by region

EMEA

GRAMMER generated revenue of EUR 328.5 million in the EMEA region in the first three months of 2023 (Q1 2022: EUR 289.7 million) – a year-on-year increase of 13.4%. Revenue in the Commercial Vehicles Division contributed to this with growth of EUR 15.8 million to EUR 159.2 million, corresponding to an increase of 11.0%. In the same period, the Automotive Division grew by EUR 23.0 million or 15.7%. The region, which includes the companies with the highest revenue in the Group, thus developed positively year-on-year.

EBIT in the EMEA region increased by almost 42% to EUR 17.4 million in the first quarter of 2023 (Q1 2022: EUR 12.3 million). In addition to the improved operating performance in the first quarter, the agreements reached with customers on passing on inflation-related cost increases also contributed to this result. The EBIT margin was 5.3% (Q1 2022: 4.2%), representing an increase of more than one percentage point.

Operating EBIT also increased to EUR 17.1 million (Q1 2022: EUR 12.2 million). Accordingly, the operating EBIT margin rose to 5.2% (Q1 2022: 4.2%). Operating EBIT was adjusted by positive currency translation effects in the amount of EUR 0.3 million.

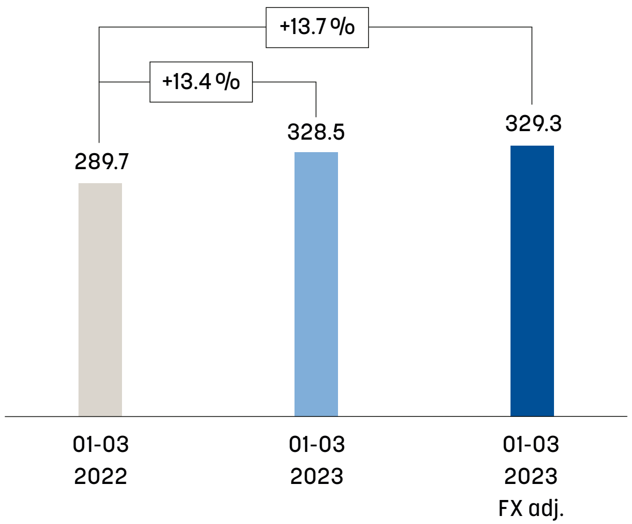
EMEA region key figures

EUR m

	01-03 2023	01-03 2022	Change
Revenue	328.5	289.7	38.8
EBIT	17.4	12.3	5.1
EBIT margin (%)	5.3	4.2	1.1 %-points
Operating EBIT	17.1	12.2	4.9
Operating EBIT margin (%)	5.2	4.2	1.0 %-points
Capital expenditure (without financial assets)	5.2	4.6	0.6
Employees (number, average)	7,676	7,348	328

EMEA revenue (incl. FX-adjustment)

EUR m



AMERICAS

Revenue in the AMERICAS region increased by 3.5% to EUR 159.5 million in the first three months of 2023 (Q1 2022: EUR 154.1 million). However, FX-adjusted revenue was around the previous year's level. The positive development was thus mainly attributable to currency effects. Revenue in the Automotive Division rose by 3.1% to EUR 128.1 million (Q1 2022: EUR 124.3 million). Adjusted for FX effects, however, the region saw a decline of 1.0%. In the previous year, there had been catch-up effects here due to the semiconductor shortage in 2021. In the Commercial Vehicles Division, revenue rose by 5.4% to EUR 31.4 million (Q1 2022: EUR 29.8 million) and FX-adjusted revenue by 4.0%, although this was also attributable to inflation-related price increases.

Partly due to the high inflation, the continued sharp rise in personnel costs and weaknesses in operating performance, EBIT in the AMERICAS region remained negative in the first three months at EUR –11.2 million (Q1 2022: EUR –16.4 million). The prior-year figure had been negatively impacted by non-recurring expenses of around EUR 4 million, in particular for special freight at a plant in Mexico. The EBIT margin improved year-on-year to –7.0% (Q1 2022: –10.6%).

Operating EBIT amounted to EUR –9.3 million in the first three months of 2023 (Q1 2022: EUR –16.9 million). The operating EBIT margin thus came to –5.8%, representing a significant year-on-year improvement of 5.2 percentage points (Q1 2022: –11.0%). Operating EBIT was adjusted for expenses for restructuring measures of EUR 0.9 million and for negative currency effects of EUR 1.0 million.

