ONE GRAMMER

Interim Financial Report
January to June 2021

GRAMMER

Revenue
972.5 million euros

EBIT margin
2.9%

Operating EBIT margin
3.3%

Equity ratio
23.0%

Net profit
18.2 million euros

Free cash flow
-54.4 million euros

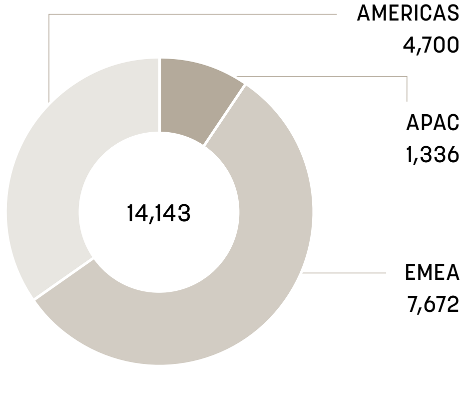
EBIT
27.8
million euros

Capital expenditure
30,7
million euros

Company profile

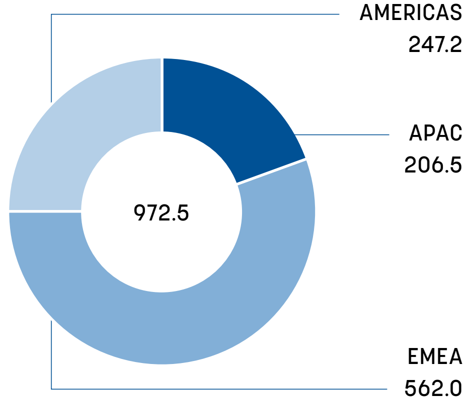
GRAMMER AG, headquartered in Ursensollen, Germany, is active in two business segments: GRAMMER develops and supplies high-quality interior and operating systems as well as innovative thermoplastic components for the global automotive industry. For trucks, trains, buses, and off-road vehicles, GRAMMER is a full-service provider of driver and passenger seats. Currently, GRAMMER AG employs around 14,000 people in 19 countries worldwide, with revenue of around 1.7 billion euros in 2020. 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 system.

Employees by region[1]
Annual average



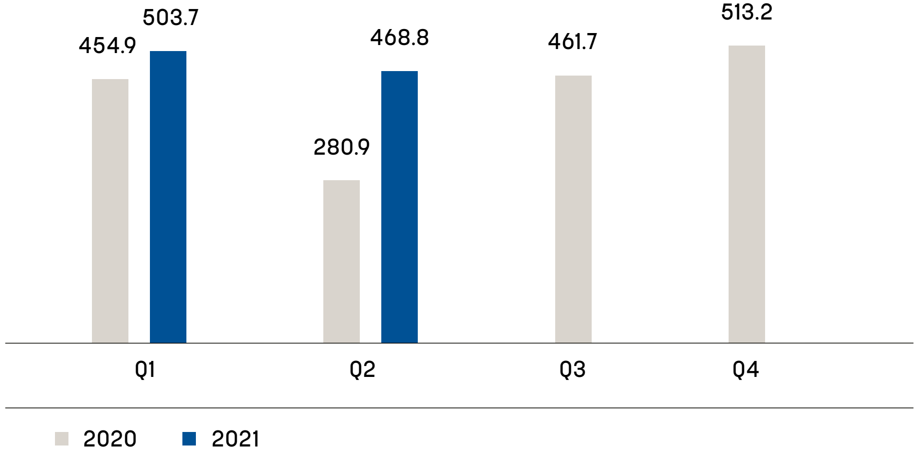
[1] The average number of employees in Central Services stood at 435.

Revenue by region[2]
in million euros



[2] Consolidation effects on revenue between the regions came to 43.2 million euros.

Revenue by quarter
in million euros



Operating EBIT by region

AMERICAS
-23.7
million euros

EMEA
34.7
million euros

APAC
31.0
million euros

Overview of business performance

- The significant recovery in business performance continued in the first half under review.
- However, business performance in the AMERICAS and EMEA was adversely affected by supply-chain constraints for semiconductors and higher commodity prices.
- The GRAMMER Group's revenue rose substantially in the first half of 2021 by 32.2% to 972.5 million euros (01–06 2020: 735.8 million euros). Worldwide, both divisions – Automotive and Commercial Vehicles – recorded a 28.9% and 38.9% increase in revenue, respectively.
- This favorable performance was particularly driven by the strong revenue growth of 43.0% in APAC to 206.5 million euros (01–06 2020: 144.4 million euros).
- EMEA generated revenue of 562.0 million euros (01–06 2020: 439.2 million euros), equivalent to growth of 28.0%.
- Revenue in the AMERICAS came to 247.2 million euros in the first half of 2021 (01–06 2020: 185.6 million euros), thereby rising by 33.2% over the same period in the previous year.
- Operating EBIT improved substantially in the first half of 2021, rising to 32.4 million euros (01–06 2020: –45.7 million euros), equivalent to an operating EBIT margin of 3.3% (01–06 2020: –6.2%). EBIT came to 27.8 million euros (01–06 2020: –53.0 million euros).
- Solid capital structure: Equity increased by 9.8% to 332.0 million euros (December 31, 2020: 302.2 million euros), with total assets rising by 69.6 million euros to 1,446.0 million euros (December 31, 2020: 1,376.4 million euros). As a result, the equity ratio improved to 23.0% (December 31, 2020: 22.0%).
- Disposal of a subsidiary in Spain under the planned location consolidation strategy to reinforce competitiveness on a sustained basis resulted in a one-time exceptional charge of the second quarter.
- Virtual annual general meeting 2021: All items on the agenda, including the resolution to create new authorized capital and to approve the remuneration system, were passed.
- Outlook for 2021 confirmed: For the year as a whole, the GRAMMER Group expects revenue of around 1.8 billion euros (2020: 1.7 billion euros) and operating EBIT of around 65 million euros (2020: –11.7 million euros).

Contents

A | Interim Group Management Report

1. Economic environment

Global economy
Since the IMF's April 2021 forecast for the global economy, the economic outlook for individual countries has continued to diverge. According to the IMF, access to vaccines has emerged as the key factor driving this trend, which is splitting the global recovery into two blocks: Those countries that can look forward to a further normalization of economic activity in the further course of the year (almost all industrialized nations) and those that will continue to face a resurgence of infections and rising COVID-19 mortality rates. However, as long as the virus is circulating in other countries, the recovery is not assured even in countries in which infection rates are currently very low.

According to the IMF's July 2021 forecast, global economic output will increase by 6.0% over the year as a whole, following a decline of 3.3% last year. Consequently, the forecast for 2021 is unchanged over the April 2021 estimate, although it includes contrary corrections. Thus, the outlook for the emerging and developing countries for 2021 has been revised downward – particularly in the case of Asian emerging markets. By contrast, the forecast for the advanced economies has been corrected upwards. These revisions reflect the spread of the pandemic as well as changes in government stimulus.

Commodity prices are also expected to rise significantly faster than the IMF had assumed as recently as in April 2021. Against the backdrop of the strengthening global recovery, oil prices are expected to rise by almost 60% above the low level hit in the previous year. Non-oil commodity prices look set to climb by nearly 30% over 2020, reflecting particularly strong price increases for metals and food. In addition, capacity shortfalls for certain raw materials and intermediate goods, e.g. semiconductors, are increasingly posing challenges in some manufacturing sectors.

