ON THE MOVE

ANNUAL REPORT 2015

GRAMMER

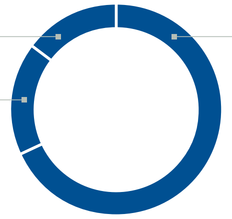
KEY FIGURES ACCORDING TO IFRS
GRAMMER GROUP

IN EUR M	Q4 2015	Q4 2014	2015	2014
Group revenue	369.7	372.1	1,425.7	1,365.9
Automotive revenue	267.2	269.5	1,008.1	911.6
Seating Systems revenue	115.0	109.7	458.4	478.7
Income statement				
EBITDA	24.3	23.9	83.2	93.7
EBITDA-margin (in %)	6.6	6.4	5.8	6.9
EBIT	13.0	13.9	42.7	57.0
EBIT-margin (in %)	3.5	3.7	3.0	4.2
Profit/loss (–) before income taxes	10.3	11.6	35.7	48.4
Net profit/loss (–)	7.1	7.8	23.8	33.6
Statement of financial position				
Total assets	992.0	836.5	992.0	836.5
Equity	253.4	231.8	253.4	231.8
Equity ratio (in %)	26	28	26	28
Net financial debt	155.5	86.7	155.5	86.7
Gearing (in %)	61	37	61	37
Investments (without M & A)	22.9	19.3	47.9	51.5
Depreciation and amortization	11.3	10.0	40.5	36.7
Employees (December 31)			11,397	10,700
Key share data				
Share price (Xetra closing price in EUR)			27.32	33.05
Market capitalization (in EUR m)			315.4	381.6
Dividend (in EUR)			0.75[1]	0.75
Earnings per share (in EUR)			2.10	3.09

[1] Proposal

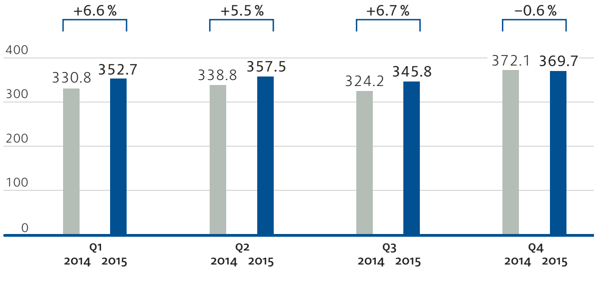
REVENUE BY REGIONS

PREVIOUS YEAR IN BRACKETS



GROUP REVENUE DEVELOPMENT BY QUARTER

IN EUR M



COMPANY PROFILE

GRAMMER AG is a globally active stock-listed manufacturer of seating systems and automotive interiors. The Seating Systems Division develops and manufactures technologically sophisticated seating systems for commercial and offroad vehicles as well as for trains and busses. In its Automotive Division, GRAMMER engineers and produces high-quality headrests, center consoles and armrests for OEMs.

With a workforce of more than 11,000 employees, GRAMMER operates in 20 countries worldwide via its 32 companies.

EMEA
Belgium
Bulgaria
Czech Republic
France
Germany
Great Britain
Italy
Poland
Russia
Serbia
Slovenia
Spain
South Africa
Turkey

AMERICAS
Argentina
Brazil
Mexico
USA

APAC
China
Japan

- GRAMMER locations
- GRAMMER locations with R&D activities
- GRAMMER Group Headquarters

DIVISIONS

SEATING SYSTEMS

Around the world, GRAMMER Seating Systems develops and produces driver and passenger seats for agricultural and construction vehicles, forklifts, trucks, buses and trains. Following the "Design for use" philosophy, GRAMMER Seating Systems products are made to be ergonomic, user-friendly, comfortable and safe. With our innovate systems, GRAMMER is the global leader in seats for offroad vehicles, and is among the top producers of truck, bus and train seats.

OFFROAD
Driver seats for commercial vehicles (agricultural and construction machinery, forklifts)

TRUCK & BUS
Driver seats for trucks and buses

RAILWAY
Passenger seats for trains
Train driver seats

IN EUR M

	2015	2014
Revenue	458.4	478.7
EBIT	27.8	36.2
EBIT-margin	6.1 %	7.6 %
Investments (without acquisitions)	11.6	15.0
Employees (December 31)	3,729	3,679

AUTOMOTIVE

Our Automotive division supplies headrests, armrests and center consoles to well-known carmakers and systems suppliers for the automotive industry. Our interior components are distinguished by their comfort, design and safety. Because of our competitive and high-quality products, leading carmakers and automotive system suppliers prize GRAMMER Automotive as a source of new ideas and a driving force for innovation in the area of automotive interior components.

HEADRESTS

ARMRESTS

CENTER CONSOLES

IN EUR M

	2015	2014
Revenue	1,008.1	911.6
EBIT	23.8	28.9
EBIT-margin	2.4 %	3.2 %
Investments (without acquisitions)	31.9	33.0
Employees (December 31)	7,400	6,761

NAVIGATION GUIDE

Link to the report or online resources

Link to the Internet

CONTENT

ON THE MOVE

2015 was a year in which we laid decisive foundations for the future. Thus, we reached a new revenue record, gained numerous important orders, reinforced our technological basis and successfully implemented our optimization measures. This illustrates that despite the challenges posed by some individual markets GRAMMER is headed in the right direction with its long-term strategy.

With our global presence, innovative products and impressive order books, we will continue on our profitable growth trajectory in the future, generating sustained additional value for the Company.

ON THE MOVE shows where we are headed as an an innovative leader in quality in components for automotive interiors and commercial vehicle seating systems and how, looking forward, GRAMMER will continue to remain on its successful course.

