Annual Report 2022

5 FOR 5 IN 2025

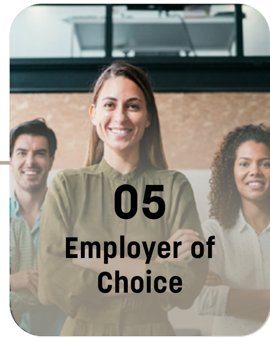
GRAMMER

5 FOCUS AREAS

>5 % OPERATING EBIT MARGIN BY 2025

Every day around 50 million people around the world come into contact with GRAMMER products. We make their lives more comfortable, safer and more sustainable. To keep up with the needs of our customers and the fast-moving transformation of our industry, GRAMMER is concentrating on **5 key focus areas** to meet its target of **>5% operating margin by 2025**. More information:

https://reports.grammer.com/annual-report/2022.



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LETTER FROM THE EXECUTIVE BOARD

Dear Sir or Madam,

We proved in 2022 that we can achieve our goals despite all uncertainties and challenging macroeconomic conditions. The year was characterized by an unprecedented race to catch up, from significant losses in the first half-year caused by hefty price rises to the turnaround in the third quarter and a strong final spurt in the last three months of the year. The fact that we achieved our forecasts is thus a major success, as annual planning is now more difficult than ever on account of the multitude of crises across the world. Who would have thought at the start of 2022 that we would leave the Covid-19 pandemic behind us in many parts of the world during the year, or that war would break out right on Europe's doorstep, causing not only immense human suffering but also deeply shaking the global economy.

This makes it all the more important to establish strategic guidelines that equip the organization to deal with potential crises, especially when it comes to managing large companies such as GRAMMER. As Willie Pietersen, professor at Columbia Business School and an acclaimed thought leader in corporate strategy, put it: "We have to lay the railroad tracks first before we can make the trains run on time". The railroad tracks – to stick with Pietersen's analogy – point the way forwards for the team and the other stakeholders, build trust in uncertain times and show how medium-term goals are to be achieved. At the same time as publishing our annual report, we thus prepared our medium-term strategy set out in April 2022 in digital format. On our website, under the tagline "5 for 5 in 25", we explain the five areas we are focusing on in order to achieve our target operating EBIT margin of > 5% by 2025.

All activities center around **profitable growth**. Without stable earnings, we have no funds for future investment. It gives us more scope for strategic measures in the four other focus areas. We are aiming for an operating EBIT margin of over 5% by 2025 and revenue growth to EUR 2.5 billion. The main levers here are efficiency optimization at our global production and development sites by streamlining structures with the aim of improving capacity utilization, and a long-term turnaround in the AMERICAS region. The second area where we want to see substantial improvement is in **customer excellence**. Here, we are concentrating on optimizing product quality with the goal of minimizing error rates and aiming for 100% delivery reliability. Our third focus area, **sustainability**, now extends throughout all functions and regions and is an increasingly critical success factor in competition. One of the most important initiatives is the reduction in the Group-wide CO_2 emissions (Scope 1 and 2), which are to decrease by 25% by 2025 and by 100% by 2040. When it comes to **innovation and digitalization**, our focus is on speeding up product development cycles and project times through our dedicated product lifecycle management and the introduction of state-of-the-art Industry 4.0 production processes. Last but not least, we focus on our employees and GRAMMER's position as the **employer of choice** in the sector. We were recently named a Top Employer 2023, with GRAMMER rated not only as one of Germany's best employers but also as one of the most attractive training companies. This is both a reward and an incentive to keep building on our good position.

The GRAMMER team again delivered an outstanding performance last year. We would like to sincerely thank all of our employees for this. Their passion, perseverance and team spirit, which are built on our strong corporate culture, help us achieve our goals within the five focus areas and make us optimistic about the future.

Jens Öhlenschläger
Spokesman of the Executive Board (CEO)

Jurate Keblyte
Chief Financial Officer (CFO)

Earnings forecast targets achieved thanks to strong second half of the year

2022 was again shaped by challenging macroeconomic conditions, particularly in the markets relevant for GRAMMER. Significant inflation-related increases in the costs of materials, energy, transport and wages, alongside ongoing supply problems, including for semiconductors, depressed earnings performance in the first half of the year. Like many other automotive suppliers, GRAMMER was under enormous pressure to agree compensation for the substantial cost hikes with all of its customers. After difficult, protracted negotiations in some cases, we eventually made a breakthrough here in the third quarter, which considerably improved earnings performance. Another key driver of this improvement was the progress made in our P2P restructuring program in the AMERICAS region, the first positive effects of which began to be seen in September 2022. We are still a long way off our goal here, but the pace of recovery has picked up perceptibly – not least thanks to our new regional management put into place since spring 2022.

All in all, GRAMMER reported a 13.4% increase in revenue in the 2022 financial year to EUR 2.16 billion, in line with our forecast of around EUR 2.0 billion. Both divisions contributed to the revenue upturn with double-digit growth rates, with the Commercial Vehicles Division growing by 15.0% and the Automotive Division by 12.6%. Operating EBIT came to EUR 35.5 million, within the expected range. Consolidated earnings before interest and taxes (EBIT) were impacted by a significant impairment loss of EUR 73.6 million on property, plant and equipment and intangible assets in the AMERICAS region, resulting from the substantial rise in interest rates. This reduced EBIT from EUR 18.9 million to EUR –45.0 million. Although the operating EBIT margin of 1.6% is still a fair way off our medium-term target of > 5%, we are satisfied with this given the numerous challenges described. After all, the year showed that GRAMMER has developed a level of resilience that allows it to overcome even challenging market phases.

EMEA region with significant jump in earnings, AMERICAS showing signs of recovery

The EMEA region's performance in the financial year was extremely sound, reporting revenue growth of 6.6% and a 27.1% increase in operating EBIT to EUR 60.0 million. This growth was increasingly propelled by the Commercial Vehicles Division (revenue +10.8%). Earnings improved despite the inflation-driven cost increases and the payment of the inflation compensation premium. The APAC region boosted revenue by 5.0% to EUR 426.7 million while operating EBIT declined slightly to EUR 48.5 million, putting the related margin at 11.4%. The AMERICAS region showed the first signs of recovery. Revenue climbed by a substantial 29.9% to EUR 672.5 million, with operating EBIT improving from EUR –61.5 million to EUR –48.3 million. As stated, the first positive effects of our "P2P AMERICAS" restructuring program began to materialize. Earnings last year were once again depressed by considerable increases in personnel and freight costs, as well as non-recurring expenses at a plant in Mexico and in the USA.

Innovative and sustainable: GRAMMER is fit for the future

In terms of products, we are also working intensively to ensure that our company is well positioned for the future by providing innovative, sustainable products. The changing architecture of vehicle interiors offers the perfect opportunity to think ahead. As one of the leading suppliers of center consoles, we are reinventing the console and adapting the product to meet customers' new requirements. Our building blocks for the center consoles of the future put an even greater focus on users' flexibility.

We see a development away from highly complex operating concepts towards simplification, which is reflected in both design and functionality. Examples of this include the free-standing center consoles in the new BMW iX, which we created as a partner from the outset together with BMW and interior experts, and the flexible, removable BUZZBOX in VW's new ID.Buzz. The center table developed by GRAMMER in the new VW Multivan is another example of how we are breaking new ground – with flexible concepts, innovative mechanics and sustainable materials.

We also provided more details about our sustainability strategy last year. As well as the climate goals discussed for Scope 1 and 2 CO_2 emissions, we started reporting our Scope 3 emissions and established a separate team for sustainable materials. In addition, we are increasingly involving our suppliers, partners and service providers in our sustainability strategy. This means that we are extremely well prepared for the new German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz) that came into effect on January 1, 2023. The success of our efforts to improve sustainability is also demonstrated by good rating agency ratings: We improved our EcoVadis score from bronze to silver and our CDP score to B in 2022.

We would like to sincerely thank all of our employees and business partners for everything we have achieved and look forward to continuing to work together. In keeping with our mission – to deliver what matters –, we will continue to work diligently on the measures in our five focus areas in 2023 in order to achieve the goals set out in our "5 for 5 in 25" approach. This safeguards GRAMMER's competitiveness and future viability, lays the foundations for attractive working conditions and makes a contribution to a future worth living.

Warm regards,

Jens Öhlenschläger   Jurate Keblyte

Revenue
2,158.8 EUR m

Operating EBIT
35.5 EUR m

Operating EBIT margin
1.6%

Equity ratio
20.8%

Net profit
–78.6 EUR m

Free cash flow
31.3 EUR m

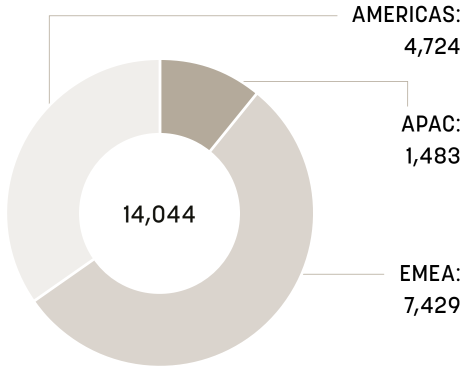
EBIT
–45.0
EUR m

Capital expenditure
91.0
EUR m

Company profile

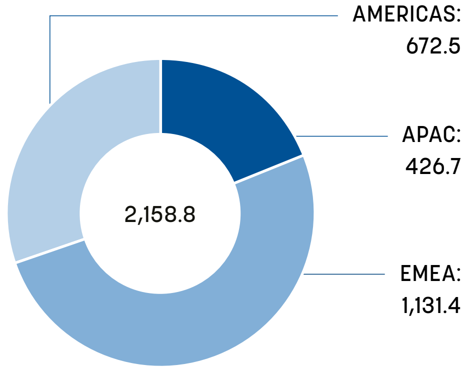
GRAMMER AG, which has its head office in Ursensollen, operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. GRAMMER is a full service provider of driver and passenger seats for trucks, buses, trains and offroad vehicles. At present, GRAMMER AG has about 14,000 employees in 19 countries around the world. Its revenue in 2022 was about EUR 2.2 billion. GRAMMER shares are listed in the Prime Standard and traded on the Munich and Frankfurt stock exchanges as well as via the Xetra electronic trading platform.

Employees by region[1]
Annual average



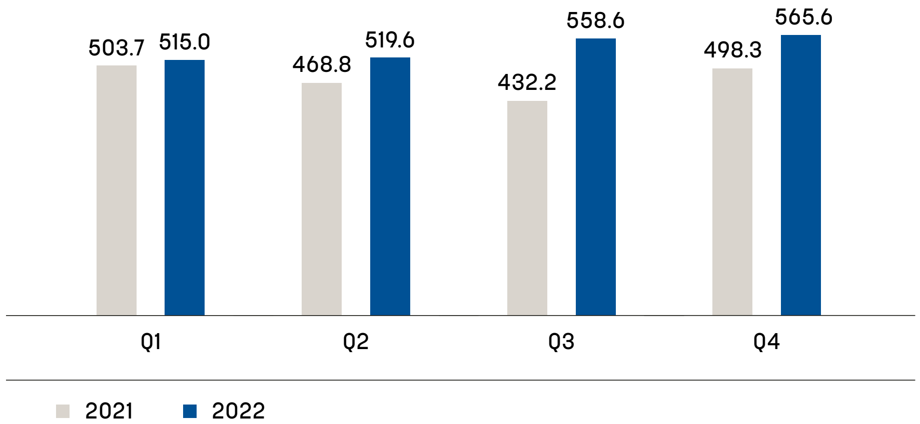
[1] On average, 408 people were employed in Central Services.

Revenue by region[2]
EUR m



[2] The consolidation effect of revenue between the regions amounts to EUR 71.8 million.

Revenue by quarter
EUR m



Operating EBIT by region

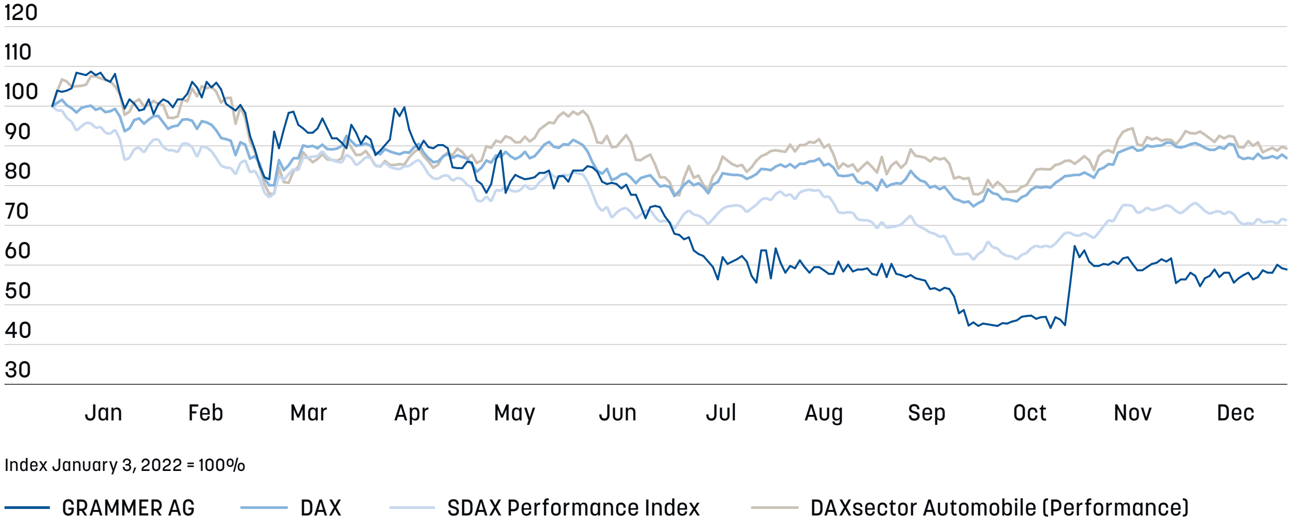
AMERICAS	EMEA	APAC
–48.3 EUR m	60.0 EUR m	48.5 EUR m

GRAMMER share

"The performance of the GRAMMER share in 2022 reflects the numerous uncertainties and challenging macroeconomic conditions. We are optimistic that the positive trend of recent months – despite our low free float – will continue in the current year due to our confident business outlook."

Jurate Keblyte, CFO

Share price development 2022 – GRAMMER vs German share indices
in %



Trends in the German stock markets
Significant strain, primarily from impact of war in Ukraine

After capital markets recovered well from their slump during the COVID-19 pandemic in 2021, the last financial year was once again a challenging time on account of the sharp rise in energy and commodities costs that began in the second half of 2021. The German blue-chip DAX index opened the trading year on January 3, 2022 at 15,947 points, peaking at 16,272 points on January 5, 2022. As soon as the end of February, however, the overall economic outlook took a dramatic tumble as a result of the outbreak of war in Ukraine. The DAX dropped considerably, closing at 12,832 points on March 8 before recovering slightly until the start of June. Nevertheless, many central banks raised interest rates to tackle rising inflation throughout the year. In response, the DAX faltered and reported its lowest figure for the year of 11,976 points on September 29. In the fourth quarter, however, expectations of a slower pace of interest rate hikes and lower inflation, especially in the US, provided fresh momentum. The German benchmark index climbed back to 14,541 points by November 25 and closed the year at 13,924 points on December 30, down 12.7% on the 2022 opening price.

GRAMMER share price performance shaped by tough economic environment

The performance of the GRAMMER share also came under pressure as a result of the extremely poor economic development in 2022 as a whole, especially for automotive and commercial vehicle suppliers. On January 3, the share opened at EUR 18.25 and peaked at EUR 19.45 on January 13, before fluctuating between EUR 16.20 and EUR 19.50 until the end of February. Following the Russian invasion of Ukraine, at its peak the share price fell by around 18% to EUR 14.60 until March 7, although it did recover in the weeks that followed and reached EUR 17.85 in mid-April after the new Supervisory Board candidates were announced. Nevertheless, the share price gradually lost ground as the year went on as a result of the challenging economic environment, especially for automotive and commercial vehicle suppliers and thus for GRAMMER, which was hit particularly hard by rising raw material and energy prices. Prior to publication of the nine-month figures for 2022, the share price on October 21 was EUR 7.92. Thanks to sound figures and confirmation of the full-year forecast, however, the share price made substantial gains and climbed to EUR 11.60. It moved sideways until the end of the year, closing at EUR 10.55 on December 30, 2022. Despite the recovery, the GRAMMER share price was thus down 42.2% on the opening price in the final quarter. The benchmark SDAX index lost 29.1% over the same period, with the DAXsector Automobile sub-index also falling by 11.5%.

Key figures for the GRAMMER share 2018 to 2022

	2018	2019	2020	2021	2022
Earnings per share (in EUR)	1.90	3.56	–5.10	0.08	–5.26
Year-end share price (Xetra, in EUR)	37.70	31.95	19.90	17.95	10.55
High for the year (in EUR)	67.10	39.20	33.30	27.80	19.45
Low for the year (in EUR)	30.02	27.90	12.60	17.20	7.92
Dividend (in EUR)	0.75	0,00	0.00	0.00	0.00[1]
Number of shares	12,607,121	12,607,121	15,237,922	15,237,922	15,237,922
Market capitalization (in EUR m)	475.3	402.8	303.2	273.5	160.8

[1] With the extension of the syndicated loan by a KfW loan and the early extension in June 2022, the dividend will be suspended during the term of the third tranche until 2025.

GRAMMER basic share data

On December 31, 2022, GRAMMER AG's share capital totaled EUR 39,009,080.32, divided into 15,237,922 bearer shares with a notional value of EUR 2.56 per share. Of this, the Company holds 330,050 own shares. GRAMMER shares are traded on the Frankfurt and Munich stock exchanges via the electronic trading system Xetra as well as in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges.

GRAMMER continues to suspend dividend

GRAMMER AG implemented various financing measures to widen its financial scope in 2020 in view of the difficulty of estimating the impact of the COVID-19 pandemic on its business performance. One of these precautionary measures was to expand the syndicated loan agreement to include a EUR 235.0 million tranche C in August 2020. This was extended early in the 2022 financial year until February 10, 2025, further securing GRAMMER's liquidity even in the challenging economic environment at present. 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.

Financial communication and Annual General Meeting

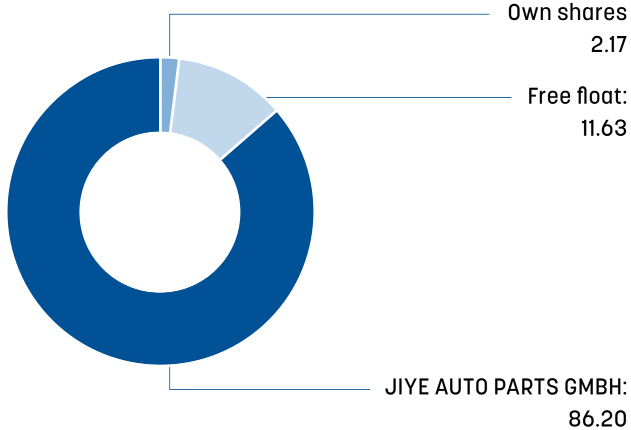
As a company listed in the Prime Standard of the German Stock Exchange, GRAMMER AG is subject to extensive transparency and disclosure requirements. The aim of investor relations work is to process and present current and future developments at the GRAMMER Group transparently for all stakeholders. In 2022, GRAMMER AG's Executive Board and IR team continued to maintain an intensive dialog with the capital market, providing regular and comprehensive information on the Company's current business performance. As usual, telephone conferences were held each quarter at the same time as publishing business and quarterly figures. A precise medium-term outlook was also published at the end of April as a way for management to give stakeholders a range for medium-term business performance until 2025 and highlight its strategic focus points despite the current uncertainties. Detailed information on GRAMMER's share is available at https://www.grammer.com/en/investor-relations.html where recent financial news and reports as well as presentations and recordings of the conference calls are also published.

The GRAMMER AG Annual General Meeting was again held virtually last year for the third year in a row on account of the COVID-19 pandemic. Regardless of the entirely virtual event, shareholders were able to exercise their rights. 46 blocks of questions were answered as part of the event. In total, more than 87% of the voting share capital was represented at the Annual General Meeting on May 18, 2022. At its peak, the Annual General Meeting was attended by 65 shareholders. The shareholders accepted all of the proposals submitted by the Executive Board and Supervisory Board and appointed the two Supervisory Board candidates, Dagmar Rehm and Dr. Martin Kleinschmitt, to succeed Alfred Weber and Dr. Peter Merten on the board. All items of the agenda were approved with large majorities

Shareholder structure

There were no changes to shareholder structure in 2022 compared to the previous year. With a shareholding of 86.20%, Jiye Auto Parts GmbH remains the main shareholder of GRAMMER AG. The diagram below only shows shareholders who hold more than 3% of GRAMMER shares. In addition, it indicates the number of own shares held. The current shareholder structure and voting rights announcements are also disclosed in the Investor Relations section of the GRAMMER AG website.

Shareholder structure
in %
as of December 31, 2022



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References

Contents of Internet sites referred to in the Group management report are not part of the Group management report but merely serve as a source of further information. This does not apply to the corporate governance declaration pursuant to singular section 315d in connection with section 289f HGB (German Commercial Code) and the declaration of conformity with the German Corporate Governance Code (section 161 AktG (German Stock Corporation Act)), which are permanently available on the Company's website at https://www.grammer.com/en/investor-relations/corporate-governance/overview/. In addition, the combined separate non-financial report pursuant to sections 289b (3) and 315b (3) HGB is published on the Company's website at www.grammer.com in the section „Company," „Sustainability," „Separate Non-financial report" no later than four months after the reporting date.

Forward-looking statements

This Group management report 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", "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.

Rounding differences in the disclosures contained in the consolidated financial statements are possible.

1. Basis of the Group

1.1 Business model

The GRAMMER Group is a global company that operates in the three regions AMERICAS, APAC and EMEA in two business segments: GRAMMER is a full service provider of driver and passenger seats for trucks, buses, trains and offroad vehicles (construction machinery, forklifts and tractors). The Group develops driver and passenger seats for trucks and driver seats for offroad vehicles and supplies these directly to commercial vehicle OEMs and in spare-parts business as part of aftersales. The Group also develops and manufactures driver and passenger seats for bus and railway vehicle OEMs.

GRAMMER develops and produces high-quality interior and operating systems, innovative thermoplastic components and headrests, armrests and center console systems for the global automotive industry. GRAMMER's customers are automotive manufacturers and their Tier 1 suppliers.

GRAMMER Group
Revenue (FY 2022): EUR 2,158.8 m
Employees (FY 2022): Ø 14,044

AMERICAS	EMEA	APAC
Revenue: EUR 672.5 m	Revenue: EUR 1,131.4 m	Revenue: EUR 426.7 m
Employees: Ø 4,724	Employees: Ø 7,429	Employees: Ø 1,483

The consolidation effect of the turnover generated within the Group between the regions amounted to EUR 71.8 million in the reporting year. On average, 408 people were employed in Central Services in 2022.

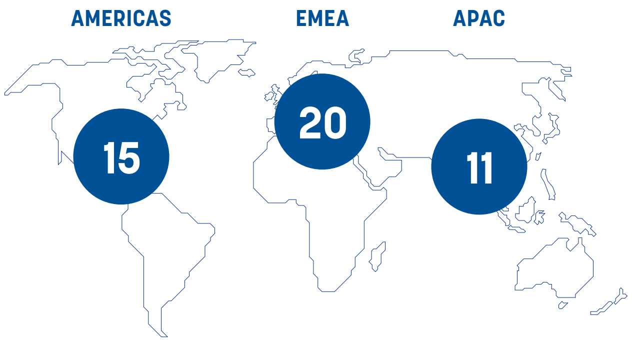
1.2 Corporate structure

GRAMMER Aktiengesellschaft (GRAMMER AG for short), headquartered in Ursensollen, is the parent company of GRAMMER Group and has been managed by two members of the Executive Board since the 2022 financial year. It acts as an operating holding company in which the Executive Board members and the business-relevant Group departments are based. A new operating management body in the form of an Executive Committee was also established in 2022 to facilitate an even closer exchange between the Executive Board and the operational management. In the future, the Executive Board duo will be supported by the five presidents of the divisions and regions.

The Executive Committee is a consistent further development of the realignment of GRAMMER Group's global organizational structure initiated by the Executive Board in 2020. Responsibility for operating business is delegated on a decentralized basis to the three main regions EMEA (Europe, Middle East and Africa), AMERICAS (North, South and Central America) and APAC (Asia-Pacific). This organizational structure ensures that the company can respond quickly and flexibly to changing customer needs and make operational decisions on a local basis. The regions are also responsible for the respective income statements, statements of financial position as well as cash flows. The regions are the GRAMMER Group's reportable operating segments. The two divisions Automotive and Commercial Vehicles focus on further developing and implementing global market, customer and product strategy. The global functions (Group areas) continue to support the three regions and the two divisions by providing systems, standards and guidelines as well as defined services, e.g. in the area of research and development, to provide guidance and act as a sparring partner for operational improvement.

There was no change to the number of production and logistics sites in the reporting period. GRAMMER operates 46 production and logistics sites worldwide, which assemble and distribute high-quality products for the global vehicle industry with varying degrees of vertical integration: 20 are located in EMEA, 11 in APAC and 15 production and logistics sites are in the AMERICAS region.

Production and logistics sites



In addition to the parent company GRAMMER AG, the Group includes 40 fully consolidated companies as well as two joint ventures accounted for using the equity method (see also Note 3 "Scope of consolidation" in the notes to the consolidated financial statements). GRAMMER is active in 19 countries worldwide.

GRAMMER shares are traded on the Frankfurt and Munich stock exchanges via the electronic trading system Xetra as well as in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges. On December 31, 2022, the share capital of GRAMMER AG totaled approximately EUR 39.0 million, divided into 15,237,922 bearer shares. Of this, the Company holds 330,050 of its own shares. Own shares account for 2.17%. The majority of the shares issued (86.20%) are held by Jiye Auto Parts GmbH, Frankfurt am Main. The free float currently stands at around 11.63%. Effective October 8, 2019, the majority shareholder Jiye Auto Parts GmbH became an indirect subsidiary of Ningbo Jifeng Auto Parts Co. Ltd., Ningbo-City, China, following a change in its parent company's shareholder structure. Accordingly, the GRAMMER Group has been fully consolidated within the Ningbo Jifeng Group since that date.

1.3 Management process system

The GRAMMER Group's internal value-based management process system is primarily aligned to the key management indicators revenue, earnings before interest and taxes (EBIT), operating earnings before interest and taxes (operating EBIT).

Since 2020, both revenue and operating EBIT have been defined as the key management indicators. These indicators were maintained in 2022. Operating EBIT is defined as consolidated earnings before interest and taxes, i.e. excluding income taxes, financial income, financial expenses and other financial result, adjusted for foreign exchange effects and special items (e.g. restructuring expenses, expenses under change-of-control arrangements, transaction costs from company acquisitions, special expenses in connection with shareholder matters, corona-related protection and response measures and, since 2022, impairment losses on property, plant and equipment and intangible assets). Operating EBIT is not a performance indicator defined in accordance with the International Financial Reporting Standard (IFRS) in the version endorsed by the EU. However, GRAMMER AG uses operating EBIT for management purposes as it presents the GRAMMER Group's results of operations more transparently and in a more comparable manner over time, irrespective of special factors that may affect the assessment of the Company's performance.

In the remuneration system for the Executive Board, net income (earnings after taxes), EBIT or EBT (earnings before taxes) – here an annual selection is made by the Supervisory Board – as well as free cash flow (FCF) and strategic and ESG targets, e.g. compliance, environmental protection, economic stability and growth, have been defined as short-term incentives (STI). A more detailed explanation of the non-financial performance indicators for GRAMMER AG can be found in the remuneration report.

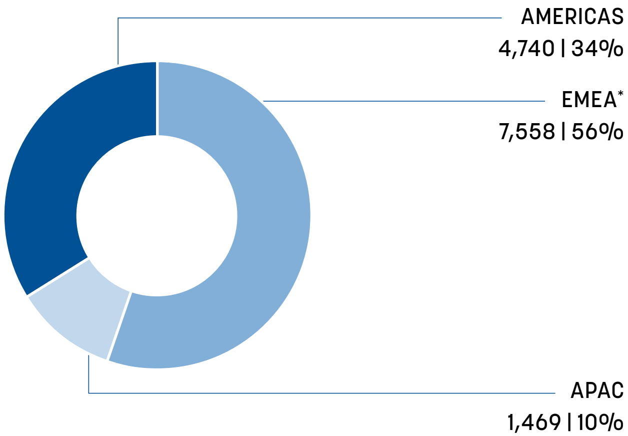
Components of long-term incentives (LTI) are relative total shareholder return (TSR) compared to the SDAX and ROCE as generally defined.

The Company also monitors and analyzes financial ratios such as net debt, working capital, gearing (net debt divided by equity) and leverage (net debt divided by EBITDA).

1.4 People at GRAMMER

With passion, personal commitment and comprehensive expertise, our 14,174 employees around the world develop innovations and solutions that move millions of people from one place to another more safely, ergonomically and comfortably. We face significant challenges on a daily basis. The transformation of the automotive sector, driven by current megatrends such as sustainability, automated driving and digitalization, demand adaptability in that we must be able to make decisions and put these into practice quickly to make the most of the opportunities that present themselves. This is why GRAMMER creates space for new ideas and for its employees' personal development. In this context we do not only facilitate collaborative working, we actively encourage it. GRAMMER supports teamwork between its organizational units and involves the team members in important issues as sources of expertise and in decision-making processes.

Breakdown of employees by region
as of December 31, 2022



* This includes 407 employees from Central Services.

Way of Working at GRAMMER: Collaboration on a new level

Since 2019, the letters "WoW" have expressed more than just a pleasantly surprised exclamation at GRAMMER: they also represent a new corporate culture, the new "Way of Working".

Diverse employees are a strength for organizations because different ways of thinking and opinions expand our horizons and foster creativity. If, however, there are (too) many different opinions on how work should be done "properly", the whole team's efficiency often suffers. The following therefore applies: To make the most of the benefits of everyone's individual strengths at a company, having a general framework for collaboration is thus key to success.

This framework is established with binding effect for GRAMMER in the Way of Working, because genuine teamwork and the search for joint decisions for the best solutions are the vital elements for sustainable and successful business. If we take the premises of the WoW to heart, we will continue to be successful in the rapidly changing vehicle sector and its extremely challenging competitive environment moving forward.

The GRAMMER WoW CODE: Trust and respect are the building blocks of collaboration

The related WoW CODE creates a framework that describes the principles of our teamwork. The letter "C" stands for „Collaboration" because constructive and solution-oriented cooperation between all specialist areas is essential for mastering complex challenges. „O" stands for „Openness" because clarity is needed to solve problems. Only then can „Drive" („D", drive) and „Empowerment" („E", enablement, empowerment) be used to work on solutions for a world on the move.

To make it easier for more and more employees to apply these principles in their daily work, we have continued to make progress on our program in 2022, for example an e-learning program on the "Way of Working" was designed and training sessions were held at the pilot plants. WoW champions were trained and a WoW arrow (strategy for further WoW development) created. Detailed information and tools relating to the WoW were made available to all employees on the Intranet. It should be noted here that everyday working life can look very different in different areas, especially if we consider work in administrative areas compared to in production. However, the basic principles remain the same for all employees.

At the heart of the Way of Working: the PowerHouse

To put this into practice in their day-to-day work, we provide our employees with a set of tools. The most important of these is the WoW PowerHouse, the heart and drive of our Company's Way of Working.

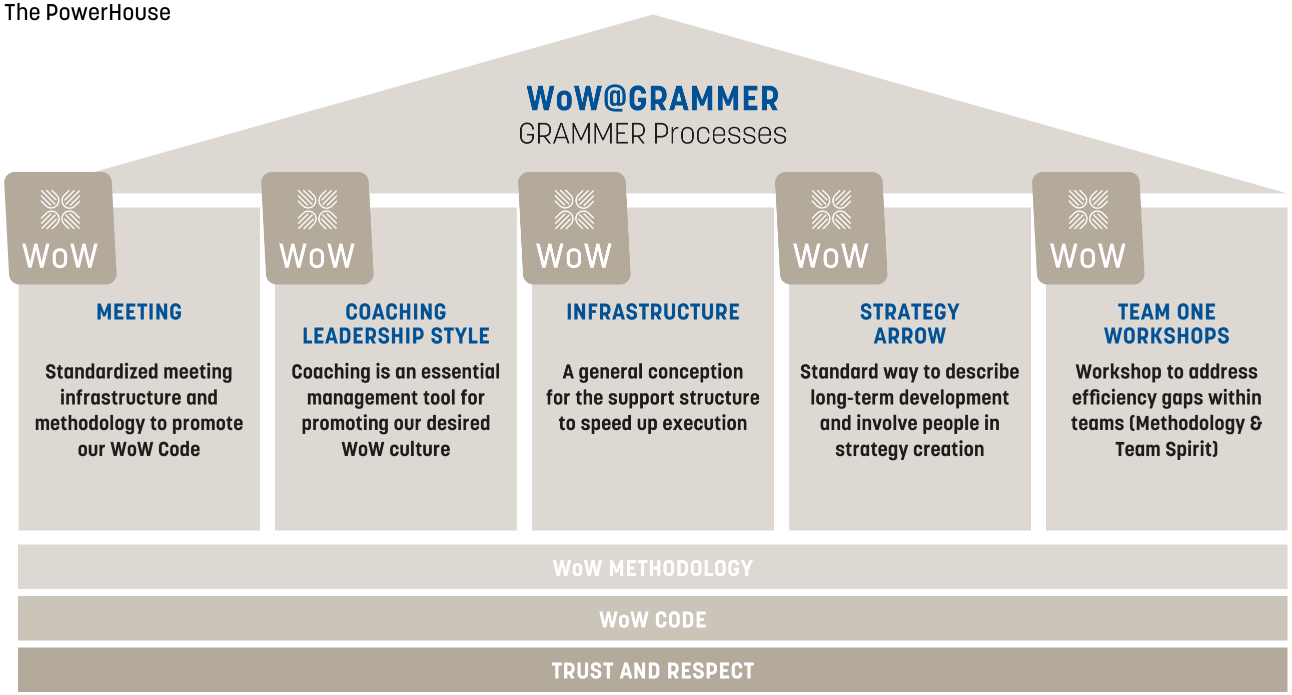
GRAMMER's PowerHouse is built on five building blocks: Each of these building blocks represents a key tool to put the Way of Working into practice at our Company. Accordingly, the Power-House plays a vital role in successfully enshrining the WoW CODE into employees' behavior and thus into GRAMMER's DNA.

WoW – workshops based on survey findings

To measure the progress we have made in developing our corporate culture and identify areas for improvement, we have conducted an annual internal global WoW@GRAMMER pulse survey since the end of 2020. The questionnaire helps collect information on the five WoW dimensions – methodology, strategy, collaboration, ability and culture – as well as on the status of information. The results show clear successes in incorporating the WoW culture into our Company: there is more awareness of the WoW methodology, employees can actively contribute in meetings, are involved in the decision-making process and encouraged to take on responsibility. At the same time, collaboration in teams has improved significantly.

In 2021, we again invited our employees at all locations worldwide to take part in a survey under the name "ONE GRAMMER – ONE TEAM". The results – with an impressive participation rate of 75% – confirmed that we have made substantial progress in establishing a new corporate culture and that leadership qualities have improved as a result of the WoW culture change. Respondents also noted an improvement in overall collaboration and the general working environment. Yet we are not resting on our laurels: we are carrying on with the work we have begun. In 2022, for example, numerous workshops were held at all levels of the Company on the basis of these findings and the first measures have already been taken and put into place. Three global areas are intended to bring about the cultural shift at the Company: Improving human resources development (people development), optimizing and streamlining processes and boosting collaboration and efficiency (work & tasks) and improving communication by using new platforms and communication cascades (communication).

The PowerHouse



Employee development and securing young talent

Qualified and motivated employees are the essential building block for GRAMMER Group's success. When filling vacancies, our recruitment process initially takes the form of internal job postings. External channels such as job exchanges or recruitment agencies are used only when there are no suitable internal applicants.

Education and onboarding: a key component of recruiting young staff

To integrate new employees into the Company quickly, the onboarding process was further improved in 2022, comprising an orientation training session and various training sessions on relevant personnel and technical issues. As early as this onboarding process, we talk to new employees about our WoW culture and use exercises to make it come to life. The global launch of the onboarding process was well underway last year and numerous measures have already been put into place, especially in EMEA and AMERICAS. Sites in China, where the onboarding process was implemented back in 2021, have already seen the first positive effects, such as a reduction in staff turnover.

To cement our success, we also need well-qualified young staff at our sites in the future. Accordingly, GRAMMER strategically designs its professional training in line with technological advances at the sites in Germany. By adjusting training content to take account of technologies and products used in the future, we are able to respond to technological change at an early stage. Our aim here is to ensure that operational requirements are met at the individual sites and thus not only to safeguard competitiveness and production output by qualified experts but also to continue to increase these. As part of the "training strategy", for example, the sub-projects "requirement planning", "training marketing" and "takeover process" were set up and implemented. These are already showing the first signs of success, as the number of applications has picked up.

To remain at the cutting edge of technology and research in the long term, GRAMMER also maintains a research partner network with many national and international universities, from which we benefit in many areas and that is to be expanded further in the future. In the areas of ergonomics/usability, it currently partners with prestigious universities that GRAMMER uses to generate solutions. It also collaborates with Duale Hochschule Baden-Württemberg (DHBW), the Technische Hochschule Ingolstadt – chiefly with the electrical engineering and information technology faculty, which works on megatrends including automated/autonomous driving in specialized degree programs – and the University of Applied Sciences Landshut. In the case of the latter, GRAMMER works predominantly with the degree programs digitalization and process optimization & management, in part to bolster the training of IT experts at GRAMMER. This network within and outside Germany also puts GRAMMER in a good position to recruit qualified young staff. After a break due to the pandemic, GRAMMER increasingly returned in person to various university recruitment events in 2022, such as the Career Day at the Regensburg University of Applied Sciences.

Further training: Success through needs-based development

GRAMMER's goal for the next few years is to strengthen our culture of learning and expand expertise that is relevant for the future. Human resources development creates the framework and offers at GRAMMER in order to develop employee expertise, taking into account future market environment requirements and employees' individual skills and needs.

The GRAMMER Academy was founded three years ago with this in mind. It is supported by a learning management platform and can be accessed by all administrative staff worldwide. This platform can be used to provide the qualifications needed at GRAMMER and to deliver targeted training sessions, the need for which is determined individually in employee performance reviews. Overall, more than 17,500 GRAMMER Academy training sessions were attended in 2022. GRAMMER's aim is to continually expand the range of training on offer and last year it successfully added a number of new e-learning sessions and new formats, including webinars and blended learning, which employees will have access to from 2023 onwards. The training GRAMMER provides for its production employees aims at improving individual performance, securing quality and delivery performance at the plants. There are plans to develop and incorporate relevant learning content in the e-learning platform and the first steps towards this were taken in 2022.

Leadership development

To provide optimal support and further training to our junior staff and managers, we offer our employees the opportunity to participate in various corporate development programs. Previous programs (DRIVE, FAST LANE and TOP GEAR) were restructured in 2022. The newly designed programs integrate learning content and exercises that support our WoW culture. The "Talent Circle" program is designed for young professionals with the potential to progress to senior positions and responsibilities. This program is intended to set out their career path (management, project or expert). The new programs known as "GRAMMER Way of Leading" are aimed at all managers and illustrate different management styles using the effective management model. The "Global Leadership Development Circle" program is designed for participants with potential from middle management. GRAMMER runs the corporate development programs to develop future managers largely from its own organization and, to this end, begun establishing an internal pipeline for succession planning in 2021. In the reporting year, GRAMMER also restructured the career tracks for the management, project and expert tracks. The Company places great value on the use of a standardized global job evaluation system for all three career tracks, as all three career paths are equally important for the Company's success.

At global talent conferences, we offer our employees an evaluation of their potential and set out potential career and development steps. Using talent profiles, employees at GRAMMER talk to their managers about what exactly they want to get out of their career and sit down together to discuss potential options and the qualifications needed for them to continue progressing at the Company. This helps employees see what prospects there are at the Company and gives them a development plan that suggests how they can continue to make progress.

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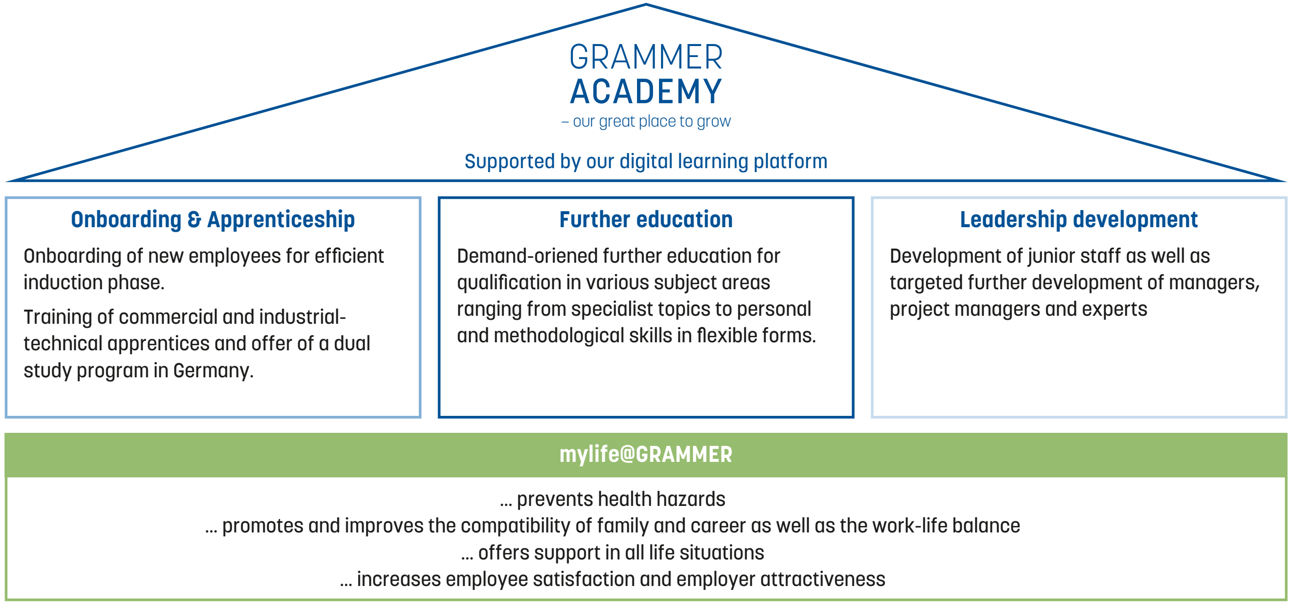

Attractive remuneration

A carefully considered remuneration system plays a key role at GRAMMER in positioning itself as an attractive employer. We see remuneration as a holistic system made up of various components such as the base salary, performance-based components and ancillary benefits.

It is important to us that our employees believe their remuneration to be in line with the market and related to their performance. For management positions, this is achieved by the use of a new, Company-wide job evaluation system introduced in 2021. This makes it possible to compare positions within the Company as a whole and within the market environment using transparent criteria, ensuring fair salaries.

In addition to fixed remuneration in line with market rates, management employees also receive performance-based annual additional remuneration in the form of a performance bonus. This is derived from a system that is standardized at global level and is based on the Company's financial success, the attainment of strategic company and departmental targets and employees' individual performance. Since the last financial year, the process of setting and following up on targets as part of the annual performance management process has been supported digitally and allows employees and managers to receive and give regular feedback on performance and behavior (WoW Code). This way, GRAMMER creates a high level of transparency regarding the fair composition of performance-based remuneration.

Outside management, remuneration is determined on the basis of collective agreements and company and statutory regulations, ensuring market comparability. The inclusion of social partners in line with the law ensures a high level of acceptance among employees.

As well as fixed and performance-based remuneration, GRAMMER also offers its employees a wide range of individual, voluntary and social benefits as well as special allowances, which are also based on local market considerations and the needs of the employees. Prime examples of these include the company pension scheme at sites in Germany and comprehensive health insurance in the US and China. GRAMMER also offers a large range of non-monetary benefits such as company catering, a company physician and other social support services.

Diversity and inclusion meet WoW

The Way of Working philosophy is based on the fundamental values of trust and respect. Accordingly, diversity and inclusion are part and parcel of our corporate culture. For us, diversity of people and personalities at GRAMMER is one of the Company's main strengths. Different ways of thinking and opinions expand our horizons and foster creativity.

Managers and employees at GRAMMER firmly believe that, as a company, they make better decisions, retain employees in the longer term and achieve a better customer focus if diversity, equality and inclusion are promoted and put into practice. To ensure that everyone feels respected and listened to, managers and employees receive training on the practices of the CODE.

As well as being a signatory to the Diversity Charter, GRAMMER also supports diversity by participating in the internal global network Ladies@GRAMMER to exchange views. Tips, interesting events and publications are shared, which raises awareness of the advancement of women.

Share of women in the workforce
as of December 31, 2022

	Female	Male
GRAMMER Group	6,216 (44%)	7,958 (56%)
EMEA (incl. CS)	3,503 (44%)	4,462 (56%)
AMERICAS	2,293 (48%)	2,447 (52%)
APAC	420 (29%)	1,049 (71%)

We signed the Diversity Charter in 2006, consciously espousing our commitment to greater tolerance and openness in how we interact with each other. Various campaigns and programs have arisen as a result of this and show that GRAMMER's employees support the Charter and practice this culture. To mark Diversity Day 2022, GRAMMER arranged a quiz to raise awareness of the issue in everyday working life.

Jurate Keblyte, CFO: **"Our employees are the basis of our success. Everyone at GRAMMER is given the space to contribute and develop, regardless of their gender, skin color or sexual orientation. That, too, is part of our way-of-working philosophy."**

To underscore the importance of this issue and raise even more awareness, in 2022 GRAMMER created the diversity challenge. In this challenge, employees have the opportunity to contribute their ideas and show their commitment to diversity. Within the three categories "shape", "belong" and "impact", suggestions are made as to how diversity at GRAMMER can be actively and structurally encouraged by asking the three questions: "How can we make diversity more visible in the workplace?", "How can we strengthen open-minded, inclusive collaboration?" and "How can we rethink and consider the results of workplace diversity?". The diversity challenge is due to start in 2023. A jury will award prizes for the best ideas at a closing ceremony to which all participating teams will be invited.

A project group is also currently working on other diversity and inclusion initiatives to mark the upcoming Diversity Day, as GRAMMER wants to organize activities for this every year in the future. This is further evidence that, at GRAMMER, we practice diversity at work.

People@GRAMMER in the digital transformation

GRAMMER is continuing to further drive the Company's digital transformation to provide support to employees and further improve efficiency in everyday working life. GRAMMER is already digitally mapping the performance management and talent review processes as part of corporate planning. As part of the new potential assessment process, all participating employees can fill out their talent profiles in our HR IT system and describe their career wishes, mobility and any training requirements. Work is also underway on a standardized global database for all personnel master data. This would allow for further digitalization of HR processes while at the same time creating the basis for improved reporting as the basis for strategic decisions by management. The project is due to be completed at the end of 2023.

GRAMMER's digital learning management solution GRAMMER, which ensures targeted learning regardless of the time and place, facilitates training and continuing education in what are known as agile skills, e.g. scrum, agile project management, design thinking etc. We also offer conventional learning content through this platform, including language training, intercultural training and software training.

In addition, a comprehensive digital knowledge management platform has been launched, where employees can search for best practices and wiki articles on operational and engineering topics. This platform will gradually be extended to other areas of knowledge in order to effectively support the exchange of experience among employees. The same platform will also be used to digitize administrative processes and manage the project portfolio.

The New GRAMMER Intranet – Our Global Information and Communication Platform

With the introduction of the new GRAMMER Intranet in 2022, the Company will offer all employees access to a modern information and communication platform. It will provide a global and central access point where all employees can find and share information and news, whether on a global, regional or local level. The platform can be accessed anytime, anywhere via a web browser. With a modern look and feel and a well-thought-out, intuitive structure, the GRAMMER Intranet provides an efficient way to share news and information in one place.

Customized solutions to support wellbeing

Within the framework of the GRAMMER Academy, the initiative MyLife@GRAMMER advocates for the reconciliation of professional and private needs. GRAMMER places significant value on health, family and individual flexibility for its employees. To promote a work-life balance, GRAMMER creates the framework for flexible working time models including part-time and supports parents returning to work after parental leave. GRAMMER also encourages a family/job balance by helping organize childcare. For example, the site in Hardheim has an integrated nursery.

Continued focus on health and safety

Occupational health and safety are of paramount importance in a production company like GRAMMER. This stems from two key focus points: avoiding accidents at work and encouraging activities for preserving employees' health and ability to perform. GRAMMER has implemented various measures to ensure this. All managers at GRAMMER are regularly trained on and aware of their responsibility when it comes to occupational health and safety. All machinery, equipment and work processes are thoroughly tested and approved. Where unavoidable residual risks remain, all employees are trained accordingly and provided with the required protective equipment. Employees are taught about workplace hazards as part of risk assessments and regular safety briefings. Compliance with regulations is ensured by regular site visits involving all managers. In addition to these checks, employees are encouraged to actively contribute to occupational health and safety.

In Germany, we work with Mental Health First Aid (MHFA) to train mental health first responders. During the training, they acquire basic knowledge about various mental stressors, which they can use to provide targeted support and information to those affected. In May 2022, the first first responders will be trained at GRAMMER as part of a pilot training program. In 2023, GRAMMER will expand this project throughout Germany.

GRAMMER measures the success of its occupational health and safety measures using the lost time injury frequency rate (LTIFR). This indicator of the number and frequency of accidents shows how accidents develop over time.

As the LTIFR as part of the occupational health and safety management system under ISO 45001, regular audits are also conducted to review the continuous ongoing improvement and effectiveness of measures already in place. All factors relevant to occupational health and safety are monitored and the plants that perform the best are awarded an occupational health and safety prize at the end of the year.

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			Total December 31, 2022	Total December 31, 2021
Number of employees	global, total		14,174	13,845
	EMEA (incl. CS)		7,965	7,625
	APAC		1,469	1,474
	AMERICAS		4,740	4,746
Number of nationalities in Germany			54	51
Number of nationalities at GRAMMER AG			23	35
Share of employees working outside Germany		%	79.17	79.41
Share of women in the workforce	global, total	%	43.85	43.26
	EMEA (incl. CS)	%	43.98	43.57
	APAC	%	28.59	27.20
	AMERICAS	%	48.38	47.77
	in Germany	%	23.34	23.02
Share of women in management positions at GRAMMER AG	Top management	%	17.60	25.00
	Middle-Management	%	13.70	10.60
Share of (graded) managers outside Germany		%	46.86	42.33
Number of apprentices in Germany			63	83
Share of part-time employees in Germany		%	4.51	4.18
Share of employees younger than 30		%	17.77	17.88
Share of employees 30 to 50		%	61.35	61.7
Share of employees older than 50		%	20.88	20.41
Average age	global	Years	41.12	40.32
	EMEA (incl. CS)	Years	42.68	42.61
	APAC	Years	37.12	36.34
	AMERICAS	Years	39.72	37.87
Average years of service	global[1]	Years	8.04	8.2
	EMEA (incl. CS)	Years	10.41	10.53
	APAC	Years	5.11	4.71
	AMERICAS [1]	Years	4.98	4.47
Average years of service in Germany			13.35	13.67

[1] No entry dates Legacy TMD until 2021.

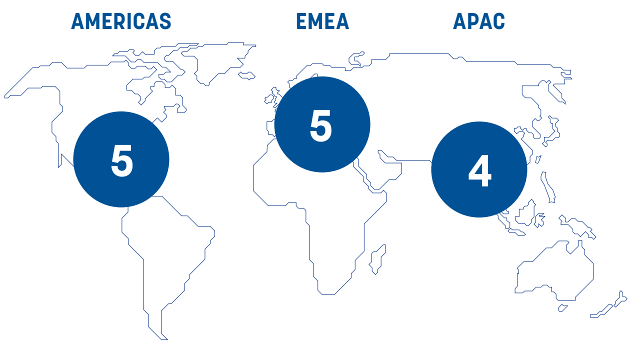
1.5 Research and development

R&D strategy

Research and development (R&D) is a key element of the corporate strategy and is an important foundation for making the GRAMMER Group more competitive. The strategy process results in specific product strategies for the divisions with different requirements and focus points in the various regions. The R&D strategy is based on the vision of developing products that are systematically aligned with customer and end user requirements when it comes to reliability and performance. Here, GRAMMER wants to be the preferred development partner to its international customers in key markets, providing the R&D resources needed on site.

GRAMMER works on the basis of a regional R&D structure in the global network with a central department for divisional and global product strategy, sustainability, ergonomics and design tasks. GRAMMER had a total of 14 R&D locations in 2022, five of which were in the EMEA region, five in AMERICAS and four in APAC. Roughly 580 GRAMMER engineers and R&D employees work there with the aim of continuously enhancing the ergonomics, safety, functionality, quality and aesthetics of our products. In China, GRAMMER continued to step up its R&D resources in both divisions in 2022 to capitalize on the strong regional growth. With its local presence on the Chinese market, GRAMMER is aiming for closely interlocked, regional cooperation with its global customers – from the first stages of development right up to the end product, taking account of country-specific market requirements.

Research and development centers



Key areas of development

The key areas of development are based on the respective division's product strategy. These account for dominant megatrends in the sector as well as customer surveys and the ongoing development of the product portfolio. Megatrends continue to focus on the transformative changes in the automotive industry, chiefly the new mobility, electric and hybrid drives and connectivity. The megatrends of digitalization, urbanization and sustainability also continue to play a vital role in product development. When it comes to sustainability, GRAMMER supports its customers in complying with new regulations by making its products more sustainable in terms of the materials and processes used. For example, GRAMMER helps reduce vehicles' CO_2 emissions and fuel consumption by employing light-weight construction solutions.

Specifically, in all three regions in the Automotive Division last year the key areas of development were customer projects – from acquisition to validated series production. Furthermore, advances were made on results optimization of the ongoing series (VAVE) as well as numerous customer-driven series changes (ECM) and optimizations. In addition, in innovation projects GRAMMAR focused on innovative console functionalities such as modular product standards for consoles with a focus on sustainability and an ambitious carbon footprint, glass as both design and functional element as well as upgrading the entire vehicle interior. For the Commercial Vehicles Division, alongside testing customer-specific projects in the onroad and offroad sectors, the focus was on the further development of the seat platforms for the offroad sector (S2900, MSG 297), the reduction of process variance in the offroad sector, the further development of "Ubility One" for bus and rail transport, and the series development of the weight-optimized seating platforms for high-speed trains.

More efficient product development through digitization

In order to meet future requirements in the markets and regions, GRAMMER launched a project to digitize the management of the entire product lifecycle (product lifecycle management or PLM). In 2021, work began on developing methods that optimally support the integrative development of product and manufacturing processes and automatically pass on the results and information to all other systems and processes in the plant. These methods were configured in the PLM system so that a global rollout can take place in the current year. This novel approach reduces the development time and significantly improves data quality, ultimately resulting in increased quality.

With increased transparency, overall product development processes such as concept development and acquisition, engineering change and product and process planning are now managed in one system, optimized and shortened. Based on this, an integrated CO_2 assessment is already being implemented into product and process planning to reduce the carbon footprint of the products and production sustainably and at an early stage.

R&D expenses

Non-capitalized research and development expenses came to EUR 86.9 million in 2022 (previous year: EUR 78.2 million), representing 4.0% of total revenue (previous year: 4.1%). Furthermore, in fixed assets EUR 7.1 million (previous year: EUR 7.5 million) of development costs were capitalized.

Results of R&D work

GRAMMER started successful series production for numerous development projects last year and brought innovative products to market. There were 2,054 Group-wide patents pending and granted (previous year: 1,955).

Significant division projects in 2022 are listed below:

Further expansion of the product portfolio in the Commercial Vehicles Division

In the area of seating systems for the various segments of the commercial vehicle market, the focus is on further heightening driving comfort, passive safety, ergonomics and keeping vehicle occupants healthy. New functions in the upper part of the seat (mobilization system in seat cushions, multiple levels of air conditioning and heating, improved lumbar support combined with optimized seat suspension) also increase comfort and additional safety. The megatrends of global population growth, urbanization and accelerated logistics services support ongoing growth in the Commercial Vehicles Division. Long-term process optimization at one of the largest production facilities in combination with a modular product world will be another key building block in GRAMMER's ongoing development.

In the truck segment, GRAMMER began developing truck seat generations that can be used globally on the basis of MSG90.6 and MSG115 for different regions and markets in 2022. GRAMMER presented a concept idea at the IAA Transportation event for an innovative solution for the N1 vehicle class. This includes a brand-new suspension concept that uses sustainable materials for the structure, foam parts and coverings.

GRAMMER introduced its Ubility One concept in October 2021 with the aim of helping shape urban passenger transport in the 21st century and it unveiled this concept to the general public at various trade fairs in 2022. The innovative product family makes consistent use of lightweight construction and features sustainable design and high user comfort, pointing the way to the future of urban mobility. By launching Ubility One, GRAMMER is positioning itself as the first provider of a holistic interior concept for the buses and trains of tomorrow. It is the Company's answer to the megatrend of urbanization and helps meet growing individual mobility requirements.

Production of the first module in the Ubility One product family is scheduled to start in 2023 at a GRAMMER site in Europe. The Ubility One market launch underscores the Company's position as one of the leading suppliers of seating solutions for global urban passenger transportation.

New product concepts in the Automotive Division

As a result of the increasing electrification of the drive system as well as the further automation of driving functions, GRAMMER expects a change in production processes as well as in the manufacturers' demands on suppliers in the coming vehicle generations. GRAMMER's innovations thus center around current megatrends in the automotive industry and their aims include integrating functions, sustainability, modularization, improving the Company's competitive position and new functions for customers. For example, R&D skills and methods are developed with a specific eye to end-to-end digital validation, product and process standardization based on best-practice analyses, a range of variants on the basis of modular product concepts and systematic product lifecycle management from the design phase right up to series production.

Thanks to their architecture, electric cars in particular can be even better adapted to customer needs, whose expectations in terms of comfort, flexibility and functionality will change fundamentally. As well as being more spacious, the number of buttons and switches can be reduced to make them easier to operate. As there is no longer a drivetrain, the center console will play an even more important role in the vehicle and include new functions. In a pre-development project on the future of the center console, a variable, modularly equipable vehicle environment was designed and created on the basis of international input workshops. The result of this project is a flexible research tool that provides the basis for the elements, functions and arrangement of future interiors based on usability and comfort. Depending on the seating position and orientation, different positions for trays, cup holders, input media and storage elements are required, so flexible, movable and versatile elements are advantageous. In this context, GRAMMER is focusing on functional upgrades such as heated surfaces or flexible and customizable storage systems, and on a sustainable materials and process approach to achieve its ambitious carbon footprint targets.

Another good example from the GRAMMER innovation portfolio is the first serial use of 3D glass in the vehicle interior as an innovative premium material with innovative design approaches. A new forming process creates three-dimensional glass modules that slot seamlessly into existing vehicle interior architecture. Glass combines the advantages of being highly robust with the aesthetic properties of a premium surface and a number of attractive design elements. It is also recyclable and thus more sustainable than conventional materials.

In the area of seat components, GRAMMER developed the audio headrest as part of a strategic collaboration with HARMAN International Industries. This aims to integrate optimized audio systems in headrests. In the future, it plans to offer best-in-class audio systems with new possibilities such as individual sound zones and noise cancellation.

Innovations in the interior components product group target new manufacturing processes and materials that open up new design features for designers – especially in the luxury segment – and new product concepts, for example vents with electric, concealed adjustment mechanisms (e-airvent). GRAMMER's innovation portfolio is extremely appealing to customers and opens the door to future cooperation and pre-development programs.

2. Economic conditions

2.1 General economic conditions

2.1.1 Macroeconomic environment

Global economic development in 2022 was dominated by the war in Ukraine. The Russian invasion brought an abrupt halt to the economic recovery seen after the COVID-19 pandemic which had more or less came to an end. The energy crisis and dramatic cost increases across the board had a major impact on the economic outlook over the year. On top of this came material and supply bottlenecks, the labor shortage and lockdowns in China. In its current World Economic Outlook of January 2023, the International Monetary Fund (IMF) thus sees a significant weakening of global – and in particular European and US – growth in 2022. Nevertheless, the economic downturn was less pronounced than experts had initially assumed, primarily thanks to robust labor markets and the relatively stable energy prices.

The IMF puts global growth in 2022 as a whole at 3.4%, far lower than the previous year's 6.2%. Gross domestic product in industrialized countries rose by 2.7% in 2022, compared to 3.9% in emerging markets.

Surging prices also had a considerable impact on economic growth in the AMERICAS region. Especially in the US, however, inflation declined considerably by the end of the year, shoring up the US economy. In view of the decisive action taken by the US Federal Reserve, which increased interest rates to between 4.25% and 4.50% in a number of rate hikes throughout the year, the IMF now expects US economic growth of 2.0% in 2022, 0.4 percentage points more than it forecast in October 2022. In Mexico, gross domestic product rose by 3.1%.

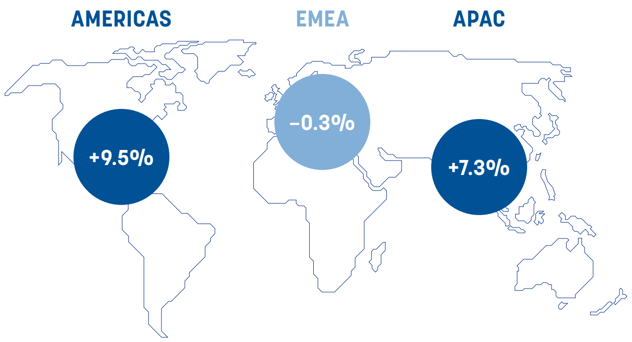
The EMEA region was hit hard by the energy crisis triggered by the war in Ukraine. Experts at the IMF revised their forecasts downwards considerably over the course of the year. Nevertheless, the second half of the year brought the first signs of easing on the gas markets. For Germany, the IMF anticipates growth of 1.9% in 2022 despite all the challenges. Current estimates put overall eurozone GDP growth at 3.5%.

Development in the APAC region was shaped to a large extent by strict COVID-19 lockdowns in China, which significantly hampered economic activities. Although the COVID-19-related restrictions were lifted towards the end of 2022, case numbers in the country then skyrocketed as a result. The IMF expects China's economic growth to come to just 3.0% in 2022. In Japan, GDP is expected to have increased by 1.4% in the past year.

2.1.2 Sector environment

Cautious recovery in automotive sector

Automotive production in 2022 compared with the previous year



Production volumes in the automotive industry continued to improve slightly in 2022. Despite this, supply bottlenecks for semiconductors, the zero-Covid policy that dominated in China until the end of the year and the impact of the war in Ukraine stood in the way of a more substantial upturn. Overall, data from S&P Global Mobility show that production volumes increased by 6.0% in 2022. Nonetheless, this remains far lower than pre-pandemic levels. Global demand for vehicles suffered particularly badly from weak recovery momentum. Rising interest rates, supply chain problems, higher new vehicle prices and growing concern about energy prices weighed heavily on demand here. Markets in China and the AMERICAS recovered far better than the EMEA market.

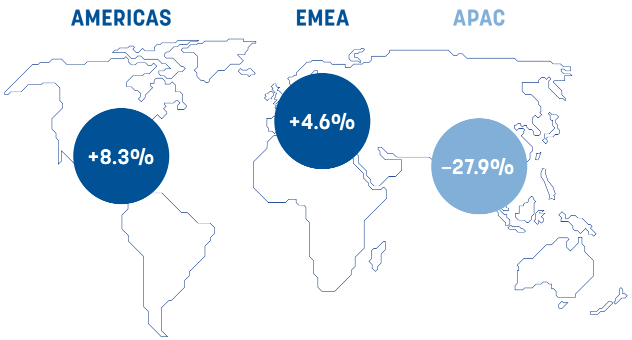
Following the AMERICAS region's slight recovery in 2021 (+2.5%), it picked up by 9.5% year on year in the reporting period (1,481,486 vehicles). After declining in the opening quarter (–3.4%) on account of production downtime caused by the semiconductor shortage, production figures recovered in the second quarter (+11.9%) and also picked up considerably in the second half of the year (Q3 2022: +25.0%, Q4 2022: +7.1%).

In the EMEA region, supply chains and semiconductors again came under pressure in 2022. This was made worse by extremely strained gas supply and a sharp hike in energy prices. Production figures thus fell by 0.3%/58,150 vehicles last year. The first two quarters saw significant declines in production figures, decreasing by 14.7% in Q1 and 3.1% in Q2. The second half of the year, on the other hand, was far more positive and boosted production by 24.2% in the third quarter and 0.5% in the fourth.

Overall, S&P Mobility expects that APAC generated a year-on-year increase of 7.3% in production output during the period under review. Here, too, growth was driven primarily by a strong third quarter. The Chinese government's COVID-19 policy led to repeated production interruptions in the first half of the year and in the fourth quarter. Nonetheless, production volumes in Q1 2022 declined only slightly by 1.8%. By contrast, the market saw production figures stagnate in the subsequent quarter compared to the previous year period (Q2 2022: –0.3%). This was followed by a solid recovery in the third quarter, with growth of 32.9%, while the fourth quarter again featured a slight decrease of –1.2%.

Commercial vehicle market: capacity bottlenecks and supply problems

Commercial vehicle production (trucks and buses) in 2022 compared with the previous year



According to figures from LMC Automotive, global production volumes in the commercial vehicle sector dropped by a considerably 15.5% in 2022. The decline was triggered by the war in Ukraine, strict lockdowns in China and persistent supply chain issues, especially for semiconductors, in spite of signs of a slight improvement.

The downturn in the APAC region essentially reflects the 0.7 million decrease in the number of units manufactured in China. This translates into a year-on-year decrease of 46.6%, although the decrease in the first half of 2022 (56.3%) was far worse than in the second half of the year (24.8%). The decline for the full year in the APAC region was –27.9%.

On the other hand, performance in the AMERICAS region was far more positive in 2022, with production picking up by 8.3%. Demand was robust in spite of the sustained supply chain problems, with production benefiting from the release of pent-up demand. Having increased only slightly by 3.8% in the first half of the year, truck production volume in the market increasingly recovered over the year and achieved production volume growth of 12.8% in the second half of the year.

The EMEA region also reported production growth of 4.6% in 2022. Figures in the first half of the year stagnated near to the previous year's level, before climbing by 9.2% in H2. However, this year-on-year upturn was prompted primarily by the extremely poor market situation in 2021 on account of the escalating semiconductor shortage at this time and the far lower production volumes that this entailed.

Agricultural machinery

According to PSR OE Link, the agricultural machinery industry performed poorly in 2022, declining by 3.6%. The lower volume chiefly reflects developments in Russia, India, China and Ukraine. Ukrainian agricultural exports slumped against pre-war levels following the Russian invasion. In addition, the agricultural machinery sector also suffered steep price increases in 2022, putting more pressure on OEMs.

Construction machinery sector

According to PSR OE Link, the global construction machinery sector also contracted by 7.7%. The main reason for this was the crisis on the Chinese real estate market, which is in the midst of a severe recession, with ongoing lockdowns also holding back construction throughout the year.

Material handling

The material handling industry performed extremely well last year, propelled primarily by the growing e-commerce sector and automation in the logistics industry. According to the most recent PSR OE Link forecast, production output increased by 9.2% worldwide compared to the previous year.

Railway industry

PSR OE Link expects global production in the railway industry to grow until 2028. According to the latest forecasts, production picked up by a further 2.9% in 2022 after climbing sharply by 15.3% in 2021. Demand was far less affected by the COVID-19 pandemic than other segments in the reporting period. Contracts in this sector also tend to have longer terms.

2.2 Significant events in 2022

Challenging economic environment

The 2022 financial year was shaped by a challenging economic environment. Supply chain interruptions and considerable material price increases had already taken a toll in the second half of 2021, with the latter exacerbated by the outbreak of war in Ukraine. The sharp rise in commodity, material and energy prices and limitations on the supply of semiconductors weighed heavily on the GRAMMER Group's business performance. There were also new pandemic-related lockdowns, especially in the first half of the year, in the Chinese market that is particularly important for GRAMMER. Towards the end of the year, the Chinese government abandoned its zero-Covid policy and ended lockdowns, strict testing requirements and other quarantine rules. However, this led to a sharp rise in the number of COVID-19 cases. Despite this challenging environment, GRAMMER nonetheless held its own once again in the 2022 financial year and limited the negative fallout of the general economic situation.

2025 medium-term outlook

GRAMMER AG's management announced its strategic focus areas at the start of 2022 and set targets for 2025 on the basis of this. GRAMMER Group revenue is to grow to EUR 2.5 billion by 2025, 60% of which is to be generated in the Automotive Division and 40% in the Commercial Vehicles Division. The Company is aiming for an operating EBIT margin of over 5% in 2025, with the target margin for consolidated net profit/loss set at over 4%. Revenue growth is driven by all regions, with the APAC region to be transformed into the central growth platform for both divisions and the AMERICAS region to return to profitable growth. One key component in attaining this goal is the "P2P Path to Profitability" restructuring project, which is intended to achieve a sustainable turnaround in the AMERICAS region, currently the second-largest market, by 2024. Another major milestone in the 2025 medium-term planning is to reduce Group-wide CO_2 emissions by 25%. The target of a 50% reduction in CO_2 emissions already published in the GRAMMER Green Company Initiative is then to be achieved in 2030. A detailed description of all medium-term goals can also be found in the online Annual Report 2022.