The US economy, which is relevant for the AMERICAS grew significantly in the second half of 2020, but did not fully recover from the economic slump triggered by the coronavirus outbreak in spring 2020. For 2021 as a whole, the IMF forecasts year-on-year growth of 7.0% in the United States.

Economic activity is displaying a positive trend, particularly in China and the other Asian countries. The IMF expects economic output in China, the largest market in the APAC region, to expand by 8.1% in 2021.

With respect to the Eurozone, which covers most of the EMEA region, the IMF assumes that gross domestic product will widen by 4.6% year-on-year. IMF expects economic output in Germany to increase by 3.6% in 2021 as a whole.

Underlying conditions in the automotive industry
According to market data published by IHS in August, 29.2% more vehicles were produced worldwide in the first half of 2021 than in the same period in the previous year. This increase particularly resulted from strong economic growth in the second quarter, with an increase of 48.6% compared with the same period of the previous year. In the first quarter of 2021, production output expanded by 15.5%.

Growth in the automotive sector was held back by supply-chain constraints for semiconductor products, particularly in the second quarter. In addition, rising commodity and material prices are exerting pressure on automotive OEMs.

With 4.6 million production units, APAC made the greatest contribution to global growth of 8.9 million production units in the first half of 2021. The 27.2% year-on-year increase in sales volumes in APAC is largely attributable to growth in China, where production figures rose by 25.4% year-on-year in the first half of 2021, underpinned entirely by growth in the first quarter of the year.

Production output in EMEA widened by 28.4% in the first six months of 2021. With a year-on-year increase of 83.6%, production output almost doubled in the second quarter, while the first quarter of 2021 remained on a par with the prior-year quarter.

IHS data for August points to year-on-year growth of 36.0% in the AMERICAS. Production output rose by 149.6% year-on-year in the second quarter of 2021 following a slight 3.3% decline in the first quarter.

Underlying conditions for Commercial Vehicles
An economic recovery is expected in most parts of the world for 2021 as a whole. According to LMC, the truck market grew by 26.5% worldwide in the first half of the year. This year-on-year improvement was mainly due to expansion in APAC, which widened by 23.1% and, with an increase of 0.3 million, accounted for the greatest proportion of the global growth of 0.4 million production units.

For China, LMC reported a 19.7% increase in production figures, with a 16.8% decline sustained in the second quarter of 2021. The AMERICAS posted an increase of 44.2% in the first half of 2021, resulting in particular from growth in the second quarter, in which production output doubled over the same quarter of the previous year. According to LMC, EMEA achieved a 24.8% increase in production numbers in the first half of 2021.

2. GRAMMER Group key figures

GRAMMER Group key figures (IFRS)

EUR m	01–06 2021	01–06 2020	01–12 2020
Group revenue	**972.5**	**735.8**	**1,710.7**
Revenue EMEA	562.0	439.2	965.8
Revenue AMERICAS	247.2	185.6	476.6
Revenue APAC	206.5	144.4	339.2
Income Statement			
EBITDA	69.0	–10.4	41.7
EBITDA margin (%)	7.1	–1.4	2.4
EBIT	27.8	–53.0	–46.1
EBIT margin (%)	2.9	–7.2	–2.7
Operating EBIT	32.4	–45.7	–11.7
Operating EBIT margin (%)	3.3	–6.2	–0.7
Earnings before taxes	22.8	–68.9	–70.7
Net profit	18.2	–59.2	–64.7

EUR m	01–06 2021	01–06 2020	01–12 2020
Statement of Financial Position			
Total assets	1,446.0	1,371.5	1,376.4
Equity	332.0	292.5	302.2
Equity ratio (%)	23.0	21.3	22.0
Net financial debt	359.9	392.5	287.1
Gearing (%)	108.4	134.2	95.0
Statement of Cash Flows			
Capital expenditure (without financial assets)	30.7	31.8	83.8
Depreciation and amortization	41.2	42.6	87.8
Free cash flow	–54.4	–106.8	–36.3
Employees (number, average)	**14,143**	**14,465**	**14,192**

EUR m	June 30, 2021	June 30, 2020	December 31, 2020
Share data			
Price (Xetra closing price in EUR)	25.80	18.20	19.90
Market capitalization (in EUR m)	393.1	229.4	303.2
Earnings per share (in EUR)	1.21	–4.83	–5.10

New reporting structure from January 1, 2021

The realignment of the Group's organizational structure that was initiated in 2020 is reflected in external reporting for the first time in 2021. Effective January 1, 2021, GRAMMER AG has made fundamental changes to its corporate management and allocation of resources. Thus, the three regions AMERICAS, APAC and EMEA have been defined as the main internal reporting structures and, accordingly, are designated as reportable business segments. The previous reportable segments Automotive and Commercial Vehicles have been designated as divisions and are concentrating on the development and implementation of worldwide market, customer and product strategies. The global functions, i.e. the corporate departments, continue to support the three regions and the two divisions by providing systems, standards and policies as well as defined services, e.g. research and development. The revenue by region reported in 2020 is not comparable with the comparative information for 2020 contained in this Interim Financial Report, which additionally include the revenue to the other reportable segments due to the change in segment reporting.

3. Business performance in the first half of 2021

The substantial recovery in business performance emerging in the second half of 2020 has continued in the current year. The GRAMMER Group's revenue came to 972.5 million euros in the first half of 2021 (01–06 2020: 735.8 million euros), exceeding the previous year by 32.2% or 236.7 million euros. This positive performance was particularly underpinned by revenue growth of 43.0% in APAC to 206.5 million euros (01–06 2020: 144.4 million euros). EMEA generated revenue of 562.0 million euros (01–06 2020: 439.2 million euros), equivalent to an increase of 28.0%. Revenue in the AMERICAS came to 247.2 million euros in the first half of 2021 (01–06 2020: 185.6 million euros), thereby rising by 33.2% over the same period in the previous year.

GRAMMER Group's revenue reached 503.7 million euros in the first quarter of 2021 (Q1 2020: 454.9 million euros), up 10.7% on the same quarter of the previous year. This growth was particularly driven by the significant increase in revenue of 84.9% to 103.2 million euros (Q1 2020: 55.8 million euros) in APAC and of 4.8% to 291.7 million euros (Q1 2020: 278.3 million euros) in EMEA. The AMERICAS sustained a decline of 5.2% in revenue in the first quarter to 131.2 million euros (Q1 2020: 138.4 million euros).

Group revenue reached 468.8 million euros in the second quarter (Q2 2020: 280.9 million euros). The slight decline over the first quarter of 2021 is particularly due to substantial cuts in customer call-offs because of the constrained availability of semiconductor components in the AMERICAS and EMEA. The 66.9% year-on-year increase was mainly due to the low revenue in the prior-year quarter, which had been mainly attributable to more muted demand in EMEA and AMERICAS as a result of the COVID-19 pandemic. EMEA generated revenue of 270.3 million euros in the second quarter of 2021 (Q2 2020: 160.9 million euros), equivalent to an increase of 68.0%. Despite the supply-chain constraints for semiconductors experienced by local OEMs, the AMERICAS reported a 145.8% year-on-year increase in revenue in the second quarter of 2021. Consequently, revenue came to 116.0 million euros in the second quarter of 2021 (Q2 2020: 47.2 million euros). Revenue in APAC reached 103.3 million euros (Q2 2020: 88.6 million euros), up 16.6% on the same quarter of the previous year.

