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GRAMMER AG

INTERIM MANAGEMENT STATEMENTS

January to September 2020

GRAMMER

COMPANY PROFILE

Domiciled in Ursensollen, Germany, GRAMMER AG specializes in the development and production of components and systems for automotive interiors as well as suspension driver and passenger seats for onroad and offroad vehicles. In the Automotive Division, we supply headrests, armrests, center consoles, high-quality interior components and control systems as well as innovative thermoplastic solutions to automotive OEMs and system suppliers. The Commercial Vehicles Division comprises seats for the truck and offroad seat segments (tractors, construction machinery, forklifts) as well as train and bus seats.

With around 14,500 employees, GRAMMER operates in 20 countries around the world. GRAMMER shares are listed in the Prime Standard and traded on the Frankfurt and Munich stock exchanges and via the electronic trading system Xetra.

OVERVIEW OF BUSINESS PERFORMANCE

- Significantly negative impact on business performance in the first half of 2020 due to the COVID-19 pandemic, followed by a substantial improvement in the third quarter

- Group revenue came to EUR 461.7 million in the third quarter of 2020 (Q3 2019: EUR 498.1 million), down 7.3% on the previous year, whereas revenue in the first half of the year was 30.0% lower than in the previous year

- After preliminary signs of a recovery in March and a strong second quarter, APAC achieved revenue growth in the third quarter of 10.7% over the previous year

- Operating EBIT came to EUR 22.4 million in the third quarter of 2020 (Q3 2019: EUR 9.1 million), accompanied by an operating EBIT margin of 4.9% (Q3 2019: 1.8%). Operating EBIT came to EUR –23.3 million in the first three quarters (01–09 2019: EUR 59.2 million) and was adjusted for negative currency translation effects, the directly attributable costs of corona-related protection and response measures and provisions for planned restructuring

- Group EBIT from January to September 2020 stood at EUR –47.2 million (01–09 2019: EUR 61.9 million). In particular, the provisions for the planned restructuring measures and one-time effects exerted pressure on earnings in the first three quarters in additional to the global decline in revenue caused by COVID-19

- Among other things, the restructuring measures entail the consolidation of sites in Europe and North America and a reduction of roughly 300 jobs in indirect areas, particularly in Germany, which is to be implemented by mid-2021 with minimum social hardship

- The measures already taken and the focus on capital and cost management are paying off, resulting in very favorable operating earnings in the third quarter

- GRAMMER AG has decided to use its authorized capital to issue fresh equity of EUR 40 million subject to shareholders' preemptive subscription rights

- A detailed forecast for the Group's performance in the fourth quarter is still not possible particularly as the COVID-19 pandemic is currently intensifying again

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1. BUSINESS ENVIRONMENT

THE GLOBAL ECONOMY AND THE IMPACT OF COVID-19

Following the sharp decline triggered by the COVID-19 pandemic in the first half of the year, the global economy will contract in 2020 according to the forecast issued by the International Monetary Fund (IMF) despite the fact that economic output has risen more quickly than expected following the resumption of business by companies and the partial lifting of measures aimed at containing the pandemic. The extent of the economic recovery is varying greatly from region to region around the world. Thus, economic performance is primarily determined by the extent to which the region in question has been affected by the pandemic and the scope of the government aid provided. The major economies have so far overcome the effects of the COVID-19 crisis more favorably than expected due to the economic stimulus provided as well as geopolitical support. Accordingly, the COVID-19 pandemic has so far caused less economic harm than feared. The IMF reports that a dramatic global downswing in the economy will initially be averted. In its October forecast, it reports that the global economy is expected to shrink by around 4.4% in 2020. Accordingly, it has corrected its June forecast upwards by 0.8 percentage points, although the pace of the recovery has recently slowed again slightly. In addition, the restrictions that were implemented again in some countries to contain a resurgence of the coronavirus placed a damper on growth in the third quarter.

After being the world's first major economy to be severely affected by the spread of the coronavirus, China already saw the emergence of a recovery at the end of the first quarter. The IMF assumes that China will be the only major economy to post growth in 2020 and expects to see a year-on-year increase of 1.9%. This forecast signals a step-by-step recovery of the Chinese economy in the post-pandemic period.

In the Eurozone, GDP contracted in the second quarter due to various regional lockdowns before preliminary signs of a recovery arose in the third quarter. Even so, overall economic output fell short of pre-crisis levels. The economy is expected to shrink by 8.3% as a whole in 2020. On the other hand, the German economy was able to turn the corner in the summer, with full-year contraction expected to remain in single digits at 6.0% in 2020.

With US growth driven to a halt almost at the same time as in Europe following the spread of the coronavirus, the world's largest economy is likewise expected to shrink significantly. The IMF assumes that US GDP will drop by 4.3% in 2020. However, this constitutes an improvement of 3.7 percentage points over the IMF's June forecast.

The COVID-19 pandemic has also left deep traces on other major economies such as Russia, Brazil, India and Japan in 2020.

The uncertainty accompanying the pandemic remains high, with the extent of the economic recovery varying sharply from country to country and from sector to sector. The scope for sustained economic growth depends on various factors, including the probability of new outbreaks of the coronavirus, the observance of the health measures taken, consumer and corporate confidence and the extent to which governments will continue to provide support.

UNDERLYING CONDITIONS IN THE AUTOMOTIVE INDUSTRY

The COVID-19 pandemic has hit the automotive industry and its suppliers very hard. This led to massive declines in sales around the world in the first nine months of 2020. The uncertainties and restrictions resulting from the pandemic caused demand, which had already been softening since the second half of 2019, to plummet drastically, prompting OEMs and suppliers to scale back production. This in turn resulted in the introduction of short-time working and other cost-cutting measures. According to IHS, global production of vehicles fell by 23.7% year-on-year in the first nine months. In the period under review, all regions addressed by GRAMMER contracted. Above-average declines were sustained in the markets in the Americas (down 29.0%) and EMEA (down 29.4%).

IHS reports that APAC sustained a year-on-year decline of 18.4% in production output during the period under review. After hitting a low in the first quarter, demand recovered step by step in APAC, ushering in a clear upward trend. Reflecting this, the third quarter closed with only a small decline of 3.3%. The main driver behind this recovery was the expansion of the Chinese market, where production figures have been rising since May, even exceeding the previous year. China recorded a year-on-year increase of 8.9% in the third quarter.