Changes on the Supervisory Board

GRAMMER AG welcomed two new members to the Supervisory Board at the Annual General Meeting in May following the resignation of Alfred Weber and Dr. Peter Merten at the end of the event. The Annual General Meeting elected Dagmar Rehm, who subsequently took over as Chairwoman of the Audit Committee, and Dr. Martin Kleinschmitt, who was elected the new Chairman of the Supervisory Board by the Supervisory Board members after the Annual General Meeting, to the Supervisory Board. Dagmar Rehm has more than three decades of experience in financial management. Her most recent position was CFO of Juwi AG, a German project developer of wind power and solar parks worldwide. Dr. Martin Kleinschmitt is a lawyer and the CEO of Noerr Consulting AG, a consultancy unit of Noerr, one of the leading European law firms. He is also a member of the Supervisory Board at SAF-HOLLAND SE, a listed commercial vehicle supplier, and so has valuable industry expertise, especially regarding GRAMMER's Commercial Vehicles Division. This election increased the share of women among shareholder representatives on the Supervisory Board members to 50%. In total, women now make up around 42% of the board.

New management structure

GRAMMER established a new, future-oriented operational management structure in the 2022 financial year. The two Executive Board members Jens Öhlenschläger, Spokesman of the Executive Board (CEO), and Jurate Keblyte, Chief Financial Officer (CFO) and Human Resources Director, have been supported by an Executive Committee since the second half of the year. This comprises the five presidents of the divisions and regions. Guoqiang Li, President China, will also assume the function of Chief Operating Officer (COO) and Dr. Andreas Diehl, President Commercial Vehicles, will additionally assume the function of Chief Technology Officer (CTO). The new management structure will strengthen GRAMMER's position moving forwards and help achieve the medium-term goals for 2025. The former CEO Thorsten Seehars left the Company as of May 31, 2022.

GRAMMER expands Chinese aftermarket presence

GRAMMER continued to step up its growth strategy on the world's largest commercial vehicle market in China last year and launched the new premium driver seat Roadtiger. GRAMMER already produces premium commercial vehicle seats for serial use in numerous truck model platforms in China. Through the Chinese aftermarket, the Company is now also helping meet the ever-growing demand for high-quality, ergonomic truck driver seats. The Roadtiger driver seat available on the Chinese retrofitting market is based on the successful GRAMMER MSG 115 series. The top-of-the-line air suspension seat offers numerous intuitive, adjustable features such as shoulder and side bolster support, damping, pneumatic lumbar support, seat climate control, heating and much more.

GRAMMER plays central role in Federal Ministry for Economic Affairs digitalization project

As project coordinator, GRAMMER AG plays a central role in the Federal Ministry for Economic Affairs and Climate Action's digitalization project for adaptive process chains to increase production quality and efficiency. The aim of the project is to create standardized, digital processes and structures in manufacturing and supply chains in the German automotive industry, which are developed at the premises of the companies involved. GRAMMER's focus is on the sites in Haselmühl and Ebermannsdorf. Total project volume is EUR 19.1 million.

GRAMMER develops the next generation of center consoles

The architecture of vehicle interiors is constantly changing and offers GRAMMER, one of the leading suppliers of center consoles, the perfect opportunity to think ahead. With its building blocks for the center consoles of the future, the Company is stepping up its focus on users, breaking new ground in design and functionality and making the product fit for the future: sustainable, light, multifunctional and digital. This is the case, for example, for the free-standing center consoles in the BMW iX, which was created by GRAMMER as a partner from the outset together with designers and interior experts from the BMW Group. Passengers have more legroom thanks to the lack of a central tunnel and a center console that seems to hover above the floor. GRAMMER has also developed a next-generation center console for the new Volkswagen VW Multivan that makes consistent use of lightweight construction and has innovative features and operating functions. As a forward-looking company, GRAMMER is thus continuously adapting to new circumstances and user requirements and puts these at the fore.

Innovations at international trade fairs

After numerous pandemic-related restrictions in the past, in the 2022 financial year again attended many trade fairs in person. At the IAA Transportation in Hannover and the InnoTrans in Berlin at the end of September, GRAMMER unveiled its Ubility One concept to the public. With the ultra-light next-generation seating system for buses and trains, GRAMMER is making urban passenger transport fit for the 21st century. Another focus area was the new MSG 90.7, a driver seat developed in line with the latest ergonomics findings and with innovative features such as several seatbelt height adjustment levels, smart controls, a haptic warning system and adjustable shoulder support. GRAMMER also presented a broad product range for all types of vehicles and areas of application at South America's largest transport fair, the Fenatran in Brazil.

Progress towards becoming a Green Company

GRAMMER has set itself the goal of becoming a sustainable company and, to this end, has identified five areas in which GRAMMER, together with its employees, wants to become greener and more sustainable, such as lower energy and resource consumption or emissions. With these five topics, GRAMMER is looking at the entire life cycle of its products. In this way, the philosophy of the Green Company is integrated into all corporate processes. In the past year, hundreds of large and small projects were created in this way, which are already making the company more sustainable. For example, compared to 2019, CO_2 emissions (Scope 1 and 2) have already been reduced by 10%, and since 2022, GRAMMER has been operating all plants in Germany and several other plants in Europe with 100% green electricity. Thanks to the efforts of employees, a number of successes have also been achieved at the local level: At the Tetla plant (Mexico), cardboard and plastic product packaging has been replaced by reusable packaging and biodegradable bags, thereby significantly reducing waste and saving more than 237 tons of CO_2. In addition, conventional lighting systems were replaced with state-of-the-art LED lights at several production sites, saving around 630,000 kWh of electricity. The success of GRAMMER's commitment to greater sustainability is also reflected, for example, in the positive ratings awarded by rating agencies: GRAMMER improved its status from bronze to silver at EcoVadis and from a C to a B at CDP during the year under review. More on the Green Company initiative and other topics can be found in the non-financial statement.

2.3 Overview of key figures and business performance

GRAMMER Group Key figures

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	2022	2021	Change	2022	2021	Change	2022	2021	Change	2022	2021	Change
Revenue	2,158.8	1,903.0	255.8	1,131.4	1,061.5	69.9	672.5	517.7	154.8	426.7	406.3	20.4
EBIT	−45.0	18.9	−63.9	58.6	43.3	15.3	−125.8	−61.7	−64.1	47.0	52.9	−5.9
EBIT margin (%)	−2.1	1.0	−3.1 %-points	5.2	4.1	1.1 %-points	−18.7	−11.9	−6.8 %-points	11.0	13.0	−2.0 %-points
Operating EBIT	35.5	22.8	12.7	60.0	47.2	12.8	−48.3	−61.5	13.2	48.5	52.8	−4.3
Operating EBIT margin (%)	1.6	1.2	0.4 %-points	5.3	4.4	0.9 %-points	−7.2	−11.9	4.7 %-points	11.4	13.0	−1.6 %-points
Capital expenditure (without finacial assets)	91.0	114.7	−23.7	36.0	46.2	−10.2	19.7	21.1	−1.4	21.5	35.7	−14.2
Employees (number, average)	14,044	14,006	38	7,429	7,522	−93	4,724	4,688	36	1,483	1,375	108

The consolidation effect of the turnover generated within the Group between the regions amounted to EUR 71.8 million in the reporting year. On average, 408 people were employed in Central Services in 2022.

GRAMMER Group business performance

Following the global economy recovery in the previous year, the macroeconomic environment posed considerable challenges in the reporting period. Sharp increases in the price of commodities, materials and energy, rising wages, strained supply chains and COVID-19 lockdowns in China shaped global economic development and also left their mark on GRAMMER. The result of this was that economic prospects were weaker on the whole than anticipated at the start of the year. Since the second quarter of 2021 the automotive sector, which is relevant to GRAMMER, has seen semiconductor shortages and price hikes for commodities and materials. This led to volatile customer call-offs and overcapacity in plants with automotive products.

Despite this negative impact on business performance, the GRAMMER Group reported a 13.4% increase in revenue to EUR 2,158.8 million in 2022. FX-adjusted revenue was EUR 2,072.3 million. Revenue growth was the result of an increases in both of the GRAMMER AG divisions, Automotive and Commercial Vehicles. Group earnings before interest and taxes (EBIT) came to EUR −45.0 million (previous year: EUR 18.9 million) due to impairment in the AMERICAS region. This impairment was required on account of higher interest rates. Operating EBIT, on the other hand, improved by 55,7% to EUR 35.5 million (previous year: EUR 22.8 million), representing an operating EBIT margin of 1.6% (previous year: 1.2%). The EMEA and APAC regions clearly contributed to earnings here, The AMERICAS region closed the financial year with operating EBIT of EUR −48.3 million (previous year: EUR −61.5 million). Despite earnings remaining negative – primarily because of increased material prices, considerably higher personnel costs, a disadvantageous product mix and short-term reductions in automotive customer call-offs – this region saw initial encouraging signs towards the end of the year as part of the "P2P – Path to Profitability" restructuring project.

As a result of the impairment, earnings after taxes declined considerably to EUR −78.6 million (previous year: EUR 0.6 million). Earnings per share came to EUR −5.26 (previous year: EUR 0.08). In addition, higher financial and tax expenses also weighed on the GRAMMER Group's earnings.

Free cash flow in the 2022 financial year was EUR 31.3 million (previous year: EUR −5.6 million), mainly due to an improvement in working capital items for raw materials and project inventories. The GRAMMER Group decreased its investments as planned to EUR 91.0 million (previous year: EUR 114.7 million), directing investment particularly towards production ramp-ups and projects to digitalize core processes and systems and plant construction in China. Net debt as of December 31, 2022 was EUR 429.3 million (December 31, 2021: EUR 420.2 million).

GRAMMER had an average of 14,044 employees in 2022. The number of employees worldwide thus remained stable compared to the previous year (+38 employees).

2.4 Reconciliation of business performance in 2022 with the outlook

GRAMMER AG issued a cautious forecast in the 2021 annual report at the end of March of 2022 in light of the uncertainty at the time. This matched the expectations of the International Monetary Fund, which at the time forecast global gross domestic product growth of 4.4% for 2022. IHS (now S&P Global Mobility) had anticipated an 8.5% upturn in global passenger car production in 2022, but these assumptions were made before the outbreak of the war in Ukraine. By contrast, in the area of commercial vehicles, LMC's forecast from February 2022 already expected a slight 2.3% decline, the result primarily of the Chinese market. These assumptions were also made before the outbreak of war in Ukraine. In particular, risks in connection with the COVID-19 pandemic, semiconductor supply bottlenecks and sharp rises in raw material and energy prices also resulted in an uncertain annual forecast, subduing expectations.

In view of these assumptions, in its outlook for 2022 in the 2021 annual report GRAMMER Group stated that it expected revenue to increase slightly to around EUR 2.0 billion (previous year: EUR 1.9 billion) and operating EBIT to improve significantly withing a range of approximately EUR 35 million and EUR 40 million (previous year: EUR 22.8 million) compared to the previous year 2021 – which was dominated by supply shortages and substantial commodities and material price hikes from the second quarter onwards. Revenue for 2022 amounts to EUR 2,158.8 million and is thus within the range of the forecast Group revenue of around EUR 2.0 billion. At EUR 35.5 million, operating EBIT was also within the forecast range.

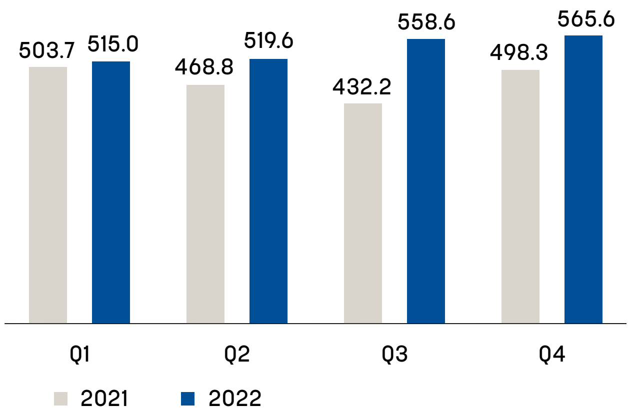
Performance in the first half of the year confirmed the cautious expectations of GRAMMER AG's Executive Board. The challenging macroeconomic conditions were also made worse by the escalation of the conflict in Ukraine and ongoing increases in the price of commodities, materials and energy and sustained bottlenecks on procurement markets strained the Group's earnings. 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 Nevertheless, GRAMMER was able to reach agreements with customers in the reporting period on passing on the significant inflation-related cost increases, and so GRAMMER Group was able to meet its full-year forecast made in March 2022.

2.5 GRAMMER Group results of operations

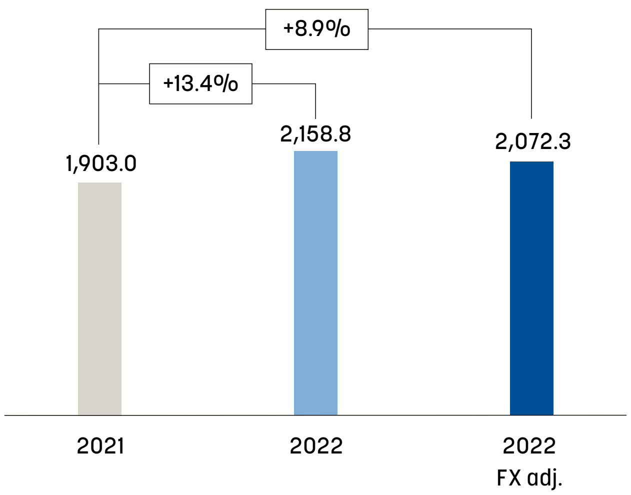
2.5.1 GRAMMER Group revenue

GRAMMER Group revenue came to EUR 2,158.8 million in 2022, thus exceeding the previous year by 13.4% (previous year: EUR 1,903.0 million). Revenue growth adjusted for currency effects was 8.9%. The higher revenue stemmed from increased revenue in the three regions, EMEA, AMERICAS and APAC, with AMERICAS reporting the greatest revenue growth. Both divisions also contributed to the revenue growth. The Automotive Division increased revenues by 12.6% to EUR 1,390.3 million, with the Commercial Vehicle Division picking up by 15.0% to EUR 768.5 million. Revenue in the Automotive Division includes income from development services totaling EUR 115.7 million (previous year: EUR 104.5 million). The expenses of supplies, tools and equipment until the product reaches series production are allocated to this revenue.

GRAMMER Group revenue by quarter
EUR m



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



2.5.2 Revenue in the regions

EMEA

The EMEA region generated revenue of EUR 1,131.4 million in 2022 (previous year: EUR 1,061.5 million), representing a year-on-year upturn of 6.6%. Adjusted for currency effects, revenue growth was 7.9%. This rise was driven primarily by revenue growth of 10.8% to EUR 550.4 million in the Commercial Vehicles Division. The Automotive Division reported a 2.9% upturn in revenue to EUR 581.0 million. As well as slightly increased volumes, the passing on of some inflation-related price increases that GRAMMER was able to agree with customers helped expand revenue in the 2022 financial year. In addition, both divisions were hit harder by semiconductor supply shortages in the previous year.

AMERICAS

The AMERICAS region generated revenue of EUR 672.5 million in 2022 (previous year: EUR 517.7 million), representing an increase of 29.9%. This development reflects higher demand in the commercial vehicles sector and positive currency effects of

EUR 73.6 million. In addition, the base effect of lower previous year revenue in Automotive, which was significantly affected by semiconductor supply bottlenecks in 2021, contributed to the percentage increase. Customer compensation to offset inflation-linked cost increases also benefited revenue in both divisions. Adjusted for currency effects, revenue in the AMERICAS region increased by 15.7% to EUR 598.9 million. In the Commercial Vehicles Division, revenue rose by 43.0% to EUR 135.4 million and in Automotive it went up by 27.0% to EUR 537.1 million.

APAC

In the APAC region, 2022 revenue was up 5.0% year on year at EUR 426.7 million (previous year: EUR 406.3 million). Adjusted for currency effects, however, the region saw revenue declined slightly by 1.3% to EUR 401.2 million. APAC performance was affected predominantly by COVID-19 lockdowns in China, which repeatedly led to local production stoppages and reduced customer call-offs throughout the year. Only towards the end of the year did the Chinese government announce that it was lifting its COVID-19 restrictions, but this led to high infection rates and thus further disruption of production. Global supply shortages for semiconductors also had a substantial impact on revenue performance in the APAC region. In the Automotive Division, revenue rose by 8.4% to EUR 290.5 million (previous year: EUR 268.1 million). Although GRAMMER experienced a 1.4% revenue decrease in the Commercial Vehicles Division to EUR 136.2 million (previous year: EUR 138.2 million), the negative trend of the first two quarters came to an end in the second half of the year. In particular, a stricter emission standard caused a slump in new truck orders from the third quarter of 2021. The second quarter of 2022 also saw lower customer call-offs on account of lockdowns in Shanghai. By contrast, collaboration with new customers shored up revenue in the second half of the year.

Revenue development by region and division

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	2022	2021	Change	2022	2021	Change	2022	2021	Change	2022	2021	Change
Automotive	1,390.3	1,234.9	12.6%	581.0	564.8	2.9%	537.1	423.0	27.0%	290.5	268.1	8.4%
Commercial Vehicles	768.5	668.1	15.0%	550.4	496.7	10.8%	135.4	94.7	43.0%	136.2	138.2	–1.4%
Revenue	**2,158.8**	**1,903.0**	**13.4%**	**1,131.4**	**1,061.5**	**6.6%**	**672.5**	**517.7**	**29.9%**	**426.7**	**406.3**	**5.0%**

The consolidation effect of the turnover generated within the Group between the regions amounted to EUR 71.8 million in the reporting year.

2.5.3 GRAMMER Group earnings

Condensed income statement for the GRAMMER Group

EUR k

	2022	2021	Change
Revenue	2,158,791	1,903,014	255,777
Cost of sales	–2,018,284	–1,727,708	–290,576
Gross profit	**140,507**	**175.306**	**–34,799**
Selling expenses	–28,947	–33.350	4,403
Administrative expenses	–202,213	–149,823	–52,390
Other operating income	45,672	26,731	18.,941
Earnings before interests and taxes (EBIT)	**–44,981**	**18,864**	**–63,845**
Financial result	–17,783	–12,150	–5,633
Earnings before taxes	**–62,764**	**6,714**	**–69,478**
Income taxes	–15,797	–6,068	–9,729
Net profit/loss	**–78,561**	**646**	**–79,207**

Derivation of operating EBIT

EUR m

	2022	2021	Change
EBIT	–45,0	18,9	–63,9
Currency-translation effects	0,2	–3,3	3,5
Costs for corona-related protection and response measures	2,1	2,7	–0,6
Expenses from the sale of a subsidiary	0,0	4,5	–4,5
Impairment losses on property, plant and equipment and intangible assets	73,6	0,0	73,6
Severance payments as part of the restructuring	4,6	0,0	4,6
Operating EBIT	**35,5**	**22,8**	**12,7**

The GRAMMER Group recorded earnings before interest and taxes (EBIT) of EUR –45.0 million in 2022 (previous year: EUR 18.9 million). Earnings performance was particularly adversely affected by the impairment losses of EUR –73.6 million in the AMERICAS region required on account of higher interest rates. The full-year EBIT margin came to –2.1% in 2022 (previous year: 1.0%).

By contrast, operating EBIT of EUR 35.5 million (previous year: EUR 22.8 million) with an operating EBIT margin of 1.6% (previous year: 1.2%) was 55.7% higher than in the previous year. Alongside adjustments for negative currency translation effects of EUR 0.2 million (previous year: positive currency translation effects of EUR 3.3 million) and directly attributable costs for corona-related protection and response measures of EUR 2.1 million (previous year: EUR 2.7 million), adjustments were also made for expenses for restructuring measures of EUR 4.6 million and impairment losses on property, plant and equipment and intangible assets of EUR 73.6 million.

The cost of sales increased by EUR 290.6 million or 16.8% to EUR 2,018.3 million (previous year: EUR 1,727.7 million). This increase is primarily due to higher revenue levels and impairment losses on property, plant and equipment of EUR 34.2 million. The gross margin declined to 6.5% (previous year: 9.2%).

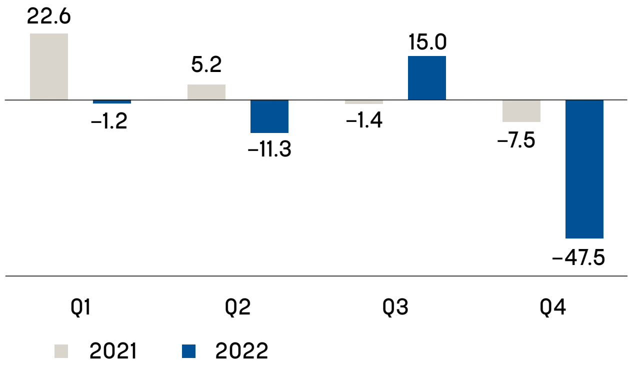
Sales expenses moved down by EUR 4.4 million over the previous year to EUR 28.9 million (previous year: EUR 33.4 million). As a percentage of revenue, they declined to 1.3% (previous year: 1.8%).

Administrative expenses rose to EUR 202.2 million (previous year: EUR 149.8 million) due to impairment losses on goodwill and other intangible assets of EUR 39.4 million and higher personnel and consulting costs for the P2P project in AMERICAS. In addition, effects from the foreign currency valuation of receivables and liabilities are included. While a profit of EUR 3.3 million resulted in the previous year, there was a loss of EUR 0.2 million in the financial year 2022. The personnel expense included in the above items moved up to a total of EUR 518.5 million (previous year: EUR 465.9 million) for business-related reasons. At 24.0%, the personnel expense ratio was down on the previous year (24.5%).

Other operating income increased substantially from EUR 26.7 million in the previous year to EUR 45.7 million in 2022. The considerable year-on-year rise is due to compensation for non-recurring expenses at a plant in the US.

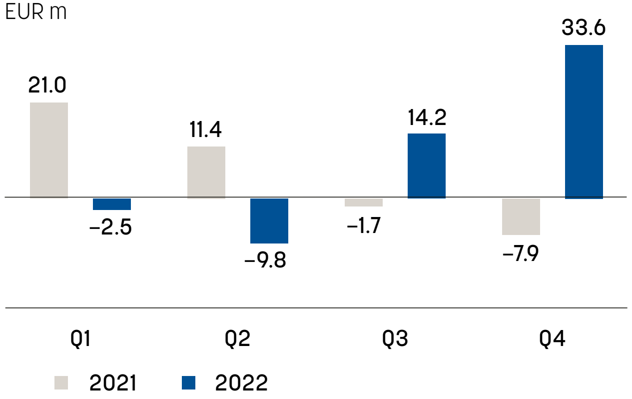
GRAMMER Group EBIT by quarter

EUR m



GRAMMER Group operating EBIT by quarter

EUR m



At EUR –17.8 million, the financial result was considerably lower than the previous year's figure of EUR –12.2 million. The lower financial result was essentially the result of higher financial expenses of EUR 28.9 million (previous year: EUR 22.1 million) in line with increased interest rates. The other financial result rose slightly to EUR 7.5 million (previous year: EUR 6.5 million). 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 2022 than in the previous year.

Earnings before taxes decreased from EUR 6.7 million in 2021 to EUR –62.8 million in 2022. In 2022 the earnings per tax position included tax expenses of EUR 15.8 million (previous year: EUR 6.1 million). Higher local tax results at profitable companies compared with the previous year increased tax expenses. As deferred tax assets were not recognized on net operating loss carryforwards, particularly in the US, there was no offset.

Earnings after taxes declined from EUR 0.6 million in 2021 to EUR –78.6 million in 2022. Relative to revenue, the return on earnings after taxes came to –3.6% (previous year: 0.03%). Basic/diluted earnings per share are calculated by reference to earnings after tax for the year adjusted for non-controlling interests and shares attributable to lenders of hybrid loans and equal EUR –5.26 in 2022 (previous year: EUR 0.08).

ROCE for 2022 came to 3.8% (previous year: 2.6%). ROCE is the ratio of the operating EBIT reported for the year in question to the average operating assets (average operating assets less average operating liabilities) in the same year and is expressed as a percentage.

2.5.4 Appropriation of profit

The appropriation of profit by the GRAMMER Group is based on the retained profit recorded in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. As of December 31, 2022, GRAMMER AG posted a retained loss of EUR 131.2 million (December 31, 2021: retained loss of EUR 74.9 million). This includes the net loss for the year of EUR 56.3 million (previous year: net loss of EUR 2.4 million). Due to the net loss of GRAMMER AG for the current financial year, there is currently no dividend proposal. Furthermore, with the increase to the syndicated loan in 2020, the Executive Board and Supervisory Board resolved to suspend the dividend payment during the loan's three-year term of the third tranche. Against the backdrop of the challenging economic environment, GRAMMER AG prematurely extended tranche C until February 10, 2025 in June 2022 and so the dividend suspension will also remain in place until this date.

2.5.5 Earnings performance in the regions

EMEA

EBIT in the EMEA region, which includes the companies with the highest revenue in the Group, also climbed substantially in 2022 to EUR 58.6 million compared to EUR 43.3 million in the previous year, despite the costs of materials, logistics and energy continuing to rise. These price increases were passed on to customers in some cases. Agreements were also reached on warranties and other issues during negotiations about passing on higher material prices and provisions recognized for these in previous years were reversed. Earnings were also boosted by continued efficiency improvements. The EBIT margin was 5.2% (previous year: 4.1%). In the previous year, operating EBIT was also adjusted for expenses of EUR 4.5 million in connection with the sale of a subsidiary in Spain. Operating EBIT, adjusted for directly attributable costs for corona-related protection and response measures of EUR 0.5 million, expenses for restructuring-related termination benefits of EUR 1.8 million and positive currency translation effects (EUR 0.9 million), increased to EUR 60.0 million (previous year: EUR 47.2 million). Accordingly, the operating EBIT margin rose to 5.3% (previous year: 4.4%).

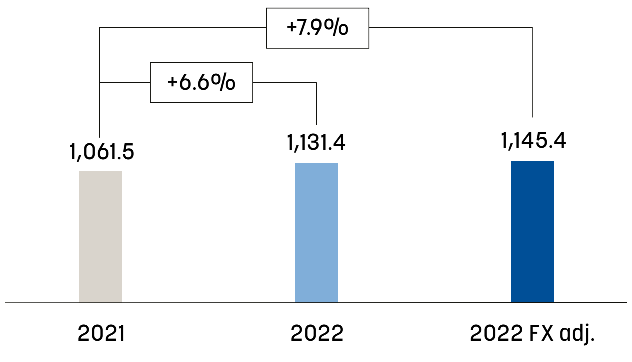
EMEA key figures

EUR m

	2022	2021	Change
Revenue	1,131.4	1,061.5	69.9
EBIT	58.6	43.3	15.3
EBIT margin (%)	5.2	4.1	1.1%-points
Operating EBIT	60.0	47.2	12.8
Operating EBIT margin (%)	5.3	4.4	0.9%-points
Capital expenditure (without finacial assets)	36.0	46.2	–10.2
Employees (number, average)	7,429	7,522	–93

EMEA revenue (incl. FX-adjustment)

EUR m



AMERICAS

EBIT in the AMERICAS region was EUR –125.8 million (previous year: EUR –61.7 million). The result was most heavily impacted by an impairment loss of EUR 73.6 million. This impairment resulted from the increase in the interest rate level, which is why the cost of capital after tax used to discount the cash flows increased in the context of the impairment test for goodwill. In addition, earnings continued to be impacted by high inflation in material, personnel and freight costs (especially sea freight). This was exacerbated by non-recurring expenses of around EUR 10 million, especially for special freight as a result of machine shutdowns at a plant in Mexico and a plant in the USA.

GRAMMER launched a turnaround program back in 2021 to safeguard the region's financial stability and ensure sustainable, profitable business performance in the long term. In the 2022 financial year, GRAMMER reached the success-critical phase of the P2P restructuring project. In addition to stabilizing operating performance, compensation payments from customers for mitigating inflationary price increases were achieved in particular.

The EBIT margin decreased to –18.7% (previous year: –11.9%). Operating EBIT came to EUR –48.3 million (previous year: EUR –61.5 million), representing a margin of –7.2% (previous year: –11.9%). Operating EBIT was adjusted for negative currency translation effects of EUR 1.0 million, directly attributable costs for corona-related protection and response measures of EUR 0.1 million, expenses for restructuring-related termination benefits of EUR 2.8 million and the impairment of EUR 73.6 million.

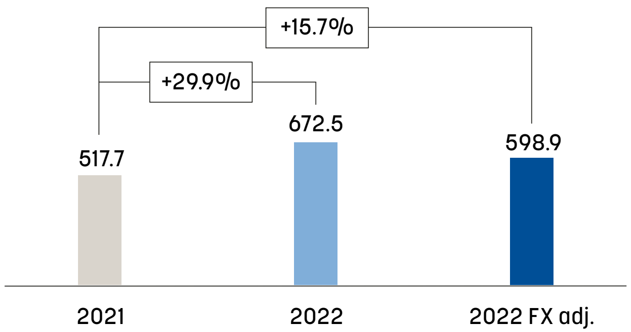
AMERICAS key figures

EUR m

	2022	2021	Change
Revenue	672.5	517.7	154.8
EBIT	–125.8	–61.7	–64.1
EBIT margin (%)	–18.7	–11.9	–6,8%-points
Operating EBIT	–48.3	–61.5	13,2
Operating EBIT margin (%)	–7.2	–11.9	4.7%-points
Capital expenditure (without finacial assets)	19.7	21.1	–1.4
Employees (number, average)	4,724	4,688	36

AMERICAS revenue (incl. FX-adjustment)

EUR m



APAC

EBIT in the APAC region fell to EUR 47.0 million (previous year: EUR 52.9 million). This is the result primarily of high freight costs in Japan, ramp-up costs for the new plants in China, the ramp-up of new products and higher project development costs for new projects that will improve the EBIT margin again in the future. The EBIT margin declined by 2.0 percentage points to 11.0% (previous year: 13.0%). Operating EBIT also declined to EUR 48.5 million (previous year: EUR 52.8 million). The operating EBIT margin thus decreased by 1.6 percentage points year on year to 11.4% (previous year: 13.0%). Operating EBIT was essentially adjusted for directly attributable costs for coronavirus-related protection and response measures in the amount of EUR 1.5 million.

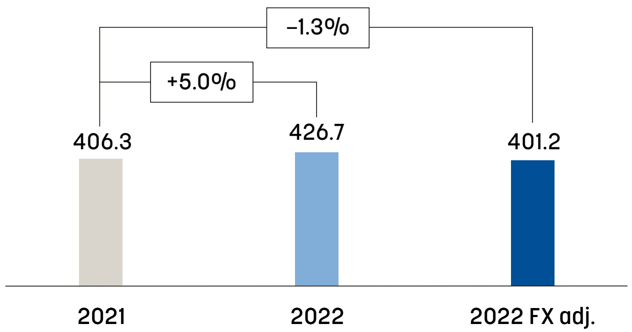
APAC key figures

EUR m

	2022	2021	Change
Revenue	426.7	406.3	20.4
EBIT	47.0	52.9	–5.9
EBIT margin (%)	11.0	13.0	–2.0%-points
Operating EBIT	48.5	52.8	–4.3
Operating EBIT margin (%)	11.4	13.0	–1.6%-points
Capital expenditure (without finacial assets)	21.5	35.7	–14.2
Employees (number, average)	1,483	1,375	108

APAC revenue (incl. FX-adjustment)

EUR m



2.6 Financial position

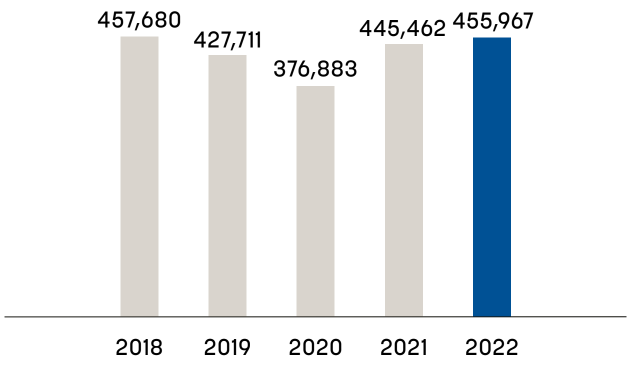
2.6.1 Finance and liquidity management

In implementing its funding activities, GRAMMER Group attaches importance to timing aspects in its interest-rate structure. Short-term drawdowns are based on floating rates, while medium to long-term funding generally involves fixed rates based on matching maturities. Operating cash flows and the availability of adequate external finance are managed centrally by Group Finance except in cases where legislation in a specific local jurisdiction limit the scope for doing this. As a general principle, the GRAMMER Group aims for an investment grade rating and, in conjunction with this, intends to achieve a balanced maturity structure with a diversified portfolio of financing instruments in order to secure its long-term liquidity. Group Finance handles worldwide payment transactions and the administration of the cash pool in consultation with the local companies. In this way, GRAMMER AG monitors and safeguards the liquidity of its subsidiaries to the extent that this is permissible and reasonable within the scope of legal and economic possibilities. Interest rate and currency risks are hedged centrally by means of customary derivative financial instruments to manage financial risks.

In August 2020, the successful early refinancing and increase of the syndicated loan relaid the company's financing base. Tranche A has a volume of EUR 150.0 million with a five-year term and two one-year extension options. Tranche B amounted to USD 80.0 million and was repaid as planned by December 29, 2022 (December 31, 2021: USD 19.0 million). In addition, the existing syndicated loan under the KfW program "Direct Participation for Syndicated Financing (855)" was extended by an amendment agreement to include a tranche C with a volume of EUR 235.0 million with a three-year term. Against the backdrop of the challenging economic environment, in June 2022 GRAMMER AG prematurely extended tranche C of the syndicated loan agreement until February 10, 2025. In addition to GRAMMER's core banks, KfW Bankengruppe is also involved in this tranche as a direct lender. This secures Group's liquidity in the long term, even in the difficult economic environment at present. Financial covenants have also been agreed under loan agreements, mainly relating to the two key figures leverage and gearing. The financial covenants already adjusted in the 2020 financial year for the periods up to December 31, 2022, have been amended for the financial years 2022 and 2023. The original contractual conditions will come into effect again as at the calculation date of December 31, 2023.

In addition to the syndicated loan, bilateral financing agreements, medium-term bonded loans and long-term private placements secure GRAMMER's financing. The syndicated loan agreement with GRAMMER AG as sole borrower provides for the right of each lender to demand early repayment in the event of a change of control. A change of control within the meaning of this agreement occurs as soon as one person or several persons acting jointly acquire voting rights of at least 30% in GRAMMER AG. This does not include the direct or indirect acquisition of voting rights or control of the borrower by direct or indirect subsidiaries of the Wang family (Ningbo Jifeng).

Current and non-current financial liabilities
EUR k



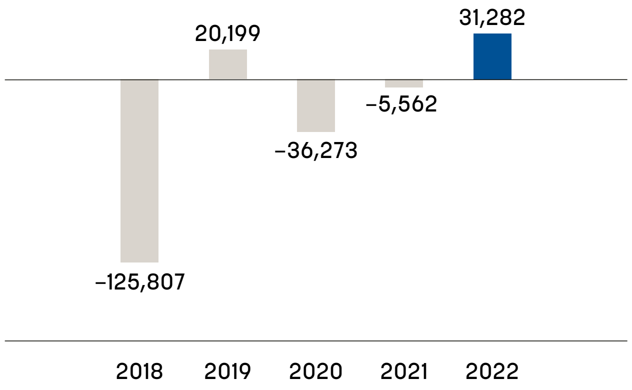
The main reason for the increase in financial liabilities by EUR 10.6 million to EUR 456.0 million was the rise in lease and interest payments, despite a lower capital requirement due to the decline in working capital. Current financial liabilities increased by EUR 34.8 million to EUR 298.2 million (December 31, 2021: EUR 263.4 million). The increase resulted from reclassifications of non-current financial liabilities due to scheduled maturities of EUR 36.0 million and currency translations and deferrals of EUR 3.3 million. This was offset by net repayments of current loans and overdrafts of EUR 4.5 million. By contrast, non-current financial liabilities decreased by EUR 24.2 million to EUR 157.8 million as of the balance sheet date (December 31, 2021: EUR 182.0 million). The decrease is attributable to reclassifications to current financial liabilities due to scheduled maturity in the amount of EUR 36.0 million. This is offset by the utilization of long-term loans of EUR 11.7 million and currency translation and deferrals of EUR 0.1 million.

Cash flow from operating activities increased by EUR 35.4 million to EUR 106.7 million in 2022 (previous year: EUR 71.3 million). This was due to the reduction of working capital in inventories and project inventories.

At EUR –75.4 million in 2022, the cash outflow from investing activities was slightly lower than in the previous year (previous year: EUR –76.8 million). Capital expenditure on property, plant and equipment declined to EUR 71.6 million (previous year: EUR 76.3 million), chiefly reflecting lower capital expenditure in the ramp-up of new products in the Automotive Division in AMERICAS. Furthermore investments in intangible assets also decreased to EUR 7.8 million (previous year: EUR 8.2 million), resulting essentially from the ongoing development of the new seat generations.

Financing activities generated a cash outflow of EUR –41.9 million in 2022 (previous year: EUR –4.8 million) which resulted from the repayment of financial liabilities and an increase in interest payments. Consequently, the GRAMMER Group had liquidity of EUR 108.6 million as of December 31, 2022 (December 31, 2021: EUR 113.4 million). Bank overdrafts facilities utilized (including current liabilities under factoring contracts) of EUR 73.0 million (December 31, 2021: EUR 69.1 million) must be deducted from this. Accordingly, cash and cash equivalents stood at EUR 35.5 million as of December 31, 2022 (December 31, 2021: EUR 44.4 million).

Free cash flow
EUR k



The free cash flow is the total of cash flow from operating activities and cash flow from investing activities.

2.6.2 Capital structure

As of December 31, 2022, the Company´s share capital amounted to EUR 39,009,080.32 as in the previous year, divided into 15,237,922 shares with a nominal value of EUR 2.56 per share. All shares (with the exception of own shares) accord the same rights. The shareholders have a right to payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting.

In accordance with a resolution passed at the Annual General Meeting of June 23, 2021, the Executive Board is authorized subject to the Supervisory Board's approval to increase the Company's share capital once or repeatedly by a total of up to EUR 19,504,537.60 by issuing bearer shares on a cash and/or non-cash basis on or before June 22, 2026 (Authorized Capital 2021). In this connection, the shareholders are fundamentally granted preemptive subscription rights. The statutory preemptive subscription rights may also be granted in such a way that the shares are underwritten by one or more banks or institutions with an equivalent standing as defined in section 186 (5) sentence 1 AktG subject to an obligation to offer them for subscription to shareholders. The Executive Board was authorized to exclude the shareholders' preemptive subscription rights in certain cases subject to the approval of the Supervisory Board. The GRAMMER AG Executive Board did not utilize Authorized Capital 2021 in the 2022 financial year.

No authorization to issue bonds with warrants and/or convertible bonds or to increase the Company's share capital on a contingent basis was granted at the Annual General Meeting held in 2022.

The capital reserve amounted to EUR 162,947 thousand as of December 31, 2022 (December 31, 2021: EUR 162,947 thousand) and includes premiums from the capital increases in 1996, 2001, 2011, 2017 and 2020 less transaction costs. Retained earnings amounted to EUR 122,276 thousand as of December 31, 2022 (December 31, 2021: EUR 200,534 thousand).

2.6.3 Disclosure of shareholdings in accordance with section 33 WpHG

Under the Securities Trading Act (WpHG), any person whose shareholding in a listed company reaches, exceeds or falls below certain percentages of the voting rights by purchase, sale or by any other means must immediately notify the Company and the Federal Financial Supervisory Authority. The lowest notification threshold is 3%. An overview of the current status of disclosed shareholdings that exceed the 3% threshold as of December 31, 2022 is included in the notes to the GRAMMER Group's consolidated financial statements.

2.6.4 Own shares

There is currently no authorization to acquire own shares. GRAMMER AG holds 330,050 own shares, all of which were acquired in 2006. These shares have a total nominal value of EUR 844,928.00 and still represent 2.166% (previous year: 2.166%) of the share capital. The 330,050 shares held as own shares are non-voting and non-dividend-entitled.

2.6.5 Capital expenditure

Total capital expenditure

In 2022, GRAMMER decreased its capital expenditure as planned by 20.7% to EUR 91.0 million (previous year: EUR 114.7 million). Alongside capital expenditure in new ramp ups of products and replacing machinery, capital expenditure was made in projects to digitalize core processes and systems and in developing new seat generations in the Commercial Vehicles Division. In the year under review, of the total capital expenditure, EUR 11.6 million (previous year: EUR 30.2 million) related to leased assets capitalized in accordance with IFRS 16. This essentially includes extending leases for existing plants and lease agreements for the new plant sites in China. Capital expenditure excluding leased assets recognized under IFRS 16 came to EUR 79.4 million in 2022, thus down on the previous year's figure of EUR 84.6 million by EUR 5.2 million or 6.1%. Capital expenditure on property, plant and equipment amounted to EUR 83.2 million in 2022 (previous year: EUR 106.5 million), including EUR 71.6 million for assets acquired (previous year: 76.3 million).

Capital expenditure in the EMEA region was down on the previous year at EUR 36.0 million (previous year: EUR 46.3 million). It related mainly to production facilities for Automotive projects acquired, replacement investments and investments in the ramp-up of new products for the rail segment. Investment also continued in modernizing the plant in Haselmühl. Capital expenditure in the

APAC region declined by 39.8% year on year to EUR 21.5 million (previous year: EUR 35.7 million). This related to investments in plant construction – especially at the Shenyang and Hefei plants – and the expansion of production capacities, as well as the ramp-up of new products. Capital expenditure in the AMERICAS region decreased by 6.6% to EUR 19.7 million (previous year: EUR 21.1 million) and primarily related to the ramp-up of new products in the Automotive Division, on an extension of a lease agreement for a plant in Mexico as well as replacement investments. Capital investment in Commercial Vehicles business, primarily in a new seat line at the US Delphos plant, also played a part here. Capital expenditure in Central Services increased by 17.9% to EUR 13.8 million (previous year: EUR 11.7 million). Of this figure, EUR 2.0 million (previous year: EUR 1.3 million) was attributable to the continuation of the digitalization project "Management of product lifecycles – PLM" and EUR 7.1 million (previous year: EUR 7.4 million) related to capitalized development costs. As in the previous year, the capital expenditure mainly related to the development of new seat generations for the Commercial Vehicles Division. Leases were also signed for new servers at the data center.

Capital expenditure GRAMMER Group

EUR m

	2022	2021	Change
GRAMMER Group	**91.0**	**114.8**	**-20.7%**
Acquired	79.4	84.6	-6.1%
of which property, plant and equipment	71.6	76.3	-6.2%
of which intangible assets	7.8	8.2	-4.9%
of which financial assets	0.0	0.1	-100%
Right-of-use assets (IFRS 16)	11.6	30.2	-61.6%

Capital expenditure EMEA

EUR m

	2022	2021	Change
EMEA	**36.0**	**46.3**	**-22.2%**
Acquired	32.1	33.6	-4.5%
of which property, plant and equipment	31.9	33.2	-3.9%
of which intangible assets	0.2	0.3	-33.3%
of which financial assets	0.0	0.1	-100%
Right-of-use assets (IFRS 16)	3.9	12.8	-69.5%

Capital expenditure APAC

EUR m

	2022	2021	Change
APAC	**21.5**	**35.7**	**-39.8%**
Acquired	20.4	20.8	-1.9%
of which property, plant and equipment	20.3	20.7	-1.9%
of which intangible assets	0.1	0.1	–
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	1.1	14.9	-92.6%

Capital expenditure AMERICAS

EUR m

	2022	2021	Change
AMERICAS	**19.7**	**21.1**	**-6.6%**
Acquired	16.0	19.8	-19.2%
of which property, plant and equipment	15.9	19.7	-19.3%
of which intangible assets	0.1	0.1	–
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	3.6	1.3	176.9%

Capital expenditure Central Services

EUR m

	2022	2021	Change
Central Services	**13.8**	**11.7**	**17.9%**
Acquired	10.9	10.4	4.8%
of which property, plant and equipment	3.5	2.6	34.6%
of which intangible assets	7.4	7.8	-5.1%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	3.0	1.3	130.8%

2.7 Net assets

Condensed balance sheet of the GRAMMER Group

EUR k

	December 31, 2022	December 31, 2021	Change
Non-current assets	768,076	833,533	–65,457
Current assets	676,518	649,855	26,663
Assets	**1,444,594**	**1,483,388**	**–38,794**
Equity	301,108	345,550	–44,442
Non-current liabilities	366,408	428,143	–61,735
Current liabilities	777,078	709,695	67,383
Equity and liabilities	**1,444,594**	**1,483,388**	**–38,794**

As of December 31, 2022, the GRAMMER Group had total assets of EUR 1,444.6 million, down EUR 38.8 million or 2.6% on December 31, 2021 (EUR 1,483.4 million). The decline in total assets was the result chiefly of impairment losses on property, plant and equipment, intangible assets and goodwill in the AMERICAS region.

Non-current assets primarily comprise property, plant and equipment, intangible assets and deferred income tax assets as well as non-current contract assets. As of December 31, 2022, they decreased by EUR 65.4 million or 7.8% to EUR 768.1 million (December 31, 2021: EUR 833.5 million). Intangible assets saw a particularly sharp drop of 20.3% to EUR 146.3 million (December 31, 2021: EUR 183.5 million) and property, plant and equipment decreased by EUR 18.0 million or 3.6% to EUR 477.3 million (December 31, 2021: EUR 495.3 million). This is due to impairment losses of goodwill and other intangible assets as well as property, plant and equipment in the AMERICAS region of EUR 73.6 million as part of impairment testing required as a result of higher interest rates. In addition, deferred tax assets decreased by EUR 9.3 million or 18.2% to EUR 41.8 million (December 31, 2021: EUR 51.1 million).

Current assets primarily include inventories, current trade accounts receivable, cash and short-term deposits, current contract assets and other current assets. These rose by EUR 26.6 million or 4.1% to EUR 676.5 million as of December 31, 2022 (December 31, 2021: EUR 649.9 million), primarily due to the 11.9% increase in current trade accounts receivable to EUR 256.7 million (December 31, 2021: EUR 229.4 million) and the 27.4% rise in other current assets to EUR 48.8 million (December 31, 2021: EUR 38.3 million). By contrast, current income tax receivables declined by 60.0% to EUR 2.2 million (December 31, 2021: EUR 5.5 million) and cash and short-term deposits by 4.2% to EUR 108.6 million (December 31, 2021: EUR 113.4 million).

Equity decreased by EUR 44.5 million or 12.9% to EUR 301.1 million as of December 31, 2022 (December 31, 2021: EUR 345.6 million) due to earnings after taxes of EUR -78.6 million. This was offset by the other comprehensive income of EUR 34.6 million (previous year: EUR 38.6 million). Other comprehensive income mainly comprised currency translation effects of foreign subsidiaries amounting to EUR 4.0 million (previous year: EUR 25.7 million), actuarial effects from the interest-related adjustment of retirement benefit provisions taking into account deferred taxes amounting to EUR 22.7 million (previous year: EUR 10.6 million), and currency translation effects from net investments in foreign operations taking into account current taxes, which amounted to EUR 6.2 million (previous year: EUR 2.2 million). The equity ratio therefore decreased by 2.5 percentage points to 20.8% (December 31, 2021: 23.3%).

In equity and liabilities, non-current liabilities declined by EUR 61.7 million or 14.4% in the reporting period to EUR 366.4 million (December 31, 2021: EUR 428.1 million). This was primarily due to the reduction of non-current financial liabilities by EUR 24.2 million or 13.3% to EUR 157.8 million (December 31, 2021: EUR 182.0 million) in connection with reclassifications to current financial liabilities. In addition, retirement benefits and similar obligations declined by 21.3% to EUR 117.2 million (previous year: EUR 149.0 million) following the increase of the discount rate from 1.2% (2021) to 3.7% (2022). On the other hand, net deferred tax liabilities decreased to EUR 23.5 million (December 31, 2021: EUR 24.4 million). As of December 31, 2022, the Group had unutilized credit facilities of EUR 136.3 million (December 31, 2021: EUR 192.1 million), for which all the conditions required for drawing had been met.

Current liabilities increased by EUR 67.4 million or 9.5% to EUR 777.1 million as of December 31, 2022 (December 31, 2021: EUR 709.7 million). This development was chiefly due to the EUR 34.8 million or 13.2% increase in current financial liabilities to EUR 298.2 million due to the reclassification of non-current financial liabilities (December 31, 2021: EUR 263.4 million) and the EUR 37.0 million or 13.7% rise in current trade accounts payable to EUR 306.1 million (December 31, 2021: EUR 269.1 million). Other current liabilities also rose by 15.7% to EUR 108.2 million (December 31, 2021: EUR 93.5 million). On the other hand, provisions contracted by 39.0% to EUR 32.1 million (December 31, 2021: EUR 52.6 million).

3. Opportunity and risk report

3.1 Basic principles of risk management and the internal control system

GRAMMER's risk policy aligns with its efforts to operate sustainably and to increase its enterprise value while managing appropriate risks and opportunities and avoiding inappropriate risks. The international nature of GRAMMER Group's activities has created additional risks that must be hedged. The risk strategy therefore sets out the following risk policy principles, among others:

- GRAMMER defines opportunities and risks in terms of risk management as both internal and external events that may have a positive or negative impact on the achievement of its corporate objectives.
- Risk management thus contributes to value-based corporate governance. Value-based means that the Company consciously accepts risks only when it sees potential for enhancing its value by taking advantage of favorable business opportunities. As a general principle, the GRAMMER Group avoids all activities potentially entailing risks that are liable to jeopardize its going-concern status.
- GRAMMER bears its own core business risks, particularly market risks, e.g. those arising from macroeconomic trends, as well as risks that may arise from the development of new products, to the extent these cannot be covered by an insurance policy. The company aims to transfer other risks (outside the entrepreneurial core risks) to third parties wherever possible. This relates in particular to financial and liability risks.
- Risk management within the GRAMMER Group extends to all companies and organizational units. Identification of risks and implementation of mitigating measures are deemed by GRAMMER management to be ongoing and Group-wide tasks. All employees of the Company are required to identify and, as far as possible, to avoid and minimize risks within their area of responsibility.
- GRAMMER AG's internal audit department or an external service provider regularly reviews the appropriateness and effectiveness of the risk management system.

With regard to the internal control system, the following structures and processes have been implemented at GRAMMER AG:

The Executive Board bears overall responsibility for the internal control and risk management system within the Company. All strategic business areas are integrated via a firmly defined management and reporting organization. The principles, structural and procedural organization as well as the processes of the internal control and risk management system are laid down in guidelines and organizational instructions, which are adapted to current external and internal developments at regular intervals. GRAMMER considers those features of the internal control and risk management system to be material that can significantly influence the accounting and overall statement of the annual and consolidated financial statements, including the management report, or that can have a significant impact on the Company's operating processes. In particular, these are the following elements:

- Identification of the main risk areas and control areas with relevance for the accounting process as well as for the operational company processes.
- Monitoring of the accounting processes/operating business processes and the results at the level of the Executive Board and at the level of the divisions or responsible departments.
- Regular and preventive control measures in finance and accounting as well as in operational, performance-related corporate processes that generate material information for the preparation of the annual and consolidated financial statements including the management report, including a separation of functions and defined approval processes in relevant areas.
- Measures to ensure the proper IT-based processing of accounting-related facts and data.
- Measures to monitor the internal control and risk management system.

3.2 Opportunity and risk management process

GRAMMER has implemented a uniform Group-wide risk management system to detect, avert or at least mitigate risks at an early stage and to analyze and assess their causes. The risk management process permits early identification, analysis and assessment of risks, along with coordinated implementation of suitable measures to manage, monitor and control them. This particularly entails the early detection of risks to the Group's going-concern status. The risk management system coordinates identification, recognition, assessment, documentation and reporting activities for risks as well as opportunities.

The Executive Board is responsible for the risk management system and the internal control system, while the Supervisory Board and the Audit Committee monitor and review the effectiveness of the systems and are kept regularly informed.

An ongoing risk-tracking process is applied to report to central risk management all material risks liable to prevent the corporate targets from being reached. Responsibility for risk reporting does not lie with a central division at GRAMMER AG, but forms part of the duties of regional managers, individual managers and employees within the scope of their functions. Opportunities and risks together with measures for managing them are discussed in regular meetings with the Executive Board. An opportunity and risk report keeps the Executive Board and the Supervisory Board regularly informed of the Group's risk situation and the status of the measures implemented.

Group Controlling is responsible for coordinating risk management. Risks are reported in an SAP-based system. In this way, GRAMMER gains an overview of the key opportunities and risks for the Group based on a net view. Net risks and opportunities are calculated by considering existing and effective measures and deducting issues addressed in the budget, the forecast or in the consolidated financial statements (e.g. in the form of a provision). Opportunities and risks are consolidated using a "risk atlas" specifically designed to address the risk categories at the GRAMMER Group. In addition to strategic risks, it also includes market, financial and legal risks as well as risks from ESG, IT, human resources, quality and procurement. GRAMMER Group's opportunity management aims not only to identify opportunities, but also to benefit from them as effectively as possible.

3.3 Characteristics of the internal control system

As a capital market-oriented corporation within the meaning of section 264d HGB, GRAMMER AG is required under section 315 (4) HGB to describe the main characteristics of the internal control and risk management system as they relate to the Group's accounting process. There is no statutory definition of the internal control and risk management system as it relates to the Group's accounting processes. GRAMMER defines the internal control and risk management system as a comprehensive system and bases its definitions of the accounting related internal control and risk management system on those of the Institute of Public Auditors in Germany (IDW), Düsseldorf. Accordingly, an internal control system comprises the principles, processes and measures taken within the Company by its management for the organizational implementation of decisions made by management

- to ensure the effectiveness and viability of the Company's business activities (this also includes safeguarding assets, including prevention and detection of damage to assets);
- to ensure the propriety and reliability of internal and external accounting; and
- to comply with the legal regulations applicable to the Company.

As described above, the risk management system comprises the entirety of all organizational regulations and measures for identifying risks and dealing with the risks of entrepreneurial activity, as well as the elements described in section 3.1.

3.4 Compliance management system

Compliance with laws and internal requirements is the basis of GRAMMER's business activities. Compliance is not only the prevention of financial risks and reputational damage; it also promotes integrity, transparency and responsibility and so determines how people work together and interact. The Executive Board uses GRAMMER's compliance management system to work towards the following goals. This process is monitored by the Supervisory Board:

- Prevent and detect legal violations, breaches of internal company regulations and damage that these may cause (financial losses/damage to reputation).
- Reduce liability and reputation risks for GRAMMER AG, the members of its corporate bodies and employees.
- Improve awareness of compliance and compliance conduct among employees.

Compliance is an inter-departmental issue that affects all areas and functions at GRAMMER. Compliance measures are not taken in isolation, they are integrated into administrative and operating processes. The structure of GRAMMER's CMS is essentially based on the IDW PS 980 standard for compliance management systems. The seven-element CMS structure under IDW PS 980 sets out the systematic framework for compliance responsibilities:

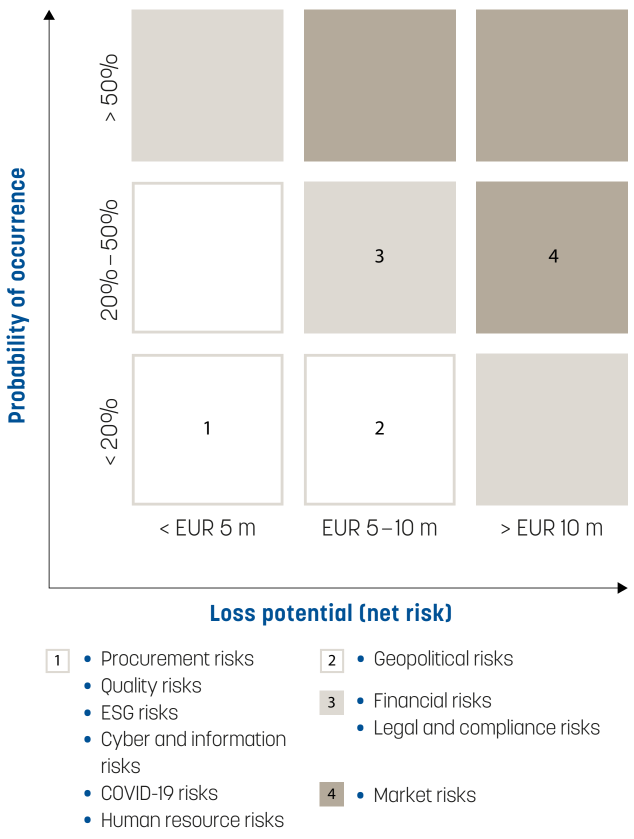
CMS elements	Description
1. Compliance culture	The compliance culture is the basis for the appropriateness and effectiveness of the CMS. It is shaped chiefly by the attitude and conduct of the management and the role of the supervisory body ("tone at/from the top"). The culture affects how important the Company's employees believe it is to comply with the rules and thus their willingness to do so.
2. Compliance goals	Based on the general corporate objectives and an analysis and weighting of key Company rules, the legal representatives establish goals that the CMS is helping to achieve. In particular, this involves determining the relevant sub-areas and the rules to be observed in the individual sub-areas. The compliance goals serve as the basis for assessing compliance risks.
3. Compliance organization	The management determines the roles and responsibilities and operational and organizational structure in the CMS as an integral part of the company organization and provides the resources required for an effective CMS.
4. Compliance risks	Taking account of the compliance goals, compliance risks are identified that could result in rule violations and thus mean that the compliance goals are not met. A process for systematically identifying and reporting risks is established for this purpose. The risks detected are analyzed in terms of how likely they are to occur and the potential impact they may have. This risk analysis is updated regularly and as required.
5. Compliance program	Based on the compliance risk assessment, principles and measures are established that are designed to limit compliance risks and thus avoid compliance breaches. The compliance program also comprises the measures to be taken if compliance violations are found. The compliance program is documented to ensure that the CMS function is not dependent on a certain individual.
6. Compliance communication	Employees and any third parties affected are informed about the compliance program and the assigned roles and responsibilities so that they have a sufficient understanding of their tasks in the CMS and can perform these properly. The Company regulates how compliance risks and information about potential or detected breaches of the rules are to be reported to the responsible body in the Company (e.g. legal representatives and, if necessary, the supervisory body).
7. Compliance-monitoring and improvement	The appropriateness and effectiveness of the CMS are suitably monitored. Monitoring requires that the CMS is sufficiently documented. If the monitoring discovers weaknesses in the CMS or breaches of the rules, these are reported to the management or the designated Company body. The legal representatives ensure that the CMS is implemented, faults are rectified and that the system is improved.

3.5 Risks

Presentation of key risk areas

The table of risks below takes account of the relevant risk mitigation measures (net view):

Overview of the main risk areas



The following paragraphs describe risks and discuss their sometimes considerable impact on business performance, net assets, financial position and results of operations as well as the stock price and market reputation. Additional risks that GRAMMER currently rates as slight or whose existence or potential effects are as of yet unknown may likewise adversely affect business activities. The assessment of the risks included here is applicable at least to the following year. One material aspect of the Group's risk management is the avoidance or minimization of risks to its going-concern status or to allow for them in the balance sheet.

COVID-19 risks

The macroeconomic impact of the COVID-19 pandemic is affecting all sell-side markets addressed by the GRAMMER Group. The entire global economy was hit by the resultant direct and indirect adverse effects. Compared to the first few years of the pandemic, many business areas have enjoyed a recovery, but there are major discrepancies in the current effects of the pandemic between different regions and customer sectors. Further regional lockdowns and their negative impact on net assets, financial position and results of operations cannot be ruled out, although they are increasingly unlikely as the pandemic goes on. China began easing its strict zero-Covid policy at the start of December 2022 and GRAMMER considers the risk of further local lockdowns as also low. Despite high case numbers in the country, GRAMMER does not believe there are currently any notable risks in terms of labor force availability in China.

Procurement risks

Procurement risks can be subdivided chiefly into the timely availability of materials, including supply chains and logistics, and price risks for raw materials and energy.

Russian aggression in Ukraine, the COVID-19 pandemic, the semiconductor crisis and other geopolitical factors led to production interruptions and significant material price increases in global supply chains in 2022. This weighed on material costs, as well as the global availability of materials and components. These price rises occurred in tandem with a hike in logistics costs. Price turbulence generally and, in particular, on gas and electricity markets continued to have a major impact on company performance in 2022 and prices are expected to remain volatile in 2023, affecting net assets, financial position and results of operations, although price pressure as a whole has eased considerably recently.

Procurement and price risks in gas supply in particular have decreased as of late. According to the German Federal Network Agency, the gas supply in Germany is currently stable and security of supply continues to be guaranteed. In addition, there has been a drop in gas prices. A potential gas shortage would have significant consequences for the economy as a whole. This assessment takes into account the impact on direct gas consumers as well as on upstream and downstream industries. Other than for hot water and heating, gas is only used in the production process at a small number of GRAMMER plants. GRAMMER has already initiated measures to switch to alternative energy sources for the relevant production processes. In Europe in particular, the aim is to achieve a balance between security of supply and risk minimization. This is made possible by successive coverage of energy requirements. A mix of long-term and short-term trading products and a combination of early procurement and short-term use of price lows ensure both security of supply and risk minimization. However, due to the dependence on products from the energy-intensive steel and chemical industries, a gas shortage would lead to significant impairments in automotive production and thus indirectly to an expected significant decline in revenue at GRAMMER, with effects on the net assets, financial position and results of operations.

The GRAMMER Group as a whole continues to seek to minimize planning risks resulting from fluctuations in commodity prices. Particularly important in this regard is the market price of steel and petroleum-based foam and plastic products. GRAMMER continually monitors movements in the relevant commodity markets. As far as possible and appropriate, cost risks are hedged through long-term supply contracts and material escalator clauses in customer agreements. Furthermore, there are supply chain risks which for various reasons may influence product quality, the ability to meet delivery schedules or even product availability in general. Moreover, quality problems with suppliers that crop up with suppliers or disruptions in the supply chain cause risks to GRAMMER's productivity that adversely affect net assets, financial position and results of operations. GRAMMER addresses risks arising from non-delivery by suppliers with localization, in-sourcing and dual-sourcing strategies, as well as by continuously monitoring potentially critical suppliers. In order to protect our value chain, we pay close attention to our suppliers' financial stability and compliance with the German Supply Chain Due Diligence Act (LkSG).

It also took the following specific measures to minimize procurement risks: The procurement and sales teams hold regular discussions and work closely together to offset price increases for customers and suppliers. Some projects were initiated to optimize freight costs and thus to make up for the price hikes by improving efficiency. An example is optimizing supply chains, particularly in Mexico and in the USA. Some localization projects in China and AMERICAS as well as insourcing were launched in EMEA to make better use of internal resource capacity. In addition, investments and technological progress in the area of digitalization helped ensure greater transparency and faster information networking to withstand the global supply chain crisis.

Compliance risks

As an international Group, GRAMMER is subject to risks resulting from breaches of the applicable law or internal regulations and from individual or collective misconduct by employees, managers or the management. The realization of such risks may have a negative impact on net assets, financial position and results of operations on account of potential fines and liability and damage GRAMMER's reputation. To minimize and prevent these, GRAMMER's existing compliance management system is refined and expanded on an ongoing basis. It includes both preventative measures, such as employee training, and reactive measures, such as handling and following up on reports of breaches or misconduct.

Legal risks

GRAMMER is an internationally active company that is subject to a variety of legal and regulatory requirements. The large number of legal requirements and regulations and constant changes to these may give rise to risks that have a negative impact on net assets, financial position and results of operations. Pending and threatened legal disputes are continuously monitored, analyzed, evaluated with regard to their legal and financial impact and taken into account in the calculation of the risk provisions reported in the balance sheet. However, as the outcome of legal disputes is always uncertain, further risks may exist beyond the provisions recognized in the balance sheet and these could have a negative impact on the financial and earnings targets. GRAMMER AG and its subsidiaries face warranty claims that are being asserted by customers on account of alleged product defects. Provisions have been set aside to cover possible warranty claims. In addition, claims are being asserted in judicial proceedings on account of alleged defects in GRAMMER products. If these proceedings have a negative outcome for GRAMMER, this may necessitate compensation payments, repairs or other cost-intensive measures. As the outcome of these proceedings is subject to considerable uncertainty, the provisions that have been set aside may not be sufficient in some cases, leading to additional expenses. Restrictions of the company's international activities through import or export controls, tariffs or other regulatory barriers to trade represent a risk that, because of the nature of its operations, it cannot escape. In addition, business activities may be adversely impacted or impeded by export control regulations, trade restrictions and sanctions. A large number of company-wide standards, which are subject to continuous further development, are in place to avert legal risks. Examples include the standard terms and conditions, contract templates for various applications or internal guidelines and procedural instructions. In addition, GRAMMER employs a system comprising intensive contract review and contract management, as well as systematic documentation and archiving. GRAMMER has sufficient insurance to cover so-called normal and going-concern risks.

Quality risks

GRAMMER attaches great importance to observing high external and internal quality standards together with the early identification of possible sources of errors and their avoidance. Nevertheless, it is not possible to entirely rule out quality risks. This applies in particular to development work on products with complex production structures. This risk is inherently exacerbated by the Group's global orientation as well as the networking of production activities across different continents and the associated need for coordination between the units. GRAMMER has established appropriate action programs throughout the Group to address such risks, which are described as follows. In order to minimize risks arising from quality problems attributable to suppliers, the Company engages in intensive supplier development and conducts regular supplier audits. Using system-based supplier evaluations, GRAMMER continuously analyzes and grades specific suppliers for their quality and performance in the supply chain. The results of these activities provide the key criteria for the selection of suppliers for project work and series production. Even so, it cannot completely exclude the possibility of individual risks arising and negatively impacting the Company's net assets, financial position and results of operations.

Market risks

As a company with worldwide operations, the GRAMMER Group is exposed to business conditions in its home market as well as markets across the globe. The risk of a recession in 2023 could increase significantly if further geopolitical tensions arise or the pandemic picks up again. The Company addresses these risks by adopting a wide range of different measures. Thus, GRAMMER closely and continually monitors developments in relevant markets and industries and adjusts production and capacities accordingly. As part of effective risk management, the GRAMMER Group seeks to react immediately to crises and any initial signs of lower revenue by taking appropriate action. For example, production and cost structures are adjusted to the changed revenue situation at an early stage. GRAMMER's markets are become increasingly competitive, exposing the Company to more and more risks from factors including price pressure, short timeframes for development and times to market, high product and process quality requirements and rapidly changing conditions. Due to exposure to the global markets with differing economic and demand cycles, GRAMMER must track and interpret a broad range of factors. In addition, new competitors or companies are arising in or entering the emerging markets. The effects of crises in certain markets and regions also harbor risks that are no longer directly derived from our business segments. Market differentiation is also steadily increasing so that GRAMMER can no longer necessarily draw conclusions about the effects of general developments on its business. This is equally true of both positive and negative trends. Further risks may arise for the Group's markets in the wake of e-mobility. The technological transformation may cause unprecedented shifts in the structure of customers and products. In the fastest-growing market of China in particular, a large number of new OEMs are arising and may take market shares away from current existing customers. Although GRAMMER is successfully expanding its customer portfolio, including by adding these new OEMs, the Group cannot currently predict which of these companies will be successful on the market. There is also a risk that growth in autonomous driving will also lead the substitution of existing products or the development of new concepts. Although GRAMMER AG is attempting to prepare for future trends accordingly, this may have a negative impact on its net assets, financial position and results of operations.

Possible market or brand consolidation may lead to partial dependence on the part of GRAMMER AG on a small number of customers in view of their group structures. At the same time, vehicle manufacturers are increasingly passing on cost pressure to components suppliers. In this market environment, the possible absence of follow-up contracts may also exert pressure on the Company. Here, GRAMMER is pushing ahead with the consistent implementation of its strategic focus on innovation, customer focus and sustainability. As well as placing heavy emphasis on research and development, the Group is also making numerous process optimization measures to offset risk and increase cost efficiency, which will allow it to keep pace with customers' growing demands.

The Company is seeking to improve its market position in all segments in order to mitigate these competition risks. To this end, the GRAMMER Group relies on technical innovations and the enhancement of its existing products and processes. The aim is to gain a long-term competitive lead through a clear focus on customers' needs and success factors. However, the introduction of new products and technologies is also accompanied by risks and requires a strong commitment to research and development that in turn is tied to a substantial commitment of funds and technical resources. Despite its numerous patents and the protection of its intellectual property, competitors – especially in growth markets – generally cannot be prevented from independently developing products and services that are similar to GRAMMER's own range.