The implementation of the restructuring measures initiated in 2020 was continued as planned in the first half of 2021. Among other things, the restructuring measures entail the consolidation of plant locations in Europe and North America and a reduction of a total of around 300 jobs in indirect areas. With the help of the underlying volunteer program, GRAMMER was able to achieve the target for 2021 of a sustained reduction in structural costs in a socially responsible manner as early as in the first quarter. Under the site consolidation strategy, a GRAMMER AG subsidiary in Spain was sold in the second quarter. This resulted in one-time exceptional effects of −4.5 million euros, which had a negative impact on the Group's earnings in the second quarter. This disposal was a measure under the program initiated in the previous year to improve the cost structure and to strengthen competitiveness on a sustained basis. Overall, we continued to consistently implement the strict cost management measures defined last year in the first half of 2021.

The favorable revenue performance combined with an advantageous product mix and the continuous and effective implementation of the cost and process optimization measures led to a substantial increase in earnings. Nevertheless, business performance in the first half of 2021 was dampened, as it was significantly impacted by increased raw material prices as well as plant closures on the customer side as a result of the supply shortages for semiconductors. By contrast, the first half of 2020 had had been heavily impacted by the decline in volumes caused by COVID-19-related plant closures as well as one-time effects in the second quarter

Accordingly, the GRAMMER Group's earnings before interest and taxes (EBIT) rose significantly to 27.8 million euros in the first half of 2021 (01–06 2020: −53.0 million euros). Operating EBIT climbed substantially in the first half of 2021, rising to 32.4 million euros (01–06 2020: −45.7 million euros), equivalent to an operating EBIT margin of 3.3% (01–06 2020: −6.2%). This figure is adjusted for expenses of 4.5 million euros arising in connection with the disposal of the subsidiary in Spain, directly attributable costs of 2.3 million euros for the corona-related protection and response measures and currency-translation gains of 2.2 million euros.

4. Results of operations

GRAMMER Group revenue

In the first half of 2021, Group revenue of GRAMMER AG raised to 972.5 million euros (01–06 2020: 735.8 million euros), equivalent to an increase of 32.2% over the previous year. Both the Automotive Division and the Commercial Vehicles Division recorded higher revenue. Thus, revenue increased by 28.9% to 634.2 million euros in the Automotive Division and by 38.9% to 338.3 million euros in the Commercial Vehicles Division.

The improvement in Group revenue was underpinned by growth in all three regions, with APAC posting the greatest increase.

GRAMMER Group earnings

EBIT amounted to 27.8 million euros in the first half of 2021 (01–06 2020: –53.0 million euros). APAC (30.9 million euros) and EMEA (30.4 million euros) made positive contributions to earnings, while the AMERICAS posted negative EBIT of –23.5 million euros. At 32.4 million euros, Group operating EBIT and the operating EBIT margin of 3.3% were well up on the previous year (01–06 2020: –45.7 million euros and –6.2%, respectively). This figure is adjusted for expenses of 4.5 million euros arising in connection with the disposal of the subsidiary in Spain, directly attributable costs of 2.3 million euros for the corona-related protection and response measures and currency-translation gains of 2.2 million euros.

GRAMMER Group's financial result of EUR –5.0 million (01–06 2020: EUR –15.9 million) was primarily influenced by positive foreign-currency translation effects. Exchange rate fluctuations of the Czech koruna, the Brazilian real and the US dollar led to a foreign currency gain in the first half of 2021, while a significant loss resulted in the first half of 2020.

Revenue performance by region and division

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	01–06 2021	01–06 2020	Change	01–06 2021	01–06 2020	Change	01–06 2021	01–06 2020	Change	01–06 2021	01–06 2020	Change
Automotive	634.2	492.2	28.9%	310.3	248.1	25.1%	204.0	154.1	32.4%	130.7	96.5	35.4%
Commercial Vehicles	338.3	243.6	38.9%	251.7	191.1	31.7%	43.2	31.5	37.1%	75.8	47.9	58.2%
Total	**972.5**	**735.8**	**32.2%**	**562.0**	**439.2**	**28.0%**	**247.2**	**185.6**	**33.2%**	**206.5**	**144.4**	**43.0%**

GRAMMER Group Condensed Consolidated Statement of Income

EUR k

	01-06 2021	01-06 2020	Change
Revenue	972,495	735,838	236,657
Cost of sales	–858,485	–711,867	–146,618
Gross profit	**114,010**	**23,971**	**90,039**
Selling expenses	–20,630	–16,226	–4,404
Administrative expenses	–79,693	–66,592	–13,101
Other operating income	14,090	5,821	8,269
Earnings before interest and taxes (EBIT)	**27,777**	**–53,026**	**80,803**
Financial result	–4,976	–15,879	10,903
Earnings before taxes	**22,801**	**–68,905**	**91,706**
Income taxes	–4,645	9,706	–14,351
Net profit/loss	**18,156**	**–59,199**	**77,355**

Derivation of operating EBIT

EUR m

	01–06 2021	01–06 2020	Change
EBIT	**27.8**	**–53.0**	**80.8**
Currency translation effects	–2.2	4.0	–6.2
Cost of pandemic protection and response measures	2.3	3.0	–0.7
Expenses for restructuring-related termination benefits	0.0	0.3	–0.3
Expenses for the sale of a subsidiary	4.5	0.0	4.5
Operating EBIT	**32.4**	**–45.7**	**78.1**

Due to the positive earnings before taxes, an income tax expense of EUR 4.6 million (01–06 2020: EUR 9.7 million tax income) was reported. At some companies, it was possible to use loss carryforwards that had been classified as non-recoverable in the past. The net profit for the first half of the year amounted to EUR 18.2 million (01–06 2020: –59.2 million EUR net loss).

5. Performance by region

EMEA

EMEA region key figures

EUR m

	01–06 2021	01–06 2020	Change
Revenue	562.0	439.2	122.8
EBIT	30.4	–21.0	51.4
EBIT margin (%)	5.4	–4.8	10.2 %-points
Operating EBIT	34.7	–17.1	51.8
Operating EBIT margin (%)	6.2	–3.9	10.1 %-points
Capital expenditure (without financial assets)	14.9	12.0	2.9
Employees (number, average)	7,672	7,859	–187

EMEA generated revenue of 562.0 million euros in the first half of 2021 (01–06 2020: 439.2 million euros), equivalent to an increase of 28.0%. This performance was underpinned by revenue growth in both divisions, which had been particularly impacted in the previous year by lower revenue due to the plant closures in the second quarter of 2020. Sequentially, revenue in EMEA was down around 7.3% in the second quarter of 2021 compared with the first quarter. This was mainly due to a lower number of customer call-offs resulting from the global shortage of semiconductors in the supply chain. Revenue in the Commercial Vehicles Division grew by 31.7% to 251.7 million euros (01–06 2020: 191.1 million euros), while the Automotive Division posted a 25.1% gain in revenue to 310.3 million euros (01–06 2020: 248.1 million euros).

EBIT in EMEA, which is composed of the Group companies generating the highest revenue, rose substantially in the first half of 2021 to 30.4 million euros (01–06 2020: –21.0 million euros). This was particularly due to the higher revenue. Earnings were impacted by a one-time exceptional effect totaling –4.5 million euros arising from the disposal and deconsolidation of the subsidiary in Spain. The EBIT margin reached 5.4% (01–06 2020: –4.8%).

Operating EBIT climbed significantly to 34.7 million euros (01–06 2020: –17.1 million euros), with the operating EBIT margin increasing accordingly to 6.2% (01–06 2020: –3.9%).

