Interim Management Statement January to September 2022

SOLUTIONS FOR A WORLD ON THE MOVE

GRAMMER

Revenue

1,593.2 EUR m

EBIT margin

0.2 %

Operating EBIT margin

0.1 %

Equity ratio

25.3 %

Net loss for the period

–15.7 EUR m

Free cash flow

–40.8 EUR m

EBIT

2.5

EUR m

Investitionen

60.4

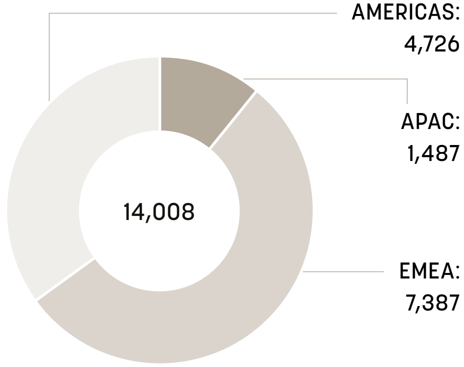
EUR m

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. GRAMMER AG currently has around 14,000 employees in 19 countries around the world. Its revenue in 2021 was about EUR 1.9 billion. GRAMMER shares are listed in the Prime Standard and traded on the Munich and Frankfurt stock exchanges via the Xetra electronic trading platform.

Employees by region[1]

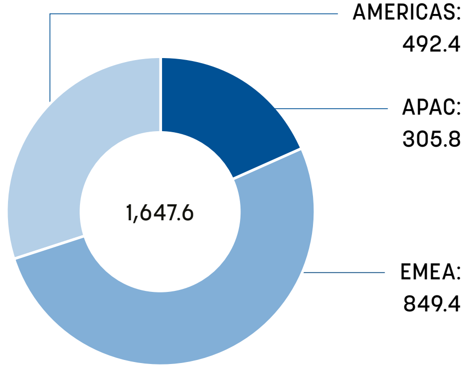
Annual average



[1] An average of 408 people were employed in Central Services.

Revenue by region[2]

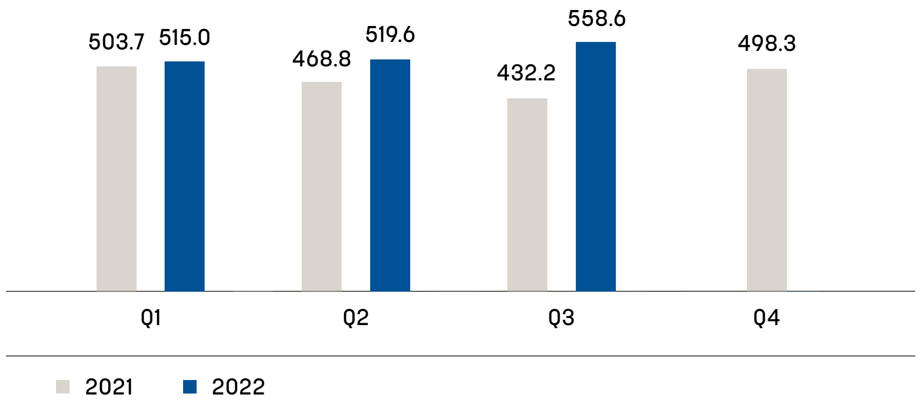
in EUR m



[2] The consolidation effect of revenue between the regions amounts to EUR 54.4 million.

Revenue by quarter

in EUR m



Operating EBIT by region

AMERICAS

–51.3

EUR m

EMEA

38.2

EUR m

APAC

34.0

EUR m

Overview of business performance

- The challenging macroeconomic conditions in the first half of 2022 continued in the third quarter of the financial year; accordingly, rising commodity, material, and energy prices again impacted earnings development in the reporting period

- Despite this, the GRAMMER Group returned to operating profitability as planned, generating EBIT to EUR 2.5 million in the first nine months, although well below the previous year's figures (01–09 2021: EUR 26.4 million); EBIT margin was 0.2%; operating EBIT amounted to EUR 1.9 million in the first nine months (01–09 2021: EUR 30.7 million), while the operating EBIT margin was 0.1%

- In the third quarter of 2022, EBIT was up significantly year-on-year at EUR 15.0 million (Q3 2021: EUR –1.4 million), corresponding to an EBIT margin of 2.7%; operating EBIT amounted to EUR 14.2 million (Q3 2021: EUR –1.7 million), while the operating EBIT margin was at 2.5%

- The performance in the AMERICAS region is particularly noteworthy. There, GRAMMER is currently in the success-critical phase of the P2P restructuring project; Here, GRAMMER Group recorded first positive operational effects of the measures taken to secure financial stability, which will also be consistently pursued in the coming months

- GRAMMER Group revenue increased by 13.4% to EUR 1,593.2 million in the first nine months of 2022 due to market conditions as well as positive currency effects (01–09 2021: EUR 1,404.7 million), mainly as a result of positive currency effects; FX-adjusted revenue rose by 8.4%

- The EMEA region generated revenue of EUR 849.4 million (01–09 2021: EUR 799.9 million), corresponding to growth of 6.2%; FX-adjusted revenue rose by 7.7% to EUR 861.7 million

- In the AMERICAS region, revenue amounted to EUR 492.4 million in the first three quarters (01–09 2021: EUR 377.0 million), an increase of 30.6% compared with the same period of the previous year; FX-adjusted revenue rose by just 15.7% to EUR 436.3 million

- GRAMMER's highest-margin region, APAC, recorded slight revenue growth of 5.0% to EUR 305.8 million in the first nine months of 2022 (01–09 2021: EUR 291.3 million); however, FX-adjusted revenue fell by 3.5% to EUR 281.2 million

- In recent months, GRAMMER has developed a modified, future-oriented operational management structure in the form of an Executive Committee in order to successfully implement its corporate strategy: In the future, the two Executive Board members Jens Öhlenschläger, Chief Executive Officer (CEO), and Jurate Keblyte, Chief Financial Officer (CFO) and Labor Director, will be supported by the five presidents of the divisions and regions, among whom in particular Guoqiang Li as Chief Operating Officer (COO) and Dr. Andreas Diehl as Chief Technology Officer (CTO) will support Mr. Öhlenschläger

- Outlook for 2022 confirmed: GRAMMER Group anticipates revenue of around EUR 2.0 billion (2021: EUR 1.9 billion) and operating EBIT in a range between around EUR 35 million and EUR 40 million (2021: EUR 22.8 million) for the year as a whole, although this forecast could be negatively impacted by external risks

Content

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1. Economic conditions

Global economy

In its latest forecast issued in October 2022, the International Monetary Fund (IMF) expects the economic situation to increasingly deteriorate. The main reasons for this are the war in Ukraine, high inflation and the economic slowdown in China in connection with the zero-COVID strategy. According to the IMF forecast, these developments will lead to a more significant weakening of global – and in particular European and US – growth than initially anticipated. Compared with its April forecast, the first since the beginning of the war un Ukraine, the IMF lowered its outlook for global economic output by 0.4 percentage points in October 2022. The experts now expect global growth to amount to 3.2% in 2022 as a whole. With the exception of the financial crisis and the COVID-19 pandemic, this would represent the weakest growth since the turn of the millennium.

