Interim Financial Report January to June 2022

SOLUTIONS FOR A WORLD ON THE MOVE

GRAMMER

Revenue
1,034.6 EUR m

EBIT margin
–1.2%

Operating EBIT margin
–1.2%

Equity ratio
24.8%

Net loss
–25.5 EUR m

Free cash flow
–45.2 EUR m

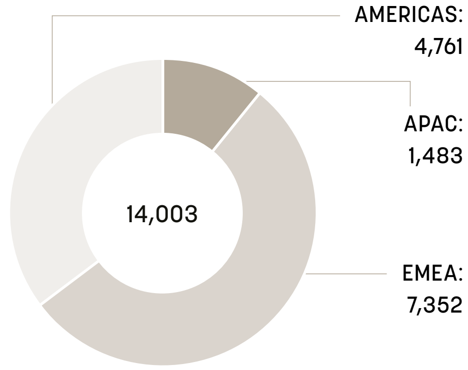
EBIT
–12.5
EUR m

Capital expenditure
33.4
EUR m

Company profile

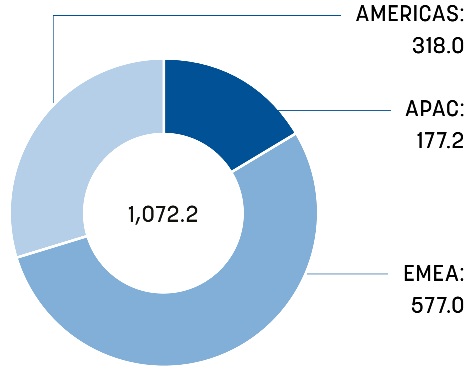
GRAMMER AG, which has its head office in Ursensollen, operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. GRAMMER is a full service provider of driver and passenger seats 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



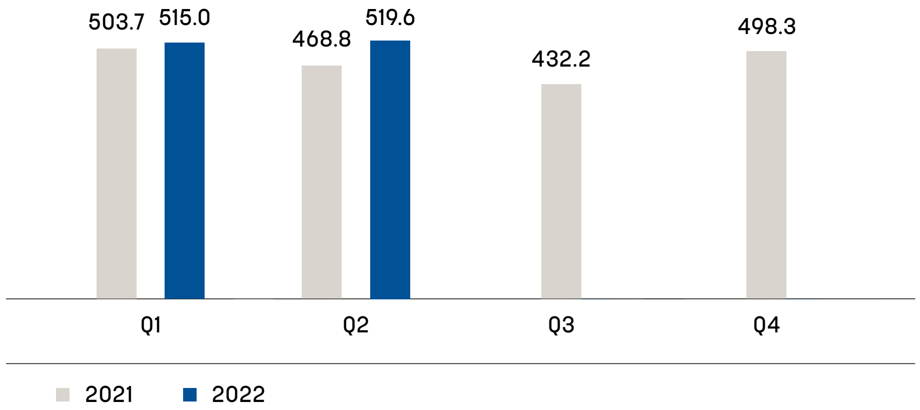
[1] An average of 407 people were employed in Central Services.

Revenue by region[2]
EUR m



[2] The consolidation effect of revenue between the regions amounts to EUR 37,6 million.

Revenue by quarter
EUR m



Operating EBIT by region

AMERICAS	EMEA	APAC
–36.0 EUR m	23.6 EUR m	14.2 EUR m

Overview of business performance

- The challenging macroeconomic conditions in the second half of 2021 continued in the first half of 2022 and were further exacerbated by the escalation of the Ukraine conflict; accordingly, rising commodity, material, and energy prices impacted the earnings development in the reporting period

- Negative effects resulting from restrictions due to renewed lockdowns as part of China´s zero-COVID strategy also had a negative impact and impaired development in the APAC region

- GRAMMER Group revenue increased mainly due to positive currency effects by 6.4% to EUR 1,034.6 million in the first half of 2022 (01–06 2021: EUR 972.5 million), FX-adjusted revenue rose only by 2.5%

- The EMEA region generated revenue of EUR 577.0 million (01–06 2021: EUR 562.0 million), corresponding to growth of 2.7%; FX-adjusted sales growth was 4.2% to EUR 585.4 million

- In the AMERICAS region, revenue amounted to EUR 318.0 million in the first half of 2022 (01–06 2021: EUR 247.2 million), an increase of 28.6% compared with the same period of the previous year; FX-adjusted revenue rose by only 16.1% to EUR 287.1 million

- GRAMMER's highest-margin region APAC recorded a 14.2% downturn in revenue to EUR 177.2 million in the first six months of 2022; FX-adjusted revenue even declined by 21.1% to EUR 163.0 million

- EBIT declined significantly to EUR –12.5 million in the first half of 2022 (01–06 2021: EUR 27.8 million), corresponding to an EBIT margin of –1.2% (01–06 2021: 2.9%); operating EBIT amounted to EUR –12.3 million (01–06 2021: EUR 32.4 million), while the operating EBIT margin was also –1.2% (01–06 2021: 3.3%)

- At the virtual Annual General Meeting 2022, Dagmar Rehm and Dr. Martin Kleinschmitt were appointed to the Supervisory Board of the company to succeed Alfred Weber and Dr. Peter Merten; Dr. Martin Kleinschmitt was subsequently elected as the new Chairman of the Supervisory Board at the constituent meeting

- Thorsten Seehars also stepped down as Chief Executive Officer (CEO) with effect from May 31, 2022; his tasks have been performed on an interim basis by the Executive Board members Jens Öhlenschläger, Chief Operating Officer (COO), and Jurate Keblyte, Chief Financial Officer (CFO), since June 1, 2022 with Jens Öhlenschläger having taken over the function of Spokesman of the Executive Board

- 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

A | Interim Group Management Report

1. Economic conditions

Global economy
According to the current outlook of the International Monetary Fund (IMF) of July 2022, the forecast for the global economy has increasingly deteriorated over the course of the year. The reasons for this are in particular the war in Ukraine, high inflation and the economic slowdown in China in the wake of the zero-COVID strategy. In addition, the general negative effects of the COVID-19 pandemic – including material shortages due to supply chain disruptions and sharply higher material and commodity prices – also continued in the first half of 2022. According to the IMF forecast, these developments will lead to a more significant weakening of global – and in particular US and European – growth than initially expected.

Consequently, since the last forecast in April 2022, the IMF has again reduced its outlook for global economic output by 0.4 percentage points in July 2022. The experts now expect global growth to amount to 3.2% in 2022 as a whole. 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 2.6%, down 0.2 percentage points compared with its April forecast. In terms of Germany's economic performance, the IMF expects economic output to increase by 1.2% across 2022 as a whole (–0.9 percentage points compared with April 2022).

For the AMERICAS region, the IMF has also revised its growth forecasts significantly downward. For 2022 as a whole, the IMF now forecasts a year-on-year increase of only 2.3% (–1.4 percentage points compared with April 2022), due to weaker growth than expected in the first two quarters of 2022. In particular, the marked slowdown in private consumption momentum is contributing to the 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, which served to restrict economic activity once again. The IMF expects China to see economic growth of just 3.3% in 2022. Accordingly, the experts downwardly revised their April forecast by 1.1 percentage points.

Conditions in the automotive industry
As a result of the weak economic development, the market data published by S&P Global Mobility in august showed that 1.8% fewer vehicles were manufactured worldwide in the first half of 2022 than in the same period of the previous year. The number of vehicles produced declined by 3.4% in the first quarter, the second quarter was at the level of the previous year.

The global downturn in the first half of 2022 amounted to 0.7 million units. The majority of this figure – almost 1.0 units – was attributable to the EMEA region. The 9.7% downturn in sales in EMEA is mainly due to the substantial restrictions on chip deliveries, supply chain problems and high commodity prices as a result of the war in Ukraine.