AMERICAS

AMERICAS region key figures

EUR m

	01–06 2021	01–06 2020	Change
Revenue	247.2	185.6	61.6
EBIT	–23.5	–36.6	13.1
EBIT margin (%)	–9.5	–19.7	10.2 %-points
Operating EBIT	–23.7	–34.0	10.3
Operating EBIT margin (%)	–9.6	–18.3	8.7 %-points
Capital expenditure (without financial assets)	8.1	7.3	0.8
Employees (number, average)	4,700	4,655	45

The AMERICAS reported an increase of 33.2% in revenue to 247.2 million euros in the first half of 2021 (01–06 2020: 185.6 million euros). This particularly reflects the comparatively low revenue in the second quarter of 2020 resulting from the COVID-19-related plant closures. Sequentially, the AMERICAS posted an 11.5% decline in revenue in the second quarter compared with the first quarter, due in particular to a lower number of OEM call-offs as a result of the global shortage of semiconductors.

Revenue in the Automotive Division grew by 32.4% to 204.0 million euros (01–06 2020: 154.1 million euros), while the Commercial Vehicles Division posted a 37.1% increase in revenue to 43.2 million euros (01–06 2020: 31.5 million euros).

EBIT in the AMERICAS came to –23.5 million euros (01–06 2020: –36.6 million euros). Among other things, earnings in the first half of the year were impacted by higher raw material prices and increased staff fluctuation as a result of the corona government subsidy. The EBIT margin improved by 10.2 percentage points to –9.5% (01–06 2020: –19.7%). Operating EBIT reached –23.7 million euros in the first half of 2021 (01–06 2020: –34.0 million euros), with the operating EBIT margin coming to –9.6% (01–06 2020: –18.3%), thus improving by 8.7 percentage points over the previous year.

APAC

APAC region key figures

EUR m

	01–06 2021	01–06 2020	Change
Revenue	206.5	144.4	62.1
EBIT	30.9	7.2	23.7
EBIT margin (%)	15.0	5.0	10.0 %-points
Operating EBIT	31.0	7.4	23.6
Operating EBIT margin (%)	15.0	5.1	9.9 %-points
Capital expenditure (without financial assets)	6.5	2.0	4.5
Employees (number, average)	1,336	1,302	34

Revenue in APAC climbed by 43.0% to 206.5 million euros in the first half of the year (01–06 2020: 144.4 million euros). The increase resulted from heightened production call-offs in the first two quarters of 2021 as well as the comparatively very low revenue in the first quarter of 2020 due to the COVID-19-related production stoppages in Asia. The increase in revenue was underpinned by both divisions. Thus, the Automotive Division posted a 35.4% increase to 130.7 million euros (01–06 2020: 96.5 million euros) over the previous year, while revenue in the Commercial Vehicles Division climbed by 58.2% to 75.8 million euros (01–06 2020: 47.9 million euros).

EBIT in APAC increased to 30.9 million euros (01–06 2020: 7.2 million euros), with the EBIT margin widening by 10.0 percentage points to 15.0% (01–06 2020: 5.0%).

Operating EBIT also climbed significantly to 31.0 million euros (01–06 2020: 7.4 million euros), while the operating EBIT margin widened by 9.9 percentage points over the previous year to 15.0% (01–06 2020: 5.1%).

6. Net assets and financial position

Consolidated Statement of Financial Position

GRAMMER Group Condensed Consolidated Statement of Financial Position

EUR k

	June 30, 2021	December 31, 2020	Change
Non-current assets	795,173	799,583	–4,410
Current assets	650,845	576,841	74,004
Total assets	**1,446,018**	**1,376,424**	**69,594**
Equity	331,957	302,210	29,747
Non-current liabilities	484,302	524,189	–39,887
Current liabilities	629,759	550,025	79,734
Total liabilities	**1,446,018**	**1,376,424**	**69,594**

The GRAMMER Group's total assets rose slightly by 5.1% or 69.6 million euros to 1,446.0 million euros as of June 30, 2021 (December 31, 2020: 1,376.4 million euros).

Non-current assets remained stable at 795.2 million euros (December 31, 2020: 799.6 million euros). Whereas contract assets climbed by 7.7% to 68.1 million euros (December 31, 2020: 63.2 million euros), deferred tax assets in particular dropped by 10.2% to 57.7 million euros (December 31, 2020: 64.2 million euros).

Current assets increased significantly by 12.8% to 650.8 million euros (December 31, 2020: 576.8 million euros). This was particularly due to the 26.3% increase in inventories to 195.3 million euros (December 31, 2020: 154.6 million euros), the 22.6% increase in current trade accounts receivable to 293.0 million (December 31, 2020: 238.9 million euros) and the 61.6% increase in other current assets to 44.1 million euros (December 31, 2020: 27.3 million euros). This primarily reflected the favorable business performance characterized by significant revenue growth as well as the effects of higher raw material prices. On the other hand, cash and short-term deposits in particular decreased by 45.9% to 48.6 million euros as of June 30, 2021 (December 31, 2020: 89.8 million euros).

Equity rose by 29.7 million euros or 9.8% to 332.0 million euros in the first half of 2021 (December 31, 2020: 302.2 million euros). This was mainly due to the net profit of 18.1 million euros as well as the positive other comprehensive income of 12.2 million euros. Accordingly, the equity ratio widened by 1.0 percentage point to 23.0% (December 31, 2020: 22.0%).

Non-current liabilities dropped by 39.9 million euros or 7.6% to 484.3 million euros (December 31, 2020: 524.2 million euros) primarily as a result of the reduction of 10.4% in non-current financial liabilities to 226.8 million euros (December 31, 2020: 253.3 million euros) and the 27.3% decline in deferred tax liabilities to 34.1 million euros (December 31, 2020: 46.9 million euros).

Current liabilities climbed by 79.7 million euros or 14.5% to 629.8 million euros (December 31, 2020: 550.0 million euros). This was primarily due to the increase in current financial liabilities of 47.0% to 181.7 million euros (December 31, 2020: 123.6 million euros) following an increase in capital requirements as well as reclassifications, an increase of 15.6% in other current liabilities to 108.2 million euros (December 31, 2020: 93.6 million) and an increase of 19.6% in provisions to 69.2 million euros (December 31, 2020: 57.9 million euros).

7. Capital expenditure

Compared to the previous year, capital expenditure decreased by 3.5% to 30.7 million euros (01–06 2020: 31.8 million euros) in the first half of the year, especially due to the completion of investments in the Campus. The GRAMMER Group primarily concentrated on key projects as well as the projects for digitalizing core processes and systems. Capital expenditure in EMEA came to 14.9 million euros (01–06 2020: 12.0 million euros) and primarily entailed the development of a new seat generation, the renewal of leases and a new servo press. Capital expenditure in the AMERICAS climbed by 11.0% to 8.1 million euros (01–06 2020: 7.3 million euros) and was mostly accounted for by the replacement and expansion of production capacity. In the APAC region, capital expenditure from January to June 2021 was valued at 6.5 million euros (01–06 2020: 2.0 million euros) and was mainly related to leases. Capital expenditure in Central Services was reduced by 88.6% to 1.2 million euros (01–06 2020: 10.5 million euros).