The impact of the Russia-Ukraine war is affecting the entire global economy and has led to slower growth, trade disruptions and higher inflation. Inflation is being driven in particular by the commodity and energy price increases that already weighed on economic performance in Europe, and especially Germany, in the second half of 2021. In addition to the war-induced supply chain problems, a study by Roland Berger found that the semiconductor shortage that already impacted the production of numerous automotive manufacturers in the past year is set to continue until 2023.

All in all, the IMF expects the eurozone to see year-on-year GDP growth of 3.1%. In terms of Germany's economic performance, the IMF expects economic output to increase by just 1.5% across 2022 as a whole (–0.6 percentage points compared with April 2022).

For the AMERICAS region, the IMF has also revised its growth forecasts significantly downward. The IMF is forecasting year-on-year growth of just 1.6% in the USA across 2022 as a whole (–2.1 percentage points compared with April 2022). In particular, the marked slowdown in private consumption momentum is contributing to this decline, partly due to the erosion of household purchasing power and the expected impact of a stronger tightening of monetary policy.

In China, the largest market in the APAC region, the spread of the highly infectious Omicron variant of COVID-19 led to repeated lockdowns in a number of major cities in the first half of 2022 in particular, which served to restrict economic activity once again. The IMF expects China to see economic growth of just 3.2% in 2022. Accordingly, the experts downwardly revised their April forecast by 1.2 percentage points.

Conditions in the automotive industry

According to the market data published by S&P Global Mobility, 6.9% more vehicles were manufactured worldwide in the first nine months of 2022 than in the same period of the previous year. Following a slight downturn in the first half of the year, this development is due in particular to the strong third quarter, which saw 25.6% more vehicles leaving the assembly line.

Global growth in the first nine months of 2022 amounted to 3.9 million units. The majority of this figure – 2.6 million units – was attributable to the APAC region. The growth rate of 8.4% in this region was driven in particular by development in China, where 1.5 million more units were manufactured in the first nine months than in the same period of the previous year. The supply chain has also stabilized again, especially at the major OEMs. The main growth factors in China were the production of vehicles with alternative drive technologies (new energy vehicles or NEVs) and exports.

In the AMERICAS region, the data from S&P Global Mobility also shows strong growth in production of 10.9% in the first three quarters of 2022. The semiconductor supply situation has improved in particular, leading to less production downtime than in the previous year, especially in the third quarter.

Only the EMEA region saw another slight downturn in production of 0.1% in the first nine months. This was due in particular to developments in the first half of the year, when production fell by 9.2% in response to significant restrictions on chip deliveries, supply chain problems, and high gas prices following the suspension of natural gas deliveries from Russia. However, this region also recorded substantial growth of 25.9% in the third quarter of 2022. In addition to the extremely weak prior-year figure, this increase was attributable to an improvement in the semiconductor supply situation. Despite the improvements this remains strained.

Conditions in the commercial vehicles industry

Most parts of the world are expected to see a significantly lower truck production volume across 2022 as a whole. According to LMC, the global truck market contracted by 19.3% in the first three quarters on the back of the macroeconomic crisis triggered by the war in Ukraine, strict lockdowns in China and persistent supply chain issues, especially the shortage of semiconductors, in spite of signs of a slight improvement.

This negative development is due to the 32.0% downturn in production in the APAC region. With the number of units manufactured declining by 0.6 million, the region was the cause of the global downturn. According to LMC, production figures on the Chinese market declined by 50.7% in the first nine months of 2022, although the third quarter (–23.9%) saw a far less pronounced downturn than the first half of the year (–56.3%).

Production in the AMERICAS region increased by 7.7% in the first three quarters of 2022. Demand was solid in spite of the sustained supply chain problems, with production benefiting from the release of pent-up demand. Having remained at the prior-year level in the first quarter, the truck production volume in the market recovered as the year progressed, with growth of 7.2% in the second quarter and 15.8% in the third quarter.

In the EMEA region, LMC reported growth in production figures of 2.0% in the first nine months of 2022. The slight year-on-year increase was due in particular to the extremely negative market situation in the previous year in response to the escalation of semiconductor shortages.

2. GRAMMER Group key figures

Key figures in accordance with IFRS GRAMMER Group

EUR m

	01-09 2022	01-09 2021	01-12 2021
Group revenue	**1,593.2**	**1,404.7**	**1,903.0**
Revenue EMEA	849.4	799.9	1,061.5
Revenue AMERICAS	492.4	377.0	517.7
Revenue APAC	305.8	291.3	406.3
Statement of income			
EBITDA	68.8	88.7	103.1
EBITDA margin (%)	4.3	6.3	5.4
EBIT	2.5	26.4	18.9
EBIT margin (%)	0.2	1.9	1.0
Operating EBIT	1.9	30.7	22.8
Operating EBIT margin (%)	0.1	2.2	1.2
Earnings before taxes	–0.3	17.2	6.7
Net profit/loss	–15.7	13.1	0.6

EUR m

	September 30, 2022	September 30, 2021	December 31, 2021
Statement of Financial Position			
Total assets	1,565.3	1,487.3	1,483.4
Equity	395.5	345.1	345.6
Equity ratio (%)	25.3	23.2	23.3
Net debt	490.4	437.0	420.2
Gearing (%)	124.0	126.6	121.6

	01-09 2022	01-09 2021	01-12 2021
Statement of Cash Flows			
Capital expenditure (without financial assets)	60.4	60.8	114.7
Depreciation and amortization	66.3	62.3	84.2
Free Cash Flow	–40.8	–49.0	–5.6
Employees (number, average)	14,008	14,031	14,006

	September 30, 2022	September 30, 2021	December 31, 2021
Share data			
Prices (Xetra closing price in EUR)	8.00	21.40	17.95
Market capitalization (EUR m)	121.9	326.1	273.5
Earnings per share (EUR)	–1.03	0.86	0.08

3. Business performance in the first nine months of 2022

GRAMMER Group revenue amounted to EUR 1,593.2 million in the first nine months of 2022, up 13.4% or EUR 188.5 million on the same period of the previous year (01–09 2021: EUR 1,404.7 million). FX-adjusted revenue increased by 8.4% year-on-year. This development was due in particular to the market driven revenue growth in the AMERICAS and EMEA regions. Revenue in the AMERICAS region increased by 30.6% to EUR 492.4 million (01–09 2021: EUR 377.0 million), while the EMEA region saw revenue growth of 6.2% to EUR 849.4 million (01–09 2021: EUR 799.9 million). In the APAC region, revenue amounted to EUR 305.8 million in the first nine months of 2022 (01–09 2021: EUR 291.3 million), a slight increase of 5.0% on the same period of the previous year.