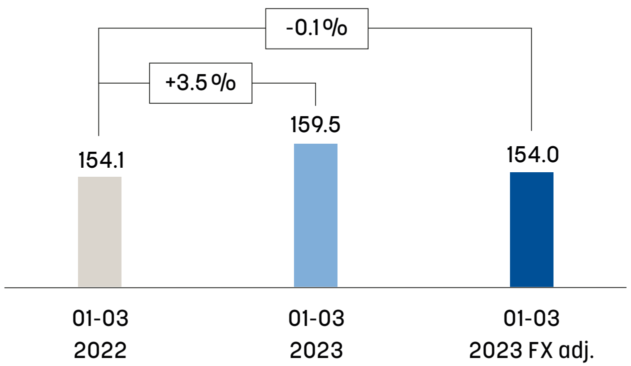
AMERICAS region key figures

EUR m

	01-03 2023	01-03 2022	Change
Revenue	159.5	154.1	5.4
EBIT	-11.2	-16.4	5.2
EBIT margin (%)	-7.0	-10.6	3.6 %-points
Operating EBIT	-9.3	-16.9	7.6
Operating EBIT margin (%)	-5.8	-11.0	5.2 %-points
Capital expenditure (without financial assets)	3.1	2.9	0.2
Employees (number, average)	4,857	4,778	79

AMERICAS revenue (incl. FX-adjustment)

EUR m



APAC

Revenue in the APAC region rose by 31.8% to EUR 117.4 million in the first quarter of 2023 (Q1 2022: EUR 89.1 million). This increase was primarily due to the lower revenue in the first quarter of 2022, when the COVID-19 lockdowns in China and global supply bottlenecks for semiconductors led to considerably lower customer call-offs. In the Automotive Division, revenue rose by 37.1% year-on-year to EUR 78.4 million (Q1 2022: EUR 57.2 million). Revenue in the Commercial Vehicles Division also increased by 22.3% to EUR 39.0 million (Q1 2022: EUR 31.9 million). This was primarily due to the introduction of a stricter emission standard, which had led to a slump in new truck orders in the first quarter of 2022.

EBIT in the APAC region increased by almost 81% to EUR 11.4 million (Q1 2022: EUR 6.3 million). This positive development was chiefly due to effects from the previous year, particularly the lower revenue level on the Chinese market as a result of the COVID-19 lockdowns, high freight costs in Japan, ramp-up costs for the new plants in China, and new product start-ups. The EBIT margin climbed by 2.6 percentage points to 9.7% (Q1 2022: 7.1%).

Operating EBIT also increased to EUR 11.6 million (Q1 2022: EUR 6.6 million), with the operating EBIT margin rising by 2.5 percentage points year-on-year to 9.9% (Q1 2022: 7.4%). Operating EBIT was adjusted by negative currency translation effects in the amount of EUR 0.2 million.

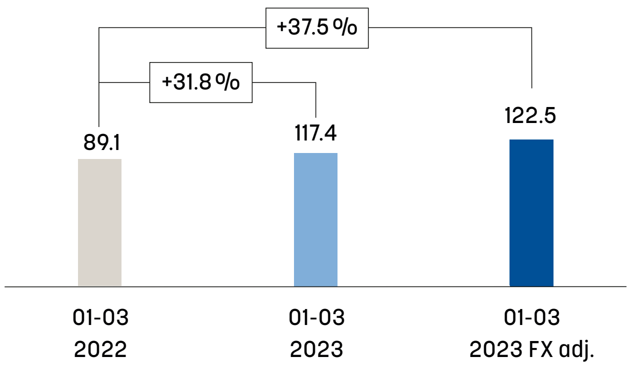
APAC region key figures

EUR m

	01-03 2023	01-03 2022	Change
Revenue	117.4	89.1	28.3
EBIT	11.4	6.3	5.1
EBIT margin (%)	9.7	7.1	2.6 %-points
Operating EBIT	11.6	6.6	5.0
Operating EBIT margin (%)	9.9	7.4	2.5 %-points
Capital expenditure (without financial assets)	3.3	3.7	-0.4
Employees (number, average)	1,453	1,477	-24

APAC revenue (incl. FX-adjustment)

EUR m



6. Net assets and financial position

GRAMMER Group Condensed Consolidated Statement of Financial Position

EUR k

	March 31, 2023	December 31, 2022	Change
Non-current assets	764,446	768,076	-3,630
Current assets	664,483	676,518	-12,035
Assets	**1,428,929**	**1,444,594**	**-15,665**
Equity	301,338	301,108	230
Non-current liabilities	383,971	366,408	17,563
Current liabilities	743,620	777,078	-33,458
Equity and liabilities	**1,428,929**	**1,444,594**	**-15,665**

GRAMMER Group total assets fell slightly by 1.1% or EUR 15.7 million to EUR 1,428.9 million as at March 31, 2023 (December 31, 2022: EUR 1,444.6 million).