Customarily, delivery contracts with the GRAMMER Group's principal customers contain legally binding commitments for a certain period for the delivery of specified products that have generally not yet been developed. However, these commitments do not entail exclusive delivery rights for a specific product on the part of GRAMMER Group companies. The specific products and quantities are ordered in separate call-downs which may apply to a shorter period but which constitute a specific obligation of acceptance. From a purely legal point of view, the GRAMMER Group's principal customers are fundamentally able to cancel even large contracts or reduce product quantities assigned to GRAMMER in the medium term. This would have a detrimental effect on the Company's net assets, financial position and results of operations. However, as the cancellation of a contract during ongoing volume production entails considerable costs and resource requirements for the customer and also necessitates a considerable lead time, it is fairly unlikely that a customer would completely cancel all orders at once. 2022 was again dominated by supply bottlenecks affecting semiconductors in the automotive industry. In turn, the ongoing lack of semiconductors resulted in far more volatile and, on the whole, lower call-off orders for GRAMMER Automotive products (especially in AMERICAS and EMEA), with a correspondingly negative impact on the GRAMMER Group's revenue and earnings. In response to this situation, GRAMMER is cutting plant costs and scaling down production. Sales is negotiating with the OEMs regarding compensation for the lack of call-off orders due to OEM plant shutdowns for which GRAMMER is not at fault. At the same time, measures are being taken such as adjusting inventories.

Continuous adjustments to and optimization of the cost structures of production and development capacity as well as vertical integration give rise to a risk in that plant consolidation and closures may place burdens on the Company's net assets, financial position and results of operations for example. Moreover, there is a risk that such measures aren't always executed within the planned time frame. In addition, the manifold aspects and complexities of such processes may cause delays and additional financial burdens or their benefits may prove to be less than originally planned or estimated.

GRAMMER's areas of specialization increasingly also entail activities that are derived from its strategic portfolio policy in the individual business segments. Merger and acquisition activities are ordinarily subject to uncertainties. These risks not only relate to market reactions but also concern the integration of people, cultures and technologies as well as products and developments into existing structures.

In addition, risks arising from the execution of a corporate transaction cannot be ruled out. As is normally the case with such transactions, acquisition, integration and other costs that cannot be estimated at the beginning of the process may arise.

Risks can also arise from the many changes and adjustments to regulations, statutes, guidelines and technical specifications with respect to the products to which GRAMMER, as a globally operating company, is increasingly exposed. It cannot be ruled out, that the rules and legal regulations in particular markets and regions will exert additional strain and result in expenses that could not previously be foreseen due to a lack of knowledge and may adversely affect the net assets, financial position and results of operations.

Financial risks

The GRAMMER Group is exposed to interest-rate, currency and liquidity risks due to its worldwide activities and the economic risks described in the market and sector specific risks. It must primarily address currency risks arising from its exposure to the Czech koruna, the Polish zloty, the Mexican peso, the US dollar, the Turkish lira, the Brazilian real, the Japanese yen and the Chinese yuan. These risks stem from trade accounts receivable and payable as well as from local production. The GRAMMER Group addresses currency risks through "natural hedging," i.e. by increasing purchasing volumes in foreign currency regions and simultaneously increasing sales in same currency region. In addition, currency risks are hedged selectively via the financial market. Sharp appreciation in the euro against the currencies of other exporting nations could negatively impact the Group's competitiveness.

GRAMMER cannot completely shield itself from fluctuations in credit markets. If interest rates continue to rise, this could result in interest rate risks with an effect on cash in terms of floating rate liabilities. This could pose risks to the Company's net assets, financial position and results of operations. It minimizes interest rate risks through long-term funding (e.g. private placements) and the use of derivatives.

High priority is also given to ensuring adequate liquidity. One key element of GRAMMER's Group funding is the syndicated loan taken out in 2020. This is divided into a credit facility for general corporate financing of EUR 150.0 million (Tranche A) with a term of five years and two renewal options of one year each and a credit facility for financing the TMD acquisition of USD 80.0 million (Tranche B), which was repayable in installments over four years and was repaid on schedule by December 29, 2022 (previous year: USD 19.0 million). In addition, the existing syndicated loan under the KfW program "Direct Participation for Syndicated Financing (855)" was expanded in 2020 with the addition of Tranche C in an amount of EUR 235.0 million with a three-year term in an amendment agreement. Tranche C was prematurely extended until 2025 in June 2022, meaning that GRAMMER's liquidity is secured on a sustained basis despite the difficult economic environment. GRAMMER AG also received EUR 31.5 million in fixed loan commitments from selected core banks on December 21, 2022. These loan commitments form an additional tranche D under the syndicated loan agreement and will be drawn down as refinancing for a maturing bonded loan in the same amount after the disbursement requirements have been met. It is partly repayable in installments until maturity on February 10, 2025.

The liquidity situation is monitored continuously and systematically in a rolling global-wide financial requirements plan. Possible risks in connection with a change of control are described in the section on the Group's financial position. The GRAMMER Group's loan obligations include financial covenants requiring compliance with certain standard market financial ratios. If these financial covenants are breached, the GRAMMER Group's lenders have a special right of termination, which would entitle them to call in the loans immediately. Despite the possible disadvantages in terms of interest rates and similar factors, key importance is attached to widening the liquidity position; appropriate liquidity reserves are maintained. To a certain degree, this adversely affects interest result, a fact that the Company is willing to accept in order to maintain its strategic scope and safeguard its liquidity position. The customer structure limits credit risks, which are monitored through active receivables management. The funding status of the Group's pension plans may be heavily influenced by interest rate uncertainties and risks inherent in the market. This may cause either an increase or decrease in the present value of the defined-benefit pension plans. Pension obligations are recognized on the basis of actuarial calculations in which the applicable interest rate plays an important role. The actual payouts may deviate from the computed values since assumptions regarding the main valuation parameters such as discount rates, salaries and inflation are subject to uncertainty. This may result in a risk to the Group's net assets, financial position and results of operations.

Group Finance tracks interest-rate, currency and liquidity risks centrally. Strategic treasury management, the effectiveness of which is reviewed regularly, is used to mitigate these risks. However, GRAMMER cannot completely rule out the possibility of these risks adversely affecting its net assets, financial position and results of operations.

GRAMMER carries out impairment testing annually and additionally on an ad-hoc basis at the level of segments, which are the Group's cash-generating units. Impairment can be triggered by an increase in the discount factor and/or a deterioration in economic prospects.

Cyber and information risks

The security, protection and integrity of data and IT infrastructure are indispensable for proper business operations. Statutory requirements and regulations stipulate that technical and organizational measures are taken to protect our information and ensure highly available and secure data transfer. In order to meet these requirements, GRAMMER operates a system with the mission-critical components of the IT infrastructure installed in redundant data centers where electricity supply is guaranteed, even in emergencies, by separate emergency generators. In addition, when using network services outside the organization, such as external cloud services, account is taken of different specifications in respect to information security, the quality of data transfer and its administration. Thus cloud providers must guarantee the integrity and the availability of data and its protection against unauthorized access. All GRAMMER sites have redundant connections to the data centers. Business continuity plans document the steps for ensuring the recovery of business-critical IT systems. GRAMMER has implemented appropriate security systems and taken measures to avert any intrusion. Firewalls, virus scanners and other protective measures are implemented, regularly checked for effectiveness and adjusted if necessary. A Group-wide IT security organization responsible for ensuring the efficacy of all protective measures and for neutralizing threats is also in place to ensure IT security. Nonetheless, the Company's worldwide activities, along with the general increase in vulnerabilities and attacks, mean that GRAMMER's systems, networks, data and solutions are exposed to some level of risk. However, a negative impact on net assets, financial position and results of operations as a result of data loss, system disruption and loss of production is not considered likely. Even so, this may pose potential risks for the Company's net assets, financial position and results of operations. Risks from fraud or cyber-attacks are defined as the risk of losses caused by the failure of internal processes (control risks), human error (personnel risks) or system vulnerabilities (IT risks). The growing digitization and electronic networking arising from developments such as the "Internet of Things", Industry 4.0 or "Smart Everything" expose the Group to cyber-attacks and offer broad scope for eavesdropping, sabotaging business and administrative process or criminal enrichment at the expense of third parties. Cyber-attacks involving malware or specific attacks on employees (e.g. attempted manipulation) may place GRAMMER AG's net assets, financial position and results of operations at risk. The Company addresses these risks by analyzing loss events that have come to its attention and by taking appropriate precautions and formulating specific recommendations for action with regard to such activities. In addition, these matters undergo continuous assessment and all relevant processes are checked for any vulnerabilities and duly optimized. Furthermore, employees are kept regularly informed of these matters to heighten their awareness of them.

Human resource risks

Competition for a diverse and highly qualified workforce, such as specialists and managers as well as experts and talent, remains very strong in the industries and regions in which GRAMMER operates and has intensified, particularly in the AMERICAS region. The future success of the GRAMMER Group also depends on the extent to which it succeeds in recruiting, integrating and retaining highly qualified employees. This appears to be especially relevant given the emergence of a new, virtual work environment. Furthermore, GRAMMER sees the need to promote diversity, inclusion and a sense of belonging in its workforce. With this in mind, the Company is continuing to develop the way it works together and its leadership culture. Despite all these efforts made in human resources and all the departments, there is no guarantee that the Group will be able to recruit and retain the number of qualified employees and managers it needs in every business segment. This may result in a risk to its net assets, financial position and results of operations. Heightened fluctuation must particularly be expected in expansionary markets such as APAC, NAFTA, South America and Eastern Europe on account of the anticipated revenue growth in the automotive and commercial vehicles markets and the good employment opportunities for qualified experts, as well as a significant increase in wage costs.

ESG risks

GRAMMER works with an environmental management system on the basis of ISO 14001 as well as an energy management system on the basis of ISO 50001. The GRAMMER Group's management system incorporates all the requirements of both systems and defines worldwide environmental and energy efficiency standards (e.g. environmental programs and targets and energy targets) and measures to achieve these goals. These standards are further developed by local energy management and environmental officers at the GRAMMER sites, with their compliance and implementation monitored in regular audits. In this way, GRAMMER minimizes the occurrence of ecological risks. It is continuing to drive forward the certification of production sites in accordance with the requirements of ISO 14001 and ISO 50001. Climate-related risks, especially relating to CO_2 emissions, are observed on an ongoing basis and work is underway to reduce them. Compliance with environmental standards and the existence of climate protection measures within a Company-wide climate strategy are increasingly important to automotive customers when awarding contracts and thus represent a medium and long-term revenue risk.

Increasing environmental, social and governance requirements by customers and legislators, such as the introduction of the German Supply Chain Due Diligence Act (LkSG), can lead to higher costs, including in financing, and revenue risks. Breaches against the LkSG may also entail reputation risks. GRAMMER attempts to minimize these risks through a targeted CSR function and other organizational measures, such as appointing a Chief Compliance Officer or a human rights officer. Nonetheless, external circumstances or misconduct may arise, exposing the Group to risks. This may result in a risk to its net assets, financial position and results of operations.

Geopolitical risks

For GRAMMER Group, risks may arise from an intensification of geopolitical tensions, such as the escalation in the Russia-Ukraine conflict. Due to the very limited activities of GRAMMER Group in the Russian and Ukrainian markets, no significant direct effects on Group revenue and earnings are to be expected.

Given that the China business is largely autonomous, the risks for GRAMMER arising from internal supply and service relationships in the event of an escalation in the China-Taiwan conflict would be manageable. Similarly, no serious consequences are expected for other regions as a direct result as these mostly operate independently of intermediate products made by GRAMMER China.

Nonetheless, any sanctions on China, whether resulting from an escalation of the China-Taiwan conflict or potential arms deliveries from China to Russia, could have a dramatic impact on the economy as a whole, including indirectly by disrupting supply chains at GRAMMER suppliers and customers worldwide and, in turn, reducing call-off figures at OEMs. Due to its majority shareholder, GRAMMER Group could be increasingly perceived as a Chinese company. This could lead to market disadvantages for GRAMMER Group as a result of protectionist measures taken by certain governments against China.

In a worst-case scenario, western subsidiaries in China could also be nationalized. This would have a serious impact on the GRAMMER Group's revenue and earnings. GRAMMER considers the risk of an escalation in the conflict and its effects very low. This may result in a risk to its net assets, financial position and results of operations.

3.6 Opportunities

Market opportunities

This section describes the main market opportunities which may arise assuming that GRAMMER's business continues to perform favorably and there is no deterioration in macroeconomic conditions. These comments are not exhaustive and the opportunities described here are not necessarily the only one which may arise for GRAMMER. Conversely, it is also possible that opportunities which have been identified may fail to materialize.

Global economy: With its global footprint, the GRAMMER Group has an opportunity for continuing to benefit from the medium-term recovery and growth in the global economy. Upbeat economic conditions in the main sales markets and, resulting from this, heightened demand for passenger and commercial vehicles may offer opportunities for GRAMMER in the form of greater demand for its products particularly in countries and regions outside Germany.

Growth in core regions: Generally speaking, the importance of North and Central America as well as China has continued to grow sharply for GRAMMER. In particular, GRAMMER's Automotive Division is increasingly operating as a supplier for local OEMs but still is supplying its European partners in the premium segment as well. In China, success in gaining contracts from global and local OEMs is likewise giving rise to new opportunities. In the Commercial Vehicles Division, GRAMMER operates local production facilities in the Chinese truck market for suspended seating systems and expect to generate additional growth on the strength of positive market effects. Among other things, ergonomics and safety as key product characteristics are also yielding opportunities in view of the heightened demand.

Growth through broader customer base: The GRAMMER Group is also able to harness new opportunities by addressing new customer segments. This is due to the global expansion of existing customers as well as the heightened penetration of local customers in new markets. To date, such opportunities have resulted in greater customer diversification in AMERICAS and APAC.

Focus on premium segment: With its products, GRAMMER primarily focuses on the premium segment. As demand in this segment is less volatile than in the market as a whole due to the favorable macroeconomic scenarios, it is able to grow more sharply than the volume segment. Accordingly, GRAMMER is endeavoring to make use of these potential market opportunities.

Global megatrends: GRAMMER is well positioned to capitalize on global megatrends such as population growth, heightened demand for mobility and increased demand for foods. The Group is attempting to make optimum use of the resultant opportunities. Thus, heightened demand for mobility may spur sales of Automotive and Commercial Vehicles products. Rising demand for food and agricultural goods together with increased construction activity may also generate additional sales in the Commercial Vehicles Division as agricultural machinery is frequently fitted with GRAMMER seating systems. All told, GRAMMER is hoping to generate a continued rise in business in its products by harnessing the opportunities arising from global megatrends.

Automated driving and E-mobility: GRAMMER is a supplier of components for automotive interiors with its seating systems and consoles as well as other decorative and functional parts for vehicle interiors. In contrast to the situation with respect to drivetrain and engine systems, the Company expects the electrification of drivetrains and successive automation to generate new opportunities in view of the demand for higher-quality and more functional interior components meeting new driving requirements.

Strategic opportunities

Alongside market opportunities, strategic opportunities may also arise for GRAMMER.

Non-organic growth: This entails examining and making use of opportunities for exogenous growth. In this connection, the Company continuously observes its markets for any opportunities for acquisitions and partnerships. If GRAMMER sees any opportunities for reinforcing its market position or for expanding or supplementing its product range, it explores the available options. As opportunities for non-organic growth hinge on diverse factors beyond control, it is not possible to make any forecasts on the scope available to GRAMMER for acting on these opportunities.

Efficiency measures: The Company works constantly on measures for improving its efficiency and on initiatives for cutting costs with a view to improving its strategic competitive position. In this connection, GRAMMER also regularly reviews its global development and production network.

Innovations: Projects in the research and development pipeline harbor opportunities for entering new market segments and/or widening market share provided that viable products arise from this pipeline in the future. Both divisions of the Group are working on innovative new solutions aimed at helping customers address the requirements of the future. GRAMMER is seeking on an ongoing basis to be recognized as an innovative premium partner by its customers and to tap market potential by means of new developments.

3.7 Assessment of risks and opportunities

After a thorough review of the current risk situation, the Company has come to the conclusion that the precautions and measures adopted by the GRAMMER Group take appropriate account of the risks that have been identified. Compared to the previous year, risks have changed in that geopolitical issues have become more explosive while procurement risks are less relevant. Market risks in the sense of a global recession are higher. The risks currently known lead GRAMMER to assume that it is not exposed to any factors that are liable to jeopardize its going-concern status and that additional risk-mitigating effects may arise from the opportunities available, especially as the risks have been incorporated in corporate planning.

4. Business development forecast for the GRAMMER Group

4.1 Expected economic environment

4.1.1 Macroeconomic environment

The overall economy showed some first positive signs towards the end of 2022, including a slight improvement on energy markets, declining inflation and the end of Covid restrictions in China. Nonetheless, the situation remains fragile and economic growth looks set to continue to slow in 2023 compared to the previous year. The risk of a recession in 2023 could also increase significantly if further geopolitical tensions arise or the pandemic picks up again. The IMF still considers inflation one of the major challenges facing the global economy. Although the IMF expects inflation to decline further in 2023, sustained high interest rates could depress the economy and weaken labor markets.

In its January 2023 forecast, the IMF forecast global gross domestic product growth of 2.9% for the current year. This is 0.2 percentage points more than expected in October 2022, but still far lower than 2022 growth of 3.4%. In the AMERICAS region, economic growth in the US is expected at 1.4%, with 1.7% anticipated in Mexico. Especially in the US, the IMF believes the labor market has proved stable. Lower demand for goods was largely offset by demand for services. In the EMEA region, experts at the IMF expect to see far weaker growth of 0.7% in the eurozone. In Germany, current forecasts put GDP growth at 0.1%, compared to October 2022 when the IMF still expected economic output to decline by –0.3%.

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

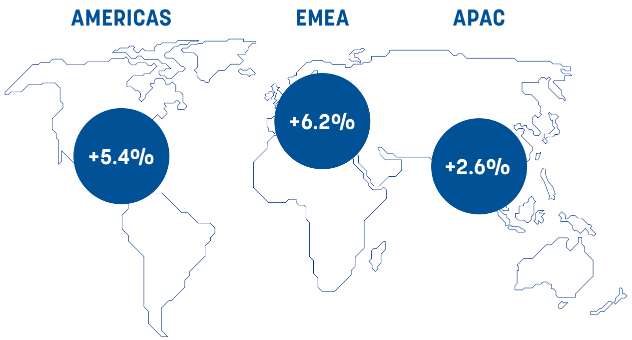
4.1.2 Sector environment

Automotive

Positive but lower growth rates in passenger car market

S&P Global Mobility's forecast from December 2022 expects passenger car production to continue rising in all regions in 2023 – albeit to a lesser extent than previously. The experts reckon that approximately 3.2 million more vehicles will be produced worldwide this year than in the previous year, an upturn of 4.0%. According to this, the largest rise in production will be seen in the EMEA region, with a growth rate of 6.2%. S&P Global Mobility expects demand to cool off more sharply in the AMERICAS region, especially in North America. This is aggravated by ongoing global supply chain problems, which have been exacerbated by the Russia-Ukraine war. S&P Global Mobility anticipates growth of 5.4% in the region. In the APAC region (excluding China), 4.5% more passenger cars are expected to be produced in 2023. By contrast, growth on the Chinese automotive market will be far lower, where an increase of just 1.1% is expected.

Expected automotive production in 2023 compared with the previous year

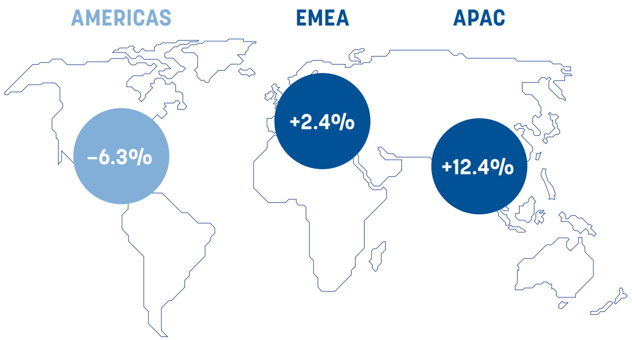


Commercial Vehicles

APAC drives growth on commercial vehicles market

In the commercial vehicles sector, LMC's December 2022 forecast expects a substantial 5.6% increase in global production volume for the current 2023 financial year. It puts EMEA growth at only a moderate 2.4% and actually anticipates a –6.3% downturn in production in the AMERICAS. Global growth is driven primarily by China, which is expected to see growth of 20.2%, and the APAC region, where commercial vehicle production is estimated to pick up by 4.1% (excluding China). Overall expected growth for the region is 12.4%.

Expected commercial vehicles production (trucks and buses) in 2023 compared with the previous year



Agricultural machinery industry

The PSR OE Link Q4 Report puts expected global growth in the agricultural machinery industry at 4.1% in 2023. This good performance is thanks primarily to the expected market recovery in India. India and China were the only major agricultural producers to report declines in 2022. For the current financial year, however, only stagnation is expected in China.

Construction machinery industry

PSR OE forecasts for the construction machinery industry are again positive for 2023. Following a –7.7% decline in global construction machinery production in 2022, growth of 4.6% is forecast for 2023. Trends are particularly positive on markets in the US and Japan, while China and Germany look set to decline further.

Material handling

Growth of 4.7% is expected in material handling in 2023. This performance is driven predominantly by the US and China, which can expect to see double-digit growth, while a downturn is anticipated in India and Germany.

Railway industry

The railway industry, which particularly benefits from global megatrends such as urbanization, population growth and increased environmental awareness, will likely maintain the growth it has enjoyed in previous years until 2028. After expanding by 2.9% in 2022, average annual growth of between 4% and 13% is expected for the years ahead.

Further determinants

Macroeconomic and industry-specific conditions are of key importance for GRAMMER's business performance. In addition, however, a number of other factors also play an important role.

Thus, changes on the procurement side may have an impact on earnings. These include, in particular, fluctuations in raw material prices on the world market and bottlenecks in supplies of externally sourced parts. Ongoing supply bottlenecks for semiconductors should also be noted here. Last year this resulted in production downtime at GRAMMER Group customers and led to volatile customer call-offs. There are still no signs that this situation is easing to any significant degree and the semiconductor shortage is expected to continue until mid-2023.

In connection with the war in Ukraine, prices of the main raw materials, such as steel, and of crude oil-based foam and plastic products were very volatile last year and, in some cases, rose significantly. Commodity prices are not expected to decline significantly on account of the fragile macroeconomic situation, continued supply chain disruption and sustained geopolitical tension caused by supply shortages. Any resulting further increases in raw material prices would have a negative effect on the Company's earnings.

In addition, personnel expenses in production countries also have an impact on business performance. They are just as much a factor in location decisions as reliable legal and political framework conditions are. The US bore the brunt of additional costs here in the reporting period as the country faced high labor fluctuation and a considerable shortage of skilled employees. In addition, exchange rate fluctuations may also have an impact on revenue, which GRAMMER mitigates by means of suitable hedging transactions. However, very significant changes in currency parities may have effects on earnings in individual cases.

4.2 Outlook for the GRAMMER Group 2023

At the time of preparing the 2022 annual report, there were indications that the enormously challenging 2022 financial year can expect to be followed by adverse effects in connection with the ongoing difficult macroeconomic environment in the 2023 financial year. In particular, the sharp rise in materials, energy and wage costs, limited economic growth – especially in Germany – and further developments regarding semiconductor supply shortages could continue to impact the Company's economic performance in 2023. On the other hand, risks in connection with the COVID-19 pandemic are lower than they were in the previous year.

Given the ongoing macroeconomic and industry uncertainties, GRAMMER Group expects revenue for the current fiscal year 2023 to remain at the previous year's level of around EUR 2.2 billion (2022: EUR 2.2 billion). In terms of operating EBIT, GRAMMER anticipates a doubling to around EUR 70 million compared to fiscal year 2022 (2022: EUR 35.5 million). With the significantly increased earnings forecast, the Company is taking into account the progress made with regard to the measures initiated under the P2P restructuring project in the AMERICAS region as well as further efficiency and cost-cutting measures, which will be consistently pursued in the coming months. With the targeted margin increase, GRAMMER is on track to achieve an operating EBIT margin of more than 5% by 2025 in line with the medium-term outlook presented in April 2022. However, the full-year forecast will continue to depend to a large extent on the extent to which GRAMMER can again reach agreements with its customers on passing on cost increases.

5. Statement pursuant to section 315a HGB (German Commercial Code)

Composition of the subscribed capital: GRAMMER AG's subscribed capital as of December 31, 2022 amounted to EUR 39,009,080.32 (previous year: EUR 39,009,080.32) and is divided into 15,237,922 bearer shares.

Restrictions on voting rights or the transfer of shares: Each ordinary share grants one vote at the Annual General Meeting and determines shareholders' share of the profits. This does not include own shares held by the company, which do not entitle the company to any rights (section 71b AktG). In the cases set out in section 136 AktG, voting rights from the shares in question are excluded by law. Violations of notification requirements within the meaning of sections 33 (1), (2), 38 (1), 39) (1) of the Securities Trading Act (WpHG) may result in the loss, at least temporarily, of rights arising from shares and of voting rights in accordance with section 44 WpHG. GRAMMER AG is not aware of any other restrictions on voting rights and, in particular, is not aware of any contractual restrictions.

Statutory provisions apply to the exercising of voting rights by intermediaries, shareholder associations, voting rights consultants and other persons who offer shareholders their services in exercising voting rights at the Annual General Meeting. Section 135 AktG applies in particular. In connection with Article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation), Executive and Supervisory Board members at GRAMMER AG are subject to certain prohibitions on trading for transactions with GRAMMER AG shares, in particular those conducted at the time of publishing business figures.

Direct or indirect shares in the share capital exceeding 10% of the voting rights: The notes to GRAMMER Group's annual financial statements for 2022 set out detailed information on the voting right notifications received in accordance with section 33 WpHG (German Securities Trading Act). The shares in voting rights listed may have been subject to changes after the date stated of which GRAMMER AG was not informed. GRAMMER has not been notified of any direct or indirect shares in the share capital amounting to or exceeding 10% of the voting rights and it is not otherwise aware of any such shares.

There are no shares with special rights conveying control powers.

Type of voting right control if employees hold a share of the Company's capital and do not directly exercise their control rights: There are no employee participation programs. If employees hold a share of the Company's capital, they can exercise the control rights to which they are entitled under these shares directly in accordance with the provisions of the articles of association and the law.

Statutory provisions and stipulations in the articles of association governing the appointment and dismissal of members of the Executive Board or amendments to the articles of association: The members of GRAMMER AG's Executive Board are appointed and dismissed in accordance with the statutory provisions (section 84 and 85 AktG (German Stock Corporation Act) and section 31 MitBestG (Co-Determination Act)). Article 8 ff of the Company's articles of association stipulates that the Executive Board must be composed of at least two members. Any amendments to the Company's articles of association are executed in accordance with section 119 (1), number 5 and 179 (2) AktG; article 25 of the articles of association governs the passing of resolutions by the Annual General Meeting. Under article 13 (3) of the Company's articles of association, the Supervisory Board may amend the articles of association, provided that such amendments are confined to the wording of the provision in question.

Executive Board's powers to issue or buy back shares: By resolution of the Annual General Meeting on June 23, 2021, the authorization of the Executive Board contained in Section 5 (3) of the Articles of Association to increase the Company's share capital on one or more occasions by up to EUR 9,402,263.04 against cash and/or non-cash contributions (Authorized Capital 2020) until July 7, 2025, with the approval of the Supervisory Board, was revoked. By resolution of the Annual General Meeting on June 23, 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 22, 2026 by issuing new no-par value bearer shares against cash contributions and/or contributions in kind, but by no more than a total of EUR 19,504,537.60 (Authorized Capital 2021). In principle, shareholders are to be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares are taken up by one or more banks or equivalent companies pursuant to Section 186 (5) sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them to shareholders for subscription. The Executive Board was authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in certain cases. No use has been made of this authorization to date. There are no authorizations for the Executive Board of GRAMMER AG to issue bonds with warrants and/or convertible bonds. There is no authorization to acquire treasury shares in accordance with section 71 (1) no. 8. As of December 31, 2022, GRAMMER AG holds 330,050 treasury shares, all of which were acquired in fiscal year 2006. These 330,050 treasury shares do not carry voting rights and are not entitled to dividends.

Significant agreements of the parent company that are conditional upon a change of control following a takeover bid, and the effects resulting therefrom: In the event of a change of control as a result of a takeover bid, the promissory note loans placed in 2015 and 2019, which are still held in the total amount of EUR 84.5 million as of December 31, 2022, may be called due immediately. Under the existing syndicated loan agreement dated February 10, 2020 (including its amendment agreements dated August 12, 2020 and June 28, 2022 and a firm loan commitment by the financing banks dated December 21, 2022) totaling EUR 416.5 million, the lenders have rights of termination and maturity in the event of a change of control. In the event of a change of control, some of the main customers, suppliers and other cooperation partners also have the right to terminate the contractual agreements with the Company prematurely.

The Company has not entered into any compensation agreements with members of the Executive Board or employees in the event of a takeover bid.

Ursensollen, March 20, 2023

Jens Öhlenschläger   Jurate Keblyte

GRAMMER AG Executive Board

COMBINED SEPARATE NON-FINANCIAL REPORT

Contents Combined separate non-financial report

Combined separate non-financial report 2022

For GRAMMER, sustainability begins with the people who work at the company and who are linked to it. It covers such aspects as research and development (R&D), procurement and production as well as the finished products and the end-of-life recycling of product components. With the expansion of its global presence and the Group's broad footprint, the GRAMMER Group is also supporting this message internationally.

In the 2022 reporting year, GRAMMER fleshed out its sustainability strategy and defined new goals for climate protection: Scope 1 and 2 CO_2 emissions will be reduced by 25% by 2025 and by 100% by 2040. Moreover, work began to track Scope 3 emissions and a new team was set up for the increased use of sustainable materials.

We incorporate suppliers, partners, and service providers into our sustainability strategy. This way, we are optimally prepared to implement the new German Supply Chain Due Diligence Act when it came into effect on January 1, 2023. The success of our efforts for greater sustainability is also demonstrated by improved rating agency ratings: GRAMMER improved its EcoVadis score from bronze to silver in the reporting year and received a Carbon Disclosure Project (CDP) grade of B in 2022.

1. Sustainability at GRAMMER

The GRAMMER Group, based in Ursensollen (Germany), is a global company that operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. For trucks, buses, trains and off-road vehicles GRAMMER is a full-service provider of driver and passenger seats. We are committed to sustainability and have embedded its economic, ethical and ecological principles in our corporate guidelines.

We aspire to make thinking and acting sustainably an integral part of the company's DNA. To us, accepting responsibility for people, society and the environment means not putting a strain on people and nature as far as possible and furthering their ability to regenerate. We take the interests of all our stakeholders into account, further our employees' interests and have introduced uniform ISO-certified environmental management for all our locations worldwide. Moreover, an ISO-certified energy management and occupational health and safety management system will be implemented around the world by the end of 2023.

1.1 Organizational structure of sustainability

We pursue sustainability in our business strategy and in our operating activities. Corresponding organizational structures have been created as a basis for coordinating sustainability aspects internationally across the GRAMMER Group.

Responsibility for sustainability is assigned directly to the Executive Board: The Corporate Social Responsibility team (CSR team) assists the Executive Board in preparing and implementing the sustainability strategy and coordinates GRAMMER's CSR activities worldwide. A CSR Council was founded back in 2015 to embed sustainability even more within the GRAMMER Group. Its members are managers from the following Group areas:

- Research and Development
- Legal
- Compliance
- Controlling
- Finance
- Accounting
- Investor Relations
- HR
- Production
- Supply Chain Management
- Quality
- Health, Security and Environmental Management
- IT
- Data Protection

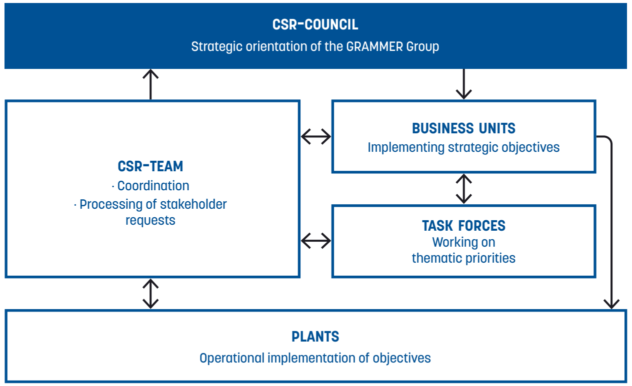
and from the three regions EMEA, AMERICAS, APAC and the two divisions.

An institutionalized dialog and regular meetings ensure that sustainability is established at GRAMMER and refined on an ongoing basis – in accordance with corporate strategy and statutory requirements. The units represented on the CSR Council are responsible for implementing the strategic CSR objectives. They do this in close cooperation with the individual locations in the regions.

The strategic companywide "Green Company" initiative was launched in 2020 with the aim of advancing sustainability solutions throughout the company (see flagship project: Green Company, pp. 57-58). Goals to be achieved in the medium and long term were defined for five action areas: energy and resource efficiency, efficient use of materials, avoidance of waste and recycling, reduction of emissions and development of sustainable products. Over the course of 2022, we renamed the initiative "Sustainable Company" to further increase the inclusion of social and governance issues.[1]

[1] For the sake of simplicity, only the term "Green Company" is used in this report.

CSR-Organization



As a result of the analysis, the 14 material aspects will be reported on in five areas:

Good corporate governance	Products	Environment	Supply chain	Employees and community
Compliance	Sustainable product development	CO_2 emissions	Working conditions and human rights	Employee satisfaction
Data security, information and IT security	Material efficiency	Energy and resources	Sustainable procurement of commodities	Occupational health and safety
	Customer health and safety	Waste		Diversity and equal opportunities
		Green Company		Corporate citizenship

1.2 Materiality analysis

We performed a materiality analysis in 2020 in order to update the relevant sustainability aspects for the GRAMMER Group. The impact of our activities on the environment, society, and the economy as well as the relevance of issues to GRAMMER were taken into account. Internal experts assessed the stakeholder perspective. The survey was conducted using both written responses and workshops.

GRAMMER AG will redefine the material issues in a comprehensive materiality analysis in 2023. The materiality matrix will replace the one in use since 2020.

1.3 Support for the UN Sustainable Development Goals

As an international operator, GRAMMER actively contributes to the achievement of the Global Sustainability Goals. Adopted in 2015, the United Nations' Sustainable Development Goals (SDGs) comprise 17 objectives aimed at making the world more sustainable and fairer by 2030. To highlight the relevance of the SDGs and to make our contribution visible, we are focusing on five Sustainable Development Goals to which we can contribute as a company:

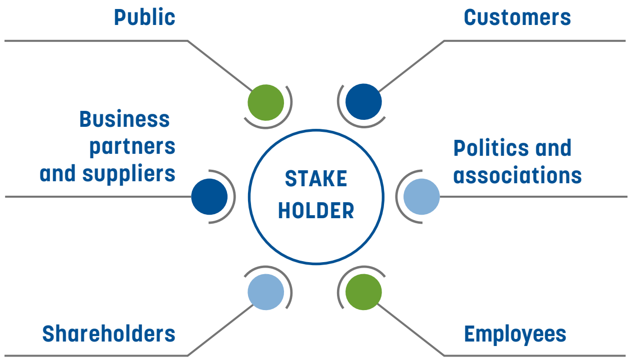
SDGs	Aspects of relevance for the GRAMMER Group	Material aspects	Non-financial aspects	Goals
8	Good corporate governance	Compliance Data security, Information and IT security	Cross-cutting issue, particularly anti-corruption	
8, 12	Products	Sustainable product development Material efficiency Customer health and safety	Environmental concerns, social concerns	• Supporting research and science in back health and ergonomics in order to be able to integrate findings into our products (ICC Congress, cooperation with institutes, own ergonomics laboratory) • Intensification and continuation of product development and sustainable materials
12, 13	Environment	CO_2 emissions Energy and resources[1] Waste	Environmental concerns	• Minus 50% CO_2 by the year 2030 and minus 100% by the year 2040 • Switch to 100% green electricity at all locations • Global implementation of ISO 50001 by the end of 2023
12	Supply chain	Working conditions and human rights Sustainable procurement of commodities	Cross-cutting issue, relates to all non-financial aspects	• 100% of global suppliers confirm GRAMMER's policies for suppliers • Transparency and controlling of our supplier's compliance with human rights and environmental due diligence obligations under the LkSG – German Supply Chain Due Diligence Act • Introduction of whistleblowing tool for internal and external use
3, 5	Employees and community	Employee satisfaction Occupational health and safety Diversity and equal opportunities Corporate citizenship[2]	Employee matters, social concerns	• Increasing the share of women in management • Intensifying the training of employees (interculturality, languages, diversity etc.) • Global implementation of ISO 45001 by the end of 2023 • Strengthening and promoting voluntary commitment of employees worldwide (concretisation of the concept and structural anchoring at GRAMMER worldwide)

[1] Energy and resources, incl. water and biodiversity.
[2] No material aspect; reporting is voluntary.

1.4 Inclusion of all stakeholders

GRAMMER attaches particular importance to dialog with its various stakeholders, such as employees, customers and suppliers, and to include their perspectives. Communication with our stakeholders is mostly handled directly by the respective departments and units. The results of this dialog are tracked systematically and can be accessed centrally to address corresponding inquiries from outside the company or to convey messages from within the company to the public at large. As GRAMMER maintains very close contact with its stakeholders, we were able to take the expectations of the different groups into account in our sustainability concepts as well.

The GRAMMER's Group stakeholders



1.5 Ratings

ESG rating agencies are key players on the capital market and a basis for sustainable investments. Most providers publicly disclose the results of their ratings and rankings. They are used by investors as transparent and additional decision-making aids – and customer expectations of companies in terms of certain rating results are continuously rising. In 2022, GRAMMER received a grade B sustainability rating from the Carbon Disclosure Project (CDP) for climate protection, thereby significantly improving its rating since last time. The rating from EcoVadis, a leading provider of ESG ratings, improved from bronze to silver as well. Consistently high scores are achieved on NQC (a rating tool for suppliers in the automotive supply chain), which shows that our contract award process satisfies the requirements of many of our customers.

1.6 Risk evaluation of non-financial matters

Doing business entails both risks and opportunities. We have defined various principles relating to risk policy in our risk strategy. In a risk management context, risks and opportunities refer to any positive or negative deviations from an uncertain plan. Risk management thus contributes to value-based corporate governance.

We have established a uniform groupwide risk management system to address such risks. This process allows risks to be detected, analyzed, and assessed early on so that countermeasures and risk mitigation can be implemented promptly.

Under the CSR Directive Implementation Act governing the disclosure of non-financial and diversity-related information, companies must not only report on the material aspects but also explain the related risks. The concept of risk has been broadened and integrated into risk management to model the non-financial risks involved in the process. Internal experts have assessed the qualitative impact of corporate activities. GRAMMER uses the net perspective for risk assessment, which takes into account risk-reducing measures.

With regards to non-financial aspects, no material risks that are linked to the company's own business, business relations or products and are liable to have severely adverse effects on non-financial aspects have been identified. However, there are fundamental risks that can affect individual non-financial aspects. Among other things, this applies to ecological risks, which we address with our management systems in accordance with ISO 14001 (Environmental Management) and ISO 50001 (Energy Management).

We have also implemented sustainability risks in the areas of environmental, social, and corporate governance sustainability (ESG) issues in our risk management and adapted our risk management system in line with the requirements of the "Lieferkettensorgfaltspflichtengesetz" (LkSG – German Supply Chain Due Diligence Act). Thus, we have analyzed the risks of our own operations and our supply chains.

FLAGSHIP PROJECT

GREEN COMPANY

PROJECT
Sustainable Company

START & DURATION
since 2020

GOAL
Reduce CO_2 footprint

LOCATION
worldwide – all locations

Let's make GRAMMER greener!

Green Company
The effects of climate change are being felt all over the world. This is why GRAMMER also wants to contribute to permanently reducing its environmental impact and its greenhouse gas emissions. One of our top priorities is that we want to be a sustainable company, and we believe that we can achieve a great deal with our 14,174 employees worldwide.

This is why we launched the "Green Company" employee initiative in 2020. Using various measures controlled by the CSR Council, we are raising awareness of sustainability issues throughout the GRAMMER Group – and advancing sustainable solutions within the company.

These are the five areas where we want to be greener and more sustainable:

Energy and resource efficiency
We want to reduce energy consumption within our processes, promote the use of renewable energies and use natural resources sparingly.

Efficient use of materials
We want to optimize the efficient and sparing use of our production and non-production materials over the entire product lifecycle.

Avoidance of waste and recycling
We want to reduce waste, avoid hazardous waste, increase the waste recycling rate and ensure that environmentally friendly waste disposal and recycling methods are available.

Reduction of emissions
We are aiming for the 1.5 degree Paris Agreement goal. We will reduce our CO_2 emissions (Scope 1 and 2) by 50% by 2030 and by 100% by 2040. We intend to reduce other emissions such as volatile organic compounds (VOC) and noise to a minimum as well.

Development of sustainable products
We are exploring and developing innovative, sustainable products and broad-ening our product range so that we can offer our customers environmentally friendly alternatives.

FLAGSHIP PROJECT

GREEN COMPANY

These five issues allow us to take the full lifecycle of our products into consideration: from research and development to procurement, transportation, production, and sales through to use and disposal. In this way, we are integrating our "Green Company" philosophy into all business processes.

After defining long-term goals and measures for each action area in 2020, in 2021 we began a company-wide information campaign that raised awareness for the five subject areas and boosted the motivation of our employees worldwide. Hundreds of large and small projects came about to make our company permanently greener and more sustainable.

Some examples of these are:

- CO_2 emissions (Scope 1 and 2) have already been reduced by 10% since 2019; we are aiming for a reduction of 25% by 2025.
- Work to calculate all Scope 3 emissions began in 2022; the results will be ready in 2023.
- Since 2022, all our plants in Germany and some plants in Europe have been operating on 100% green electricity, and we intend to have all of GRAMMER's production facilities around the world doing the same by 2025.
- With "Ubility One", we launched a sustainable seating system for buses and trains in 2021 and started customer sales; in 2022, the system was presented at trade fairs. In 2023, production of the first models will start (see flagship project: Ubility One, p. 67).
- At the Tetla plant (Mexico), cardboard and plastic product packaging has been replaced by reusable packaging and biodegradable bags. Waste has been substantially reduced as a result with CO_2 savings of more than 237 t.
- At several production facilities, conventional lighting systems have been replaced by state-of-the-art LED lighting, thereby saving around 630,000 kWh of electricity. At the Beijing site (China) alone, this saves 425,000 kWh of electricity per year and cuts annual CO_2 emissions by more than 335 t.
- Replacing 25,000 single-use cups with reusable mugs at the Ebermannsdorf plant (Germany) reduces unnecessary waste and cuts CO_2 emissions by 500 kg per year.
- At the Bremen site (Germany), the optimization of logistics routes saves 187 kg/a CO_2.
- 95% of our GRAMMER plants are now certified according to the environmental management system standard ISO 14001.
- Expert working groups have been installed to explore sustainable materials and to produce carbon footprint reports. GRAMMER is able to quickly produce a lifecycle analysis for all the products it makes.

2. Responsible corporate governance

As a global Group, we have an obligation to the rules and ethical requirements of markets, countries, and regions. Furthermore, we have made a commitment to values that infuse our commercial activities and guide our employees every day. These values include the protection of human rights, outlawing child and forced labor, anti-corruption, professional data protection and information security.

We use clear and open communication to create transparency – for our employees, our customers, our suppliers, and shareholders. It is important to us to balance the interests of our stakeholders and to maintain a respectful approach. In this way we are creating the deep-seated trust that is required for our business success and our corporate culture.

2.1 Compliance and combating corruption and bribery

Compliance with national laws and international regulations is of fundamental importance for safeguarding GRAMMER's business activities. We espouse a corporate culture that encourages a sense of responsibility among our employees and maintains integrity as a basis for working together in a spirit of mutual trust. All GRAMMER employees therefore have an obligation to act accordingly. Our Code of Conduct and internal compliance, anti-trust law and anti-corruption policies contain corresponding regulations.

One challenge in the field of compliance is the growth in statutory requirements that apply to companies: It takes significantly more effort not to be exposed to accusations of organizational negligence or other liability risks. At the same time, the additional expense has to be contained in order to remain competitive. One clear risk is that violations of laws and guidelines typically result in a significant loss of trust, exclusion from tenders or the loss of business relationships. By contrast, the careful implementation of standards promotes trusting relationships with business partners, employees, and other stakeholders.

Our strategic approach

Compliance with laws and international regulations is a top priority for GRAMMER. Above all, this includes respecting human rights, fair trade practices, the prohibition of corruption and the avoidance of conflicts of interest. We respect the freedom of association and reject forced and child labor. Furthermore, we comply with applicable data protection law (see section 2.2, p. 60) and handle confidential information with due care (see section 2.3, pp. 60-61). We are committed to protecting the environment, to occupational health and safety and to social responsibility.

Our compliance management aims to ensure the effectiveness and viability of our company by respecting the legal provisions. If violations occur, we make sure that these are detected and penalized. We have set out corresponding guidelines in our Code of Conduct, which is binding for all employees: The GRAMMER Code of Conduct is available to all employees on the intranet in eleven languages. All new employees are informed of the Code of Conduct. They refresh their knowledge of the Code of Conduct and the internal compliance guidelines in training sessions that take place every two to three years. We publish articles on compliance on the intranet at regular intervals.

In our business units, we regularly perform audits that take compliance risks into account. For this purpose, the Transparency International Corruption Index for specific countries provides an important indicator for determining the frequency of audits at individual locations. If an audit gives rise to a reasonable suspicion, we commence an investigation and take the appropriate measures as necessary.

GRAMMER has also set up a whistleblower system with which employees and external stakeholders can report any suspicions – including anonymously and in various languages. There is also a compliance e-mail inbox and the option of making contact in person, by phone or by written mail in accordance with EU and German whistleblowing legislation. Once reports have been verified, we investigate compliance complaints with all due care. If the suspicion is confirmed and we determine that a breach has taken place, we initiate the appropriate measures.

Position of Chief Compliance Officer created

To coordinate compliance activities, the position of Chief Compliance Officer (CCO) was created for the first time in 2022. The CCO holds chief responsibility for handling compliance issues and reports directly to the Executive Board. Moreover, the CCO also reports to the Audit Committee of the Supervisory Board. A multidisciplinary body, which is independent from the Executive Board and staffed by representatives from Compliance, Legal, HR, Internal Audit, and other members as necessary, is responsible for assessing and handling any information received on breaches of compliance. This panel guarantees objectivity, fairness, appropriateness, and comparability in the handling of information and any internal investigations.

Compliance audits were conducted at GRAMMER sites in Changchun (China) and Querétaro (Mexico) without identifying any breaches of compliance. Moreover, we have adapted our Code of Conduct and the whistleblower process in line with new standards such as the EU Whistleblower Directive and the German Whistleblower Protection Act and set up options for making complaints by e-mail and telephone.

Compliance incidents were investigated and, where the reports proved justified, appropriate measures were taken. The findings from these cases have been used in the prevention of future breaches and the compliance management system has thus continued to improve. There were no incidents of corruption anywhere in the GRAMMER Group in the 2022 reporting year.

Outlook

The compliance training concept will be expanded in the coming year of 2023 and the risk assessment for compliance issues will be refined.

2.2 Data protection

Since the introduction of the EU General Data Protection Regulation (GDPR) in 2016 at the latest, companies have been paying more attention to the security of personal data. At GRAMMER as well, protecting the data of our employees, customers and business partners is a top priority, and we ensure that the statutory standards of the GDPR and the supplementary "Bundesdatenschutzgesetz" (BDSG – German Data Protection Act) are upheld.

A growing number of certifications is required to verify data protection at companies and to provide credible evidence of this to outside observers. Violations of data protection laws can lead to a loss of trust and fines by regulators. GRAMMER intends to have its data protection management system certified according to ISO 27701 to avoid such eventualities moving ahead.

Our strategic approach

GRAMMER has embedded high data protection standards within the company. A data protection organization that reports to the Executive Board has been in place for many years. The data protection officer is responsible for ensuring compliance with the statutory guidelines and the internal data protection policy, which is binding for all GRAMMER employees. The employees of the data protection organization answer questions and implement corresponding solutions. Group IT performs regular IT security tests and authorization checks in a support capacity.

We expect our employees to respect our customers' and business partners' business secrets – and to protect industrial property rights, business secrets and other confidential company information against unauthorized disclosure. Training has been available on an internal e-learning platform since 2021 in order to further heighten employees' data protection awareness.

Outlook

More than
2,000
employees have already completed the training.

In 2023, e-learning at GRAMMER will be migrated to a new system. This will make it possible to teach more content and make employees even more aware of data protection as an issue.

2.3 Information security

Information is a key asset at GRAMMER. We therefore attach great importance to the security and availability of the data stored or processed by the company. Information security protects us and our customers against tangible and intangible damage. We therefore use state-of-the-art IT systems and physical safeguards to protect against fire, flood, and theft.

The mounting number of cyberattacks is causing major challenges for IT security the world over. The loss or unauthorized publication of information can entail far-reaching consequences for companies: These extend from grave financial damage to loss of image, lost contracts and customers or the compromise of their ability to act. Information security must therefore be analyzed and improved continuously within the company.

Our strategic approach

Information security ensures that data stay confidential and available – regardless of whether such information is digital, on paper, a fax, an e-mail or spoken out loud. Accordingly, we have introduced an information security management system (ISMS) at all our locations around the world. This is based on such standards as the international ISO/IEC 27000 series and the Trusted Information Security Assessment Exchange (TISAX) automotive standard. GRAMMER AG has been certified according to ISO 27001 since 2019. Two TISAX audit objectives were successfully audited in 2021: "handling information with very high protection needs" and "handling personal data in accordance with Article 28 GDPR".

In order to guarantee IT security in line with requirements, tools and methods are used to identify phishing campaigns. Also, a system has been implemented that performs automated penetration testing and detects security vulnerabilities. Besides the internal security procedures, the IT security infrastructure is also always monitored by an external service provider. GRAMMER assists its suppliers with appropriate software to safeguard its supply chains.

Security zones and permission concepts for the physical security of information are in place at all GRAMMER locations. Access to offices and other premises is regulated by keys or keycards.

Another key aspect of information security is employee awareness, as they are often the biggest security risk – typically through unintended wrong-doing. All employees are responsible for ensuring appropriate information security at all times within their own purview. They are assisted in this by established processes, guidelines, and regular training. Management is tasked with implementing the regulations of the integrated management system, conducting security measures, and coordinating with customers as necessary.

The Chief Information Security Officer (CISO) is responsible for information security throughout the company and defines the guidelines. He reports to the Chief Executive Officer (CEO). IT Security is in charge of the practical implementation and reports to the Chief Financial Officer (CFO). The Supervisory Board likewise receives reports regularly.

Launch of TISAX certification for production facilities

In 2022, we initiated the process to have the entire GRAMMER Group certified with the TISAX label "handling of information with very high protection needs" – for all production facilities in a delivery relationship with carmakers. We hope to complete the procedure and achieve full certification by April 2023.

Outlook

IT security will be refined and improved in the coming year. This includes plans for the optimization of IT systems and operative technologies (OT) in order to better protect production environments. Moreover, we want to make the issue of IT security available to all employees around the world through online training and the e-learning portal.

FLAGSHIP PROJECT

CSR AWARDS

PROJECT
Awards

START & DURATION
2022 (annually since 2019)

GOAL
Sustainable commitment

LOCATION
China & Brazil

2022 CSR Awards

Corporate social responsibility, i.e. responsibility for employees, the environment and society, is of great importance to the GRAMMER Group. Since 2019, we have therefore been presenting the "GRAMMER CSR Awards" – an internal token of recognition for sites that have shown a special commitment to sustainability. Awards are presented in the categories "Environment", "Society" and "Employees".

The 2022 CSR Awards went to the following locations:

Environment category: "Establishment of a water treatment plant" project – Changchun, China

Spraying adhesives creates a large amount of wastewater that is classified as "hazardous waste" and pollutes the environment. The GRAMMER plant in Changchun has installed a new facility that separates adhesives from water in wastewater. The water cleaned in this way can go into the sewer system and the extracted adhesives are properly disposed of as hazardous waste. This allowed the plant to reduce its hazardous waste volume by approximately 50 t and thereby its disposal costs as well.

Society category: GRAMMER Volunteer Program – Atibaia, Brazil

The GRAMMER Volunteer Program in Atibaia promotes employee engagement to donate their time and knowledge in support of social activities and communities. The program was launched in 2017, since when employees have taken part in activities every year; in 2021 they collected food for a senior citizens' nursing home.

Employees category: The "Run for a better future" event – Shanghai and Changchun, China

In December 2021, around 180 GRAMMER employees took part in running and hiking events in Shanghai and Changchun. The shared activity outside the workplace boosted team spirit and dialog, inspiring participants to begin the New Year healthily and full of energy.

3. Products

GRAMMER attaches great importance to the sustainability of its products along their lifecycle – from development and production to use and recycling. Key criteria include customer safety and ergonomics, ecological and environmentally friendly product development, sustainable materials, and product innovations.

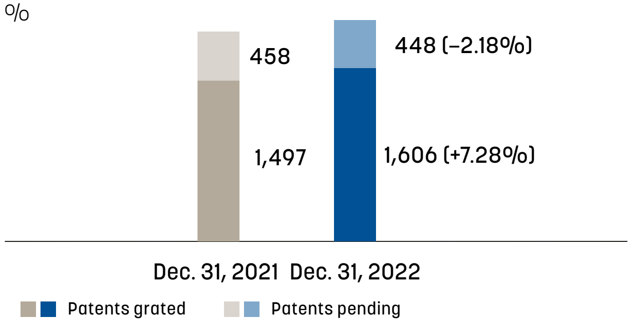
Our seating systems and interior products are currently produced at 46 production and logistics facilities around the world. Roughly 580 engineers and R&D employees work at 14 international locations with the aim of continuously enhancing the ergonomics, safety, functionality, quality and aesthetics of our products. The Group is capable of developing products with state-of-the-art tools and systems – from simulating characteristics using state-of-the-art test facilities to practical testing and prototyping. Research and development take place at GRAMMER's plants as well.

Non-capitalized R&D expenses amounted to EUR 86.6 million in the 2022 financial year (previous year: EUR 78.2 million), representing 4.0% of total revenue (previous year: 4.1%). Also, development costs of EUR 7.1 million (previous year: EUR 7.5 million) were capitalized in fixed assets.

The number of patents pending and granted throughout the Group was increased by 5.1% to 2,054 in 2022 (previous year: 1,955).

Patents

%



3.1 Customer health and safety

Every day, roughly ten million people around the world use seats, headrests and consoles produced by GRAMMER – most of them at work: As professional drivers, they drive trucks and buses, agricultural machinery, construction vehicles or forklifts, often for hours at a time, five days a week. GRAMMER consoles can be found in passenger cars, where they assist users both privately and professionally. We want the people who use our products to feel safe and comfortable and to stay healthy. Ergonomics are therefore the most important factor in product development.

At GRAMMER, people-centric product development is supported by the global Ergonomics, Usability and Design team. Its employees are highly qualified and on the cutting edge of design, ergonomics, and biomechanical research. The research partner network provides valuable support. In addition, efforts are being made to enhance networking with our customers' development departments to learn from each other and leverage the broad knowledge base.

Our strategic approach

The guiding principle when developing products is "perceived quality", i.e. a positive user interaction with the product. There are three key areas for achieving this: design, ergonomics and usability. Design and ergonomics work together to develop a user-centric, appealing product design. Usability delivers information on users to ensure that the product is appropriate for the relevant applications.

To make our products as ergonomic as possible, we look at the effect of new features on the human body using biomechanical research methods. An ergonomics laboratory and design studio were set up at the Ursensollen site (Germany) for this purpose. Its facilities are perfectly tailored to our product portfolio: Using "3D motion capture" technology, for example, users' movements and body positions are captured as they interact with our products.

We also regularly work with customer feedback, internal testing, and user studies in addition to sharing information with leading biomechanics and spine researchers. This way, we contribute to a work environment that affords our users maximum comfort while also promoting their health.

Ergonomic products

Our suspended seats for commercial vehicles satisfy the highest ergonomic requirements. They assist drivers in their work by providing optimal support while also allowing maximum freedom of movement and reducing vibration exposure. They prevent back problems and help users to maintain their performance in the long term.

The same goes for multifunction armrests in commercial vehicles: The arrangement of control elements eases the strain on the spine and forearm, improves concentration and heightens comfort.

Headrests for passenger cars protect the cervical spine in the event of an accident. Models that enable users to not only adjust the height but also an individual distance from the head are especially effective.

To continuously improve our products, we have been working closely with scientists in academia for years, for example Hans-Joachim Wilke, Professor for Spine Biomechanics at the University of Ulm.

We are particularly committed to promoting basic spine research. For this reason, we have established the annual "GRAMMER European Spine Journal Award", worth EUR 20,000, in recognition of outstanding research activities.

Ergonomics laboratory refined

The methods of our ergonomics laboratory were refined in 2022: The introduction of a motion capture system captures users' body positions and movements as they interact with our products. The digitalization of test and analysis methods facilitates fast and precise data analysis. The simulated vehicle environment has also been refined, in particular by adding a modular center console in the car set-up. Moreover, a new console family was designed, a health module was developed for trucks and a study of body dynamics for improved suspension simulation was launched.

In the field of basic research, we have investigated the relationship between pressure on the interaction surface and perceived comfort, publishing the results in the study "Tractor Interior of the Future". Together with the Institute for Automotive Engineering at RWTH Aachen University, a usability study was carried out on the future of the center console, and various surveys were conducted on the future of counterbalance trucks. We have refined our research partner network and held various workshops, training sessions and lectures on vehicle ergonomics at research institutions. In addition, there has been a range of internal training to improve knowledge of ergonomics, usability, and design within the company.

The 2022 "GRAMMER European Spine Journal Award" went to Dino Samartzis at RUSH University in Chicago and his international team, which discovered links between metabolic state and spinal health.

Outlook

Moving ahead, GRAMMER will continue to combine scientific findings with industrial application knowledge in product development. Together with three partner universities, we will therefore be staging the fourth International Comfort Congress in the Amberg region (Germany) in 2023. Our ergonomics laboratory is also due to be expanded in the coming year to create an even better user experience. Moreover, further user analyses and studies are planned.

GOAL

– Extended cooperation with research and scientists in academia on issues of back health and ergonomics in order to integrate new findings into our products

3.2 Sustainable product development

Sustainable product development is a key part of GRAMMER's strategic "Green Company" initiative (see flagship project: Green Company, pp. 57-58): With innovative and sustainable product solutions, we offer our customers environmentally friendly alternatives and contribute towards climate and environmental protection as well resource conservation.

Rapid technological progress is being accompanied by the steadily growing demands made of component suppliers by vehicle manufacturers. Alongside safety, new vehicle concepts, drive trains and the level of automation are defining the framework for product development. Other specific aspects in the automotive industry include achieving carbon neutrality throughout the value chain and the use of recycled materials.

Our strategic approach

We combine three approaches to develop products sustainably right from the start: the use of sustainable and recycled materials, increasing materials efficiency and lightweight construction.

Sustainable and recycled materials (see section 3.3, pp. 65-66)

As an alternative to the carbon-intensive materials plastic and steel, we focus on bioplastics from renewable resources, natural fibers, green steel, and recycled materials.

Efficiency of materials

The economic use of materials also conserves resources and is good for the climate. We therefore use new technologies that minimize the consumption of materials in our production processes and avoid waste. For example, the use of release agents in foaming has been reduced by more than 30% in recent years. At the same time, the quantity of materials in products is reduced by innovative construction and material solutions.

Light-weight construction

We make a contribution to climate protection by reducing the weight of our seats, center consoles, armrests and headrests. Less material does more than conserve resources: The lower weight of the vehicle also reduces operational fuel consumption for our customers, which can help to cut greenhouse gas emissions. We reduce weight by covering multiple functions with fewer components (function integration) and by changing the structure.

We use a state-of-the-art innovation management system to refine our product portfolio: A new product idea is first coordinated by an international team consisting of product and process experts as well as employees and managers from Sales and Purchasing. Defined assessment criteria are used to decide whether GRAMMER will implement the idea. It is then added to our innovation roadmap and its implementation is planned.

At GRAMMER, sustainability is embedded in product development right from the start: We are already assessing the carbon footprint when the component concepts are first being created. Even the production process and its energy efficiency are taken into account as they make a significant contribution to CO_2 emissions. Concepts such as recyclability and the easy separation of component assemblies is factored into product development as well. Components and processes with the biggest impact on the ecological footprint are identified early on and products are made as green as possible by a deft choice of materials and construction.

In addition to CO_2 emissions, we are also reducing our volatile organic compound (VOC) emissions. In the Automotive division, we use emissions-optimized alternative foam materials in a number of regions. Coating processes are another source of VOC emissions at GRAMMER. Here, too, emissions have been reduced in cooperation with coating suppliers.

The Research and Development unit established its own department for sustainable materials so that it can respond quickly to mounting market demands (see section 3.3, pp. 65-66). A team within the Purchasing organization is responsible for making supply chains sustainable (see section 5, pp. 73-75). A group within the Operations department is working on solutions to save energy in production.

Materials testing and recycling study

In 2022, we tested various bioplastics made from renewable resources and performed a recycling study. Carbon footprints were calculated for various representative products and ideas for optimization were derived from this – including close cooperation with material manufacturers to reduce the CO_2 values and with GRAMMER's plants to reduce the energy requirements of facilities for various processes.

Outlook

In 2023, GRAMMER will start production on its sustainable seating system for buses and trains, "Ubility One". Above all, we will be concentrating on sustainable product design, recyclability, and the optimization of our processes throughout product development. Among other things, concepts for "green" truck and train seating will be developed. Moreover, we will test various environmentally and climate-friendly materials, further increasing our recycling rate and expanding our lightweight construction concept to various products. We also want to achieve the CO_2 standards of our customers.

GOAL

– Intensification and continuation of sustainable product development and materials

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3.3 Sustainable materials

The choice of materials is a key lever for making products sustainable. GRAMMER's products mostly consist of four groups of materials: plastic, steel, foam, and cover materials. Depending on the product, these materials account for between 50% and 65% of the carbon footprint in the product creation phase. We are focusing on sustainable alternatives to spare natural resources and the climate.

There are many challenges when using sustainable materials: Their availability is often uncertain, which can make it difficult to maintain the necessary quantities. New materials first have to be comprehensively tested and assessed – especially for recycled materials, as their properties are often not as good as those of new products. This necessitates additional capacity for research and development. Also, various certifications are required to be able to use new materials. Significant cost increases can therefore be incurred overall. At the same time, sustainable materials and supply chains also mean opportunities for GRAMMER: If we expand our expertise in the field, that can give us a competitive edge.

Our strategic approach

GRAMMER seeks to use materials that have as little impact on the environment and climate as possible in its products – from extraction and refining to using the finished product, through to its disposal and possible recycling. We are therefore stepping up our work to use alternative and recycled materials:

Bioplastics

Conventional plastics derive from mineral oil; their manufacture and use releases large quantities of CO_2 and causes harm to the climate. We are therefore testing bioplastics made from renewable resources, such as a modified polylactide made from sugar cane or a bio-polyol derived from plant oils.

Metals

Metals are used in GRAMMER products as well, above all steel, aluminum, and magnesium. Steel can be recycled, but its production is highly CO_2-intensive. We are therefore testing alternatives and working to reduce the share of steel in our products. Aluminum and magnesium are similarly CO_2-intensive to produce, though their low density makes these metals suitable for lightweight construction, which significantly cuts emissions in the use phase. In addition, we are working on ways to replace load-bearing metal components with fiber composites.

Cover materials and foam

GRAMMER uses recycled fibers from polyester waste in its textile seat coverings. Moreover, we use foam with an organic share of currently around 15%, extracted from soy or corn, for instance. The organic share is to be steadily increased to 50% over the next five years.

Recycling

Recycled materials help to further reduce the consumption of resources. GRAMMER is collaborating closely with customers to launch joint solutions. A global regranulation strategy for plastics will be implemented to increase the recycling rate of our products. Some GRAMMER plants have already been using plastics with a recycled content of up to 75% since 2016. In addition, we are working with cover materials made from recycled PET fibers, foams with recycled content and steel partly made from recycled scrap steel. The share of recycling materials in our products will be gradually increased in cooperation with our suppliers and customers.

At GRAMMER, the Materials and Sustainability department within Research and Development is responsible for the comprehensive testing of new materials. Its work focuses on carbon-neutral product approaches. To calculate the carbon footprint of our products, we use the GaBi software from the company Sphera, which has become the industry standard. Our products' carbon footprints are to be certified from 2023. Our network of vehicle manufacturers, suppliers and research institutions assists us in the development of sustainable products.

Progress in materials testing and recycling

In 2022, GRAMMER tested various bioplastics made from renewable resources. A recycling study was performed on one of our series products, an armrest. The results show that new granulate can be derived from the plastic and reused in production. Moreover, we have developed a database of materials with which CO_2 values can be quickly estimated. Carbon footprints were calculated for various representative products and ideas for optimization were derived from this. In addition, GRAMMER has produced a materials roadmap for the coming years, intensified our contact with customers and research institutions and carried out internal training to enhance the knowledge of sustainable materials within the company.

Outlook

In the coming year, various new materials will be tested to further increase the share of sustainable and recycled alternatives in GRAMMER products. Moreover, we are developing a recycling concept for various products and expanding in-house recycling.

3.4 Innovations

Innovations are of essential significance to GRAMMER: Trends such as climate-neutral or autonomous driving are rapidly changing mobility – and thus customers' requirements as well. We can only continue to be sustainably profitable as a company if we identify developments early on, react quickly and offer innovative solutions.

The quickly changing requirements of products mean that GRAMMER is constantly facing fresh challenges. Autonomous driving, for example, allows motorists to use their time in the car to work or relax. This will make a car's interior into a "second living room" equipped with state-of-the-art materials, uncluttered architecture and hidden technology; the center console will become the central element. Digitalization is also increasing the share of electronics and the complexity of products. At the same time, short development cycles are needed if innovations are to be ready in time for series production. Moreover, there is high-cost pressure, which is why innovations using ingenious approaches as well as modularization and standardization are necessary to be able to offer customers pre-validated solutions in series both quickly and cost-effectively. Close customer contact helps us to identify and implement trends early on.

Our strategic approach

We conduct innovation projects in both the Automotive and the Commercial Vehicles divisions. There are projects at product level – for instance for new functions, materials or to improve ergonomics and comfort – and process innovations, such as in the use of new materials and optimized materials processing.

In conjunction with the innovation management process, we produce roadmaps that address both customer- and market-driven issues as well as the implementation of new technologies in products. This is all overseen by Research and Development. Innovation projects are regularly discussed by various panels with representatives from the Sales, Strategy and Product Management divisions. Moreover, ideas are presented at customer events and the feedback is incorporated.

Portfolio management is organized centrally, with the team providing content and financial coordination for projects. Implementation is carried out in the regions by local teams at various locations.

Integration of audio, modular center console and new suspension

Progress was made on several innovation projects in 2022:

- Together with the company Harman, we are working to integrate audio components into GRAMMER products, such as headrests or seats, with the aim of creating individual sound zones for each seat. The customer feedback has been highly positive.
- A modularization approach has been developed for center consoles that allows us to respond to customer requests for a wide range of requirements quickly and cost-effectively with pre-validated solutions: from a fixed basic console through to a center console with high-quality features that can be moved through the vehicle's interior on rails.
- In the field of commercial vehicles, we are working on new concepts for seat suspension to enhance comfort in agricultural and construction machinery or forklifts over long working days, and also on a concept for the intuitive and ergonomic operation of functions integrated into the seat.

Outlook

GRAMMER will develop further innovation projects according to its roadmap in the coming year. Among other things, there are plans to expand the modular center console for passenger cars and the ongoing development of the new suspension system for commercial vehicles. We intend to maintain the intensive contact with our customers to identify trends and market requirements early on.

FLAGSHIP PROJECT

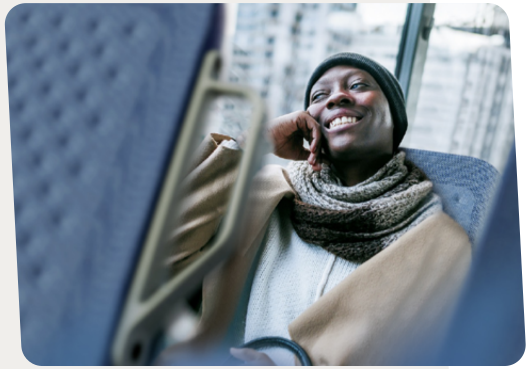
UBILITY ONE

PROJECT
Sustainable seating system

START & DURATION
since 2021 (production start: 2023)

GOAL
Reduce fuel consumption

LOCATION
worldwide



Ubility One – The sustainable seating system for buses and trains
Sustainability is an essential feature in new developments on the journey to becoming a Green Company. In 2021, GRAMMER presented Ubility One, a sustainable passenger seating system for buses and trains. Its ultralight construction saves up to 60% on weight compared to conventional seats – and thereby reduces fuel consumption and fuel costs. This has enormous potential to cut emissions: If every regional train, subway, and tram in Europe were fitted with Ubility One, they would save around 130,000 t of CO_2 per year.

Furthermore, the product lifecycle has been designed with reusability in mind: The seats are made of fully circular recycled materials; this is an extra helping hand for the environment and natural resources.

The system consists of three modules: the Ubility Air lightweight construction seat, the flexible Ubility Light seating system for short- and medium-range travelers and the Ubility Shift standing and sitting support for short distances. Its development was centered around people: All modules have been ergonomically optimized and enable more comfort and privacy while driving.

Production of the first models is due to begin at a GRAMMER site in Europe in 2023.