In terms of quarterly performance, GRAMMER Group revenue amounted to EUR 558.6 million in the third quarter (Q3 2021: EUR 432.2 million), a year-on-year increase of 29.2%. This development was due in part to currency translation effects and strong revenue growth in the APAC and AMERICAS regions. The prior-year figures for AMERICAS and EMEA were also impacted to a greater extent by the supply bottlenecks affecting semiconductors. In APAC, revenue declined in the third quarter of 2021 following the introduction of a new emission standard in China with effect from July 1, 2021. Adjusted for positive currency effects, revenue increased by 21.9% year-on-year to EUR 526.8 million in the third quarter of 2022.

Although GRAMMER Group earnings before interest and taxes (EBIT) declined significantly year-on-year to EUR 2.5 million in the period from January to September (01–09 2021: EUR 26.4 million) and operating EBIT also fell sharply to EUR 1.9 million (01–09 2021: EUR 30.7 million), corresponding to an operating EBIT margin of 0.1% (01–09 2021: 2.2%), the GRAMMER Group returned to operating profitability in the third quarter in spite of the challenging economic environment. As previously, the main reasons for the year-on-year downturn in earnings in the first nine months were the sharp rise in material, logistics, energy, and personnel costs, sustained bottlenecks on the procurement markets and new COVID-19 lockdowns, which impaired the development of the Chinese market in the first half of 2022 in particular. In addition, there were one-time expenses of around EUR 11 million in the AMERICAS region, in particular for special freight at a plant in Mexico and a plant in the USA. Operating EBIT was adjusted for directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 2.1 million and for positive currency translation effects of EUR 2.7 million.

GRAMMER Group EBIT improved significantly to EUR 15.0 million in the third quarter (Q3 2021: EUR –1.4 million), corresponding to an EBIT margin of 2.7%. Operating EBIT amounted to EUR 14.2 million (Q3 2021: EUR –1.7 million), corresponding to an operating EBIT margin of 2.5%.

In the first half of the year, negotiations for the substantial, inflation-related cost increases (material, energy, transport and labor costs) fell short of GRAMMER's expectations. Significant progress was made here, particularly from the third quarter onwards, which will still be recognized in earnings in the fourth quarter of 2022. In addition, the company aims to achieve a sustainable turnaround in AMERICAS, now its second-largest market, by 2024, which is why GRAMMER has launched the "P2P – Path to Profitability" resctructuring project. The Company is currently in a success-critical phase here and recorded first positive operational effects. GRAMMER Group is confident that the various measures taken in connection with the P2P project to ensure financial stability and promote sustainable development in this region – such as appointing a new management and minimizing the high staff turnover – are beginning to have an effect. These measures are to be systematically pursued in the coming months. Ultimately, however, agreements with customers on passing on cost increases are also critical to success in this region.

4. GRAMMER Group results of operations

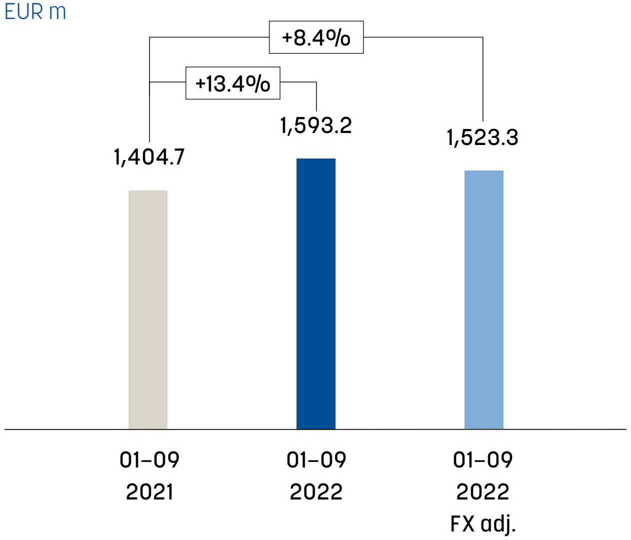
GRAMMER Group revenue

GRAMMER Group revenue increased by 13.4% year-on-year to EUR 1,593.2 million in the first three quarters of 2022 (01–09 2021: EUR 1,404.7 million). The Automotive Division and the Commercial Vehicles Division both recorded revenue growth. Revenue in the Automotive Division increased by 12.3% to EUR 1,020.2 million, while revenue in the Commercial Vehicles Division rose by 15.5% to EUR 573.0 million.

The EMEA and AMERICAS regions were the main drivers of the positive revenue performance in the Commercial Vehicles Division, while the APAC region saw a slight downturn. In the Automotive Division, all three regions recorded positive revenue development, with the AMERICAS region enjoying the highest growth. Revenue in the AMERICAS region increased due to currency translation effects and because the prior-year figure was impacted to a greater extent by the supply bottlenecks affecting semiconductors. However, FX-adjusted revenue in APAC was down slightly on the previous year.

GRAMMER Group revenue (incl. FX-adjustment)

EUR m



GRAMMER Group earnings

GRAMMER Group EBIT amounted to EUR 2.5 million in the first nine months of 2022 (01–09 2021: EUR 26.4 million). The AMERICAS and APAC regions saw a particularly pronounced downturn in earnings: EBIT in the APAC region amounted to EUR 32.6 million (01–09 2021: EUR 39.7 million), while EBIT in AMERICAS declined to EUR –51.2 million (01–09 2021: EUR –40.3 million). By contrast, EBIT in the EMEA region increased slightly by 4.0% to EUR 39.3 million (01–09 2021: EUR 37.8 million).

Group operating EBIT and the operating EBIT margin also declined year-on-year to EUR 1.9 million and 0.1% respectively (01–09 2021: EUR 30.7 million and 2.2%) after adjustment for directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 2.1 million and positive currency translation effects of EUR 2.7 million.