In the first nine months of the current year, production figures in EMEA also fell by 29.4%. In particular, the measures taken in March through May to contain the COVID-19 pandemic, such as the shutdown in April and May, caused significant declines. Following tentative signs of a recovery in June, the third quarter closed 10.3% lower.

After experiencing the weakest months of the year in 2020 to date between March and June, the Americas subsequently saw a recovery. Thus, the third quarter closed with a decline of 3.8%, putting it only slightly lower than in the same quarter of the previous year. Despite the improved performance in the third quarter compared with the earlier quarters of the year, the number of vehicles produced between January and September was still 29.0% down on the previous year.

UNDERLYING CONDITIONS FOR COMMERCIAL VEHICLES (TRUCKS AND BUSES)

Even before the outbreak of the global COVID-19 pandemic, the heavy trucks segment of the commercial vehicle sector was already in a cyclical downswing phase. This contraction was substantially amplified by the COVID-19 crisis in the first three quarters, although the regional impact of the declines varied in intensity.

Currently, production figures in the international truck markets are improving moderately, with a positive trend clearly discernible in APAC in particular. According to LMC, production of commercial vehicles was down 1.4% year-on-year from January through September 2020 in this region, while a 25.2% increase was registered in the heavy trucks segment in the third quarter. China, the first country in the APAC region to be severely affected by the spread of the coronavirus, saw the emergence of a recovery from the second quarter. In the third quarter, production expanded substantially by 49.3% over the previous year. In addition to the nationwide introduction of the new "China VI" exhaust emission standard on July 1, 2020 and the early-purchasing triggered by this, this is also due to a government fleet renewal program that is to remain in force until the end of 2020.

The market for heavy trucks in EMEA sustained a decline of 24.9% in the third quarter. In the months from January through September, the number of new vehicles produced dropped by 28.7% year-on-year.

Exacerbated by the drastic deterioration of the macroeconomic situation, production output in the Americas fell by 38.1% year-on-year in the first nine months of 2020. A year-on-year decline of 32.2% was registered from July through September. In Brazil, demand for heavy trucks was also increasingly held back by the severe economic crisis, declining by roughly 35.3% year-on-year in the first nine months.

Global bus markets were also very weak in the wake of the COVID-19 pandemic. According to recent estimates, demand in EMEA as well as in Brazil in particularly softened substantially in the third quarter.

2. KEY FIGURES GRAMMER GROUP

EUR M	01–09 2020	01–09 2019
Group revenue	**1,197.5**	**1,549.6**
Automotive revenue	844.0	1,112.3
Commercial Vehicles revenue	391.4	474.6
Income Statement		
EBITDA	17.2	124.6
EBIT margin (in %)	1.4	8.0
EBIT	−47.2	61.9
EBIT margin (in %)	−3.9	4.0
Operating EBIT	−23.3	59.2
Operating EBIT margin (in %)	−1.9	3.8
Earnings before taxes	−68.3	40.8
Net profit	−58.5	28.4
Consolidated Statement of Financial Position		
Total assets	1,404.2	1,449.9
Equity	275.0	327.0
Equity ratio (in %)	19.6	22.6
Net financial liabilities	383.9	339.9
Gearing (in %)	139.6	103.9
Capital expenditure (without M&A and financial assets)	48.8	89.3
Depreciation and amortization	64.4	62.7
Employees (number, average)	**14,264**	**14,942**
Share data	**September 30, 2020**	**September 30, 2019**
Prices (Xetra closing price in EUR)	16.35	32.50
Market capitalization (in EUR m)	206.1	409.7
Earnings per share (basic/diluted, EUR)	−4.77	2.31

3. BUSINESS PERFORMANCE IN THE FIRST THREE QUARTERS OF 2020

In the wake of the global decline in sales due to muted demand on the part of customers and plant closures in nearly all of GRAMMER's main sell-side markets as a result of the COVID-19 pandemic, GRAMMER Group revenue came to EUR 1,197.5 million in the first three quarters of 2020, thus falling short of the previous year by 22.7% (01–09 2019: EUR 1,549.6 million). The drop in demand triggered by the COVID-19 pandemic coincided with sell-side markets that had already begun to weaken in the second half of 2019. Government-mandated plant closures commenced in China at the end of January, resulting in lower revenue in the first three months of the year. While the plants in China successively opened up again from March onwards, pandemic- and demand-driven closures at the European and American locations ensued. This is where the COVID-19 pandemic had the greatest impact on GRAMMER Group sales in percentage terms in the first three quarters.

On the other hand, an encouraging increase in customer demand emerged in the third quarter of 2020. Group revenue came to EUR 461.7 million in the third quarter of 2020, down 7.3% on the previous year (Q3 2019: EUR 498.1 million). This decline was thus significantly smaller than in the second quarter of 2020, when Group revenue contracted by −45.7%.

The global decline in revenue caused by the COVID-19 pandemic as well as the negative one-time effects of EUR 24.2 million in the second quarter of 2020 left significant traces on Group earnings before interest and taxes (EBIT). Moreover, provisions for restructuring of a total of EUR 12.2 million were recognized in the third quarter of 2020. Accordingly, EBIT came to EUR −47.2 million as of September 30, 2020 (01–09 2019: EUR 61.9 million). In the third quarter, the GRAMMER Group achieved EBIT of EUR 5.8 million (Q3 2019: EUR 11.7 million). Consequently, the EBIT margin contracted to −3.9% in the first nine months (01–09 2019: 4.0%).

At EUR 22.4 million in the third quarter, operating EBIT was substantially up on the previous year (Q3 2019: EUR 9.1 million) due to the recovery in revenue and the successful short-term operating countermeasures. The operating EBIT margin came to 4.9% in the third quarter (Q3 2019: 1.8%). Operating EBIT amounted to EUR –23.3 million in the period from January to September 2020 (01–09 2019: EUR 59.2 million), translating into an operating EBIT margin of –1.9% (01–09 2019: 3.8%). In addition to the negative currency-translation effects (EUR 7.1 million), operating earnings were adjusted for the directly attributable costs of the corona-related protection and response measures (EUR 4.3 million) as well as termination benefits arising in connection with restructuring (EUR 12.5 million).