Find out more about Ubility One

4. Environment

The GRAMMER Group assumes responsibility for the environment and, in doing so, takes an integrated approach. The company's mission statement defines active environmental protection and the responsible use of resources as key goals. We also aspire to reduce business-induced environmental impacts as far as possible. To make this a reality, our production processes are continuously analyzed and optimized to improve energy efficiency and to reduce emissions. Moreover, we are cutting waste volumes and water consumption while also helping to enhance biodiversity.

The success of our environmental activities is regularly reviewed – both internally and with the assistance outside partners. Almost all our Group's facilities around the world have already implemented an environmental management system in accordance with ISO 14001 and defined local environmental targets and measures. This way, we are improving our environmental performance on an ongoing basis: In 2022, GRAMMER received a grade B sustainability rating from the Carbon Disclosure Project (CDP) for climate protection – a significant improvement on its C rating in the previous year.

Overall responsibility for environmental management has been assigned to Group Quality, Services and HSE, which reports to the Chief Operating Officer. This unit devises strategic parameters for environmental protection across the entire Group. A local environment, health and safety manager (HSE) is assigned to each plant to implement the measures.

4.1 Energy

As a manufacturing company with 39 plants the world over, GRAMMER consumes a relatively large amount of energy. In order to reduce our impact on the environment and the climate, we are decreasing energy consumption within our processes and promoting the use of renewable energies.

The global rise in energy prices as a result of the Ukraine conflict and the uncertainty in Europe regarding the supply of electricity and gas pose us with challenges. Price increases can have a negative impact on production costs and thus on competitive capability. But the situation also entails opportunities: The high prices are making investment in energy efficiency technology more attractive and significantly shortening amortization periods. As the energy crisis affects employees' private lives as well, it is also leading to greater acceptance and support for energy-saving measures within the company.

Our strategic approach

To manage our energy consumption around the world, GRAMMER is working with an energy management system certified according to ISO 50001 that we will be implementing at all GRAMMER production facilities by the end of 2023. This way, energy consumption can be controlled, analyzed, and reduced using targeted measures. As of December 31, 2022, 34% of all production facilities and all German sites were already certified according to ISO 50001. The previous year's target of "100% by the end of 2022" was not achieved as the focus moved to introducing other management systems at times.

We derive individual energy savings targets for the individual plants from the strategic objectives: All production facilities have a binding obligation to implement the energy roadmap. The regions each have their own manager for energy issues and the plants are assisted by energy management officers.

In order to identify energy wastage and to ensure that our technology is up to date, we have been working with energy monitoring and performing potential analysis since 2020. The potential analysis has already been completed at all locations and will be repeated annually. Initial savings measures have already been derived from this: For example, some machinery and equipment were left in standby mode even though it was not needed at the time. In addition, plant-precise measuring and the existing material consumption data can be used to compare efficiency between similar plants and increase it.

We are increasingly sourcing electricity from renewable energies for our power supply. All plants in Germany were switched to green electricity in 2021. Globally, the share of green electricity is currently 51%. This figure is to be increased to 100% by 2025.

Energy consumption reduced

2022

GRAMMER also increased the share of green electricity at its plants worldwide from 34% to 51%.

Around half the production locations were equipped with smart meters that take detailed readings of energy consumption for analysis purposes, thereby enabling enhanced energy monitoring. Many of our plants have made the switch to energy-saving LED lighting. In addition, energy-efficient machinery such as injection molding systems and leather cutters has been purchased. These steps allowed us to cut our energy consumption per EUR/turnover by 11.4% year-on-year, thereby reducing CO_2 emissions per EUR/turnover by 18.3% and saving 7,766 t of CO_2 in total.

Outlook

The ISO 50001 energy management system, including energy monitoring, will be introduced at all GRAMMER production facilities worldwide by the end of 2023. Furthermore, energy potential analysis will be continued and energy savings activities will be derived from this.

GOAL

- Global launch of the ISO 50001 certified energy management system by the end of 2023

4.2 CO_2 emissions

We all have to cut our greenhouse gas emissions dramatically to slow climate change – and we have to do it as quickly as possible. GRAMMER supports the 1.5 degree goal of the Paris Agreement and has undertaken to significantly reduce its CO_2 emissions worldwide: by 100% by 2040 (Scope 1 and 2).

Reducing carbon dioxide emissions presents us with challenges: The CO_2 standards set by lawmakers in the countries where we operate or those demanded by customers are inconsistent, which therefore demands a high level of initiative on the part of companies. We anticipate opportunities from the wave of innovation sparked by CO_2 requirements in the automotive industry. Companies are also more appealing to customers and applicants when they take responsibility and contribute to climate protection. If they are unable to satisfy requirements, that can lead to a loss of orders. Another risk is that the greater demand for resources could lead to an investment backlog.

Our strategic approach

In 2019, we calculated the carbon emissions of our sites according to the Greenhouse Gas Protocol (GHG Protocol). This involves determining the Scope 1 and Scope 2 emissions. Scope 1 emissions are direct emissions produced by the company's own energy generation or the production process. Scope 2 comprises indirect emissions that arise, for instance, when externally sourced electricity and heat are used.

t of CO_2	2022	2019
Scope 1 emissions	12,595	13,875
Scope 2 emissions	97,150	136,334

The goal: As against the baseline year of 2019, we intend to reduce our Scope 1 and 2 CO_2 emissions by 25% by 2025, by 50% by 2030 and by 100% by 2040.

This goal is a top priority and is part of the short- and long-term corporate strategy. To achieve it, since 2021 we have been working continuously on a company-wide basis to identify potential to reduce emissions generated by processes and building equipment and deriving economy measures from our findings. The focus is on reducing energy consumption as this is where most CO_2 emissions are created. CO_2 emissions and the success of our reduction activities are being tracked at the level of the plants, the regions and globally.

We have also begun calculating our Scope 3 emissions with external assistance. These include, for example, purchased (pre-) products, company travel, logistics processes or employee way to work. To calculate the CO_2 emissions within our supply chain, the Group will establish the carbon footprint of its suppliers.

Under the coordination of the CSR units, all departments at GRAMMER are involved in the issue of CO_2 emissions. There are working groups on various facets such as energy efficiency, green procurement and sustainable materials. The "Materials and Sustainability" team within "Research and Development" is responsible for calculating the CO_2 footprints of GRAMMER products with the appropriate tools.

More green electricity, more energy efficiency

In 2022, we increased our share of electricity from renewable energies from 34% in the previous year to 51%. We enhanced our energy efficiency by, for instance, purchasing state-of-the-art machinery and equipment and by using energy-saving LED lighting, thereby saving 775,000 kWh of electricity. We regularly optimize transport routes, which has already allowed us to save 70.5 t of CO_2. We have expanded our charging facilities for electric bikes and cars at our headquarters in Ursensollen (Germany). Our employees now have access to 14 charging stations, with four more available for visitors. Moreover, various campaigns and training activities were carried out at all GRAMMER locations to raise employee awareness for the economical and responsible use of energy.

In addition to the reduction measures, GRAMMER has also created ways of capturing CO_2 from the atmosphere: The Nomination Tree project (see flagship project: Nomination Tree, p. 72) was launched in 2021, which requires our suppliers around the world to plant a tree for every new contract. This is progressing well, and 369 trees have already been planted since the project began.

Outlook

In the coming year, we will continue to work on our reduction targets, steadily increase the use of green electricity at our global locations and enhance our energy efficiency. In addition, the CO_2 emissions in the use phase of our products will be further reduced as well. We believe that the biggest lever for this is lightweight construction, which saves fuel while vehicles are operating.

GOALS

- Reduction of CO_2 emissions (Scope 1 and 2) by 50% by 2030 and by 100% by 2040
- Gradual transition to 100% green electricity at all locations by 2025

4.3 Waste

Waste negatively impacts the environment – in the soil, water and air. To the best of its ability, GRAMMER therefore attempts to reduce waste and, where waste is unavoidable, to recycle or otherwise reuse it. If materials are reintroduced to the cycle, this also helps to conserve natural resources. We dispose of our waste – properly – only after all other options have been exhausted.

One challenge for the uniform companywide waste strategy is that the circular economy systems have developed differently from country to country. While Germany has a good recycling infrastructure, countries such as Turkey, Bulgaria and Mexico often only have landfills as an option. Opportunities lie in the development of innovative packaging systems, such as packaging made from other recycled packaging, which can be reused in a closed loop.

Our strategic approach

At GRAMMER, we want to reduce waste, minimize hazardous waste, increase the recycling of waste and ensure that appropriate waste disposal and recycling methods are applied. The waste issue is a part of the strategic "Green Company" initiative (see flagship project: Green Company, pp. 57-58) and is already taken into account in the environmental management system certified according to ISO 14001, which is already implemented at nearly all GRAMMER locations. We regularly audit our waste disposal and produce annual waste reports to derive measures for optimization.

In 2021, we signed contracts with certified waste disposal companies to analyze all waste flows with the aim of ensuring the highest level of recycling. Our stated aim is that waste should not end up in landfills.

In addition, we have set up a global improvement program for our internal packaging that particularly emphasizes reduction, reuse and recycling.

To raise awareness of the need for environmental protection, the avoidance of waste and the respectful use of natural resources, our sites take part in initiatives run by charitable organizations, for example by donating recyclables, selling to certified waste disposal companies or recycling. The proceeds generated are donated to people in need or organizations in structurally weak regions.

Plastic waste reduced

We used various measures to improve our waste management in 2022:

Plastic waste in production was reduced by regranulation. Plastic waste is ground directly where the machinery is located or sold to dealers who reintroduce the granulate into the cycle. We further reduced our waste volumes by implementing optimizations in leather cutting.

In packaging, we found a way to reuse our suppliers' packaging materials from transport between our own locations. Moreover, packaging volumes for internal transport and plastic waste were reduced while at the same time increasing the share of recyclable packaging materials. We were able to improve our global recycling rate with better pre-sorting and separation of materials. Moreover, a potential analysis was carried out for new reusable and recyclable packaging materials.

Our paper consumption has been further reduced as well: Written correspondence with our suppliers was switched almost entirely to electronic communication in 2022.

Outlook

In the coming year, waste disposal will be continuously optimized and the waste volume (that cannot be reused/recycled) will be reduced by a further 2%. We intend to cut our landfill use as well.

4.4 Water

Drinking water is already scarce in many regions of the world today. According to UN estimates, almost half of the world's population already lives in areas threatened by water shortages for at least one month per year. Ongoing climate change is increasing the risk of drought in many places. GRAMMER wants to help to sustainably safeguard the water supply. We therefore use water sparingly and are constantly reducing our consumption.

The availability of drinking water at GRAMMER's locations already merits greater attention. The issue is becoming increasingly important for our customers as well: They are demanding transparency of their suppliers' water consumption. If water at our locations becomes scarce, that would affect production and the lives of employees in the area concerned. If we can reduce our water consumption now, we will be helping to conserve a valuable resource, and at the same time we will be better prepared for an acute water shortage. One opportunity lies in using the various means available for water treatment.

Our strategic approach

Saving water is a strategic objective in the companywide "Green Company" initiative (see flagship project: Green Company, pp. 57-58). The global and regional management team sets targets for cutting water consumption. These targets are a part of the sustainability roadmap and are followed by the plants. At global level, responsibility for this lies with the Group's Environment, Health and Safety and Energy managers and the CSR department; at the plants it lies with the respective production manager or the environment, health and occupational health and safety manager. They regularly report to management on the current status. Moreover, the results are regularly reported to the CDP in the water security questionnaire for the annual sustainability rating (see section 1.5, p. 56). Savings measures focus on water-intensive production processes such as injection and blow molding and cleaning processes for coating systems.

Reduction of water consumption

Our global water consumption amounted to 287,699.60 m^3 in total in 2022. Thanks to various measures, global water consumption remained virtually constant year-on-year in 2022 despite two new production locations and higher production volumes. For instance, the plants in Zwickau (Germany) and Tetla (Mexico) have developed a solution to capture and reuse water emitted as spray by the coating systems.

Outlook

We will continue to optimize our water use in 2023 and reduce water consumption by 2% as against the previous year.

4.5 Biodiversity

Biodiversity, which includes both fauna and flora, is essential to ensure the functionality of ecosystems. But many species are facing extinction – such as insects like bees and butterflies, which make sure that crops are pollinated and bear fruit. If the insect die-off continues, it could become difficult to safeguard our food supply. GRAMMER is therefore committed to the conservation of biodiversity.

We can make a contribution to conservation by running our facilities sustainably. One challenge is to incorporate the entire supply chain. In this context, it is important to first ascertain suppliers' impact on biodiversity in order to tackle joint biodiversity conservation projects moving ahead.

Our strategic approach

The CSR, Environment, Health and Safety and Energy units are responsible for biodiversity at GRAMMER. The protection of biodiversity is taken into account in all relevant business areas, especially at the production sites. We plant our grounds in order to provide animals with a habitat; at Ursensollen (Germany), for example, the grounds have been designed with biodiversity in mind. When new locations are being established, internal standards ensure that the local biodiversity is impacted as little as possible. We raise employee awareness for conservation in the annual training on our environmental management system.

Protection of insect diversity and clean-ups

Bees, bumblebees, and butterflies play an important part in the conservation of agriculture and ecosystems. In 2022, we planted a field of flowers at our site in Ebermannsdorf (Germany) and put in an insect hotel, where insects can find ample food and protection. At our Ursensollen site (Germany), calves and sheep help with the ecological upkeep of our lawns.

Plastic can have fatal consequences for animals in the environment. We therefore went out to help clean up in the vicinity of our plants on World Clean-up Day. In order to reduce its environmental impact at its locations, GRAMMER switched its fleet in Ursensollen (Germany) to e-mobility and installed charging stations for company cars and visitors.

Outlook

We will continue to broaden our commitment to biodiversity moving ahead and incorporate it into our business processes – for example when building new locations and choosing suppliers. Our efforts to raise employee awareness will be continued as well.

FLAGSHIP PROJECT

NOMINATION TREE

PROJECT
Plant 1x tree per order

START & DURATION
since September 2021

GOAL
Reduce CO_2 emissions

LOCATION
worldwide

Nomination Tree – A tree for every supplier nomination
Greenhouse gases in the atmosphere have to be reduced dramatically in order to mitigate climate change. GRAMMER therefore intends to reduce its Scope 1 and 2 CO_2 emissions by 50% by 2030 and by 100% by 2040.

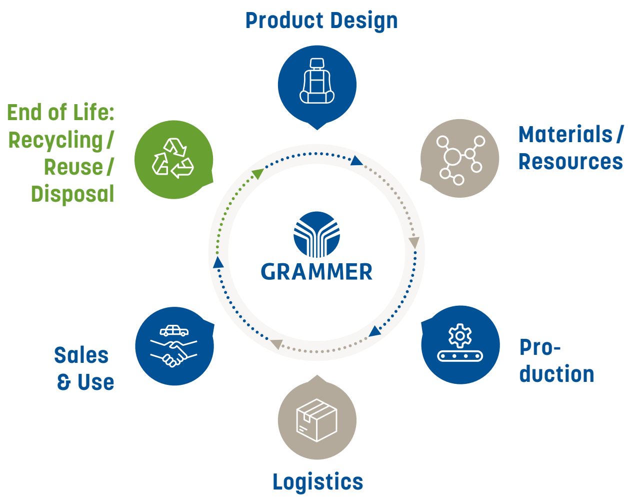
And we will do even more for the climate: Since September 2021, we have required our suppliers around the world to plant a tree, which we call a nomination tree, for every new order. After GRAMMER confirms an order, the nomination tree is planted at the supplier's grounds or in its community. The global GRAMMER Forest that is being created filters carbon from the air and thus improves the carbon footprint: 369 trees had already been planted by 2022 and 45 more have already been agreed to. We have created a map and are monitoring the growth of our trees all the time.

The forestation of the Parque Bicentenario at GRAMMER's Querétaro site in Mexico is making a big contribution to this project. There, employees and their families have planted 250 new trees together with the company Dow – thus setting an example for climate protection.

"This commitment to less carbon is much more than just a symbol, and we would be delighted to see other companies follow our lead," says Jens Öhlenschläger, CEO of GRAMMER AG.

5. Supply chain

GRAMMER's suppliers, service providers and partners are an important part of the value chain. And their activities also have an impact on the environment, people, and society. GRAMMER takes responsibility beyond the confines of its own company – and it is making its supply chain sustainable: We expect all suppliers, service providers and partners to live up to the same high environmental and social standards that we do. For instance, this includes fair working conditions, respecting human rights, the exclusion of conflict minerals, the reduction of carbon emissions, energy-efficient production and the avoidance of waste.



5.1 Supplier management for environmental and social standards

As a manufacturing company, GRAMMER is dependent on a global network of suppliers. For example, suppliers provide us with commodities, raw materials, parts, packaging, technology, tools, and various services. In order to guarantee sustainability not just within the company but along our supply chain as well, we ensure that suppliers live up to our environmental and social standards.

The ongoing COVID pandemic, the Ukraine conflict, the shortage of commodities and the associated inflation are causing supply bottlenecks the world over and driving competitive pressure. This can lead to suppliers making decisions to the detriment of environmental and social standards. The new German Supply Chain Due Diligence Act can both counteract this and create transparency. We believe that an opportunity also lies in our digital structure and the support tools with which risk management and CSR issues can be efficiently guided in the supply chain.

Our strategic approach

GRAMMER works with a Supplier Code of Conduct to manage sustainability in our supply chain. This covers all relevant sustainability criteria, as well as statutory guidelines, ethical and international standards, and the requirements of our system of values. The Supplier Code of Conduct has been a component of every digital supplier enquiry since 2017: Suppliers have to sign it electronically before they can make an offer. In it, they undertake to fight child and forced labor, to pay their employees fairly and to protect the environment. The Code of Conduct can be accessed by all business partners at all times on the digital supplier portal.

GRAMMER uses its digital procurement platform to update supplier data each year and to have suppliers confirm compliance with its CSR guidelines, which are set out in the Code of Conduct and in contracts with terms and conditions. Their compliance is monitored at regular intervals. Where necessary, we assist our suppliers with their ongoing development – or we disconnect from suppliers who do not comply with our environmental and social standards. Suppliers are digitally informed of relevant changes, such as new requirements, for instance in a newsletter.

Using a digital risk management system, we permanently monitor geopolitical events and their effect on the supply chain. In addition, we have implemented a software for sustainability issues that also fully covers the requirements of the German Supply Chain Due Diligence Act.

GRAMMER far exceeds the statutory requirements in its supply chain management – and makes a positive contribution to a sustainable supply chain. Suppliers sign our policies and carbon emissions are inquired about in the contract award process. Single-use packaging is increasingly being replaced with reusable packaging. By 2025, we will exclusively be buying green electricity worldwide. And in the "Nomination Tree" project, suppliers must commit to planting a tree for every new order. Further measures are planned.

The sustainable supplier management officer is responsible for introducing, ensuring, and complying with the relevant sustainability issues in the supply chain. He is aided by several employees; the team works closely with the CSR department.

Preparations for the new German Supply Chain Due Diligence Act

In 2022, GRAMMER introduced an ESG risk management platform and created a reporting structure to receive supplier data for the new German Supply Chain Due Diligence Act. In addition, employee trainings have been carried out on the German Supply Chain Due Diligence Act and the reduction of emissions in the supply chain. We have received the "SCRM Digital Transformation Award" from the company Riskmethods, a world leader in risk management software, for our holistic risk management. In addition, the supplier portal on the website was updated, our terms and conditions revised in line with the new statutory requirements and ESG criteria were integrated. Sustainability in the supply chain has been further improved by initiatives such as green energy, the use of recycled materials and paperless orders and contracts.

Outlook

In the coming years, GRAMMER will establish even more transparency regarding compliance with environmental and social standards in its supply chain in accordance with German Supply Chain Due Diligence Act and further improve its sustainability. Among other things, carbon emissions within the global supply chain will be reduced by 15% by 2026.

GOALS

- 100% of global suppliers confirm the GRAMMER policies for suppliers
- Transparency and management of compliance with human rights and environmental due diligence by our suppliers in accordance with the German Supply Chain Due Diligence Act

5.2 Procurement of commodities

Natural resources are scarce, and their extraction and processing can cause harm to the environment, the climate, and people. We therefore ensure that the commodities in GRAMMER products come from sustainable sources – and that suppliers comply with our environmental and social standards along the entire supply chain.

The procurement of commodities has become significantly more complex since the outbreak of the Ukraine conflict. The limited availability of materials is presenting companies all over the world with challenges. This applies to environmental aspects as well; longer transport distances, for example, have to be tolerated. Another risk is that the extraction of commodities is often energy and carbon-intensive and can have a negative impact on people and the environment. The circular economy and the use of innovative materials from renewable resources (see section 3.3, pp. 65-66) are opportunities to mitigate this impact and to conserve resources.

Our strategic approach

Generally, even when selecting its suppliers, GRAMMER ensures that they comply with environmental and social standards and do not use conflict materials. They make this commitment by signing our Code of Conduct (see section 5.1, pp. 73-74). When procuring plastic granulates, suppliers are advised that their specifications should be environmentally sustainable, and that environmental impact should be avoided in production.

We use the global standard International Material Data System (IMDS) for the automotive industry to manage materials data. Carmakers use this system to manage the aspects of the materials used in their vehicles that are relevant to the environment and to reconstruct the entire material flow. It is the responsibility of the data creator to ensure that the requirements are passed on along the supply chain. GRAMMER therefore stipulates in its terms and conditions of purchase and in its Code of Conduct that its suppliers must use the database. In order to emphasize that the entire supply chain must comply with our requirements, the issue of human rights, the possibility of an audit and the transmission of responsibility to sub-suppliers were added to the company's terms and conditions and its Code of Conduct.

GRAMMER pays special attention to conflict minerals, such as zinc, tantalum, tungsten, and gold, which are often mined in regions exposed to high conflict potential. We are consistently optimizing our processes to further exclude the use of conflict materials, the financing of conflicts and the violation of human rights. We determine the origin of metals in consultation with our suppliers as they are not sourced directly from mines or smelters but conflict materials might be contained in intermediate products. To promote transparency along the supply chain, we produce annual reports based on the "Conflict Mineral Reporting Template" and the "Extended Minerals Reporting Template" (supplemented by cobalt and mica) published by the Responsible Minerals Initiative (RMI). The results are made available to our customers on request.

We expect our suppliers to source minerals contained in the components, parts, and products that they produce from conflict-free sources, to introduce guidelines to this effect and to demand compliance from their own suppliers. We also expect our suppliers to collaborate with their own suppliers to trace conflict minerals at least to the smelter and to encourage the use of standard reporting procedures.

To manage the supply chain sustainably and to verify compliance with standards, we use a digital procurement platform that is linked to a risk management and ESG risk management platform (see section 5.1, pp. 73-74).

The supply chain management team is responsible for the procurement of commodities and compliance with environmental and social standards in the supply chain.

Risk management system established

The "riskmethods" risk management software was introduced in 2022, with which we verify our suppliers' compliance with our environmental and social standards and check for the use of conflict minerals.

Outlook

By launching an additional digital ESG risk management platform, GRAMMER intends to request further supplier data moving ahead, and thereby achieve even more transparency regarding commodities and the use of conflict materials in its supply chain – going beyond the statutory requirements. Initiatives are currently underway to coordinate this with all GRAMMER's units and to pass the requirements on to suppliers. The inherent goal is to exclude conflict materials from our products. Moreover, targets will be set for reducing carbon emissions in the supply chain that we would like to achieve together with our suppliers.

5.3 Working conditions and human rights

Fair working conditions and respect for human rights are not just essential for a healthy work environment for GRAMMER's employees all over the world. They also foster trust in our company among customers and the public at large. GRAMMER is aware of its responsibility – and it ensures that human rights are respected within the company and along its supply chain.

One of the biggest risks for international companies is that they do not have absolute control over their downstream and upstream supply chains. Local law is not always in accordance with international human rights standards, which can lead to discrimination. At the same time, there are many opportunities for companies to shape and improve the working conditions within their own operations. For example, these opportunities include implementing a management system for occupational health and safety. The shortage of skilled workers can result in companies creating more attractive working conditions to recruit and retain qualified employees.

Our strategic approach

GRAMMER is committed to the core labor standards defined by the International Labour Organization (ILO) and the UN Universal Declaration of Human Rights (UDHR). To emphasize its commitment to fair working conditions, GRAMMER's Executive Board has made a Human Rights Policy that can be viewed on the website. At all our plants around the world, we are introducing a management system for occupational health and safety according to ISO 45001 and thus guaranteeing fair and safe working conditions within the company (see section 6.4, pp. 79-80). Moreover, we have created the position of a human rights officer who reports directly to the Executive Board.

The Employee Code of Conduct covers such matters as conduct in relation to human rights as well as child and forced labor. The Code of Conduct applies throughout the company group. Further information on the Code of Conduct can be found on GRAMMER's intranet pages in all relevant languages for all employees. Moreover, we are raising employee awareness of human rights issues on an ongoing basis with the "Compliance" e-learning module and in face-to-face training.

GRAMMER wishes to safeguard fair working conditions and human rights along its supply chain as well. The Supplier Code of Conduct and the terms and conditions have been updated in this regard to give even more weight to these issues. By signing them, suppliers undertake to uphold our social standards and to pass them on to their suppliers as well. We verify this with our ESG risk management software. The updated Code of Conduct and the Employee Code of Conduct have been available to employees on GRAMMER's website since January 2023.

A grievance mechanism has been set up as well: From 2023, employees and external stakeholders can report breaches of our standards anonymously using a whistleblowing tool. We investigate any information received thoroughly and systematically, and we take appropriate action where necessary. This is the responsibility of an interdisciplinary team consisting of representatives from Compliance, Legal, HR and the Executive Board (see section 2.1, p. 59).

In order to manage the supply chain regarding sustainability issues and to establish transparency, GRAMMER uses a digital ESG risk management platform that requests data and supporting documentation for all relevant sustainability issues and generates a supplier rating.

E-learning "Compliance" launched

In 2022, we launched the mandatory e-training "Compliance", which also covers human rights issues. Moreover, a multi-departmental team with representatives from CSR, Compliance, Legal and Supply Chain Management made all the necessary preparations to satisfy the requirements of the new German Supply Chain Due Diligence Act from January 2023.

Outlook

The ISO 45001 certification of all GRAMMER plants will be completed in the coming year.

GOAL

– Launch of a whistleblowing tool for internal and external use

FLAGSHIP PROJECT

EMPLOYEE COMMITMENT

PROJECT
Support in daily life

START & DURATION
since 2017

GOAL
More social justice

LOCATION
Brasil

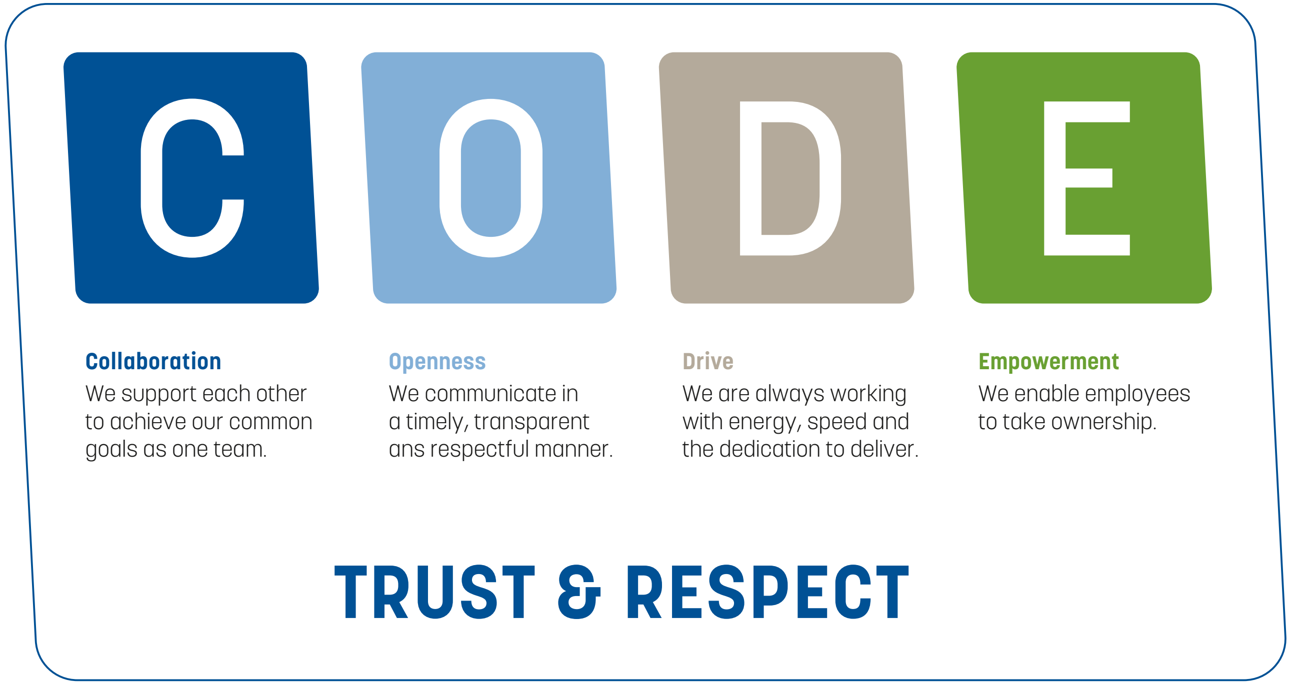
GRAMMER Brasil employees get involved

As a global company, GRAMMER accepts its social responsibility – and supports social initiatives and projects all over the world. This includes encouraging voluntary work by its employees: At the Atibaia site in Brazil, plant manager Mario Borelli and his team have created a volunteer program. Every year since 2017, GRAMMER employees have been organizing campaigns to support various local social groups and to do their part for more social justice. The initiative already donated computers to a public school, collected 1,200 kg of food for a local nursing home, organized a party for seniors and sponsored theater productions, sporting events and mobile libraries for children.

The 2022 GRAMMER CSR Award was presented to the volunteer program in Atibaia for their ongoing engagement and contributions to their local community (see flagship project: 2022 CSR Awards, p. 62).

6. Employees and community

Above all, GRAMMER owes its success as a company to the performance and dedication of its global team: With great personal involvement GRAMMER's 14,174 employees around the world develop and produce solutions and innovations that make mobility safer, more comfortable, and more sustainable for millions of people. We therefore attach great importance to the wellbeing of GRAMMER's employees – and to them all having the same opportunities to achieve their full potential. Social commitment is also an important part of our sustainability concept. GRAMMER therefore supports social and cultural initiatives all over the world.



6.1 Employee satisfaction

Employees who enjoy coming to work and who feel comfortable and safe at work are the foundation for creativity, innovation, and business success. That is why we wish to preserve and further enhance the satisfaction and engagement of our employees.

The changes in the world of work are not going unnoticed: The shortage of skilled workers across all industries are making it increasingly important for companies to create an even more attractive work environment so as to remain interesting as an employer. Employees' expectations have changed as well: In addition to fair pay, many also want a better work-life balance and individual development opportunities. The cultural shift within the company is helping to keep the GRAMMER Group attractive on the labor market and to retain employees in the long term.

Our strategic approach

"Group Human Resources" (Group HR) is in charge of employee matters and of maintaining the corporate culture. Together with management, it is also responsible for turning employees into experts or managers and helps them to develop their respective strengths at work. Group HR reports to our CFO and Human Resources Director Jurate Keblyte.

Various offers and benefits promote satisfaction among GRAMMER employees, such as fair pay according to the collective agreement, controlled and flexible working hours, remote working, various training and development options and a company pension. The "MyLife@GRAMMER" program provides employees with extra support through all stages of life; the range extends from childcare and caring for family members to health promotion and coaching on psychological stress, family, partnership or parenting issues.

We carry out companywide surveys to assess employee satisfaction. This evaluates aspects that are key to employee motivation and loyalty, and areas for improvement are derived from the feedback. Various global, regional, and local projects have already been launched based on the results. For example, we have optimized processes and held meetings on corporate culture.

Global employee satisfaction workshops

A crucial factor in employee satisfaction is corporate culture. Employees can only feel comfortable at work and achieve their full potential when the corporate culture is characterized by trust and respect. We have therefore defined our four principles of cooperation and leadership in the "GRAMMER Way of Working" (WoW): Collaboration, Openness, Drive and Empowerment (CODE). Together with the Human Resources strategy, they guide and support GRAMMER's corporate strategy – and are systematically linked to sustainability concepts.

The four CODE principles create the framework for respectful and trusting interactions. Various, sometimes mandatory, training courses, coaching sessions and workshops for management and employees help to ensure that the principles are put into practice throughout the company and that the culture of mutual appreciation continues to grow.

In 2022, we held workshops at all GRAMMER locations and discussed the results of the previous year's surveys with employees. Working together, action areas and measures were derived to improve satisfaction. At a global level, employees wish to see improvements in the issues of personnel development, "streamlined company processes" and communication.

Pilot training on the WoW corporate culture was carried out at the plants in Hardheim (Germany) and Bielsko-Biala (Poland). We have also expanded the skills development program for management and employees (see section 6.2, p. 78). In addition, a "Way of Leading" program that balances management principles with the corporate culture was developed for managers.

Outlook

In 2023, we want to further enhance our employee satisfaction and will implement the measures derived from the employee survey globally. Moreover, the management program will be rolled out further and the availability of training and coaching will be expanded (see section 6.2, p. 78).

6.2 Employee development

Qualified and motivated employees are a key building block for the GRAMMER Group's success. This is why we encourage the development of our global team's skills – and see ourselves as a learning organization.

Employee development is an investment in the future: In order to be consistently successful as a driving force in innovation, GRAMMER needs a culture of continuous learning. If we offer our employees interesting development opportunities, this also increases their job satisfaction and our appeal as an employer. If such training development opportunities are absent, the capacity for innovation suffers as a result. Sooner or later, there will also be a shortage of the skills needed to survive on the market in the long term.

Our strategic approach

The systematic and tailored advancement of all employees falls within the remit of HR Development and management. This takes into account both the individual capabilities and needs of employees as well as the current and future market requirements.

At the GRAMMER Academy, a digital learning platform, employees can learn more about issues such as project management, intercultural skills or presentation and communication techniques. The learning platform is home to a wide range of e-learning options that employees can take advantage of. A comprehensive range of training is available to our production employees as well so that they can expand their operational capabilities. This training takes place on site at the plants. There are plans to incorporate this into the e-learning platform as soon as the necessary infrastructure is broadly in place.

The average number of training hours per employee in Germany was 16 in 2022.

We wish to fill most key positions from within our own organization. Two advancement programs have therefore been developed specifically for managers and young professionals: The Talent Circle is designed for young professionals with the potential to progress to senior positions and responsibilities, while the Way of Leading program teaches managers the principles of leadership and cooperation. The Global Leadership Circle program will be developed in 2023 with the aim of preparing experienced mid-level managers for more advanced positions. The programs are accompanied by individual coaching and mentoring.

In conjunction with performance appraisals, development interviews are conducted between all employees and their respective managers at least once a year. Together, they analyze development requirements, define goals, and agree corresponding training activities.

New development programs for managers and young professionals

We have selected suitable participants for the newly designed management development programs. Individual development plans have been created for all participants as part of the talent management process. In addition, a training catalog has been produced for all employees and a wide range of e-learning, face-to-face training, coaching, and mentoring programs are available. All employees have conducted development interviews with their managers and individual training measures have been agreed.

Outlook

In the coming year, we want to continue developing programs for managers, young professionals, and specialists. Our range of virtual training and face-to-face training, coaching, and mentoring is to be expanded as well. There are plans to make our GRAMMER Academy e-learning platform available to employees at the plants as well. Following the launch of a new e-recruitment system, employees will be able to transparently view all vacancies on an internal job portal and apply directly via the system.

6.3 Diversity and equal opportunities

The basic values of trust and respect – and therefore diversity and equal opportunities for all employees – are embedded in the GRAMMER corporate culture, which is described by the WoW Code.

An open, tolerant, and appreciative working culture has many advantages: Diverse and inclusive companies are seen as attractive employers. They attract qualified employees who are happy to work there and often remain within the company for many years. Moreover, studies have shown that diverse teams work more successfully. When different perspectives are considered, this frequently leads to better decisions. However, if inclusive cooperation does not work, this can give rise to conflicts, thereby causing performance and innovation to suffer.

Our strategic approach

We do not see diversity as a passing fad – it is the reality we practice and has been for decades: The GRAMMER Group has locations in 19 countries. Its workforce is correspondingly international and diverse. We actively encourage openness and respectful, appreciative interactions: In 2006, GRAMMER became one of the first companies to sign the Diversity Charter – thereby making a commitment to advocating for diversity and appreciation in the workplace. Equal opportunities for all employees are enshrined in the Code of Conduct. We take action against any form of discrimination or harassment at work – whether on the basis of ethnic origin, gender, religion or ideology, disability, age or sexual identity. Employees can report any incidents to the Compliance department using an internal whistleblower system. Intercultural training sessions, language courses and team-building exercises are offered for employees around the world to foster openness and a mutual understanding in mixed teams.

We seek a reasonable gender balance and support and encourage women at the company. The share of women at GRAMMER is currently around 44%. The goal of keeping the global percentage of women at around 45% remains in effect. The Executive Board consists of one woman and one man. We have therefore surpassed the target of 33% for the representation of women on the Executive Board. The share of women in management positions at the first management level below the Executive Board is currently around 18%. Great importance is attached to equality in employee remuneration: We regularly review salary levels to ensure that women and men receive the same pay for the same performance. The internal global network of women, "Ladies@GRAMMER", enhances the professional dialog, the advancement of women and equal opportunities within the company.

A representative body for employees with disabilities has been set up in Germany as well. It ensures that the interests of employees with disabilities are taken into account and promotes their integration into the company.

A cross-departmental and multi-location project group was set up in 2021 to bolster the issues of diversity, equal opportunities, and inclusion throughout the company. CFO Jurate Keblyte and various members of the management team provide the project group with strategic support. The project group regularly organizes global and regional initiatives, such as the annual "Girls' Day".

Diversity competition and themed days

The concept of an internal diversity competition was developed in 2022 with the aim of organizing diversity and inclusion initiatives at all GRAMMER locations and to recognize them with a Diversity Award.

To mark "Diversity Day" and the "World Days for Cultural Diversity for Dialogue and Development", we played the Diversity Charter's online game to further enhance awareness among our employees for the various facets of diversity.

Outlook

The percentage of women in global top management is to be increased to 20% by 2030. In the coming year, we will be intensifying our internal diversity campaigns and expanding our range of training to include diversity training, language courses and intercultural training sessions.

GOAL

- Increasing the percentage of women in global top management to 20% by 2030

6.4 Occupational health and safety

Employee health and safety is paramount for a production company such as GRAMMER. The goal is to avoid work accidents and to actively help our employees to stay fit and effective.

This requires the introduction of a health and safety mentality across all levels of the company's hierarchy: Employees share in the responsibility for safety in the workplace. The security culture within the company can only grow if everyone is involved. The challenge is to establish a uniform health and safety standard for all GRAMMER locations around the world – despite the differences in national legislation.

Our strategic approach

GRAMMER runs a health and safety organization that encompasses all locations to guarantee employee health and safety in the workplace to the best of its ability. This organization consists of experts at global, regional and plant level. Plant management at each GRAMMER site is responsible for occupational safety and is supported by an Environment, Health and Safety manager.

GRAMMER has its health and safety system certified in order to effectively integrate occupational health and safety into day-to-day practice: The ISO 45001 standard will gradually be implemented in all regions around the world.

We are constantly monitoring the development of employee health and safety within the company and regularly organize health and safety campaigns. Accidents are thoroughly analyzed and companywide measures are derived from this to reduce the safety risk moving ahead.

We measure the frequency of accidents in the company using the "Lost Time Incident Frequency Rate" (LTIFR). This measures the number of reportable accidents with at least one day of work lost per million hours worked in the GRAMMER Group worldwide.

The LTIFR provides a visualization of the trend in the number of accidents over time. In the past few years, we have succeeded in steadily reducing the accident frequency rate from 6.17 (2020) to 4.04 (2021) and 3.33 in the current year. The previous year's goal of keeping the LTIFR below 5.62 was thus achieved – which demonstrates that the steps taken are effective and that the culture of health and safety at GRAMMER is constantly improving. The global LTIFR target is reduced each year compared to the figure for the previous year.

At the sites in Germany, there are also health management committees that devise concepts for promoting employee health, such as the health task force in Ursensollen. In addition to advice on occupational medicine, GRAMMER also offers voluntary health services, such as annual flu vaccinations and eye tests.

GRAMMER attaches great importance to the mental wellbeing of its employees as well. We therefore offer professional support for social issues (see section 6.1, pp. 77-78). In all regions, services have been set up to offer employees advice on, for example, particular life situations or matters of work-life balance. We work with renowned external partners to ensure absolute confidentiality regarding sensitive issues.

ISO 45001 certification at facilities

Good progress was made in the ISO 45001 certification of our facilities in 2022: The project's progress stands at around 60%. In addition, a uniform structure was established for the health and safety organization at all locations and the new organization was almost entirely put into practice. Moreover, we developed the concept for a health and safety software with which we digitally and centrally record relevant data, manage our occupational health and safety and track trends within the company. The program has already been launched. On campaign days such as the "World Day for Safety and Health at Work", "World First Aid Day" and "Fire Prevention Day", information and practical drills were organized for all employees – and were received with a great deal of interest.

The COVID pandemic kept us busy this year as well. In addition to implementing all statutory requirements in the individual countries and providing regular testing and vaccination campaigns, GRAMMER took extra measures to reduce the risk of infection within the company. Contact events were reduced and the risk of spreading the disease was avoided by remote working, less business travel, and the restriction of outside visitors.

The measures to improve occupational health and safety were effective: We achieved the goal of an LTIFR of less than 5.62 in all regions and the goal of an absence rate of less than 5%: This was 4.41% in 2022 after 4.04% in the previous year.

Outlook

The ISO 45001 certification of all GRAMMER locations is to be completed by the end of 2023. We also intend to finalize the implementation of the uniform health and safety organization and to launch the new occupational health and safety software. Moreover, various information campaigns and health and safety training events will be organized to further reduce the number of accidents and to promote the health of our employees.

GOAL

– Introduction of ISO 45001 occupational health and safety certification at all GRAMMER locations by the end of 2023

6.5 Social commitment

At GRAMMER, besides protecting the environment and the climate, sustainability also means accepting social responsibility and seeking to find a balance between the interests of employees, shareholders, customers, and society at large. We therefore support a number of social projects, educational institutions and voluntary activities at our sites around the world. In doing so, we always observe the principles of our Code of Conduct and our global sponsorship policies.

Being involved in social projects can have a lot of advantages for companies: The commitment to the public interest has a positive effect on society, the environment, and employees. At the same time, it improves their reputation, which can help them to attract new employees. In order to fully take advantage of these opportunities, it is important to manage social engagement globally so that it fits with the company's strategy. One challenge can be giving employees enough time from their daily duties to coordinate social projects and setting aside firm budgets. Moreover, it is not always easy to choose projects that will demonstrably benefit society, employees and the environment as their impact is often difficult to measure.

Our strategic approach

Our donations and sponsorship activities focus on assisting social facilities and projects. Moreover, GRAMMER supports sports, concentrating on young people in different team sports. In the area of secondary and tertiary education, we take part in various partnerships and development and sponsorship programs. The goal is to prepare young people for the employment market. We do not support political parties or similar lobby groups.

In order to even better combine individual employee engagement at locations with the company's support, a concept has been developed that we will continue moving ahead.

The Strategy, Marketing, Communication and CSR department is responsible for social engagement at GRAMMER. A central budget for social engagement and local budgets at the locations are intended.

Social initiatives worldwide

GRAMMER was involved in social projects around the world in 2022. One major campaign that every location contributed to was fundraising for Ukraine. The amount raised by employees was doubled by the company's management. Various international aid organizations, such as the "Germany's Relief Coalition" ("Aktion Deutschland Hilft"), received an amount of EUR 100,000 in total.

There were various local initiatives at GRAMMER's sites. For example, we sponsored several running events, our employees raised money for coworkers in need and organized a bazaar with homemade gifts; the proceeds were donated to coworkers and families in need. In Atibaia (Brazil), employees turned leftover foam into sleeping mats and donated them to needy children at the local school.

Outlook

In 2023, we intend to continue supporting our employees' volunteer work around the world, elaborate our concept for social engagement and embed the issue even more deeply into the company's structures.

GOALS

– Improving and aiding volunteer work by GRAMMER employees around the world

– Fleshing out our concept for social engagement and embedding the issue in structures at GRAMMER locations around the world

7. Disclosures in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation)

7.1 Background and objectives

The European Union (EU) has made the process of transforming Europe's economy into a greener and more environmentally friendly system a priority for its political action. Channeling cash flows into sustainable investment is seen as the key to success. In the Taxonomy, the EU has created a classification system that classifies economic activities as Taxonomy-aligned if they are mentioned in the regulation and satisfy its requirements. The requirements include proof that the activity makes a positive contribution to at least one of the six environmental objectives. In addition to a positive contribution, it must do no significant harm to any of the other environmental objectives. Moreover, there must be proof of compliance with minimum social standards and governance aspects.

7.2 Reporting by GRAMMER AG for the 2022 financial year

For the 2022 financial year, for the second year in a row, GRAMMER AG must report on the two environmental objectives of "climate change mitigation" and "climate change adaptation". The other environmental objectives will have to be reported on in the coming years. The reporting obligation includes disclosures on the shares of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that relate to Taxonomy-eligible and non-Taxonomy-eligible economic activities. Disclosures on the shares of Taxonomy-aligned economic activities now also have to be reported for the first time. The disclosures take into account all the companies consolidated in the consolidated financial statements.

7.3 Taxonomy-eligible economic activities

GRAMMER AG 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 off-road vehicles.

Sustainability is embedded into the corporate strategy of the GRAMMER Group and is divided into five action areas: In addition to the development of sustainable products, these include cutting direct and indirect emissions, the efficient use of energy, commodities, and materials, increasing the recycling rate and optimizing the carbon footprint in its supply chain and its own products.

In the companywide strategic "Green Company" initiative that was launched in 2020 and renamed "Sustainable Company" in the course of 2022, GRAMMER is seeking to advance sustainability solutions throughout the company as a whole. Furthermore, GRAMMER is striving for the common goal of reducing CO_2 emissions by 50% by 2030 and by 100% by 2040, thereby playing its part in achieving the 1.5 degree goal of the Paris Agreement.

All relevant business areas were taken into account in the review of the Taxonomy eligibility of GRAMMER's economic activities. A central result was that GRAMMER's primary economic activity is the "manufacture of other parts and accessories for motor vehicles" (NACE code C29.32). This economic activity is not covered by the Delegated Regulation on the two climate relevant environmental objectives of the EU Taxonomy Regulation, hence it is not Taxonomy-eligible. As GRAMMER's products are also not core technologies for economic activity 3.6 – manufacture of low carbon technologies for transport – this likewise does not apply to GRAMMER.

Even though GRAMMER's economic activities as a whole are not currently Taxonomy-eligible, GRAMMER attaches great importance to designing its value chain and its products so as to hold up to present and future requirements of climate change mitigation and climate change adaptation.

Taxonomy-eligible CapEx and OpEx can nonetheless be reported. The assessment of the materiality of its economic activities is mainly based on the number of possible locations where CapEx and OpEx are incurred for these activities and their extent/scope.

The Taxonomy-eligible CapEx and OpEx relate to the following economic activities for the two climate relevant environmental objectives:

7.3 Installation, maintenance and repair of energy efficiency equipment
7.6 Installation, maintenance and repair of renewable energy technologies
7.7 Acquisition and ownership of buildings

7.4 Alignment assessment

GRAMMER has produced a procedural description for assessing alignment with the requirements of the Taxonomy Regulation and rolled it out in three regions. These have been addressed by the relevant locations in their region. The assessment of whether the economic activity makes a substantial positive contribution and whether it does no significant harm to the other environmental objectives was performed by plant/site managers with the support of the local Accounting and Plant Controlling. The individual results reported were consolidated and verified, first by regional Accounting and then by Accounting at the GRAMMER Group.

By contrast, the review of compliance with minimum safeguards in accordance with Article 18 of the Taxonomy Regulation in the areas of human rights, anti-corruption, bribery, and fair competition was performed centrally for GRAMMER AG by Group Accounting with the support of the CSR, Legal, Compliance, Risk Management and Supply Chain Management departments.

The combined results for the reviews performed can be found in the tables in section 7.6.

7.5 Taxonomy-eligible and Taxonomy-aligned turnover

As outlined, GRAMMER is pursuing ambitious sustainability goals with its activities. However, GRAMMER's primary economic activities are not currently covered by the Taxonomy. Consequently, its Taxonomy-eligible economic activities account for 0% of total turnover (see table on p. 83).

7.6 Taxonomy-eligible and Taxonomy-aligned CapEx and OpEx

Capital expenditure (CapEx) according to the EU Taxonomy relates to additions to tangible and intangible assets during the financial year in relation to the economic activities. Operating expenditure (OpEx) includes direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair. Furthermore, OpEx comprises any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The share of Taxonomy-eligible CapEx and the share of Taxonomy-eligible OpEx were calculated in accordance with sections 1.1.2.2 and 1.1.3.2 of Annex 1 to the Commission Delegated Regulation supplementing the Disclosure Obligation (2021/2178).

The share of Taxonomy-eligible CapEx was calculated as 1.16% (see table on p. 85).

The share of Taxonomy-eligible OpEx was calculated as 0.19% (see table on p. 87).

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (1/2)

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		EUR	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0	0	0				
Installation, maintenance and repair of renewable energy technologies	7.6	0	0	0	0				
Acquisition and ownership of buildings	7.7	0	0	0	0				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**0**	**0**				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0						
Installation, maintenance and repair of renewable energy technologies	7.6	0	0						
Acquisition and ownership of buildings	7.7	0	0						
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0**						
Total (A.1 + A.2)		**0**	**0**						

B. Taxonomy-non-eligible activities			
Turnover of Taxonomy-non-eligible activities (B)		2,158,791,000	100
Total (A+B)		**2,158,791,000**	**100**

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (2/2)

Economic activities (1)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category „enabling activity" (20)	Category „transitional activity" (21)
	DNSH criteria ("Does Not Significantly Harm")										
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
Installation, maintenance and repair of energy efficiency equipment	N	N	n/a	n/a	N	n/a	Y	0	0	0	0
Installation, maintenance and repair of renewable energy technologies	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
Acquisition and ownership of buildings	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)								**0**	**0**	**0**	**0**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies											
Acquisition and ownership of buildings											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								**0**	**0**	**0**	**0**
Total (A.1 + A.2)								**0**	**0**	**0**	**0**

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (1/2)

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		EUR	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0	0	0				
Installation, maintenance and repair of renewable energy technologies	7.6	0	0	0	0				
Acquisition and ownership of buildings	7.7	0	0	0	0				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**0**	**0**				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3	77,538	0.09						
Installation, maintenance and repair of renewable energy technologies	7.6	9,382	0.01						
Acquisition and ownership of buildings	7.7	970,448	1.07						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,057,368	1.16						
Total (A.1 + A.2)		**1,057,368**	**1.16**						

B. Taxonomy-non-eligible activities		
CapEx of Taxonomy-non-eligible activities (B)	89,984,632	98.84
Total (A+B)	**91,042,000**	**100**

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (2/2)

	DNSH criteria ("Does Not Significantly Harm")										
Economic activities (1)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2021 (19)	Category „enabling activity" (20)	Category „transitional activity" (21)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
Installation, maintenance and repair of energy efficiency equipment	N	N	n/a	n/a	N	n/a	Y	0	0	0	0
Installation, maintenance and repair of renewable energy technologies	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
Acquisition and ownership of buildings	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)								**0**	**0**	**0**	**0**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies											
Acquisition and ownership of buildings											
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								**0**	**0**	**0**	**0**
Total (A.1 + A.2)								**0**	**0**	**0**	**0**

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (1/2)

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
		EUR	%	%	%	%	%	%	%
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Installation, maintenance and repair of energy efficiency equipment	7.3	0	0	0	0				
Installation, maintenance and repair of renewable energy technologies	7.6	0	0	0	0				
Acquisition and ownership of buildings	7.7	0	0	0	0				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**0**	**0**				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Installation, maintenance and repair of energy efficiency equipment	7.3	333,690	0.19						
Installation, maintenance and repair of renewable energy technologies	7.6	0	0.00						
Acquisition and ownership of buildings	7.7	0	0.00						
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		333,690	0.19						
Total (A.1 + A.2)		**333,690**	**0.19**						

B. Taxonomy-non-eligible activities			
OpEx of Taxonomy-non-eligible activities (B)		171,340,310	99.81
Total (A+B)		**171,674,000**	**100**

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022 (2/2)

Economic activities (1)	DNSH criteria ("Does Not Significantly Harm") Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year 2022 (18)	Taxonomy-aligned proportion of OpEx, year 2021 (19)	Category "enabling activity" (20)	Category "transitional activity" (21)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities											
A.1 Environmentally sustainable activities (Taxonomy-aligned)											
Installation, maintenance and repair of energy efficiency equipment	N	N	n/a	n/a	N	n/a	Y	0	0	0	0
Installation, maintenance and repair of renewable energy technologies	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
Acquisition and ownership of buildings	N	N	n/a	n/a	n/a	n/a	Y	0	0	0	0
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)								**0**	**0**	**0**	**0**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Installation, maintenance and repair of energy efficiency equipment											
Installation, maintenance and repair of renewable energy technologies											
Acquisition and ownership of buildings											
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								**0**	**0**	**0**	**0**
Total (A.1 + A.2)								**0**	**0**	**0**	**0**

8. About this report

Basis of reporting

This combined separate non-financial report (NFR) has been prepared in accordance with the requirements of sections 315 b and 315 c in conjunction with sections 289 c to 289 e HGB for the 2022 financial year (January 1, 2022 to December 31, 2022). It contains the disclosures required by law on material matters pertaining to the environment, employees, social concerns, observance of human rights and anti-corruption and anti-bribery precautions. In addition, it discloses material risks in accordance with section 289 c (3) no. 3 and 4 HGB where these are necessary for an understanding of the Group's business performance, results of operations and position as well as the impact on non-financial aspects. This report is the combined separate declaration for the GRAMMER Group and GRAMMER AG for 2022 in accordance with sections 289 b and 315 b HGB, which is made available to the general public on the company's website under Company > Sustainability > Separate non-financial report.

The content deadline for the 2022 NFR was March 13, 2023. This NFR is available in both German and English. The German version takes precedence in the event of any discrepancies.

Unless stated otherwise, the contents refer to the entire GRAMMER Group including GRAMMER AG. In this report, the term GRAMMER Group also includes GRAMMER AG. In addition to its financial key performance indicators, the GRAMMER Group has also defined strategic and environmental, social and governance (ESG) targets, such as compliance, environmental protection, economic stability and growth, as ongoing performance indicators. A more detailed explanation of the key non-financial performance indicators for GRAMMER AG can be found in the remuneration report. Detailed information on provisions can be found in the notes to the consolidated financial statements. Otherwise, there is no direct link between the amounts reported in the annual financial statements of the GRAMMER Group in accordance with section 289 c (3) no. 6 HGB and the non-financial aspects. In some cases, reference is made to the content of the Group management report in accordance with section 315 b (1) sentence 3 HGB.

The combined non-financial report has been prepared in reference to the "Global Reporting Initiative" (GRI) standards.

Forward-looking statements

This non-financial report contains certain forward-looking statements concerning the future development of GRAMMER AG and its companies as well as economic and political developments. These statements are assessments made on the basis of all the information available to us at the time of reporting. If the underlying assumptions are inaccurate or other risks occur, actual results and the development and performance of GRAMMER AG can differ from the assessments shown. Even if GRAMMER AG's actual results, including its financial position and profitability as well as the economic and regulatory framework, are consistent with the forward-looking statements in this NFR, this does not guarantee that this will continue to be the case in the future. GRAMMER AG therefore accepts no liability for the forward-looking statements presented here.

Review

This NFR has been reviewed by the Supervisory Board, which has satisfied itself of its legality, propriety, and suitability for its intended purpose.

Rounding differences

The use of rounded amounts and percentages can give rise to minor differences on account of commercial rounding.

Index Corporate Governance

CORPORATE GOVERNANCE

Corporate governance declaration pursuant to sections 289f and 315d HGB

In this declaration, the Executive Board and Supervisory Board report on the Company's corporate governance in the financial year from January 1 to December 31, 2022 in accordance with sections 289f, 315d HGB and as stipulated in principle 23 of the German Corporate Governance Code (the Code). Further information on Corporate Governance – such as the Company's articles of association, the Supervisory Board's rules of procedure and the corporate governance declarations from previous financial years – are also available on our website at https://www.grammer.com/en/investor-relations/corporate-governance.

1. Declaration of conformity with the German Corporate Governance Code

The Executive Board and Supervisory Board of GRAMMER AG have approved the following declaration in accordance with section 161 AktG as of December 20, 2022::

GRAMMER Aktiengesellschaft Executive Board and Supervisory Board declaration on the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with section 161 AktG

GRAMMER AG ("Company") conforms to all recommendations of the Government Commission on the German Corporate Governance Code in the version dated April 28, 2022, published in the official section of Bundesanzeiger on June 27, 2022, announced by the Federal Ministry of Justice and Consumer Protection in the official section of Bundesanzeiger and will continue to comply with these in the future:

Since issuing the last declaration of conformity on December 9, 2021, the Company has conformed to all recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019, published in the official section of Bundesanzeiger on March 20, 2020, announced by the Federal Ministry of Justice and Consumer Protection in the official section of Bundesanzeiger.

Ursensollen, December 20, 2022

GRAMMER Aktiengesellschaft

The Executive Board The Supervisory Board

The current declaration of conformity and the declarations of conformity for the past five years can be viewed on GRAMMER AG's website at https://www.grammer.com/en/investor-relations/corporate-governance/.

2. Remuneration report/remuneration system

The remuneration report for the last financial year and the auditor's report in accordance with section 162 AktG, the remuneration system in place for members of the Executive Board in accordance with section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on June 23, 2021, and the resolution passed by the Annual General Meeting on June 23, 2021, in accordance with section 113 (3) AktG on remuneration for members of the Supervisory Board are available to the public at https://www.grammer.com/en/investor-relations/corporate-governance/overview.html.

3. Information on corporate governance practices

Suggestions of the Code

GRAMMER AG voluntarily complies with all suggestions set out in the Code.

GRAMMER Code of Conduct

Other corporate practices that go beyond the statutory requirements are included in the GRAMMER Code of Conduct, which is publicly available at https://www.grammer.com/en/company/sustainability/code-of-conduct/code-of-conduct.html. The GRAMMER Code of Conduct outlines the ethical and legal framework within which the Company operates. It covers the fundamental principles and rules governing the conduct within the GRAMMER Group and in relation to external partners and the public.

Compliance management system

GRAMMER's corporate culture is shaped primarily by the GRAMMER Code of Conduct. This is binding on all employees of the GRAMMER Group. It summarizes the main internal and external rules and principles and contains binding rules for, among other things, anti-corruption, insider trading and fair competition, data protection, occupational health and safety, export controls and health and environment. The GRAMMER Code of Conduct is publicly available at https://www.grammer.com/en/company/sustainability/code-of-conduct/code-of-conduct.html. The Code of Conduct is supplemented by detailed compliance guidelines, which are available in the languages relevant to GRAMMER on the Intranet. The Executive Board as a whole is jointly responsible for compliance. A compliance organization headed by a Chief Compliance Officer ensures that the compliance management system is refined on an ongoing basis and that managers and employees receive training and advice. If any employees or external parties suspect or become aware of any misconduct or breaches of the law or internal guidelines, they can report this (anonymously) using the multilingual electronic whistleblower system.

4. Description of the working methods of the Executive Board and Supervisory Board and composition and working methods of their committees

GRAMMER AG is subject to German stock corporation law and therefore has a dual management system consisting of an Executive Board and a Supervisory Board. Their roles and authority, as well as the requirements for their working methods and composition, are essentially based on the German Stock Corporation Act (AktG), the articles of association of GRAMMER AG and the rules of procedure. GRAMMER AG's articles of association and the rules of procedure for the Supervisory Board can be found online at https://www.grammer.com/en/investor-relations/corporate-governance/overview.html.

Executive Board

As a management body, the Executive Board is committed to furthering the Company's interests and to increasing its sustained enterprise value. The members of the Executive Board are jointly responsible for overall corporate governance and make decisions about key business policy and corporate strategy issues, as well as annual and multi-year planning.

The Executive Board is responsible for preparing the Company's quarterly reports and half-yearly financial report as well as the annual and consolidated financial statements and the combined management report for GRAMMER AG and the Group. It prepares the dependent company report and, together with the Supervisory Board, the remuneration report. The Executive Board is responsible for compliance with the law and internal policies and ensures these are implemented and observed throughout the Company. To meet these obligations, the Executive Board ensures that there is an appropriate and effective internal control and risk management system in place that is based on the Company's risk position, which also comprises a compliance management system based on the Company's risk position. Employees and third parties can anonymously report legal violations within the Company.

The Supervisory Board has issued rules of procedure for the Executive Board, which include the definition of various areas of responsibility and the rules for cooperation both within the Executive Board and between the Executive Board and the Supervisory Board. In an allocation of responsibilities plan, the Supervisory Board sets out the members of the Executive Board responsible for the individual Executive Board areas. As head of Human Resources, the HR Director is appointed in accordance with section 33 of the German Codetermination Act (MitbestG). Each member of the Executive Board manages his or her assigned area on their own responsibility; business of particular significance is reserved for resolution by the Executive Board in its entirety. The Executive Board is supported by the Executive Committee, which was established in fall 2022 and meets regularly. An Executive Committee comprises the members of the Executive Board and the heads of key core business areas and forms the Company's highest operating management body.

The Executive Board and the Supervisory Board work closely together in the Company's best interests. The Executive Board informs the Supervisory Board regularly, promptly and extensively about all business matters of particular significance due to their financial impact and/or relevance for general company policy. In particular, these include matters relating to the strategy, business performance, the risk situation, risk management and compliance. The members of the Executive Board are subject to a comprehensive non-competition clause during their activities for GRAMMER AG. They undertake to act in the Company's best interests and may not pursue any personal interests when making decisions; in particular, they may not make use of any business opportunities arising for the Company for their own personal benefit. They may only engage in sideline activities, in particular, supervisory board mandates outside the GRAMMER Group, with the approval of the Supervisory Board. The Supervisory Board is also responsible for deciding on how the remuneration received for sideline activities is to be treated. Each member of the Executive Board is under a duty to disclose to the Supervisory Board any conflicts of interest without delay and to inform the other Executive Board members of these.

Members of the Executive Board are initially appointed for a period of no more than three years. However, the Supervisory Board assesses each individual case on the basis of its own merits to determine the appropriate initial period of appointment.

The members of the GRAMMER AG Executive Board in the financial year were Jens Öhlenschläger, Jurate Keblyte and Thorsten Seehars (until May 31, 2022).

Jens Öhlenschläger Member of the Executive Board since January 1, 2019, Spokesman of the Executive Board since June 1, 2022, appointed until December 31, 2026	Responsibilities (as of December 31, 2022): Strategy & CSR, Operations, Sales & Projects, Supply Chain Management, Research & Development, Quality Management & HSE
Jurate Keblyte Member of the Executive Board since August 1, 2019, Human Resources Director since June 1, 2022, appointed until June 30, 2027	Responsibilities (as of December 31, 2022): Accounting & Controlling, Finance & Treasury, Investor Relations, Human Resources, Legal & Compliance, IT, Risk Management
Thorsten Seehars Chief Executive Officer, Human Resources Director, member of the Executive Board from August 1, 2019 to May 31, 2022	Responsibilities (until May 31, 2022): Automotive Division; Commercial Vehicles Division; Group R&D; Corporate Development; Group Marketing, Communications, Corporate Social Responsibility, Strategic Product Planning, Group Human Resources

The resumes of the members of the Executive Board are available on the Company's website at https://www.grammer.com/en/investor-relations/corporate-governance/management/executive-board.html. Further details on seats of Executive Board members to be disclosed under section 285 no. 10 HGB can be found in (10) of this declaration.

Supervisory Board

GRAMMER AG's Supervisory Board has 12 members. In accordance with the German Codetermination Act, it comprises equal numbers of shareholder and employee representatives. The members of the Supervisory Board representing the shareholders are elected at the Annual General Meeting by a simple majority. Elections to the Supervisory Board are regularly held in the form of individual elections. The employee representatives on the Supervisory Board are elected in accordance with the provisions of the German Codetermination Act.

Further details on the members of the Supervisory Board and their seats to be disclosed under section 285 no. 10 HGB can be found in (11) of this declaration. Resumes for the Supervisory Board members are published at https://www.grammer.com/en/investor-relations/corporate-governance/supervisory-board.html and updated each year.

The Supervisory Board monitors and advises the Executive Board on the management of the Company. At regular intervals, the Supervisory Board discusses the Company's business performance and planning as well as strategy and its implementation. It reviews the annual and consolidated financial statements, the combined management report of GRAMMER AG and the Group, including the non-financial statement, sustainability reporting and the dependent company report. It adopts the annual financial statements of GRAMMER AG and approves the consolidated financial statements, based on the results of the preliminary review conducted by the Audit Committee and taking into account the external auditor's reports. The Supervisory Board passes a resolution concerning the Executive Board's proposal for the appropriation of the Company's net retained profits and the Supervisory Board's report to the Annual General Meeting and submits a proposal for the election of the external auditor at the Annual General Meeting. Together with the Executive Board, the Supervisory Board prepares a report on the remuneration paid and owed to members of the Executive Board and the Supervisory Board in the previous year. The Supervisory Board/Audit Committee is also responsible for monitoring compliance with legal provisions, official regulations and internal company policies. In particular, monitoring and advisory activities by the Supervisory Board also encompass sustainability issues.

The Supervisory Board is also responsible for appointing and dismissing the members of the Executive Board and determining the allocation of responsibilities. The Supervisory Board, acting on a proposal by the Personnel and Mediation Committee, decides on the system for the remuneration of the members of the Executive Board and sets the specific remuneration in accordance with this system. It defines the targets for variable remuneration and the respective total remuneration for the individual members of the Executive Board and reviews the appropriateness of the total remuneration as well as the remuneration system for the Executive Board on a regular basis.

Material decisions by the Executive Board – such as major acquisitions, divestment, investment in tangible assets and financial measures – require the Supervisory Board's approval. To prepare for the Supervisory Board meetings, the shareholder and employee representatives usually meet separately. The Supervisory Board also regularly meets without the presence of the Executive Board. Each member of the Supervisory Board is under a duty to disclose any conflicts of interest to the Supervisory Board. Any conflicts of interest and the measures taken to address these are disclosed in the Supervisory Board report. The members of the Supervisory Board take their own initiative to undertake any training that may be required for their role and are supported here by the Company. Internal presentations are also given for the purpose of ongoing training. Details about the board's work can be found in the report of the Supervisory Board, which can be viewed for the last financial year at https://www.grammer.com/en/investor-relations/corporate-governance/supervisory-board.html.

Supervisory Board committees

The Supervisory Board had five committees in the reporting year. Their duties, responsibilities and work processes comply with the requirements of the German Stock Corporation Act (AktG) and the Code. The committee chairs regularly report to the Supervisory Board on their activities.

The Audit Committee focuses on monitoring the accounts and the accounting process. It is responsible for the preliminary review of the annual and consolidated financial statements and the combined management report of GRAMMER AG and the Group, including non-financial topics. Based on the auditor's report on the audit of the financial statements, after conducting its own preliminary review it makes proposals on the approval of the annual financial statements of GRAMMER AG and the consolidated financial statements by the Supervisory Board. The Audit Committee is required to discuss the quarterly statements and half-yearly financial report with the Executive Board. The Audit Committee also deals with sustainability reporting. In addition, the Audit Committee is also responsible for monitoring compliance with legal provisions, official regulations and internal company policies. It also handles the Company's risk monitoring system and monitors the appropriateness and effectiveness of its internal control system, the risk management system and the internal auditing system. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting regarding the choice of auditor and issues a recommendation to the Supervisory Board accordingly. Following the resolution by the Annual General Meeting, the Audit Committee issues the audit engagement to the auditor and monitors the audit of the financial statements and the selection, independence, qualifications, rotation and efficiency of the auditor and the services provided by the auditor. It regularly assesses the quality of the audit. The Chair of the Audit Committee also maintains regular dialog with the auditor outside meetings. The Audit Committee regularly consults with the auditor without the presence of the Executive Board.

The Audit Committee's members as of December 31, 2022 were:

- Dagmar Rehm (Chairwoman)
- Dr. Martin Kleinschmitt
- Andrea Elsner
- Antje Wagner

Under the German Stock Corporation Act, at least one member of the Supervisory Board must be an expert in the area of accounting and at least one additional member of the Supervisory Board must be an expert in auditing. With Dagmar Rehm as Chairwoman, the Supervisory Board and its Audit Committee have a member who is an expert in auditing and, with Dr. Martin Kleinschmitt, they both have a member with accounting expertise.

After studying economics, Ms. Dagmar Rehm spent many years in commercial executive positions and CFO roles. She has been Chairwoman of the Audit Committee at Koenig & Bauer AG for several years and so has particular knowledge and experience in auditing. She also has a sound understanding of the requirements of sustainability reporting. Ms. Rehm is also independent.