Revenue development by region and division

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	01-09 2022	01-09 2021	Change	01-09 2022	01-09 2021	Change	01-09 2022	01-09 2021	Change	01-09 2022	01-09 2021	Change
Automotive	1,020.2	908.5	12.3%	433.9	430.4	0.8%	393.2	307.7	27.8%	204.2	186.5	9.5%
Commercial Vehicles	573.0	496.2	15.5%	415.5	369.5	12.4%	99.2	69.3	43.1%	101.6	104.8	–3.1%
Revenue	**1,593.2**	**1,404.7**	**13.4%**	**849.4**	**799.9**	**6.2%**	**492.4**	**377.0**	**30.6%**	**305.8**	**291.3**	**5.0%**

GRAMMER Group Condensed Statement of Income

EUR k

	01–09 2022	01–09 2021	Change
Revenue	1,593,200	1,404,737	188,463
Cost of sales	–1,475,621	–1,261,730	–213,891
Gross profit	**117,579**	**143,007**	**–25,428**
Selling expenses	–22,029	–25,468	3,439
Administrative expenses	–118,775	–111,731	–7,044
Other operating income	25,729	20,617	5,112
Earnings before interests and taxes (EBIT)	**2,504**	**26,425**	**–23,921**
Financial result	–2,759	–9,255	6,496
Earnings before taxes	**–255**	**17,170**	**–17,425**
Income taxes	–15,445	–4,043	–11,402
Net profit/loss	**–15,700**	**13,127**	**–28,827**

Derivation of operating EBIT

EUR m

	01–09 2022	01–09 2021	Change
EBIT	**2.5**	**26.4**	**–23.9**
Currency translation effects	–2.7	–2.8	0.1
Costs for coronavirus-related protection and response measures	2.1	2.6	–0.5
Expenses for the sale of a subsidiary	0.0	4.5	–4.5
Operating EBIT	**1.9**	**30.7**	**–28.8**

5. Performance by region

EMEA

GRAMMER generated revenue of EUR 849.4 million in the EMEA region in the first nine months of 2022 (01–09 2021: EUR 799.9 million) – a year-on-year increase of 6.2%. Both divisions contributed to the positive revenue development, albeit to a differing extent. While the Commercial Vehicles Division recorded substantial revenue growth of 12.4% to EUR 415.5 million (01–09 2021: EUR 369.5 million), revenue in the Automotive Division increased only slightly by 0.8% to EUR 433.9 million (01–09 2021: EUR 430.4 million). This meant the Automotive Division saw a slight turnaround in the region – which includes the companies with the highest revenue in the Group – for the first time in the third quarter of 2022. In terms of quarterly performance, revenue in the EMEA region increased by 14.5% to EUR 272.4 million in the third quarter of 2022 (Q3 2021: EUR 237.9 million). The EMEA region benefited from higher revenue in both product areas compared with the previous year.

Despite sustained sharp rises in material, logistics, and energy costs, EBIT in the EMEA region increased slightly to EUR 39.3 million in the first three quarters of 2022 (01–09 2021: EUR 37.8 million). These cost increases were passed on to customers in some cases. Earnings were also boosted by continued efficiency improvements and positive currency translation effects. The EBIT margin was almost unchanged year-on-year at 4.6% (01–09 2021: 4.7%).

By contrast, operating EBIT declined slightly to EUR 38.2 million (01–09 2021: EUR 41.7 million) as the material and energy price rises were only partially compensated by customers. Accordingly, the operating EBIT margin declined to 4.5% (01–09 2021: 5.2%). Adjustments on operating EBIT were recognized for negative currency translation effects of EUR 1.6 million as well as directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 0.5 million. In the previous year, operating EBIT was also adjusted for expenses of EUR 4.5 million in connection with the sale of a subsidiary in Spain.

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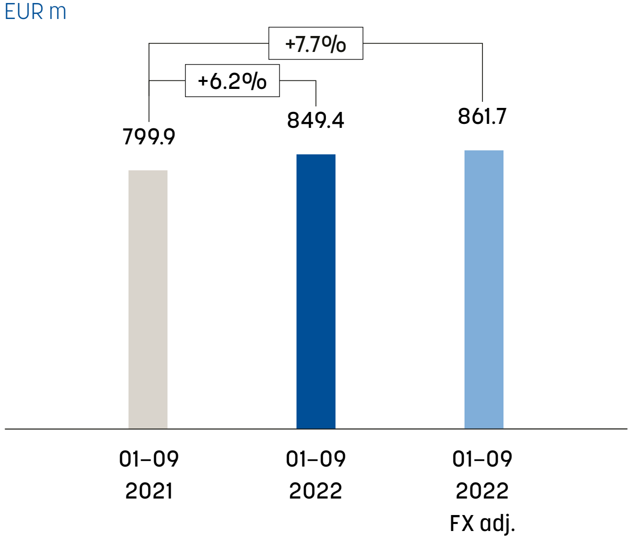
EMEA key figures

EUR m

	01–09 2022	01–09 2021	Change
Revenue	849.4	799.9	49.5
EBIT	39.3	37.8	1.5
EBIT margin (%)	4.6	4.7	−0.1 %-points
Operating EBIT	38.2	41.7	−3.5
Operating EBIT margin (%)	4.5	5.2	−0.7 %-points
Capital expenditure (without financial assets)	20.9	24.6	−3.7
Employees (number, average)	7,387	7,575	−188

EMEA revenue (incl. FX-adjustment)

EUR m



AMERICAS

Revenue in the AMERICAS region increased sharply by 30.6% to EUR 492.4 million in the first nine months of 2022 (01–09 2021: EUR 377.0 million). This positive revenue development was mainly attributable to higher demand in the Commercial Vehicles Division, positive currency effects amounting to EUR 56.1 million, as well as lower prior-year figures in the Automotive Division due to the pronounced impact of the supply bottlenecks affecting semiconductors. In terms of quarterly performance, revenue in the AMERICAS region also increased sharply by 34.4% to EUR 174.4 million in the third quarter of 2022 (Q3 2021: EUR 129.8 million). Revenue in the AMERICAS region rose by 27.8% to EUR 393.2 million in the Automotive Division (01–09 2021: EUR 307.7 million) and by 43.1% to EUR 99.2 million in the Commercial Vehicles Division (01–09 2021: EUR 69.3 million).

EBIT in the AMERICAS region was hit hard by high inflation and the sharp rise in personnel costs and freight costs, especially for sea freight, declining to EUR −51.2 million in the first nine months (01–09 2021: EUR −40.3 million). This was exacerbated by non-recurring expenses of around EUR 11 million, especially for special freight at a plant in Mexico and a plant in the USA. The EBIT margin was largely unchanged year-on-year at −10.4% (01–09 2021: −10.7%).