The result reflects the extensive measures taken by GRAMMER to address the global crisis triggered by COVID-19. In addition to the preventive and safety measures taken for employees at all locations, such as the increased use of mobile working, adjusted shift schedules, drawing on working time models and the greater use of vacation leave, there was a reduction in the number of temporary and contract workers, while short-time work was introduced. The number of GRAMMER Group employees also fell by approximately 930 compared to the third quarter of 2019, dropping from 14,813 to 13,887 in the third quarter of 2020, equivalent to a reduction of 6.3%. In addition, senior management waived the variable salary components from 2019 and GRAMMER AG's Executive Board all bonus payments for the years 2019 and 2020. As well as this, variable expenses were significantly reduced and capital expenditure cut back to the essentials.

These temporary measures were based on the efficiency-enhancement program that had already been launched in the fourth quarter of 2019 to optimize operating processes and cost structures and was continued, accelerated and stepped up in all areas. In this connection, various restructuring measures were adopted in the third quarter of 2020, including the consolidation of sites in Europe and North America and a reduction of 300 jobs in indirect areas in Germany by mid-2021. Further restructuring measures are currently being evaluated.

In order to secure and make optimum use of its liquidity, GRAMMER made use of global cash flow management within the Group, decided to omit the shareholder dividend, obtained a hybrid loan and expanded the syndicated loan taken out in the first quarter by adding a C tranche in the amount of EUR 235 million. In addition to GRAMMER's core banks, KfW was also involved as a direct lender under the special "direct participation in syndicated finance" program.

4. RESULTS OF OPERATIONS

GROUP REVENUE

GRAMMER Group revenue came to EUR 1,197.5 million in the first three quarters of 2020, thus falling short of the previous year by 22.7% (01–09 2019: EUR 1,549.6 million). At the same time, the global fallout from the COVID-19 pandemic coincided with the weakness in sell-side markets that had already emerged in the second half of 2019. The market recovery in the third quarter after the sharp decline in the first half of the year is also reflected in GRAMMER's business performance: Group revenue reached EUR 461.7 million in the third quarter of 2020 (Q3 2019: EUR 498.1 million) and was down only 7.3% on the previous year, whereas revenue had been 30.0% lower year on year in the first half of 2020.

REVENUE DOWN IN BOTH DIVISIONS

The weaker demand caused by COVID-19 left pronounced traces on the two divisions in the second quarter of 2020 in particular but stabilized markedly in the third quarter of 2020 in both cases.

Whereas revenue in the Automotive Division dropped by a total of 24.1% to EUR 844.0 million in the first three quarters of 2020 (01–09 2019: EUR 1,112.3 million), a decline of only 6.1% was recorded in the third quarter of 2020 (revenue of EUR 344.9 million in Q3 2020 vs. EUR 367.3 million in Q3 2019).

The Commercial Vehicles Division sustained a decline of 17.5% in revenue to EUR 391.4 million from January through September 2020 (01–09 2019: EUR 474.6 million). The still relatively high demand in the first quarter of 2020 in both OEM and retrofit business was unable to fully offset the reduced customer orders caused by global plant closures in the second quarter. However, revenue in the Commercial Vehicles Division came to EUR 134.8 million in the third quarter (Q3 2019: EUR 142.4 million), thus dropping by only 5.3% compared with the third quarter of 2019.

REVENUE BY REGION

EUR M

	GRAMMER GROUP			AUTOMOTIVE DIVISION			COMMERCIAL VEHICLES DIVISION		
	01–09 2020	01–09 2019	CHANGE	01–09 2020	01–09 2019	CHANGE	01–09 2020	01–09 2019	CHANGE
EMEA	640.6	863.8	–25.8%	390.9	548.8	–28.8%	273.6	345.1	–20.8%
Americas	332.3	457.4	–27.3%	292.2	399.4	–26.8%	48.7	64.9	–24.9%
APAC	224.6	228.4	–1.6%	160.9	164.1	–2.0%	69.1	64.6	7.0%
Revenue	**1,197.5**	**1,549.6**	**–22.7%**	**844.0**	**1,112.3**	**–24.1%**	**391.4**	**474.6**	**–17.5%**

ALL REGIONS AFFECTED BY THE COVID-19 PANDEMIC: HOWEVER, APAC WITH PRELIMINARY SIGNS OF A RECOVERY IN MARCH AND A STRONG SECOND QUARTER

At the beginning of the year, decisive measures were already taken in China to contain the coronavirus. In addition to extensive curfews, these also included the suspension of all production activities. Consequently, revenue in APAC (Asia Pacific) fell by 25.8% to EUR 53.6 million in the first quarter of 2020. However, production was gradually ramped up in China from March, already returning to pre-COVID-19 levels in April. At EUR 86.1 million, revenue in APAC in the second quarter of 2020 exceeded the same quarter of the previous year. GRAMMER thus generated the highest revenue in this region ever in a second quarter. With revenue coming to EUR 84.9 million, demand in this region remained strong in the third quarter of 2020 as well. All in all, revenue in China came to EUR 224.6 million in the first three quarters, thus falling short of the previous year by 1.6% (01–09 2019: EUR 228.4 million).

In mid-March, the rising number of new infections also led to the partial or full closure of production plants in Europe and the United States. Accordingly, at EUR 223.2 million (down 25.8 %), EMEA (Europe, Middle East and Africa) sustained the greatest absolute decline in revenue in the GRAMMER Group in the period from January to September 2020, while the Americas (North, Central and South America) posted the largest relative decline (down 27.3 % to EUR 125.1 million).