Non-current assets also decreased by 0.5% or EUR 3.7 million to EUR 764.4 million (December 31, 2022: EUR 768.1 million). In particular, property, plant and equipment declined by 2.4% to EUR 465.7 million (December 31, 2022: EUR 477.3 million) due to depreciation. By contrast, intangible assets increased by 1.2% to EUR 148.1 million (December 31, 2022: EUR 146.3 million), contract assets by 11.3% to EUR 64.8 million (December 31, 2022: EUR 58.2 million) and deferred tax assets by 3.3% to EUR 43.2 million (December 31, 2022: EUR 41.8 million).

Current assets at GRAMMER decreased by 1.8% or EUR 12.0 million to EUR 664.5 million (December 31, 2022: EUR 676.5 million). This development includes, on the one hand, the revenue-driven increase of current trade accounts receivable by 16.4% to EUR 298.8 million (December 31, 2022: EUR 256.7 million). On the other hand, cash and short-term deposits in particular decreased by 46.0% to EUR 58.6 million as at March 31, 2023 (December 31, 2022: EUR 108.6 million) due to the repayment of current financial liabilities. Inventories also decreased by 3.3% to EUR 190.9 million (December 31, 2022: EUR 197.4 million).

Equity increased slightly by EUR 0.2 million or 0.1% to EUR 301.3 million as at March 31, 2023 (December 31, 2022: EUR 301.1 million). This was due to positive earnings after taxes of EUR 2.9 million (Q1 2022: EUR -8.0 million), even though the negative other comprehensive income of EUR -2.7 million (Q1 2022: EUR 18.3 million) burdened equity. Other comprehensive income mainly comprises effects from the currency translation of foreign subsidiaries amounting to EUR -2.5 million (Q1 2022: EUR 7.3 million) and effects from the currency translation of net investments in foreign operations, taking into account current taxes, in the amount of EUR -0.6 million (Q1 2022: EUR 1.7 million). In the first quarter of 2023, there were no significant actuarial effects from the interest-related adjustment of retirement benefit provisions, taking into account deferred taxes, as the discount rate remained at the same level as in December 2022 (Q1 2022: EUR 9.2 million). The equity ratio therefore improved by 0.3 percentage points to 21.1% (December 31, 2022: 20.8%).

Non-current liabilities rose by EUR 17.6 million or 4.8% to EUR 384.0 million (December 31, 2022: EUR 366.4 million). This was due primarily to the increase in non-current financial liabilities by EUR 19.4 million or 12.3% to EUR 177.2 million (December 31, 2022: EUR 157.8 million) due to the utilization of tranche D of the syndicated loan agreement with a term until 2025.

Current liabilities decreased by EUR 33.5 million or 4.3% to EUR 743.6 million (December 31, 2022: EUR 777.1 million). This development mainly resulted from the decrease in non-current financial liabilities by EUR 67.1 million or 22.5% to EUR 231.1 million (December 31, 2022: EUR 298.2 million) due to the repayment of current financial liabilities and the long-term refinancing of current financial liabilities repaid on schedule. By contrast, current trade accounts payable increased by 7.9% to EUR 330.3 million (December 31, 2022: EUR 306.1 million) due to the higher volume of business, and other current liabilities by EUR 18.1 million or 16.7% to EUR 126.3 million (December 31, 2022: EUR 108.2 million). Of the increase in other current liabilities, EUR 10.5 million is attributable to liabilities to employees due to the build-up of accruals for bonus payments, Christmas and holiday bonuses as well as accruals for holidays not yet taken and overtime.

7. Capital expenditure

In the first three months of 2023, GRAMMER Group capital expenditure amounted to EUR 14.4 million, in line with the previous year's level (Q1 2022: EUR 14.3 million).

Capital expenditure in the EMEA region amounted to EUR 5.2 million, up 13.0% on the prior-year figure of EUR 4.6 million. This capital expenditure mainly related to the ramp-up of new products in the Automotive Division and replacement investments in the Commercial Vehicles Division.

Capital expenditure in the AMERICAS region increased by 6.9% to EUR 3.1 million (Q1 2022: EUR 2.9 million) and primarily related to the new seat and foam line at a US plant for the expansion of capacities in the Commercial Vehicles Division.