Capital expenditure

EUR m

	01–06 2021	01–06 2020	Change
EMEA	14.9	12.0	2.9
AMERICAS	8.1	7.3	0.8
APAC	6.5	2.0	4.5
Central Services	1.2	10.5	–9.3
GRAMMER Group	**30.7**	**31.8**	**–1.1**

8. Cash Flow Statement

In the period from January to June 2021, the cash flow from operating activities improved by 44.0 million euros to –36.8 million euros particularly as a result of the increase in earnings before taxes to 22.8 million euros (01–06 2020: –68.9 million euros). The cash outflow from investing activities fell by 8.4 million euros to 17.6 million euros in the first half of 2021. This was mainly due to a reduction in net capital expenditure on the new GRAMMER Campus in Ursensollen, which went into operation in 2020. The cash flow from financing activities fell by 85.8 million euros, coming to –20.3 million euros in the first half of 2021. The decrease primarily resulted from lower borrowings in the first half of 2021, as the increase of 62.1 million euros in overdrafts to 67.7 million euros is not cash-effective, and from the hybrid loan raised in the previous year. The free cash flow stood at –54.4 million euros as of June 30, 2021 (01–06 2020: –106.8 million euros). The negative free cash flow is primarily due to an increase in inventories and in trade accounts receivable. Production constraints due to the shortage of semiconductors on the part of our customers as well as stockpiling in response to the limited availability of raw materials led to an increase in inventories.

9. Employees

As of June 30, 2021, GRAMMER had a global average of 14,143 (01–06 2020: 14,465) employees, equivalent to a decline of 2.2 % over the previous year. Of these, APAC accounted for an average of 1,336 employees (01–06 2020: 1,302), EMEA for an average of 7,672 employees (01–06 2020: 7,859) and the AMERICAS for an average of 4,700 employees (01–06 2020: 4,655).

Average employees

	01–06 2021	01–06 2020	Change
EMEA	7,672	7,859	–187
AMERICAS	4,700	4,655	45
APAC	1,336	1,302	34
Central Services	435	649	–214
GRAMMER Group	**14,143**	**14,465**	**–322**

10. Opportunities and risks

As things currently stand, the opportunities and risks which are described in detail in the Management Report included in the Annual Report for the year ended December 31, 2020 continue to apply.

Thus, we are monitoring the development and macroeconomic impact of the COVID-19 pandemic very closely, as this entails significant risks that are currently very difficult to assess. In addition, we are observing trends in the prices of raw materials and the global supply situation with respect to semiconductors to respond to any changes in underlying conditions at an early stage. The relevant departments are analyzing the situation with respect to markets, customers and suppliers and submitting specific proposals to management on an ongoing basis.

We monitor and assess changes in risks and opportunities on an ongoing basis and take them into account in our plans during the year as required.

11. Outlook

On March 31, 2021, GRAMMER published its forecast for 2021. This forecast continues to apply.

Accordingly, we expect the challenging economic conditions to persist in 2021 particularly in the markets addressed by GRAMMER. Moreover, the further course of the COVID-19 pandemic in each country will have a significant impact on the projected economic recovery. Moreover, we assume that the global supply-chain constraints for semiconductors will continue to leave traces on our business in the second half of the year. A reliable forecast as to the further development of the supply situation is currently not fully possible.

Overall, however, we expect revenue to recover to around 1.8 billion euros in 2021 (2020: 1.7 billion euros). On the basis of our plans for the three regions relevant for our business performance, we expect operating EBIT of around 65 million euros for 2021 (2020: –11.7 million euros). Operating EBIT will improve in 2021 primarily as a result of the economic recovery and the outcomes of the measures implemented to raise efficiency and to reduce costs. In 2020, operating EBIT was very heavily impacted by the effects of the global COVID-19 pandemic as well as the costs caused by various one-time effects.

12. Forward-looking Statements

This Interim Financial 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", "expect" or similar terms. Such statements are subject to risks and uncertainties which GRAMMER can neither estimate nor influence with any precision, e.g. future market conditions and the macroeconomic environment, the behavior of other market participants, the successful integration of newly acquired companies, the materialization of expected synergistic benefits and government actions. If any of these or other factors of uncertainty or imponderabilities occur or if any of the assumptions on which these statements are based prove to be incorrect, actual results could differ materially from the results expressed or implied in these statements. GRAMMER neither intends nor is under any obligation to update any forward-looking statements in the light of any changes occurring after the publication of this document.

13. Responsibility Statement

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

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

Consolidated Statement of Income

January 1 – June 30, 2021/2020

EUR k

	01–06 2021	01–06 2020
Revenue	972,495	735,838
Cost of sales	–858,485	–711,867
Gross profit	**114,010**	**23,971**
Selling expenses	–20,630	–16,226
Administrative expenses	–79,693	–66,592
Other operating income	14,090	5,821
Earnings before interest and taxes (EBIT)	**27,777**	**–53,026**
Financial income	2,314	742
Financial expenses	–10,135	–9,609
Other financial result	2,845	–7,012
Earnings before taxes	22,801	–68,905
Income taxes	–4,645	9,706
Net profit/loss	**18,156**	**–59,199**
Of which attributable to		
Shareholders of the parent company [1]	18,297	–59,248
Non-controlling interests	–141	49
Net profit/loss	**18,156**	**–59,199**
Earnings per share		
Basic/diluted earnings per share in EUR	1.21	–4.83

[1] Of which 297 thousand euros are attributable to compensation claims of the hybrid loan lender in the first half of 2021.

Consolidated Statement of Comprehensive Income

January 1 – June 30, 2021/2020

EUR k	01–06 2021	01–06 2020
Net profit/loss	**18,156**	**–59,199**
Amounts that will not be reclassified to profit and loss in future periods		
Actuarial gains/losses (–) under defined benefits plans		
Gains/losses (–) arising in the current period	–55	–58
Tax expenses (–)/tax income	10	11
Actuarial gains/losses (–) under defined benefits plans (after tax)	**–45**	**–47**
Total amount that will not be reclassified to profit and loss in future periods	**–45**	**–47**
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	10,906	3,743
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**10,906**	**3,743**

EUR k	01–06 2021	01–06 2020
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	1,468	–2,844
Plus/Less (–) amounts reclassified to the income statement through profit and loss	–810	588
Tax expenses (–)/tax income	–219	627
Gains/losses (–) from cash flow hedges (after tax)	**439**	**–1,629**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	1,065	–16,774
Tax expenses (–)/tax income	–196	5,047
Gains/losses (–) from net investments in foreign operations (after tax)	**869**	**–11,727**
Total amounts that will be reclassified to profit and loss in future periods after certain conditions	**12,214**	**–9,613**
Other comprehensive income	**12,169**	**–9,660**
Total comprehensive income after tax	**30,325**	**–68,859**
Of which attributable to:		
Shareholders of the parent company[1]	30,517	–68,904
Non-controlling interests	–192	45

[1] Of which 297 thousand euros are attributable to compensation claims of the hybrid loan lender in the first half of 2021.