Operating EBIT amounted to EUR −51.3 million in the first three quarters of 2022 (01–09 2021: EUR −40.1 million). Accordingly, the operating EBIT margin amounted to −10.4% (01–09 2021: −10.6%). Operating EBIT was adjusted for positive currency translation effects of EUR 0.2 million as well as directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 0.1 million.

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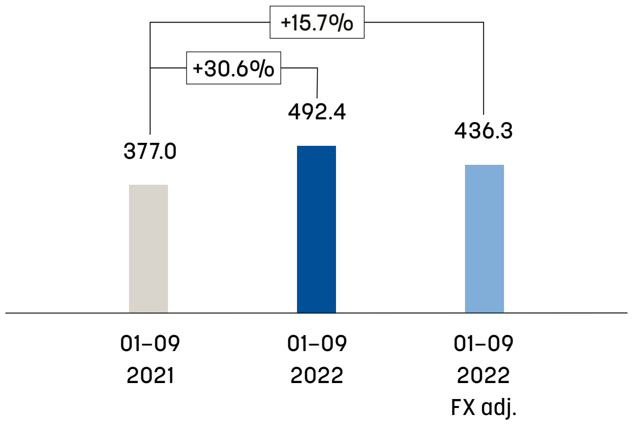
AMERICAS key figures

EUR m

	01–09 2022	01–09 2021	Change
Revenue	492.4	377.0	115.4
EBIT	−51.2	−40.3	−10.9
EBIT margin (%)	−10.4	−10.7	0.3 %-points
Operating EBIT	−51.3	−40.1	−11.2
Operating EBIT margin (%)	−10.4	−10.6	0.2 %-points
Capital expenditure (without financial assets)	16.5	11.9	4.6
Employees (number, average)	4,726	4,675	51

AMERICAS revenue (incl. FX-adjustment)

EUR m



APAC

In the APAC region, revenue amounted to EUR 305.8 million in the first nine months of 2022 (01–09 2021: EUR 291.3 million), an increase of 5.0% on the same period of the previous year. Adjusted for positive currency effects, however, APAC recorded a 3.5% decline in revenue. In the Automotive Division, revenue rose by 9.5% to EUR 204.2 million (01-09 2021: EUR 186.5 million) compared to the prior-year period. Adjusted for currency effects, revenue was also down by 0.8%. This was due among other things to lower customer call-offs as a result of renewed COVID-19 lockdowns in China – especially in the first half of 2022 – as well as the global supply bottleneck affecting semiconductors. In the Commercial Vehicles Division, the downward trend in the first two quarters of 2022 was halted in the third quarter. The falling sales figures were primarily due to the introduction of a more stringent emission standard, which led to a slump in new truck orders from the third quarter of 2021. The COVID-19-related lockdown in Shanghai in the second quarter also resulted in lower call-offs in this division. Revenue in the Commercial Vehicles Division fell by 3.1% to EUR 101.6 million (01–09 2021: EUR 104.8 million). Looking at the third quarter in isolation, revenue in the APAC region rose significantly by 51.7% to EUR 128.6 million (Q3 2021: EUR 84.8 million). This was due in part to the weakness of the prior-year figure.

EBIT in the APAC region declined to EUR 32.6 million (01–09 2021: EUR 39.7 million). This was mainly attributable to the lower level of revenue on the Chinese market, high freight costs in Japan, ramp-up costs for the new plants in China, and the ramp-up of new products. The EBIT margin fell by 2.9 percentage points to 10.7% (01–09 2021: 13.6%).

Operating EBIT also declined to EUR 34.0 million (01–09 2021: EUR 39.7 million). The operating EBIT margin fell by 2.5 percentage points year-on-year to 11.1% (01–09 2021: 13.6%). In addition to positive currency translation effects of EUR 0.1 million, operating EBIT was adjusted for directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 1.5 million.

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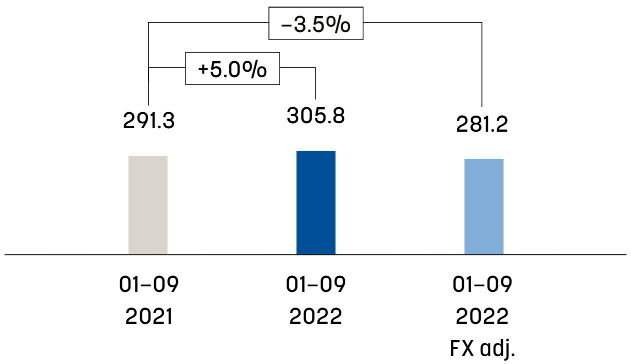
APAC key figures

EUR m

	01–09 2022	01–09 2021	Change
Revenue	305.8	291.3	14.5
EBIT	32.6	39.7	–7.1
EBIT margin (%)	10.7	13.6	–2.9 %-points
Operating EBIT	34.0	39.7	–5.7
Operating EBIT margin (%)	11.1	13.6	–2.5 %-points
Capital expenditure (without financial assets)	14.1	22.2	–8.1
Employees (number, average)	1,487	1,354	133

APAC revenue (incl. FX-adjustment)

EUR m



6. Net assets and financial position

GRAMMER Group Condensed Statement of Financial Position

EUR k

	Sept. 30, 2022	Dec. 31, 2021	Change
Non-current assets	866,311	833,533	32,778
Current assets	698,945	649,855	49,090
Assets	**1,565,256**	**1,483,388**	**81,868**
Equity	395,494	345,550	49,944
Non-current liabilities	392,031	428,143	–36,112
Current liabilities	777,731	709,695	68,036
Equity and liabilities	**1,565,256**	**1,483,388**	**81,868**

GRAMMER Group total assets increased by 5.5% or EUR 81.9 million to EUR 1,565.3 million as at September 30, 2022 (December 31, 2021: EUR 1,483.4 million).

Non-current assets rose by 3.9% or EUR 32.8 million to EUR 866.3 million (December 31, 2021: EUR 833.5 million). In particular, property, plant and equipment increased by 4.3% to EUR 516.8 million (December 31, 2021: EUR 495.3 million) and intangible assets rose by 7.5% to EUR 197.3 million (December 31, 2021: EUR 183.5 million) as a result of currency translation effects. Contract assets increased by 14.1% or EUR 9.0 million to EUR 72.8 million (December 31, 2021: EUR 63.8 million) due to the extension of the expected production phase for customer projects with a high order backlog. By contrast, deferred tax assets declined substantially by 24.3% to EUR 38.7 million (December 31, 2021: EUR 51.1 million). This was due to the release of deferred tax assets as a result of the interest-related adjustment of retirement benefit provisions.