In the APAC region, capital expenditure fell by 10.8% year-on-year to EUR 3.3 million in the first quarter of 2023 (Q1 2022: EUR 3.7 million). It particularly related to investments for the plant in Hefei.

Capital expenditure in Central Services decreased slightly by EUR 0.3 million year-on-year to EUR 2.8 million (Q1 2022: EUR 3.1 million). Of this figure, EUR 0.2 million (Q1 2022: EUR 0.7 million) was attributable to the continuation of the digitalization project "Management of product lifecycles" and EUR 1.5 million (Q1 2022: EUR 1.8 million) related to capitalized development costs. As in the previous year, this mainly related to the development of new seat generations for the Commercial Vehicles Division.

Capital expenditure

EUR m

	01-03 2023	01-03 2022	Change
EMEA	5.2	4.6	0.6
AMERICAS	3.1	2.9	0.2
APAC	3.3	3.7	-0.4
Central Services	2.8	3.1	-0.3
GRAMMER Group	**14.4**	**14.3**	**0.1**

8. Cash flow statement

In the first quarter of 2023, cash flow from operating activities improved significantly by EUR 17.7 million to EUR 18.0 million (Q1 2022: EUR 0.3 million). This improvement was chiefly due to increased earnings before taxes and significantly lower cash outflows from working capital compared with the same period of the previous year. In working capital, the increase in trade accounts receivable and other assets was considerably more than offset by the decrease of inventories and the increase in accounts payable and other liabilities. The cash outflow from investing activities decreased by EUR 3.0 million to EUR –9.3 million in the first three months of 2023 (Q1 2022: EUR –12.3 million) and could be fully covered by the cash flow from operating activities. In the first quarter of 2023, there were investments in leased assets in accordance with IFRS 16 amounting to EUR 2.3 million (Q1 2022: EUR 0.7 million), which do not affect cash.

Free cash flow thus improved significantly compared with the same period of the previous year to EUR 8.7 million in the first quarter of 2023 (Q1 2022: EUR -12.0 million). Cash flow from financing activities stood at EUR –39.6 million (Q1 2022: EUR 13.0 million), reflecting the decrease in financial liabilities.

9. Employees

GRAMMER had an average of 14,393 employees globally in the first three months of 2023 (Q1 2022: 14,009). This represents an increase of 2.7% compared with the previous year. The Group had an average of 1,453 employees in the APAC region (Q1 2022: 1,477), 7,676 employees in the EMEA region (Q1 2022: 7,348), and 4,857 employees in the AMERICAS region (Q1 2022: 4,778).

Average Number of Employees

	01-03 2023	01-03 2022	Change
EMEA	7,676	7,348	328
AMERICAS	4,857	4,778	79
APAC	1,453	1,477	-24
Central Services	407	406	1
GRAMMER Group	**14,393**	**14,009**	**384**

10. Opportunities and risks

The opportunities and risks listed and described in detail in the Management Report contained in the Annual Report for the year ended December 31, 2022 continue to apply.

The situation on the market and among customers and suppliers is continuously analyzed and specific measures are proposed to management whenever the need for action is identified. The development of (raw) material and energy prices as well as the global supply situation, particularly with regard to semiconductors, are also being observed in order to enable a timely response to any changes in conditions.

11. Outlook

GRAMMER published its guidance for the financial year of 2023 on February 13, 2023. This guidance was confirmed with the publication of the consolidated financial statements for the 2022 financial year on March 30, 2023 and continues to apply.

At the time of preparing the quarterly statement for January to March 2023, GRAMMER AG still expects that the enormously challenging 2022 financial year is likely to be followed by adverse effects in connection with the ongoing difficult macroeconomic environment in the 2023 financial year. In particular, the sharp rise in materials, energy and wage costs, limited economic growth – especially in Germany and Brazil – and further developments regarding semiconductor supply shortages could continue to impact the Company's economic performance in 2023. On the other hand, risks in connection with the COVID-19 pandemic are lower than they were in the previous year.

Due to the continuing macroeconomic and industry-specific uncertainties, the GRAMMER Group anticipates revenue at the previous year's level of around EUR 2.2 billion and expects operating EBIT to double to around EUR 70 million in the 2023 financial year. The significantly increased earnings forecast takes account of the progress made on the measures initiated in the P2P restructuring project in the AMERICAS region as well as further efficiency and cost reduction measures that will continue to be pursued systematically in the coming months. As in the previous year, the positive effects are expected to materialize only gradually over the course of the year, meaning that a significantly stronger second half of the year is anticipated again. Nevertheless, the full-year forecast still depends significantly on the extent to which GRAMMER can again agree to pass on inflation-related cost increases with its customers. The targeted margin increase puts GRAMMER on track for the medium-term outlook presented in April 2022 of achieving an operating EBIT margin of over 5% by 2025.