STATEMENT OF INCOME – CONDENSED

EUR K

	01–09 2020	01–09 2019	CHANGE
Revenue	1,197,480	1,549,558	–22.7%
Cost of sales	–1,114,275	–1,367,587	–18.5%
Gross profit	**83,205**	**181,971**	**–54.3%**
Selling expenses	–25,283	–31,303	–19.2%
Administrative expenses	–112,933	–101,789	–10.9%
Other operating income	7,793	13,014	–40.1%
Earnings before interest and taxes (EBIT)	**–47,218**	**61,893**	**–176.3%**
Financial result	–21,080	–21,083	–0.01%
Earnings before taxes	**–68,298**	**40,810**	**–267.4%**
Income taxes	9,834	–12,447	–179.0%
Net profit	**–58,464**	**28,363**	**–306.1%**

GROUP PROFIT

The GRAMMER Group's earnings performance in the first nine months was strongly impacted by smaller volumes and one-time effects in the first half of the year as well as restructuring expenses in the third quarter. Group earnings before interest and taxes (EBIT) came to EUR –47.2 million in the period from January to September 2020 (01–09 2019: EUR 61.9 million).

The one-time effects of EUR 24.2 million arising in the first half of the year were composed of impairments of inventories (EUR 10.7 million), provisions for product-liability and warranty claims (EUR 6.4 million), impairments of project assets (EUR 2.0 million) and, in this connection, the recognition of provisions for impending losses (EUR 2.7 million), impairments of trade receivables and the recognition of further provisions (EUR 1.3 million) as well as impairments of fixed assets in connection with the relocation of a Chinese subsidiary (EUR 1.1 million).

The recovery in revenue in the third quarter and the successful implementation of short-term measures led to an encouraging improvement in earnings, although the provisions set aside for restructuring measures dragged EBIT down by EUR 12.2 million.

EBIT in the third quarter thus came to EUR 5.8 million (Q3 2019: EUR 11.7 million), whereas the operating EBIT of EUR 22.4 million and the operating EBIT margin of 4.9% substantially exceeded the previous year (Q3 2019: operating EBIT of EUR 9.1 million, operating EBIT margin of 1.8%). Operating EBIT is adjusted for the provisions for restructuring measures, negative currency translation effects of EUR 3.1 million and directly attributable COVID-19 protection and response measures (EUR 1.3 million).

The GRAMMER Group posted operating EBIT of EUR –23.3 million in the period from January to September (01–09 2019: EUR 59.2 million). The above-mentioned one-time effects arising in the first half of the year were not eliminated from operating EBIT as they are attributable to operating business.

As of September 30, 2020, the GRAMMER Group had received government grants of EUR 11.0 million worldwide as support for addressing the consequences of the COVID-19 pandemic. These were primarily composed of social security reimbursements and other government support and were deducted from personnel expense.

The GRAMMER Group's financial result of EUR –21.1 million matched the previous year's figure (01–09 2019: EUR –21.1 million). Reflecting lower interest rates on external finance, interest expense on loans and overdrafts dropped only slightly by EUR 0.6 million to EUR 15.2 million in the first three quarters (01–09 2019: EUR 15.8 million) due to the increase in external finance. The opposite effect primarily arose from fluctuation in the exchange rates for the Mexican peso, the Czech crown, the Brazilian real and the US dollar in particular.

As a result of the tax losses recognized, tax income of EUR 9.8 million (01–09 2019: tax expense of EUR 12.4 million) was reported within net tax result in the first three quarters of 2020 to the extent that the tax losses can be used to reduce tax expenses in future periods. A net loss of EUR 58.5 million was recorded in the first nine months (01–09 2019: net profit of EUR 28.4 million).

DERIVATION OF OPERATING EBIT

EUR M

	01–09 2020	01–09 2019	CHANGE
EBIT	–47.2	61.9	–176.3%
Currency-translation effects	7.1	–4.3	–265.1%
Change-of-control, legal and consulting costs	0	1.6	–100.0%
Cost of Corona protection response	4.3	0	–
Restructuring-related termination benefits	12.5	0	–
Operating EBIT	**–23.3**	**59.2**	**–139.4%**

5. AUTOMOTIVE DIVISION

KEY FIGURES AUTOMOTIVE DIVISION

EUR M

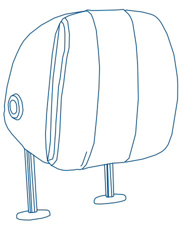
	01–09 2020	01–09 2019	CHANGE
Revenue	844.0	1,112.3	–24.1%
EBIT	–52.0	34.3	–251.6%
EBIT margin (in %)	–6.2	3.1	–9.3%-points
Operating EBIT	–40.5	31.7	–227.8%
Operating EBIT margin (in %)	–4.8	2.8	–7.6%-points
Capital expenditure (withour M&A and financial assets)	22.7	51.0	–55.5%
Employees (number, average)	10,527	10,912	–3.5%

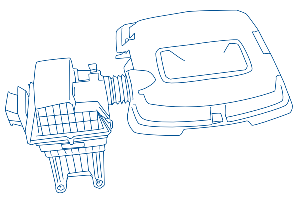
SUBSTANTIAL DECLINE IN REVENUE AND EARNINGS IN THE AUTOMOTIVE DIVISION

The Automotive Division sustained a 24.1% decline in revenue to EUR 844.0 million from January through September 2020. This substantial drop is chiefly due to the effects of the COVID-19 pandemic in the first half of 2020 and coincided with the weakness that had already emerged in the second half of 2019 in the automotive markets. In the third quarter, revenue recovered substantially to EUR 344.9 million, falling 6.1% short of the same quarter of the previous year (Q3 2019: EUR 367.3 million). Government grants of EUR 8.8 million received in the Automotive Division to help address the effects of the COVID-19 pandemic were deducted from expense.

However, the measures taken in response to the COVID-19 pandemic were able to allay the effects of the substantial decline in revenue only slightly. In addition, one-time effects exerted pressure on EBIT in the second quarter. These included impairments of inventories (EUR 8.8 million), provisions to cover product-liability and warranty claims (EUR 6.1 million), impairments of project assets and the recognition of provisions for impending losses (EUR 4.7 million) and impairments of trade receivables and the recognition of other provisions (EUR 1.2 million). Moreover, restructuring provisions of EUR 5.0 million were set aside in the third quarter of 2020. Consequently, EBIT reached EUR –52.0 million in the period from January through September (01–09 2019: EUR 34.3 million), equivalent to an EBIT margin of –6.2% (01–09 2019: 3.1%).