Dr. Martin Kleinschmitt trained as a banker and studied law before also working as a CFO for many years. He is a member of the Executive Board at Noerr Consulting AG, as part of which he advises companies on finance issues and takes responsibility for commercial management, and so he has particular knowledge and experience in the application of accounting principles and internal control and risk management systems.

The Personnel and Mediation Committee deliberates on the Supervisory Board's personnel decisions in an advisory and preparatory capacity, chiefly regarding the appointment and removal of Executive Board members (including concluding, amending, extending and terminating Executive Board contracts), the remuneration system for the Executive Board, total compensation for the individual members of the Executive Board and the preparation of the remuneration report. When making proposals for initial appointments, the committee takes into account the fact that the period of appointment should not generally exceed three years. When proposing potential members of the Executive Board, the committee considers their professional suitability, international experience and leadership qualities, the age limit set for Executive Board members, long-term succession planning and diversity. In addition, the Personnel and Mediation Committee consults regularly about long-term succession planning for the Board of Management. The Personnel and Mediation Committee decides on the approval of an Executive Board member's sideline activities and whether and to what extent any remuneration is to be taken into account.

The members of the Personnel and Mediation Committee as of December 31, 2022 were:

- Gabriele Sons (Chairwoman)
- Dr. Martin Kleinschmitt
- Martin Heiß
- Horst Ott

The main task of the Strategy Committee is to advise the Executive Board on the Company's ongoing strategic development in relation to the corporate strategy and projects of strategic relevance and to prepare the strategy meetings and resolutions of the Supervisory Board on business requiring the Supervisory Board's approval.

The Strategy Committee's members as of December 31, 2022 were:

- Prof. Dr. Birgit Vogel-Heuser (Chairwoman)
- Dr. Martin Kleinschmitt
- Martin Heiß
- Horst Ott

The Nomination Committee has the task of proposing to the Supervisory Board suitable shareholder representatives for election to the Supervisory Board at the Annual General Meeting. As well as the required knowledge, skills and professional experience, the objectives designated by the Supervisory Board for its composition and the competence profile drawn up for the entire Supervisory Board should be taken into account when proposing candidates. When determining its composition, the Supervisory Board should, in particular, suitably consider the Company's international activities, the age limit specified and diversity. Attention must be paid to ensuring appropriate representation of women and men in accordance with the statutory gender representation requirements and to ensuring that the members of the Supervisory Board as a whole are familiar with the sector in which the Company operates.

The Nomination Committee's members as of December 31, 2022 were:

- Gabriele Sons (Chairwoman)
- Prof. Dr. Birgit Vogel-Heuser
- Jürgen Kostanjevec

The Chairman's Committee's task is to support the Chairman of the Supervisory Board in the performance of his duties, particularly the preparation of the meetings and the coordination of the Supervisory Board's activities as well as the preparation of the resolutions to be passed by the Supervisory Board.

The Chairman's Committee's members as of December 31, 2022 were:

- Dr. Martin Kleinschmitt
- Horst Ott

Further details of the working methods and composition of the Supervisory Board and its committees are based on the rules of procedure for the Supervisory Board, which are publicly available at https://www.grammer.com/en/investor-relations/corporate-governance.html.

Supervisory Board self-assessment

The Supervisory Board and its committees regularly review, either internally or with the involvement of external advisors, how effectively the Supervisory Board as a whole and its committees are performing their duties. With the support of an external advisor, the Supervisory Board conducted a self-assessment in the 2022 financial year that incorporated the perspectives of the Audit Committee, the Personnel and Mediation Committee and the Executive Board and discussed its findings and resulting measures at its meeting on November 9, 2022.

The overall result of the 2022 self-assessment was positive and confirmed constructive collaboration within the Supervisory Board and with the Executive Board. The composition and structure of the Supervisory Board, including the committees, are considered effective and efficient. There was no evidence that fundamental changes are needed, although the board's strategic work in particular should be strengthened. Individual recommendations for action to further optimize the work of the Supervisory Board are also taken on board and implemented throughout the year.

5. Targets within the meaning of section 76 (4) AktG for the representation of women in the two management levels below the Executive Board; disclosure on compliance with minimum quota requirements in the composition of the Executive Board and the Supervisory Board

When filling management positions within the Company, the Executive Board pays attention to diversity and strives, in particular, to give appropriate consideration to women and an international background. In line with statutory requirements in Germany, the Executive Board has set targets for the share of women at GRAMMER AG in the two management levels below the Executive Board within the meaning of section 76 (4) AktG of 15% for the first management level below the Executive Board and 20% for the second level below the Executive Board by September 30, 2025. As of December 31, 2022, 17.6% of those employed at the first management level below the Executive Board were female and 13.7% at the second level. This is higher than the target set for the first management level, although the target for the second management level below the Executive Board had not yet been achieved as of December 31, 2022.

As the Executive Board of GRAMMER AG has three/two members, the minimum quota requirement of section 76 (3a) AktG does not apply. In accordance with section 111 (5) AktG, in 2020 the Supervisory Board set the target of 33% for the proportion of women on the GRAMMER AG Executive Board by December 31, 2023. The Executive Board of GRAMMER AG comprised two men and one woman in the 2022 financial year until May 31, 2022. Since June 1, 2022, it has comprised one woman and one man, meaning that the target was reached/exceeded. Regardless of this, giving consideration to women is a material aspect of the Supervisory Board's long-term succession planning for the Executive Board. It considers the Company's executive planning and takes account of diversity.

In the period under review, the composition of the Supervisory Board in terms of the representation of women and men complied with the statutory minimum representation requirements.

6. Diversity policy for the Executive Board and long-term succession planning

When selecting members of the Executive Board, the Supervisory Board looks at their personal suitability, integrity, the presence of convincing leadership qualities, international experience, professional qualifications for the area of responsibility to be taken on, past performance, knowledge of the Company and ability to adapt business models and processes in a changing world.

Diversity is an important selection criterion when Executive Board positions are filled and also includes aspects such as age, gender and educational and professional background. When selecting members of the Executive Board, the Supervisory Board also considers the following aspects in particular:

- In addition to the specific technical knowledge and management and leadership experience required for the task in question, the members of the Executive Board should possess as broad a range of knowledge and experience as possible as well as educational and professional backgrounds.
- With a view to the Company's international orientation, the composition of the Executive Board should take into account international profiles in the sense of different cultural backgrounds or international experience.
- The Executive Board as a whole should have experience in the business segments that are important for GRAMMER, particularly the industrial and automotive sectors.
- The Executive Board as a whole should have many years of experience in research and development, technology, purchasing, production and sales, finance, as well as legal matters (including compliance) and human resources.
- Diversity also refers to gender diversity. The minimum quota requirement of section 76 (3a) AktG does not currently apply to the Executive Board of GRAMMER AG. When Executive Board positions are filled, the target set by the Supervisory Board in accordance with section 111 (5) AktG for the representation of women on the Executive Board must be taken into account. The Supervisory Board has set a target of 33% for the representation of women on the Executive Board.
- It is considered helpful to have different age groups represented on the Executive Board. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has set an age limit for the members of the Executive Board. Consequently, persons appointed to the Executive Board should not be older than 63 at the time of their initial or reappointment.

A decision on filling a specific position on the Executive Board is always based on the interests of the Company, taking into account all the circumstances of the individual case.

Implementation of the diversity policy for the Executive Board in the last financial year

The diversity policy for the Executive Board is implemented as part of the appointment process. The Supervisory Board and/or the Personnel and Mediation Committee observe the requirements set out in the diversity policy for the Executive Board when selecting candidates or proposing candidates for appointment to the Executive Board.

In its current composition, the Executive Board meets all requirements of the diversity concept. The members of the Executive Board possess a broad range of knowledge and experience, as well as educational and professional backgrounds and have international experience. The Executive Board as a whole possesses all the knowledge and experience considered essential in view of GRAMMER's activities. The Executive Board as a whole has experience in the business segments that are important for GRAMMER. Appropriate consideration is given to women. The target of 33% set by the Supervisory Board was met/exceeded last year. The Executive Board has a female member, Jurate Keblyte. No member of the Executive Board is currently older than 63.

Long-term succession planning for the Executive Board

Together with the Executive Board, the Supervisory Board is responsible for long-term succession planning for the Executive Board and is supported here in a preparatory capacity by the Personnel and Mediation Committee. In addition to the requirements of the German Stock Corporation Act and the recommendations of the Code and the rules of procedure, long-term succession planning takes into account the target set by the Supervisory Board for the representation of women on the Executive Board as well as the criteria defined in the diversity policy adopted by the Supervisory Board for the composition of the Executive Board. Taking into account the specific qualification requirements and the aforementioned criteria, the Personnel and Mediation Committee prepares an ideal profile, on the basis of which it draws up a shortlist of available candidates. Structured interviews are conducted with these candidates. A recommendation is then submitted to the Supervisory Board. If required, the Supervisory Board and/or the Personnel and Mediation Committee are supported by external consultants in the definition of job profiles and the selection of candidates.

7. Objectives for the composition, competence profile and diversity policy for the Supervisory Board

The Supervisory Board of GRAMMER AG should be composed in such a way as to ensure that the Executive Board receives qualified supervision and advice from it. In this context, the complementary interaction of members with different personal and professional backgrounds as well as diversity in terms of internationality, age and gender is considered helpful.

Competence profile

Based on their knowledge, skills and experience, the candidates proposed for election to the Supervisory Board should be able to perform the duties of a Supervisory Board member in an internationally active and capital market-oriented company and safeguard the GRAMMER Group's public reputation. Particular attention should be paid to the personality, integrity and commitment of the proposed candidates here. The aim is for the Supervisory Board as a whole to possess all the knowledge and experience considered essential in view of GRAMMER's activities. These include knowledge and experience of research and development, production and sales, (new) technologies, accounting, risk management and compliance. In addition, the Supervisory Board should have knowledge and experience in the business segments, markets and regions that are important for GRAMMER. The members of the Supervisory Board as a whole should be familiar with the sector in which the Company operates.

Under the German Stock Corporation Act, at least one member of the Supervisory Board must be an expert in the area of accounting and at least one additional member of the Supervisory Board must be an expert in auditing. Expertise in the area of accounting should take the form of particular knowledge and experience in the application of accounting principles and internal control and risk management systems and expertise in auditing in the form of particular knowledge and experience of auditing. Accounting and auditing also include sustainability reporting and auditing of this reporting. The Chairman of the Audit Committee should be knowledgeable and independent in at least one of the two areas.

Which of the desirable skills on the Supervisory Board is to be strengthened should be determined whenever a new candidate is to be elected to the Supervisory Board.

International profile

With a view to the Company's international orientation, it should be ensured that the Supervisory Board has a sufficient number of members with international experience.

Diversity

Sufficient diversity should be ensured in the composition of the Supervisory Board. In addition to the appropriate representation of women, this also includes diversity with regard to cultural origins as well as the diversity of educational and professional backgrounds, experience and ways of thinking. When considering potential candidates for by-election or replacement for positions on the Supervisory Board that become vacant, the aspect of diversity should be given appropriate consideration at an early stage of the selection process.

In accordance with the German Stock Corporation Act (AktG), the Supervisory Board must be composed of at least 30% women and 30% men.

Independence

The Supervisory Board should have an appropriate number of independent members (according to its own definition of appropriate), taking into account the shareholder structure. More than half of the shareholder representatives should be independent of the Company and the Executive Board. Significant conflicts of interest that are not merely temporary should be avoided. No more than two former members of GRAMMER AG's Executive Board are permitted to hold seats on the Supervisory Board.

The members of the Supervisory Board should have sufficient time to exercise their mandate with the requisite regularity and diligence.

Age limit

In accordance with the age limit specified by the Supervisory Board, only persons who are no older than 70 years of age at the time of being elected or re-elected are proposed for election as members of the Supervisory Board.

Implementation of the objectives for the composition, competence profile and diversity policy for the Supervisory Board in the last financial year; independent members of the Supervisory Board

The Supervisory Board as well as its Nomination Committee, take into account the objectives for the composition of the Supervisory Board and the requirements set out in the diversity policy during the selection process and the nomination of candidates for the Supervisory Board. The Nomination Committee and the Supervisory Board took these objectives into account when preparing the election proposals for the two shareholder representatives selected by the 2022 Annual General Meeting. The Supervisory Board believes that its current composition meets the targets with respect to composition and fulfills the competence profile and diversity policy. The members of the Supervisory Board have the professional and personal qualifications deemed necessary. The members of the Supervisory Board as a whole are familiar with the sector in which the Company operates and possess the knowledge, skills, capabilities and experience considered necessary for GRAMMER in the in areas of research and development, production and sales, (new) technologies, accounting, risk management and compliance. The Supervisory Board also has knowledge and experience in the business segments, markets and regions that are important for GRAMMER. Some of the Supervisory Board members work internationally or have many years of international experience. Diversity is duly taken into account in the composition of the Supervisory Board. In the reporting year, the Supervisory Board had five female members from May 18, 2022 onwards (until May 18, 2022 four female members), including three shareholder representatives and two employee representatives (separate fulfillment pursuant to section 96 (2) sentence 3 AktG). Women thus make up 41.7% of the Supervisory Board (as of: December 31, 2022). The shareholder representatives believe that all six shareholder representative members are independent within the meaning of the Code. The defined age limit is observed.

The implementation status of the competence profile for the shareholder representatives is shown below in the form of a qualification matrix.

Qualification matrix of the Supervisory Board of GRAMMER AG

as of December 31, 2022

		Dr. Martin Kleinschmitt	Dr.-Ing. Ping He	Jürgen Kostanjevec	Prof. Dr.-Ing. Birgit Vogel-Heuser	Dagmar Rehm	Gabriele Sons
	Member since/elected until *	**2022/2025**	**2020/2025**	**2020/2025**	**2017/2025**	**2020/2025**	**2020/2025**
Function	Supervisory Board	Chairman	Member	Member	Member	Member	Member
	Audit Committee	Member				Chairwoman	
	Nomination Committee			Member	Member		Chairwoman
	Personnel and Mediation Committee	Member					Chairwoman
	Strategy Committee	Member			Chairwoman		
	Chairman's Committee	Member					
Independence	Independence according to DCGK	yes	yes	yes	yes	yes	yes
Diversity	Sex	male	male	male	female	female	female
	Age cluster	56 - 65	56 - 65	56 - 65	56 - 65	56 - 65	56 - 65
	Nationality	German	Chinese	German	German	German	German
	International Experience	✓	✓	✓	✓	✓	✓
	Educational background	Lawyer	Engineer	Engineer	Engineer	Economist	Lawyer
Professional competences	Management / Leadership	✓		✓	✓	✓	✓
	Strategy / Market Development / Business Devel.		✓	✓	✓	✓	
	Corporate development and -organization	✓		✓	✓	✓	✓
	Industry and sector knowledge in GRAMMER business segments (global perspective)	✓	✓	✓			
	Operations / Operational Excellence			✓	✓		
	New technologies, products and services		✓		✓		
	Digitalization / IT / Software		✓		✓		
	Sales / Marketing			✓	✓		
	Human Resources / New Work	✓					✓
	ESG / Sustainability	✓	✓	✓		✓	
	Legal / Compliance / Corporate Governance	✓		✓		✓	✓
	Control systems (CMS, RMS, ICS, internal audit)	✓		✓		✓	

		Dr. Martin Kleinschmitt	Dr.-Ing. Ping He	Jürgen Kostanjevec	Prof. Dr.-Ing. Birgit Vogel-Heuser	Dagmar Rehm	Gabriele Sons
Professional competences	Accounting	✓				✓	
	Financial audit	✓				✓	
	Restructuring / Transformation	✓	✓	✓	✓	✓	✓
	Financing / Capital Markets	✓	✓			✓	
	Experience in Advisory or Supervisory boards	✓	✓		✓	✓	✓
Proven Expert	Financial expert pursuant to Sec. 100 (5) AktG						
	Accounting Expert	✓					
	Audit Expert					✓	
	ESG Expertise according to DCGK					✓	

Note: at least 75% as part of the annual self-assessment.

8. Directors' dealings

Members of the Executive Board and the Supervisory Board, as well as persons closely related to them, must disclose transactions with shares of debt instruments of GRAMMER AG or related financial instruments if the value of the transaction exceeds EUR 20,000 within one calendar year. The transactions reported to GRAMMER AG are properly published and are available at https://www.grammer.com/en/investor-relations/corporate-governance/directors-dealings.html. No transactions were reported in the last financial year.

9. Annual General Meeting and shareholder communication

The shareholders exercise their rights at the Annual General Meeting. At the Annual General Meeting, the shareholders pass resolutions on the appropriation of profits, the ratification of the actions of the members of the Executive Board and the Supervisory Board and the election of the auditors, among other things. The shareholders pass resolutions on amendments to the articles of association and capital measures, which are duly implemented by the Executive Board. By using electronic means of communication, primarily the internet, Executive Board makes it easier for shareholders to take part in the Annual General Meeting and be represented by voting proxies when exercising their voting rights in accordance with the instructions issued; the voting proxies can also be reached during the Annual General Meeting. Shareholders may also cast their votes in writing or electronically (postal vote). They can submit motions on resolutions proposed by the Executive Board and Supervisory Board and contest resolutions passed at the Annual General Meeting.

The reports, documents and information required by law for the Annual General Meeting, including the annual report, are available on the Internet, as are the agenda for the Annual General Meeting and any countermotions or election proposals from shareholders that are required to be disclosed. When shareholder representatives are to be elected to the Supervisory Board, a detailed resume is published for each candidate.

On account of the special circumstances arising from the COVID-19 pandemic, the Annual General Meeting on May 18, 2022 was held as a virtual Annual General Meeting without the physical presence of the shareholders or their proxies in accordance with section 1 of the Act Governing Measures In Company Law, Laws On Cooperatives, Association Law, Foundation Law And Residential Property Law To Combat The Effects Of The COVID-19 Pandemic of March 27, 2020 (Federal Law Gazette I no. 14 2020, page 570) in the version amended by the Act to Further Shorten the Residual Debt Discharge Procedure and Amend Pandemic-related Provisions in Company Law, Laws On Cooperatives, Association Law, Foundation Law And in Rental and Lease Law of December 22, 2020 (Federal Law Gazette I no. 67 2020, page 3332), the term of which was extended until August 31, 2022 by the Act to Establish a Special Fund "Aufbauhilfe 2021" and Temporarily Suspend the Obligation to File for Insolvency Due to Heavy Rainfall and Flooding in July 2021 and to Amend Other Acts of September 10, 2021 (Federal Law Gazette I no. 63 2021, page 4153). As part of the investor relations work, the Company provides comprehensive information on developments at the Company. Among other things, quarterly statements, half-yearly financial and annual reports, earnings reports, ad hoc announcements, analyst presentations, press releases and the financial calendar for the current year, which includes the publication dates that are important for financial communications and the date of the Annual General Meeting, are published at https://www.grammer.com/en/investor-relations.html. GRAMMER AG's articles of association and the rules of procedure for the Supervisory Board, the declarations of conformity and other corporate governance documents can be found online at https://www.grammer.com/en/investor-relations/corporate-governance.html.

10. Members of the Executive Board and Executive Board member mandates

The Executive Board's members in the 2022 financial year were:

				Seats on other Supervisory Boards required by law or comparable domestic and foreign governing bodies of commercial enterprises	
Name	**Year of birth**	**First appointed on**	**Appointed until**	**External mandates (as of December 31, 2022)**	**Group mandates (as of: December 31, 2022)**
Jens Öhlenschläger Spokesman from June 1, 2022	1964	January 1, 2019	December 31, 2026	–	**Board of Directors:** – Allygram Systems and Technologies Pvt. Ltd., India – Grammer Vehicle Parts (Harbin) Co., Ltd., China **Supervisory Board:** – Grammer (China) Holding Co., Ltd., China – Grammer Interior (Beijing) Co., Ltd., China – Grammer Interior (Changchun) Co., Ltd., China – Grammer Interior (Shanghai) Co., Ltd., China – Grammer Interior (Tianjin) Co., Ltd., China – Grammer Seating (Ningbo) Co., Ltd., China – Grammer Seating (Shaanxi) Co., Ltd., China – Grammer Vehicle Parts (Shenyang) Co., Ltd., China – Grammer Vehicle Interiors (Hefei) Co., Ltd., China – Grammer Japan Ltd., Japan
Jurate Keblyte CFO	1975	August 1, 2019	June 30, 2027	– Member of the Supervisory Board of HAWE Hydraulik SE, Aschheim/Munich (not listed) – Member of the Supervisory Board of Ottobock SE & Co. KGaA, Duderstadt (not listed)	**Board of Directors:** – Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd., China
Thorsten Seehars Chairman until May 31, 2022	1972	August 1, 2019	May 31, 2022	–	**Board of Directors:** – GRA-MAG Truck Interior Systems LLC, USA (until May 31, 2022) – Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd., China (until May 31, 2022) – GRAMMER Vehicle Parts (Harbin) Co., Ltd., China (until May 31, 2022)

11. Members of the Supervisory Board and Supervisory Board member mandates

The Supervisory Board's members in the 2022 financial year were:

Name, place of residence	Profession	Year of birth	Member since	Appointed until[1]	Membership in Supervisory Boards required by law as well as in comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2022)
Dr. Martin Kleinschmitt Berlin **(Chairman)**	Partner at Noerr Partnergesellschaft mbB, Executive Board member at Noerr Consulting AG	1960	May 18, 2022	2025	– Chairman of the Supervisory Board at SAF-HOLLAND SE[3], Bessenbach – Chairman of the Supervisory Board at SAF-HOLLAND GmbH, Bessenbach – Chairman of the Supervisory Board at G&H Bankensoftware AG, Berlin
Horst Ott[2] Königstein **(Deputy Chairman)**	First Representative of IG Metall Amberg	1966	July 30, 2012	2025	
Klaus Bauer[2] Ensdorf	Plant manager at GRAMMER Deutschland GmbH, Kümmersbruck	1970	September 1, 2020	2025	
Andrea Elsner[2] Ebermannsdorf	Business management assistant, member of the Works Council at GRAMMER AG	1979	May 20, 2015	2025	
Dr. Ping He Wenzenbach-Irlbach	Former development engineer in the Powertrain Division of Continental AG (retired)	1957	July 8, 2020	2025	
Martin Heiß[2] Sulzbach-Rosenberg	Management assistant for data processing, Chairman of the Works Council at GRAMMER AG	1971	May 20, 2015	2025	
Peter Kern[2] Kümmersbruck	Locksmith, member of the Works Council at GRAMMER AG	1963	July 8, 2020	2025	
Jürgen Kostanjevec Köln	Independent consultant	1961	July 8, 2020	2025	
Dagmar Rehm Langen	Independent management consultant	1963	May 18, 2022	2025	– Member of the Supervisory Board of Koenig & Bauer AG[3], Würzburg – Member of the Supervisory Board of O'Donovan AG, Bad Homburg – Non-executive Director, Renewable Power Capital Ltd., London, United Kingdom

Name, place of residence	Profession	Year of birth	Member since	Appointed until[1]	Membership in Supervisory Boards required by law as well as in comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2022)
Gabriele Sons Berlin	Attorney at Law in the Sons Law Firm	1960	July 8, 2020	2025	– Member of the Supervisory Board of ElringKlinger AG[3], Dettingen/Erms – Member of the Board of Directors of Accelleron Industries AG[3], Baden, Switzerland
Prof. Dr. Birgit Vogel-Heuser Garching	Electrical engineer, Professor of Automation and Information Systems at the Technical University of Munich	1961	July 26, 2017	2025	– Member of the Supervisory Board of HAWE Hydraulik SE, Aschheim/Munich
Antje Wagner[2] Frankfurt am Main	Lawyer, Trade Union Secretary, IG Metall Management Board	1966	September 16, 2019	2025	– Member of the Supervisory Board of WISAG Produktionsservice GmbH, Frankfurt am Main
Former members					
Dr. Peter Merten Heppenheim	Management consultant	1954	May 20, 2015	May 18, 2022	– Member of the Advisory Board of Deutsche Bank AG, Mannheim – Member of the Advisory Board of KAMAX Holding GmbH & Co. KG, Homberg (Ohm)
Alfred Weber Stuttgart	Former Chief executive Officer of MANN+HUMMEL GmbH (retired)	1957	July 8, 2020	May 18, 2022	– Chairman of the Advisory Board of SÜDPACK Verpackungen GmbH & Co. KG, Ochsenhausen

[1] Term of office ends at the close of the respective Annual General Meeting

[2] Employee representative

[3] Listed

"Our employees, managers and the Executive Board, working together and in close cooperation with our customers, have impressively mastered the major challenges of the past fiscal year."

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

Dear Shareholders,

The 2022 financial year was a challenging year dominated by geopolitical turbulence and major challenges for the global economy. The Executive Board, managers and employees at GRAMMER have met these challenges with impressive commitment and great perseverance.

We were all deeply shocked by the outbreak of war in Ukraine in February 2022. As well as the enormous suffering inflicted on the people of Ukraine, the war also had serious repercussions for global economic performance in 2022 that our Company was unable to escape. Sharp hikes in the costs of energy, materials and logistics, as well as disruption to supply chains and the global semiconductor shortage, have presented us with enormous challenges over the last year.

At the same time as the war, the COVID-19 pandemic continued to shape the lives of people around the world. Thanks to our employees' great commitment, we successfully kept operations largely running at our global locations. This is particularly true of our sites in China, where the effects of the pandemic were most pronounced this year.

Looking back at the last year, we can also report various changes to the Executive Board and the Supervisory Board: In May 2022, the Supervisory Board and the Chairman of the Executive Board Thorsten Seehars mutually agreed to end his term in office. During the year, the Supervisory Board approved a new Executive Board structure with Jens Öhlenschläger as the Executive Board spokesman and Jurate Keblyte as a member of the Executive Board and Human Resources Director. Dagmar Rehm and I were elected as new Supervisory Board members at the Annual General Meeting following the resignation of Alfred Weber and Dr. Peter Merten. On behalf of the Supervisory Board, I would like to thank them all for their great dedication over the last few years.

Despite the challenges that were already foreseeable in May 2022, it was an honor for me to take on the position of Chairman of the Supervisory Board and, together with my Supervisory Board colleagues, help drive GRAMMER's responsible and sustainable development moving forward.

Monitoring and advisory activities of the Supervisory Board

The Supervisory Board performed all the duties required of it by law, the articles of association and rules of procedure with the utmost diligence last year. We monitored and advised the Executive Board in its management of the Company on the basis of the Executive Board's detailed written and verbal reports. In addition, members of the Supervisory Board regularly exchanged information with the Chairman/Spokesman of the Executive Board and the other Executive Board members. This way, the Supervisory Board was informed at all times of the intended business policy, corporate planning (including financial, investment and personnel planning), the Company's profitability and financial position, business developments and the position of the Company and the Group. The Supervisory Board was involved directly and at an early stage in all decisions of key importance to the Company and discussed these in detail with the Executive Board. Where Supervisory Board approval was required for management decisions or measures on account of the law, articles of association or rules of procedure, the members of the Supervisory Board – in some cases prepared by the committees – approved these after reviewing and discussing them.

Topics addressed by the Supervisory Board as a whole

The Supervisory Board of GRAMMER AG held five ordinary and five extraordinary meetings last year. Three meetings were held in person, three as hybrid meetings (i.e. in person with the option to attend virtually) and four were held by video conference. No meetings were held as conference calls. Three resolutions were also passed outside meetings by way of a digital process.

The board as a whole regularly discussed the Executive Board's reporting on the revenue and earnings performance of GRAMMER AG and the Group and the financial position and results of operations. We also dealt with business requiring approval and discussed business in the Americas region in more detail as required. In addition, the Executive Board reported on the political and economic impact of the war in Ukraine and how this affects GRAMMER, as well as the ongoing implications of the

COVID-19 pandemic. In particular, we focused on the risk of supply chain bottlenecks and higher prices for raw materials, logistics and energy. The Supervisory Board also met regularly in the absence of the Executive Board to deal with matters relating either to the Executive Board itself or to internal Supervisory Board matters.

The first extraordinary Supervisory Board meeting on January 18, 2022 centered around discussions of the 2022 budget, medium-term planning for 2023-2026 and the passing of resolutions.

The second extraordinary meeting of the Supervisory Board was held on March 9, 2022. During this meeting, the Chairman of the Supervisory Board Alfred Weber and the Supervisory Board member Dr. Peter Merten informed the other members that they would be resigning from their positions at the end of the Company's Annual General Meeting on May 18, 2022. The shareholder representatives also resolved some changes to the composition of the Nomination Committee.

As well as Executive Board reporting on the Company's current position, agenda items at the first Supervisory Board meeting on March 29, 2022 included the approval and thus adoption of the annual financial statements and consolidated financial statements as of December 31, 2021 and the management reports for GRAMMER AG and the Group, related resolutions and the use of the net loss for the 2021 financial year. This meeting also established the target values for Executive Board remuneration for 2022 and carried out the Executive Board performance evaluation for 2021.

The third extraordinary meeting of the Supervisory Board was held on April 1, 2022. At this meeting, the Supervisory Board's proposals for the election of shareholder representatives to the Supervisory Board were adopted and the agenda for the Annual General Meeting in 2022 was approved. Dagmar Rehm and Dr. Martin Kleinschmitt were proposed as shareholder representatives on the Supervisory Board. Both proposals were in line with the Supervisory Board's competence profile, diversity concept and the targets it has set for its composition and also meet the statutory requirements for the composition of the board.

In a resolution passed outside a meeting by way of a digital process, on April 21, 2022 the Supervisory Board resolved to approve the combined separate non-financial report for the 2021 financial year.

The fourth extraordinary meeting of the Supervisory Board on May 16, 2022 mutually resolved to end Thorsten Seehars's term as member of the Executive Board and terminate his service contract as of the end of May 31, 2022 and to appoint Jurate Keblyte as interim Human Resources Director, Jens Öhlenschläger as interim Spokesman of the Executive Board and resolved the future responsibilities of the two-member Executive Board.

The second Supervisory Board meeting on May 17, 2022 focused on reporting by the Executive Board on the current business situation and information about GRAMMER AG's Annual General Meeting, which was being held on the next day. At the constituent Supervisory Board meeting that followed the Annual General Meeting on May 18, 2022, the Supervisory Board elected Dr. Martin Kleinschmitt as Chairman. Some new members were also elected to Supervisory Board committees on account of the departure of former members, Alfred Weber and Dr. Peter Merten.

In a resolution passed outside a meeting by way of a digital process, on June 14, 2022 the Supervisory Board resolved to approve the extension of and amendment to the existing syndicated loan agreement, contract amendments for bilateral loan agreements and the registered bond issued by the Company.

The third Supervisory Board meeting was held on September 27, 2022. At this meeting, the Executive Board again reported at length on the Company's current business situation. The board also received reports on the results of the 2021 employee survey, succession planning at GRAMMER and information on cyber security in the Group. It passed a resolution approving the establishment of two new companies in Brazil and discussed the need for changes to the rules of procedure for the Executive Board and the Supervisory Board. It also resolved to appoint Jens Öhlenschläger as the Executive Board spokesman with effect from October 1, 2022 for the duration of his appointment as a member of the Executive Board, and Jurate Keblyte as Human Resources Director with effect from October 1, 2022 for the duration of her appointment as an Executive Board member and to amend the responsibilities of the Executive Board accordingly. The Supervisory Board also approved the composition of the Executive Committee established by the Executive Board, which supports the work of the Executive Board as an extended body.

The fourth ordinary Supervisory Board meeting was held as an executive session without the Executive Board on November 9, 2022. Presentations were given on current governance and sustainability topics to aid the further training of the Supervisory Board: The Supervisory Board was informed about the current German Corporate Governance Code and the effects of the most recent changes in 2022 for GRAMMER AG, the act introducing virtual annual general meetings for stock corporations and about the EU taxonomy regulation and its impact on GRAMMER. The Supervisory Board also looked closely at the results of the 2022 self-assessment that was conducted in the weeks prior to the meeting in the form of questionnaires and interviews. It also considered the work of the committees, focusing this year on the Audit Committee and the Personnel and Mediation Committee. The Executive Board's perspective was also integrated into the survey. Overall, the Supervisory Board and its committees was considered to be efficient and was essentially rated favorably. Measures to continually improve our work were resolved on the basis of this. The Supervisory Board also discussed required changes to its competence profile and set out what it considers the necessary Supervisory Board competences. These will be determined for individual members in the following weeks so that they can be agreed as a qualification matrix at the next Supervisory Board meeting. Finally, at the meeting the Supervisory Board resolved updated rules of procedure for the Executive Board and the Supervisory Board of GRAMMER AG.

At the fifth ordinary Supervisory Board meeting on December 20, 2022, the Supervisory Board was informed about the current state of the Company as part of regular reporting by the Executive Board. The meeting also focused on discussing and approving the budget presented by the Executive Board for the 2023 financial year and medium-term planning for 2024-2027. The corporate strategy was also reported on in detail. In addition, the Supervisory Board decided – based on the recommendation and preference of the Audit Committee – to propose appointing BDO AG Wirtschaftsprüfungsgesellschaft as auditor of the annual financial statements and the consolidated financial statements for financial year 2024 to the 2024 Annual General Meeting. It also discussed the recommendations of the German Corporate Governance Code and the approval of the 2022 declaration of conformity. The board received annual reports on risk management, the internal control and compliance system and measures by Internal Audit. Without the attendance of the Executive Board, the target values for Executive Board remuneration were established for the 2023 financial year and the Supervisory Board qualification matrix was resolved.

German Corporate Governance Code

The Supervisory Board agreed a declaration of conformity in accordance with section 161 AktG at the Supervisory Board meeting on December 20, 2022. Information on corporate governance can be found in the corporate governance declaration, which is available at https://www.grammer.com/en/investor-relations/corporate-governance.html. The declaration of conformity is permanently available to the public online at https://www.grammer.com/en/investor-relations/corporate-governance.html. The current declaration of conformity is also included in the corporate governance declaration.

Work of the Supervisory Board's committees

The Supervisory Board had five committees in the reporting year. They prepare resolutions and topics to be discussed by the Supervisory Board as a whole. Decision-making authorities of the Supervisory Board are assigned to committees as permitted by law. The committee chairs generally report on the work of the committees to the Supervisory Board at the following meeting. The tasks and members of the committees are set out in detail in the corporate governance declaration.

The Audit Committee held four ordinary meetings and one constituent meeting, at which Dagmar Rehm was elected Committee Chairwoman on May 30, 2022. Two meetings were held in person and three as virtual video conferences. In the presence of the auditor and the Executive Board, the Audit Committee discussed the annual financial statements and the management reports for GRAMMER AG and the Group. It discussed the half-yearly financial report and quarterly statements with the Executive Board. As part of preparing and carrying out the audit, the Audit Committee, primarily the Chairwoman, regularly met with the auditor without the Executive Board and reported on this to the committee. The Audit Committee recommended that the Supervisory Board propose Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to the Annual General Meeting as auditor for the 2022 financial year. It issued the audit engagement to the auditor selected by the Annual General Meeting for the 2022 financial year, determined the main focal points of the audit and set the fees. It monitored the selection, independence, qualifications and rotation of the auditor and the auditor's services, as well as reviewing the quality of the audit. The Audit Committee also discussed the accounts, the accounting system, the appropriateness and efficacy of the Company's internal control system and risk management system and the effectiveness and findings of Internal Auditing. In addition, the Audit Committee addressed compliance with legal provisions, regulations and internal company policies. Another focus of the Audit Committee's work in the 2022 financial year – due to the mandatory external rotation of the auditor scheduled at the end of the 2023 financial year – was on preparing and implementing a transparent, non-discriminatory process for selecting the auditor for 2024. At its meeting on March 29, 2022, the Audit Committee thus resolved to initiate a tendering process in accordance Article 16 of the EU Audit Regulation (Regulation (EU) No. 537 /2014 of the European Parliament and of the Council dated April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, "EU Audit Regulation"). After carefully reviewing the applicants, the Audit Committee resolved to propose the two audit firms Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, and BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, with preference given to BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, to the Supervisory Board as auditor for the financial year beginning on January 1, 2024. The committee passed two resolutions outside a meeting by way of a digital process to approve certain non-audit services and to approve meeting minutes.

The Personnel and Mediation Committee met eight times last year. At the June 20, 2022 meeting, Gabriele Sons was elected chair of the committee. One meeting was held in person and seven as virtual video conferences. In particular, the committee prepared the Supervisory Board's resolutions for achieving and setting performance criteria and the targets for variable Executive Board remuneration and approved the admission of an Executive Board member at another company to the Supervisory Board. One focus topic of the meetings was on preparing the Supervisory Board's personnel decisions. For example, the committee prepared the mutual termination agreement with the member and Chairman of the Executive Board, Thorsten Seehars, as of May 31, 2022. It also recommended that the Supervisory Board appoint Jens Öhlenschläger as Spokesman of the Executive Board and Jurate Keblyte as Human Resources Director and that it amend the responsibilities of the Executive Board accordingly.

The Nomination Committee held five meetings, one of which was held in person, one as a hybrid meeting (i.e. in person with the option to attend virtually) and three by video conference. At the March 14, 2022 meeting, Gabriele Sons was elected committee chair. After two members of the Supervisory Board, Alfred Weber and Dr. Peter Merten, announced in March 2022 that they would resign with effect from the end of the 2022 Annual General Meeting, the committee initiated a selection process to find replacements for the two vacancies and prepared the Supervisory Board's proposals for the election of shareholder representatives to the Supervisory Board for the 2022 Annual General Meeting. The Nomination Committee was occasionally supported by an external advisor. When selecting potential candidates and preparing a recommended resolution to the Supervisory Board, Nomination Committee took particular account of the objectives for the Supervisory Board's composition, including its competence profile and diversity concept, and the requirements of the AktG and the German Corporate Governance Code. There was a particular focus here on financial and transformation expertise, as well as expertise in sustainability issues. The election proposals were recommended to the Supervisory Board in a resolution passed outside a meeting by way of a digital process.

The Strategy Committee held one in-person meeting, at which Prof. Dr. Birgit Vogel-Heuser was elected committee chair on November 9, 2022. This focused on presenting the GRAMMER's strategy process and discussing selected strategic issues related to the Automotive and Commercial Vehicles divisions.

The Chairman's Committee met on four occasions, with all meetings held as conference calls. The Chairman's Committee prepared the ordinary meetings and resolutions of the Supervisory Board and coordinated the board's work, chiefly in relation to the content and focus topics of meetings.

Supervisory Board training

The members of the Supervisory Board take their own initiative to undertake any training that may be required for their role and are supported here by the Company. Presentations on current issues are given for the purposes of targeted training, primarily at board meetings. For example, at the meeting on November 9, 2022, the Supervisory Board was informed about the current German Corporate Governance Code and the effects of the most recent changes for GRAMMER AG, the act introducing virtual annual general meetings for stock corporations and about the EU taxonomy regulation and its impact on GRAMMER.

Individual disclosure of meeting attendance

The attendance rate was 96% for Supervisory Board meetings, 100% for the Audit Committee, Strategy Committee, Nomination Committee and Chairman's Committee and 97% for the Personnel and Mediation Committee. On account of the COVID-19 pandemic, meetings in the reporting year were held not only as in-person events but also as virtual video conferences or as in-person meetings with the option to attend virtually (hybrid meetings). Chairman's Committee meetings were held as conference calls.

Individual Supervisory Board members' attendance at the meetings of the Supervisory Board and its committees is shown below:

Attendance at the meetings of the Supervisory Board

Number of meetings /attendance in %		Full Supervisory Board		Audit Committee		Personnel and Mediation Committee		Nominating Committee		Strategy Committee		Chairman's Committee	
		Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Martin Kleinschmitt	Chairman (since May 18, 2022)	4/4	100	3/3	100	4/4	100			1/1	100	2/2	100
Horst Ott	Deputy Chairman	8/10	80			7/8	88			1/1	100	4/4	100
Klaus Bauer	Member	10/10	100										
Andrea Elsner	Member	10/10	100	5/5	100								
Dr. Ping He	Member	10/10	100										
Martin Heiss	Member	10/10	100			8/8	100			1/1	100		
Peter Kern	Member	10/10	100										
Jürgen Kostanjevec	Member	10/10	100					5/5	100				
Dagmar Rehm	Member (since May 18, 2022)	4/4	100	3/3	100								
Gabriele Sons	Member	10/10	100			8/8	100	5/5	100				
Prof. Dr. Birgit Vogel-Heuser	Member	10/10	100					5/5	100	1/1	100		
Antje Wagner	Member	7/10	70	5/5	100								
Former members													
Alfred Weber	Chairman (until May 18, 2022)	6/6	100	2/2	100	4/4	100					2/2	100
Dr. Peter Merten	Member (until May 18, 2022)	6/6	100	2/2	100								
			96		**100**		**97**		**100**		**100**		**100**

Conflicts of interest

GRAMMER AG's Supervisory Board members are obliged to immediately report any conflicts of interest, especially those that may arise on account of a consultation or board function at a customer, supplier, lender or other business partner, to the Chairman of the Supervisory Board and then to the board as a whole. No members of the Executive Board or Supervisory Board were involved in any (potential) conflicts of interest in the reporting year.

Audit of 2022 annual and consolidated financial statements

The Annual General Meeting of GRAMMER AG appointed Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, on May 18, 2022 as the auditor of the annual financial statements and the consolidated financial statements for the 2022 financial year as proposed by the Supervisory Board and in accordance with the recommendation of the Audit Committee. Ernst&Young audited the annual financial statements of GRAMMER AG, the consolidated financial statements and the management reports for the 2022 financial year and issued an unqualified audit opinion. The German Public Auditor responsible is Udo Schuberth. Before being proposed as auditor to the Annual General Meeting by the Supervisory Board, Ernst&Young confirmed that there were no circumstances that could compromise its independence as auditor or give rise to doubts about its independence. Ernst&Young also stated the extent to which services outside the audit of the financial statements were provided to the Company in the previous financial year in compliance with the fee cap or are contractually agreed for the following year. GRAMMER AG's annual financial statements and management report were prepared in accordance with the provisions of the German Commercial Code. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and in accordance with the supplemental provisions of section 315e (1) HGB. The audit was conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). The auditor confirmed that the management reports provide a true and fair view of GRAMMER AG and the Group and of the opportunities and risks with regard to future development. The audit of the early risk detection system as part of the audit found that the Executive Board has taken appropriate measures as required under section 91 (2) AktG, in particular to establish a monitoring system, and that the monitoring system is suitable for identifying developments that jeopardize the Company's going-concern status at an early stage. The annual and consolidated financial statements of GRAMMER AG, the management reports, the separate non-financial report and the auditor's reports were provided to all Supervisory Board members in good time. The Audit Committee performed a preliminary audit of these documents at its meeting on March 28, 2023 and reported on this to the Supervisory Board at the ordinary Supervisory Board meeting on the same day. The statements and reports were then discussed in detail. The auditor's representatives attended both meetings, reported on the results of their audits and were available to take questions. In particular, they presented the results of key audit matters for GRAMMER AG and the Group for the 2022 financial year. Material weaknesses of the internal control system and the risk management system were not reported.

No objections were raised by the Audit Committee or the Supervisory Board following the final results of the audit of the annual/consolidated financial statements and the management reports. In line with the Audit Committee's recommendation, the Supervisory Board approved the results of the audit. The Supervisory Board approved the annual financial statements of GRAMMER AG and the consolidated financial statements for 2022 prepared by the Executive Board. The annual financial statements were thus approved. As part of its audit, the Supervisory Board also reviewed the separate non-financial report in accordance with sections 289b and 315b HGB and concluded that these comply with existing requirements and that no objections are to be raised. The report prepared by the Executive Board and the Supervisory Board on Executive Board and Supervisory Board remuneration for 2022 (remuneration report) in accordance with section 162 AktG was also formally audited by the auditor. Again, no objections were raised.

The Executive Board proposes, based on a net loss of EUR 56,315,715.81 for fiscal year 2022 and a resulting accumulated loss of GRAMMER AG of EUR 131,187,509.87, which will be carried forward in full, not to propose a dividend payment to the Annual General Meeting 2023. This proposal was approved by the Supervisory Board.

Audit of the report of the Executive Board on relations with affiliated companies

At the end of the reporting year, the Wang family (Yiping Wang, Jimin Wang, Bifeng Wu) indirectly held 86.2% of the share capital of GRAMMER AG. GRAMMER AG is included in the consolidated financial statements of Ningbo Jifeng Auto Parts Co., Ltd., China, as a consolidated subsidiary. For this reason, the GRAMMER AG Executive Board prepared a report on relationships with affiliated companies (dependent company report) for the 2022 financial year in accordance with section 312 AktG and presented this to the Supervisory Board in good time. The dependent company report was audited by the auditor. As there were no objections to be raised following the completion of its audit, the auditor issued the following auditor's report in accordance with section 313 (3) AktG: "Based on our audit and opinion as required by law, we confirm that (1.) the factual statements made in the report are correct, (2.) the consideration paid by the Company for the transactions listed in the report was not unreasonably high." The dependent company report and the auditor's report were provided to the Audit Committee and the Supervisory Board, which reviewed the reports. The review did not give rise to any objections. Following the final result of the preliminary review by the Audit Committee and our own review, the Supervisory Board does not have any objections to the Executive Board's report on relationships with affiliated companies in accordance with section 312 (3) sentence 1 AktG. The results of the audit of the dependent company report by the auditor are approved.

Changes to the Supervisory Board and the Executive Board

As noted above, the following changes were made to the Executive Board and the Supervisory Board in the reporting year:

Thorsten Seehars's service contract was terminated by mutual agreement as of the end of May 31, 2022 and his term as member and Chairman of the Executive Board ended at the same time. The Supervisory Board thanks Thorsten Seehars for his successful work and great dedication over the last few years and wishes him all the best for his future personal and professional endeavors.

Jens Öhlenschläger and Jurate Keblyte assumed Thorsten Seehars's responsibilities with effect from June 1, 2022. At the same time, Jens Öhlenschläger was also temporarily appointed Spokesman of the Executive Board and Jurate Keblyte as interim Human Resources Director. Both positions were confirmed by Supervisory Board resolution with effect from October 1, 2022 for the duration of their appointment as members of the Executive Board and the Executive Board responsibilities were amended to account for a two-person Executive Board. An Executive Committee, comprising the members of the Executive Board and the heads of key core business areas, has formed the Company's highest operating management body since this time and supports the work of the Executive Board.

Following the resignation of the Supervisory Board members Alfred Weber and Dr. Peter Merten with effect from the end of the Annual General Meeting, the meeting appointed Dr. Martin Kleinschmitt and Dagmar Rehm as new members of the Supervisory Board on May 18, 2022. Dr. Martin Kleinschmitt was elected as Chairman of the Supervisory Board at the constituent Supervisory Board meeting that followed the Annual General Meeting. The Supervisory Board thanks Alfred Weber and Dr. Peter Merten for their great dedication and good collaboration throughout a challenging last few years.

Expression of thanks

On behalf of the Supervisory Board as a whole, I would like to express our sincere gratitude and respect to all GRAMMER employees for their work over the last financial year. Thanks are equally due to the members of the Executive Board, who have once again guided the Company through a very difficult market environment. I would also like to thank our employee representatives and the works councils, who always provide constructive support for GRAMMER's development. Finally, the Supervisory Board would also like to convey its gratitude to the shareholders, particularly the Wang family as the main shareholder, who placed their trust in GRAMMER AG's Executive Board and Supervisory Board last year.

Ursensollen, March, 2023
On behalf of the Supervisory Board

Dr. Martin Kleinschmitt
Chairman

Remuneration Report

Remuneration Report in accordance with Section 162 of the German Stock Corporation Act

The remuneration report, prepared jointly by the Executive Board and the Supervisory Board of GRAMMER AG in accordance with Section 162 of the German Stock Corporation Act (AktG), describes the basic features of the remuneration system for both the Executive Board and the Supervisory Board. The remuneration report provides information on the remuneration awarded and due to current and former members of the Executive Board and Supervisory Board in the fiscal year 2022 in accordance with the remuneration system applicable for the fiscal year 2022. The report takes into account the recommendations and suggestions of the German Corporate Governance Code (GCGC) in the version dated April 28, 2022 (published in on June 27, 2022).

In accordance with Section 162 (3) AktG, Ernst & Young Wirtschaftsprüfungsgesellschaft has formally audited the remuneration report. The remuneration report and the note regarding the audit are published on the website of GRAMMER AG (www.grammer.com).

On May 10, 2023 the remuneration report is to be submitted to the Annual General Meeting for approval in accordance with the requirements of Section 120a (4) AktG.

The Executive Board and Supervisory Board of GRAMMER AG submitted the remuneration report for fiscal year 2021 prepared in accordance with section 162 of the German Stock Corporation Act (AktG) to the Annual General Meeting on May 18, 2022 for resolution. It has been approved with a 99.77% approval rate. The Executive Board and Supervisory Board of GRAMMER AG regard this high approval rate as a clear confirmation of the form and content of the remuneration report and will therefore maintain the previous structure when preparing the remuneration report for fiscal year 2022.

1. Review of the fiscal year 2022

Despite the challenging economic environment in fiscal year 2022, in particular triggered by the effects of the Covid-19 pandemic as well as the war in Ukraine and the associated rising raw material, material and energy prices, the GRAMMER Group was able to report a positive revenue development. The company achieved consolidated earnings before interest and taxes (EBIT) in the amount of EUR -45.0 million. This result was negatively impacted especially by the impairment in the Americas region, which was necessary due to the increased interest rate level. By contrast, operating EBIT improved to EUR 35.5 million on a year-on-year basis.

In fiscal year 2022, the Supervisory Board and the Chief Executive Officer of GRAMMER AG, Thorsten Seehars, mutually agreed to terminate Thorsten Seehars' appointment as of May 31, 2022. As of June 01, 2022, Jens Öhlenschläger was appointed Spokesman of the Executive Board, while Jurate Keblyte took over the duties of Labor Director. In the further course of the fiscal year, the Supervisory Board decided not to appoint a third Executive Board member, so that from June 01, 2022 the Executive Board consisted of two people.

Alfred Weber and Dr. Peter Merten retired from the Supervisory Board at the end of the Annual General Meeting on May 18, 2022. Instead, Dagmar Rehm and Dr. Martin Kleinschmitt were elected to the Supervisory Board by the Annual General Meeting. Dr. Martin Kleinschmitt took over as Chairman of the Supervisory Board.

To secure the 2022 annual results, the Supervisory Board and the members of the Executive Board in office on December 31, 2022 agreed to pay out only half of the remuneration owed under the STI 2022, which constitutes a waiver in the amount of 50%. In addition, the members of the Supervisory Board in office on December 31, 2022 have waived 10% of their fixed remuneration (excluding committee remuneration) as a contribution to achieving the annual result.

2. Overview of the Remuneration system of the Executive Board

2.1 Principles

On June 23, 2021 the current remuneration system for the members of the Executive Board of GRAMMER AG was approved by the Annual General Meeting with an approval rate of 99.89% and has been in place since the fiscal year 2021 for all active members of the Executive Board.

The remuneration system adopts a clear pay-for-performance approach, setting ambitious targets that are aligned with the corporate strategy. In addition, the remuneration system is more closely oriented to the capital market by offering a revised Long-term incentive in the form of a performance share plan. Among other things, the Short-term incentive includes ESG objectives, i.e. environmental aspects, social objectives, and responsible corporate governance, in order to provide an incentive for sustainable and responsible development at GRAMMER AG.

The principles of the new remuneration system are explained below.

2.2 Remuneration elements

The remuneration system of the Executive Board of GRAMMER AG consists of both fixed and variable components. In this context, a high proportion of the remuneration is performance-related. The variable remuneration components comprise a Short-term incentive (STI) and a Long-term incentive (LTI). The table below shows the main principles of the remuneration system.

Fixed components

Fixed remuneration	Contractually agreed fixed remuneration paid in twelve equal monthly installments
Ancillary benefits	Standard ancillary benefits (including company car and insurance cover)
Retirement benefits	Cash amount that can be used by the member of the Executive Board for private pension savings

Variable components

Short-term incentive (STI)	
Plan type	Annual target bonus plan
Cap	170% of the target amount
Performance criteria	• Net income, EBIT or EBT (determined annually by the Supervisory Board) • Free cash flow (FCF) • Strategic and ESG goals, e.g. compliance, environmental protection, economic stability and growth
Payment	In cash after the end of the financial year
Long-term incentive (LTI)	
Plan type	Performance share plan
Cap	200% of the target amount
Performance criteria	• Total shareholder return (TSR) relative to the SDAX • ROCE
Performance period	Four years
Payment	In cash after four-year performance period

Further contractual provisions

Maximum remuneration	• EUR 2,700,000 for the Chairman of the Executive Board • EUR 1,800,000 for the other members of the Executive Board
Penalty / claw-back	Possibility of reducing or reclaiming performance-related remuneration in the event of serious breaches of duty or misstatements in the consolidated financial statements
Cap on terminations benefits	Termination benefits may not exceed the value of two years' total remuneration

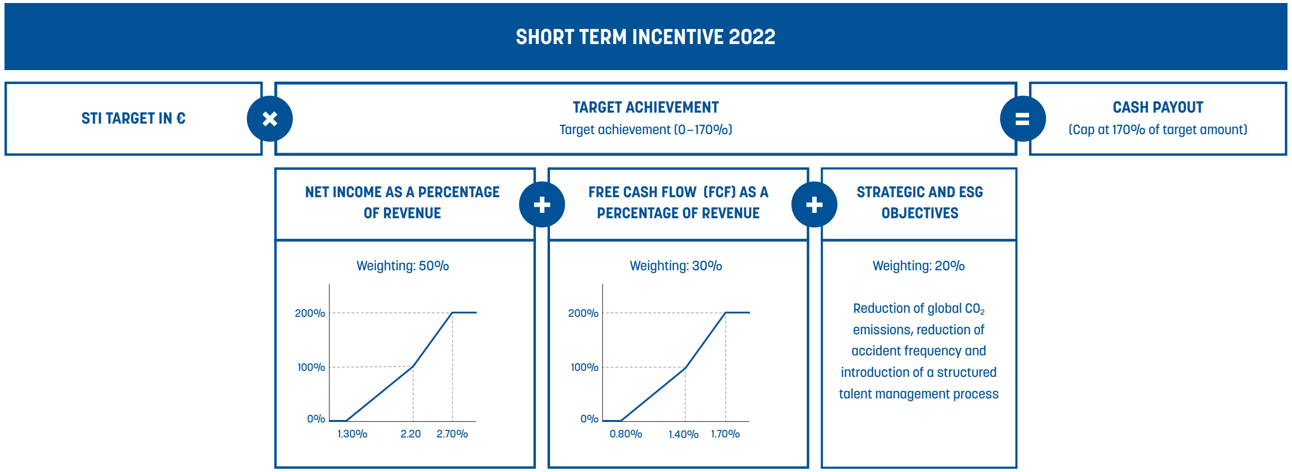
Fixed remuneration
The fixed remuneration is paid in twelve equal monthly installments at the end of each month. The members of the Executive Board do not receive any separate remuneration for accepting intra-Group mandates.

Benefits in kind
The members of the Executive Board are granted customary ancillary benefits such as insurance benefits in line with market practice as well as a company car.

Pension substitute payment
Pension substitute payments are granted to the members of the Executive Board. This cash amount will be paid in December and can be used for private retirement provisions. A company financed pension plan does not exist.

Short-term incentive
The Short-term incentive is structured as a target bonus system and includes financial, strategic, and ESG targets. The financial performance criteria are derived directly from the corporate strategy and thus take into account the company's profitability and liquidity. In addition, the strategic and ESG objectives are intended to ensure the sustainability of the company's development.

The Short-term incentive (STI) 2022 complies with the remuneration system of GRAMMER AG, approved by the Annual General Meeting, and is described in the graphic below:



The Supervisory Board set EBIT (Earnings before Interest and Taxes) and Free Cash Flow, each as a percentage of revenue, as financial performance criteria for the STI and determined the individual weightings for the fiscal year 2022. Thus, the Supervisory Board considers profitability and liquidity of GRAMMER AG and supports the implementation of the corporate strategy through the use of these core performance indicators.

EBIT as a percentage of revenue (50%) and Free Cash Flow (30%) are weighted at 80% of the total.

For strategic and ESG objectives the reduction of global CO_2-emissions in terms of annual revenue, the reduction of accident frequency (LTIFR = Lost time incident frequency rate), continuation of a structured talent management process as well as succession planning taking into account a medium-term diversity target rate. Those strategic and ESG criteria were selected by the Supervisory Board from a catalog of criteria derived from the materiality analysis of sustainability reporting. Strategic and ESG targets are weighted at 20%. The individual targets were equally weighted at 6.7%.

For all performance criteria, a target achievement between 0% and 200% can be achieved. Target achievements at intermediate values are interpolated linearly.

The following table shows target achievements and objectives for every performance criteria which is part of the Short Term Incentive for the fiscal year 2022:

STI 2022

	Weighting	Lower threshold	Target value	Upper threshold	Actual value	Target achievement
Earnings before Interest and Taxes (EBIT) (EBIT as % of revenue)	50%	1.30%	2.20%	2.70%	–2.10%	0%
Free Cash Flow as % of revenue	30%	0.80%	1.40%	1.70%	1.4 %	100 %
Reduction of global CO_2 emissions in terms of revenue	6.7%	Previous year's value	–5% compared to previous year's value	–15% compared to previous year's value	45 g	200%
Reduction of accident frequency (LTIFR)	6.7%	200% target from 2021	–10% compared to previous year's value 200% target from 2021	–20% compared to previous year's value 200% target from 2021	3.33	200%
Introduction of a structured talent management process	6.7%	Qualitative assessment of the supervisory board				110%
Total target achievement						**64%**

The basis for STI payments is the STI target amount specified in the service contracts, which is multiplied by overall target achievement of the financial, strategic, and ESG performance criteria. The STI payment is made in cash and capped at 170% of the STI target amount.

This results in the following target and payout amounts for the 2022 short term incentive:

Target and payout amounts STI 2022

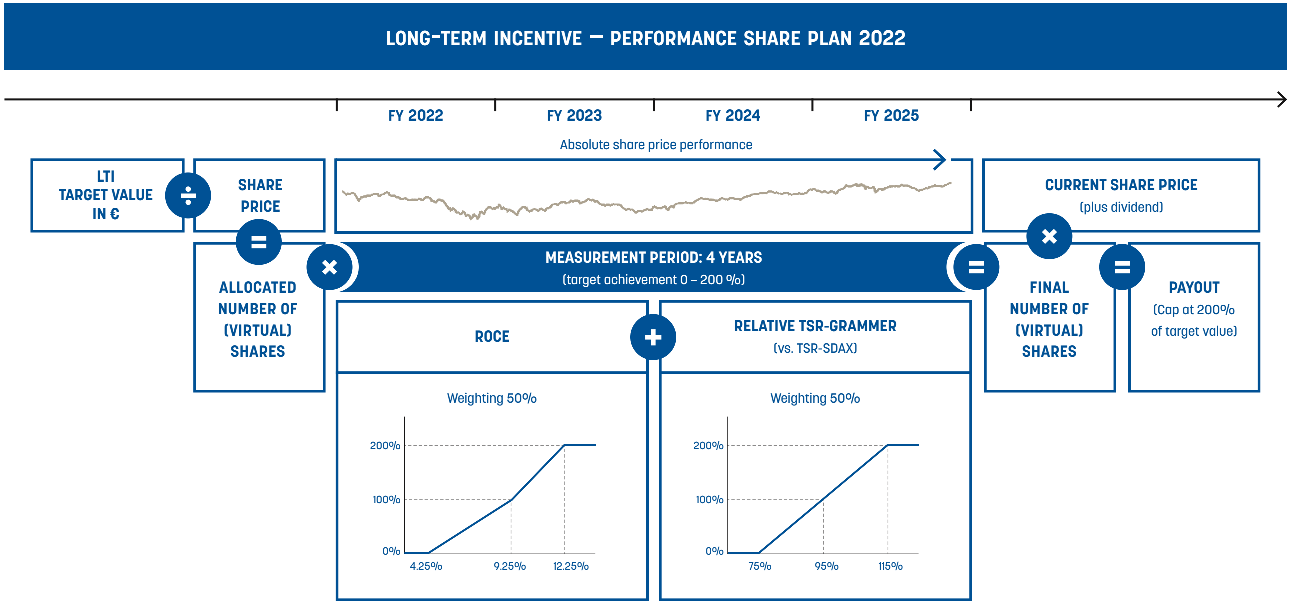
	Target value in EUR k	Target achievement in %	Calculated amount in EUR k	Payout in EUR k
Thorsten Seehars[1]	135	64	87	87
Jurate Keblyte[2]	230	64	147	74
Jens Öhlenschläger[2]	230	64	147	74

[1] Pro rata temporis target amount due to termination of Executive Board mandate as of May 31, 2022.

[2] It was agreed between the Supervisory board and the members of the Executive Board in office on December 31, 2022 to pay out only half of the renumeration due under the STI 2022, which constitutes a walver in the amount of 50%.

Long-term incentive – Performance Share Plan

The Long-term incentive (LTI) 2022 is structured as a Performance Share Plan and corresponds to the remuneration system of GRAMMER AG approved by the Annual General Meeting.



With a performance period of four years, the LTI is geared towards the long-term development of GRAMMER AG and, through its orientation to the share price, provides an incentive for achieving continuous growth in enterprise value. By additionally taking into account the Company's share performance relative to the SDAX, the interests of the Executive Board and shareholders are further aligned and GRAMMER AG's competitiveness in the capital market enhanced.

Under the performance share plan, a number of virtual shares are contingently allocated at the beginning of the performance period. The number of virtual shares is determined by dividing the LTI target by the arithmetic mean of the closing prices for the GRAMMER AG share over the last 60 trading days before the start of the performance period (initial reference price).

For the performance share plan 2022 the following allocations of virtual shares were made:

LTI tranche 2022 allocations

	Target value in EUR k	Initial reference price in EUR	Number of virtual shares
Thorsten Seehars[1]	229	19.10	11,990
Jurate Keblyte	370	19.10	19,372
Jens Öhlenschläger	370	19.10	19,372

[1] Pro rata temporis target amount due to termination of Executive Board mandate at the end of May 31, 2022.

In addition to the virtual share's performance target achievement is determined by the Return on Capital Employed (ROCE) and the relative total shareholder return (TSR).

ROCE is the ratio of earnings before interest and taxes (EBIT) reported for the applicable financial year to average operating assets in the same financial year, expressed as a percentage. ROCE provides an incentive for maximizing the long-term profitability and efficiency of GRAMMER AG's business activities. It is measured as an average over the performance period. For ROCE, the target for each LTI tranche is derived from the long-term forecast.

The relative total shareholder return (TSR) is based on GRAMMER AG's share performance as well as (notionally) reinvested dividends in comparison with the SDAX and thus places a particular focus on the development of the Company's enterprise value as well as its capital market orientation. This particularly strengthens the alignment between the interest of the Executive Board and those of the shareholders.

For the performance share plan's 2022 tranche the following target achievements for ROCE and relative TSR have been agreed on:

LTI tranche 2022 targets

	Lower threshold	Target value	Upper threshold
	0%	**100%**	**200%**
ROCE	4.25%	9.25%	12.25%
Relative TSR	75%	95%	115%

The final number of virtual shares reached at the end of the performance period is multiplied by the arithmetic mean of the closing prices of the GRAMMER AG share during the last 60 trading days prior to the end of the performance period 2025 plus dividends paid per GRAMMER AG share during the performance period. The resulting payout amount is limited to 200% of the LTI target amount. Payout is in cash and will be described in the remuneration report in 2025.

In 2019 and 2020, the members of the Executive Board have been promised Long-Term Incentives in the form of a performance cash plan. The relative total shareholder return compared with the SDAX is also taken into account. Instead of ROCE GRAMMER Economic Value Added (EVA) is used. In March 2020, in view of the economic impacts of the COVID-19 pandemic on the company, the members of the Executive Board waived the allocation of their 2020-2023 LTI tranche and the grants already allocated for the 2019-2022 LTI tranche. Hence, no remuneration awarded or due under the Long-Term Incentive is currently to be reported within the meaning of Section 162 AktG.

Malus und Clawback

The remuneration system includes malus and clawback provisions, which allow the Supervisory Board, in certain cases, to reduce variable remuneration components that have not yet been paid (malus) or reclaim variable remuneration components that have already been paid (clawback).

In the event of a significant breach of duty or a compliance violation on the part of a member of the Executive Board, the Supervisory Board may reduce the variable remuneration components (STI or LTI) in part or in full at its due discretion (malus). If variable remuneration components have already been paid, the Supervisory Board may also demand partial or full repayment of the variable remuneration amounts received in such cases (clawback).

If variable remuneration components are determined or paid on the basis of incorrect data, e.g. misstatements in the consolidated financial statements, the Supervisory Board may correct the determination or reclaim the remuneration components already paid.

This does not prejudice the Executive Board member's potential liability towards the Company for damages under Section 93 (2) AktG.

For fiscal year 2022, the Supervisory Board did not see any reason to make any reductions or claims for repayment against members of the Executive Board.

Termination of the service contract

In the event of the premature termination of the service contract with a member of the Executive Board other than for good cause, payments to members of the Executive Board may not exceed the value of two years' worth of total remuneration and may not exceed the total remuneration for the remaining term of the service contract. The total annual remuneration as defined above comprises the fixed remuneration, the STI, the LTI and the pension substitute payment. If the service contract is terminated for good cause for reasons for which the member of the Executive Board is responsible, no LTI payments are made to him or her.

In the event of incapacity due to illness or accident, the member of the Executive Board concerned receives fixed remuneration for a further nine months. If the member of the Executive Board is entitled to illness-related benefits from third parties (e.g. sick pay), the claims are reduced accordingly. In the event of protracted incapacity over more than six months, the target STI and LTI amounts are reduced on a time-prorated basis.

In the event of the death of a member of the Executive Board, the surviving dependents (spouse and dependent children) continue to receive fixed remuneration for the month of death (time-proportionate) as well as for a further period of six months starting at the end of the month of death as joint creditors.

In the event of premature termination of the service contract, any outstanding variable remuneration components attributable to the period up until the date of termination of the contract are paid on the basis of the originally agreed targets and performance criteria on the due dates specified above. There is no early payout, i.e. for Thorsten Seehars the variable remuneration for the fiscal years 2021 and 2022 will only be paid out after the end of the respective performance periods.

All entitlement accruing under outstanding LTI tranches lapse without any remuneration if the service contract is terminated by the Company before the end of the performance period for good cause for which the member of the Executive Board concerned is responsible, his or her appointment is revoked due to gross breach of duty, or he or she steps down other than for good cause and without the Company's consent. Notwithstanding this, all outstanding LTI tranches are settled immediately at the agreed targets (100% target achievement) and paid to the member of the Executive Board or his or her heirs if the service contract lapses due to disability or the death of the member of the Executive Board.

Due to the premature termination of the service contract at the end of May 31, 2022, Thorsten Seehars was paid a severance payment of €2,160,000 under the provisions described above. The service contract was originally concluded until August 31, 2026. The severance payment is therefore limited to the value of two years' total remuneration.

2.3 Individual disclosure of the Executive Board remuneration

Target remuneration

When determining the specific target total remuneration of the members of the Exe-cutive Board, the Supervisory Board ensures that it is commensurate with the duties and performance of the member of the Executive Board in question and the Company's situation and thus conforms to the requirements of the German Stock Corporation Act and the recommendations of the GCGC. The target total remuneration is set at a level that ensures competitiveness in the market for highly qualified executives but does not exceed the customary remuneration in the absence of any special justification.

To ensure this, the Supervisory Board regularly reviews the target total remuneration of the members of the Executive Board of GRAMMER AG. External as well as internal comparisons are applied for this purpose: On the one hand, an external comparison is made with companies that are comparable in terms of size, country, and sector. Hence, the Supervisory Board performed a comparison with the companies listed on the SDAX.

In addition, an internal comparison is used to assess the remuneration structure within GRAMMER AG. For this purpose, the remuneration of the Executive Board is com-pared with the two highest pay scale groups and the non-pay scale employee remu-neration, and the status quo of and changes in these ratios over time are analyzed.

The target remunerations were increased for the two members of the Executive Board, Jurate Keblyte and Jens Öhlenschläger, in the variable remuneration elements as of January 2022 in order to make the remuneration competitive in the long term. Thorsten Seehars' remuneration was also increased effective January 2022. The increases had already been contractually agreed when the remuneration system was revised in 2020/21 with the corresponding contractual adjustment and appointment in 2021.

The following table presents the target remuneration for the fiscal year 2022 and the relative share of every remuneration component for the fiscal year 2021:

Target remuneration

	Thorsten Seehars CEO Executive Board Member from August 1, 2019 - May 31, 2022			Jurate Keblyte Executive Board Member Executive Board Member since August 1, 2019			Jens Öhlenschläger Executive Board Member Spokesman of the Executive Board since June 1, 2022 Executive Board Member since January 1, 2019		
	2022[1]		2021	2022		2021	2022		2021
	in EUR k	in %	in EUR k	in EUR k	in %	in EUR k	in EUR k	in %	in EUR k
Fixed remuneration	292	40	575	390	34	353	390	34	353
Benefits in kind	6	1	15	24	2	24	25	2	27
Pension substitute payment	67	9	160	125	11	125	125	11	125
Short-term variable remuneration	135	19	319	230	20	195	230	20	195
Short-term incentive 2021	–	–	319	–	–	195	–	–	195
Short-term incentive 2022	135	–	–	230	–	–	230	–	–
Long-term variable remuneration	229	31	404	370	32	247	370	32	247
Long-term incentive 2021 – 2024	–	–	404	–	–	247	–	–	247
Long-term incentive 2022 – 2025	229	–	–	370	–	–	370	–	–
Total remuneration	**729**	**100**	**1,473**	**1,139**	**100**	**944**	**1,140**	**100**	**947**

[1] Pro rata temporis target compensation due to termination of Executive Board mandate at the end of May 31, 2022.