Consolidated Statement of Financial Position

as of June 30, 2021 and December 31, 2020

Assets

EUR k

	June 30, 2021	December 31, 2020
Property, plant and equipment	445,008	446,737
Intangible assets	180,460	180,959
Investments measured at equity	1,090	859
Other financial assets	6,478	6,871
Deferred tax assets	57,652	64,217
Other assets	36,379	36,702
Contract assets	68,106	63,238
Non-current assets	**795,173**	**799,583**
Inventories	195,332	154,620
Current trade accounts receivable	292,956	238,884
Other current financial assets	5,329	4,027
Current income tax receivables	5,145	5,349
Cash and short-term deposits	48,641	89,838
Other current assets	44,098	27,284
Current contract assets	59,344	56,839
Current assets	**650,845**	**576,841**
Total assets	**1,446,018**	**1,376,424**

Consolidated Statement of Financial Position

as of June 30, 2021 and December 31, 2020

Equity and liabilities

EUR k

	June 30, 2021	December 31, 2020
Subscribed capital	39,009	39,009
Capital reserve	163,033	163,033
Own shares	–7,441	–7,441
Retained earnings	217,094	199,094
Cumulative other comprehensive income	–98,022	–110,242
Equity attributable to shareholders of the parent company	**313,673**	**283,453**
Hybrid loan	19,298	19,579
Non-controlling interests	–1,014	–822
Equity	**331,957**	**302,210**
Non-current financial liabilities	226,821	253,255
Trade accounts payable	345	543
Other financial liabilities	55,039	54,443
Other liabilities	1,260	1,260
Retirement benefits and similar obligations	164,913	164,456
Deferred tax liabilities	34,069	46,859
Contract liabilities	1,855	3,373
Non-current liabilities	**484,302**	**524,189**

EUR k

	June 30, 2021	December 31, 2020
Current financial liabilities	181,705	123,628
Current trade accounts payable	247,185	250,861
Other current financial liabilities	15,580	16,520
Other current liabilities	108,157	93,550
Current income tax liabilities	6,460	6,448
Provisions	69,199	57,858
Current contract liabilities	1,473	1,160
Current liabilities	**629,759**	**550,025**
Total liabilities	**1,114,061**	**1,074,214**
Total equity and liabilities	**1,446,018**	**1,376,424**

Consolidated Statement of Changes in Equity

as of June 30, 2021

EUR k

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

Consolidated Statement of Changes in Equity

as of June 30, 2020

EUR k

					Cumulative other comprehensive income							
	Subscribed capital	Capital reserve	Retained earnings	Own shares	Cash flow hedges	Foreign currency conversion	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Hybrid loan	Non-controlling interests	Consolidated equity
As of January 1, 2020	**32,274**	**129,796**	**263,408**	**–7,441**	**667**	**–8,896**	**–15,975**	**–51,588**	**342,245**	**0**	**–3**	**342,242**
Net profit/loss	0	0	–59,248	0	0	0	0	0	–59,248	0	49	–59,199
Other comprehensive income	0	0	0	0	–1,629	3,747	–11,727	–47	–9,656	0	–4	–9,660
Total comprehensive income	**0**	**0**	**–59,248**	**0**	**–1,629**	**3,747**	**–11,727**	**–47**	**–68,904**	**0**	**45**	**–68,859**
Proceeds from hybrid loan	0	0	0	0	0	0	0	0	0	19,148	0	19,148
As of June 30, 2020	**32,274**	**129,796**	**204,160**	**–7,441**	**–962**	**–5,149**	**–27,702**	**–51,635**	**273,341**	**19,148**	**42**	**292,531**

Consolidated Statement of Cash Flows

January 1 – June 30, 2021/2020

EUR k

	01–06 2021	01–06 2020
1. Cash flow from operating activities		
Earnings before taxes	22,801	–68,905
Reconciliation of earnings before taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	33,680	34,104
Amortization and impairment of intangible assets	7,530	8,508
Gains (–)/losses from the disposal of assets	–1,719	306
Other non-cash changes	35,888	10,731
Financial result	4,976	15,879
Changes in operating assets and liabilities		
Decrease/increase (–) trade accounts receivables and other receivables	–81,620	11,133
Decrease/increase (–) in inventories	–41,798	25,689
Decrease (–)/increase in provisions and retirement benefit provisions	–17,057	584
Decrease (–)/increase in accounts payable and other liabilities	11,429	–106,639
Income taxes paid	–10,908	–12,177
Cash flow from operating activities	**–36,798**	**–80,787**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–19,444	–27,552
Purchase of intangible assets	–3,104	–1,075
Disposals		
Disposal of property, plant and equipment	3,678	855
Disposal of intangible assets	32	43
Disposal of financial assets	613	962
Payments from disposals of subsidiaries less disposals of cash and cash equivalents	–1,712	0
Interest received	2,313	743
Cash flow from investing activities	**–17,624**	**–26,024**

EUR k

	01–06 2021	01–06 2020
3. Cash flow from financing activities		
Payments received from hybrid loan	0	19,148
Payments made for the hybrid loan lender's compensation claim	–578	0
Payments received from raising financial liabilities	20,950	162,226
Payments made for the settlement of financial liabilities	–22,565	–98,014
Payments made for the settlement of lease liabilities	–9,556	–10,121
Interest paid	–8,594	–7,797
Cash flow from financing activities	**–20,343**	**65,443**
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)	–74,765	–41,369
Effects of exchange rate differences of cash and cash equivalents	311	–1,773
Cash and cash equivalents as of January 1	55,372	123,654
Cash and cash equivalents as of June 30	**–19,083**	**80,512**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	48,641	86,135
Bank overdrafts (including current liabilities under factoring contracts)	–67,724	–5,623
Cash and cash equivalents as of June 30	**–19,083**	**80,512**

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

General

GRAMMER AG prepared its Consolidated Financial Statements for fiscal year 2020 and these Interim Consolidated Financial Statements for the period ending June 30, 2021 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB).

In preparing the Interim Consolidated Financial Statements for the period ending June 30, 2021, and the comparative prior-year figures, the same accounting policies and principles of consolidation were applied as for the Consolidated Financial Statements for the year ending December 31, 2020. These principles and methods are described in detail in the notes to the Consolidated Financial Statements for 2020, which are published in full in the 2020 Annual Report and should therefore be read in conjunction with these Interim Consolidated Financial Statements on the first half of the year.

These Interim Consolidated Financial Statements for the first half of the year have not been audited and contain all customary and ongoing adjustments necessary to provide a true and fair representation of the Company's business in the period under review. The results for the first half of the year/ first six months of 2021 are not necessarily indicative of future business performance.

The Interim Consolidated Financial Statements for the first half of the year have been prepared in euros. Unless otherwise indicated, all values are rounded to the nearest thousand (thousand euros). Individual amounts and percentages may not exactly equal the aggregated amounts due to rounding differences.

Basis of consolidation

The following companies are included in the Consolidated Financial Statements:

	Germany	International	Total
Fully consolidated companies (including GRAMMER AG)	6	29	35
Companies accounted for at equity	0	2	2
Companies	**6**	**31**	**37**

In addition to GRAMMER AG, five domestic and 29 foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IFRS 10 are consolidated. Effective May 31, 2021, the Spanish subsidiary, GRAMMER Automotive Española S.A. Olèrdola, Spain, was sold and deconsolidated as of that date. There were no other changes. 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.