Negative currency-translation effects (EUR 3.6 million), directly attributable costs for corona-related protection and response measures (EUR 2.6 million) as well as termination benefits arising in connection with restructuring (EUR 5.3 million) were eliminated from operating EBIT. Accordingly, operating EBIT came to EUR –40.5 million in the period from January through September 2020 (01–09 2019: EUR 31.7 million), translating into an operating EBIT margin of –4.8% (01–09 2019: 2.8%).


HEADRESTS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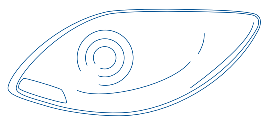
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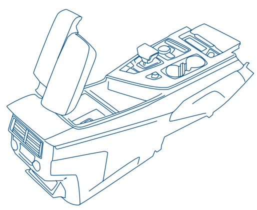
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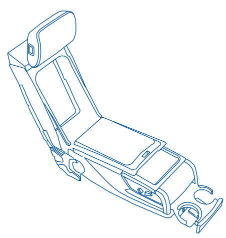

ARMRESTS

6. COMMERCIAL VEHICLES DIVISION

KEY FIGURES COMMERCIAL VEHICLES DIVISION

EUR M

	01–09 2020	01–09 2019	CHANGE
Revenue	391.4	474.6	–17.5%
EBIT	12.1	40.3	–70.0%
EBIT margin (in %)	3.1	8.5	–5.4%-points
Operating EBIT	20.9	38.9	–46.3%
Operating EBIT margin (in %)	5.3	8.2	–2.9%-points
Capital expenditure (without M&A and financial assets)	10.4	13.8	–24.6%
Employees (number, average)	3,518	3,815	–7.8%

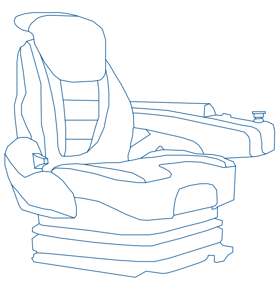
SALES IN THE COMMERCIAL VEHICLES DIVISION SUBSTANTIALLY DOWN ON THE PREVIOUS YEAR

Revenue in the Commercial Vehicles Division fell by 17.5% to EUR 391.4 million in the first three quarters. This significant decline was also primarily due to the global COVID-19 pandemic. It also reflects the extraordinarily high revenue recorded in the same period of the previous year, which had been driven by very strong demand in the Commercial Vehicles Division. In the third quarter of 2020, revenue recovered substantially over the first half of 2020, rising to EUR 134.8 million but falling 5.3% short of the same quarter of the previous year (Q3 2019: EUR 142.4 million).

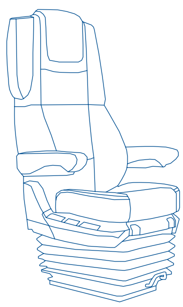
Government grants of EUR 1.5 million received in the Commercial Vehicles Division to help address the effects of the COVID-19 pandemic were deducted from expense.

However, the measures taken in response to the COVID-19 pandemic were not sufficient to offset the substantial decline in revenue and the negative impact of the one-time effects of EUR 3.3 million in the second quarter of 2020. Earnings in the second quarter of 2020 came under pressure from impairments of inventories (EUR 1.9 million), impairments of assets due to a relocation in China (EUR 1.1 million) and the recognition of provisions for product-liability and warranty claims (EUR 0.3 million). Moreover, restructuring provisions of EUR 4.5 million were set aside in the third quarter of 2020. Consequently, EBIT reached EUR 12.1 million (01–09 2019: EUR 40.3 million), translating into an EBIT margin of 3.1% (01–09 2019: 8.5%).

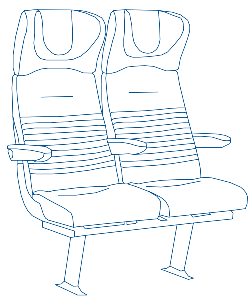
Negative currency-translation effects (EUR 3.3 million), directly attributable costs for corona-related protection and response measures (EUR 1.0 million) and termination benefits arising in connection with restructuring (EUR 4.5 million) were eliminated from operating EBIT. Accordingly, operating EBIT came to EUR 20.9 million in the period from January through September 2020 (01–09 2019: EUR 38.9 million), translating into an operating EBIT margin of 5.3% (01–09 2019: 8.2%).



OFFROAD



TRUCK & BUS



RAIL

7. NET ASSETS AND FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONDENSED

EUR K

	SEPTEMBER 30, 2020	DECEMBER 31, 2019	CHANGE
Non-current assets	796,398	825,623	−3.5%
Current assets	607,789	648,826	−6.3%
Assets	**1,404,187**	**1,474,449**	**−4.8%**
Equity	275,034	342,242	−19.6%
Non-current liabilities	532,880	490,050	8.7%
Current liabilities	596,273	642,157	−7.1%
Equity and liabilities	**1,404,187**	**1,474,449**	**−4.8%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The reduction of EUR 70.3 million or 4.8% in the GRAMMER Group's total assets to EUR 1,404.2 million is primarily attributable to the effects of the measures taken in response to COVID-19 in the first half of 2020.

Non-current assets dropped by 3.5% to EUR 796.4 million (December 31, 2019: EUR 825.6 million) due to substantially lower capital expenditure. This decline was particularly evident in property, plant and equipment and intangible assets. Deferred tax assets rose by EUR 16.2 million compared with December 31, 2019 primarily as a result of the additional recognition of deferred taxes on unused tax loss carry forward.

Within current assets, inventories declined by EUR 34.4 million due to impairments and destocking. Trade accounts receivable rose by EUR 60.3 million due to the very high revenue in September 2020. Cash and short-term deposits declined by EUR 60.9 million from EUR 142.7 million to EUR 81.8 million. All in all, current assets shrank by EUR 41.0 million to EUR 607.8 million.

On March 30, 2020, a hybrid loan of EUR 19.1 million was granted by Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG). Granted for an indefinite period, the hybrid loan has a quasi-equity characteristic.