Production in the APAC region declined by 0.2% in the first six months of 2022. Although the first quarter saw growth of 2.0%, development in the first half of the year was driven in particular by the market situation in China in the second quarter and the lockdowns as part of the country's zero-COVID policy resulting in a decline of 2.6%.

According to the S&P Global Mobility data, only the AMERICAS region saw year-on-year growth of 3.9% in the first half of 2022. Here, too, development in the second quarter of 2022 was a key factor as production increased by 11.9%. The growth in the AMERICAS region was mainly due to the weak prior-year figure as a result of supply bottlenecks affecting semiconductors.

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 27.3% in the first half of the year on the back of strict lockdowns in China and the general economic crisis resulting from the war in Ukraine.

This development was driven in particular by the 39.4% downturn in production in the APAC region. With the number of units manufactured declining by 0.6 million, the region accounted for the biggest share of the global downturn. According to LMC, production figures on the Chinese market declined by 55.5% in the first half of 2022, with the second quarter of 2022 (–61.4%) seeing an even more pronounced downturn than the first quarter (–50.4%).

Production in the AMERICAS region increased by 4.2% in the first half 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 region rose by 8.0% in the second quarter.

In the EMEA region, LMC reported a reduction in production figures of 6.3% in the first six months of 2022. Once again, this negative development was due in particular to the consequences of the war in Ukraine, and especially the shortage of materials such as cable harnesses.

2. GRAMMER Group key figures

Key figures in accordance with IFRS GRAMMER Group

EUR m	01–06 2022	01–06 2021	01–12 2021
Group revenue	**1,034.6**	**972.5**	**1,903.0**
Revenue EMEA	577.0	562.0	1,061.5
Revenue AMERICAS	318.0	247.2	517.7
Revenue APAC	177.2	206.5	406.3
Statement of income			
EBITDA	30.9	69.0	103.1
EBITDA margin (%)	3.0	7.1	5.4
EBIT	–12.5	27.8	18.9
EBIT margin (%)	–1.2	2.9	1.0
Operating EBIT	–12.3	32.4	22.8
Operating EBIT margin (%)	–1.2	3.3	1.2
Earnings before taxes	–16.2	22.8	6.7
Net profit/loss	–25.5	18.2	0.6

EUR m	01–06 2022	01–06 2021	01–12 2021
Statement of Financial Position			
Total assets	1,511.4	1,446.0	1,483.4
Equity	374.9	332.0	345.6
Equity ratio (%)	24.8	23.0	23.3
Net financial liabilities	481.5	430.5	420.2
Gearing (%)	128.4	129.7	121.6
Statement of Cash Flows			
Capital expenditure (without financial assets)	33.4	30.7	114.7
Depreciation and amortization	43.4	41.2	84.2
Free cash flow	–45.2	–54.4	–5.6
Employees (number, average)	14,003	14,143	14,006

	June 30, 2022	June 30, 2021	December 31, 2021
Share data			
Price (Xetra closing price in EUR)	13.35	25.80	17.95
Market capitalization (EUR m)	203.4	393.1	273.5
Earnings per share (EUR)	–1.67	1.21	0.08

3. Business performance in the first half of 2022

GRAMMER Group revenue amounted to EUR 1,034.6 million in the first half of 2022, up 6.4% or EUR 62.1 million on the same period of the previous year (01–06 2021: EUR 972.5 million). FX-adjusted revenue increased by 2.5% year-on-year. This was in particular due to revenue growth of 28.6% to EUR 318.0 million in the AMERICAS region (01–06 2021: EUR 247.2 million). The EMEA region generated revenue of EUR 577.0 million (01–06 2021: EUR 562.0 million), corresponding to growth of 2.7%. In the APAC region, revenue amounted to EUR 177.2 million in the first half of 2022 (01–06 2021: EUR 206.5 million), down 14.2% on the same period of the previous year.

In terms of quarterly performance, GRAMMER Group revenue amounted to EUR 519.6 million in the second quarter (Q2 2021: EUR 468.8 million), thus remaining largely unchanged compared with the first quarter of 2022 (EUR 515.0 million) and increasing by 10.8% compared with the same period of the previous year. The year-on-year rise was partly due to currency translation effects. The prior-year figure was also impacted to a greater extent by the supply bottlenecks affecting semiconductors. Adjusted for positive currency effects, revenue increased by 5.8% to EUR 495.8 million.

GRAMMER Group earnings before interest and taxes (EBIT) declined significantly to EUR –12.5 million in the first half of 2022 (01–06 2021: EUR 27.8 million). Accordingly, GRAMMER Group operating EBIT also fell sharply to EUR –12.3 million in the first half of 2022 (01–06 2021: EUR 32.4 million), corresponding to an operating EBIT margin of –1.2% (01–06 2021: 3.3%). As previously, the main reasons for this dramatic downturn in earnings were sustained bottlenecks on the procurement markets, new COVID-19 lockdowns that curbed the development on the Chinese market in particular, and a severance payment of EUR 2.1 million. In addition to directly attributable costs for corona-related protection and response measures in the amount of EUR 2.0 million, operating EBIT was adjusted for positive currency translation effects of EUR 1.8 million.

In the first half of the year, GRAMMER already reached agreements with customers on passing on the substantial inflation-related cost increases (material, energy, transport, and wage costs). Negotiations with additional OEMs are planned for the second half of the year in order to achieve further compensation. In addition, the company aims to achieve a sustainable turnaround in AMERICAS, today's second largest market, by 2024. With regard to the AMERICAS region, one important component is the "P2P – Path to Profitability" restructuring project. A new management team with restructuring experience has been appointed to systematically pursue the various measures to secure financial stability and promote sustainable development in this region. In this context, among other things, an intensive evaluation of production capacities is currently taking place.

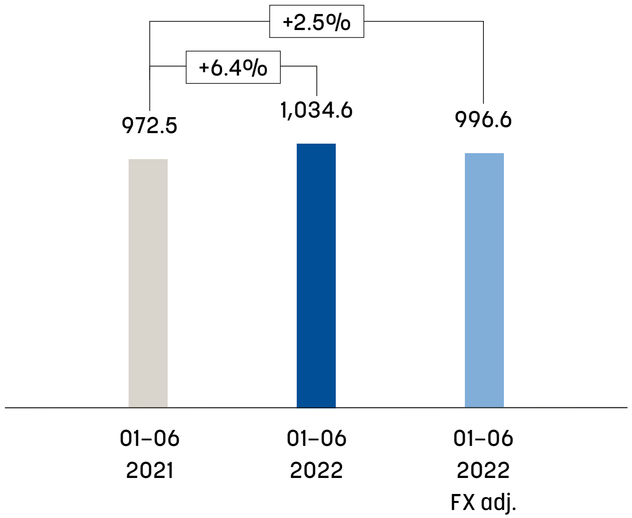
4. GRAMMER Group results of operations

GRAMMER Group revenue

GRAMMER Group revenue increased by 6.4% year-on-year to EUR 1,034.6 million in the first half of 2022 (01–06 2021: EUR 972.5 million). The Automotive Division and the Commercial Vehicles Division both recorded revenue growth. Revenue in the Automotive Division increased by 3.4% to EUR 655.9 million, while revenue in the Commercial Vehicles Division rose by 11.9% to EUR 378.7 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 sharp downturn. In the Automotive Division, the positive revenue development in the AMERICAS region more than offset the downturns in EMEA and APAC. 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.

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



GRAMMER Group earnings

EBIT amounted to EUR –12.5 million in the first half of 2022 (01–06 2021: EUR 27.8 million). All regions saw a pronounced downturn in earnings: EBIT amounted to EUR 12.2 million in APAC (01–06 2021: EUR 30.9 million), EUR 25.0 million in EMEA (01–06 2021: EUR 30.4 million), and EUR –35.9 million in AMERICAS (01–06 2021: EUR –23.5 million). Group operating EBIT and the operating EBIT margin also declined considerably year-on-year to EUR –12.3 million and –1.2% respectively (01–06 2021: EUR 32.4 million and 3.3%) after adjustment for directly attributable costs for corona-related protection and response measures in the amount of EUR 2.0 million and positive currency translation effects of EUR 1.8 million.