Current assets increased by 7.6% to EUR 699.0 million (December 31, 2021: EUR 649.9 million), mainly as a result of the 27.9% increase in current trade accounts receivable to EUR 293.4 million (December 31, 2021: EUR 229.4 million), the 9.5% rise in inventories to EUR 214.7 million (December 31, 2021: EUR 196.1 million) and the 32.6% increase in other current assets to EUR 50.8 million (December 31, 2021: EUR 38.3 million). The latter increased mainly due to a reporting date-related rise in VAT receivables of EUR 8.0 million. By contrast, cash and short-term deposits in particular decreased by 37.7% to EUR 70.6 million as at September 30, 2022 (December 31, 2021: EUR 113.4 million).

Equity increased by EUR 49.9 million or 14.4% to EUR 395.5 million as at September 30, 2022 (December 31, 2021: EUR 345.6 million). This was due to positive other comprehensive income of EUR 66.1 million (01–09 2021: EUR 25.8 million). Other comprehensive income mainly comprised currency translation effects of foreign subsidiaries amounting to EUR 22.3 million (01–09 2021: EUR 18.0 million), actuarial effects from the interest-related adjustment of retirement benefit provisions taking into account deferred taxes amounting to EUR 29.8 million (01–09 2021: EUR 5.7 million), and currency translation effects from net investments in foreign operations taking into account current taxes, which amounted to EUR 13.0 million (01–09 2021: EUR 2.3 million). Equity was impacted by earnings after taxes of EUR –15.7 million (01–09 2021: EUR 13.1 million). The equity ratio therefore improved by 2.0 percentage points to 25.3% (December 31, 2021: 23.3%).

Non-current liabilities declined significantly by EUR 36.1 million or 8.4% to EUR 392.0 million (December 31, 2021: EUR 428.1 million). This was due in particular to the substantial decrease in retirement benefits and similar obligations of EUR 40.3 million or 27.0% to EUR 108.7 million (December 31, 2021: EUR 149.0 million) as a result of the increase in the discount rate from 1.2% as at December 31, 2021 to 3.7% as at September 30, 2022.

Current liabilities increased significantly by EUR 68.1 million or 9.6% to EUR 777.8 million (December 31, 2021: EUR 709.7 million). This development was attributable to the 13.7% increase in current trade accounts payable to EUR 306.0 million (December 31, 2021: EUR 269.1 million) on the back of the high level of revenue in the third quarter, as well as the 12.6% rise in current financial liabilities to EUR 296.5 million (December 31, 2021: EUR 263.4 million). Another factor behind the increase in current liabilities was the 21.3% rise in other current liabilities to EUR 113.4 million (December 31, 2021: EUR 93.5 million), which was caused by the higher level of liabilities to employees due to the build-up of accruals for Christmas bonuses, bonus payments, and accruals for vacation and overtime not yet taken.

Against the backdrop of the challenging economic environment, at the end of June 2022 GRAMMER AG prematurely extended tranche C of the syndicated loan agreement of EUR 235 million, which was concluded in August 2020 with an original term until August 20, 2023, until February 10, 2025. In addition to GRAMMER's core banks, KfW Bankengruppe is also involved in this tranche as a direct lender. Consequently, the existing dividend suspension, which is part of KfW's program conditions, will also continue until February 10, 2025. The financial covenants already adjusted in the 2020 financial year for the periods up to December 31, 2022, have been amended for the financial years 2022 and 2023. The original contractual conditions will come into effect again as at the calculation date of December 31, 2023.

7. Capital expenditure

In the first nine months of 2022, GRAMMER Group capital expenditure amounted to EUR 60.4 million, in line with the previous year's level as planned (01–09 2021: EUR 60.8 million).

Capital expenditure in the EMEA region amounted to EUR 20.9 million, down on the prior-year figure of EUR 24.6 million. Adjusted for investments in capitalized development costs, which were still allocated to the EMEA region in the previous year, capital expenditure was slightly above the adjusted prior-year figure of EUR 20.3 million. Capital expenditure mainly related to replacement investments as well as investments in the ramp-up of new products for the rail segment. Investment in a new high-performance press at the Haselmühl plant also continued.

Capital expenditure in the AMERICAS region increased by 38.7% to EUR 16.5 million (01–09 2021: EUR 11.9 million) and primarily related to the ramp-up of new products in the Automotive Division, on an extension of a lease agreement for a plant in Mexico as well as replacement investments.

In the APAC region, capital expenditure fell by 36.5% year-on-year to EUR 14.1 million in the period from January to September 2022 (01–09 2021: EUR 22.2 million). This related to investments in plant construction – especially at the Shenyang plant – and the expansion of production capacities, as well as the ramp-up of new products.

Capital expenditure in Central Services increased by EUR 6.8 million year-on-year to EUR 8.9 million (01–09 2021: EUR 2.1 million). Of this figure, EUR 1.6 million was attributable to the continuation of the "Management of product lifecycles – PLM" digitalization project, while EUR 5.0 million related to capitalized development costs. As in the previous year, the capital expenditure mainly relates to the development of new seat generations for the Commercial Vehicles Division. Due to the changes in the organizational structure, these development services at GRAMMER AG are now carried out in this unit. In the previous year, EUR 4.3 million was recognized for this in the EMEA region.

Capital expenditure

EUR m

	01–09 2022	01–09 2021	Change
EMEA	20.9	24.6	–3.7
AMERICAS	16.5	11.9	4.6
APAC	14.1	22.2	–8.1
Central Services	8.9	2.1	6.8
GRAMMER Group	**60.4**	**60.8**	**–0.4**

8. Cash flow statement

In the first three quarters of 2022, cash flow from operating activities improved by EUR 20.8 million to EUR 8.6 million (01–09 2021: EUR –12.1 million). In particular, the significantly lower cash outflows from working capital compared with the same period of the previous year more than offset the decline in earnings before taxes for the period, which was impacted by the sharp rise in material, logistics, personnel, and energy costs, new COVID-19 lockdowns in China, and sustained bottlenecks on the procurement markets. This development was mainly driven by the lower cash outflows for inventories and the significant year-on-year increase in accounts payable and other liabilities, as well as the lower level of income tax payments.

The cash outflow from investing activities increased by EUR 12.5 million to EUR –49.4 million in the first nine months of 2022 (01–09 2021: EUR –36.9 million). This was due in particular to investments in plant construction and the expansion of production capacities in the APAC region. There was also significant capital expenditure for property, plant and equipment in the EMEA and AMERICAS regions.