Remuneration Awarded and Due

The following table shows the remuneration awarded and due individually for the fiscal year 2022 in accordance with Section 162 AktG (fixed remuneration, short-term incentive, long-term incentive, expenses for benefits) and their relative share. The term "remuneration awarded and due" describes remuneration for which the underlying activity has been fully performed as of the end of fiscal year 2022.

In addition, the remuneration awarded and due in fiscal year 2021 is presented.

Remuneration awarded and due for the fiscal year

	Thorsten Seehars CEO Executive Board Member from August 1, 2019 - May 31, 2022			**Jurate Keblyte** Executive Board Member Executive Board Member since August 1, 2019			**Jens Öhlenschläger** Executive Board Member Spokesman of the Executive Board since June 1, 2022		
	2022		**2021**	**2022**		**2021**	**2022**		**2021**
	in EUR k	**in %**	**in EUR k**	**in EUR k**	**in %**	**in EUR k**	**in EUR k**	**in %**	**in EUR k**
Fixed remuneration	292	11	575	390	64	353	390	64	353
Benefits in kind	6	0	15	24	4	24	25	4	27
Pension substitute payment	67	3	160	125	20	125	125	20	125
Short-term variable remuneration	87	3	121	74	12	74	74	12	74
Short-term incentive 2021[1]	–	–	121	–	–	74	–	–	74
Short-term incentive 2022	87	–	–	74	–	–	74	–	–
Long-term variable remuneration	0	0	0	0	0	0	0	0	0
Long-term incentive 2018 – 2021[2]	–	–	0	–	–	0	–	–	0
Long-term incentive 2019 – 2022[3]	0	–	–	0	–	–	0	–	–
Other[4]	2,196	83	–	–	0	–	–	0	–
Remuneration awarded and due in accordance with Section 162 AktG	**2,648**	**100**	**871**	**613**	**100**	**576**	**614**	**100**	**579**

1 It was agreed between the Supervisory Board and the members of the Executive Board in office on December 31, 2022 to pay out only half of the renumeration due under the STI 2022, which constitutes a waiver in the amount of 50%.
2 Due to joining the Executive Board in 2019, the members of the Executive Board did not receive an allocation of the 2018 LTI tranche.
3 In March 2020, the members of the Executive Board waived the previously allocated 2019-2022 LTI tranche in view of the economic impact of the COVID-19 pandemic on the company.
4 Severance pay and legal fees.

Maximum remuneration

Appropriate remuneration for members of the Executive Board is ensured by two types of caps: Firstly, a maximum cap of 170% on the STI and 200% on the LTI relative to the respective target amount is set for the variable components.

Secondly, pursuant to Section 87a (1) sentence 2 No 1 AktG, the Supervisory Board has defined maximum remuneration which caps the total amount of remuneration paid out for a given financial year irrespective of the date payment. The maximum remuneration amounts to EUR 2,700,000 for the Chairman of the Executive Board and EUR 1,800,000 for the other members of the Executive Board.

The total of all expenses resulting from commitments for the fiscal year 2022 can only be determined after the four-year performance period of the Performance Share Plan 2022 (LTI 2022 – 2025). However, it can already be ruled out that the maximum remuneration pursuant to Section 87 (1) sentence 2 No 1 AktG will be exceeded, as even if the Performance Share Plan were to pay out 200% of the target amount (cap), the total of all remuneration components would be below the maximum remuneration:

Maximum remuneration for fiscal year 2022

EUR k

	Thorsten Seehars CEO (until May 31, 2022)	**Jurate Keblyte** Executive Board Member (since August 1, 2019)	**Jens Öhlenschläger** Executive Board Member Spokesman of the Executive Board (since June 1, 2019)
	in EUR k	**in EUR k**	**in EUR k**
Fixed remuneration 2022	292	390	390
Benefits in kind 2022	6	24	25
Retirement benfits 2022	67	125	125
Short-term incentive 2022	87	74	74
Payout limit for the Performance Share Plan (2022–2025)	458	740	740
Maximum Value of the remuneration for the fiscal year 2022	**910**	**1,353**	**1,354**
Maximum remuneration Section 87a (1) sentence 2 No 1 AktG	**2,700**	**1,800**	**1,800**

3. Remuneration System for the Supervisory Board

For each full year of membership, each member of the Supervisory Board receives fixed remuneration that is paid after the end of the year in question. In addition, the members of the committees, with the exception of the Nominating Committee and the Presiding Committee, receive fixed remuneration for each full fiscal year of their membership of the respective committee. The members of the Supervisory Board receive a fixed attendance fee for each Supervisory Board meeting and for each committee meeting they attend in person. The attendance fee is not paid for participation in meetings of the Nominating Committee. Members of the Supervisory Board or a committee for only part of the fiscal year receive fixed remuneration on a pro rata basis. Remuneration is differentiated by function and is based on the recommendations of the GCGC. In addition, the Company shall reimburse the members of the Supervisory Board for expenses incurred in the performance of their duties, including any value-added tax payable on the remuneration and the reimbursement of expenses.

The following table presents the remuneration awarded and due individually for members of the Supervisory Board for the fiscal years 2022 and 2021 as well as their relative share of total remuneration.

Supervisory Board remuneration

	2022					2021				
	Fixed remuneration [1]		Attendence fees		Total remuneration	Fixed remuneration		Attendence fees		Total remuneration
	in EUR k	in %	in EUR k	in %	in EUR k	in EUR k	in %	in EUR k	in %	in EUR k
Dr. Martin Kleinschmitt Chairman of the Supervisory Board (since May 18, 2022)	57	80	14	20	**71**	0	0	0	0	**0**
Horst Ott (Deputy Chairman of the Supervisory Board)	49	71	20	29	**69**	45	69	20	31	**65**
Klaus Bauer	32	76	10	24	**42**	30	81	7	19	**37**
Andrea Elsner	42	74	15	26	**57**	30	71	12	29	**42**
Dr. Ping He	32	76	10	24	**42**	30	81	7	19	**37**
Martin Heiss	42	69	19	31	**61**	30	65	16	35	**46**
Peter Kern	32	76	10	24	**42**	30	81	7	19	**37**
Jürgen Kostanjevec	32	76	10	24	**42**	30	81	7	19	**37**
Dagmar Rehm (since May 18, 2022)	32	82	7	18	**39**	0	0	0	0	**0**
Gabriele Sons	39	68	18	32	**57**	30	68	14	32	**44**
Prof. Dr. Birgit Vogel-Heuser	35	76	11	24	**46**	30	83	6	17	**36**
Antje Wagner	42	78	12	22	**54**	30	71	12	29	**42**
Former Supervisory Board Members										
Alfred Weber Chairman of the Supervisory Board (until May 18, 2022)	41	75	14	25	**55**	60	63	35	37	**95**
Dr. Peter Merten (until May 18, 2022)	23	74	8	26	**31**	30	63	18	38	**48**

[1] The members of the Supervisory Board in office as of December 31, 2022 have waived 10% of the fixed remuneration to which they are entitled in accordance with section 20 (1) of the Articles of Association of GRAMMER AG (only fixed remuneration for Supervisory Board activities, no waiver of fixed remuneration for committee activities).

All members of the Supervisory Board in office as of December 31, 2022 have waived 10% of their fixed compensation in fiscal year 2022 as a contribution to achieving the annual result. This does not include the additional fixed compensation for committee memberships.

4. Comparative presentation of remuneration and earnings development

The table below describes the development of the remuneration awarded and due of present and former members of the Executive Board and the Supervisory Board in accordance with Section 162 AktG, the development of the average employee remuneration, as well as the performance development of GRAMMER AG over the past two years.

The average personnel expenses (IFRS) on a full-time equivalent basis are used for employee remuneration. For this purpose, employees in Germany are taken into account.

Net income is used as the earnings indicator, as it is a key performance indicator and an indicator of the profitability of business activities. Net income also serves as a possible performance target in the STI.

Comparative presentation

	2022 in EUR k	2021 in EUR k	Change 2022/2021 in %	Change 2021/2020 in %
Executive Board members				
Thorsten Seehars (until May 31, 2022)	2,648	871	204	20
Jurate Keblyte	613	576	6	32
Jens Öhlenschläger	614	579	6	23
Supversiory Board members				
Dr. Martin Kleinschmitt (Chairman of the Supervisory Board / since May 18, 2022)	71	0	n/a	n/a
Horst Ott (Deputy Chairman of the Supervisory Board)	69	65	6	–4
Klaus Bauer	42	37	14	164
Andrea Elsner	57	42	36	–2
Dr. Ping He	42	37	14	90
Martin Heiss	61	46	33	0
Peter Kern	42	37	14	90
Jürgen Kostanjevec	42	37	14	90
Dagmar Rehm (since May 18, 2022)	39	0	n/a	n/a
Gabriele Sons	57	44	30	87
Prof. Dr. Birgit Vogel-Heuser	46	36	28	0
Antje Wagner	54	42	29	5
Alfred Weber (Chairman of the Supervisory Board / until May 18, 2022)	55	95	–42	87
Dr. Peter Merten (until May 18, 2022)	31	48	–35	14
Employees				
Average	70	71	–1	2
Earnings performance				
Net Income Group	–78,561	646	–12,261	n/a
Net Income GRAMMER AG	–56,316	–2,400	–2,247	97

Consolidated Financial Statements Index

Consolidated Statement of Income

January 1 – December 31 of the respective financial year

EUR k

	Note	2022	2021
Revenue	6	2,158,791	1,903,014
Cost of Sales	7.3	–2,018,284	–1,727,708
Gross profit		**140,507**	**175,306**
Selling expenses	7.3	–28,947	–33,350
Administrative expenses	7.3	–202,213	–149,823
Other operating income	7.1	45,672	26,731
Earnings before interest and taxes (EBIT)		**–44,981**	**18,864**
Financial income	7.2	3,576	3,410
Financial expenses	7.2	–28,896	–22,062
Other financial result	7.2	7,537	6,502
Earnings before taxes		**–62,764**	**6,714**
Income taxes	8	–15,797	–6,068
Net profit/loss		**–78,561**	**646**
Of which attributable to:			
Shareholders of the parent company		–78,405	1,233
Non-controlling interests		–793	–1,207
Hybrid loan lender’s compensation claims		637	620
Net profit/loss		**–78,561**	**646**
Earnings per share			
Basic/diluted earnings per share in EUR	9	–5,26	0,08

Consolidated Statement of Comprehensive Income

January 1 – December 31 of the respective financial year

EUR k	2022	2021
Net profit/loss	**–78,561**	**646**
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	32,073	14,979
Tax expenses (–)/tax income	–9,428	–4,365
Actuarial gains/losses (–) under defined benefit plans (after tax)	**22,645**	**10,614**
Total amounts that will not be reclassified to profit and loss in future periods	**22,645**	**10,614**
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	4,019	25,666
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**4,019**	**25,666**

EUR k	2022	2021
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	4,317	1,269
Plus/less (–) amounts reclassified to the income statement through profit and loss	–1,915	–953
Tax expenses (–)/tax income	–624	–139
Gains/losses (–) from cash flow hedges (after tax)	**1,778**	**177**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	6,561	2,680
Tax expenses (–)/tax income	–383	–488
Gains/losses (–) from net investments in foreign operations (after tax)	**6,178**	**2,192**
Total amounts that will be reclassified to profit and loss in future periods under certain conditions	**11,975**	**28,035**
Other comprehensive income	**34,620**	**38,649**
Total comprehensive income after taxes	**–43,941**	**39,295**
Of which attributable to:		
Shareholders of the parent company	–43,746	39,829
Non-controlling interests	–832	–1,154
Hybrid loan lender's compensation claims	637	620

Consolidated Statement of Financial Position

as of December 31 of the respective financial year

Assets

EUR k

	Note	December 31, 2022	December 31, 2021
Property, plant and equipment	11	477,327	495,319
Intangible assets	11	146,285	183,534
Investments measured at equity	4	1,158	958
Other financial assets	15	5,711	6,366
Deferred tax assets	8	41,805	51,147
Other assets	16	37,554	32,419
Contract assets	14	58,236	63,790
Non-current assets		**768,076**	**833,533**
Inventories	12	197,386	196,137
Current trade accounts receivable	13	256,712	229,370
Other current financial assets	15	6,731	5,261
Current income tax receivables		2,143	5,463
Cash and short-term deposits	17	108,587	113,441
Other current assets	16	48,842	38,332
Current contract assets	14	56,117	61,851
Current assets		**676,518**	**649,855**
Total assets		**1,444,594**	**1,483,388**

Consolidated Statement of Financial Position

as of December 31 of the respective financial year

Equity and liabilities

EUR k

	Note	December 31, 2022	December 31, 2021
Subscribed capital	18	39,009	39,009
Capital reserve	18	162,947	162,947
Own shares	18	–7,441	–7,441
Retained earnings	18	122,276	200,534
Cumulative other comprehensive income	18	–36,987	–71,646
Equity attributable to shareholders of the parent company		**279,804**	**323,403**
Hybrid loan	18	19,610	19,621
Non-controlling interests	18	1,694	2,526
Equity		**301,108**	**345,550**
Non-current financial liabilities	20	157,807	182,036
Trade accounts payable	22	1,801	261
Other financial liabilities	23	63,211	68,719
Other liabilities	24	408	1,356
Retirement benefits and similar obligations	19	117,165	148,973
Deferred tax liabilities	8	23,491	24,365
Contract liabilities	14	2,525	2,433
Non-current liabilities		**366,408**	**428,143**

EUR k

	Note	December 31, 2022	December 31, 2021
Current financial liabilities	20	298,160	263,426
Current trade accounts payable	22	306,087	269,135
Other current financial liabilities	23	18,671	19,467
Other current liabilities	24	108,207	93,528
Current income tax liabilities		8,950	8,038
Provisions	21	32,071	52,610
Current contract liabilities	14	4,932	3,491
Current liabilities		**777,078**	**709,695**
Total liabilities		**1,143,486**	**1,137,838**
Total equity and liabilities		**1,444,594**	**1,483,388**

Consolidated Statement of Changes in Equity

for the financial year ending December 31, 2022

EUR k

					Cumulative other comprehensive income							
	Suscribed 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, 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	–78,405	0	0	0	0	0	–78,405	637	–793	–78,561
Other comprehensive income	0	0	0	0	1,778	4,049	6,178	22,654	34,659	0	–39	34,620
Total comprehensive income	**0**	**0**	**–78,405**	**0**	**1,778**	**4,049**	**6,178**	**22,654**	**–43,746**	**637**	**–832**	**–43,941**
Transaction costs	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	147	0	0	0	0	0	147	0	0	147
Transaction involving non-controlling interests	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	–648	0	–648
As of December 31, 2022	**39,009**	**162,947**	**122,276**	**–7,441**	**2,438**	**6**	**–14,842**	**–24,589**	**279,804**	**19,610**	**1,694**	**301,108**

Consolidated Statement of Changes in Equity

for the financial year ending December 31, 2021

EUR k

					Cumulative other comprehensive income							
	Suscribed 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	1,233	0	0	0	0	0	1,233	620	–1,207	646
Other comprehensive income	0	0	0	0	177	25,613	2,192	10,614	38,596	0	53	38,649
Total comprehensive income	**0**	**0**	**1,233**	**0**	**177**	**25,613**	**2,192**	**10,614**	**39,829**	**620**	**–1,154**	**39,295**
Transaction costs	0	–86	0	0	0	0	0	0	–86	0	0	–86
Changes in scope of consolidation	0	0	207	0	0	0	0	0	207	0	0	207
Transaction involving non-controlling interests	0	0	0	0	0	0	0	0	0	0	4,502	4,502
Distribution of hybrid loan lender's compensation claims	0	0	0	0	0	0	0	0	0	–578	0	–578
As of December 31, 2021	**39,009**	**162,947**	**200,534**	**–7,441**	**660**	**–4,043**	**–21,020**	**–47,243**	**323,403**	**19,621**	**2,526**	**345,550**

Consolidated Statement of Cash Flows

January 1 – December 31 of the respective financial year

EUR k

	Note	2022	2021
1. Cash flow from operating activities			
Earnings before taxes		–62,764	6,714
Reconciliation of earnings before taxes with cash flow from operating activities			
Depreciation and impairment of property, plant and equipment	11	108,608	68,737
Amortization and impairment of intangible assets	11	53,813	15,482
Gains (–)/losses from the disposal of assets		427	–418
Other non-cash changes		10,851	52,216
Financial result	7.2	17,783	12,150
Dividends received from investments measured at equity	4	359	0
Changes in operating assets and liabilities			
Decrease/increase (–) in trade accounts receivable and other assets	13, 14, 15, 16	–31,478	–6,608
Decrease/increase (–) in inventories	12	–1,249	–42,603
Decrease (–)/increase in provisions and retirement benefit provisions	19, 21	–31,656	–38,327
Decrease (–)/increase in accounts payable and other liabilities	22, 23, 24	52,609	22,946
Income taxes paid	8	–10,582	–19,006
Cash flow from operating activities		**106,721**	**71,283**
2. Cash flow from investing activities			
Purchases			
Purchase of property, plant and equipment	11	–71,629	–76,257
Purchase of intangible assets	11	–7,819	–8,242
Purchase of financial assets	15	–7	–117

EUR k	Note	2022	2021
Disposals			
Disposal of property, plant and equipment	11	2,163	5,149
Disposal of intangible assets	11	154	56
Disposal of financial assets	15	897	1,184
Payments from disposals of subsidiaries less disposals of cash and cash equivalents		0	–1,712
Payments made for the formation of plan assets	19	–1,506	–315
Interest received	7.2	1,998	3,410
Government grants received		310	0
Cash flow from investing activities		**–75,439**	**–76,844**
3. Cash flow from financing activities			
Payments made for the hybrid loan lender's compensation claim	18	–648	–578
Outflow from transaction costs due to the issue of new shares		0	–86
Inflow from capital increase by minority shareholders		0	4,502
Payments received from raising financial liabilities	20	76,669	75,000
Payments made for the settlement of financial liabilities	20	–73,393	–45,654
Payments made for the settlement of lease liabilities	11	–21,180	–20,677
Interest paid	7.2	–23,388	–17,337
Cash flow from financing activities		**–41,940**	**–4,830**
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)		–10,658	–10,391
Effects of exchange rate differences of cash and cash equivalents		1,850	–624
Cash and cash equivalents as of January 1		44,357	55,372
Cash and cash equivalents as of December 31		**35,549**	**44,357**
5. Analysis of cash and cash equivalents			
Cash and short-term deposits	17	108,587	113,441
Bank overdrafts (including current liabilities under factoring contracts)	20	–73,038	–69,084
Cash and cash equivalents as of December 31		**35,549**	**44,357**

Notes to the Consolidated Financial Statements for the year ending December 31, 2022

1. Information about the GRAMMER Group and Basis of Reporting

GRAMMER AG is a public listed company incorporated under German law. The Company's registered office and business address is Grammer-Allee 2, 92289 Ursensollen, Germany. The Company's shares have been traded on the Frankfurt/Main and Munich stock exchanges via the Xetra electronic trading platform since 1996.

GRAMMER AG is listed in the Prime Standard on the Frankfurt Stock Exchange.

- International Securities Identification Number (ISIN): DE0005895403
- German Securities ID (WKN): 589540
- Common Code: 006754821
- Ticker Symbol: GMM
- Commercial register number: HRB 1182, Local Court of Amberg

The GRAMMER Group is a global group of companies specializing in the development and production of complex components and systems for passenger vehicle interiors as well as driver and passenger seats for trucks, buses, trains and and offroad commercial vehicles (tractors, construction machinery and forklifts). In 2022, the Company employed an average of 14,044 persons (excluding apprentices, including 408 employees in Central Services) at 46 (2021: 46) production and logistics sites around the world as well as at GRAMMER Group Central Services in Amberg and Ursensollen.

GRAMMER AG is managed by an Executive Board composed of two members (2021: three).

GRAMMER has classified its activities in the operating regions EMEA, AMERICAS and APAC which are the reportable business segments. These divisions are described in greater detail in Note 5. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The consolidated financial statements of GRAMMER AG (the "Company") were prepared by the Executive Board in accordance with section 315 e (1) HGB (German Commercial Code) on March 20, 2023.

GRAMMER AG is an indirectly held subsidiary of Ningbo Jifeng Auto Parts Co., Ltd., Ningbo City, China (Ningbo Jifeng) and is included in that company's consolidated financial statements. These are available in Chinese at http://www.sse.com.cn. Ningbo Jifeng indirectly holds 86.20% (2021: 86.20%) of the voting rights in GRAMMER AG and is the next highest parent company of GRAMMER AG that prepares consolidated financial statements. The direct parent company of GRAMMER AG is Jiye Auto Parts GmbH, Frankfurt am Main.

2. Accounting and valuation methods

2.1. Summary of significant accounting policies and use of estimates and judgments

These consolidated financial statements for GRAMMER AG were prepared in accordance with section 315e HGB ("consolidated financial statements in accordance with international accounting standards") in conjunction with the International Financial Reporting Standards (IFRS) and related interpretations (SIC/IFRIC interpretations) as applicable in the European Union (EU) in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council. The term "IFRS" also includes the International Accounting Standards (IAS), which continue to apply.

The consolidated financial statements are prepared using the historical cost principal, except where application of other methods of measurement are mandatory. The consolidated financial statements were prepared in Euro (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. The consolidated statement of financial position (balance sheet) applies the current/non-current distinction. Net income is presented in two separate statements: an income statement and a statement of comprehensive income. The income statement is prepared using the cost of sales method.

Estimates and judgments (IAS 8)

In certain cases, it is necessary to apply assessments and judgments. For instance, in preparing the consolidated financial statements, discretionary decisions, assumptions and estimates have to be made to a certain degree, which have an impact on the measurement and recognition of reported assets and liabilities, income and expenses and contingent assets and liabilities of the reporting period. The assumptions and estimates are based on information currently available. In addition, they may include estimates that could have been different in the same reporting period for equally plausible reasons. GRAMMER cautions that future events often differ from forecasts and that estimates are routinely subject to revision. Assumptions and estimates consistently relate to the parameters in effect at the time of preparation of the consolidated financial statements. However, as a result of market development and conditions outside Group control, these may change over time. Such changes are taken into account only when they have occurred.

The current uncertainties, particularly with regard to the consequences of the Russia-Ukraine war and the ongoing COVID-19 pandemic and due to their economic impact on the future development of the business activities of GRAMMER and its subsidiaries, sell-side markets and supply chains, prices in the markets relevant for GRAMMER, interest rates and exchange rates mean that the assumptions and estimates in the consolidated financial statements are subject to additional uncertainty. The impact of the COVID-19 pandemic on the consolidated financial statements depends on how virus variants develop and emerge moving forward, the progress made with global vaccinations and their effectiveness and the potential effects of country-specific measures to combat the pandemic. The impact of the Russia-Ukraine war on the consolidated financial statements is dependent on supply bottlenecks and related supply difficulties on the part of OEMs which could lead to disruptions in the production of vehicles, also in Germany, on higher inflation, including prices for raw materials and energy as well as on the development of key interest rates. Due to the extremely limited nature of the GRAMMER Group's activities in Russia and Ukraine, there were no material direct consequences on Group revenue. The COVID-19 pandemic and the Russia-Ukraine war had an indirect impact on the consolidated financial statements, particularly with respect to goodwill (Note 11.3), government grants (Note 7.1, Note 7.3 and Note 7.4), corona-related protection and response measures (Note 7.3), impairment losses on trade accounts receivable (Note 13), contract assets and liabilities (Note 14) and provisions (Note 21).

In particular, estimates and discretionary judgments are necessary in connection with impairment testing of goodwill, intangible assets and non-current assets and the recognition of deferred tax assets on unused tax losses as well as the definition of the assumptions underlying the actuarial calculations of retirement benefit expenses under defined benefit plans. Furthermore, estimates and discretionary judgments are applied to revenue from contracts with customers for the purpose of determining the transaction price and also to the formation of portfolios of financial instruments in the case of expected credit risks or losses. In addition, discretionary decisions must be made in assessing whether there is a legal or constructive obligation for which a provision must be recognized. In particular, all known circumstances, such as restructuring provisions, are taken into account to determine the existence of a constructive obligation. Estimates and discretionary judgments are particularly applied to determine the term of the lease. With respect to the inclusion of subsidiaries in the consolidated financial statements, GRAMMER also applies discretionary judgments in determining whether it has the de facto ability and possibility to determine the relevant activities as a controlling influence over the investee.

Climate-related aspects

GRAMMER AG pursues sustainability in its corporate strategy and operating activities, specifically with the Green Company strategic initiative which covers all areas of the company. The focus in research and development is using renewable or recycled materials as well as on the durability, reusability and disposal of products and materials. But climate-related aspects are also pursued in procurement, transportation and production. In the process, the GRAMMER Group supports the 1.5 degree goal of the Paris Agreement and has set itself the target of reducing its direct and indirect CO_2 emissions by 25% to 2025, by 50% to 2030 and by 100% to 2040. The consolidated financial statements take into account the climate-related developments and risks related to this target. Due to GRAMMER's specific product portfolio, climate-related aspects impact the procurement and production process and less on the products sold by GRAMMER. In the Automotive Division, the transformation to electromobility brings with it additional opportunities rather than risks. In this connection estimates and judgments relate particularly to assumptions about future legal regulations and developments of the market environment which are subject to a high level of dynamism and also uncertainty. The Group continuously monitors legislation related to climate change. Due to the introduction of legislation or other regulations, there are no known consequences which have a material impact on the Group, such as the economic useful life of assets being reduced compared to the original forecasts.

Principles of consolidation (IFRS 10)

The consolidated financial statements include the financial statements of GRAMMER AG and the financial statements of the consolidated subsidiaries as of December 31 of each financial year. The financial statements of the parent company and the subsidiaries are prepared in accordance with uniform accounting and valuation methods. The reporting date of the financial statements of the companies included in the consolidated financial statements corresponds to the reporting date of the consolidated financial statements.

The consolidated financial statements include GRAMMER AG as well as subsidiaries on which GRAMMER AG directly or indirectly exerts control. GRAMMER AG controls a subsidiary if it has the power over it, participates in positive and negative returns from these companies and is also able to use its power over the subsidiary to affect the amount of such returns. This involves an assessment of all circumstances that result in GRAMMER AG having the de facto ability and possibility to determine the relevant activities as a controlling influence over the investee.

Assets, liabilities, income and expenses of a subsidiary which was acquired during the reporting period are recorded in the statement of financial position and statement of comprehensive income as of the day on which GRAMMER AG gains control over the subsidiary until the day on which control ceases.

Receivables and liabilities as well as income and expenses arising between consolidated companies are mutually netted. Intercompany profits from deliveries and services as well as dividends distributed within the Group are eliminated.

Business combinations (IFRS 3)

Business combinations are accounted for using the purchase method. Costs for the acquisition of a company are measured as the aggregate of the acquisition-date fair value of the consideration transferred and the amount of any minority interest.

Costs incurred in connection with the business combination are recognized as expenses in the period in which they arise.

In a business combination, all identifiable assets acquired, liabilities assumed and contingent liabilities of the acquiree are measured at their fair values at the acquisition date. Any agreed contingent consideration is also recognized at fair value as of the acquisition date. Any resulting difference is reported as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment expense. Please refer to the section on goodwill for details of impairment testing. Subsequent changes to the fair value of a contingent consideration representing an asset or liability are recognized either in profit and loss or in other comprehensive income in accordance with IFRS 9. If a contingent consideration is classified as equity, the original amount is not remeasured and subsequent settlement is taken directly to equity.

Subsidiaries are included in the consolidated financial statements by offsetting the carrying amount of the shares in subsidiaries against the Group's share of the equity of the respective subsidiary. Non-controlling interests refer to the share of results of operations and net assets not attributable to the Group. Therefore any profit or loss from this share is recognized in the income statement separately from the share of results of operations attributable to the shareholders of the parent company. In the balance sheet, it is recognized directly in equity in a line item separate from the equity attributable to the shareholders of the parent company.

Joint ventures (IFRS 11) and associates (IAS 28)

Joint ventures are companies on which GRAMMER AG and one or more outside parties jointly exercise control. Joint control arises if decisions on the main activities require the unanimous consent of the parties sharing control over the entity.

An associate is an entity over which GRAMMER AG has significant influence. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control. Where an entity holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it will be presumed that the investor exerts significant influence unless it can be clearly demonstrated that this is not the case.

The GRAMMER Group's shares in such joint ventures and associates are recognized by using the equity method.

By using the equity method, the shares in a joint venture or associate are initially recognized at cost. These costs are adjusted in subsequent periods to reflect any changes in the Group's share in the net assets of the joint venture or associate since the acquisition date. If the Group's share of net assets is negative, loss portions are recognized only if there is an obligation to offset losses. The Group determines on each reporting date whether there is any objective evidence suggesting that the share in the joint venture or the associate may be impaired. In the event of such evidence being found, the impairment equals the difference between the recoverable amount of the share in the joint venture or associate and the carrying amount, upon which the resultant loss is recognized through profit and loss within the share of earnings of joint ventures and associates. The carrying amount forms the upper limit of the impairment provided that there is no obligation to compensate for any losses.

Goodwill arising from the acquisition of an associate or a jointly controlled entity is included within the carrying amount of such entities. If such an entity is sold, the attributable amount of goodwill is included in the determination of the net gain or loss on the sale.

Accordingly, the consolidated statement of income includes the Group's share in the earnings of the joint venture or associate for the period under review. A loss attributable to GRAMMER is taken into account as long as it does not exceed the carrying amount of the investment in the joint venture or associate. Any adjustments recognized within the other comprehensive income of a subsidiary are likewise recognized in the Group's other comprehensive income. In addition, any changes are recorded directly in the equity of the joint ventures or associates in an amount equaling the share held by the Group and, as far as necessary, included in the statement of changes in equity. Unrealized gains and losses from transactions between the Group and the joint ventures or associates are eliminated in accordance with the shares held in the joint venture or associates.

Current/non-current distinction (IAS 1)

The Group classifies its assets and liabilities according to whether they are current or non-current. An asset is classified as current if it is expected to be realized within twelve months of the reporting date, the asset is held primarily for trading, or it entails cash or cash equivalents. All other assets are classified as non-current. A liability is classified as current if settlement of the liability is expected within twelve months of the reporting date or the liability is held primarily for trading purposes. All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets or liabilities.

Currency translation (IAS 21)

The consolidated financial statements were prepared in euro, which is GRAMMER AG's functional currency. The Group determines the functional currency for each subsidiary. The items included in the financial statements of the companies are measured on the basis of the relevant functional currency. Any resulting translation differences from this are recognized in profit or loss. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euro on the basis of their functional currency. The functional currency of the subsidiaries is the relevant local currency in most cases. The functional currency of the subsidiary is translated into the Group's reporting currency using the modified closing rate method under which items of the statement of financial position are translated at the end-of-year exchange rate and items of the income statement at average exchange rates. Any resulting translation differences from this are recognized directly in equity. In addition, currency translation differences arising from foreign-currency loans for collateralizing a net investment are recognized directly in equity in other comprehensive income and reclassified to profit and loss for the period upon disposal.

For currency translation purposes, the following exchange rates were applied for the major currencies of relevance to the Group:

		Average exchange rate		End-of-year exchange rate	
		2022	2021	2022	2021
Argentina	ARS	0.007	0.009	0.005	0.009
Brazil	BRL	0.183	0.157	0.177	0.158
China	CNY	0.141	0.131	0.136	0.139
United Kingdom	GBP	1.172	1.161	1.127	1.190
Japan	JPY	0.007	0.008	0.007	0.008
Mexico	MXN	0.047	0.042	0.048	0.043
Poland	PLN	0.214	0.219	0.214	0.218
South Africa	ZAR	0.058	0.057	0.055	0.055
Czech Republic	CZK	0.041	0.039	0.041	0.040
Turkey	TRY	0.058	0.096	0.050	0.066
United States	USD	0.949	0.844	0.938	0.883

Revenue from contracts with customers (IFRS 15)

Revenue from contracts with customers is recognized when control over the goods or services passes to the customer. The revenue recognized equals the consideration that GRAMMER expects to receive upon the transfer of these goods or services. The five-step model is used to determine revenue recognition from contracts with customers. Within the scope of the identified contracts with customers, two independently definable performance obligations are identified with series development and series delivery, particularly for the Group, which are described separately below.

Revenue from series development

Customer tools, development services, devices and prototypes used in series development are generally combined to form a performance obligation referred to as "series development", as GRAMMER does not believe that the underlying goods and services can be independently identified and the goods and services are highly interdependent or interrelated. Revenue from this performance obligation is recognized over a certain period if the resulting asset has no alternative use for the Company and it has a legal right to receive payment for the service already rendered. Complete satisfaction of a performance obligation is determined using the input-based method as there is assumed to be a direct correlation between the costs already incurred and the progress of the development work and is based on the ratio of costs already incurred to the total expected costs (cost to cost). Only in cases where it is not yet possible to measure the performance obligation appropriately at certain stages of the contract is revenue recognized on the basis of costs incurred (at cost). Provisions are recognized immediately for expected contract losses from a performance obligation for series development (note on provisions). Recognition of this performance obligation is based on the individual contracts with the customers, primarily in the Automotive Division. No significant financing components for these contracts were identified. Customer claims and obligations under contracts for series development are recognized as "contract assets" or "contract liabilities", respectively.

Revenue from series delivery

In connection with series delivery, the production and delivery of series parts are bundled into a performance obligation known as "series delivery". GRAMMER transfers the power of control over the delivered series parts at a certain point in time and thus recognizes the revenue at the point in time at which the customer receives the power of control over these parts and derives the benefit from the series delivery. No significant financing components for these series delivery contracts were identified. In determining the transaction price for series deliveries, the Group considers the impact of consideration paid to customers. The consideration paid to the customer comprises amounts that GRAMMER pays to its customers that do not represent payment for an independently identifiable item or service delivered by the customer. The considerations paid to the customer is recognized by GRAMMER within other assets in an amount equaling the prepayment and deducted from the transaction price at the time at which the revenue in connection with the corresponding series delivery is recognized. Additional costs incurred in connection with the fulfillment of series supply contracts with customers are recognized as an asset if GRAMMER expects these costs to be generated. Capitalized costs are amortized on a straight-line basis over the period of the expected future benefit and recognized in the cost of sales.

Contract assets

A contract asset is the right to receive consideration in exchange for goods or services transferred to a customer. If GRAMMER meets its contractual obligations by transferring goods or services to a customer before the customer remits the consideration or before payment becomes due, a contractual asset is recognized for the contingent claim for consideration.

Contract liabilities

A contract liability is GRAMMER's obligation to transfer goods or services to a customer for which it has received or will receive consideration. If a customer remits consideration before GRAMMER transfers the goods or services to it, a contract liability is recognized when payment is made or becomes due (whichever occurs first). Contract liabilities are recognized as revenue as soon as GRAMMER has fulfilled its contractual obligations.

Trade accounts receivable (IAS 32, IFRS 9)

The unconditional entitlement of the Group to receive consideration (i.e. due date occurs automatically as time elapses) is shown under trade accounts receivable. The accounting policies for trade accounts receivable are explained in the note on financial assets.

Warranty obligations (IAS 37)

The Group normally provides statutory warranties for any defects that existed at the time of sale. These assurance type warranties are recognized as provisions, contingent liabilities and contingent assets. Details of the accounting method for warranty provisions can be found in the note on provisions. There are no further warranty commitments that can be classified as an independently definable service.

Research and development expenses (IAS 38)

Research expenses are recognized as expense directly upon arising. Market-related development expenses are recognized as intangible assets if the conditions for recognition are satisfied and the Group is able to prove this:

- The technical feasibility of completing the intangible asset so that it will be available for internal use or sale,
- the intention to complete the intangible asset and use or sell it,
- how the intangible asset will generate probable future economic benefits,
- the availability of resources for purposes of completing the asset and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

After initial recognition, development expenses are accounted for using the purchase cost model, i.e. at cost less cumulative depreciation and impairment expense. Depreciation is calculated for the period in which the asset is expected to be used. Capitalized development expenses are tested for impairment annually as long as the asset has not yet been used or if there are any indications for impairment during the year.

Interest income and expense (IAS 1, IAS 32)

Interest income and expense are recognized in the period in which they arise and are recognized in the income statement as part of the financial result. Interest income and expenses are calculated using the effective interest rate method in the case of all financial instruments measured at amortized cost and interest-bearing financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Dividends (IAS 1)

Dividend income is recognized upon a legal right to payment arising.

Government grants (IAS 20)

Government grants are recognized when there is reasonable assurance that the grants will be received and the eligible Group company complies with the conditions attached to them. Grants related to expenses are recognized as liabilities and systematically recorded as income over the period necessary to net it with the corresponding expenses. A grant related to an asset is presented as deferred income and amortized on a straight-line basis over the expected useful life of the related asset. To the extent that loans or other subsidies from governments or their executive agencies are provided at an interest rate below the prevailing market rate, the resulting benefit is recognized as a government grant.

Taxes (IAS 12)

Tax items are calculated in the light of the applicable local tax legislation and tax rates. Due to their complexity, they may be subject to differences in interpretation between the taxpayers and the local tax authorities. The Group recognizes provisions for potential effects from tax audits based on estimates. The calculation of these provisions is based on various factors, such as experience from previous tax audits and different official interpretations of tax rules by the authorities. Taxes referring to items that are recognized directly in equity are also recognized directly in equity. The liability method is used to calculate deferred tax assets and liabilities with an impact on future taxes arising from differences between the carrying amounts of assets and liabilities recognized in the statement of financial position and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences. The following exceptions apply:

- Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction had no influence on the net profit for the period as reported in the financial statements or on the taxable income are not recognized.
- Deferred tax assets arising from deductible temporary differences in connection with investments in subsidiaries and associates and interests in joint ventures are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there is sufficient taxable income against which the temporary differences can be utilized.

Deferred tax assets are recognized on unused tax losses only if the corresponding tax advantages are likely to be utilized. In particular, the Group determines whether there has been a series of losses in the recent past. In assessing the likelihood that taxable profit will be available against which unused tax losses can be utilized, particular consideration is given to whether there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity to give rise to taxable amounts against which the unused tax losses can be utilized.

Accordingly, a discretionary judgment by management is required to determine the amount of deferred tax assets on the basis of the expected timing and amount of the future taxable profit. Reliable planning of future taxable results is also required. The recoverable value of deferred tax assets is reviewed annually.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to apply in the period in which an asset is realized or a liability settled.

Deferred tax assets and liabilities are netted if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income taxes refer to income taxes of the same taxable entity levied by the same tax authority.

Property, plant and equipment (IAS 16, IAS 36)

Property, plant and equipment are recognized at cost less straight-line depreciation and accumulated impairment losses. If the cost of certain components is significant in proportion to the overall cost of the item of property, plant and equipment and if these components are subject to regular replacement, the Group recognizes these separately and depreciates them individually on a straight-line basis. The useful lives applied correspond to the period over which the relevant component is expected to be available for use. Any material residual values have been included in the calculation of the depreciation amounts.

Cost is recognized on the basis of directly attributable costs plus any allocable material and production overheads, including depreciation, and borrowing costs for long-term construction projects or similar manufacturing processes, as long as they qualify for recognition. Repair costs and interest on borrowed funds are recognized as current expenses. Property, plant and equipment are depreciated pro rata temporis over the expected useful life using the straight-line method. Impairments are recognized when the carrying amount exceeds the value in use or the fair value less costs to sell of the assets. Should the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to the amount of the asset's original cost.

An item of property, plant and equipment is derecognized upon disposal or when an economic benefit can no longer be expected from its continued use. Any gains or losses arising from this derecognition as the net proceeds from the sale differ from the carrying amount are reported through profit and loss.

The residual carrying amounts of the assets, their useful lives and the depreciation methods applied are reviewed annually and, if necessary, adjusted.

Leases (IFRS 16)

A lease is a contract that transfers the right to use an asset (leased asset) for an agreed period of time in return for payment. As the lessee, GRAMMER recognizes a right-of-use asset and a corresponding lease liability over the lease term calculated at its present value using the effective interest method. The judgment as to whether a contract constitutes or contains a lease is made at the inception of the lease. Right-of-use assets and lease liabilities are recognized on the commencement date, i.e. the date on which the leased asset becomes available for use.

The following lease payments are included in the measurement of the lease liability:

- fixed payments, less any leasing incentives to be provided;
- variable lease payments that are tied to an index or interest rate;
- expected payments under residual value guarantees;
- the exercise price of a purchase option where exercise is reasonably certain;
- penalties for terminating the lease if the calculation of the lease term takes into account the exercise of an option to terminate the lease.

Lease payments are discounted at the incremental borrowing rate as it is generally not possible for GRAMMER to readily determine the interest rate on which the lease is based.

Right-of-use assets are recognized at cost and are composed of:

- the amount derived from the initial measurement of the lease liability;
- lease payments made on or before the leased asset becomes available less any lease incentives received;
- initial direct costs and
- dismantling obligations.

They are subsequently remeasured at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the lease term or the expected useful life of the leased asset, whichever is the shorter. The guidance contained in IAS 36 on recognizing and measuring impairments also applies to right-of-use assets.

In the case of short-term leases (leases with a maximum duration of twelve months with no purchase option) and leases for low-value assets (office and business equipment, such as printers and small electronic devices), GRAMMER recognizes the lease payments on a straight-line basis through profit and loss. This procedure is also applied to intangible assets.

The lease term comprises the non-cancelable term of a lease, taking into account options to extend or terminate it as well as purchase options, provided that it is reasonably certain that the option will be exercised. The assessment of whether it is reasonably certain that a contractual option will be exercised is made at the inception of the lease. Consideration is given to all relevant facts and circumstances that provide an economic incentive to exercise or not exercise the option, such as costs associated with relocation, material leasehold improvements and the contractual terms, including any changes in those facts and circumstances that are expected to occur from the commencement date to the date the option is exercised. After the provision of the leased asset, the lease term is redefined if a material event or change in circumstances occurs that is within GRAMMER's control and affects the original determination of the lease term.

The lease liability is remeasured if the expected lease payments change, e.g. in the case of index-linked lease payments or due to new estimates regarding contractual options. The change to the carrying amount is recognized through equity by making a corresponding adjustment to the right-of-use asset.

Intangible assets (IAS 38)

Intangible assets are initially recognized at cost. Costs of such intangible assets acquired under business combinations equal their fair value on their date of acquisition. They are subsequently recorded at cost less cumulative amortization and any cumulative impairment expense. A distinction is drawn between intangible assets with a definite useful life and those with an indefinite useful life. With the exception of goodwill, the GRAMMER Group does not have any intangible assets with an indefinite useful life. Intangible assets with a definite useful life are amortized over their useful lives using the same method as for depreciation of property, plant and equipment. They are also tested for impairment as soon as there is any indication that they might be impaired. If the expected useful life of the asset or the expected amortization schedule has changed, a different amortization period or amortization method is chosen. Such changes constitute a change of estimate. Intangible assets include patents and licenses. Patents may be either generated internally or acquired and are recognized at cost provided that the criteria for recognition of an intangible asset are satisfied and the Group can provide proof of the development costs. Licenses for the use of intellectual property are issued for individual use for a period of one to ten years. Patents and licenses are amortized on a straight-line basis over their respective useful life.

Goodwill (IAS 38, IAS 36)

Goodwill arising from a business combination is initially measured at cost and is defined as the excess of cost over the Group's share in the fair values of the identifiable assets, liabilities and debt of the entity acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment expense. Goodwill is not subject to systematic amortization, but is tested for impairment annually or whenever there are any indications of impairment. In such a test, impairment is measured by the determination of the recoverable amount of the cash-generating unit that relates to the goodwill. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. If the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. First, the carrying amount of the goodwill allocated to the cash-generating unit and then, in proportion to the total carrying amount of the cash-generating unit, the carrying amount of the other assets of the unit is impaired. Impairment losses on goodwill are not reversed. Impairment is tested annually and additionally on an ad-hoc basis at the level of segments which are the Group's cash-generating units. These units or groups of units represent the lowest level at which goodwill is monitored for internal management purposes. This requires an estimate to be made of the fair value less costs to sell of the cash-generating units to which the goodwill has been attributed. In order to estimate the fair value less costs to sell, the Group must estimate the expected future cash flows from the cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Forecasts of cash flows are based on historical data and management's best estimate of future events over the next five years. Cash flows beyond the forecast period are extrapolated on the basis of individual growth rates. The assumptions underlying the fair value less costs to sell and value in use entail estimated growth rates, weighted average cost-of-capital rates and tax rates. These estimates and the methods used to arrive at them may exert considerable influence on the applicable figures and ultimately also the amount of a possible impairment of goodwill.

Inventories (IAS 2)

Inventories are valued at cost under strict application of the lower-of-cost-and-market principle. Cost is measured in the Group using a moving average price and an adequate portion of the costs associated with the procurement of goods. In addition to directly attributable costs, the costs of conversion include reasonable portions of manufacturing and materials overheads as well as depreciation. Administrative expenses are included insofar as they relate to production. General administrative expenses and interest expenses are not recognized. Due to the elimination of intercompany profits, the cost of inventories from intercompany deliveries is calculated on the basis of retrograde discounts on the internal transfer prices. If, as result of decreased prices on the market, the net realizable value on the reporting date is lower, the inventories are recognized at such lower prices.

Cash and short-term deposits (IAS 7)

Cash and short-term deposits, as reported in the balance sheet, include cash on hand, bank balances and short-term deposits with original terms to maturity of less than three months. These are recognized at amortized cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash and short-term deposits, as defined above, plus overdraft facilities that have been drawn on.

Own shares (IAS 32)

If the GRAMMER AG or a Group company acquires any own shares, this is carried at cost and deducted from equity. The purchase, sale, issue or cancellation of own shares is recognized directly in equity. Any differences between the carrying amount and the consideration paid are recognized in equity.

Hybrid loans (IAS 32)

The recognition of the hybrid loan depends on the specific structure of the instrument. A hybrid loan is accounted for and measured as an equity instrument if certain conditions are cumulatively met. These include the fact that the hybrid loan has no final maturity, the lender has no termination rights and distributions are made at the discretion of GRAMMER. In this case, the loan is classified completely as equity in accordance with IAS 32. It is reported below the item "Equity attributable to shareholders of the parent company", as it was obtained by a subsidiary of GRAMMER AG.

The hybrid loan is recognized at cost using the historical exchange rate. Changes in exchange rates over the historical exchange rate are recognized in other comprehensive income as a component of "Equity attributable to shareholders of the parent company". The hybrid loan lender's compensation claims are deducted from retained earnings and allocated to the hybrid loan.

Retirement benefits and other post-employment benefits (IAS 19)

The actuarial measurement of retirement benefit provisions is based on the projected unit credit method in respect of defined benefit plans in accordance with IAS 19 (revised 2011). This valuation method is based not only on retirement benefit payments and vested benefits known as of the reporting date but also reflects future salary and pension increases. Actuarial gains or losses result from changes in the number of beneficiaries and differences between actual trends (e.g. salary or pension increases) compared to the assumptions on which the calculations were based. They are reported within other comprehensive income (retained earnings) and subsequently no longer reclassified to profit and loss. Current service cost, past service cost, gains and losses from plan curtailments and extraordinary plan settlements are recognized within cost of sales, administrative costs or selling costs depending on their function. Past service cost is recorded as expense upon the plan change taking effect. With respect to defined benefit plans, the GRAMMER Group has plan assets only in connection with one deferred compensation commitment. The net interest expenses and interest income on defined benefit plans resulting from the plan assets are recorded in net financial result. Other post-employment benefits for employees are measured in accordance with IAS 19 (revised 2011). Actuarial calculations are based on material assumptions including on discount rates, expected salary and pension trends and mortality rates. The discount factors applied are determined on the basis of market yields on the reporting date on investment-grade corporate bonds with the appropriate maturity and currency denomination. Changes in market and economic conditions, particularly interest rates, may cause the underlying assumptions to differ from actual performance. Given the complexity of the measurements and their long-term nature, defined benefit obligations react extremely sensitively to any changes in the underlying assumptions. These assumptions are reviewed on each reporting date. The GRAMMER Group does not have any defined-contribution pension plans. Further details on retirement benefit obligations can be found in Note 19.

Provisions (IAS 37)

In accordance with IAS 37, provisions are recognized insofar as the Group, as a result of a past event, has present obligations towards third parties that will likely cause an outflow of resources and a reliable estimate can be made with respect to the amount of the obligation.

Where the Group expects at least a partial reimbursement of a provision (e.g. in the case of an insurance policy) for a particular matter, the reimbursement is recognized as a separate asset when it is virtually certain that reimbursement will be received. The expense relating to the provision is presented in the income statement net of the amount recognized for the reimbursement. Where the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. When discounting, the increase in the amount of a provision reflecting the time value of money is recognized as interest expense. Provisions for warranty costs are recognized at the time of sale of the relevant products or performance of the relevant services. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation.

The measurement of provisions for warranties and litigation is largely based on estimates and assumptions. For warranty estimates, a significant number of assumptions are made relating to technical disruptions, costs and possible claims, which to some extent rely on operating management's past experience. These may specify and change over time as more specific information becomes available. Restructuring costs are provided for if the general criteria for the recognition of provisions in accordance with IAS 37 are satisfied. Termination benefits (IAS 19) are included in restructuring provisions. The Group is confronted with various legal disputes and regulatory processes in different countries. Warranty claims are also sometimes asserted in court proceedings. These can result in civil sanctions or monetary fines for the Group. The Group recognizes provisions for such litigation costs if it is probable that an obligation will arise from them that is likely to result in future cash outflows. If the Group has an onerous contract, the present contractual obligation is recognized and measured as a provision. However, before establishing a separate provision for an onerous contract, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. This does not apply to contract assets as these represent services already transferred to the customer. An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the expected economic benefits. The unavoidable costs under a contract reflect the minimum net cost of exiting the contract, which is the lower of the cost of fulfilling it or any compensation or penalties arising from failure to fulfill it.

Share-based payment (IFRS 2)

The remuneration system for the Executive Board includes share-based remuneration as part of the variable performance-related remuneration. The share-based compensation is included in the total shareholder return (TSR) as part of the long-term incentive (LTI) and is calculated by comparing the GRAMMER share's performance over the four years of the performance period relative to the SDAX. The share-based payment is settled in cash and measured at its fair value on the reporting date. Pending payment of the LTI, the liability for the performance-related compensation is remeasured on each reporting date and on the settlement date and any changes in fair value are recognized through profit and loss under administrative expenses.

Financial assets (IFRS 9)

Financial assets are recognized on their settlement date.

After initial recognition, financial assets are subsequently measured either at amortized cost, at fair value through other comprehensive income or at fair value through profit and loss. Financial assets are classified on the basis of the characteristics of the cash flows associated with them (cash flow criteria) and the GRAMMER Group's business model for managing financial assets (business model criteria). Financial assets that meet the cash flow criteria by generating cash flows that represent only payments of principal and interest on the outstanding principal amount can be measured at amortized cost or at fair value through other comprehensive income. This assessment is made on the basis of the individual financial instrument. Financial assets are assigned to the following categories within GRAMMER Group:

- Financial Assets at Amortized Cost (FAAC)
- Financial Assets at Fair Value through Other Comprehensive Income without reclassification of the cumulative gains and losses on derecognition (equity instruments) (FVOCI)
- Financial Assets at Fair Value through Profit or Loss (FVtPL)

"Financial Assets at Amortized Cost" (FAAC) include cash and short-term deposits, trade accounts receivable, loans and receivables (other financial assets). They are held within the purposes of the GRAMMER Group's business model, of which is to hold assets to generate contractual cash flows. The cash flow criteria are met for these financial assets. Gains and losses are recognized as profit or loss in the period when they are derecognized or impaired or are reduced through amortization. Subsequent to initial recognition, they are recognized at amortized cost using the effective interest rate method less possible impairment losses. Trade accounts receivable are recognized at their invoice amount.

Impairments of loans and receivables (other financial assets) are recognized in accordance with general principles. If their credit risk has not increased significantly since initial recognition, an impairment loss is recognized equaling the credit losses that are expected to occur within the next twelve months (12-month expected credit loss; Level 1). Expected credit losses are based on the difference between the contractual cash flows payable under the contract and the total cash flows expected to be received by the Group discounted using an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit collateral that is an integral part of the terms of the contract. If credit risk has increased significantly since initial recognition, an impairment loss is recognized equaling the expected credit loss over the remaining term (lifetime expected credit loss; Levels 2 and 3). The expected credit loss is deducted from the carrying amount of the financial asset and recorded through profit and loss in a separate impairment account.

The simplified impairment model is applied to trade accounts receivable and contract assets and the lifetime expected losses duly recognized. The Group has drawn up an impairment matrix based on its past experience with credit losses and adjusted for forward-looking factors specific to borrowers and the economic environment. The practical simplification option for financial instruments is applied to cash and short-term deposits as they are exposed to only a minor credit risk. On each reporting date, it assesses whether the financial instrument has a low credit risk using all reasonable and reliable information available without unreasonable expense or time.

"Financial Assets measured at Fair Value through Profit or Loss" (FVtPL) include financial assets classified as held for trading, financial assets initially recognized at fair value through profit and loss and financial assets which must be recognized at their fair value. Financial assets are classified as held for trading if they have been purchased for the purpose of selling or repurchasing in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading with the exception of those derivatives that are designated as a hedge and are effective as such. They are initially recognized at fair value. Any gains and losses arising from them are not netted and are recognized through profit and loss in financial result. Trade accounts receivable that are to be sold as part of factoring operations also fall into this category. The Group did not have any financial assets at fair value through profit or loss in the year under review or in the previous year

Upon initial recognition, the Group may make an irrevocable decision to measure its equity instruments at "Fair Value through Other Comprehensive Income" (FVOCI) when they satisfy the definition of equity in IAS 32 and are not held for trading. Each individual instrument is classified separately. Gains and losses arising upon derecognition of the financial asset remain within other comprehensive income (OCI). Gains and losses from investments in equity instruments are recognized in other comprehensive income.

If the contractual rights to cash flows generated by an asset have lapsed or materially all risks and opportunities under the financial asset are transferred, it is derecognized. Trade accounts receivable and other financial assets are derecognized before the settlement date as soon as it is established that they are no longer recoverable.

Financial liabilities (IFRS 9)

Upon initial recognition, financial liabilities are classified as financial liabilities recognized at fair value through profit or loss, as loans, as liabilities or as derivatives that are designated as hedging instruments and effective as such. All financial liabilities are measured at fair value upon initial recognition. In the case of loans and liabilities, directly attributable transaction costs are deducted.

Financial liabilities are assigned to the following categories:

- Financial Liabilities at Amortized Cost (FLAC)
- Financial Liabilities at Fair Value through Profit or Loss (FLtPL)

Financial Liabilities at Fair Value through Profit or Loss" (FLtPL) include financial liabilities held for trading purposes and other financial liabilities designated as measured at fair value through profit or loss upon initial recognition and derivatives with a negative market value that are not designated as hedging instruments or are ineffective as such.

Financial liabilities are classified as held for trading if they were entered into for the purpose of being repurchased in the near future. The financial liabilities assigned to this category are measured at fair value not only upon initial recognition but also in subsequent periods. Any resultant gains and losses are recorded through profit and loss. The portion of the fair value changes attributable to the change in the GRAMMER Group's own credit risk is not recognized through profit and loss but in other comprehensive income. The Group did not make use of the option to allocate financial liabilities to this category in the current financial year or in the previous year.

"Financial Liabilities at Amortized Cost" (FLAC) comprise financial liabilities that are not assigned to any other category of financial liabilities. This category usually includes mainly loans. They are measured at amortized cost using the effective interest method. In the case of current financial liabilities, amortized cost equals the repayment or settlement amount. Gains and losses are recognized as profit or loss when the liabilities are derecognized or as part of amortizations by using the effective interest method.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, canceled or has expired. The exchange of an existing financial liability with another financial liability from the same lender with fundamentally different terms or a subsequent modification of the terms of an existing financial liability is accounted for as a derecognition of the original financial liability and recognition of the new financial liability. The difference between the carrying amounts is recognized in profit or loss for the period.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as currency forwards and interest rate swaps to hedge interest rate, exchange rate and other price risks. These derivative financial instruments are recognized at fair value at the time of agreement and remeasured at their fair value in subsequent periods. Depending on whether the fair value is positive or negative, they are recognized either as financial assets or as financial liabilities.

The GRAMMER Group classifies hedge relationships as cash flow hedges for accounting purposes. This hedges exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction or the foreign currency risk attributable to an unrecognized firm commitment.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

Hedging instruments that meet all the criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss from a hedging instrument is recognized in other comprehensive income, whereas the ineffective portion is recognized through profit and loss immediately. Cumulative other comprehensive income is s adjusted to the lower of the following amounts:

- the cumulative gain or loss on the hedge since its inception at the date when the hedged cash flows affect profit or loss, or
- the cumulative change in the fair value of the hedged item if the hedging instrument continues to exist as of the reporting date.

The Group uses currency forwards to hedge the currency risk resulting from an expected transaction and forward commodity contracts to hedge the volatility risk of commodity prices. GRAMMER also uses interest rate swaps to hedge cash flows from variable-rate financial liabilities. As of the reporting date, the portfolio included currency forwards, but no commodity futures contracts and interest rate swaps. The interest rate swaps expired in fiscal year 2022. In addition, there were fully effective hedging relationships for the interest rate swaps and forward exchange contracts. If the hedges do not satisfy the requirements of hedge accounting or they constitute the ineffective part of another effective hedge relationship, the change in fair value is recognized through profit and loss.

2.2. Application of new IFRS in 2022

The IASB has published the following standards and interpretations, application of which was mandatory the first time in 2022:

- Amendments to IFRS 3: Reference to the conceptual framework
- Amendments to IAS 16: Property, Plant and Equipment – proceeds before intended use
- Amendments to IAS 37: Onerous contracts – costs of fulfilling a contract
- Annual improvements to IFRS (2018–2020 cycle)
- Amendments to IAS 41: Taxation in fair value measurements

Only those standards and interpretations of material relevance for GRAMMER's consolidated financial statements are described below. Other standards are not relevant for the Group and are therefore not included here.

There were no material changes in the accounting policies applied beyond the newly applied standards presented.

Amendments to IAS 37: Onerous contracts – costs of fulfilling a contract

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2022. The amendments specify the costs that must be included in an assessment of whether a contract is onerous. The amendment focuses on costs that relate directly to the contract. The costs associated with the performance of contracts for the supply of goods or the rendering of services include both the directly attributable (incremental) costs of fulfilling the contract and overheads that relate directly to contract fulfillment. General administrative costs are not directly related to the contract and therefore do not come within contract fulfillment costs, unless it is expressly stipulated in the contract that they are to be recharged to the customer.

The Group applies these amendments to contracts for which GRAMMAR has not yet fulfilled all obligations. The amendments do not affect the consolidated financial statements as the Group already accounts for allocable overheads for development work, such as depreciation of project-related property, plant and equipment and when recognizing performance obligations.

Annual improvements to IFRS (2018–2020 cycle)

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2022. The annual improvements to IFRS 2018–2020 result in direct amendments to the following standards:

- IFRS 1: Subsidiaries as first-time users: The amendment permits a subsidiary that applies IFRS 1.D16(a) to measure cumulative foreign currency translation differences at the amounts recognized by its parent relating to the date of the parent's adoption of IFRS.
- IFRS 9: Fees in the "10%-test" for derecognition of financial liabilities: The amendment clarifies that an entity may consider only such fees paid or received between the entity as a borrower and the lender under the so-called "10%-test". The "10%-test" is implemented to assess if a financial liability is to be derecognized.

The amendment to IFRS 1 is not relevant to GRAMMER. With the "10%-test" for financial liabilities whose contract terms were changed in 2022, the amendment to IFRS 9 did not generate a deviating result.

2.3. Published standards which are not yet subject to mandatory application

Endorsed by the EU but not yet applied

The IASB published the standards and interpretations listed below which have already been integrated into EU law as part of the comitology procedures but application of which was not yet mandatory in 2022:

- IFRS 17: Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 41: Taxation in fair value measurements

The GRAMMER Group did not adopt to these standards and interpretations prematurely. Only those standards and interpretations of relevance for GRAMMER's consolidated financial statements are described below in greater detail. The other standards published by the IASB and IFRIC are not relevant for the Group and therefore are not included here.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB published "Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies" on February 12, 2021. The amendments provide guidance and examples intended to help companies assess when information on accounting policies is considered "material" and must therefore be disclosed. The amendments are intended to help companies disclose accounting policies more helpfully for users of financial statements by replacing the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" information on accounting policies and adding guidance to make it easier for companies to apply the concept of materiality when assessing when information on accounting policies is to be disclosed.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023. As the amendments to the Practice Statement 2 contain non-binding application guidance for the definition of "material" regarding information on accounting policies, an effective date for the amendments was not considered necessary. It is currently being evaluated what impact the amendments will have on the disclosures on accounting policies in the consolidated financial statements.

Amendments to IAS 8: Definition of accounting estimates

The IASB published "Amendments to IAS 8: Definition of Accounting Estimates" on February 12, 2021. The amendment clarifies how to differentiate between changes to accounting estimates, changes to accounting policies and error corrections. It also explains how companies can perform accounting estimates with the help of measurement tools and inputs.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023 and to changes to accounting policies and accounting estimates made at or after the start of this period. GRAMMER does not expect the amendments to have any material impact on the consolidated financial statements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB published "Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on May 7, 2021. The amendments relate to accounting for deferred taxes on transactions such as leases at the lessee and dismantling obligations. As a result of the amendment, an exemption on the initial recognition exemption was introduced in line with IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This results from the introduction of IAS 12.22A, which sets out an exemption from the initial recognition exemption.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023. The amendments are to be applied retrospectively for transactions that occur at or after the beginning of the earliest comparative period presented. In addition, deferred taxes for all temporary differences related to leases and decommissioning obligations are to be recognized at the beginning of the earliest comparative period. The cumulative effect of the initial application of these amendments is recognized as an adjustment of the opening retained earnings. The Group does not expect the amendments to have any material impact on the consolidated financial statements.

Not yet endorsed by the EU

The IASB published further standards and interpretations, which however have not yet been integrated in EU law under the comitology procedures:

- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Only those standards and interpretations of relevance for GRAMMER's consolidated financial statements are described below in greater detail. The other standards published by the IASB and IFRIC are not relevant for the Group and therefore are not included here.

Amendments to IAS 1: Classification of liabilities as current or non-current

The IASB published "Amendments to IAS 1: Classification of liabilities as current or non-current" on January 23, 2020. The amendments concern paragraphs 69 to 76 of "IAS 1 Presentation of Financial Statements" and clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- The right to defer the settlement of a liability is explained.
- The right to defer settlement of a liability must exist at the reporting date.
- For classification purposes, it is irrelevant whether the company expects to actually exercise this right.
- Only if a derivative embedded in a convertible debt instrument is an equity instrument that must be accounted for separately is it not necessary to take account of the terms of the debt instrument for classification purposes.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023 and are applicable retroactively. GRAMMER does not expect the amendments to have any material impact on the consolidated financial statements as the Group currently has no contractual rights in its obligations which are impacted by the amendment.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

On September 22, 2022, IASB published "Amendments to IFRS 16: Lease Liability in a Sale and Leaseback". With the amendments it is clarified how a seller-lessee of a sale and leaseback transaction, which is accounted for as sale according to IFRS 15, has to apply the subsequent measurement regulation in line with IFRS 16 on the lease liability.

As a result of the amendment, subsequent to a sale the lessee has to measure the lease liability in such a way that he does not recognize any gain or loss relating to the retained right of use in the income statement.

The amendment must be applied for the first time to annual accounting periods beginning on or after January 1, 2024.

3. Scope of consolidation

Information on subsidiaries

The consolidated financial statements include the financial statements of GRAMMER AG as the parent and the following subsidiaries:

	Name of subsidiary	Domicile	Main activity	Equity interest (%) 2022	2021
1. Consolidated subsidiaries					
1.	GRAMMER do Brasil Ltda.	Atibaia, Brazil	Automotive/Commercial Vehicles	100.00	100.00
2.	GRAMMER Seating Systems Ltd.	Bloxwich, United Kingdom	Distribution company	100.00	100.00
3.	GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S.	Bursa, Turkey	Commercial Vehicles	99.40	99.40
4.	GRAMMER Inc.	Shannon (MS), United States	Automotive/Commercial Vehicles	100.00	100.00
5.	GRAMMER CZ s.r.o.	Tachov, Czech Republic	Automotive/Commercial Vehicles	100.00	100.00
6.	GRAMMER Japan Ltd.	Tokyo, Japan	Distribution company	100.00	100.00
7.	GRAMMER AD	Trudovetz, Bulgaria	Automotive/Commercial Vehicles	98.84	98.84
8.	GRAMMER System GmbH	Amberg, Germany	Automotive	100.00	100.00
9.	GRAMMER Automotive Metall GmbH	Amberg, Germany	Automotive	100.00	100.00
10.	GRAMMER Automotive Slovenija d.o.o.	Slovenj Gradec, Slovenia	Automotive	100.00	100.00
11.	GRAMMER Industries, LLC	Troy (MI), United States	Automotive	100.00	100.00
12.	GRAMMER Automotive Puebla S.A. de C.V.	Puebla, Mexico	Automotive/Commercial Vehicles	100.00	100.00
13.	GRAMMER Automotive Polska Sp. z o.o.	Bielsko-Biala, Poland	Automotive	100.00	100.00
14.	GRAMMER Interior (Tianjin) Co., Ltd.	Tianjin, China	Commercial Vehicles	100.00	100.00
15.	GRAMMER Interior (Changchun) Co., Ltd.	Changchun, China	Automotive	100.00	100.00
16.	GRAMMER Interior (Shanghai) Co., Ltd.	Shanghai, China	Automotive/Commercial Vehicles	100.00	100.00
17.	GRAMMER System d.o.o.	Aleksinac, Serbia	Automotive	100.00	100.00
18.	GRAMMER Railway Interior GmbH	Amberg, Germany	Commercial Vehicles	100.00	100.00
19.	GRAMMER Deutschland GmbH[2]	Kümmersbruck, Germany	Commercial Vehicles	100.00	100.00
20.	GRAMMER Electronics N.V.	Aartselaar, Belgium	Commercial Vehicles	100.00	100.00
21.	GRAMMER Interior (Beijing) Co., Ltd.	Beijing, China	Automotive	100.00	100.00
22.	GRAMMER Automotive CZ s.r.o.	Česká Lípa, Czech Republic	Automotive	100.00	100.00
23.	GRAMMER Seating (Ningbo) Co., Ltd.	Ningbo City, China	Automotive/Commercial Vehicles	100.00	100.00
24.	GRAMMER Automotive South Africa (Pty) Ltd.	Bedfordview, South Africa	Automotive	100.00	100.00

Name of subsidiary		Domicile	Main activity	Equity interest (%)	
				2022	2021
1. Consolidated subsidiaries					
25.	GRAMMER Argentina S.A.	Buenos Aires, Argentina	Commercial Vehicles	99.96	99.96
26.	GRAMMER Italia srl.	Jesi, Italy	Distribution company	100.00	100.00
27.	GRAMMER Interior Components GmbH	Hardheim, Germany	Automotive	100.00	100.00
28.	GRAMMER Seating (Shaanxi) Co., Ltd.	Weinan City, China	Commercial Vehicles	90.00	90.00
29.	Toledo Molding & Die, LLC	Toledo (OH), United States	Automotive/Commercial Vehicles	100.00	100.00
30.	TMD Mexico LLC	Wilmington (DE), United States	Automotive	100.00	100.00
31.	TMD International Holdings LLC	Wilmington (DE), United States	Automotive	100.00	100.00
32.	Toledo Molding de Mexico S.R.L. de C.V.	Queretaro, Mexico	Automotive	100.00	100.00
33.	Toledo Molding CZ s.r.o.	Prague, Czech Republic	Automotive	100.00	100.00
34.	Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd.	Changchun, China	Automotive	49.00	49.00
35.	GRAMMER Vehicle Parts (Shenyang) Co., Ltd.	Shenyang, China	Automotive	100.00	100.00
36.	GRAMMER (China) Holding Co., Ltd.	Hefei City, China	Holding company	100.00	100.00
37.	GRAMMER Vehicle Parts (Harbin) Co., Ltd.	Harbin, China	Commercial Vehicles	60.00	60.00
38.	GRAMMER Vehicle Parts (Qingdao) Co., Ltd.	Qingdao City, China	Commercial Vehicles	60.00	60.00
39.	GRAMMER CZ Servicecenter s.r.o.	Tachov, Czech Republic	Service company	100.00	100.00
40.	GRAMMER Vehicle Interiors (Hefei) Co., Ltd.[1]	Hefei City, China	Automotive	100.00	0.00
2. Consolidated joint ventures and associated companies					
1.	GRA-MAG Truck Interior Systems LLC	London (OH), United States	Commercial Vehicles	50.00	50.00
2.	ALLYGRAM Systems and Technologies Private Limited	Pune, India	Development company	30.00	30.00

[1] GRAMMER Vehicle Interiors (Hefei) Co., Ltd. was included in the consolidated financial statements for the first time on April 30, 2022.

[2] GRAMMER Technical Components GmbH was included in the consolidated financial statements for the first time on October 25, 2022.