At EUR –3.7 million (01–06 2021: EUR –5.0 million), the GRAMMER Group financial result is mainly shaped by positive currency translation effects. Fluctuations in the exchange rate of the Czech koruna, the Brazilian real, the Japanese yen and the US dollar resulted in higher foreign exchange gains in the first half of 2022 than in the same period of the previous year.

Despite negative earnings before taxes in the amount of EUR –16.2 million (01–06 2021: positive earnings before taxes of EUR 22.8 million), income tax expense of EUR 9.3 million was reported in the first half of 2022 (01–06 2021: EUR 4.6 million). This was primarily due to the non-recognition of deferred tax assets on loss carryforwards for the tax group in the USA.

The net loss for the first half of 2022 amounted to EUR –25.5 million (01–06 2021: net profit of EUR 18.2 million).

Revenue performance by region and division

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	01–06 2022	01–06 2021	Change	01–06 2022	01–06 2021	Change	01–06 2022	01–06 2021	Change	01–06 2022	01–06 2021	Change
Automotive	655.9	634.2	3.4%	292.7	310.3	–5.7%	255.8	204.0	25.4%	114.5	130.7	–12.4%
Commercial Vehicles	378.7	338.3	11.9%	284.3	251.7	13.0%	62.2	43.2	44.0%	62.7	75.8	–17.3%
Revenue	**1,034.6**	**972.5**	**6.4%**	**577.0**	**562.0**	**2.7%**	**318.0**	**247.2**	**28.6%**	**177.2**	**206.5**	**–14.2%**

GRAMMER Group Condensed Consolidated Statement of Income

EUR k

	01–06 2022	01–06 2021	Change
Revenue	1,034,579	972,495	62,084
Cost of sales	–968,770	–858,485	–110,285
Gross profit	**65,809**	**114,010**	**–48,201**
Selling expenses	–14,563	–20,630	6,067
Administrative expenses	–81,071	–79,693	–1,378
Other operating income	17,277	14,090	3,187
Earnings before interests and taxes (EBIT)	**–12,548**	**27,777**	**–40,325**
Financial result	–3,662	–4,976	1,314
Earnings before taxes	**–16,210**	**22,801**	**–39,011**
Income taxes	–9,322	–4,645	–4,677
Net profit/loss	**–25,532**	**18,156**	**–43,688**

Derivation of operating EBIT

EUR m

	01–06 2022	01–06 2021	Change
EBIT	**–12.5**	**27.8**	**–40.3**
Currency translation effects	–1.8	–2.2	0.4
Costs for corona-related protection and response measures	2.0	2.3	–0.3
Expenses for the sale of a subsidiary	0.0	4.5	–4.5
Operating EBIT	**–12.3**	**32.4**	**–44.7**

5. Performance by region

EMEA

The EMEA region generated revenue of EUR 577.0 million in the first half of 2022 (01–06 2021: EUR 562.0 million), representing an increase of 2.7%. The Automotive and Commercial Vehicles Division saw contrasting performance. While the Commercial Vehicles Division recorded revenue growth of 13.0% to EUR 284.3 million (01–06 2021: EUR 251.7 million), revenue in the Automotive Division fell by 5.7% to EUR 292.7 million (01–06 2021: EUR 310.3 million). This meant the region, which includes the companies with the highest revenue in the Group, continued the downward trend in the Automotive Division that began in the second half of 2021.

EBIT in the EMEA region declined to EUR 25.0 million in the first half of 2022 (01–06 2021: EUR 30.4 million). This was due in particular to the sharp and sustained rise in material, logistics, and energy costs. The EBIT margin amounted to 4.3% (01–06 2021: 5.4%).

Operating EBIT fell significantly to EUR 23.6 million (01–06 2021: EUR 34.7 million). Accordingly, the operating EBIT margin declined to 4.1% (01–06 2021: 6.2%). In addition to positive currency translation effects of EUR 1.8 million, the operating EBIT was adjusted for directly attributable costs for corona-related protection and response measures in the amount of EUR 0.4 million.

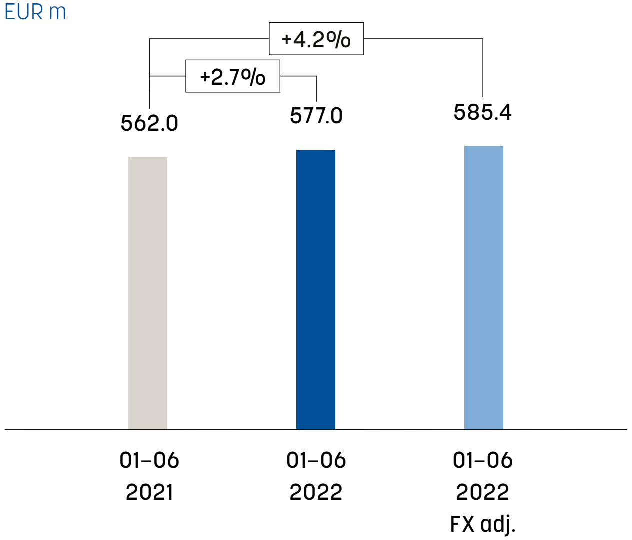
EMEA key figures

EUR m

	01–06 2022	01–06 2021	Change
Revenue	577.0	562.0	15.0
EBIT	25.0	30.4	−5.4
EBIT margin (%)	4.3	5.4	−1.1 %-points
Operating EBIT	23.6	34.7	−11.1
Operating EBIT margin (%)	4.1	6.2	−2.1 %-points
Capital expenditure (without financial assets)	11.3	14.9	−3.6
Employees (number, average)	7,352	7,672	−320

EMEA revenue (incl. FX-adjustment)

EUR m



AMERICAS

The AMERICAS region reported substantial revenue growth of 28.6% to EUR 318.0 million in the first half of 2022 (01–06 2021: EUR 247.2 million). This positive development was mainly attributable to higher demand in the Commercial Vehicles Division, as well as the lower prior-year figures in the Automotive Division due to the pronounced impact of the supply bottlenecks affecting semiconductors. Revenue in the Automotive Division increased by 25.4% to EUR 255.8 million (01–06 2021: EUR 204.0 million), while revenue in the Commercial Vehicles Division grew by 44.0% to EUR 62.2 million (01–06 2021: EUR 43.2 million).

Due to factors including high inflation and the sharp rise in personnel costs, EBIT in the AMERICAS region amounted to EUR −35.9 million in the first six months (01–06 2021: EUR −23.5 million). This was exacerbated by non-recurring expenses of around EUR 4.0 million in the first quarter of 2022, especially for special freight at a plant in Mexico. The EBIT margin declined to −11.3% (01–06 2021: −9.5%).

Operating EBIT amounted to EUR −36.0 million in the first half of 2022 (01–06 2021: EUR −23.7 million). Accordingly, the operating EBIT margin amounted to −11.3%, down 1.7 percentage points on the same period of the previous year (01–06 2021: −9.6%). Operating EBIT was adjusted by positive currency translation effects in the amount of EUR 0.1 million.