12. Forward-looking statements

This Interim Management Statement contains forward-looking statements based on current assumptions and estimates by GRAMMER management with regard to future trends. Such statements refer to periods in the future or are characterized by terms such as "expect", "predict", "intend", "forecast", "plan", "estimate", "anticipate", or similar terms. Such statements are subject to risks and uncertainties which GRAMMER can neither estimate nor influence with any precision, e.g. future market conditions and the macroeconomic environment, the behavior of other market participants, the successful integration of newly acquired companies, and the materialization of expected synergistic benefits and government actions. If any of these or other uncertainties or imponderables were to occur, or if any of the assumptions on which these statements are based prove to be incorrect, the actual results could differ materially from the results expressed or implied in these statements. GRAMMER neither intends nor is under any obligation to update any forward-looking statements in the light of any changes occurring after the publication of this document.

B I Financial information
January to March 2023

Consolidated Statement of Income

January 1 – March 31 of the respective financial year

EUR k	01-03 2023	01-03 2022
Revenue	589,101	514,998
Cost of sales	-531,729	-477,880
Gross profit	**57,372**	**37,118**
Selling expenses	-7,811	-6,923
Administrative expenses	-43,482	-39,541
Other operating income	5,596	8,129
Earnings before interest and taxes (EBIT)	**11,675**	**-1,217**
Financial income	1,000	612
Financial expenses	-10,183	-6,443
Other financial result	1,371	4,896
Earnings before taxes	**3,863**	**-2,152**
Income taxes	-941	-5,880
Net profit/loss	**2,922**	**-8,032**
Of which attributable to:		
Shareholders of the parent company	2,778	-7,842
Non-controlling interests	4	-356
Hybrid loan lender's compensation claims	140	166
Net profit/loss	**2,922**	**-8,032**
Earnings per share		
Basic/diluted earnings per share in EUR	0.19	-0.53

Consolidated Statement of Comprehensive Income

January 1 – March 31 of the respective financial year

EUR k	01-03 2023	01-03 2022
Net profit/loss	**2,922**	**-8,032**
Amounts that will not be reclassified to profit and loss in future periods		
Actuarial gains/losses (-) under defined benefit plans		
Gains/losses (-) arising in the current period	8	12,962
Tax expenses (-)/tax income	-2	-3,747
Actuarial gains/losses (-) under defined benefit plans (after tax)	**6**	**9,215**
Total amounts that will not be reclassified to profit and loss in future periods	**6**	**9,215**
Amounts that will be reclassified to profit and loss in future periods under certain conditions		
Gains/losses (-) from currency translation of foreign subsidiaries		
Gains/losses (-) arising in the current period	-2,492	7,313
Gains/losses (-) from currency translation of foreign subsidiaries (after tax)	**-2,492**	**7,313**

EUR k	01-03 2023	01-03 2022
Gains/losses (-) from cash flow hedges		
Gains/losses (-) arising in the current period	1,983	1,560
Plus/less (-) amounts reclassified to the income statement through profit and loss	-1,523	-583
Tax expenses (-)/tax income	-109	-882
Gains/losses (-) from cash flow hedges (after tax)	**351**	**95**
Gains/losses (-) from net investments in foreign operations		
Gains/losses (-) arising in the current period	-676	1,778
Tax expenses (-)/tax income	119	-123
Gains/losses (-) from net investments in foreign operations (after tax)	**-557**	**1,655**
Total amounts that will be reclassified to profit and loss in future periods under certain conditions	**-2,698**	**9,063**
Other comprehensive income	**-2,692**	**18,278**
Total comprehensive income after taxes	**230**	**10,246**
Of which attributable to:		
Shareholders of the parent company	112	10,388
Non-controlling interests	-22	-308
Hybrid loan lender's compensation claims	140	166