In addition to GRAMMER AG, five (2021: five) domestic and 35 (2021: 34) foreign 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 2021 but not included in the consolidated financial statements for the 2021 financial year due to immateriality, was consolidated for the first time effective April 30, 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.

The companies accounted for at equity are the joint venture GRA-MAG Truck Interior Systems LLC, London, OH, United States (GRA-MAG LLC), 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.

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The uniform reporting date for all of the consolidated companies is December 31, 2022.

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**

2021

	Germany	International	Total
Fully consolidated companies (including GRAMMER AG)	6	34	**40**
Companies accounted for at equity	0	2	**2**
Companies	**6**	**36**	**42**

Within GRAMMER Group, investments are held in all subsidiaries that ensure a controlling influence.

The companies GRAMMER System GmbH, GRAMMER Automotive Metall GmbH, GRAMMER Railway Interior GmbH, GRAMMER Deutschland GmbH and GRAMMER Interior Components GmbH make partial use of the accounting conveniences provided for in section 264 (3) HGB.

4. Investments in joint ventures and associates

GRA-MAG LLC

GRAMMER AG holds a 50% share in the capital of GRA-MAG Truck Interior Systems LLC, London, OH, United States (GRA-MAG LLC), a joint venture in the United States, which is active in the AMERICAS region and primarily develops and assembles seats and seating systems for trucks. As in the previous year, the Group's shares in GRA-MAG LLC are recognized in accordance with equity method of accounting. The share in GRA-MAG LLC is recognized at equity and has a value of EUR 0 as the cumulative losses exceed the carrying amount of the investment. As GRAMMER AG is not under any obligation to settle the loss, the negative equity is not recognized as a liability.

The summarized financial information corresponds to the amounts reported in the annual financial statements of the joint venture as of December 31, 2022 prepared in accordance with IFRS.

EUR k

Income statement 100%	2022	2021
Revenue	61,267	39,482
Cost of sales including systematic depreciation of EUR 216 thousand (2021: EUR 113 thousand)	–50,449	–31,756
Selling expenses	–32	–1
Administrative expenses	–4,784	–4,148
Interest expense	–724	–697
Earnings before taxes	**5,278**	**2,880**
Income taxes	–76	–56
Net profit/loss	**5,202**	**2,824**
Group's share of profit or loss (50%)	2,601	1,412

EUR k

Statement of financial position 100%	2022	2021
Non-current assets	2,435	937
Current assets	14,274	10,920
Assets	**16,709**	**11,857**
Non-current liabilities	18,756	18,487
Current liabilities	6,540	6,297
Liabilities	**25,296**	**24,784**
Equity	**–8,587**	**–12,927**
Share held by the Group	50%	50%
Goodwill from first-time consolidation	2,043	2,043
Carrying amount of the investment	0	0

The aforementioned items include cash and short-term deposits of EUR 2,502 thousand (2021: EUR 670 thousand) as well as current and non-current financial liabilities of EUR 2,051 thousand (2021: EUR 2,729 thousand) and EUR 18,756 thousand (2021: EUR 18,487 thousand).

GRA-MAG LLC's unrealized losses break down as follows:

EUR k

Unrecognized gains/losses (50%)	2022	2021
Unrecognized losses of GRA-MAG LLC as of January 1	–6,367	–7,779
Unrecognized gains of GRA-MAG LLC in the period under review	2,601	1,412
Unrecognized losses of GRA-MAG LLC as of December 31	**–3,766**	**–6,367**

As of December 31, 2021 and 2022, the joint venture did not have any contingent liabilities or capital commitments. The GRAMMER Group is not involved in any joint activities coming within the scope of IFRS 11.

Other immaterial investments accounted for using the equity method

GRAMMER AG holds a 30% interest in the capital of ALLYGRAM Systems and Technologies Private Limited, Pune, India (ALLYGRAM). ALLYGRAM is an associate in India that provides development services for the global GRAMMER sites. As in the previous year, the Group's shares in ALLYGRAM are recognized by using the equity method. The equity measurement in ALLYGRAM amounts to EUR 1,158 thousand as of December 31, 2022 (2021: EUR 958 thousand). Accordingly, the share of net profit of EUR 261 thousand (2021: EUR 435 thousand) was recognized in profit and loss and the share of dividends received of EUR 0 thousand (2021: EUR 392 thousand) were recognized as well. In addition, foreign currency differences of EUR -59 thousand (2021: EUR 67 thousand), actuarial losses of EUR 0 thousand (2021: EUR 1 thousand) and gains from cash flow hedges of EUR -2 thousand (2021: EUR 2 thousand) were recognized in cumulative other comprehensive income. In 2022, there was a payment of a dividend resolved in the previous year equivalent to EUR 359 thousand.

5. Segment reporting

The segments described below cover the internal reporting and organizational structure of the GRAMMER Group in 2022. Determination of the Company's key management indicators is based on the data contained in the IFRS consolidated financial statements. For management purposes, the Group is classified by region and has three reportable divisions:

The EMEA region (Europe, Middle East, Africa) comprises all European companies and the companies in Turkey and South Africa. The AMERICAS region includes all companies in North, Central and South America, while APAC (Asia Pacific) is made up of all Chinese companies and Japan.

The EMEA region is the largest of the three reportable segments within the GRAMMER Group. Based on the total revenue of the three reporting segments (excluding eliminations across segments), 50.7% (2021: 53.5%) of revenue was generated in the EMEA region in 2022, followed by the AMERICAS region at 30.2% (2021: 26.1%) and the APAC region at 19.1% (2021: 20.5%). Alongside the three segments, Central Services comprises the higher-level general corporate functions, which are allocated to GRAMMER AG.

The revenue and earnings before interest and taxes (EBIT), operating EBIT and the operating EBIT margin generated by the operating segments are monitored separately by management in order to make decisions on resource allocation and determine the earnings strength of the units. Group financing (including financing income and expenses) as well as income taxes are managed uniformly and autonomously within the Group and not allocated to the individual segments. Similarly, expenses for the Central Service departments are not broken down by segment. The Central Services Division carries out Group-wide functions in controlling, taxes and risk management, marketing and communications, purchasing, development, operations, finance, internal audit, investor relations, IT, human resources, accounting, legal affairs and compliance.

Transfer prices between the Group's operating segments are based on market prices established at arm's length. Segment income, expenses and earnings include intragroup transactions between the segments. These transfers within the segments are eliminated at the segment level and transfers between the segments upon consolidation at the Group level.

Reporting segments

The following tables include information on income and earnings as well as selected information on the assets and liabilities of the Group's business segments:

2022

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	1,071,494	669,616	417,681	0	0	**2,158,791**
Inter-segment revenue	59,870	2,838	8,972	0	–71,680	**0**
Revenue	**1,131,364**	**672,454**	**426,653**	**0**	**–71,680**	**2,158,791**
Segment earnings (EBIT)	**58,580**	**–125,766**	**47,037**	**–25.048**	**216**	**–44,981**
Financial income						**3,576**
Financial expenses						**–28,896**
Other financial result						**7,537**
Earnings before taxes						**–62,764**
Income taxes						**–15,797**
Net profit/loss						**–78,561**
Other segment information						
Capital expenditure						
Property, plant and equipment	35,752	19,578	21,406	6,487	0	**83,223**
Intangible assets	250	95	112	7,362	0	**7,819**
Depreciation and amortization						
Depreciation	–30,283	–58,503	–14,064	–5,758	0	**–108,608**
Amortization of intangible assets	–520	–50,693	–132	–2,468	0	**–53,813**
Non-cash items						
Changes in retirement benefit provisions	3,856	632	7	1,819	0	**6,314**

2021

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	991,433	514,868	396,713	0	0	**1,903,014**
Inter-segment revenue	70,065	2,821	9,539	0	–82,425	**0**
Revenue	**1,061,498**	**517,689**	**406,252**	**0**	**–82,425**	**1,903,014**
Segment earnings (EBIT)	**43,320**	**–61,739**	**52,902**	**–15,808**	**189**	**18,864**
Financial income						**3,410**
Financial expenses						**–22,062**
Other financial result						**6,502**
Earnings before taxes						**6,714**
Income taxes						**–6,068**
Net profit/loss						**646**
Other segment information						
Capital expenditure						
Property, plant and equipment	45,963	20,981	35,599	3,926	0	**106,469**
Intangible assets	266	93	93	7,790	0	**8,242**
Depreciation and amortization						
Depreciation	–30,989	–21,272	–11,164	–5,312	0	**–68,737**
Amortization of intangible assets	–4,010	–10,088	–112	–1,272	0	**–15,482**
Non-cash items						
Changes in retirement benefit provisions	3,451	337	9	1,809	0	**5,606**

Information on divisions

The following tables include information on externally generated revenue and non-current assets of the Group's divisions for the financial years ending December 31, 2022 and 2021.

2022

EUR k

By division	Automotive	Commercial Vehicles	Central Services	GRAMMER Group
Revenue EMEA	580,959	550,405	0	**1,131,364**
Revenue AMERICAS	537,090	135,364	0	**672,454**
Revenue APAC	290,466	136,187	0	**426,653**
Eliminations	–18,207	–53,473	0	**–71,680**
Revenue	**1,390,308**	**768,483**	**0**	**2,158,791**
Non-current assets (property, plant and equipment as well as intangible assets)	416,062	92,157	115,393	**623,612**

2021

EUR k

By division	Automotive	Commercial Vehicles	Central Services	GRAMMER Group
Revenue EMEA	564,834	496,664	0	**1,061,498**
Revenue AMERICAS	422,986	94,703	0	**517,689**
Revenue APAC	268,033	138,219	0	**406,252**
Eliminations	–20,928	–61,497	0	**–82,425**
Revenue	**1,234,925**	**668,089**	**0**	**1,903,014**
Non-current assets (property, plant and equipment as well as intangible assets)	486,916	81,559	110,378	**678,853**

The divisions of the GRAMMER Group focus on creating and implementing global market, customer and product strategies. 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 and their system suppliers. 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 segment, GRAMMER is active as a supplier to the commercial vehicle industry, marketing driver and passenger seats to commercial vehicle OEMs or as an after-market supplier. It also markets driver and passenger seats to bus and rolling stock OEMs, as well as railway operators.

6. Revenue from contracts with customers

The GRAMMER Group generates revenue from the transfer of goods and services both over time and on a point-in-time basis in the following segments:

2022

EUR k

Point in time of revenue recognition	EMEA	AMERICAS	APAC	Elimi-nations	GRAMMER Group
Goods transferred at a specific point in time	1,072,842	638,805	401,245	–69,801	**2,043,091**
Goods and services transferred over time	58,522	33,649	25,408	–1,879	**115,700**
Intragroup transactions	–59,870	–2,838	–8,972	71,680	**0**
Total revenue from contracts with customers	**1,071,494**	**669,616**	**417,681**	**0**	**2,158,791**

2021

EUR k

Point in time of revenue recognition	EMEA	AMERICAS	APAC	Elimi-nations	GRAMMER Group
Goods transferred at a specific point in time	996,133	494,203	389,049	–80,871	**1,798,514**
Goods and services transferred over time	65,365	23,486	17,203	–1,554	**104,500**
Intragroup transactions	–70,065	–2,821	–9,539	82,425	**0**
Total revenue from contracts with customers	**991,433**	**514,868**	**396,713**	**0**	**1,903,014**

60% of the net contract liabilities of EUR 5,924 thousand reported as of December 31, 2021 were recognized as revenue in 2022 (2021: with approx. 80% of EUR 4,533 thousand).

In 2022 and 2021, there was likewise no material revenue from performance obligations which had been fulfilled in part or in full in earlier periods.

7. Other income and expenses

7.1. Other operating income

Other operating income primarily included income from recharged handling costs of EUR 3,490 thousand (2021: EUR 2,995 thousand), income from the sale of metal waste of EUR 4,720 thousand (2021: EUR 4,799 thousand) and miscellaneous other income of EUR 24,912 thousand (2021: EUR 6,197 thousand). The miscellaneous other income in 2022 mainly consists of reversals of provisions from previous years of EUR 12,973 thousand, one-time payments from customers as compensation for one-time expenses of EUR 7,353 thousand as well as one-time payments for compensation for order cancellations and increases in material prices and freight costs of EUR 1,330 thousand. Other operating income additionally comprised government grants of EUR 2,036 thousand (2021: EUR 1,832 thousand), sales of property, plant and equipment of EUR 153 thousand (2021: EUR 2,319 thousand), income from insurance claims of EUR 2,525 thousand (2021: EUR 2,371 thousand) and income from recharged expenses and rental income of EUR 4,252 thousand (2021: EUR 416 thousand). In addition, it included a refund claim for other taxes of EUR 1,312 thousand (2021: EUR 2,856 thousand) in connection with the quasi-VAT levies PIS and COFINS (Programa de Integraçao Social/Contribuiçao para o Financiamento da Seguridade Social) in Brazil. The refund claim includes taxes paid twice. Brazilian courts confirmed the refund claim in 2021. The government grants were received for the acquisition of certain items of property, plant and equipment as well as in the form of income subsidies. The conditions for these grants were satisfied in full and there is currently no risk that they will not be complied with in the future.

7.2. Financial result

The following table breaks down financial result:

EUR k	2022	2021
Interest income on bank balances	1,998	1,493
Income from other financial assets	495	286
Income from other assets	1,083	1,631
Financial income	**3,576**	**3,410**
Interest on loans and overdrafts	–23,388	–17,337
Other interest costs	0	–7
Interest cost of retirement benefit provisions	–2,544	–1,626
Loss from financial assets and liabilities at fair value through profit or loss	–49	–164
Interest element of lease payments	–2,915	–2,928
Financial expenses	**–28,896**	**–22,062**
Currency translation gains/losses from cash at bank and in hand	1,850	–625
Exchange-rate differences from intercompany finance	5,687	7,127
Other financial result	**7,537**	**6,502**
Financial result	**–17,783**	**–12,150**

The lower financial result was essentially the result of higher interest on loans and current accounts as a result of generally higher interest rates. In the other financial result, fluctuations in the exchange rate of the Czech koruna, the Japanese yen, the Brazilian real and particularly the US dollar resulted in considerably higher foreign exchange gains in 2022 than in the previous year. Income from other assets includes interest income on the refund claim for other taxes of EUR 1,083 thousand (2021: EUR 1,631 thousand) in connection with the quasi-VAT levies PIS and COFINS (Programa de Integraçao Social/Contribuiçao para o Financiamento da Seguridade Social) in Brazil.

7.3. Amortization, depreciation, foreign exchange differences and acquisition and production costs included in the consolidated statement of income

Cost of Sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise of EUR 1,924,411 thousand (2021: EUR 1,642,215 thousand). This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. This item also includes the cost of additions to warranty provisions. Expenses relating to the development and expansion of individual plant locations in preparation for forthcoming series production ("industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Non-capitalized development costs incurred in the Commercial Vehicles Division are also included here. The cost of sales also includes exceptional expenses from non-recurring business transactions of EUR 38,743 thousand in 2022 (2021: EUR 2,322 thousand). In 2022, these comprised expenses for directly attributable costs for corona-related protection and response measures of EUR 2,121 thousand (2021: EUR 2,342 thousand), expenses for restructuring measures of EUR 2,474 thousand (2021: EUR 0 thousand) and impairment losses on property, plant and equipment of EUR 34,148 thousand. In 2021, there was also an additional EUR -20 thousand of hidden liabilities not yet recognized in profit or loss due to the sale of the Spanish subsidiary. In 2022, cost of sales include cost-reducing EUR 279 thousand (2021: EUR 19 thousand) government grants for research projects and higher energy costs.

Selling expenses

The selling expenses of EUR 28,947 thousand (2021: EUR 33,350 thousand) relate to expenses of the sales and distribution function and primarily refer to costs incurred by the Sales, Advertising and Marketing departments as well as overheads allocated to these functions or activities. Freight, commissions and forwarding charges are also included in selling expenses. In 2021, this item included expenses for compensation of EUR 6,020 thousand as a result of negotiations by the sales department with a customer regarding defective products.

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure on general administration, management and central departments. Other administrative expenses also include income from exchange rate movements in the amount of EUR 18,563 thousand (2021: EUR 20,978 thousand) and mainly relate to foreign exchange gains between the origination and settlement of foreign currency receivables and liabilities as well as foreign exchange gains resulting from measurement at the reporting date. Foreign exchange losses amounting to EUR 18,785 thousand (2021: EUR 17,634 thousand) are also recognized under other administrative expenses. Administrative expenses also include various exceptional expenses from non-recurring business transactions of EUR 41,528 thousand in 2022 (2021: EUR 4,516 thousand). In 2022, they comprised directly attributable costs for corona-related protection and response measures of EUR 26 thousand (2021: EUR 383 thousand), expenses for restructuring measures of EUR 2,097 thousand (2021: 0 thousand) and impairment losses on intangible assets, including goodwill, of EUR 39,404 thousand. In 2021, this item also included EUR 3,829 thousand from the deconsolidation of the Spanish subsidiary and consulting costs of EUR 304 thousand in connection with its sale.

Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment

Amortization of intangible assets totaled EUR 14,409 thousand (2021: EUR 15,482 thousand) and is recognized in the under the cost of sales, selling expenses and administrative expenses depending on origin. This item also contains capitalized development costs of EUR 1,572 thousand (2021: EUR 2,180 thousand) that are included in the cost of sales. Depreciation of property, plant and equipment amounted to EUR 74,459 thousand (2021: EUR 68,737 thousand), including systematic depreciation of EUR 19,032 thousand (2021: EUR 17,600 thousand) for right-of-use assets. In 2022, due to a lower recoverable amount, (impairment) expenses of EUR 73,553 thousand (2021: EUR 0 thousand) were incurred. EUR 34,149 thousand of this relates to property, plant and equipment and EUR 39,404 thousand to intangible assets. Of the property, plant and equipment, EUR 870 thousand relate to land and buildings, EUR 32,170 thousand to technical equipment and machinery and EUR 1,109 thousand to rights of use. Of the intangible assets, EUR 14,953 thousand relate to concessions and industrial rights and EUR 24,451 thousand to goodwill. Depreciation, amortization and impairment are recognized in the income statement under cost of sales, selling expenses and general administrative expenses.

7.4. Personnel expenses

Personnel expenses are presented in the following table:

EUR k	2022	2021
Wages and salaries	418,134	376,480
Social security contributions	100,323	89,393
Employee benefits expense	**518,457**	**465,873**

In 2022, personnel expenses include cost-reducing EUR 14 thousand (2021: EUR 850 thousand) in government grants to deal with the consequences of the COVID-19 pandemic, mainly consisting of reimbursements from social security funds and other government support payments.

8. Income taxes

The key components of income taxes for 2022 and 2021 break down as follows:

EUR k	2022	2021
Consolidated Statement of Income		
Actual income taxes		
Actual tax expenses – Germany	–4,121	–6,731
Actual tax expenses – international	–13,175	–13,291
Total actual tax expenses	**–17,296**	**–20,022**
Deferred taxes		
Deferred tax liabilities (-)/deferred tax assets – Germany	803	1,095
Deferred tax liabilities (-)/deferred tax assets – international	696	12,859
Deferred tax liabilities (-)/deferred tax assets	**1,499**	**13,954**
Tax expense (-)/income reported in the consolidated statement of income	**–15,797**	**–6,068**

The decline in actual income tax expense in Germany is mainly due to the fact that the previous-year position included the result of a tax audit as expense. International tax expenses are approximately at the level of the previous year, with positive effects in China roughly counterbalancing negative effects in Mexico.

In 2022, deferred tax assets on losses of EUR 15.9 million (2021: EUR 7.6 million) were not recognized, primarily impacting the USA tax group, as well as companies in Belgium and Mexico. In no cases was there any substantial evidence indicating that sufficient taxable income towards which the unused losses can be used will arise in the future. The deferred tax assets in Germany include the reversal of deferred tax assets on loss carryforwards, which were considered as not recoverable in the previous year. Loss carryforwards that were considered not recoverable in the previous year were also capitalized outside Germany. This primarily concerned companies in China.

Despite considerably negative earnings before taxes, the GRAMMER Group reported an income tax expense. This can be explained essentially by the non-recognition of deferred tax assets of the current year and the impairment on deferred tax assets recognized on loss carryforwards from previous years. In both cases, this related primarily to the tax group in the USA. Furthermore, as a result of the higher Group tax rate, impairment taken on goodwill, property, plant and equipment and additional intangible assets that could not be recognized for tax purposes had a negative impact. This effect in recognized in the Group tax reconciliation in the item of non-deductible business expenses. Tax rate effects from foreign tax jurisdictions had a negative impact of EUR –4.2 million on the reported tax expense.

As of the balance sheet date, the Group had loss carryforwards totaling EUR 387.1 million (2021: EUR 267.7 million). No deferred tax assets were formed for tax losses of EUR 276.3 million (2021: EUR 96.8 million). If the Group had been able to recognize all unconsidered deferred tax assets from 2022 and preceding years, net profit and equity would have increased by a total of EUR 50.1 million (2021: EUR 22.6 million).

Reconciliation between the income tax expenses reported in the consolidated income statement and the product of the reported net profit for the period and the applicable tax rate for the Group for financial years 2022 and 2021 is as follows:

EUR k	2022	2021
Earnings before taxes	**–62,764**	**6,714**
Income taxes at the effective rate in Germany of 28.9% (2021: 28.9%)	18,139	–1,940
Effects from minimum taxation and withholding taxes	–3,086	–3,192
Actual income taxes relating to previous years	355	–2,833
Effects of the non-recognition of deferred taxes for the current year	–15,854	–7,605
Change in deferred taxes from previous years	–1,514	10,217
Tax reduction from tax-exempt income	153	1,206
Non-deductible expenses	–8,551	–3,328
Other tax effects	–1,871	–629
Effect of changes in tax rates/tax law	627	285
Effect of foreign tax groups on tax rate	–4,195	1,751
Income taxes at the effective tax rate of –25,2 % (2021: 90,4 %)	**–15,797**	**–6,068**

Deferred tax assets broke down as follows as of the relevant reporting dates:

EUR k	2022	2021
Property, plant and equipment (excluding right-of-use assets)	–20,156	–24,536
Right-of-use assets	–8,087	–7,236
Intangible assets	–18,080	–21,675
Other assets	–4,748	–4,454
Trade accounts receivable, current	–124	–76
Contract assets	–2,749	–5,558
Other current financial assets	–923	–567
Non-current financial liabilities	–274	–215
Other[1]	–2,582	–1,245
Deferred tax liabilities (non-netted)	**–57,723**	**–65,562**
Retirement benefits and similar obligations	14,439	24,656
Provisions	4,648	5,231
Tax losses carried forward	19,187	25,708
Contract assets	346	69
Property, plant and equipment	5,855	3,817
Intangible assets	2,905	3,378
Other current liabilities	753	769
Current trade accounts receivable	4,865	5,503
Other financial liabilities	9,985	7,008
Other current financial liabilities	1,740	3,063
Inventories	2,492	2,892
Non-current financial liabilities	43	2,248
Other[2]	8,779	8,002
Deferred tax assets (non-netted)	**76,037**	**92,344**
Net deferred tax liabilities (–)/deferred tax assets	**18,314**	**26,782**

[1] Due to immateriality inventories with deferred tax liabilities (non-netted) reclassified to Other.
[2] Due to immateriality other financial liabilities with deferred tax assets (non-netted) reclassified to Other.

The change in the deferred taxes is described below:

EUR k	2022	2021
As of January 1	**26,782**	**17,358**
Deferred tax liabilities (-)/deferred tax assets through profit and loss	1,499	13,954
Deferred tax liabilities (-)/deferred tax assets through statement of comprehensive income	−10,053	−4,504
Deferred taxes acquired as a result of first-time consolidation	0	18
Currency-translation effects	86	−44
As of December 31	**18,314**	**26,782**

The statutory rate of corporate income tax in Germany was 15% for the 2022 and 2021 assessment periods, plus a solidarity surtax of 5.5%. Together with municipal trade tax, which is not deductible as a business expense in Germany, this results in a tax rate of approximately 28.9% for 2022 (2021: 28.9%).

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply when the asset is realized or the liability settled. Deferred tax assets and liabilities were measured on the basis of the overall tax rate of 28.9% (2021: 28.9%). As in the previous year, the local income tax rates for foreign entities varied between 10% and 34%. Deferred tax assets are recognized only if the management deems their recoverability to be probable. Relevant impairments are based on all known positive and negative factors relating to future taxable income. The estimates made may change over time. Assessment of the value of deferred tax assets is based on the probability of measurement differences being reversed and the recoverability of unused tax losses that led to their creation.

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. The unused tax losses in individual countries may be carried forward for periods of five to 20 years or also indefinitely and in some cases carried back. The companies that generated losses in the current year or in the previous year and whose deferred tax assets are not covered by deferred tax liabilities have recognized deferred tax assets of EUR 12.0 million (2021: EUR 23.1 million).

Deferred taxes were not recorded on outside basis differences (i.e. differences between net assets, incl. goodwill at subsidiaries or the relevant tax value of interests in subsidiaries), as reversal of differences, e.g. through distributions, are taxable and because no significant tax effects are expected in the foreseeable future. The outside basis differences stand at EUR 123,851 thousand as of December 31, 2022 (2021: EUR 204,970 thousand). The distribution of dividends to shareholders did not have any consequences for income tax in 2022 or 2021.

9. Consolidated earnings per share

Basic earnings per share are calculated by dividing consolidated net profit by the nominal number of shares outstanding during the financial year, less the Company's own shares that were bought back in 2006 (330,050 shares). The Company's share capital amounts to EUR 39,009,080.32 and is divided into 15,237,922 shares. All shares with the exception of own shares accord the same rights; shareholders have a right to receive payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting. The number of outstanding shares is calculated based on the weighted average.

In addition to basic earnings per share, diluted earnings per share must be disclosed if a company has potential shares (i.e. financial instruments and other contracts entitling the holders to subscribe to no-par value shares of the Company, such as convertible bonds and options). As the GRAMMER Group did not issue any such financial instruments or enter into any such contracts as of December 31, 2022, its basic and diluted earnings per share are identical.

Consolidated earnings per share

	2022	2021
Weighted average number of ordinary shares used to calculate basic/diluted earnings	14,907,872	14,907,872
Earnings in EUR thousand (excluding non-controlling interests/hybrid loan lenders)	–78,405	1,233
Basic/diluted earnings per share in EUR	–5,26	0,08

The hybrid loan raised in 2020 is classified as equity (see Note 18). The related compensation claim of the hybrid loan lender represents payments for a component of equity that reduces the earnings available for distribution to the shareholders of the parent company and therefore has been included in the determination of (basic/diluted) earnings per share.

10. Dividends paid and proposed

Appropriation of profit by GRAMMER Group is based on net profit/loss in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. GRAMMER AG reported a net loss of EUR –131,2 million as of December 31, 2022 (2021: EUR –74.9 million). This includes the net loss for the 2022 financial year of EUR –56,3 million. As GRAMMER AG does not report a net profit, no dividend will be proposed. In addition, there is a suspension of dividends during the term of tranche C of the syndicated loan agreement until February 10, 2025, as part of the conditions for KfW's participation. The net loss as of December 31, 2021 will be carried forward. No dividends were distributed in 2022 or 2021.

Further details can be found in Note 18.

Dividends approved and distributed during the financial year:

Dividends on ordinary shares

EUR k

	2022	2021
Dividend for 2022: EUR 0.00 (2021: EUR 0.00)	0	0

11. Property, plant and equipment and intangible assets

EUR k

Amount on December 31, 2022	Historical cost						
	Amount on January 1, 2022	**Additions**	**Disposals**	**Effects from exchange-rate differences**	**Changes in scope of consolidation**	**Reclassifications**	**Amount on December 31, 2022**
Land and buildings	**191,006**	1,751	–142	1,662	0	2,169	**196,446**
Technical equipment and machines	**350,703**	26,829	–8,498	9,217	0	16,972	**395,223**
Operating and business equipment	**235,800**	15,817	–6,900	699	0	6,315	**251,731**
Prepayments made and assets under construction	**31,627**	27,232	–23	71	0	–25,522	**33,385**
Right-of-use assets	**125,325**	11,594	–9,920	3,007	0	0	**130,006**
Property, plant and equipment	**934,461**	**83,223**	**–25,483**	**14,656**	**0**	**–66**	**1,006,791**
Concessions, industrial rights	**142,720**	680	–769	5,643	0	66	**148,340**
Goodwill	**121,973**	0	0	4,523	0	0	**126,496**
Capitalized development costs	**47,430**	7,114	–122	–44	0	0	**54,378**
Prepayments made	**0**	25	0	0	0	0	**25**
Intangible assets	**312,123**	**7,819**	**–891**	**10,122**	**0**	**66**	**329,239**
Property, plant and equipment and intangible assets	**1,246,584**	**91,042**	**–26,374**	**24,778**	**0**	**0**	**1,336,030**

EUR k

Amount on December 31, 2022	Depreciation and amortization								Carrying amount	
	Amount on January 1, 2022	Additions	Impairment losses	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Reclassi-fications	Amount on December 31, 2022	January 1, 2022	Amount on December 31, 2022
Land and buildings	**59,672**	6,050	870	–128	438	0	0	**66,902**	**131,334**	**129,544**
Technical equipment and machines	**173,283**	31,265	32,170	–7,310	2,771	0	12	**232,191**	**177,420**	**163,032**
Operating and business equipment	**161,463**	18,112	0	–5,734	664	0	–12	**174,493**	**74,337**	**77,238**
Prepayments made and assets under construction	**0**	0	0	0	0	0	0	**0**	**31,627**	**33,385**
Right-of-use assets	**44,724**	19,032	1,109	–9,721	734	0	0	**55,878**	**80,601**	**74,128**
Property, plant and equipment	**439,142**	**74,459**	**34,149**	**–22,893**	**4,607**	**0**	**0**	**529,464**	**495,319**	**477,327**
Concessions, industrial rights	**89,999**	12,837	14,953	–737	2,261	0	0	**119,313**	**52,721**	**29,027**
Goodwill	**10,630**	0	24,451	0	–930	0	0	**34,151**	**111,343**	**92,345**
Capitalized development costs	**27,960**	1,572	0	0	–42	0	0	**29,490**	**19,470**	**24,888**
Prepayments made	**0**	0	0	0	0	0	0	**0**	**0**	**25**
Intangible assets	**128,589**	**14,409**	**39,404**	**–737**	**1,289**	**0**	**0**	**182,954**	**183,534**	**146,285**
Property, plant and equipment and intangible assets	**567,731**	**88,868**	**73,553**	**–23,630**	**5,896**	**0**	**0**	**712,418**	**678,853**	**623,612**

EUR k

Amount on December 31, 2021	Historical cost						
	Amount on January 1, 2021	**Additions**	**Disposals**	**Effects from exchange-rate differences**	**Changes in scope of consolidation**	**Reclassifications**	**Amount on December 31, 2021**
Land and buildings	**191,038**	1,124	–1,793	2,386	–2,242	493	**191,006**
Technical equipment and machines	**318,982**	26,864	–14,596	13,938	–3,647	9,162	**350,703**
Operating and business equipment	**231,705**	11,542	–16,972	4,889	–4,149	8,785	**235,800**
Prepayments made and assets under construction	**12,785**	36,728	–29	621	3	–18,481	**31,627**
Right-of-use assets	**100,101**	30,211	–10,799	5,818	–6	0	**125,325**
Property, plant and equipment	**854,611**	**106,469**	**–44,189**	**27,652**	**–10,041**	**–41**	**934,461**
Concessions, industrial rights	**136,350**	739	–1,677	7,479	–254	83	**142,720**
Goodwill	**116,344**	0	0	5,629	0	0	**121,973**
Capitalized development costs	**40,424**	7,461	–653	198	0	0	**47,430**
Prepayments made	**0**	42	0	0	0	–42	**0**
Intangible assets	**293,118**	**8,242**	**–2,330**	**13,306**	**–254**	**41**	**312,123**
Property, plant and equipment and intangible assets	**1,147,729**	**114,711**	**–46,519**	**40,958**	**–10,295**	**0**	**1,246,584**

EUR k

Amount on December 31, 2021	Depreciation and amortization								Carrying amount	
	Amount on January 1, 2021	Additions	Impairment losses	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Reclassi-fications	Amount on December 31, 2021	January 1, 2021	Amount on December 31, 2021
Land and buildings	**55,746**	5,754	0	–760	695	–1,763	0	**59,672**	**135,292**	**131,334**
Technical equipment and machines	**155,298**	28,320	0	–12,542	5,582	–3,393	18	**173,283**	**163,684**	**177,420**
Operating and business equipment	**160,935**	17,063	0	–15,544	3,094	–4,067	–18	**161,463**	**70,770**	**74,337**
Prepayments made and assets under construction	**0**	0	0	0	0	0	0	**0**	**12,785**	**31,627**
Right-of-use assets	**35,895**	17,600	0	–10,612	2,332	–491	0	**44,724**	**64,206**	**80,601**
Property, plant and equipment	**407,874**	**68,737**	**0**	**–39,458**	**11,703**	**–9,714**	**0**	**439,142**	**446,737**	**495,319**
Concessions, industrial rights	**75,293**	13,302	0	–1,621	3,287	–262	0	**89,999**	**61,056**	**52,721**
Goodwill	**10,630**	0	0	0	0	0	0	**10,630**	**105,714**	**111,343**
Capitalized development costs	**26,235**	2,180	0	–653	198	0	0	**27,960**	**14,189**	**19,470**
Prepayments made	**0**	0	0	0	0	0	0	**0**	**0**	**0**
Intangible assets	**112,158**	**15,482**	**0**	**–2,274**	**3,485**	**–262**	**0**	**128,589**	**180,959**	**183,534**
Property, plant and equipment and intangible assets	**520,032**	**84,219**	**0**	**–41,732**	**15,188**	**–9,976**	**0**	**567,731**	**627,696**	**678,853**

11.1. Property, plant and equipment and intangible assets

Depreciation is based generally on the following useful economic lives:

Land	No depreciation
Buildings and fixtures	10 – 40 years
Building fittings	5 – 40 years
Technical equipment and machines	5 – 25 years
Other equipment, operating and business equipment	2 – 15 years
Right-of-use assets (leased assets)	2 – 25 years
Concessions, industrial rights	3 – 12 years
Capitalized development costs	7 – 10 years

As in the past, property, plant and equipment are depreciated and intangible assets amortized using the straight-line method over the expected useful life of the assets. Expenses due to a lower recoverable amount (impairment losses) of EUR 73,553 thousand (2021: EUR 0 thousand) were incurred in 2022. Further details can be found in Notes 7.3 and 11.3. Intangible assets comprise concessions, industrial property rights, patents and customer orders. Capitalized development costs comprise internally generated patents, which are amortized on a straight-line basis over an average expected useful life of ten years. In 2022, research and development costs totaled EUR 94,053 thousand (2021: EUR 85,707 thousand). EUR 7,114 thousand (2021: EUR 7,461 thousand) meet the IAS 38 capitalization criteria. Most of this amount was recognized as expense in the income statement.

11.2. Leases

GRAMMER has entered into various leases for buildings, manufacturing plant and equipment, other plant and equipment as well as motor vehicles with terms between two and 25 years. Most of the leases do not provide for any options for extending the lease or purchasing the leased asset, with the exception of buildings or limited items of equipment. In the case of buildings, these are largely standard renewal options, which provide either for a renewal option which may be unilaterally exercised by GRAMMER or for renegotiation for continued use after expiry of the lease. Expense of EUR 87 thousand (2021: EUR 412 thousand) for short-term leases and EUR 467 thousand (2021: EUR 458 thousand) for low-value leases was recognized through profit and loss in 2022. The right-of-use assets shown in Note 11 under which GRAMMER has a right to use the corresponding assets in accordance with IFRS 16 break down as follows:

EUR k

Amount on December 31, 2022	Historical cost					
	Amount on January 1, 2022	Additions	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Amount on December 31, 2022
Land and buildings	**104,939**	6,966	-5,746	2,700	0	**108,859**
Technical equipment and machines	**5,095**	427	-822	115	0	**4,815**
Operating and business equipment	**5,337**	1,305	-342	103	0	**6,403**
Motor vehicles	**9,954**	2,896	-3,010	89	0	**9,929**
Right-of-use assets	**125,325**	**11,594**	**-9,920**	**3,007**	**0**	**130,006**

EUR k

Amount on December 31, 2022	Depreciation and amortization						Carrying amount	
	Amount on January 1, 2022	Additions	Impairment losses	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Amount on December 31, 2022	January 1, 2022	December 31, 2022
Land and buildings	**32,159**	14,591	1,109	–5,670	583	0	**42,772**	**72,780**	**66,087**
Technical equipment and machines	**4,120**	703	0	–822	49	0	**4,050**	**975**	**765**
Operating and business equipment	**2,785**	1,176	0	–340	56	0	**3,677**	**2,552**	**2,726**
Motor vehicles	**5,660**	2,562	0	–2,889	46	0	**5,379**	**4,294**	**4,550**
Right-of-use assets	**44,724**	**19,032**	**1,109**	**–9,721**	**734**	**0**	**55,878**	**80,601**	**74,128**

EUR k

Amount on December 31, 2021	Historical cost					
	Amount on January 1, 2021	Additions	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Amount on December 31, 2021
Land and buildings	**81,957**	25,392	–8,165	5,529	226	**104,939**
Technical equipment and machines	**4,387**	632	0	76	0	**5,095**
Operating and business equipment	**5,189**	1,595	–1,555	114	–6	**5,337**
Motor vehicles	**8,568**	2,592	–1,079	99	–226	**9,954**
Right-of-use assets	**100,101**	**30,211**	**–10,799**	**5,818**	**–6**	**125,325**

EUR k

Amount on December 31, 2021	Depreciation and amortization						Carrying amount	
	Amount on January 1, 2021	Additions	Impairment losses	Disposals	Effects from exchange-rate differences	Changes in scope of consolidation	Amount on December 31, 2021	January 1, 2021	December 31, 2021
Land and buildings	**24,831**	13,477	0	–8,133	2,132	–148	**32,159**	**57,126**	**72,780**
Technical equipment and machines	**3,490**	587	0	0	43	0	**4,120**	**897**	**975**
Operating and business equipment	**3,203**	1,070	0	–1,547	65	–6	**2,785**	**1,986**	**2,552**
Motor vehicles	**4,371**	2,466	0	–932	92	–337	**5,660**	**4,197**	**4,294**
Right-of-use assets	**35,895**	**17,600**	**0**	**–10,612**	**2,332**	**–491**	**44,724**	**64,206**	**80,601**

The following lease payments (including guaranteed residual values) are payable in subsequent periods under the right-of-use assets recognized:

EUR k	Less than 1 year	1 to 5 years	More than 5 years
2022			
Lease payments	20,028	43,536	31,120
Less interest expense from discounting	–3,360	–6,353	–5,092
Present value (statement of financial position)	**16,668**	**37,183**	**26,028**
2021			
Lease payments	19,504	46,439	34,602
Less interest expense from discounting	–3,235	–7,911	–4,411
Present value (statement of financial position)	**16,269**	**38,528**	**30,191**

Possible future cash outflows of EUR 23,487 thousand (2021: EUR 17,114 thousand) for options to extend leases the exercise of which is not yet reasonably certain are not included in lease liabilities. In 2022, there were future possible cash outflows from leases that had not yet commenced of EUR 2,258 thousand (2021: EUR 254 thousand).

11.3. Goodwill

The EMEA, AMERICAS and APAC regions are the reportable operating segments and the Cash Generating Units (CGUs) of the GRAMMER Group and reflect the internal management structure of the GRAMMER Group. For the purposes of impairment testing in accordance with IAS 36, goodwill acquired in the past or recognized in Group accounting is allocated to the CGUs.

Goodwill attributable to the CGUs breaks down as follows as of December 31, 2022:

EUR k

	Cash generating unit	Goodwill in 2022	Goodwill in 2021	2022 growth rate [1]	2021 growth rate [1]	Discount factor in 2022	Discount factor in 2021
CGU I	EMEA	37,425	35,964	1%	1%	7.4%	5.9%
CGU II	AMERICAS	0	22,603	1%	1%	7.5%	6.1%
CGU III	APAC	54,920	52,776	1%	1%	7.6%	6.1%
	Goodwill	**92,345**	**111,343**				

[1] Perpetual annuity

Goodwill is generally tested for impairment at the level of the CGUs (cash generating unit) annually as of December 31. The recoverable amount from the cash-generating units is determined on the basis of the present value of estimated future cash flows less costs to sell based on the budgets approved by management for a period of five years. These budgets are based particularly on assumptions with respect to macroeconomic trends and trends in sell-side and commodity prices. Due to the ongoing COVID-19 pandemic and the consequences of the Russia-Ukraine war, these are subject to additional uncertainty. This relates to the impact of higher inflation, including the prices for raw materials and energy as well as passing on price increases to customers, the development of key interest rates and exchange rates. In addition to these market forecasts, historical data is also taken into account. For 2023 it is anticipated that prices for energy and gas will increase, steel prices will stabilize and there will be a further price upturn for plastics. The planning assumes that the major part of the inflation-related increases in raw material prices can be passed on to customers. Personnel costs include the wage increases planned for 2023, with subsequent years being extrapolated in line with expected developments. Climate-related aspects have been factored into raw material and energy prices, as well as capital expenditure. To arrive at the perpetual annuity extending beyond the five-year time horizon, the cash flow was extrapolated in the light of the expected sustainable growth rate of 1% (2021: 1%). The fair value calculated for the CGUs is assigned to Level 3 of the fair value hierarchy. The Group uses the same calculation methods and parameters for all three segments when testing for impairment.

The key assumptions used in determining the fair value less of costs to sell of a CGU are the free cash flows, the discount rate together with the related parameters and the sustainable growth rate. Free cash flows are calculated on the basis of the budget of the five-year plan adjusted for expected efficiency improvements. The discount factor is calculated on the basis of a cost of equity and a cost of debt rate. The cost of equity rate applied is based on a risk-free interest rate of 2.0% after tax (2021: 0.1%), a risk premium for general market risks of 7.5% after tax (2021: 7.5%) and a premium for a CGU's specific country risk. To determine operating and leverage risks, beta factors are derived from a group of comparable companies (peer group) and used to measure the positive cash flows of the specific CGU. The cost of debt rate is determined by reference to the peer group of relevance for GRAMMER. The cash flows were discounted at a pre-tax interest rate of between 7.4% and 7.6% (2021: 5.9% to 6.1%). A growth rate of 1% (2021: 1%) was assumed.

The impairment tests performed in 2022 confirm the recoverability of goodwill in the EMEA CGU and the APAC CGU. For the AMERICAS CGU, mainly as a result of the higher discount factor impairment losses of EUR 73.6 million were recognized. This resulted in a complete write-down of goodwill of EUR 24.5 million at CGU AMERICAS and impairment of property, plant and equipment and other intangible assets of EUR 49.1 million.

A scenario analysis of the recoverable amount of the EMEA CGU, AMERICAS CGU and APAC CGU was carried out to determine the risk exposure of the cash flows. The scenario analysis is based on a variation of the discount factor of between 5.0% and 9.0%.

At the AMERICAS CGU an increase of 0.5 percentage points in the discount factor would result in impairment losses increasing by EUR 18.9 million. In addition, a reduction of the sustainable EBIT margin by 10% would increase the impairment loss by EUR 26.3 million and a 10% reduction in sustainable revenue would increase the impairment loss by EUR 35.2 million.

In the case of the EMEA CGU, this showed that the application of a discount factor of 7.9% triggers an impairment loss. In addition, an impairment loss would be recognized in the event of a 0.4 percentage-point reduction in the sustainable EBIT margin and a 7.7% reduction in sustainable revenue. No impairments arose for the APAC CGU under the above discount factor range.

12. Inventories

Inventories break down as follows:

EUR k

	December 31, 2022	December 31, 2021
Raw materials, supplies and consumables	138,112	144,238
Work in progress	24,241	17,659
Finished goods and services	32,521	31,304
Prepayments made	2,512	2,936
Inventories	**197,386**	**196,137**

All inventories are carried at cost. Impairments of EUR 4,045 thousand (2021: EUR 5,083 thousand) were recognized for inventories to the lower fair value. In 2022, write-downs of EUR 1,939 thousand (2021: EUR 1,543 thousand) and reversals of write-downs of EUR 1,198 thousand (2021: EUR 770 thousand) were recorded.

13. Trade accounts receivable

Generally, trade accounts receivable are non-interest-bearing and have a term of 30 – 60 days.

EUR k

	December 31, 2022	December 31, 2021
Trade accounts receivable - gross	261,043	233,579
Impairment	–3,658	–2,007
Provisions for verity risks	–673	–2,202
Trade accounts receivable	**256,712**	**229,370**

On the one hand, the increase in trade accounts receivable resulted from higher revenue in December, higher receivables invoiced for development services and from the expanded volume resulting from the plant construction in China and on the other hand from the rise in past due receivables. As of the reporting date, trade accounts receivable of EUR 78,127 thousand (2021: EUR 71,270 thousand) were reduced as a result of non-recourse factoring. The risks arising from the factored receivables relevant for risk assessment are credit risk as well as the risk of delayed payment. With regard to a contract with a bank, the Group continues to recognize trade accounts receivable in the amount of its continuing exposure, i.e. the amount of the maximum default reserve and thus recognizes a corresponding liability. As of December 31, 2022, impairments of EUR 3,658 thousand (2021: EUR 2,007 thousand) were recognized on trade accounts receivable. There is also a provision for verity risks based on an individual valuation discount.

Details are given in the table below:

EUR k

	Impairment	Provisions for verity risks	Total
Amount on January 1, 2022	**2,007**	**2,202**	**4,209**
Additions	1,681	124	**1,805**
Utilization	–6	–1,642	**–1,648**
Write-backs	0	–15	**–15**
Changes in scope of consolidation	0	0	**0**
Effects from exchange-rate differences	–24	4	**–20**
Amount on December 31, 2022	**3,658**	**673**	**4,331**
Amount on January 1, 2021	**1,860**	**2,677**	**4,537**
Additions	299	32	**331**
Utilization	–32	–215	**–247**
Write-backs	–5	–320	**–325**
Changes in scope of consolidation	–60	0	**–60**
Effects from exchange-rate differences	–55	28	**–27**
Amount on December 31, 2021	**2,007**	**2,202**	**4,209**

The following table shows the default risk position for trade accounts receivable and contract assets determined using an impairment matrix:

EUR k			Past due in the following time bands				
	Total	**Not overdue**	**Up to 30 days**	**31–60 days**	**61–90 days**	**91–180 days**	**More than 180 days**
2022							
Trade accounts receivable - gross	**261,043**	216,452	29,352	7,431	1,156	2,003	4,649
Contract assets - gross	**114,353**	114,353	0	0	0	0	0
Impairment	**3,658**	225	207	385	83	163	2,595
2021							
Trade accounts receivable - gross	**233,579**	208,525	12,069	3,491	2,746	4,401	2,347
Contract assets - gross	**125,641**	125,641	0	0	0	0	0
Impairment	**2,007**	313	78	162	125	321	1,008

14. Balances of contract assets and contract liabilities

Contract assets as defined in IFRS 15 break down as follows:

EUR k	December 31, 2022	December 31, 2021
Non-current contract assets	58,236	63,790
Current contract assets	56,117	61,851
Contract assets	**114,353**	**125,641**

As planned, performance obligations of EUR 122,512 thousand as of December 31, 2022 (2021: EUR 102,147 thousand) for series development were not fulfilled in part or in full in line with plans. Around 50% of these is expected to be recognized as revenue within one year.

Contract liabilities break down as follows:

EUR k	December 31, 2022	December 31, 2021
Non-current contract liabilities	2,525	2,433
Current contract liabilities	4,932	3,491
Contract liabilities	**7,457**	**5,924**

Contract liabilities arise from customer prepayments for series development activities.

15. Other financial assets

Other financial assets break down as follows:

EUR k	December 31, 2022	December 31, 2021
Outstanding loans	5,680	6,193
Investments in associates	31	173
Non-current other financial assets	**5,711**	**6,366**
Other receivables	3,443	4,025
Derivative financial assets	3,288	1,236
Current other financial assets	**6,731**	**5,261**

Other receivables result primarily from current accounts receivable from associates, creditors with debit accounts and amounts due from employees. They are due for settlement in roughly 30 days. Financial assets are neither past due nor impaired. Loans include the loan to GRA-MAG LLC, a joint venture accounted for using the equity method, of EUR 5,680 thousand (2021: EUR 6,193 thousand). The reduction is due to scheduled repayments.

16. Other assets

Other assets break down as follows:

EUR k	December 31, 2022	December 31, 2021
Other assets	36,897	31,217
Deferrals	657	1,202
Non-current other assets	**37,554**	**32,419**
Other assets	37,185	32,863
Deferrals	11,657	5,469
Current other assets	**48,842**	**38,332**

Other non-current assets include security deposit agreements, which are classified as long-term depending on the term of the underlying contract. Assets also include consideration paid to customers of EUR 28,852 thousand (2021: EUR 27,335 thousand). This asset is recognized on a straight-line basis over the duration of the series as a reduction in revenue. If necessary, impairment is recognized. The majority of these assets are classified as non-current other assets. Of these assets, an amount of EUR 6,238 thousand (2021: EUR 6,296 thousand) was recognized as a reduction in revenue in 2022.

GRAMMER has included assets in connection with contract fulfillment costs for series deliveries in current other assets of EUR 972 thousand (2021: EUR 987 thousand) and non-current other assets of EUR 5,378 thousand (2021: EUR 893 thousand). No other impairments were recognized.

Other current assets are chiefly made up of receivables of EUR 26,722 thousand (2021: EUR 23,638 thousand) arising from pass-through taxes such as value added tax and other taxes as well as temporary security deposit agreements of EUR 636 thousand (2021: EUR 567 thousand). Receivables from other taxes include the refund claim of EUR 6,077 thousand (2021: EUR 5,007 thousand) from the two quasi-VAT levies PIS and COFINS (Programa de Integraçao Social/Contribuiçao para o Financiamento da Seguridade Social) in Brazil.

There were no material restrictions on ownership and disposal with respect to the other receivables and assets reported. There were no impairments.

17. Cash and short-term deposits

Cash and short-term deposits break down as follows as of the reporting date:

EUR k	December 31, 2022	December 31, 2021
Cash and short-term deposits	108,587	113,441

The Group has balances at different banks in various currencies that are translated at the end-of-year exchange rate as of the reporting date. The bank balances have variable interest rates and can be withdrawn on demand. Short-term deposits are made for various terms of between one day and three months depending on the Group's current liquidity requirements. The deposits accrue interest at the current interest rates for demand deposits. For the purposes of the consolidated cash flow statement, holdings of cash and cash equivalents as of December 31 are as follows:

EUR k	December 31, 2022	December 31, 2021
Cash and short-term deposits	108,587	113,441
Bank overdrafts (including current liabilities under factoring contracts)	–73,038	–69,084
Cash and cash equivalents	**35,549**	**44,357**

18. Equity

Subscribed capital

As of December 31, 2022, the subscribed capital of GRAMMER Group amounted to EUR 39,009 thousand (2021: EUR 39,009 thousand) divided into 15,237,922 no-par value shares (2021: 15,237,922). All shares accord the same rights. The shareholders have a right to payment of the approved dividend (with the exception of the Company's own shares) and may exercise one vote for each share at the Annual General Meeting.

Capital reserve

The capital reserve totaled EUR 162,947 thousand as of December 31, 2022 (2021: EUR 162,947 thousand). It includes premiums from the capital increases in 1996, 2001, 2011, 2017 and 2020, less transaction costs.

Own shares

As of December 31, 2022, GRAMMER AG holds a total of 330,050 shares as own shares, all of which were acquired in 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 and represent 2.166% (2021: 2.166%) of the share capital.

On August 16, 2006, the Executive Board of GRAMMER AG decided to make use of the authorization of the Annual General Meeting of June 28, 2006 to acquire own shares in accordance with section 71 (1) number 8 AktG. The Company was authorized by its shareholders to acquire up to 10% of its share capital, i.e. up to 1,049,515 of its own shares. The share repurchase is for the purposes set out in the resolution adopted by the Annual General Meeting, which provides for both the acquisition of companies or participating interests, sale through the stock exchange or through an offer directed to all shareholders as well as the recall of shares. This authorization was valid from August 16, 2006 until December 1, 2007. The repurchase of the shares under this Executive Board resolution complied with the safe haven rules of sections 14 (2), 20a (3) of the old version of German Securities Trading Act (WpHG) in conjunction with Commission Regulation (EC) no. 2273/2003 dated December 22, 2003. The 330,050 shares were purchased on the stock exchange at the price specified in the resolution of the Annual General Meeting. The Executive Board has not yet proposed how the shares will be utilized.

As of December 31, 2022: 15,237,922 (2021: 15,237,922) ordinary shares were outstanding.

Retained earnings

Retained earnings comprises the statutory reserve of GRAMMER AG, which totaled EUR 1,183 thousand on both December 31, 2022 and 2021 and is not available for the payment of dividends.

Retained earnings additionally include income earned in the past by the consolidated companies not paid out as dividends. They decreased from EUR 200,534 thousand to EUR 122,276 thousand due to the negative result after taxes of EUR 78,405 thousand attributable to the shareholders of the parent company. In the previous year, this figure included the positive earnings after taxes of EUR 1,233 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.

Cumulative other comprehensive income

Accumulated other comprehensive income mainly comprises adjustments arising from the currency translation of the financial statements of foreign subsidiaries and the effects of the subsequent measurement of financial instruments in equity, as well as the related deferred taxes.

In addition, it includes changes in connection with actuarial gains and losses in accordance with IAS 19 and the tax payable on these as well as cumulative foreign-currency translation effects in connection with the loans classified as net investments in a foreign operation in accordance with IAS 21 and the tax payable on these.

Hybrid loan

On March 30, 2020, a subordinated hybrid loan of EUR 19,148 thousand was granted indefinitely by Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG), to one of GRAMMER AG's Chinese subsidiaries, GRAMMER Interior (Shanghai) Co., Ltd., China. The hybrid loan has an indefinite term and was paid out in full to this subsidiary.

The hybrid loan bears interest at 3% p.a. and is not contractually limited in its term. The hybrid loan is allocated to the subsidiary's equity in accordance with IAS 32. It is at the sole discretion of the subsidiary to decide whether and when to repay the hybrid loan. The lender, Ningbo Jifeng Auto Parts Co., Ltd., has no ordinary right to terminate the loan agreement and unilaterally demand repayment of the loan. The timing of interest payments under the hybrid loan is determined solely at the discretion of GRAMMER.

As of 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 19,610 thousand reported in equity as of December 31, 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 462 thousand.

Non-controlling interests

Non-controlling interests in equity relate primarily to shareholders in GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Turkey, GRAMMER AD, Bulgaria, GRAMMER Seating (Shaanxi) Co. Ltd., China, GRAMMER Argentina S.A., Argentina, Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd., China and GRAMMER Vehicle Parts (Harbin) Co., Ltd., China. As the shares in GRAMMER Vehicle Parts (Qingdao) Co., Ltd., China, are held by GRAMMER Vehicle Parts (Harbin) Co., Ltd., its components of profit or loss are attributable on a pro rata basis to non-controlling interests. GRAMMER AG indirectly controls Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd. with an equity interest of 49%, as GRAMMER AG is entitled to 51% of voting rights in accordance with the partnership agreement. Non-controlling interests totaled EUR 1,694 thousand as of December 31, 2022 (2021: EUR 2,526 thousand).

Authorizations

In accordance with a resolution passed at the Annual General Meeting of June 23, 2021, the Executive Board's authorization, included in article 5 (3) of the articles of association subject to the Supervisory Board's approval, to increase the Company's share capital once or repeatedly by a total up to EUR 9,402,263.04 in return for contributions in cash and/or in kind until July 7, 2025 (Authorized Capital 2020), was canceled. In addition, a resolution authorized the Executive Board, subject to the Supervisory Board's approval, to increase the Company's share capital once or repeatedly by a total of up to EUR 19,504,537.60 by issuing bearer shares on a cash and/or non-cash basis on or before June 22, 2026 (Authorized Capital 2021). In this connection, the shareholders are fundamentally granted preemptive subscription rights. The statutory preemptive subscription rights may also be granted in such a way that the shares are underwritten by one or more banks or institutions with an equivalent standing as defined in section 186 (5) sentence 1 AktG subject to an obligation to offer them for subscription to shareholders. The Executive Board was authorized to disapply shareholder's pre-emptive rights under certain conditions, within defined limits and with the approval of the Supervisory Board. Authorized Capital 2021 as of December 31, 2022 was unchanged at EUR 19,504,537.60.

19. Retirement benefits and other post-employment benefits

The GRAMMER Group has defined benefit plans, mostly in Germany.

Provisions for retirement benefit obligations are calculated on the basis of benefit plans for the provision of old-age, invalidity and surviving dependents benefits. Benefits paid by the Group vary in accordance with the legal, tax and economic factors in the relevant countries and generally depend on the length of employment and the remuneration paid to the employee.

In the case of the foreign subsidiaries, the provisions primarily contain other post-employment benefits.

The present value of the defined benefit obligations and the related current and past service cost have been calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Under this method, the necessary expense for the accrued benefits is allocated to the period which is attributable to the unit of accrued benefits arising in the year in question in the light of vesting conditions.

When retirement benefit obligations are measured, assumptions regarding the relevant factors affecting the amount of the benefit are made. These assumptions are based on actuarial calculations performed by an actuary for the GRAMMER Group.

The calculation of the defined benefit obligation (DBO) for retirement benefit commitments is based primarily on the following actuarial assumptions:

DBO measurement parameters

in %

	2022	2021
Interest rate	3.70	1.20
Salary trend	2.50	2.30
Income trend for individual commitments	2.50	2.30
Inflation rate/pension trend	2.00	1.50

Measurement parameters for other benefits

in %

	2022	2021
Interest rate	3.70 – 19.22	1.20 – 14.61
Salary trend	2.50 – 5.80	2.30 – 4.50
Inflation rate	2.00 – 15.19	1.50 – 10.40

The measurement parameters also include liabilities from other countries that tend to have higher interest rates than Germany due to different structures. For example, the interest rate in Mexico is 8.0% (2021: 8.0%) and in Turkey 19.2% (2021: 14.6%), while the salary trend in Mexico is 5.8% (2021: 4.5%) and Turkey has an inflation rate of around 15.2% (2021: 10.4%).

As in the previous year, the Aon Solutions Germany GmbH, Hamburg, interest rate was applied in 2022. This interest rate is derived from the vested obligations in the light of the specific structure of the payment flows. The calculation is based on the GRAMMER companies' retirement benefit obligations which underlie the retirement benefit provisions as of December 31.

The calculation of the interest rate is based on the yield structure curve of investment-grade EUR-denominated corporate bonds, the coupon yields of the „iBoxx € Corporates AA" index for various maturity classes and the yield structure curve for (fictitious) zero-coupon bonds with no credit risk (source: Deutsche Bundesbank). The calculations are performed on the basis of the end-of-day prices as of December 31, 2022.

Mortality and disability are calculated on the basis of the 2018 G Heubeck biometric tables or comparable foreign mortality tables. Reflecting the higher level of interest rates and inflation, the inflation rate/pension trend rose to 2.0% (2021: 1.5%). The probability of fluctuation was computed specifically for the Group.

In 2022, annuities were paid on retirement benefit commitments in an amount of EUR 3,455 thousand (2021: EUR 3,874 thousand). Other post-employment benefits paid totaled EUR 66 thousand (2021: EUR 1,038 thousand).

The following amounts were recognized in the income statement:

EUR k

	Pension plan	Other benefits
2022		
Service cost	3,601	168
Current service cost	3,597	168
Past service cost	4	0
Net interest expense	1,974	570
Service cost and net interest expense	**5,575**	**738**

EUR k

	Pension plan	Other benefits
2021		
Service cost	3,831	150
Current service cost	3,831	150
Past service cost	0	0
Net interest expense	1,242	384
Service cost and net interest expense	**5,073**	**534**

Service cost includes current and past service cost. Past service cost corresponds to the gains or losses from plan adjustments or curtailments which are recognized immediately upon arising.

As there are no plan assets for funding future retirement benefit obligations under defined benefit plans, net interest expense for the defined benefit plans is identical to interest expense.

Service cost is generally contained in personnel costs in the different segments; interest expense for pension commitments is recognized in the financial result.

The following items were recorded within other comprehensive income:

EUR k	Pension plan	Other benefits
2022		
Cumulative amount recognized in other comprehensive income as of January 1, 2022	66,591	0
Amount recognized in the year under review	–34,301	2,228
Cumulative amount recognized in other comprehensive income as of December 31, 2022	**32,290**	**2,228**

EUR k	Pension plan	Other benefits
2021		
Cumulative amount recognized in other comprehensive income as of January 1, 2021	81,570	0
Amount recognized in the year under review	–14,979	0
Cumulative amount recognized in other comprehensive income as of December 31, 2021	**66,591**	**0**

The changes in the present value of the defined benefit obligations break down as follows:

EUR k	Pension plan	Other benefits
Amount on January 1, 2022	**152,723**	**2,812**
+ Service cost	3,601	168
+ Interest expense	1,974	570
Changes in estimates: gains (–)/losses (+)	–34,629	2,227
Changes in demographical assumptions	–23	125
Changes in financial assumptions	–40,831	163
Changes based on historical data	6,225	1,939
– Actual payments	–3,455	–66
– Disposal of obligations	4	–2
Exchange rate differences	64	–1,007
Amount on December 31, 2022	**120,282**	**4,702**
Amount on January 1, 2021	**166,415**	**3,547**
+ Service cost	3,831	150
+ Interest expense	1,242	384
Changes in estimates: gains (–)/losses (+)	–14,990	0
Changes in demographical assumptions	–1	0
Changes in financial assumptions	-13,173	0
Changes based on historical data	–1,816	0
– Actual payments	–3,874	–1,038
– Disposal of obligations	–4	18
Exchange rate differences	103	–249
Amount on December 31, 2021	**152,723**	**2,812**

In the past, retirement benefits for the members of the Executive Board took the form of a capital account plan, to which the Company added an annually calculated amount for each member of the Executive Board.

Since 2021, the active members do not receive a pension, but rather a pension allowance in the form of a cash amount that can be used for a private pension. Accordingly, there is no longer a company-financed occupational pension scheme. As a result, in 2021 the retirement benefit commitments granted to active members of the Executive Board were annulled and paid out as compensation. In view of the cancellation of these retirement benefit commitments, GRAMMER AG was reimbursed from the separate assets of the Contractual Trust Agreement for the incumbent members of the Executive Board.

Independent of the pension scheme for members of the Executive Board, a defined benefit plan in different forms still applies to employees at German sites and members who have already left the Executive Board. In this context, a Contractual Trust Agreement remains in place.

As of December 31, 2022, the capital payments deposited in the Contractual Trust Agreement thus amounted to EUR 7,819 thousand (2021: EUR 6,562 thousand), which also includes an amount of EUR 2,497 thousand (2021: EUR 2,525 thousand) for former members of the Executive Board and management. This capital benefit represents plan assets and is netted with the retirement benefit obligations reported in the statement of financial position. The assets of the contractual trust agreement have been invested in a fund comprising global shares, fixed-income securities and cash. The funds are exposed to the general risks of the equity and fixed-income markets.

Changes in the fair value of the plan assets are shown in the following table:

EUR k	2022	2021
Fair value of plan assets on January 1	**6,562**	**5,506**
Interest income on plan assets	78	40
Adjustments	–327	–11
Contributions to plan assets	1,506	1,342
Actual payments	0	–315
Fair value of plan assets on December 31	**7,819**	**6,562**

The material actuarial assumptions used to calculate the defined benefit obligation entail the discount rate, expected salary increases and mortality. The following sensitivity analyses have been performed in the light of the possible changes which may reasonably occur in the individual assumptions as of the reporting data, with all other assumptions remaining constant.

Discount factor

EUR k

	2022 1% reduction	2022 1% increase	2021 1% reduction	2021 1% increase
Effect on DBO	16,907	–13,598	28,142	–21,604
Effect on current service cost	190	–150	432	–278
Effect on net interest expense	–612	429	–1,352	933

Future salary increases

EUR k

	2022 0.5% reduction	2022 0.5% increase	2021 0.5% reduction	2021 0.5% increase
Effect on DBO	–1,263	1,356	–2,235	2,511

Inflation rate

EUR k

	2022 0.5% reduction	2022 0.5% increase	2021 0.5% reduction	2021 0.5% increase
Effect on DBO	–5,866	6,408	–9,043	9,987

Mortality rate

EUR k

	2022 10% reduction	2022 10% increase	2021 10% reduction	2021 10% increase
Effect on DBO	3,284	–2,947	5,257	–4,652

As most of the defined benefit obligations relate to the German companies, the sensitivity analysis is confined to these companies.

In the above sensitivity analyses, the present value of the defined benefit obligation was calculated using the projected unit credit method as of the reporting date, i.e. the same method as that used to calculate the defined benefit liability recorded in consolidated balance sheet.

It can be assumed that the above sensitivity analysis is not representative of the actual change which would occur in the defined benefit obligation as it is unlikely for deviations from the assumptions applied to arise in isolation in view of the fact that some of the assumptions are linked to each other.

The following table sets out the expected future cash outflows for the existing pension plans:

Expected cash outflows

EUR k

	Expected cash outflows in 2022	Expected cash outflows in 2021
Short-term (<1 year)	4,305	3,710
Medium-term (1 to 5 years)	18,382	17,336
Long-term (>5 years)	90,421	125,251

20. Financial liabilities

Financial liabilities break down as follows:

EUR k	Current	Non-current	Total
2022			
Bank overdrafts (including current liabilities under factoring contracts)	73,038	0	**73,038**
Loans	222,946	73,461	**296,407**
Bonded loans	2,176	84,346	**86,522**
Financial liabilities	**298,160**	**157,807**	**455,967**

EUR k	Current	Non-current	Total
2021			
Bank overdrafts (including current liabilities under factoring contracts)	69,084	0	**69,084**
Loans	149,370	97,996	**247,366**
Bonded loans	44,972	84,040	**129,012**
Financial liabilities	**263,426**	**182,036**	**445,462**

One key element of GRAMMER's Group funding is the syndicated loan taken out in 2020. This is divided into a credit facility for general corporate financing of EUR 150.0 million (Tranche A) with a term of five years and two renewal options of one year each and a credit facility for financing the TMD acquisition in the amount of USD 80.0 million (Tranche B), which was repayable in installments over four years and was repaid as scheduled on December 29, 2022 (2021: USD 19.0 million). In addition, the existing syndicated loan under the KfW program "Direct Participation for Syndicated Financing (855)" was expanded in 2020 with the addition of Tranche C in an amount of EUR 235.0 million with a three-year term in an amendment agreement and was prematurely extended in June 2022 until February 10, 2025 against the backdrop of the challenging economic environment, meaning that GRAMMER's liquidity is secured on a sustained basis. GRAMMER AG also received EUR 31.5 million in fixed loan commitments from selected core banks on December 21, 2022. These loan commitments form an additional tranche D under the syndicated loan agreement and will be drawn down as refinancing for a maturing bonded loan in the same amount after the disbursement requirements have been met. It is repayable in installments until maturity on February 10, 2025. The euro credit facility under Tranche A was provided by five core banks and can be drawn on either as an overdraft facility or in the form of fixed-rate loans with interest periods of up to six months. Interest is charged on the basis of a money market rate plus a fixed margin. A small number of key GRAMMER companies are liable for the entire syndicated loan via guarantees.

In view of the described refinancing in 2022, as in 2021, there was no modification of the contractual cash flows in accordance with IFRS 9 according to which losses from the contractual adjustment would have to be recognized in profit or loss. Details on the financial covenants can be found in Note 30 "Capital management". Qualitative information on the assessment of the nature and extent of risks associated with financial instruments to which GRAMMER is exposed as of the reporting date can be found in Section 3 "Opportunity and risk report" in the GRAMMER Group Management Report.

In addition, long-term, mortgage-backed (development) fixed-rate loans with a carrying amount of EUR 37.1 million (2021: EUR 41.9 million) were taken out to finance the construction of the new GRAMMER campus.

Overdrafts

Overdrafts are primarily amounts drawn under corresponding credit facilities as well as current bank borrowings under factoring agreements due for settlement within a very short space of time.

Loans

This item includes short and medium-term bilateral loans. Depending on the facility, the loans are structured to allow revolving utilization.

Bonded loans

In addition to deferred interest and the discount, this item includes bonded loans and private placements of EUR 84.5 million (2021: EUR 126.7 million). The amount of the bonded loan declined as a result of scheduled repayments of EUR 43.2 million. The bonded loans have fixed or variable interest rates and differing maturity dates until 2031. Deferred interest for the existing bonded loans is included in the current part.