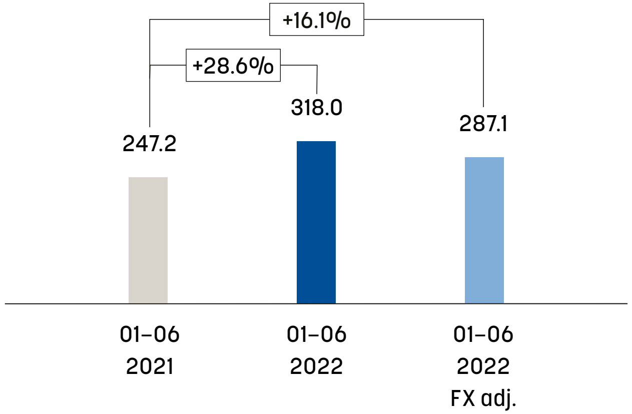
AMERICAS key figures

EUR m

	01–06 2022	01–06 2021	Change
Revenue	318.0	247.2	70.8
EBIT	−35.9	−23.5	−12.4
EBIT margin (%)	−11.3	−9.5	−1.8 %-points
Operating EBIT	−36.0	−23.7	−12.3
Operating EBIT margin (%)	−11.3	−9.6	−1.7 %-points
Capital expenditure (without financial assets)	9.2	8.1	1.1
Employees (number, average)	4,761	4,700	61

AMERICAS revenue (incl. FX-adjustment)

EUR m



APAC

Revenue in the APAC region declined significantly by 14.2% to EUR 177.2 million (01–06 2021: EUR 206.5 million). The Automotive Division saw a year-on-year downturn in revenue of 12.4% to EUR 114.5 million (01–06 2021: EUR 130.7 million). This was due among other things to lower customer call-offs as a result of renewed COVID-19 lockdowns in China, as well as the global supply bottleneck affecting semiconductors. The Commercial Vehicles Division saw a continuation of the downward trend recorded in the second half of 2021. This was primarily due to the introduction of a more stringent emission standard, which led to a slump in new truck orders. The COVID-19-related lockdown in Shanghai also resulted in lower call-offs in this division. Revenue in the Commercial Vehicles Division fell by 17.3% to EUR 62.7 million (01–06 2021: EUR 75.8 million).

EBIT in the APAC region declined to EUR 12.2 million (01–06 2021: EUR 30.9 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 8.1 percentage points to 6.9% (01–06 2021: 15.0%).

Operating EBIT also declined sharply to EUR 14.2 million (01–06 2021: EUR 31.0 million), with the operating EBIT margin declining by 7.0 percentage points year-on-year to 8.0% (01–06 2021: 15.0%). Adjustments on operating EBIT were recognized for negative currency translation effects of EUR 0.4 million as well as directly attributable costs for corona-related protection and response measures in the amount of EUR 1.6 million.

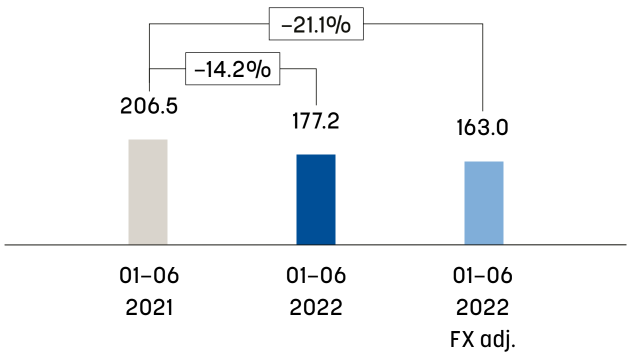
APAC key figures

EUR m

	01–06 2022	01–06 2021	Change
Revenue	177.2	206.5	–29.3
EBIT	12.2	30.9	–18.7
EBIT margin (%)	6.9	15.0	–8.1 %-points
Operating EBIT	14.2	31.0	–16.8
Operating EBIT margin (%)	8.0	15.0	–7.0 %-points
Capital expenditure (without financial assets)	7.1	6.5	0.6
Employees (number, average)	1,483	1,336	147

APAC revenue (incl. FX-adjustment)

EUR m



6. Net assets and financial position

Statement of Financial Position

GRAMMER Group Condensed Consolidated Statement of Financial Position

EUR k

	June 30, 2022	June 30, 2021	Change
Non-current assets	837,326	833,533	3,793
Current assets	674,083	649,855	24,228
Assets	**1,511,409**	**1,483,388**	**28,021**
Equity	374,930	345,550	29,380
Non-current liabilities	385,516	428,143	–42,627
Current liabilities	750,963	709,695	41,268
Equity and liabilities	**1,511,409**	**1,483,388**	**28,021**

GRAMMER Group total assets increased slightly by 1.9% or EUR 28.0 million to EUR 1,511.4 million as at June 30, 2022 (December 31, 2021: EUR 1,483.4 million).

Non-current assets increased slightly by 0.5% or EUR 3.8 million to EUR 837.3 million (December 31, 2021: EUR 833.5 million). In particular, property, plant and equipment increased by 1.5% to EUR 502.5 million (December 31, 2021: EUR 495.3 million), intangible assets by 4.0% to EUR 190.8 million (December 31, 2021: EUR 183.5 million), and contract assets by 2.7% to EUR 65.5 million (December 31, 2021: EUR 63.8 million). By contrast, deferred tax assets declined substantially by 26.0% to EUR 37.8 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 3.7% to EUR 674.1 million (December 31, 2021: EUR 649.9 million), mainly due to the 17.1% increase in trade accounts receivable to EUR 268.7 million (December 31, 2021: EUR 229.4 million), the 7.9% rise in inventories to EUR 211.6 million (December 31, 2021: EUR 196.1 million) and the 38.1% increase in other current assets to EUR 52.9 million (December 31, 2021: EUR 38.3 million). The latter increased mainly due to a reporting date related rise in VAT receivables of EUR 9.6 million. By contrast, cash and short-term deposits in particular decreased by 44.2% to EUR 63.3 million as at June 30, 2022 (December 31, 2021: EUR 113.4 million).

Equity increased by EUR 29.3 million or 8.5% to EUR 374.9 million in the first half of 2022 (December 31, 2021: EUR 345.6 million). This was due to positive other comprehensive income of EUR 55.4 million (01–06 2021: EUR 12.2 million). Other comprehensive income mainly comprised currency translation effects of foreign subsidiaries amounting to EUR 15.3 million (01–06 2021: EUR 10.9 million), actuarial effects from the interest-related adjustment of retirement benefit obligations taking into account deferred taxes amounting to EUR 32.2 million (01–06 2021: EUR 0 million), and currency translation effects from net investments in foreign operations taking into account current taxes, which amounted to EUR 7.3 million (01–06 2021: EUR 0.9 million). The net loss for the period of EUR –25.5 million (01–06 2021: net profit of EUR 18.2 million) had an opposing effect on equity. The equity ratio therefore improved by 1.5 percentage points to 24.8% (December 31, 2021: 23.3%).

Non-current liabilities declined by EUR 42.6 million or 10.0% to EUR 385.5 million (December 31, 2021: EUR 428.1 million). In particular, this was due to the substantial decrease in retirement benefits and similar obligations of EUR 44.4 million or 29.8% to EUR 104.6 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 3.3% as at June 30, 2022. Non-current financial liabilities were essentially unchanged at EUR 182.2 million (December 31, 2021: EUR 182.0 million). By contrast, deferred tax liabilities rose by 16.8% to EUR 28.5 million (December 31, 2021: EUR 24.4 million).

Current liabilities rose by EUR 41.3 million or 5.8% to EUR 751.0 million (December 31, 2021: EUR 709.7 million). This is primarily due to the increase in other current liabilities of 22.5% to EUR 114.5 million (December 31, 2021: EUR 93.5 million) – EUR 15.1 million of which relates to liabilities to employees due to the build-up of accruals for Christmas and vacation bonuses, bonus payments, and accruals for vacation and overtime not yet taken – as well as the 7.5% increase in current trade accounts payable to EUR 289.4 million (December 31, 2021: EUR 269.1 million) and the 6.6% rise in current financial liabilities to EUR 280.8 million (December 31, 2021: EUR 263.4 million).

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 with an original term until August 20, 2023, which was concluded in August 2020, 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. As of the calculation date of December 31, 2023, the original contractual conditions will come into effect again.