Corporate disposals

GRAMMER AG sold 100% of the shares in GRAMMER Automotive Española, S.A., Olèrdola, Spain, effective May 31, 2021. The subsidiary was deconsolidated on the date of sale as control over the company was also transferred to the acquirer at that time. The disposed assets and liabilities of the company and the deconsolidation effect for GRAMMER break down as follows:

EUR k	Disposal at sale
Property, plant and equipment	1,306
Deferred tax assets	119
Other assets	10
Non-current assets	**1,435**
Inventories	1,085
Current trade accounts receivable	2,944
Other current financial assets	1
Cash and short-term deposits	1,712
Other current assets	19
Current assets	**5,761**
Total assets	**7,196**

Other financial liabilities	69
Deferred tax liabilities	76
Non-current liabilities	**145**
Current trade accounts payable	2,258
Other current financial liabilities	130
Other current liabilities	772
Provisions	62
Current liabilities	**3,222**
Total liabilities	**3,367**
Net assets	**3,829**
Received consideration	0
Liabilities not yet recognized in profit or loss including deferred taxes	14
Deconsolidation effect	**–3,815**

The deconsolidation effect (loss) of –3,815 thousand euros comprises EBIT of –3,809 thousand euros and deferred tax liabilities of –6 thousand euros. Within EBIT, an amount of –3,829 thousand euro relates to administrative expenses and +20 thousand euros to the cost of sales. The company is included in the Consolidated Financial Statements for the period from January to May 2021 with EBIT of 105 thousand euros and net profit of 42 thousand euros. Consulting costs of 303 thousand euros incurred in connection with the sale in the first half of 2021 and are included in administrative expenses. In addition, impairments of capitalized development costs of 423 thousand euros were recognized, as no future cash inflow will occur due to the disposal of the subsidiary. Within EBIT, expenses relating to the disposal of the company thus came to 4,536 thousand euros.

Income taxes

At 20.4%, the Group tax rate differs significantly from the German tax rate of 29.1%. Among other things, this is due to lower tax rates for the non-German GRAMMER companies compared to Germany. In addition, tax-free income from investments in associates had a positive effect on the tax rate. Due to the improved earnings situation regarding certain companies, it was also possible to utilize loss carryforwards that had been classified as non-recoverable in the past. The Group assumes that it will have sufficient taxable income to make use of existing tax loss carryforwards for which deferred tax assets have been recognized. Deferred tax assets were not recognized only in the case of one company in Belgium in the first half of 2021 due to the low probability of the tax loss being utilized.

Income tax expense of 4.6 million euros (01-06 2020: 9.7 million euros) was recognized due to the net profit reported.

The reduction in deferred tax liabilities of 12.8 million euros to 34.1 million euros and in deferred tax assets of 6.6 million euros to 57.7 million euros reflects the lower temporary differences for which deferred taxes are recognized.

Financial liabilities

Non-current financial liabilities

Non-current financial liabilities break down as follows:

EUR k	June 30, 2021	December 31, 2020
Bonded loans	115,467	125,851
Loans	111,354	127,404
Non-current financial liabilities	**226,821**	**253,255**

Non-current financial liabilities declined due to reclassification of long-term bonded loans and loans to current financial liabilities.

Current financial liabilities

Current financial liabilities break down as follows:

EUR k	June 30, 2021	December 31, 2020
Bonded loans	13,386	2,270
Bank overdrafts (including liabilities under factoring contracts)	67,724	34,466
Loans	100,595	86,892
Current financial liabilities	**181,705**	**123,628**

Current financial liabilities came to a total of 181.7 million euros and were therefore substantially higher than at the end of 2020 (December 31, 2020: 123.6 million euros). This increase results on the one hand from the reclassifications of non-current financial liabilities and on the other hand from increased capital need due to the high order volumes as well as the impact of higher raw material prices.

Equity

Movements in the GRAMMER Group's equity are analyzed in the Consolidated Statement of Changes in Equity on page 19. There were no changes in subscribed capital or the capital reserve compared with December 31, 2020. Retained earnings increased due to the allocation of the net profit reported in the first half of 2021. Cumulative other comprehensive income mainly comprises currency translation differences recorded within equity in connection with foreign subsidiaries, gains/losses from cash flow hedges and gains/losses from net investments in foreign operations including related deferred or current taxes.

On April 9, 2021, the compensation claim from the hybrid loan, comprising accrued interest amounting to the equivalent of 578 thousand euros for the period from March 31, 2020 until March 30, 2021, held by the provider of the hybrid loan, Ningbo Jifeng Auto Parts Co., Ltd, a member of the Jifeng Group (GRAMMER AG's majority shareholder), was paid out. The hybrid loan included in equity as of June 30, 2021 stands at 19,298 thousand euros, comprising the hybrid loan received of 19,148 thousand euros plus interest of 150 thousand euros accruing since March 31, 2021.

In a resolution passed at the Annual General Meeting on June 23, 2021, the authorization granted under Article 5 (3) of the Articles of Association, permitting the Executive Board to increase the Company's share capital once or repeatedly by a total of up to 9,402,263.04 euros on a cash or non-cash basis on or before July 7, 2025 subject to the Supervisory Board's approval (Authorized Capital 2020) was revoked. In addition, the Executive Board was authorized to increase the Company's share capital once or repeatedly by a total of up to 19,504,537.60 euros by issuing bearer shares on a cash or non-cash basis on or before June 22, 2026 subject to the Supervisory Board's approval (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. Among other things, the Executive Board was also authorized to exclude the shareholders' preemptive subscription rights under certain conditions and in defined cases with the Supervisory Board's approval.

Financial instruments

Additional information on financial instruments
The following table shows the fair values and carrying amounts of financial assets and liabilities:

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

EUR k

	Measurement category in accordance with IFRS 9	Carrying amount on June 30, 2021	Fair value on June 30, 2021	Carrying amount on December 31, 2020	Fair value on December 31, 2020
Assets					
Cash and short-term deposits	FAAC	48,641	48,641	89,838	89,838
Trade accounts receivable	FAAC	292,956	292,956	238,884	238,884
Other financial assets					
Loans and receivables	FAAC	10,361	10,361	10,041	10,041
Investments in associates	FVOCI	60	60	62	62
Financial assets held for trading	FVtPL	0	0	0	0
Derivatives with hedge relationship	n.a.	1,386	1,386	795	795
Equity and liabilities					
Trade accounts payable	FLAC	247,529	247,529	251,404	251,400
Current and non-current financial liabilities	FLAC	408,526	408,526	376,883	379,922
Other financial liabilities					
Other financial liabilities	FLAC	839	839	1,973	1,973
Lease liabilities	n.a.	69,612	69,612	68,757	68,757
Derivatives with no hedge relationship	FLtPL	0	0	0	0
Derivatives with hedge relationship	n.a.	167	167	233	233

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on June 30, 2021	Fair value on June 30, 2021	Carrying amount on December 31, 2020	Fair value on December 31, 2020
Of which aggregated by category in accordance with IFRS 9:					
Assets					
Financial assets at amortized cost	FAAC	351,958	351,958	338,763	338,763
Financial assts at fair value through other comprehensive income	FVOCI	60	60	62	62
Financial assets at fair value through profit and loss	FVtPL	0	0	0	0
Equity and liabilities					
Financial liabilities at amortized cost	FLAC	656,894	656,894	630,260	633,295
Financial liabilities at fair value through profit and loss	FVtPL	0	0	0	0

Fair value measurement
The following table sets out the quantitative parameters for measuring the fair value of the assets and liabilities on the basis of the fair value hierarchy as of June 30, 2021:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	**1,386**	0	1,386	0
Interest rate swaps	**0**	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	**86**	0	86	0
Interest rate swaps	**81**	0	81	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	**914**	0	914	0
Current and non-current financial liabilities	**408,526**	0	408,526	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, 2020:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	**795**	0	795	0
Interest rate swaps	**0**	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	**126**	0	126	0
Interest rate swaps	**107**	0	107	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	**1,394**	0	1,394	0
Current and non-current financial liabilities	**379,922**	0	379,922	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 changes between Level 1 and Level 2 in the year under review. No assets or liabilities were assigned to Level 3.

Segment reporting

New reporting structure from January 1, 2021
The realignment of the Group's organizational structure commenced in 2020 is now reflected in external reporting. Effective January 1, 2021, GRAMMER AG has made fundamental changes to its corporate management and allocation of resources. Thus, the three regions AMERICAS, APAC and EMEA have been defined as the main internal reporting structures and, accordingly, are designated as reportable business segments.