However, the hybrid loan alleviated to only a minor extent the impact on equity caused by the negative net profit of EUR –58.5 million and the other comprehensive income of EUR –27.9 million in the first three quarters of 2020. Accordingly, equity dropped by a total of EUR 67.2 million. Other comprehensive income comprises the negative currency-translation effects and resulting tax effects from net investments in foreign operations in Mexico of EUR –12.2 million, which were primarily triggered by the depreciation of the Mexican peso against the euro and the US dollar, the negative effects from the currency translation of foreign subsidiaries of EUR –7.4 million, actuarial losses from the interest-induced adjustment to pensions and similar obligations in the light of deferred taxes of EUR –6.2 million and losses of EUR –2.1 million from cash flow hedges.

As a result, the equity ratio shrank by a total of 3.6 percentage points over December 31, 2019 to 19.6% (December 31, 2019: 23.2%).

In order to refinance the syndicated loan contract from 2013 and the bridge finance for the acquisition of TMD, GRAMMER AG entered into a new syndicated loan contract in February 2020 providing for a facility of EUR 150.0 million and of USD 80.0 million for a term of five years plus two one-year renewal options. The negative impact of the COVID-19 pandemic on the global economy is also leaving traces on the GRAMMER Group's business performance. In order to safeguard the Group's liquidity on a sustained basis, the existing syndicated loan contract was extended with the addition of a "C" tranche and increased by EUR 235 million in August 2020. In addition to GRAMMER's core banks, the KfW banking group also participated in this tranche as a direct lender under the special KfW corona program. Among other things, the amended syndicated loan contract provides for a right of termination for the lenders if the company distributes a dividend that is higher than the legally required minimum distribution before December 31, 2022 or during the maximum three-year term of the new credit facility. During this period, the Executive Board and Supervisory Board therefore intend to submit to the Annual General Meeting a dividend proposal that is in accordance with the dividend distribution provisions of the syndicated loan contract in cases where a distributable profit is generated in the year in question. Under the amended terms of the syndicated loan contract originally signed in February 2020, the agreed financial covenants will be temporarily suspended or adjusted for the duration of the KfW corona support.

The successful refinancing operations caused a significant shift between non-current and current financial liabilities on GRAMMER's AG consolidated statement of financial position. Non-current financial liabilities rose to EUR 265.4 million (December 31, 2019: EUR 220.0 million), while current financial liabilities dropped to EUR 200.3 million (December 31, 2019: EUR 207.7 million). All in all, financial liabilities climbed by EUR 38.0 million due to the adverse business performance in the wake of the pandemic.

Current liabilities fell by EUR 45.9 million to EUR 596.3 million due to a decline of EUR 96.1 million in trade accounts payable, whereas other current liabilities increased as a result of tax payment respites, the agreement under the collective bargaining system to postpone the payment of vacation allowances in Germany until the end of the year and liabilities from outstanding consideration payable to customers.

8. CAPITAL EXPENDITURE

CAPITAL EXPENDITURE

EUR M

	01–09 2020	01–09 2019	CHANGE
Automotive	22.7	51.0	−55.5%
Commercial Vehicles	10.4	13.8	−24.6%
Central Services	15.7	24.5	−35.9%
Capital expenditure	**48.8**	**89.3**	**−45.4%**

Capital expenditure was concentrated on the most important projects in order to preserve the Company's liquidity. This resulted in a reduction in capital expenditure in the first three quarters to EUR 48.8 million (01–09 2019: EUR 89.3 million). In the Automotive Division, a total of EUR 22.7 million was spent on production and assembly sites for new product launches. The capital expenditure of EUR 10.4 million in the Commercial Vehicles Division primarily entailed replacement spending on tools. Capital expenditure in Central Services chiefly involved the completion of construction and interior outfitting at the new GRAMMER campus in Ursensollen. All parts of the building were completed and the relocation of employees to their new offices was successfully completed in September 2020.

9. EMPLOYEES

EMPLOYEE NUMBERS

	01–09 2020	01–09 2019	CHANGE
Automotive	10,527	10,912	−3.5%
Commercial Vehicles	3,519	3,815	−7.8%
Central Services	218	215	1.5%
Total	**14,264**	**14,942**	**−4.5%**

As of September 30, 2020, GRAMMER had a global average of 14,264 (September 30, 2019: 14,942) employees, equivalent to a decline of 4.5% over the previous year. Of these, an average of 10,527 (September 30, 2019: 10,912) were employed in the Automotive Division and 3,519 (September 30, 2019: 3,815) in the Commercial Vehicles Division.

10. EVENTS SUBSEQUENT TO THE REPORTING DATE

CAPITAL INCREASE OF 40 MILLION EURO FROM AUTHORIZED CAPITAL WITH SUBSCRIPTION RIGHTS FOR SHAREHOLDERS DECIDED

The Executive Board of GRAMMER AG has decided with the consent of the Supervisory Board to use the company's authorized capital to issue fresh equity of EUR 40 million subject to the shareholders' preemptive subscription rights. The subscription price is EUR 15.21 per new share. The subscription period begins on October 30, 2020 and ends at 24:00 hours on November 12, 2020. GRAMMER's principal shareholder has undertaken to exercise the subscription rights accruing to it in connection with the equity issue with subscription rights and to subscribe directly for the corresponding new shares. In addition, the principal shareholder will acquire all new shares not subscribed in the offer.

11. OPPORTUNITIES AND RISKS

The opportunities and risks liable to exert a material impact on the GRAMMER Group's net assets, financial condition and results of operations are described in detail on pages 82 – 89 of our annual report for 2019. The assessment of

the opportunities and risks for 2020 has changed as follows since the publication of the annual report for 2019 particularly against the backdrop of the COVID-19 pandemic:
The macroeconomic impact of the COVID-19 pandemic is now affecting all sell-side markets addressed by GRAMMER. The entire global economy was hit by this development, experiencing what in some cases were drastic declines. In the summer months, the rate of infection eased significantly in Europe, while in America the infection figures rose and have recently been falling at only a moderate rate. Against the backdrop of a possible second wave in Europe, risks arise from local lockdown measures, which could have a negative impact on the buy-side markets, production and the sell-side markets in particular. The measures taken by the company in response to the COVID-19 pandemic have proven to be effective and will be continued, reviewed and, if necessary, modified. In light of these conditions, which are currently being materially influenced by the COVID-19 pandemic, the outlook for the GRAMMER Group's business performance is still subject to extraordinarily high uncertainty. At this stage, it is not possible to assess the future impact of the COVID-19 pandemic on the sell-side and supply-side markets of relevance for GRAMMER.