7. Capital expenditure

In the first half of 2022, GRAMMER Group capital expenditure exceeded the prior-year figure by EUR 2.7 million, increasing to EUR 33.4 million (01–06 2021: EUR 30.7 million).

Capital expenditure in the EMEA region amounted to EUR 11.3 million, down significantly on the prior-year figure of EUR 14.9 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 13.6% to EUR 9.2 million (01–06 2021: EUR 8.1 million) and primarily related to the ramp-up of new products in the Automotive Division as well as replacement investments.

In the APAC region, capital expenditure increased by 9.2% year-on-year to EUR 7.1 million in the period from January to June 2022 (01–06 2021: EUR 6.5 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 rose sharply by EUR 4.6 million year-on-year to EUR 5.8 million (01–06 2021: EUR 1.2 million). Of this figure, EUR 1.2 million (01–06 2021: EUR 0.4 million) was attributable to the continuation of the digitalization project "Management of product lifecycles" and EUR 3.3 million related to capitalized development costs. As in the previous year, this 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 2.8 million was recognized for this in the EMEA region.

Capital expenditure

EUR m

	01–06 2022	01–06 2021	Change
EMEA	11.3	14.9	–3.6
AMERICAS	9.2	8.1	1.1
APAC	7.1	6.5	0.6
Central Services	5.8	1.2	4.6
GRAMMER Group	**33.4**	**30.7**	**2.7**

8. Cash Flow Statement

In the period from January to June 2022, cash flow from operating activities improved by EUR 19.6 million to EUR –17.2 million (01–06 2021: EUR –54.4 million). The reason for this was that working capital increased less in the period from January to June 2022 than in the comparable period. This was mainly due to the significantly lower increase in trade receivables and inventories. In addition, liabilities and other liabilities increased significantly. The negative earnings before taxes due to strongly increased material, logistics and energy costs, interim and new COVID-19 lockdowns in China as well as ongoing bottlenecks on the procurement markets also had a negative impact. The cash outflow from investing activities rose by EUR 10.4 million to EUR –28.0 million in the first half of 2022 (01–06 2021: EUR –17.6 million). This was due in particular to capital expenditure in the EMEA region. Significant investments were also made in plant construction and the expansion of production capacities in the APAC region.

Free cash flow improved compared with the same period of the previous year to EUR –45.2 million in the first half of 2022 (01–06 2021: EUR –54.4 million). Cash flow from financing activities stood at EUR –4.3 million in the first half of 2022 (01–06 2021: EUR –20.3 million), reflecting the increase in financial liabilities due to the increased capital needs.

9. Employees

GRAMMER had an average of 14,003 employees globally in the first half of 2022 (01–06 2021: 14,143). This represents a reduction of 1.0% compared with the previous year. The Group had an average of 1,483 employees in the APAC region (01–06 2021: 1,336), 7,352 employees in the EMEA region (01–06 2021: 7,672), and 4,761 employees in the AMERICAS region (01–06 2021: 4,700).

Average number of employees

	01–06 2022	01–06 2021	Change
EMEA	7,352	7,672	–320
AMERICAS	4,761	4,700	61
APAC	1,483	1,336	147
Central Services	407	435	–27
GRAMMER Group	**14,003**	**14,143**	**–140**

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 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. This is because Russia and Ukraine are major suppliers of neon and palladium, both of which are required for semiconductor production. The war in Ukraine resulted in limited production of cable harnesses, 45% of which are exported to Germany and Poland. In turn, this has led to production shutdowns at German OEMs. GRAMMER also supplied seats to Russian customers in the truck/rail sector. As these deliveries have been halted, revenue is expected to decline and there is a certain risk of stock loss and uncollectible accounts receivable. In connection with this, impairments were recognised according to the risk assessment.

In 2021, Germany purchased around 55% of its natural gas from Russia. With gas deliveries from Russia being restricted, 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. The gas supply in Germany is currently stable and security of supply remains guaranteed, but the German Federal Network Agency has stated that the situation is strained. Storage facilities are currently 64.9% full (as at July 12, 2022; source: www.bundesnetzagentur.de). If Russia were to stop gas deliveries, this would have significant consequences for the gas supply in Germany, and hence 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. For the relevant production processes, GRAMMER has already initiated measures to switch to alternative energy sources. However, due to the dependence on products from the energy-intensive steel and chemical industries, a gas embargo would have a significant negative impact on automotive production and thus would indirectly lead to significantly lower revenue for GRAMMER.

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 procurement markets have risen significantly. 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, particularly with regard to semiconductors and gas, are continuously observed in order to enable a timely response to any changes in conditions.

In response to the COVID-19 infection rates, China saw renewed lockdowns in several major cities in the reporting period, including Changchun, the capital city of Beijing, and the international business metropolis of Shanghai. This led to restrictions on economic activities. As a result, there could be widening shipping congestions, particularly at the world's largest container port in Shanghai, and increasing disruptions to global supply chains. There may be additional risks to GRAMMER Group's revenue depending on the length and further course of renewed COVID-19 lockdowns in China.

In the wake of the current persistent inflation and the announcement 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 100 basis points since January 1, 2022. A further increase in the risk-free base interest rate could lead to an increased impairment risk with regard to the recoverability of goodwill.

11. Outlook

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

Accordingly, the company forecasts that the challenging macroeconomic conditions, particularly in the markets relevant for GRAMMER Group, will persist in 2022. Nevertheless, GRAMMER expects that following the agreements already reached with customers on passing on the significant inflation-related cost increases, it will also be possible to reach agreements with additional OEMs in the second half of the year. 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. Furthermore, the full-year forecast depends significantly on the extent to which GRAMMER can agree to pass on inflation-related cost increases with its customers.

12. Forward-looking statements

This report on the first half of the year 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.

13. Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the Consolidated Financial Statements/Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

B | Interim Consolidated Financial Statements for the first half of the year

Consolidated Statement of Income

January 1 – June 30 of the respective financial year

EUR k

	01–06 2022	01–06 2021
Revenue	1,034,579	972,495
Cost of Sales	–968,770	–858,485
Gross profit	**65,809**	**114,010**
Selling expenses	–14,563	–20,630
Administrative expenses	–81,071	–79,693
Other operating income	17,277	14,090
Earnings before interest and taxes (EBIT)	**–12,548**	**27,777**
Financial income	1,546	2,314
Financial expenses	–13,550	–10,135
Other financial result	8,342	2,845
Earnings before taxes	**–16,210**	**22,801**
Income taxes	–9,322	–4,645
Net profit/loss	**–25,532**	**18,156**
Of which attributable to:		
Shareholders of the parent company	–24,872	18,000
Non-controlling interests	–1,000	–141
Hybrid loan lender’s compensation claims	340	297
Net profit/loss	**–25,532**	**18,156**
Earnings per share		
Basic/diluted earnings per share in EUR	–1.67	1.21

Consolidated Statement of Comprehensive Income

January 1 – June 30 of the respective financial year

EUR k	01–06 2022	01–06 2021
Net profit/loss	**–25,532**	**18,156**
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	45,352	–55
Tax expenses (–)/tax income	–13,109	10
Actuarial gains/losses (–) under defined benefit plans (after tax)	**32,243**	**–45**
Total amount that will not be reclassified to profit and loss in future periods	**32,243**	**–45**
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	15,276	10,906
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**15,276**	**10,906**

EUR k	01–06 2022	01–06 2021
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	425	1,468
Plus/less (–) amounts reclassified to the income statement through profit and loss	338	–810
Tax expenses (–)/tax income	–198	–219
Gains/losses (–) from cash flow hedges (after tax)	**565**	**439**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	7,856	1,065
Tax expenses (–)/tax income	–527	–196
Gains/losses (–) from net investments in foreign operations (after tax)	**7,329**	**869**
Total amounts that will be reclassified to profit and loss in future periods under certain conditions	**23,170**	**12,214**
Other comprehensive income	**55,413**	**12,169**
Total comprehensive income after taxes	**29,881**	**30,325**
Of which attributable to:		
Shareholders of the parent company	30,478	30,220
Non-controlling interests	–937	–192
Hybrid loan lender's compensation claims	340	297