Reconciliation of changes in financial liabilities for the financial year ending December 31, 2022

EUR k

	December 31, 2021	Change recognized in the cash flow statement	Reclassification	Change due to currency-translation effects	Other non-cash changes	December 31, 2022
Current financial liabilities	**194,342**	–8,393	35,956	2,954	263	**225.122**
Current financial liabilities from leases	**16,269**	–21,180	19,041	185	2,353	**16,668**
Non-current financial liabilities	**182,036**	11,669	–35,956	410	–352	**157,807**
Non-current financial liabilities from leases	**68,719**	0	–19,041	1,559	11,974	**63,211**
Total	**461,366**	**–17,904**	**0**	**5,108**	**14,238**	**462,808**

Reconciliation of changes in financial liabilities for the financial year ending December 31, 2021

EUR k

	December 31, 2020	Change recognized in the cash flow statement	Reclassification	Change due to currency-translation effects	Other non-cash changes	December 31, 2021
Current financial liabilities	**89,162**	31,762	72,663	551	204	**194,342**
Current financial liabilities from leases	**14,316**	–20,676	15,399	890	6,340	**16,269**
Non-current financial liabilities	**253,255**	–2,416	–72,663	4,374	–514	**182,036**
Non-current financial liabilities from leases	**54,441**	0	–15,399	2,674	27,003	**68,719**
Total	**411,174**	**8,670**	**0**	**8,489**	**33,033**	**461,366**

In line with the presentation of changes in financial liabilities in the consolidated statement of cash flows, the current liabilities shown in the table do not include current account overdrafts or current liabilities under factoring agreements with banks. The other non-cash changes arise from changes in discounts and interest.

21. Provisions

Provisions break down as follows:

EUR k	Amount on January 1, 2022	Addition	Utilization	Amounts not used and written back	Changes in scope of consolidation	Effects from exchange-rate differences	Amount on December 31, 2022	Current provisions 2022
Market-related provisions	**43,387**	15,263	–26,818	–10,085	0	158	**21,905**	21,905
Obligations relating to personnel	**6,734**	2,689	–1,302	–635	0	1	**7,487**	7,487
Other provisions	**2,489**	1,749	–877	–776	0	94	**2,679**	2,679
Provisions	**52,610**	**19,701**	**–28,997**	**–11,496**	**0**	**253**	**32,071**	**32,071**

EUR k	Amount on January 1, 2021	Addition	Utilization	Amounts not used and written back	Changes in scope of consolidation	Effects from exchange-rate differences	Amount on December 31, 2021	Current provisions 2021
Market-related provisions	**38,643**	32,717	–23,712	–6,091	0	1,830	**43,387**	43,387
Obligations relating to personnel	**17,739**	5,938	–11,758	–4,978	–62	–145	**6,734**	6,734
Other provisions	**1,476**	2,044	–989	–118	0	76	**2,489**	2,489
Provisions	**57,858**	**40,699**	**–36,459**	**–11,187**	**–62**	**1,761**	**52,610**	**52,610**

Market-related obligations include provisions for post-development risks from the sale of parts and products. For the most part, this comprises warranty claims calculated on the basis of previous claims and estimated future claims. These encompass Group liability for the proper functioning of the products sold and obligations to compensate buyers for damages and costs caused by use of the products. In addition, provisions for impending losses from onerous contracts from series development are included. The additions relate to provisions for warranties of EUR 4,604 thousand (2021: EUR 18,853 thousand) and provisions for impending losses from onerous contracts from series development of EUR 4,771 thousand (2021: EUR 6,805 thousand). The utilizations relate to provisions for warranties of EUR 15,672 thousand (2021: EUR 17,026 thousand) and provisions for impending losses from onerous contracts from series development of EUR 7,592 thousand (2021: EUR 4,729 thousand). Unused reversed amounts of EUR 5,125 thousand (2021: EUR 3,120 thousand) relate to provisions for warranties and EUR 4,745 thousand (2021: EUR 1,862 thousand) to provisions for price differences.

Personnel provisions contain obligations related to personnel and social benefits such as anniversary bonuses. As of December 31, 2022, they include restructuring provisions of EUR 2,133 thousand (2021: EUR 1,154 thousand). This increased as a result of additions due to planned plant closures.

Other provisions refer to a number of identifiable specific risks and contingent liabilities, for instance provisions for litigation costs, which are recognized at their probable amounts.

22. Trade accounts payable

Trade accounts payable break down as follows:

EUR k	December 31, 2022	December 31, 2021
Non-current trade accounts payable	1,801	261
Current trade accounts payable	306,087	269,135
Trade accounts payable	**307,888**	**269,396**

Trade accounts payable refer to outstanding payment obligations for goods and services. Outstanding invoices and liabilities for deliveries received are recognized in accordance with their characteristics under trade accounts payable. Generally, trade accounts payable are non-interest-bearing and have a term of up to 90 days. Non-current trade accounts payable in particular include liabilities under hire purchase agreements with maturities of up to six years. Customary retention of title by suppliers applies in relation to trade accounts payables.

23. Other financial liabilities

Other financial liabilities break down as follows:

EUR k	December 31, 2022	December 31, 2021
Derivative financial liabilities	0	359
Liabilities from leases	16,668	16,269
Liabilities to associated companies	330	1,223
Miscellaneous other current financial liabilities	1,673	1,616
Other current financial liabilities	**18,671**	**19,467**
Liabilities from leases	63,211	68,719
Other non-current financial liabilities	**63,211**	**68,719**

Other financial liabilities mainly comprise non-current and current liabilities from leases. The decline in comparison to 2021 resulted from the reduction of non-current lease liabilities due to scheduled repayments which considerably exceeds the increase from renewing existing leases and concluding new ones.

24. Other liabilities

Other liabilities break down as follows:

EUR k	December 31, 2022	December 31, 2021
Other liabilities	79,729	66,575
of which personnel-related liabilities	36,028	33,258
of which liabilities for consulting	2,168	1,481
Liabilities from other taxes and charges	14,530	16,144
Prepayments received	5,064	4,568
Social security obligations	6,857	4,812
Deferred income	2,027	1,429
Other current liabilities	**108,207**	**93,528**
Prepayments received	408	1,356
Other non-current liabilities	**408**	**1,356**
Other liabilities	**108,615**	**94,884**

Social security obligations are largely obligations to social security agencies. Other liabilities mainly comprise liabilities to employees from outstanding annual leave, overtime, flex-time or similar benefits. The item also includes liabilities relating to value-added tax and for short-term accrued expenses.

25. Statement of cash flows

The cash flow statement presents the Group's cash flow situation broken down into cash inflows and outflows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification of the respective items. Cash flow from operating activities is derived indirectly from net profit before taxes, which is adjusted for non-cash expenses (primarily depreciation, amortization and impairment) and income. Cash flow from operating activities is calculated under consideration of the change in working capital. Investing activities comprise payments for property, plant and equipment, intangible assets and financial assets, but not additions of right-of-use assets. The effects of deconsolidating GRAMMER Automotive Española S.A., Olèrdola, Spain, were included in "Payments from disposals of subsidiaries less disposals of cash and cash equivalents" in 2021. Financing activities include cash outflows for dividend payments, changes to other financial liabilities and lease liabilities and cash outflows for the hybrid loan lender's compensation claims. In addition, in 2021 this also included cash inflows from the capital increase by minority shareholders. In 2022, there were no special items to be taken into account in the cash flow from investing activities and the cash flow from financing activities. At the GRAMMER Group, cash and cash equivalents consist of cash and short-term money market funds, less bank overdrafts (including current liabilities under factoring contracts) to banks.

26. Legal disputes

Some GRAMMER Group companies are involved in legal disputes or could be involved in other legal disputes. This could bring about claims for compensation or other claims. Suitable amounts and, where necessary, receivables from insurers are recognized for these receivables and claims.

An American subsidiary of GRAMMER AG has been and is still defendant in several lawsuits in the United States, some of which have been filed as class actions. Under the lawsuits, claims are being asserted for allegedly defective head restraints. The amount in dispute has not been set. GRAMMER successfully had some of these actions dismissed in the reporting year. GRAMMER is defending itself against the other actions that are still pending, although the outcome of the proceedings cannot be foreseen at present.

There are not currently any further pending lawsuits or legal action that could significantly impact GRAMMER's economic position, nor have there been any in the past.

27. Contingent liabilities

Contingent liabilities break down as follows:

EUR k	2022	2021
Guarantees	746	2,411

Guarantees have been issued primarily as performance bonds.

28. Related parties disclosures

Information on the Group structure, subsidiaries and the parent company can be found in Note 3.

Terms of related party transactions

This section describes the sales to and purchases from related parties on arm's length terms. Outstanding amounts at the end of the financial year are unsecured, non-interest bearing and are settled by cash payment. No guarantees exist for receivables from or liabilities to related parties. An impairment test is performed annually by reviewing the financial position of the related party and the market in which it operates. As in the previous year, no impairment losses were recognized on accounts receivable from related parties as of December 31, 2022.

The following table specifies the amounts of transactions between related parties for the reporting year:

EUR k

Related parties		Sales to related parties	Purchases from related parties	Accounts receivable from related parties	Accounts payable to related parties
GRA-MAG Truck Interior Systems LLC	**2022**	13,120	0	7,597	0
	2021	11,316	0	8,563	0
Ningbo Jifeng Auto Parts Co., Ltd.	**2022**	881	5,453	64	1,494
	2021	170	2,486	62	1,530
Jifeng Automotive Interior GmbH	**2022**	0	0	0	0
	2021	4	0	0	0
Jifeng Automotive Interior CZ s.r.o.	**2022**	1,675	133	137	40
	2021	346	279	16	0
Ningbo Jifeng Technology Co., Ltd.	**2022**	0	4,404	0	1,439
	2021	0	4,011	0	894
Ningbo Jiye Trading Co., Ltd.	**2022**	0	3,330	0	1,607
	2021	0	1,480	0	0
Tianjin Jifeng Auto Parts Co., Ltd.	**2022**	0	65	0	18
	2021	0	64	0	13
Jifeng Seating (Hefei) Co., Ltd. (formerly Hefei Jiye Auto Parts Co., Ltd.)	**2022**	3,335	77	7	0
	2021	0	0	0	0
Hefei Jifeng Auto Parts Co., Ltd.	**2022**	0	258	0	95
	2021	0	0	0	0
Shenyang Jifeng Auto Parts Co., Ltd.	**2022**	0	592	0	0
	2021	0	0	0	0
ALLYGRAM Systems and Technologies Private Limited	**2022**	0	3,542	0	340
	2021	0	3,283	0	398

GRA-MAG Truck Interior Systems LLC

The Group holds an interest of 50% in the capital of GRA-MAG Truck Interior Systems LLC (GRA-MAG) (2021: 50%). GRA-MAG LLC had 51 employees as of December 31, 2022 (2021: 50). The accounts receivable from GRA-MAG LLC include a loan of EUR 5,680 thousand (2021: EUR 6,193 thousand).

Ningbo Jihong Investment Co., Ltd.

Ningbo Jihong Investment Co., Ltd., Ningbo City, China is the ultimate parent company of GRAMMER AG. There are no arrangements with Ningbo Jihong Investment Co., Ltd. for the delivery of goods and services. In accordance with the last received voting-right notifications in accordance with section 40 WpHG dated December 11, 2019, Ms. Bifeng Wu in conjunction with Yiping Wang and Jimin Wang (Wang family) is the ultimate controlling party of the GRAMMER Group.

Ningbo Jifeng Auto Parts Co., Ltd. / Jifeng Automotive Interior GmbH / Jifeng Automotive Interior CZ s.r.o. / Ningbo Jifeng Technology Co., Ltd. / Ningbo Jiye Trading Co., Ltd. / Tianjin Jifeng Auto Parts Co., Ltd. / Jifeng Seating (Hefei) Co., Ltd. (formerly Hefei Jiye Auto Parts Co., Ltd.) / Hefei Jifeng Auto Parts Co., Ltd. / Shenyang Jifeng Auto Parts Co., Ltd.

Jifeng Automotive Interior CZ s.r.o., Česká Lípa, Czech Republic, Jifeng Automotive Interior GmbH, Kitzingen, Ningbo Jifeng Technology Co., Ltd., Ningbo City, China, Ningbo Jiye Trading Co., Ltd., Ningbo City, China, Tianjin Jifeng Auto Parts Co., Ltd., Tianjin, China, Jifeng Seating (Hefei) Co., Ltd. (formerly 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, as well as the direct parent company of GRAMMER AG (Jiye Auto Parts GmbH) 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. In 2022, Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG entered into a cost coverage agreement with the Ningbo Jifeng Group, in particular for the reimbursement of expenses incurred in the provision of information in connection with the preparation of the annual financial statements. In 2021, the expenses incurred were billed individually based on individual contracts. In 2022, GRAMMER AG invoiced Ningbo Jifeng Auto Parts Co, Ltd. for internal and external costs totaling EUR 163 thousand (2021: EUR 362 thousand). No other rechargeable costs arose in 2022. Accordingly, all internal costs and all external costs were recharged in full by GRAMMER AG. Internal costs are determined on the basis of the hours worked by the department concerned and external costs incurred.

On March 30, 2020, a hybrid loan of EUR 19,148 thousand was granted by Ningbo Jifeng Auto Parts Co., Ltd. to one of GRAMMER AG's Chinese subsidiaries. The hybrid loan was granted for an indefinite term and is classified as equity. As of 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. The balance of the hybrid loan as of December 31, 2022 stands at EUR 19,610 thousand due to interest accrued since March 30, 2022.

Between Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG there is a sales cooperation agreement for the Japanese market as well as a purchasing cooperation agreement. There are no direct service relationships between Ningbo Jifeng and GRAMMER AG as a result of the joint purchasing activities. The services provided in the sales cooperation take the form of consulting hours. In 2021, Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG entered into a cooperation agreement to develop and produce automotive interior components and armrests for the Chinese market. This is settled using the unit price for the goods supplied as part of the cooperation.

ALLYGRAM Systems and Technologies Private Limited

The Group holds an interest of 30% in the capital of ALLYGRAM Systems and Technologies Private Limited (ALLYGRAM). ALLYGRAM provides development services for GRAMMER Group, which are invoiced on the basis of hourly rates. ALLYGRAM had 101 (2021: 104) employees as of December 31, 2022.

Disclosures relating to the Executive Board/Supervisory Board

No companies in GRAMMER Group entered into any significant transactions with members of the Executive Board or the Supervisory Board of GRAMMER AG or with any companies on whose management or supervisory boards such persons are represented. This also applies to family members of such persons. The remuneration of the Management Board is presented in Note 32.

29. Additional information on financial instruments

The following table shows all financial instruments of the Group recognized in GRAMMER AG, classified according to measurement category, carrying amount and fair value:

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2022	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2022
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Assets							
Cash and short-term deposits	FAAC	108,587	108,587				**108,587**
Trade accounts receivable	FAAC	256,712	256,712				**256,712**
Other financial assets							
Loans and receivables	FAAC	9,123	9,123				**9,123**
Investments in associates	FVOCI	31		31			**31**
Financial assets held for trading	FVtPL	0			0		**0**
Derivatives with hedge relationship	n. a.	3,288		3,288			**3,288**
Equity and Liabilities							
Trade accounts payable	FLAC	307,888	307,888				**307,675**
Current and non-current financial liabilities	FLAC	455,967	455,967				**424,236**
Other financial liabilities							
Other financial liabilities	FLAC	2,003	2,003				**2,003**
Liabilities from leases	n. a.	79,879				79,879	**79,879**
Derivatives with no hedge relationship	FLtPL	0			0		**0**
Derivatives with hedge relationship	n. a.	0		0			**0**

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2022	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2022
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Of which aggregated by category in accordance with IFRS 9:							
Assets							
Financial assets at amortized cost	FAAC	374,422	374,422				**374,422**
Financial assets at fair value through other comprehensive income	FVOCI	31		31			**31**
Financial assets at fair value through profit and loss	FVtPL	0			0		**0**
Liabilities							
Financial liabilities at amortized cost	FLAC	765,858	765,858				**733,914**
Financial liabilities at fair value through profit and loss	FLtPL	0			0		**0**

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2021	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2021
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Assets							
Cash and short-term deposits	FAAC	113,441	113,441				**113,441**
Trade accounts receivable	FAAC	229,370	229,370				**229,370**
Other financial assets							
Loans and receivables	FAAC	10,218	10,218				**10,218**
Investments in associates	FVOCI	174		174			**174**
Financial assets held for trading	FVtPL	0			0		**0**
Derivatives with hedge relationship	n.a.	1,236		1,236			**1,236**
Liabilities							
Trade accounts payable	FLAC	269,396	269,396				**269,394**
Current and non-current financial liabilities	FLAC	445,462	445,462				**435,097**
Other financial liabilities							
Other financial liabilities	FLAC	2,839	2,839				**2,839**
Liabilities from leases	n.a.	84,988				84,988	**84,988**
Derivatives with no hedge relationship	FLtPL	0			0		**0**
Derivatives with hedge relationship	n.a.	359		359			**359**

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2021	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2021
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Of which aggregated by category in accordance with IFRS 9:							
Assets							
Financial assets at amortized cost	FAAC	353,029	353,029				**353,029**
Financial assets at fair value through other comprehensive income	FVOCI	174		174			**174**
Financial assets at fair value through profit and loss	FVtPL	0			0		**0**
Liabilities							
Financial liabilities at amortized cost	FAAC	717,697	717,697				**707,330**
Financial liabilities at fair value through profit and loss	FLtPL	0			0		**0**

The maximum credit risk as of the reporting date corresponds to the carrying amount of each category of financial assets listed.

Because of the short term-nature of cash and short-term deposits, trade accounts receivable and other current receivables, it is assumed that the carrying amounts equate to their fair values.

The fair value of other non-current receivables with remaining terms of over one year equate to the present value of the payments associated with the assets taking account of the prevailing interest rate parameters.

Trade accounts payable and other liabilities usually have short residual maturities. Longer-term trade accounts payable are determined on the basis of the respective yield curves and the risk premium applicable to GRAMMER.

The fair values of liabilities to banks, bonded loans and other non-current financial liabilities are determined as the present values of the payments associated with the liabilities calculated on the basis of the respective yield curves and the risk premium applicable for GRAMMER.

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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 of December 31, 2022:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	3,288	0	3,288	0
Interest rate swaps	0	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	0	0	0	0
Interest rate swaps	0	0	0	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	2,175	0	2,175	0
Current and non-current financial liabilities	424,236	0	424,236	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 of 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.

The following table shows the gains and losses on financial instruments:

EUR k	2022	2021
Financial assets at amortized cost	2,735	5,497
Financial liabilities at amortized cost	950	1,580
Net gains/losses from financial instruments	**3,685**	**7,077**

Net gains or losses from financial assets at amortized cost include currency-translation gains or losses, changes to impairments through profit and loss, gains or losses from the derecognition of receivables and reversals of previously impaired receivables.

Net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments to which hedge accounting is not applied, including interest income and interest expenses.

The net gains or losses from financial liabilities at amortized cost primarily include currency-translation gains and losses from financial liabilities.

The GRAMMER Group has entered into master contracts with several banks. The derivative assets and liabilities outstanding as of the reporting date do not satisfy the offsetting criteria provided for in IAS 32.42. Accordingly, they are reported separately in the balance sheet. However, the master contracts include offsetting arrangements that apply in the event of insolvency.

The following table sets out the carrying amounts of the financial instruments which are subject to these agreements.

EUR k	Gross and net amounts of financial instruments in the statement of financial position	Offsetting agreement	Net amount
December 31, 2022			
Financial assets			
Currency forwards	3,288	0	3,288
Interest rate swaps	0	0	0
Financial liabilities			
Currency forwards	0	0	0
Interest rate swaps	0	0	0

EUR k	Gross and net amounts of financial instruments in the statement of financial position	Offsetting agreement	Net amount
December 31, 2021			
Financial assets			
Currency forwards	1,236	0	1,236
Interest rate swaps	0	0	0
Financial liabilities			
Currency forwards	–305	0	–305
Interest rate swaps	–54	0	–54

As these amounts are not netted, the gross and net amounts are combined in a single column.

30. Financial derivatives and risk management

The main originated financial liabilities used in the Group encompass bonded loans, private placements, bank loans, overdrafts, liabilities from leases and trade accounts payable. The Group has various financial assets such as trade accounts receivable and cash, which result directly from operating activities.

In addition, the Group has derivative financial instruments which are used for risk management, primarily to hedge interest rate and currency risks.

Financial risks

The Group is exposed to market, credit and liquidity risks as well as currency and interest rate risks. Consequently, the Executive Board has implemented a risk management system which is also monitored by the Supervisory Board. The risk management system is integrated in the Chief Financial Officer's area of responsibility while the Executive Board bears ultimate overall responsibility. The rules are designed to promote responsible treatment of risks and prudent actions among all Group employees. Management of risk is the responsibility of the Company management. Together with experts for financial risk, the management of the Company prepares a suitable framework for managing financial risks. This framework ensures that the activities of the Company that entail financial risk are carried out with the relevant guidelines and procedures, and that financial risks are identified, assessed and managed in line with these guidelines and taking into account the Group's risk tolerance.

All derivative transactions entered into for risk management purposes are managed by expert teams that have the necessary knowledge and experience and are subject to adequate supervision. The guidelines for management of the risks set out below have been audited and approved by the Company management.

Credit risk

Credit risk is defined as the risk of the Group suffering a loss (risk of default) because a counterparty fails to fulfill its obligations. The Group guidelines stipulate that transactions may only be entered into with creditworthy third parties to reduce the risks of non-performance. The creditworthiness of major customers, especially in the Automotive Division, is subject to particular monitoring due to risks from deliveries of goods. If no rating information is available, the Group uses other available financial information and its own records to assess major customers. Customers, who wish to conclude credit-based transactions for the first time, are also regularly subjected to a creditworthiness check. Receivables are monitored on an ongoing basis to ensure that the Group is not exposed to any material credit risk. The Group does not see any significant concentrations of credit risks as major transactions are characterized by short-term maturity structures and the high credit ratings of the key-account customers.

Market risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments vary due to fluctuations in market prices. Market risk encompasses the following three risk types: exchange rate risk, interest rate risk and other price risks, such as share price risk. Financial instruments exposed to market risks include interest-bearing loans, deposits, financial assets at fair value through other comprehensive income as well as derivative financial instruments. The sensitivity analyses in the sections below relate to the situation as of December 31, 2022 and 2021. They were prepared on the basis of the hedging transactions outstanding on December 31, 2022, subject to the assumption of constant figures for net gearing, the ratio of fixed to variable interest rates on liabilities and derivatives and the proportion of financial instruments denominated in foreign currencies.

All depictions of the potential financial effects are approximations and are based on the assumptions of the relevant sensitivity analyses and method. The actual effects on the Group may deviate considerably as a result of actual market developments.

Commodity price risk

Procurement prices, especially for commodities such as steel, foam and plastics, are subject to significant fluctuations depending on the market situation. As these cannot always be passed on to customers, this results in price risks. To hedge these risks, the Company seeks long-term supply contracts and consolidates volumes to limit volatility. Commodity futures contracts recognized as derivatives under IFRS 9 can also be transacted in order to hedge price risks arising from purchases of raw materials. The Group carefully monitors the development of markets as a basis for decision making about the implementation of hedging.

There were no commodity forwards for hedging price risks for raw materials as of the reporting date in 2022 or 2021, and no such contracts were concluded in either of these two years.

Currency risk

As a consequence of its international focus and business activities, GRAMMER is exposed to currency risks. Currency risks primarily arise from sales transactions in the ordinary course of business in international markets outside the Eurozone and through the assets and liabilities of the GRAMMER Group. The main currencies in GRAMMER Group are the euro, the Czech koruna, the Polish złoty, the Mexican peso, the US dollar, the Turkish lira, the Brazilian real, the Japanese yen and the Chinese yuan. By transacting business in currencies other than the functional currencies of the respective Group companies, risks may arise from future payment flows. Exchange rate fluctuations may lead to unforeseeable and unfavorable earnings and cash flow volatilities.

Individual cash flows in the respective currency are aggregated in accordance with the GRAMMER Group's currency management guidelines, resulting in a net currency overhang or shortfall in periodic observations. Aggregated currency overhangs or currency requirements are hedged in advance on a rolling basis within the framework of the currency management guideline on the basis of the budgeted business plan. The hedging ratios of the respective currency exposures are increased over time.

The risk is mitigated by the fact that business transactions are mainly settled in the respective functional currency of the invoicing unit. In addition, where it is possible and cost-effective, commodities and services are purchased in the corresponding foreign currency and production takes place in local markets. A shortfall or surplus of foreign currency holdings is hedged by means of currency forwards after all the measures already mentioned have been carried out. The aim of hedging transactions is to offset the volatility that can arise from cash inflows and outflows.

The operating units are not permitted to raise or invest financial resources in foreign currencies for speculative purposes.

Cash flow hedges

During the reporting period, there were currency hedges in CNY, PLN and CZK for which the conditions for cash flow hedging were satisfied. The following foreign currency-related hedging instruments broken down by maturity are held:

	Maturity		
	1–6 months	**7–12 months**	**Total**
2022			
Currency forwards (sales expected with a high probability)			
Nominal amount (in EUR thousand)	24,028	7,800	**31,828**
Average forward exchange rate (EUR/CZK)	26.636	26.924	–
Currency forwards (sales expected with a high probability)			
Nominal amount (in EUR thousand)	5,089	1,780	**6,869**
Average forward exchange rate (EUR/PLN)	5.011	5.057	–
2021			
Currency forwards (sales expected with a high probability)			
Nominal amount (in EUR thousand)	26,710	23,811	**50,521**
Average forward exchange rate (EUR/CZK)	26.020	26.039	–
Currency forwards (sales expected with a high probability)			
Nominal amount (in EUR thousand)	6,415	5,788	**12,203**
Average forward exchange rate (EUR/PLN)	4.521	4.578	–

As of December 31, 2022, currency forwards with a positive market value of EUR 3,288 thousand (2021: EUR 1,236 thousand) and with a negative market value of EUR 0 thousand (2021: EUR 305) were designated as cash flow hedges. The settlement results are recognized under the financial result. There were no significant ineffective portions of hedging transactions to report in the year under review.

The effects of foreign currency-related hedging instruments on the Group's net assets, financial position and results of operations are as follows:

EUR k	December 31, 2022	December 31, 2021
Carrying amount (other current financial assets)	3,288	1,236
Carrying amount (other current financial liabilities)	0	305
Nominal value	38,696	62,724
Hedge relationship[1]	1:1	1:1
Change in the fair value of outstanding hedges since January[1]	2,356	262
Change in the value of the hedged transaction to determine the effectiveness of the hedge relationship	–2,356	–262

Effect on cumulative other comprehensive income:	**2022**	**2021**
Cash flow hedge amount on January 1	**696**	**557**
Change in the fair value of the hedge (effective part)	4,309	1,269
Reclassified from other comprehensive income to profit and loss	–1,961	–1,006
Tax expenses (–)/tax income	–606	–124
Cash flow hedge amount on December 31	**2,438**	**696**

[1] Currency forwards have the same currency as the highly probable future sales (accordingly 1:1 hedge relationship)

The sensitivity analysis of changes in currency is based on the following assumptions:

- All monetary financial instruments not held in the functional currency are taken into account. The analysis is based on the original balance sheet items of the subsidiaries subject to a significant risk from functional currencies other than the Group's.
- Changes in foreign exchange rates relating to financial instruments that are part of a net investment in foreign operations have an impact on equity.
- Derivatives for the purpose of currency hedging that are designated as hedging instruments in the context of cash flow hedges have an effect on equity and are taken account of in the sensitivity analysis.
- Currency derivatives that are not designated as hedging instruments in the context of cash flow hedges have an effect on period income and are taken account of accordingly in the sensitivity analysis.
- A change in the exchange rate of +/– 10 (2021: +/– 10) percentage points on the reporting date is assumed in order to determine sensitivity to exchange rate risks. All other variables remain constant

The following table shows the sensitivity of consolidated net income before taxes and equity to a reasonably possible change in the exchange rate:

EUR k

	Changes in the USD exchange rate	Impact on earnings before taxes	Impact on equity
2022	+10%	6,465	–3,491
	–10%	–6,465	3,490
2021	+10%	7,425	–3,398
	–10%	–7,421	3,397

	Changes in the TRY exchange rate	Impact on earnings before taxes	Impact on equity
2022	+10%	436	0
	–10%	–436	0
2021	+10%	303	0
	–10%	–303	0

	Changes in the CZK exchange rate	Impact on earnings before taxes	Impact on equity
2022	+10%	4,068	3,828
	–10%	–4,069	–3,132
2021	+10%	4,014	5,742
	–10%	–3,999	–4,735

EUR k

	Changes in the PLN exchange rate	Impact on earnings before taxes	Impact on equity
2022	+10%	292	802
	–10%	–289	–656
2021	+10%	320	1,322
	–10%	–320	–1,087

	Changes in the CNY exchange rate	Impact on earnings before taxes	Impact on equity
2022	+10%	2	0
	–10%	3	0
2021	+10%	535	0
	–10%	–530	0

Interest rate risk

The Company pursues a strategy of hedging interest rate fluctuation arising from floating-rate non-current financial liabilities. To achieve this, GRAMMER uses receiver interest rate swaps. The market rates prevailing on the date on which the loan is taken out apply in the case of loans, meaning that the interest rate risk is limited to fluctuations in the market on the date on which the loan is drawn. Interest on overdrafts is agreed on a roll-over basis. To optimize interest expenses and minimize risk, Group Treasury manages this risk centrally for all companies in the Group. To the extent permitted, GRAMMER AG Group Treasury makes funding available to all Group companies in the form of loans.

The following interest-related hedging instruments broken down by maturity are held:

	Duration		
	until 2022	until 2023	Total
2022			
Nominal amount (in EUR thousand)	–	–	**–**
Weighted interest rate (%)	–	–	**–**
2021			
Nominal amount (in EUR thousand)	6,500	–	**6,500**
Weighted interest rate (%)	0.810	–	**0.810**

As of December 31, 2022, there were no interest-related hedging instruments. These expired in 2022. As of December 31, 2021, there were interest rate swaps with a nominal volume of EUR 6.5 million in connection with the euro-denominated bonded loans issued to hedge the interest rate risks arising from the floating-rate tranches. These interest rate swaps qualified as cash flow hedges. As of December 31, 2021, interest rate swaps with a negative market value of EUR 54 thousand were designated as cash flow hedges.

The effects of interest-related hedging instruments on the Group's net assets, financial position and results of operations of the Group are as follows:

EUR k	December 31, 2022	December 31, 2021
Carrying amount (other current financial liabilities)	0	54
Nominal value	0	6.500
Maturity date	2022	2022
Hedge relationship	1:1	1:1
Change in the fair value of outstanding hedges since January 1	54	-54
Change in the value of the hedged transaction to determine the effectiveness of the hedge relationship	–54	54
Weighted average hedge for the year	–	0.810%

Effect on cumulative other comprehensive income:	**2022**	**2021**
Cash flow hedge amount on January 1	**–36**	**–74**
Change in the fair value of the hedge (effective part)	8	0
Reclassified from other comprehensive income to profit and loss	46	53
Tax expenses (–)/tax income	–18	–15
Cash flow hedge amount on December 31	**0**	**–36**

The sensitivity analysis of changes in currency is based on the following assumptions:

- Financial instruments measured at amortized cost with a fixed rate of interest are not subject to interest rate risks and thus not included in the sensitivity analysis.
- Variable-rate originated financial instruments, payments under which are not designated as hedged transactions for cash flow hedges against interest rate risks, have an effect on net profit for the period and are included in the sensitivity analysis.
- Variable-rate originated financial instruments, payments under which are designated as hedged items for effective cash flow hedges against interest rate risks, have synthetic fixed rates and thus are not subject to interest rate risks. Accordingly, they are not taken into account for sensitivity analysis.
- Interest rate derivatives not designated as cash flow hedges have an effect on net profit for the period and are thus included the sensitivity analysis.
- Interest rate derivatives that are designated as cash flow hedges have an effect on equity and are thus included in the sensitivity analysis.
- The interest rate risk from currency derivatives is deemed insignificant and thus not included in the sensitivity analysis.
- The determination of the sensitivity of interest rate derivatives assumes a parallel shift along the yield curve of +/–50 (2021: +/–50) basis points. The interest rate on deposits was reduced on interest-bearing current account balances to a minimal level of 0.001%.

The following table shows the sensitivity of consolidated profit before tax to a reasonably possible change in interest rates. All other parameters remain constant.

EUR k

	Increase/reduction (basis points)	**Effect on earnings before taxes**	**Effect on equity**
2022	–50	350	0
	50	–134	0
2021	–50	–251	0
	50	–99	2

Risks in connection with the IBOR reform

The Company has loans in its portfolio where interest is charged at variable benchmark rates that are subject to the IBOR reform and that have not yet switched to alternative benchmark rates. This relates to a USD bonded loan with a carrying amount of EUR 7.0 million and a nominal volume of USD 7.5 million that matures in 2024 and bears interest at the USD LIBOR rate. The USD LIBOR is expected to switch to an alternative benchmark rate in June 2023. There are also two bilateral credit facilities each with a volume of EUR 18.3 million, including the USD LIBOR, which were not drawn down in USD as of December 31, 2022. The other benchmark rates used in the GRAMMER Group were already changed in 2021 or loan agreements were amended. The IBOR reform does not pose any risks to GRAMMER.

Ineffectiveness of hedging relationships

The effectiveness of hedging relationships is determined at the inception of each hedging relationship and through regular prospective assessments to ensure that there is a commercial relationship between the hedged item and the hedging instruments.

To hedge foreign currency transactions, the Group enters into hedging relationships in which the contractual terms of the hedging instruments match those of the hedged item in the applicable month on average. The dollar offset method is used to assess the effectiveness of the hedging relationship.

Hedges of foreign currency transactions may be ineffective if the timing of the planned transaction changes from the original estimate or if there are any changes in the credit risk of GRAMMER or the counterparty to the derivative. In 2022 and 2021, there was no ineffectiveness with respect to foreign currency derivatives.

When interest rate risks are hedged, there is a commercial relationship between the floating-rate loan (the hedged item) and the interest rate swap (the hedging instrument) as the terms of the interest rate swap correspond to those of the floating-rate loan (this applies to the notional amount, maturity, payment dates and repricing dates). The underlying risk of the interest rate swap is identical to that of the hedged risk component. Therefore the hedging relationship has a hedging ratio of 1:1. The dollar offset method is also used to assess the effectiveness of the hedging relationship.

The ineffectiveness of hedges with interest rate swaps is assessed according to the same principles as for foreign currency sales. One reason for the ineffectiveness of a hedging relationship may be adjustments to the credit value/debit value adjustments of the parties to the interest rate swap that are not offset by changes in the value of the hedged loan. Differences in contractual terms between interest rate swaps and secured loans may also lead to ineffectiveness. In 2022 and 2021, there was no ineffectiveness with respect to interest rate swaps.

Liquidity risk

The Group manages liquidity risks by means of appropriate bank credit facilities of EUR 465.7 million (2021: EUR 448.3 million), by constantly monitoring projected and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The aim is to achieve a balance between covering the need for financial resources at all times and ensuring flexibility through the use of overdraft facilities, loans, bonds, factoring, capitalized leases and hire purchase agreements.

As of December 31, 2022, the Group had unutilized credit facilities of EUR 136.3 million (2021: EUR 192.1 million), for which all the conditions required for drawing had been met. The following table shows the contractually agreed (undiscounted) interest and principal payments from primary financial liabilities and derivative financial instruments with negative fair values:

EUR k

	Carrying amount	Cash flow		
2022		**2023**	**2024–2026**	**2027 thereafter**
Bonded loans	86,522	3,723	17,370	81,022
Bank loans	296,407	227,466	63,281	13,045
Bank overdrafts (including current liabilities under factoring contracts)	73,038	73,038	0	0
Current and non-current financial liabilities	**455,967**	**304,227**	**80,651**	**94,067**
Current and non-current trade accounts payable	**307,888**	**306,197**	**1,255**	**802**
Liabilities from leases	79,879	20,028	36,984	37,671
Other originated financial liabilities	2,003	2,003	0	0
Current and non-current other financial liabilities	**81,882**	**22,031**	**36,984**	**37,671**
Interest rate derivatives	0	0	0	0
Currency derivatives	0			
Incoming payments		0		
Outgoing payments		0		
Derivatives	**0**	**0**	**0**	**0**
	845,737	**632,455**	**118,890**	**132,540**

EUR k	Carrying amount	Cash flow		
2021		**2022**	**2023–2025**	**2026 thereafter**
Bonded loans	129,012	46,896	16,980	83,392
Bank loans	247,366	152,542	80,491	21,616
Bank overdrafts (including current liabilities under factoring contracts)	69,084	69,084	0	0
Current and non-current financial liabilities	**445,462**	**268,522**	**97,471**	**105,008**
Current and non-current trade accounts payable	**269,396**	**269,139**	**263**	**0**
Liabilities from leases	84,988	19,504	39,158	41,883
Other originated financial liabilities	2,839	2,839	0	0
Current and non-current other financial liabilities	**87,827**	**22,343**	**39,158**	**41,883**
Interest rate derivatives	54	53	0	0
Currency derivatives	305			
Incoming payments		–12,073		
Outgoing payments		12,203		
Derivatives	**359**	**183**	**0**	**0**
	803,044	**560,187**	**136,892**	**146,891**

All instruments in the portfolio on the reporting date for which payments were already contractually agreed were included. Budget figures for future new liabilities are not included. Amounts in foreign currency are converted at the spot rate on the reporting date. Financial liabilities repayable on demand are always allocated to the earliest maturity band. Variable interest payments under primary financial instruments were established on the basis of the interest rates last fixed before the reporting date. In the case of interest rate derivatives, the net payments are recorded based on calculation of payment flows on the variable side using the relevant forward interest rates.

For currency derivatives, both the payments made and corresponding payments received are recorded, since net cash settlement is not generally possible for these derivatives, which must be settled through provision of the counter currency.

Capital management

Capital management serves the purpose of ensuring a high credit rating and establishing an appropriate return on equity. The Group manages its financial structure in line with this objective and, taking account of general economic conditions, adapts it to the objective.

The Group monitors its capital structure by reference to leverage and gearing. Leverage is the ratio of EBITDA (earnings before interest, taxes, depreciation and amortization) to net debt. Net debt is made up of current and non-current financial liabilities and current and non-current other financial liabilities less cash and short-term deposits. Gearing is defined as the ratio of net debt to equity.

EUR k	December 31, 2022	December 31, 2021
Non-current financial liabilities	157,807	182,036
Other non-current financial liabilities	63,211	68,719
Current financial liabilities	298,160	263,426
Other current financial liabilities	18,671	19,467
Cash and short-term deposits	–108,587	–113,441
Net debt	**429,262**	**420,207**
Equity	301,108	345,550
Equity ratio	21%	23%
Gearing	143%	122 %
EBITDA	117,440	103,083
Leverage	3.7	4.1

Financial covenants have also been agreed under loan agreements, mainly relating to the two key figures leverage and gearing. The financial covenants already adjusted in 2020 for the periods up to December 31, 2022, have been amended for 2022 and 2023. The original contractual conditions will come into effect again as of the calculation date of December 31, 2023.

31. Disclosure of shareholdings in accordance with section 33 WpHG

Under section 33 (1) or (2) of the Securities Trading Act (WpHG), any person whose shareholding in a listed company reaches, exceeds or falls below certain percentages of the voting rights by purchase, sale or by any other means must notify the Company and the Federal Financial Supervisory Authority immediately, however in no less than four trading days. The lowest notification threshold is 3%. The Company was notified of the following shareholdings as of December 31, 2022 in accordance with section 33 WpHG (the percentage and number of shares shown refers to the share capital in existence as of the date of the notification; the number of shares is taken from the most recent notification served on GRAMMER AG and may therefore no longer apply):

In notifications dated October 14, 2019 and December 11, 2019, Ms. Bifeng Wu, Mr. Yiping Wang and Mr. Jimin Wang, China, informed us pursuant to section 33 (1) WpHG that their voting rights in GRAMMER AG (ISIN: DE0005895403) continued to exceed the 75% threshold and amounted to 84.23% (10,618,681 voting rights). Of this, 84.23% (10,618,681 voting rights) are attributable to Ms. Bifeng Wu, Mr. Yiping Wang and Mr. Jimin Wang pursuant to section 34 WpHG. Voting rights are allocated by the following company: Jiye Auto Parts GmbH, Frankfurt am Main, Germany, an indirect subsidiary of Ningbo Jifeng Auto Parts Co., Ltd., Ningbo, China.

(published on December 16, 2019)

All notifications served on GRAMMER AG in accordance with sections 33 and following WpHG can be inspected at the Company's website and at the platform operated by Deutsche Gesellschaft für Ad-hoc-Publizität mbH.

32. Other disclosures

Employees

Annual average number of employees:

	2022	2021
Wage-earning employees	11,033	11,123
Salaried employees	3,011	2,883
Total	**14,044**	**14,006**

Hyperinflation

IAS 29 "Hyperinflationary Economies" provides guidance on assessing whether the economy of a particular jurisdiction is hyperinflationary. However, the IASB does not name specific jurisdictions. The International Practices Task Force (IPTF) of the US Institute Centre for Audit Quality monitors the status of "hyperinflation" countries. Its criteria for identifying such countries are similar to those for identifying "hyperinflationary economies" under IAS 29. Argentina was among those countries in which cumulative inflation over the last three years was forecast to exceed 100%.

Based on this assessment, the effects of the application of IAS 29 are reviewed annually. The application of IAS 29 resulted in an increase in revenue of EUR 1.8 million, a EUR 0.2 million increase in EBIT and a EUR 0.1 million rise in net profit/loss in 2022. In 2021, there was an increase in revenue of EUR 0.7 million, a EUR 0.1 million increase in EBIT and a EUR 0.1 million rise in net profit/loss.

Auditors' fees within the meaning of section 314 (1) No. 9 HGB

Fees paid to the auditor of the consolidated financial statements, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Nuremberg, which are recognized as expenses in the reporting year, amounted to EUR 1,094.6 thousand, including an amount of EUR 158.7 thousand attributable to the previous year's audit. In the previous year, auditors' fees of EUR 1,089.6 thousand, including EUR 356.4 thousand attributable to the previous year's audit (2020) had been recognized. No fees for tax consulting or miscellaneous attestation, valuation or other services arose in the year under review or in the previous year.

Additional expenses for the group auditor Ernst & Young GmbH in connection with the audit of the consolidated financial statements for the Ningbo Jifeng Group amounted to EUR 67.4 thousand in 2022 (2021: EUR 64.1 thousand) and are not included in the auditor's fee as they were directly recharged to Ningbo Jifeng Auto Parts Co, Ltd, Ningbo, China.

Executive Board and Supervisory Board remuneration

The remuneration paid to the Executive Board and Supervisory Board is set out in the following table:

EUR k	2022	2021
Total remuneration paid to the Executive Board amounted to	1,745	2,098
The Supervisory Board received total remuneration of	704	566

Total remuneration paid to the Executive Board was affected by components from the previous year in the total amount of EUR -134 thousand (2021: EUR -118 thousand).

Of the total remuneration of the Executive Board, EUR 1,549 thousand (2021: EUR 1,909 thousand) is accounted for by short-term benefits and EUR 196 thousand (2021: EUR 189 thousand) by other long-term benefits.

Regarding the remuneration system of GRAMMER AG and details of individual remuneration paid to members of the Executive Boards please refer to the remuneration report in accordance with section 162 AktG. The report is available on the Company's website www.grammer.com in the "Company" section under "Management" and "Executive Board".

In view of the change to Executive Board service agreements in 2021, GRAMMER AG no longer had any retirement benefit obligations to the incumbent members of its Executive Board. Instead, members of the Executive Board receive defined-contribution allowances for their own pension schemes, which are included in the total remuneration listed above. Executive Board members receive no loans from the Company.

Payments of EUR 2,452 thousand (2021: EUR 283 thousand) were made to former members of the Executive Board and their surviving dependents under retirement benefit commitments. Furthermore, a reduction of EUR 652 thousand in entitlements to long-term incentive compensation components made in 2019 for former members of the Executive Board, the final measurement of which is related to the performance periods ending in 2020 and 2021, was partially reversed in the fiscal year. This is based on a reassessment of the enforceability of the claims.

Retirement benefit obligations towards former members of management and the Executive Board and their surviving dependents totaled EUR 7,391 thousand (2021: EUR 8,764 thousand) as of the reporting date and corresponding provisions have been recognized under IAS 19 (revised).

Please see the information in the remuneration report in accordance with section 162 AktG, which is available on the Company's website www.grammer.com in the section "Company" under "Supervisory Board".

With the exception of employee representative remuneration agreed in employment contracts, no other remuneration was paid or benefits granted to Supervisory Board members for services rendered in person in addition to Supervisory Board remuneration. No compensation was paid to former members of the Supervisory Board, and no such payments constitute a component of Supervisory Board remuneration.

33. Corporate Governance Declaration

The Corporate Governance Declaration pursuant to section 315d in connection with section 289f and the following HGB and the declaration of conformity with the German Corporate Governance Code (section 161 AktG) have been released and are permanently available on the Company's website at www.grammer.com in the "INVESTOR RELATIONS" section under "Corporate Governance" – "Overview".

Ursensollen, March 20, 2023

Jens Öhlenschläger Jurate Keblyte

GRAMMER AG Executive Board

Independent auditor's report

To GRAMMER Aktiengesellschaft

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of GRAMMER Aktiengesellschaft, Ursensollen, and its subsidiaries (the Group), which comprise the consolidated statement of income and consolidated statement of comprehensive income for the fiscal year from 1 January 2022 to 31 December 2022, the consolidated statement of financial position as at 31 December 2022, the consolidated statements of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GRAMMER Aktiengesellschaft for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the group statement on corporate governance pursuant to Sec. 315d in conjunction with Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code], which is published on the website stated in the group management report and is part of the group management report. In addition, we have not audited the content of the disclosures extraneous to management reports contained in the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a or Secs. 315b to 315d HGB or GAS 20. We have not audited the content of the company information that is provided outside of the annual report and is cross-referenced in the section "Significant events in fiscal year 2022" – sub-section "2025 medium-term outlook" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance referred to above and the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter

Pursuant to IAS 36, goodwill is subject to an annual impairment test in which the carrying amount of the cash-generating unit, to which the goodwill is allocated, is compared with its recoverable amount. The basis for determining the recoverable amount is the present value of future cash flows of the cash-generating unit. Valuations are based on the budgets for every cash-generating unit, which in turn are based on the budgets approved by management and the Supervisory Board of GRAMMER AG and thus subject to judgment. They are discounted on the basis of the weighted average cost of capital (WACC) for the respective cash-generating unit. The inputs used to calculate the discount rate are partly based on estimated market expectations and are, therefore, also subject to judgment.

In light of the planning uncertainty resulting from the future-oriented nature of the measurement and also in view of the current macroeconomic environment and the judgment exercised as part of the required impairment test, the impairment testing of goodwill was a key audit matter.

Auditor's response

To assess the recoverable amounts of the cash-generating units determined by the executive directors, we examined the processes associated with the inspection and approval of planning as a key basis for the impairment tests and carried out substantive audit procedures.

In particular, we discussed the demarcation of cash-generating units as of 31 December 2022 with the executive directors of GRAMMER AG and assessed this in respect of its consistency with the internal reporting structure.

We also involved our valuation specialists in the audit in order to methodically and arithmetically assess the valuation model and the calculation inputs used. We examined whether the valuation models were applied consistently.

We also examined whether the budget planning reflects general, regional and industry-specific market expectations. In our assessment, we considered the corresponding market expectations as well as the explanations given by management on the main value drivers underlying the budgets. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis.

The inputs used in the determination of the recoverable amounts such as the estimated growth rates were assessed based on an analysis of general market indicators. We assessed the derivation of the weighted average cost of capital (WACC) by evaluating the beta factors used for the benchmark companies involved and comparing the interest rates for equity and liabilities with available market data. In order to identify a potential impairment risk, we additionally conducted sensitivity analyses on the results of the impairment test to determine which changes in specific valuation inputs would lead to a different assessment about the need to recognize an impairment loss the level of the cash-generating unit. Our audit procedures did not lead to any reservations regarding the measurement of goodwill.

Reference to related disclosures

With regard to the accounting policies applied in respect of goodwill and the related disclosures on judgment exercised by the Executive Board of GRAMMER AG and sources of estimation uncertainties, please refer to the disclosure in section 2.1 "Significant accounting policies and critical accounting estimates", sub-section "Estimates and judgment (IAS 8)" and "Goodwill (IAS 38, IAS 36)" and the disclosures on goodwill in section 11.3 "Goodwill" in the notes to the consolidated financial statements.

2. Revenue recognition over time from development contracts with customers

Reasons why the matter was determined to be a key audit matter

The GRAMMER Group companies generally fulfill their performance obligations from customer-specific development contracts over time and recognize the resulting amount of revenue arising pursuant to IFRS 15 "Revenue from Contracts with Customers", in accordance with the stage of completion of the respective performance obligation. The progress with regard to the satisfaction of the performance obligation in full is determined on an input basis and based on the costs incurred.

Revenue recognition over time is therefore highly dependent on the executive directors' estimation of total contract revenue and total contract costs and, through the determination of the stage of completion, has a significant impact on the items of the consolidated financial statements. We therefore considered the recognition of revenue from development contracts over time to be a key audit matter entailing the risk of material misstatement in the consolidated financial statements, including the inherent risk of management bypass or override of the internal control system.

Auditor's response

We performed tests of design and operating effectiveness for the significant controls implemented by the executive directors in contract acceptance and performance and in the accounting for customer contracts, especially in connection with the identification of performance obligations, the determination of the transaction price and its allocation to the identified performance obligations as well as the estimation of contract costs. In this context, we tested both transaction-level controls and entity-level controls, such as regular review meetings.

For development contracts that were significant due to their technical or commercial complexity or their financial significance given the recognized assets from customer contracts, we also performed the substantive tests presented below.

By questioning those responsible for group-wide project controlling, we gained an overview of the content of the contracts and the contracted development services, and the status of the respective fulfillment of the contract, the reasons for deviations between planned costs and actual costs and the current assessment of the costs still expected to be incurred up until the time of completion. We examined the information obtained to determine whether it was consistent with the available evidence, such as customer correspondence or contracts. In doing so, we assessed the executive directors' planning in respect of its consistency with the current development of the market and externally available sales forecasts for the underlying models of automobiles. We also examined the transaction price of the performance obligations by comparing this with the underlying contracts. If, based on the executive directors' planning, it was no longer to be expected that the unavoidable costs to fulfill the contractual obligation would be fully covered, we verified that a provision had been recognized for the onerous contract.

We analyzed the reported revenue from development contracts to determine, among other things, whether the planned and realized margin from the contracts is in line with our expectations, which we derived for the individual project or the performance of comparable projects. Our audit procedures did not lead to any reservations regarding the recognition of revenue from development contracts over time.

Reference to related disclosures

Regarding the information provided by the Company on the recognition of revenue over time, reference is made reference is made to section 2.1 "Summary of significant accounting policies and use of estimates and judgements", sub-section "Estimates and judgements (IAS 8)" and "Revenue from contracts with customers (IFRS 15)" and section 6 "Revenue from contracts with customers" as well as section 14 "Balances of contract assets and contract liabilities" of the notes to the consolidated financial statements.

3. Revenue recognition in relation to the delivery of serial products

Reasons why the matter was determined to be a key audit matter

The revenue reported in the consolidated financial statements is one of the main financial performance indicators used by the executive directors of GRAMMER AG. As a general rule, revenue is recognized upon satisfaction of the respective performance obligation, namely the date on which the customer obtains control over the underlying asset.

The recognition of revenue is subject to the risk that revenue is recognized at the wrong time or that fictitious revenue is recognized. Revenue results from a range of individual transactions in the form of separate deliveries. In addition, ongoing price negotiations and adjustments with customers lead to frequent changes to transaction prices and consequently to an amended measurement of recognized revenue. The recognition of revenue is exposed to the risk of material misstatement including the inherent risk of management bypass or override of the internal control system. On account of the frequently changing transaction prices, revenue recognition is deemed to be complex, meaning that there is an increased risk of material misstatement. As recognized revenue has a material impact on GRAMMER AG's consolidated financial statements, we considered revenue recognition to be a key audit matter.

Auditor's response

During our audit, we obtained an understanding of the contractual arrangements with the customers, especially the arrangements governing the time of obtaining control, as well as the arrangements regarding the billing procedure, and assesses them based on our understanding of the business and process. Against this backdrop, we examined the internal procedures and controls implemented for revenue recognition and for recording the amount of revenue. We performed tests of design and operating effectiveness in this context, examining the revenue recognized for the fiscal year from 1 January 2022 to 31 December 2022 with respect to how it was recorded in the accounts. We analyzed any deviations from our exceptions in the posting logic based on additional substantive audit procedures by obtaining audit evidence, for example on proof of delivery and incoming payments. In addition, our audit procedures also included obtaining external customer confirmations on a sample basis. We checked that the revenue had been entered in the right amount in particular by comparing a sample of the transaction prices with their applicable contractual bases. We also determined whether the corresponding trade receivables had been settled by the customer by paying the invoice amount in the customary business cycle. At the same time, we checked a sample of incoming payments against the corresponding bank statements.

In order to identify unexpected fluctuations in the gross margin reported, we performed a margin analysis at a monthly level. Our audit procedures did not lead to any reservations regarding the recognition of revenue from serial production.

Reference to related disclosures

The Company's disclosures on revenue recognized at a point in time are presented in section 2.1 "Summary of significant accounting policies and use of estimates and judgements", sub-section "Revenue from contracts with customers (IFRS 15)", and in section 6 "Revenue from contracts with customers" of the notes to the consolidated financial statements.

4. Recoverability of recognized deferred tax assets on unused tax losses

Reasons why the matter was determined to be a key audit matter

The entities within the GRAMMER Group carry out their business activities in numerous countries with varying local tax laws. In this regard, in some of these countries there are unused tax losses, for which, pursuant to IAS 12, a deferred tax asset should be recognized to the extent that it is probable that a future taxable profit will be available against which the unused tax losses can be utilized. This assessment is subject to a great deal of judgement and estimates by the executive directors, primarily in cases in which the affected companies have recognized a series of losses in the recent past, and consequently subject to judgment to a great extent.

The executive directors of GRAMMER AG have recognized a deferred tax asset on unused tax losses in an amount that is material for the consolidated financial statements of GRAMMER AG. Deferred tax assets on unused tax losses in Germany, which were classified as recoverable for the first time in the prior year, were also recognized in the reporting year. In light of this, the recoverability of recognized deferred tax assets was a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by the executive directors of GRAMMER AG and the accounting policies for determining the deferred tax assets to be recognized on unused tax losses, including impairment testing, to identify any risks of material misstatement and obtained an understanding of the process steps.

In respect of the assessment of the executive directors regarding the probability of whether a taxable result will be available, against which the unused tax losses can be utilized, we analyzed the corporate planning underlying the assessment by comparing the earnings generated in the past and current developments in business figures. In this regard, based on the responsibility statement, we verified that the unused tax losses result from identifiable causes which are unlikely to recur. For companies that have had several loss-making years in the recent past, we obtained evidence that there are convincing indications that sufficient taxable income will be available in the future. We analyzed the declarations and evidence received as to whether both positive and negative indications were taken into account equally. We also considered the changes in the market in the fiscal year and the forecasts made of its future development.

When assessing the likelihood of whether taxable income will be available, against which the unused tax losses can be utilized, taxable temporary differences in relation to the same tax authority and the same taxable entity were also taken into account, from which the taxable income, against which the unused tax losses can be utilized, will result. Our audit procedures did not lead to any reservations regarding the recoverability of recognized deferred tax assets on unused tax losses.

Reference to related disclosures

The Company's disclosures on deferred tax on unused tax losses recognized as assets are presented in section 2.1 "Summary of significant accounting policies and use of estimates and judgements", sub-section "Estimates and judgment (IAS 8)" and "Taxes (IAS 12)" as well as section 8 "Income taxes" in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the corporate governance report and declaration pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB, as well as for the remuneration report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information consists of the group statement on corporate governance referred to above and the disclosures extraneous to management reports referred to above contained in the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report. Furthermore, the other information includes the combined separate non-financial report pursuant to Sec. 289b (3) HGB and Sec. 315b (3) HGB, a version of which we obtained prior to issuing this auditor's report. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- the section "Letter from the Executive Board"
- the section "Dashboard"
- the section "GRAMMER Share"
- the section "Corporate Governance (Group corporate governance report and declaration, Report of the Supervisory Board, Remuneration Report)"
- the responsibility statement
- the section "Report on Equality and Equal Pay"
- the section "GRAMMER Group Multi-year Overview pursuant to IFRS"
- the section "GRAMMER AG Financial Statements"
- the section "Financial Calendar 2023"

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file "GRAMMER_AG_KA+KLB_ESEF-2022-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 18 May 2022. We were engaged by the Supervisory Board on 2 August 2022. We have been the group auditor of GRAMMER AG without interruption for more than 28 years. GRAMMER AG has been a capital market-oriented company as defined by Sec. 264d HGB since fiscal year 1996.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Audit of GRAMMER AG's remuneration report in accordance with Sec. 162 (3) AktG for the fiscal year from 1 January 2022 to 31 December 2022
- Consulting services on the realignment of the process of preparing the non-financial statement
- The audit of a report on transactions with affiliates required under local Slovenian law.

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the "Unternehmensregister" [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Udo Schuberth.

Nuremberg, 20 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report 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 developmentof the Group.

Ursensollen, March 20, 2023

GRAMMER AG

The Executive Board

REPORT ON EQUALITY AND EQUAL PAY IN ACCORDANCE WITH SECTION 21 ENTGTRANSPG

In accordance with section 21 of the German Act to Promote Transparency in Wage Structures among Women and Men (Transparency in Wage Structures Act – EntgTranspG), GRAMMER AG is again publishing a report on equality and pay equity for the period from January 1, 2017 to December 31, 2021

Integrative corporate culture

Audit opinions

Every action GRAMMER takes is based on its conviction that successful cooperation is possible only with the mutual trust and respect of all colleagues. We have put the GRAMMER Way of Working into practice by applying our WoW CODE – Collaboration, Openness, Drive, and Empowerment – as the guiding principle behind our actions. This means we promote diversity and equal rights as drivers for future innovation, development, and success.

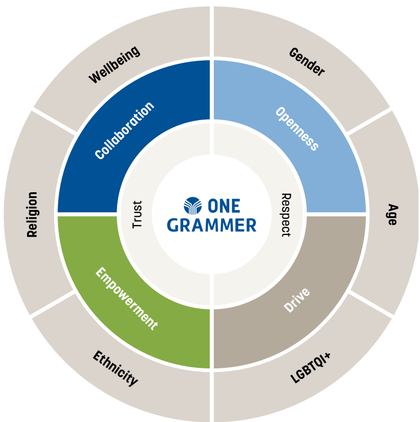
Diversity & Inclusion meets Way of working

Diversity, Inclusion & WoW Culture

- Diversity and inclusion are embedded in our WoW culture
- We are committed to fostering an inclusive culture and leadership style to reach our full potential.
- It is critical that our leaders and employee:s know and understand the commitment to diversity and inclusion and what is expected of them.

Diversity, Inclusion & WoW CODE

- We are a global team united by a set of behaviors: collaboration, openness, drive and empowerment. Together, these four elements are expected of each and every one of us
- We treat each other with respect, trust each other, and encourage diversity in all behaviors
- The interaction between our behaviors and diversity is outlined in our One GRAMMER Cycle: Our goal is to strengthen our global team – One GRAMMER – while living a corporate culture characterized by trust and respect for all our employees, customers and suppliers.



We signed the Diversity Charter in 2006, espousing our commitment to greater tolerance and openness in how we interact with each other. On this basis, GRAMMER has initiated various programs and campaigns to enable it to practice and promote this culture. For example, dynamic, interactive workshops on the topic of "Diversity & Inclusion meets WoW" were held in May 2021 to celebrate Diversity Day in Germany and the World Day for Cultural Diversity for Dialogue and Development. The personal input of our Executive Board members in the preparation and implementation of these workshops clearly demonstrate that diversity is a core element of our corporate culture.

Diversity and inclusion also mean acknowledging and promoting gender equality. Our Code of Conduct states that we expect all employees to practice a culture of respect, objectivity, fairness, and cooperation. This includes condemning all forms of discrimination, whether due to gender, skin color, disability, origin or ethnic background, religion, age, or sexual orientation. This commitment was also enshrined in GRAMMER's Human Rights Policy in 2021.

Specific measures to promote equality

GRAMMER also focuses on creating equal career opportunities for all genders. For example, the network of talented young female employees and experienced female managers was strengthened in the past year with the ladies@grammer initiative, which provides a framework for exchanging experiences and highlighting role models for female careers. This is important in an industry that is traditionally very male-dominated.

Other measures to promote equality between women and men include:

- Advancement of women in management positions
- Training on equal treatment and gender equality in accordance with the German General Act on Equal Treatment (AGG)
- Mentoring programs
- Raising awareness of family-oriented HR development among HR managers
- Measures to enable flexible work, e.g. working from home
- Flexible working time models, especially flexitime, working time accounts and part-time models

The measures taken help to support gender equality between women and men. Among other things, the positive impact of these measures is reflected in

- a growing proportion of women in senior management
- the use of Company facilities to enable a healthy work-life balance
- the use of opportunities for flexible work (see statistics)

Proportion of women in management

The introduction of a structured talent management process was defined as a goal for 2021. The succession planning that forms part of this process includes medium-term diversity targets for women at the GRAMMER Group of 15% at senior management level and 20% at middle management level. At the reporting date December 31, 2021, the proportion of women in senior management positions at the GRAMMER Group was 23%, while the proportion of women in middle management was 10%.

For GRAMMER AG, the figures as of December 31, 2021 were 25% for senior management and 11% for middle management.

During the reporting period, there were notable fluctuations in the proportion of women in senior and middle management positions at the GRAMMER Group due to the integration of Toledo Molding & Die, Inc. (TMD) as well as the regional reorganization and the introduction of a new job evaluation system.

Proportion of women in the executive bodies

There is also a target for the integration of female managers at Executive Board level. This was defined by the Supervisory Board in March 2017 at 33%. Following the restructuring of the Executive Board in 2019, this target has been complied with consistently since August 1, 2019. The Supervisory Board has confirmed the target for the proportion of women on the Executive Board until December 31, 2023.

As another instrument for promoting gender equality, the Supervisory Board must be composed of at least 30% women and 30% men in accordance with section 96 (2) sentence 1 of the German Stock Corporation Act (AktG). This quota must be fulfilled separately by the shareholder representatives and the employee representatives, as joint fulfillment has been rejected ("separate fulfillment"). The minimum representation requirement under section 96 (2) sentence 1 AktG is satisfied by the new Supervisory Board of GRAMMER AG that was constituted on July 8, 2020. It had four female members at the reporting date December 31, 2021, comprising two shareholder representatives and two employee representatives.

Equal pay

Remuneration at our Company is based on the nature and extent of the activity performed and not the gender of the employee. Our internal guidelines and the use of collective wage agreements and other collective agreements with our social partners serve to ensure transparent, gender-neutral remuneration.

In 2021, we implemented a new job evaluation system for management functions that will make it even easier for us to structure GRAMMER's remuneration system objectively and transparently for employees and to position it on the market accordingly.

This ensures that our remuneration is independent of factors such as gender, age, and nationality. Any differences in remuneration within the Group are attributable to different preferences, lifestyles and professions and are not gender-specific.

Statistical data (GRAMMER AG averages for 2021)

	Total	of which male	of which female
Employees	772	558	214
of which part-time	97	23	74
of which temporary staff	4	4	0

GRAMMER Group multi-year overview in accordance with IFRS

EUR m	2022	2021	2020	2019	2018
Group revenue	**2,158.8**	**1,903.0**	**1,710.7**	**2,038.5**	**1,861.3**
Revenue EMEA[3]	1,131.4	1,061.5	965.8		
Revenue AMERICAS	672.5	517.7	476.6		
Revenue APAC	426.7	406.3	339.2		
Statement of income					
Gross profit	140.5	175.3	125.3	231.4	211.8
EBIT	-45.0	18.9	-46.1	74.5	48.7
EBIT margin (%)	-2.1	1.0	-2.7	3.7	2.6
Financial result	-17.8	-12.2	-24.6	-20.4	-14.3
Earnings before taxes	-62.8	6.7	-70.7	63.6	34.5
Income taxes	-15.8	-6.1	6.0	-20.1	-11.3
Net profit/loss	-78.6	0.6	-64.7	43.5	23.2
Consolidated Statement of Financial Position					
Total assets	1,444.6	1,483.4	1,376.4	1,474.4	1,441.4
Non-current assets	768.1	833.5	799.6	825.6	696.3[2]
Current assets	676.5	649.9	576.8	648.8	745.1[2]
Equity	301.1	345.6	302.2	342.2	314.8
Equity ratio (%)	21	23	22	23	22
Net financial liabilities	429.3	420.2	358.0	370.0	277.4

EUR m	2022	2021	2020	2019	2018
Statement of Cash Flows					
Capital expenditure (without business combinations and financial assets)	91.0	114.7	83.8	132.8	73.9
Depreciation and amortization	162.4	84.2	87.8	85.3	52.3
Cash flow from operating activities	106.7	71.3	31.1	124.0	143.6
Employees					
Annual average	14,044	14,006	14,192	14,910	13,439
Domestic employees	2,936	2,848	3,026	3,227	3,315
Non-domestic employees	11,108	11,158	11,166	11,683	10,124
Personnel costs	518.5	465.9	444.1	486.3	425.2
Share data					
Prices (Xetra closing price in EUR)	10.55	17.95	19.90	31.95	37.70
Market capitalization (EUR m)	160.8	273.5	303.2	402.8	475.3
Dividend (EUR)[1]	0.00[1]	0.00	0.00	0.00	0.75
Earnings per share (EUR)	-5.26	0.08	-5.10	3.56	1.90

[1] With the extension of the syndicated loan by a KfW loan, the dividend will be suspended during the term of the third tranche until 2025.

[2] Adjustment in accordance with IFRS 3.49, see Note 4 in the 2019 annual report Business combinations.

[3] Due to the change of segment reporting in 2021, the comparative information for the reporting segments is only given for 2020.

Financial Statements of GRAMMER AG

GRAMMER AG's results of operations

GRAMMER Aktiengesellschaft Statement of Income for the year from January 1 to December 31

EUR k	2022	2021
Revenue	676,766	649,298
Decrease in inventories of finished goods and work in progress	–1,545	–1,691
Other own work capitalized	0	121
Other operating income	66,176	56,004
Total revenues	**741,397**	**703,732**
Cost of materials	515,585	494,023
Personnel costs	92,237	83,973
Depreciation and amortization	8,128	8,313
Other operating expenses	80,064	78,979
	45,383	**38,444**
Net investment income – of which from affiliated companies EUR 33,779 thousand (2021: EUR 57,996 thousand)	33,779	57,996
Income from profit transfer agreements – of which from affiliated companies EUR 11,802 thousand (2021: EUR 21,263 thousand)	11,802	21,263
Income from other securities and loans of financial assets – of which from affiliated companies EUR 10,929 thousand (2021: EUR 5,795 thousand)	10,929	5,795
Other interest and similar income – of which from affiliated companies EUR 1,952 thousand (2021: EUR 1,751 thousand)	1,957	1,762
Impairment of financial assets and securities held as current assets	119,333	95,531
Expenditure from the absorption of loss – of which from affiliated companies EUR 12,367 thousand (2021: EUR 2,493 thousand)	12,367	2,493
Interest and similar expenses – of which to affiliated companies EUR 21 thousand (2021: EUR 58 thousand) – of which from compounding EUR 2,923 thousand (2021: TEUR 6,987 thousand)	24,169	23,189
Income taxes	4,062	6,759
Net profit/loss	**–56,081**	**–2,309**
Other taxes	235	91
Net loss for the year	**–56,316**	**–2,400**
Profit carried forward from the previous year	–74,872	–72,472
Net retained loss	**–131,188**	**–74,872**

[1] Financial statements according to HGB.

Net assets of GRAMMER AG

GRAMMER Aktiengesellschaft Statement of Financial Position[1] as of December 31 of the respective financial year

Assets

EUR k

	December 31, 2022	December 31, 2021
A. Non-current assets		
I. Intangible assets	10,209	12,849
II. Property, plant and equipment	82,806	84,877
III. Financial assets	514,003	546,033
	607,018	**643,759**
B. Current assets		
I. Inventories	45,136	48,338
II. Receivables and other assets	192,267	187,203
III. Cash at bank and in hand	7,130	7,551
	244,533	**243,092**
C. Prepaid expenses	2,641	3,319
Total assets	**854,192**	**890,170**

Equity and liabilities

EUR k

	December 31, 2022	December 31, 2021
A. Equity		
I. Subscribed capital	39,009	39,009
Own shares	–845	–845
Issued capital	38,164	38,164
II. Capital reserve	165,211	165,211
III. Retained earnings	132,158	132,158
IV. Net retained loss	–131,188	–74,872
	204,345	**260,661**
B. Provisions		
1. Provisions for retirement benefits	92,639	82,259
2. Tax provisions	2,340	3,569
3. Other provisions	18,194	27,212
	113,173	**113,040**
C. Liabilities		
1. Liabilities to banks	461,617	452,803
2. Prepayments received	2,645	2,617
3. Trade accounts payable	14,957	15,346
4. Liabilities to affiliated companies	49,674	40,382
5. Liabilities to companies in which an equity interest is held	288	296
6. Other liabilities	7,387	4,935
	536,568	**516,379**
D. Deferred income	106	90
Total Equity and Liabilities	**854,192**	**890,170**

[1] Financial statements according to HGB.

Financial Calendar 2023[1]

Important dates for shareholders and analysts

30 March	Analyst and financial press conference
10 May	Annual General Meeting 2023
30 March	Publication of Annual Report 2022
14 August	Publication of Interim Report 2nd Quarter 2023
27 April	Publication of Interim Management Statement 1st Quarter 2023
30 October	Publication of Interim Management Statement 3rd Quarter 2023

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[1] All dates are tentative and subject to change. Subject to change without notice.

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