The Act to Mitigate the Consequences of the Corona Pandemic in Insolvency Law has been extended until December 31, 2020 in order to cushion the effects of the pandemic on the economy. However, this could result in an increase in supplier insolvencies in 2021.

In addition, further possible goodwill impairment tests may harbor risks. As the resultant volatility in the financial markets cannot be reliably assessed at this stage, GRAMMER currently assumes that financial risks will increase.

There is currently no certainty over the outcome of the negotiations on a trade agreement between the EU and the United Kingdom before the end of the transition period on December 31, 2020. This entails the risk of a future trade agreement possibly providing for less favorable conditions for trade with the United Kingdom from January 1, 2021 (although this will not have any significant impact on the GRAMMER Group's business performance).

In addition, GRAMMER AG and its subsidiaries face warranty claims and claims for damages that are being asserted by customers particularly in the Automotive Division on account of alleged product defects. GRAMMER is continuously assessing the merits of such claims and is in negotiations with its customers in order to avoid or minimize measures such as replacement or rectification activities or payments. At the same time, claims are being asserted in judicial proceedings on account of alleged defects in GRAMMER products. GRAMMER is defending itself in the court proceedings and maintains insurance for product liability as well as possible recalls providing appropriate cover in the event of any liability being established. However, there is no certainty that these actions will be dismissed in GRAMMER's favor. If these proceedings have a negative outcome for GRAMMER, the lawsuits may necessitate compensation payments, repairs or other cost-intensive measures which are not fully covered by the insurance policies taken out. As the outcome of these proceedings is subject to considerable uncertainty, the provisions that have been set aside may not be sufficient in all cases.

Additional risks and opportunities which are currently unknown to us may also impact GRAMMER's business activities. We are currently not aware of any risks liable to jeopardize our going-concern status.

12. OUTLOOK

In the press release dated March 30, 2020, the forecast for 2020 which had been published in the Annual Report for 2019 was withdrawn. The assessments and expectations contained in the Annual Report are based on assumptions and internal analyses that were true at the beginning of 2020. In view of the extremely dynamic developments and the associated uncertainties arising from the COVID-19 pandemic and its economic fallout, it is currently still not possible to issue any forecast concerning the Group's performance in the further course of 2020. GRAMMER expects revenue, EBIT and operating earnings to fall substantially short of the previous year.

13. FORWARD-LOOKING STATEMENTS

This interim management statements contains forward-looking statements based on current assumptions and estimates made by GRAMMER's management of future trends. Such statements refer to periods in the future or are characterized by terms such as "expect", "predict", "intend", "forecast", "plan", "estimate", "expect" 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, the materialization of expected synergistic benefits and government actions. If any of these or other factors of uncertainty or imponderabilities occur or if any of the assumptions on which these statements are based prove to be incorrect, 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 2020

14. CONSOLIDATED STATEMENT OF INCOME

JANUARY 1 – SEPTEMBER 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–09 2020	01–09 2019
Revenue	1,197,480	1,549,558
Cost of sales	−1,114,275	−1,367,587
Gross profit	**83,205**	**181,971**
Selling expenses	−25,283	−31,303
Administrative expenses	−112,933	−101,789
Other operating income	7,793	13,014
Earnings before interest and taxes (EBIT)	**−47,218**	**61,893**
Financial income	1,038	1,108
Financial expenses	−15,181	−15,782
Other financial result	−6,937	−6,409
Earnings before taxes	**−68,298**	**40,810**
Income taxes	9,834	−12,447
Net profit	**−58,464**	**28,363**
Of which attributable to:		
Shareholders of the parent company	−58,511	28,411
Non-controlling interests	47	−48
Net profit	**−58,464**	**28,363**
Earnings per share		
Basic/diluted earnings per share in EUR	−4.77	2.31

15. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JANUARY 1 – SEPTEMBER 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–09 2020	01–09 2019
Net profit	**−58,464**	**28,363**
Amounts not recycled to profit and loss in future periods		
Actuarial gains/losses (–) under defined benefit plans		
Gains/losses (–) arising in the current period	−9,088	−26,028
Tax expenses (–)/tax income	2,882	7,600
Actuarial gains/losses (–) under defined benefit plans (after tax)	**−6,206**	**−18,428**
Total amount not recycled to profit and loss in future periods	**−6,206**	**−18,428**
Amounts recycled 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	−7,425	9,772
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**−7,425**	**9,772**
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	−3,747	−182
Plus/less (–) amounts recycled to the income statement through profit and loss	886	−109
Tax expenses (–)/tax income	795	34
Gains/losses (–) from cash flow hedges (after tax)	**−2,066**	**−257**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	−17,106	2,462
Tax expenses (–)/tax income	4,911	−527
Gains/losses (–) from net investments in foreign operations (after tax)	**−12,195**	**1,935**
Total amounts recycled to profit and loss in future periods under certain conditions	**−21,686**	**11,450**
Other comprehensive income	**−27,892**	**−6,978**
Total comprehensive income (after tax)	**−86,356**	**21,385**
Of which attributable to:		
Shareholders of the parent company	−86,395	21,434
Non-controlling interests	39	−49

16. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

ASSETS

EUR K

	SEPTEMBER 30, 2020	DECEMBER 31, 2019
Property, plant and equipment	437,179	463,305
Intangible assets	188,947	205,604
Investments measured at equity	824	611
Other financial assets	7,759	9,421
Deferred tax assets	61,075	44,900
Other assets	31,366	31,022
Contract assets	69,248	70,760
Non-current assets	**796,398**	**825,623**
Inventories	157,453	191,879
Current trade accounts receivable	267,145	206,821
Other current financial assets	1,560	3,935
Current income tax receivables	8,875	5,455
Cash and short-term deposits	81,829	142,651
Other current assets	28,079	37,314
Current contract assets	62,848	60,771
Current assets	**607,789**	**648,826**
Total assets	**1,404,187**	**1,474,449**