Consolidated Statement of Financial Position

as of June 30, 2022 and December 31, 2021

Assets

EUR k

	June 30, 2022	December 31, 2021
Property, plant and equipment	502,454	495,319
Intangible assets	190,768	183,534
Investments measured at equity	992	958
Other financial assets	6,176	6,366
Deferred tax assets	37,778	51,147
Other assets	33,632	32,419
Contract assets	65,526	63,790
Non-current assets	**837,326**	**833,533**
Inventories	211,629	196,137
Current trade accounts receivable	268,748	229,370
Other current financial assets	6,005	5,261
Current income tax receivables	2,577	5,463
Cash and short-term deposits	63,274	113,441
Other current assets	52,941	38,332
Current contract assets	68,909	61,851
Current assets	**674,083**	**649,855**
Total assets	**1,511,409**	**1,483,388**

Consolidated Statement of Financial Position

as of June 30, 2022 and December 31, 2021

Equity and liabilities

EUR k

	June 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	175,809	200,534
Cumulative other comprehensive income	–16,296	–71,646
Equity attributable to shareholders of the parent company	**354,028**	**323,403**
Hybrid loan	19,313	19,621
Non-controlling interests	1,589	2,526
Equity	**374,930**	**345,550**
Non-current financial liabilities	182,248	182,036
Trade accounts payables	0	261
Other financial liabilities	66,163	68,719
Other liabilities	1,356	1,356
Retirement benefits and similar obligations	104,608	148,973
Deferred tax liabilities	28,525	24,365
Contract liabilities	2,616	2,433
Non-current liabilities	**385,516**	**428,143**

EUR k

	June 30, 2022	December 31, 2021
Current financial liabilities	280,796	263,426
Current trade accounts payable	289,448	269,135
Other current financial liabilities	15,691	19,467
Other current liabilities	114,472	93,528
Current income tax liabilities	4,388	8,038
Provisions	40,647	52,610
Current contract liabilities	5,521	3,491
Current liabilities	**750,963**	**709,695**
Total liabilities	**1,136,479**	**1,137,838**
Total equity and liabilities	**1,511,409**	**1,483,388**

Consolidated Statement of Changes in Equity

as of June 30, 2022

EUR k

	Subscribed capital	Capital reserve	Retained earnings	Own Shares	Cumulative other comprehensive income: Cash flow hedges	Foreign currency conversion	Net invest-ments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Hybrid loan	Non-controlling interests	Consoli-dated equity
As of January 1, 2022	**39,009**	**162,947**	**200,534**	**–7,441**	**660**	**–4,043**	**–21,020**	**–47,243**	**323,403**	**19,621**	**2,526**	**345,550**
Net profit/loss	0	0	–24,872	0	0	0	0	0	–24,872	340	–1,000	–25,532
Other comprehensive income	0	0	0	0	565	15,213	7,329	32,243	55,350	0	63	55,413
Total comprehensive income	**0**	**0**	**–24,872**	**0**	**565**	**15,213**	**7,329**	**32,243**	**30,478**	**340**	**–937**	**29,881**
Changes in scope of consolidation	0	0	147	0	0	0	0	0	147	0	0	147
Distribution of hybrid loan lender's compensation claims	0	0	0	0	0	0	0	0	0	–648	0	–648
As of June 30, 2022	**39,009**	**162,947**	**175,809**	**–7,441**	**1,225**	**11,170**	**–13,691**	**–15,000**	**354,028**	**19,313**	**1,589**	**374,930**

Consolidated Statement of Changes in Equity

as of June 30, 2021

EUR k

					Cumulative other comprehensive income							
	Subscribed capital	Capital reserve	Retained earnings	Own Shares	Cash flow hedges	Foreign currency conversion	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Hybrid loan	Non-controlling interests	Consolidated equity
As of January 1, 2021	**39,009**	**163,033**	**199,094**	**–7,441**	**483**	**–29,656**	**–23,212**	**–57,857**	**283,453**	**19,579**	**–822**	**302,210**
Net profit/loss	0	0	18,000	0	0	0	0	0	18,000	297	–141	18,156
Other comprehensive income	0	0	0	0	439	10,957	869	–45	12,220	0	–51	12,169
Total comprehensive income	**0**	**0**	**18,000**	**0**	**439**	**10,957**	**869**	**–45**	**30,220**	**297**	**–192**	**30,325**
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of hybrid loan lender's compensation claims	0	0	0	0	0	0	0	0	0	–578	0	–578
As of June 30, 2021	**39,009**	**163,033**	**217,094**	**–7,441**	**922**	**–18,699**	**–22,343**	**–57,902**	**313,673**	**19,298**	**–1,014**	**331,957**

Consolidated Statement of Cash Flows

January 1 – June 30 of the respective financial year

EUR k	01–06 2022	01–06 2021
1. Cash flow from operating activities		
Earnings before taxes	–16,210	22,801
Reconciliation of earnings before taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	36,423	33,680
Amortization and impairment of intangible assets	6,971	7,530
Gains (–)/losses from the disposal of assets	106	–1,719
Other non-cash changes	14,604	35,888
Financial result	3,662	4,976
Dividends received from investments measured at equity	359	0
Changes in operating assets and liabilities		
Decrease/increase (–) in trade accounts receivable and other assets	–64,593	–81,620
Decrease/increase (–) in inventories	–15,492	–41,798
Decrease (–)/increase in provisions and retirement benefit provisions	–18,604	–17,057
Decrease (–)/increase in accounts payable and other liabilities	40,499	11,429
Income taxes paid	–4,885	–10,908
Cash flow from operating activities	**–17,160**	**–36,798**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–27,570	–19,444
Purchase of intangible assets	–3,519	–3,104

EUR k	01–06 2022	01–06 2021
Disposals		
Disposal of property, plant and equipment	778	3,678
Disposal of intangible assets	145	32
Disposal of financial assets	603	613
Payments from disposals of subsidiaries less disposals of cash and cash equivalents	0	–1,712
Interest received	1,546	2,313
Cash flow from investing activities	**–28,017**	**–17,624**
3. Cash flow from financing activities		
Payment of the hybrid loan lender's compensation claims	–648	–578
Payments received from raising financial liabilities	63,429	20,950
Payments made for the settlement of financial liabilities	–45,608	–22,565
Payments made for the settlement of lease liabilities	–10,200	–9,556
Interest paid	–11,318	–8,594
Cash flow from financing activities	**–4,345**	**–20,343**
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)	–49,522	–74,765
Effects of exchange rate differences of cash and cash equivalents	–406	311
Cash and cash equivalents as of January 1	44,357	55,372
Cash and cash equivalents as of June 30	**–5,571**	**–19,083**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	63,274	48,641
Bank overdrafts (including current liabilities under factoring contracts)	–68,845	–67,724
Cash and cash equivalents as of June 30	**–5,571**	**–19,083**

C | Notes to the Interim Consolidated Financial Statements for the first half of the year

General principles

GRAMMER AG prepared its consolidated financial statements for the 2021 financial year and these interim consolidated financial statements for the period ended June 30, 2022, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). In preparing the interim consolidated financial statements and the comparative figures for the previous year, the accounting and valuation methods and consolidation principles applied as at June 30, 2022, were the same as those applied in preparing the consolidated financial statements for the year ended December 31, 2021. These principles and policies are described in detail in the notes to the consolidated financial statements for 2021, which are published in full in the 2021 Annual Report and which should therefore be read in conjunction with the interim financial report. These interim consolidated financial statements have not been reviewed by an auditor. They contain all of the adjustments of a normal and recurring nature that are required to present a true and fair view of the company's business development in the reporting periods. The results achieved in the first six months/half-year of 2022 are not necessarily indicative of future business development. The interim consolidated financial statements were prepared in euros (EUR). Unless otherwise indicated, all values are rounded to the nearest thousand (EUR k). Individual amounts and percentages may not exactly equal the aggregated amounts due to rounding differences.