Free cash flow improved compared with the same period of the previous year to EUR –40.8 million in the first three quarters of 2022 (01–09 2021: EUR –49.0 million). Cash flow from financing activities amounted to EUR –12.7 million (01–09 2021: EUR 46.2 million). This was primarily due to the lower level of borrowing compared with the previous year and higher payments for the settlement of financial liabilities than in the previous year.

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9. Employees

GRAMMER had an average of 14,008 employees globally in the first nine months of 2022 (01–09 2021: 14,031). This represents a change of 0.2% compared with the previous year. The Group had an average of 1,487 employees in the APAC region (01–09 2021: 1,354), 7,387 employees in the EMEA region (01–09 2021: 7,575), and 4,726 employees in the AMERICAS region (01–09 2021: 4,675).

Average number of employees

	01–09 2022	01–09 2021	Change
EMEA	7,387	7,575	–188
AMERICAS	4,726	4,675	51
APAC	1,487	1,354	133
Central Services	408	427	–19
GRAMMER Group	**14,008**	**14,031**	**–23**

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, 2021 continue to apply.

GRAMMER is observing the developments and the macroeconomic impact of the war in Ukraine and the COVID-19 pandemic extremely closely, as they involve risks that are significant and extremely difficult to assess at present.

Although the war in Ukraine is still not expected to have a direct impact on Group revenue considering the extremely limited nature of the GRAMMER Group's activities in Russia and Ukraine, the indirect consequences could lead to significantly lower revenue in EMEA. GRAMMER also supplied seats to Russian customers in the truck/rail sector until the start of the war in late February 2022. As these deliveries have been halted, revenue is expected to decline and there is still a certain risk of stock loss and uncollectible accounts receivable. Corresponding impairment losses have been recognized in line with the risk assessment. The economic sanctions and export controls associated with the war in Ukraine are affecting global economic activity and thus global supply chains. As a result, prices on the procurement markets have risen significantly and remain subject to considerable fluctuations.

In 2021, Germany purchased around 55% of its natural gas from Russia. With gas deliveries from Russia being restricted for the time being, the German Federal Ministry for Economic Affairs and Climate Action announced the alert level for the Emergency Plan for Gas (the second level of three) on June 23, 2022. This followed the announcement of the early warning level on March 30, 2022. The early warning and alert levels do not involve government intervention or rationing. Despite the shutdown of gas deliveries via Nord Stream 1, the total storage level in Germany is 92.75% (as at October 6, 2022; source: www.bundesnetzagentur.de). According to the German Federal Network Agency, the gas supply in Germany is currently stable and security of supply continues to be guaranteed, but the situation remains tense. A potential gas shortage would have significant consequences for the economy as a whole. This assessment takes into account the impact on direct gas consumers as well as on upstream and downstream industries. Other than for hot water and heating, gas is only used in the production process at a small number of GRAMMER plants. GRAMMER has already initiated measures to switch to alternative energy sources for the relevant production processes. However, the dependence on products from the energy-intensive steel and chemical industries means that a gas shortage would have a significant negative impact on automotive production, thus indirectly leading to significantly lower revenue for GRAMMER. Europe in particular is looking to successively cover its energy needs with a graduated mix of long-term and short-term trading products in order to achieve a balance between security of supply, risk minimization through partial early procurement, and the opportunity to participate in falling markets.

Lockdowns were imposed in several major cities in China in response to COVID-19 infection rates in the reporting period, leading to restrictions on economic activities. There may be additional risks to GRAMMER Group's revenue depending on the length and further course of renewed COVID-19 lockdowns in China.

Specially established crisis management teams are continuously analyzing the situation on the market and among customers and suppliers, and specific measures will be 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 are also being observed in order to enable a timely response to any changes in conditions.

In the wake of the current persistent inflation and the decision by the European Central Bank (ECB) to raise key interest rates, yields on government bonds in the euro zone have increased significantly. In Germany, the risk-free base interest rate according to IDW S 1 has increased by more than 140 basis points since January 1, 2022. A further increase in interest rates could lead to an increased impairment risk with regard to the recoverability of goodwill as well as rising financing costs.

11. Outlook

GRAMMER published its guidance for the financial year of 2022 on March 30, 2022. This guidance continues to apply.

The recent months have served to reinforce the company's forecast that the challenging macroeconomic conditions will persist, especially in the markets that are relevant for GRAMMER Group. GRAMMER expects the economic environment to be characterized by extremely limited economic growth, inflationary price trends and supply problems in the fourth quarter and beyond. Nevertheless, agreements were reached with customers in the first nine months on passing on the significant inflation-related cost increases, which will also be recognized in profit or loss in the fourth quarter of 2022. In addition, further negotiations will be held in the coming days, particularly in the AMERICAS and the EMEA regions. Overall, GRAMMER anticipates a slight increase in revenue to approximately EUR 2.0 billion in 2022 (2021: EUR 1.9 billion). Based on the forecast for the three regions that are relevant to the Group's business performance, operating EBIT is expected to improve significantly to between EUR 35 million and EUR 40 million in 2022 (2021: EUR 22.8 million).

However, the risks to GRAMMER Group revenue and earnings as a result of the war in Ukraine, the sharp increase in energy and material prices, and the prospect of renewed COVID-19 lockdowns in China and other countries could intensify and adversely affect this forecast. In 2022, operating EBIT will remain impacted by volatile call-offs, increasing costs from higher raw material and energy prices as well as material bottlenecks and increased personnel costs. The company is endeavoring to compensate this with the efficiency and cost reduction measures it has initiated. As previously, the full-year forecast also substantially depends on the extent to which GRAMMER can reach further agreements with its customers on passing on cost increases, particularly in AMERICAS and the EMEA regions.