The previous reportable segments Automotive and Commercial Vehicles have been designated as divisions and are concentrating on the development and implementation of worldwide market, customer and product strategies. The global functions, i.e. the corporate departments, continue to support the three regions and the two divisions by providing systems, standards and policies as well as defined services, e.g. research and development. Comparative information for the period January 1 to June 30, 2020 has been prepared on the basis of the new reporting structure.

Segment information
Segment information is presented for the segments EMEA, APAC and AMERICAS as of January 1, 2021.

EMEA (Europe, Middle East, Africa) includes all European companies as well as the companies in Turkey and South Africa. The AMERICAS include all companies in North, Central and South America, while APAC (Asia Pacific) is made up of all Chinese companies and Japan.

Central items and the elimination of internal Group transactions are reported in the column headed "Central Services" and "Eliminations". Details on the areas of activity can also be found in the Consolidated Financial Statements as of December 31, 2020.

01–06 2021

EUR k

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

01–06 2020

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	411,235	184,855	139,748	0	0	**735,838**
Inter-segment revenue	27,984	773	4,648	0	–33,405	**0**
Revenue	**439,219**	**185,628**	**144,396**	**0**	**–33,405**	**735,838**
Segment earnings (EBIT)	**–20,981**	**–36,602**	**7,147**	**–2,964**	**374**	**–53,026**

Information on product segments

The following table contains information on externally generated revenue broken down by the Group's divisions (product segments):

01–06 2021

EUR k

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

01–06 2020

EUR k

By Division	Automotive	Commercial Vehicles	Group
Revenue EMEA	248,149	191,070	439,219
Revenue AMERICAS	154,141	31,487	185,628
Revenue APAC	96,537	47,859	144,396
Eliminations	–6,632	–26,773	–33,405
Revenue	**492,195**	**243,643**	**735,838**

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

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

Related parties disclosures

The following table sets out transactions with related parties as of June 30, 2021 and June 30, 2020:

EUR k

Related parties		Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
GRA-MAG Truck Interior Systems LLC	**2021**	**7,116**	**0**	**9,945**	**0**
	2020	2,340	0	9,324	0
Ningbo Jifeng Auto Parts Co., Ltd.	**2021**	**123**	**338**	**148**	**390**
	2020	358	119	435	28
Jifeng Automotive Interior CZ s.r.o.	**2021**	**153**	**282**	**3**	**20**
	2020	2	–16	18	0
Ningbo Jifeng Technology Co., Ltd.	**2021**	**0**	**2,225**	**0**	**832**
	2020	0	1,077	0	324
Ningbo Jiye Trading Co., Ltd.	**2021**	**0**	**36**	**0**	**0**
	2020	0	0	0	0
Tianjin Jifeng Auto Parts Co., Ltd.	**2021**	**0**	**36**	**0**	**13**
	2020	0	0	0	0
ALLYGRAM Systems and Technologies Private Limited	**2021**	**0**	**1,186**	**0**	**29**
	2020	0	1,260	0	243

Like GRAMMER AG's direct parent company (Jiye Auto Parts GmbH), the companies Ningbo Jifeng Auto Parts Co., Ltd., Jifeng Automotive Interior CZ s.r.o., Ningbo Jifeng Technology Co., Ltd., Ningbo Jiye Trading Co., Ltd. and Tianjin Jifeng Auto Parts Co., Ltd. are ultimately indirectly controlled by the Wang family. GRAMMER maintains direct relations for the delivery of goods and the provision of services with these companies.

Contingent liabilities

Guarantees valued at 16,833 thousand euros are outstanding as of June 30, 2021 and primarily take the form of performance guarantees for contract breaches.

D | Key figures according to IFRS

GRAMMER Group – Quarterly overview

Key figures according to IFRS

EUR m	Q2 2021	Q2 2020	01–06 2021	01–06 2020	01–12 2020
Group revenue	**468.8**	**280.9**	**972.5**	**735.8**	**1,710.7**
Revenue EMEA	270.3	160.9	562.0	439.2	965.8
Revenue AMERICAS	116.0	47.2	247.2	185.6	476.6
Revenue APAC	103.3	88.6	206.5	144.4	339.2
Income Statement					
EBITDA	25.8	-29.9	69.0	-10.4	41.7
EBITDA margin (%)	5.5	-10.6	7.1	-1.4	2.4
EBIT	5.2	-50.9	27.8	-53.0	-46.1
EBIT margin (%)	1.1	-18.1	2.9	-7.2	-2.7
Operating EBIT	11.4	-46.1	32.4	-45.7	-11.7
Operating EBIT margin (%)	2.4	-16.4	3.3	-6.2	-0.7
Earnings before taxes	5.4	-54.8	22.8	-68.9	-70.7
Net profit	4.8	-49.4	18.2	-59.2	-64.7

EUR m	Q2 2021	Q2 2020	01–06 2021	01–06 2020	01–12 2020
Statement of Financial Position					
Total assets	1,446.0	1,371.5	1,446.0	1,371.5	1,376.4
Equity	332.0	292.5	332.0	292.5	302.2
Equity ratio (%)	23.0	21.3	23.0	21.3	22.0
Net financial debt	359.9	392.5	359.9	392.5	287.1
Gearing (%)	108.4	134.2	108.4	134.2	95.0
Statement of Cash Flows					
Capital expenditure (without financial assets)	21.7	12.3	30.7	31.8	83.8
Depreciation and amortization	20.6	21.0	41.2	42.6	87.8
Free cash flow	-41.5	-53.4	-54.4	-106.8	-36.3
Employees (number, average)			**14,143**	**14,465**	**14,192**
Share data			**June 30, 2021**	**June 30, 2020**	**December 31, 2020**
Price (Xetra closing price in EUR)			25.80	18.20	19.90
Market capitalization (in EUR m)			393.1	229.4	303.2
Earnings per share (in EUR)			1.21	-4.83	-5.10

Financial Calendar 2021[1]

Important dates for shareholders and analysts

31 March	Analyst and financial press conference
23 June	Annual General Meeting
31 March	Annual Report
12 August	Interim financial report on the first half of the year
28 April	Q1 statement
27 October	Q3 statement

[1] All dates are tentative and subject to change without notice.

Contact

GRAMMER AG
Grammer-Allee 2
92289 Ursensollen

P.O. Box 14 54
92204 Amberg, Germany

Telephone +49 (0) 96 21 66 0
Fax +49 (0) 96 21 66 31000
www.grammer.com

Investor Relations
Tanja Bücherl
Telephone +49 (0) 96 21 66 2113
Fax +49 (0) 96 21 66 32113
E-Mail investor-relations@grammer.com

Imprint

Published by
GRAMMER AG
P.O. Box 14 54
92204 Amberg, Germany

Release date
August 12, 2021

Concept, layout
Kirchhoff Consult AG
22765 Hamburg, Germany

The photographs used in this Interim Financial Report have been produced in strict compliance with the hygiene regime issued to contain the COVID-19 pandemic. A number of other pictures were taken before the outbreak of the pandemic.

To improve readability, the masculine form is used in most cases in the GRAMMER Interim Financial Report when referring to persons and personal nouns. All personal names and personal nouns apply equally to all genders.

GRAMMER AG
Grammer-Allee 2
92289 Ursensollen, Germany
Telephone +49 (0) 96 21 66 0
www.grammer.com