Consolidated Statement of Financial Position

as of March 31, 2023 and December 31, 2022

Assets

EUR k

	March 31, 2023	December 31, 2022
Property, plant and equipment	465,725	477,327
Intangible assets	148,148	146,285
Investments measured at equity	1,197	1,158
Other financial assets	4,904	5,711
Deferred tax assets	43,167	41,805
Other assets	36,505	37,554
Contract assets	64,800	58,236
Non-current assets	**764,446**	**768,076**
Inventories	190,938	197,386
Current trade accounts receivable	298,791	256,712
Other current financial assets	7,254	6,731
Current income tax receivables	1,653	2,143
Cash and short-term deposits	58,582	108,587
Other current assets	51,720	48,842
Current contract assets	55,545	56,117
Current assets	**664,483**	**676,518**
Total assets	**1,428,929**	**1,444,594**

Consolidated Statement of Financial Position

as of March 31, 2023 and December 31, 2022

Equity and liabilities

EUR k

	March 31, 2023	December 31, 2022
Subscribed capital	39,009	39,009
Capital reserve	162,947	162,947
Own shares	-7,441	-7,441
Retained earnings	125,054	122,276
Cumulative other comprehensive income	-39,653	-36,987
Equity attributable to shareholders of the parent company	**279,916**	**279,804**
Hybrid loan	19,750	19,610
Non-controlling interests	1,672	1,694
Equity	**301,338**	**301,108**
Non-current financial liabilities	177,191	157,807
Trade accounts payable	1,953	1,801
Other financial liabilities	60,953	63,211
Other liabilities	408	408
Retirement benefits and similar obligati-ons	118,164	117,165
Deferred tax liabilities	23,265	23,491
Contract liabilities	2,037	2,525
Non-current liabilities	**383,971**	**366,408**

EUR k

	March 31, 2023	December 31, 2022
Current financial liabilities	231,124	298,160
Current trade accounts payable	330,299	306,087
Other current financial liabilities	16,369	18,671
Other current liabilities	126,273	108,207
Current income tax liabilities	5,908	8,950
Provisions	30,538	32,071
Current contract liabilities	3,109	4,932
Current liabilities	**743,620**	**777,078**
Total liabilities	**1,127,591**	**1,143,486**
Total equity and liabilities	**1,428,929**	**1,444,594**

Consolidated Statement of Cash Flows

January 1 – March 31 of the respective financial year

EUR k	01–03 2023	01–03 2022
1. Cash flow from operating activities		
Earnings before taxes	3,863	-2,152
Reconciliation of earnings before taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	17,969	18,053
Amortization and impairment of intangible assets	2,443	3,420
Gains (-)/losses from the disposal of assets	1,008	463
Other non-cash changes	68	7,092
Financial result	7,812	935
Dividends received from investments measured at equity	0	359
Changes in operating assets and liabilities		
Decrease/increase (-) in trade accounts receivable and other assets	-49,962	-35,784
Decrease/increase (-) in inventories	6,448	-13,867
Decrease (-)/increase in provisions and retirement benefit provisions	-4,340	-6,256
Decrease (-)/increase in accounts payable and other liabilities	38,405	31,932
Income taxes paid	-5,683	-3,905
Cash flow from operating activities	**18,031**	**290**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	-10,514	-11,672
Purchase of intangible assets	-1,569	-1,922

EUR k	01–03 2023	01–03 2022
Disposals		
Disposal of property, plant and equipment	1,055	236
Disposal of intangible assets	0	133
Disposal of financial assets	697	348
Interest received	1,000	612
Cash flow from investing activities	**-9,331**	**-12,265**
3. Cash flow from financing activities		
Payments received from raising financial liabilities	116,368	50,649
Payments made for the settlement of financial liabilities	-142,316	-27,102
Payments made for the settlement of lease liabilities	-5,488	-5,245
Interest paid	-8,186	-5,295
Cash flow from financing activities	**-39,622**	**13,007**
4. Cash and cash equivalents at the end of the period		
Changes in cash and cash equivalents recognized in the cash flow statement (sub-total of items 1- 3)	-30,922	1,032
Effects of exchange rate differences of cash and cash equivalents	2,620	2,185
Cash and cash equivalents as of January 1	35,549	44,357
Cash and cash equivalents as of March 31	**7,247**	**47,574**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	58,582	104,811
Bank overdrafts (including current liabilities under factoring contracts)	-51,335	-57,237
Cash and cash equivalents as of March 31	**7,247**	**47,574**

Financial Calender 2023[1]

Important dates for shareholders and analysts

27 April	Publication of Interim Management Statement 1st Quarter 2023
14 August	Publication of Interim Report 1st Half Year 2023
10 May	Annual General Meeting 2023
30 October	Publication of Interim Management Statement 3rd Quarter 2023

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Masthead

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[1] All dates are tentative and subject to change.

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