Scope of consolidation

The consolidated financial statements include the following companies:

2022

	Germany	International	Total
Fully consolidated companies (including GRAMMER AG)	6	35	**41**
Companies accounted for at equity	0	2	**2**
Companies	**6**	**37**	**43**

In addition to GRAMMER AG, five domestic and 35 international companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IFRS 10 are consolidated. Grammer Vehicle Interiors (Hefei) Co., Ltd., Hefei, China, which was founded in the 2021 financial year but not included in the consolidated financial statements for the 2021 financial year due to immateriality, was consolidated for the first time effective April 1, 2022 in order to align internal and external reporting. In addition, GrammPlast GmbH, which was not included in the consolidated financial statements in previous years due to immateriality, was merged into GRAMMER System GmbH effective March 9, 2022. There were no further changes.

The companies accounted for at equity are the joint venture GRA-MAG Truck Interior Systems LLC, London, OH, United States (GRA-MAG), in which GRAMMER AG holds 50% of the voting rights, and the associate ALLYGRAM Systems and Technologies Private Limited, Pune, India (ALLYGRAM), in which GRAMMER AG holds 30% of the voting rights.

Income taxes

Although earnings before taxes were negative, income tax expense of EUR 9.3 million was reported in the first half of 2022 (01–06 2021: EUR 4.6 million). As a result, the Group tax rate of –57.5% differs considerably from the German tax rate of 28.9%. This is primarily because the negative earnings before taxes at the US companies are not offset by deferred tax income, as no deferred tax assets were recognized for the new tax loss carryforwards because they are not expected to be utilized. In addition, the German tax group reported higher non-deductible withholding taxes on management fees charged to subsidiaries. The Group assumes that it will have sufficient taxable income to make use of existing unused tax losses for which deferred tax assets have been recognized. In the first half of 2022, deferred tax assets were not recognized for the tax group in the USA, a unit in Mexico and a company in Belgium, as it is considered unlikely that the corresponding tax losses will be utilized.

The significant decline in deferred tax assets of EUR 13.4 million to EUR 37.8 million is primarily attributable to the reduction in temporary differences on retirement benefit obligations as a result of the sharp rise in the interest rate applied in measuring retirement benefit provisions. Furthermore, deferred tax assets declined as some Group companies utilized the loss carryforwards for which deferred tax assets had been recognized.

The EUR 4.2 million rise in deferred tax liabilities to EUR 28.5 million is mainly attributable to the increase in temporary differences on foreign-currency loans as a result of the higher US dollar exchange rate.

Financial liabilities

Non-current financial liabilities

Non-current financial liabilities break down as follows:

EUR k	June 30, 2022	December 31, 2021
Bonded loans	84,982	84,040
Loans	97,266	97,996
Non-current financial liabilities	**182,248**	**182,036**

Non-current financial liabilities increased slightly due to currency translation effects from the change in the US dollar exchange rate. Reclassifications from long-term loans and bonded loans to current financial liabilities and utilizations of long-term loans are essentially on the same level.

Current financial liabilities

Current financial liabilities break down as follows:

EUR k	June 30, 2022	December 31, 2021
Bonded loans	34,470	44,972
Bank overdrafts (including liabilities under factoring contracts)	68,845	69,084
Loans	177,481	149,370
Current financial liabilities	**280,796**	**263,426**

Current financial liabilities totaled EUR 280.8 million, up significantly compared with the end of 2021 (EUR 263.4 million). This development was attributable to the reclassification of non-current financial liabilities, as well as increased capital needs due to the downturn in earnings resulting from the sharp rise in material, logistics, and energy costs, temporary and new COVID-19 lockdowns in China, and sustained bottlenecks on the procurement markets.

Equity

The development of GRAMMER Group equity is shown in the statement of changes in equity on page 22. Subscribed capital and the capital reserve were unchanged compared with December 31, 2021. Retained earnings declined as a result of the net loss for the first half of 2022. Accumulated other comprehensive income includes gains from currency translation of foreign subsidiaries, actuarial gains from the measurement of defined benefit obligations, gains from cash flow hedges, and gains from net investments in foreign operations including related deferred/current taxes.

As at April 7, 2022, the compensation claims from the hybrid loan, comprising interest accrued for the period from March 30, 2021 to March 29, 2022 and equivalent to EUR 648 thousand, were paid to the hybrid loan lender, Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG). The hybrid loan of EUR 19,313 thousand reported in equity as at June 30, 2022 is composed of the hybrid loan in the amount of EUR 19,148 thousand and interest accrued since March 30, 2022 in the amount of EUR 165 thousand.

Retained earnings also increased by EUR 147 thousand as a result of the merger of the subsidiary GrammPlast GmbH, Amberg, which was not included in the consolidated financial statements in previous years due to immateriality, into GRAMMER System GmbH. This amount represents historical profit carryforwards.

Financial instruments

Additional information on financial instruments

The following table shows the fair values and carrying amounts of financial assets and liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on June 30, 2022	Fair Value on June 30, 2022	Carrying amount on December 31, 2021	Fair Value on December 31, 2021
Assets					
Cash and short-term deposits	FAAC	63,274	63,274	113,441	113,441
Trade accounts receivable	FAAC	268,748	268,748	229,370	229,370
Other financial assets					
Loans and receivables	FAAC	10,413	10,413	10,218	10,218
Investments in associates	FVOCI	26	26	174	174
Financial assets held for trading	FVtPL	0	0	0	0
Derivatives with hedge relationship	n. a.	1,742	1,742	1,236	1,236
Equity and liabilities					
Trade accounts payable	FLAC	289,448	289,448	269,396	269,394
Current and non-current financial liabilities	FLAC	463,044	463,044	445,462	435,097
Other financial liabilities					
Other financial liabilities	FLAC	130	130	2,839	2,839
Lease liabilities	n. a.	81,630	81,630	84,988	84,988
Derivatives with no hedge relationship	FLtPL	0	0	0	0
Derivatives with hedge relationship	n. a.	95	95	359	359

EUR k

	Measurement category in accordance with IFRS 9	Carrying amount on June 30, 2022	Fair Value on June 30, 2022	Carrying amount on December 31, 2021	Fair Value on December 31, 2021
Of which aggregated by category in accordance with IFRS 9					
Assets					
Financial assets at amortized cost	FAAC	342,435	342,435	353,029	353,029
Financial assets at fair value through other comprehensive income	FVOCI	26	26	174	174
Financial assets at fair value through profit and loss	FVtPL	0	0	0	0
Equity and Liabilities					
Financial liabilities at amortized cost	FLAC	752,622	752,622	717,697	707,330
Financial liabilities at fair value through profit and loss	FLtPL	0	0	0	0

Fair value measurement

The following table sets out the quantitative parameters for measuring the fair value of the assets and liabilities on the basis of the fair value hierarchy as at June 30, 2022:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	**1,742**	0	1,742	0
Interest rate swaps	**0**	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	**78**	0	78	0
Interest rate swaps	**17**	0	17	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	**344**	0	344	0
Current and non-current financial liabilities	**463,044**	0	463,044	0

The following table sets out the quantitative parameters for measuring the fair value of the assets and liabilities on the basis of the fair value hierarchy as at December 31, 2021:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	**1,236**	0	1,236	0
Interest rate swaps	**0**	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	**305**	0	305	0
Interest rate swaps	**54**	0	54	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	**554**	0	554	0
Current and non-current financial liabilities	**435,097**	0	435,097	0

The levels of the fair value hierarchy reflect the level of judgment involved in estimating fair values. The hierarchy is broken down into three levels as follows:

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

Level 2: Valuation of assets or liabilities is based on direct or indirect market observables, which are not quoted prices in accordance with level 1.