EQUITY AND LIABILITIES

EUR K

	SEPTEMBER 30, 2020	DECEMBER 31, 2019
Subscribed capital	32,274	32,274
Capital reserve	129,796	129,796
Own shares	−7,441	−7,441
Retained earnings	204,897	263,408
Cumulative other comprehensive income	−103,676	−75,792
Equity attributable to shareholders of the parent company	**255,850**	**342,245**
Hybrid loan	19,148	0
Non-controlling interests	36	−3
Equity	**275,034**	**342,242**
Non-current financial liabilities	265,430	219,976
Trade accounts payable	736	1,399
Other financial liabilities	55,152	64,375
Other liabilities	1,220	1,220
Retirement benefits and similar obligations	165,370	154,176
Deferred tax liabilities	43,142	46,298
Contract liabilities	1,830	2,606
Non-current liabilities	**532,880**	**490,050**
Current financial liabilities	200,261	207,735
Current trade accounts payable	212,882	309,000
Other current financial liabilities	17,144	20,524
Other current liabilities	108,584	73,003
Current income tax liabilities	4,059	7,331
Provisions	51,706	23,394
Current contract liabilities	1,637	1,170
Current liabilities	**596,273**	**642,157**
Total liabilities	**1,129,153**	**1,132,207**
Total assets	**1,404,187**	**1,474,449**

17. CONSOLIDATED STATEMENT OF CASH FLOWS

JANUARY 1 – SEPTEMBER 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–09 2020	01–09 2019
1. Cash flow from operating activities		
Earnings before taxes	−68,298	40,810
Reconciliation of earnings before taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	51,870	49,552
Amortization and impairment of intangible assets	12,565	13,158
Gains (–)/losses from the disposal of assets	463	335
Other non-cash changes	29,682	11,313
Financial result	21,080	21,083
Changes in operating assets and liabilities		
Decrease/increase (–) in trade accounts receivable and other assets	−50,832	−9,420
Decrease/increase (–) in inventories	34,425	−5,281
Decrease (–)/increase in provisions and retirement benefit provisions	−3,226	−6,002
Decrease (–)/increase in accounts payable and other liabilities	−64,452	−82,628
Income taxes paid	−13,923	−6,943
Cash flow from operating activities	**−50,646**	**25,978**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	−42,817	−68,716
Purchase of intangible assets	−1,659	−3,315
Purchase of financial assets	−12	0
Disposals		
Disposal of property, plant and equipment	2,232	1,782
Disposal of intangible assets	65	1
Disposal of financial assets	1,341	0
Interest received	1,038	1,108
Cash flow from investing activities	**−39,812**	**−69,140**
3. Cash flow from financing activities		
Dividend payments	0	−9,228
Payments received from hybrid loans	19,148	0
Payments received from raising financial liabilities	164,512	148,546
Payments made for the settlement of financial liabilities	−121,272	−160,597
Payments made for the settlement of lease liabilities	−16,791	−12,375
Interest paid	−12,586	−12,666
Cash flow from financing activities	**33,011**	**−46,320**
4. Cash and cash equivalents at the end of the period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	−57,447	−89,483
Effects of exchange rate differences of cash and cash equivalents	1,887	−9,193
Cash and cash equivalents as of January 1	123,654	193,304
Cash and cash equivalents as of September 30	**68,094**	**94,628**
5. Analysis of cash and cash equivalents		
Cash and short term deposits	81,829	94,974
Bank overdrafts (including current liabilities under factoring contracts)	−13,735	−345
Cash and cash equivalents as of September 30	**68,094**	**94,629**

C | KEY FIGURES ACCORDING TO IFRS GRAMMER GROUP – QUARTERLY OVERVIEW

KEY FIGURES ACCORDING TO IFRS

EUR M

	Q3 2020	Q3 2019	01–09 2020	01–09 2019	01–12 2019
Group revenue	**461.7**	**498.1**	**1,197.5**	**1,549.6**	**2,038.5**
Automotive revenue	344.9	367.3	844.0	1,112.3	1,479.8
Commercial Vehicles revenue	134.8	142.4	391.4	474.6	607.4
Statement of Income					
EBITDA	27.6	33.3	17.2	124.6	159.8
EBIT margin (in %)	6.0	6.7	1.4	8.0	7.8
EBIT	5.8	11.7	−47.2	61.9	74.5
EBIT margin (in %)	1.3	2.3	−3.9	4.0	3.7
Operating EBIT	22.4	9.1	−23.3	59.2	77.0
Operating EBIT margin (in %)	4.9	1.8	−1.9	3.8	3.8
Earnings before taxes	0.6	1.3	−68.3	40.8	63.6
Net profit	0.7	0.8	−58.5	28.4	43.5
Consolidated Statement of Financial Position					
Total assets	1,404.2	1,449.9	1,404.2	1,449.9	1,474.4
Equity	275.0	327.0	275.0	327.0	342.2
Equity ratio (in %)	19.6	22.6	19.6	22.6	23.2
Net financial liabilities	383.9	339.9	383.9	339.9	285.0
Gearing (in %)	139.6	103.9	139.6	103.9	83.2
Statement of Cash Flows					
Capital expenditure (without M&A and financial assets)	17.0	33.3	48.8	89.3	132.8
Depreciation and amortization	21.8	21.6	64.4	62.7	85.3
Free Cash flow	16.4	−62.5	−90.5	−43.2	20.2
Employees (number, average)			**14,264**	**14,942**	**14,910**
Share data			**September 30, 2020**	**September 30, 2019**	**December 31, 2019**
Prices (Xetra closing price in EUR)			16.35	32.50	31.95
Market capitalization (in EUR m)			206.1	409.7	402.8
Earnings per share (basic/diluted, EUR)			−4.77	2.31	3.56

FINANCIAL CALENDAR

IMPORTANT DATES FOR SHAREHOLDERS AND ANALYSTS

Quarterly Statement 3rd quarter of 2020	October 29, 2020
Annual Report 2020	March 31, 2021
Analyst and financial press conference	March 31, 2021
Interim Management Statements first quarter of 2021	April 28, 2021
Annual General Meeting for 2021	June 23, 2021
Report on the First Half of 2021	August 5, 2021
Interim Management Statements third quarter of 2021	October 27, 2021

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