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 | Financial information
January to September 2022

Consolidated Statement of Income

January 1–September 30 of the respective financial year

EUR k

	01–09 2022	01–09 2021
Revenue	1,593,200	1,404,737
Cost of Sales	–1,475,621	–1,261,730
Gross profit	**117,579**	**143,007**
Selling expenses	–22,029	–25,468
Administrative expenses	–118,775	–111,731
Other operating income	25,729	20,617
Earnings before interest and taxes (EBIT)	**2,504**	**26,425**
Financial income	2,073	2,841
Financial expenses	–19,580	–15,827
Other financial result	14,748	3,731
Earnings before taxes	**–255**	**17,170**
Income taxes	–15,445	–4,043
Net profit/loss	**–15,700**	**13,127**
Of which attributable to:		
Shareholders of the parent company	–15,312	12,884
Non-controlling interests	–891	–208
Hybrid loan lender's compensation claims	503	451
Net profit/loss	**–15,700**	**13,127**
Earnings per share		
Basic/diluted earnings per share in EUR	–1.03	0.86

Consolidated Statement of Comprehensive Income

January 1–September 30 of the respective financial year

EUR k	01–09 2022	01–09 2021
Net profit/loss	**–15,700**	**13,127**
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	41,912	8,078
Tax expenses (–)/tax income	–12,115	–2,359
Actuarial gains/losses (–) under defined benefit plans (after tax)	**29,797**	**5,719**
Total amounts that will not be reclassified to profit and loss in future periods	**29,797**	**5,719**
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	22,274	18,004
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**22,274**	**18,004**

EUR k	01–09 2022	01–09 2021
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	2,612	1,068
Plus/less (–) amounts reclassified to the income statement through profit and loss	–1,192	–1,234
Tax expenses (–)/tax income	–392	–6
Gains/losses (–) from cash flow hedges (after tax)	**1,028**	**–172**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	13,956	1,933
Tax expenses (–)/tax income	–910	354
Gains/losses (–) from net investments in foreign operations (after tax)	**13,046**	**2,287**
Total amounts that will be reclassified to profit and loss in future periods under certain conditions	**36,348**	**20,119**
Other comprehensive income	**66,145**	**25,838**
Total comprehensive income after taxes	**50,445**	**38,965**
Of which attributable to:		
Shareholders of the parent company	50,757	38,734
Non-controlling interests	–815	–220
Hybrid loan lender's compensation claims	503	451

Consolidated Statement of Financial Position

as of September 30, 2022 and December 31, 2021

Assets

EUR k

	September 30, 2022	December 31, 2021
Property, plant and equipment	516,827	495,319
Intangible assets	197,322	183,534
Investments measured at equity	1,150	958
Other financial assets	6,641	6,366
Deferred tax assets	38,689	51,147
Other assets	32,858	32,419
Contract assets	72,824	63,790
Non-current assets	**866,311**	**833,533**
Inventories	214,685	196,137
Current trade accounts receivable	293,389	229,370
Other current financial assets	5,222	5,261
Current income tax receivables	2,626	5,463
Cash and short-term deposits	70,608	113,441
Other current assets	50,801	38,332
Current contract assets	61,614	61,851
Current assets	**698,945**	**649,855**
Total assets	**1,565,256**	**1,483,388**

Consolidated Statement of Financial Position

as of September 30, 2022 and December 31, 2021

Equity and liabilities

EUR k

	September 30, 2022	December 31, 2021
Subscribed capital	39,009	39,009
Capital reserve	162,947	162,947
Own shares	–7,441	–7,441
Retained earnings	185,369	200,534
Cumulative other comprehensive income	–5,577	–71,646
Equity attributable to shareholders of the parent company	**374,307**	**323,403**
Hybrid loan	19,476	19,621
Non-controlling interests	1,711	2,526
Equity	**395,494**	**345,550**
Non-current financial liabilities	180,876	182,036
Trade accounts payables	0	261
Other financial liabilities	67,195	68,719
Other liabilities	1,356	1,356
Retirement benefits and similar obligations	108,836	148,973
Deferred tax liabilities	31,196	24,365
Contract liabilities	2,572	2,433
Non-current liabilities	**392,031**	**428,143**

EUR k

	September 30, 2022	December 31, 2021
Current financial liabilities	296,495	263,426
Current trade accounts payable	305,991	269,135
Other current financial liabilities	16,394	19,467
Other current liabilities	113,364	93,528
Current income tax liabilities	4,633	8,038
Provisions	37,000	52,610
Current contract liabilities	3,854	3,491
Current liabilities	**777,731**	**709,695**
Total liabilities	**1,169,762**	**1,137,838**
Total equity and liabilities	**1,565,256**	**1,483,388**

Consolidated Statement of Cash Flows

January 1–September 30 of the respective financial year

EUR k	01–09 2022	01–09 2021
1. Cash flow from operating activities		
Earnings before taxes	–255	17,170
Reconciliation of earnings before taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	55,492	50,938
Amortization and impairment of intangible assets	10,823	11,320
Gains (–)/losses from the disposal of assets	343	–892
Other non-cash changes	21,451	41,247
Financial result	2,759	9,256
Dividends received from investments measured at equity	359	0
Changes in operating assets and liabilities		
Decrease/increase (–) in trade accounts receivable and other assets	–84,848	–56,460
Decrease/increase (–) in inventories	–18,548	–57,867
Decrease (–)/increase in provisions and retirement benefit provisions	–25,351	–27,686
Decrease (–)/increase in accounts payable and other liabilities	54,153	16,399
Income taxes paid	–7,725	–15,564
Cash flow from operating activities	**8,653**	**–12,139**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–47,942	–38,727
Purchase of intangible assets	–5,562	–4,708

EUR k	01–09 2022	01–09 2021
Disposals		
Disposal of property, plant and equipment	1,274	4,450
Disposal of intangible assets	151	42
Disposal of financial assets	580	957
Payments made from disposals of subsidiaries less disposals of cash and cash equivalents	0	–1,712
Interest received	2,073	2,840
Cash flow from investing activities	**–49,426**	**–36,858**
3. Cash flow from financing activities		
Payments made for the hybrid loan lender's compensation claims	–648	–578
Payments received from capital increase by minority shareholders	0	3,673
Payments received from raising financial liabilities	72,948	100,386
Payments made for the settlement of financial liabilities	–52,546	–30,265
Payments made for the settlement of lease liabilities	–16,900	–13,572
Interest paid	–15,510	–13,474
Cash flow from financing activities	**–12,656**	**46,170**
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)	–53,429	–2,827
Effects of exchange rate differences of cash and cash equivalents	–914	–711
Cash and cash equivalents as of January 1	44,357	55,372
Cash and cash equivalents as of September 30	**–9,986**	**51,834**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	70,608	80,571
Bank overdrafts (including current liabilities under factoring contracts)	–80,594	–28,737
Cash and cash equivalents as of September 30	**–9,986**	**51,834**

Financial Calendar 2023[1]

Important dates for shareholders and analysts

Date	Event
30 March	Analyst and financial press conference
10 May	Annual General Meeting 2023
30 March	Publication of Annual Report 2022
14 August	Publication of Interim Financial Report 1st Half 2023
27 April	Publication of Interim Management Statement 1st Quarter 2023
30 October	Publication of Interim Management Statement 3rd Quarter 2023

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

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