Level 3: Valuation techniques are based upon inputs that are not observable in the market.

There were no reclassifications between Level 1 and Level 2 in the reporting period. No assets or liabilities were assigned to Level 3.

Segment reporting

Segment information

The segment information is shown for the EMEA, AMERICAS and APAC segments. Central items and eliminations of intragroup transactions are shown in the "Central Services" and "Eliminations" columns respectively. The corresponding notes on the business segments are also reported in the consolidated financial statements for the year ended December 31, 2021.

01–06 2022

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	545,144	317,457	171,978	0	0	**1,034,579**
Inter-segment revenue	31,857	564	5,256	0	–37,677	**0**
Revenue	**577,001**	**318,021**	**177,234**	**0**	**–37,677**	**1,034,579**
Segment earnings (EBIT)	**25,025**	**–35,873**	**12,214**	**–13,359**	**–555**	**–12,548**

01–06 2021

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	524,271	246,366	201,858	0	0	**972,495**
Inter-segment revenue	37,778	811	4,646	0	–43,235	**0**
Revenue	**562,049**	**247,177**	**206,504**	**0**	**–43,235**	**972,495**
Segment earnings (EBIT)	**30,385**	**–23,501**	**30,871**	**–10,140**	**162**	**27,777**

Information on divisions

The following tables contain information on revenue from external customers of the Group's divisions:

01–06 2022

EUR k

By division	Automotive	Commercial Vehicles	Group
Revenue EMEA	292,734	284,267	**577,001**
Revenue AMERICAS	255,849	62,172	**318,021**
Revenue APAC	114,476	62,758	**177,234**
Eliminations	–7,142	–30,535	**–37,677**
Revenue	**655,917**	**378,662**	**1,034,579**

01–06 2021

EUR k

By division	Automotive	Commercial Vehicles	Group
Revenue EMEA	310,340	251,709	**562,049**
Revenue AMERICAS	204,037	43,140	**247,177**
Revenue APAC	130,667	75,837	**206,504**
Eliminations	–10,890	–32,345	**–43,235**
Revenue	**634,154**	**338,341**	**972,495**

In the Automotive Division, the GRAMMER Group operates as a supplier to the automotive industry, developing and producing headrests, armrests, center console systems, high-quality interior components and operating elements as well as innovative thermoplastic solutions. The Group sells these products to automotive OEMs in the upper and premium segments in particular.

The Commercial Vehicles Division develops and produces driver and passenger seats for trucks, driver seats for offroad vehicles (tractors, construction machinery and forklifts), and seats and seating systems for trains and buses. In this division, GRAMMER is active as a supplier to the commercial vehicle industry, marketing driver and passenger seats to commercial vehicle OEMs and as an aftermarket supplier. It also markets driver and passenger seats to bus and rolling stock OEMs, as well as railway operators.

Related parties disclosures

The following table shows transactions with related parties for the periods ended June 30, 2022, and June 30, 2021:

EUR k

Related parties		Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities from related parties
GRA-MAG Truck Interior Systems LLC	**2022**	7,435	0	9,971	0
	2021	7,116	0	9,945	0
Ningbo Jifeng Auto Parts Co., Ltd.	**2022**	666	1,980	216	2,287
	2021	123	338	148	390
Jifeng Automotive Interior CZ s.r.o.	**2022**	733	14	225	0
	2021	153	282	3	20
Ningbo Jifeng Technology Co., Ltd.	**2022**	0	1,780	0	811
	2021	0	2,225	0	832
Ningbo Jiye Trading Co., Ltd.	**2022**	0	1,705	0	325
	2021	0	36	0	0
Tianjin Jifeng Auto Parts Co., Ltd.	**2022**	0	32	0	22
	2021	0	36	0	13
Hefei Jiye Auto Parts Co., Ltd.	**2022**	2,054	0	462	0
	2021	0	0	0	0
Hefei Jifeng Auto Parts Co., Ltd.	**2022**	0	92	0	0
	2021	0	0	0	0
Shenyang Jifeng Auto Parts Co., Ltd.	**2022**	0	306	0	10
	2021	0	0	0	0
ALLYGRAM Systems and Technologies Private Limited	**2022**	0	1,523	0	99
	2021	0	1,186	0	29

Like GRAMMER AG's direct parent company (Jiye Auto Parts GmbH), Jifeng Automotive Interior CZ s.r.o., Česká Lípa, Czech Republic, Ningbo Jifeng Technology Co., Ltd., Ningbo City, China, Ningbo Jiye Trading Co., Ltd., Ningbo City, China, Tianjin Jifeng Auto Parts Co., Ltd., Tianjin, China, Hefei Jiye Auto Parts Co., Ltd., Hefei, China, Hefei Jifeng Auto Parts Co., Ltd., Hefei, China, and Shenyang Jifeng Auto Parts Co., Ltd., Shenyang, China, are controlled by Ningbo Jifeng Auto Parts Co., Ltd. GRAMMER maintains direct relations for the delivery of goods and the provision of services with these companies.

Contingent liabilities

Guarantees in the amount of EUR 1,336 thousand were issued as at June 30, 2022. These primarily related to guarantees against breaches of contract.

D | Key figures in accordance with IFRS

GRAMMER Group – Quarterly overview

Key figures in accordance with IFRS

EUR m

	Q2 2022	Q2 2021	01-06 2022	01-06 2021	01-12 2021
Group revenue	**519.6**	**468.8**	**1,034.6**	**972.5**	**1,903.0**
Revenue EMEA	287.3	270.3	577.0	562.0	1,061.5
Revenue AMERICAS	163.9	116.0	318.0	247.2	517.7
Revenue APAC	88.1	103.3	177.2	206.5	406.3
Statement of income					
EBITDA	10.6	25.8	30.9	69.0	103.1
EBITDA margin (%)	2.0	5.5	3.0	7.1	5.4
EBIT	-11.3	5.2	-12.5	27.8	18.9
EBIT margin (%)	-2.2	1.1	-1.2	2.9	1.0
Operating EBIT	-9.8	11.4	-12.3	32.4	22.8
Operating EBIT margin (%)	-1.9	2.4	-1.2	3.3	1.2
Earnings before taxes	-14.1	5.4	-16.2	22.8	6.7
Net profit/loss	-17.5	4.8	-25.5	18.2	0.6
Statement of Financial Position			**June 30, 2022**	**June 30, 2021**	**December 31, 2021**
Total assets			1,511.4	1,446.0	1,483.4
Equity			374.9	332.0	345.6
Equity ratio (%)			24.8	23.0	23.3
Net financial debt			481.6	430.5	420.2
Gearing (%)			128.5	129.7	121.6

EUR m

	Q2 2022	Q2 2021	01-06 2022	01-06 2021	01-12 2021
Statement of Cash Flows					
Capital expenditure (without financial assets)	19.1	21.7	33.4	30.7	114.7
Depreciation and amortization	21.9	20.6	43.4	41.2	84.2
Free Cash Flow	-33.2	-41.5	-45.2	-54.4	-5.6
Employees (number, average)			14,003	14,143	14,006
Share data			**June 30, 2022**	**June 30, 2021**	**December 31, 2021**
Price (Xetra closing price in EUR)			13.35	25.80	17.95
Market capitalization (EUR m)			203.4	393.1	273.5
Earnings per share (in EUR)			-1.67	1.21	0.08

Financial Calendar 2022[1]

Important dates for shareholders and analysts

- **30 March** – Analyst and financial press conference
- **18 May** – Annual General Meeting 2022
- **30 March** – Publication of Annual Report 2021
- **11 August** – Publication of Interim Report 2nd Quarter 2022
- **28 April** – Publication of Interim Management Statement 1st Quarter 2022
- **27 October** – Publication of Interim Management Statement 3rd Quarter 2022

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