HARTMUT MÜLLER
Chief Executive Officer

Dear Sir or Madam,

We are able to look back on an eventful year in 2015 during which the GRAMMER Group passed important operating and strategic milestones despite strong headwinds in key markets. Thanks to the intense work and strong dedication of our employees, we were able to additionally reinforce the GRAMMER Group's international presence, competitive position and innovativeness. As a result, GRAMMER is superbly positioned to address the future challenges arising in international competition. Over the last few years, we have built up a strong basis for profitable growth and enhancement to the GRAMMER Group's enterprise value.

These strong foundations and the positive outlook for the Company's future performance are also reflected in the dividend proposal for 2015. The Executive Board and the Supervisory Board will be asking the shareholders to approve a dividend of EUR 0.75 per share. We view this as a clear signal to our shareholders that despite the temporary weakness being experienced by individual markets we have been progressing as planned with the implementation of our global growth strategy and that the current valuation of our share offers attractive upside potential. The Executive Board and the Supervisory Board are convinced that GRAMMER AG's current share price does not come close to reflecting the Company's true value and offers strong potential for the future.

Once again, our broad global footprint and leading market position formed the basis for top-line growth for the GRAMMER Group last year. I am pleased to be able to report to you that GRAMMER closed 2015 with revenue of EUR 1.426 billion, the highest figure ever achieved in its history. This marks the fifth consecutive record, which was reached despite the sharp slowdown in global commercial vehicle markets.

The main underpinnings for this revenue growth were provided by the Automotive Division, which recorded an 11 percent increase to over EUR 1 billion for the first time. Driven by numerous new products and gains in market share, this Division continued to grow dynamically, allowing us to additionally expand our position as a global supplier and partner for innovative passenger-vehicle interior components.

On the other hand, the Seating Systems Division fell short of expectations as the global commercial vehicle markets and agricultural machinery sustained a sharp decline in sales. The fact that we were able to limit the decline in the Division's revenue to less than five percent despite what in some cases was a dramatic fall in demand testifies once more to GRAMMER's very broad-based presence in all regions and industries. At the same time, it highlights the strong potential which this Division will be able to harness once the market side recovers. In addition, we have been able to lay the foundations in this Division for an improvement in our market position and, hence, our future performance. Thus, we were awarded a major global contract by a leading international construction machinery OEM in what was one of the largest seating orders in our Company's history. As well as this, long-term follow-up orders were received from our two most important customers for the latest truck comfort seat.

The challenging conditions for commercial vehicles business, advance outlays for the optimization and internationalization of our structures as well as spending on foundations for the very strong growth in the Automotive Division left traces on earnings. Contrary to expectations at the beginning of the year, key commercial vehicle markets weakened unexpectedly sharply in the course of the year. Overall, we were not able to fully offset the effects of this substantial market contraction in what are profitable segments for us. However, the Group EBIT of EUR 42.7 million ultimately exceeded our adjusted forecast.

Last year, GRAMMER largely completed the efforts to expand its international position in many segments and regions. Our broad-based presence in growth regions and established markets will be instrumental in ensuring that we are able to act successfully in global competition for automotive OEMs' global platforms. We now have more than 30 companies in 20 countries and are able to rely on a worldwide research and development (R&D) network comprising 17 locations with development and testing activities. In addition to optimizing and expanding our global production and development resources, we stepped up activities aimed at strengthening local procurement structures as well as other key functions. This has permitted us to establish a position which is normally typical of far larger players in our industry. We now have a far better presence in our main sell-side markets, allowing us to adjust to prevailing conditions as a genuine local operator and to make the most of our competitive strengths.

The Northern American automotive and commercial vehicle markets play a key role in our growth strategy. At our new plant in Tupelo, Mississippi, production of suspension seats for commercial vehicles has been successfully ramped up. In the course of the year, we will also be starting up automotive production there and delivering the first center consoles for the Northern American market from the new US plant. Together with the two large production facilities in Mexico and our R&D and sales units in the United States, we are now able to successfully achieve our high growth targets for this important region By contrast, South America has come under particularly strong pressure, with the commercial vehicle market contracting by almost 75 % in the past few years. This forced us to make further adjustments to our plant in Brazil in 2015 and realign cost structures substantially. Last year, we very largely completed the extensive work on optimizing our automotive production in Eastern Europe. In a veritable tour de force by the employees involved, we transferred more than 100 product lines from two older plants to two new facilities in the Czech Republic in the space of only 18 months. Almost simultaneously we started volume production of important new products. In Asia, which already contributes more than 15 % of our Group revenue, we successfully completed the construction of two new plants in Beijing and Shanghai last year.

We also made substantial progress in our strategic goal of expanding the GRAMMER Group's technological capabilities. With the acquisition of the Baden-Württemberg-based REUM Group, a leading specialist in surface, plastic and metal technology, we obtained innovative process expertise and widened our range with the addition of interior components. REUM has made a name for itself with its high-quality interior components and surface finishes and will be helping us to achieve the goals which we have set for our Group in terms of technological innovativeness, revenue and earnings. Both sides stand to benefit from the acquisition: GRAMMER will be able to draw on REUM's long-standing experience in plastic injection moulding and surface finish processes, allowing us to enhance our center console products. At the same time, REUM has gained a strong and global partner to the automotive industry via which its high-quality and innovative products and technologies will be jointly marketed at an international level.

We will be systematically continuing to implement our global growth strategy but will be particularly focusing on efforts to boost profitability and to secure our position with innovations for future generations of vehicles.

Looking forward to the current year, we expect a continuation of the challenging and volatile market conditions in the Seating Systems Division in particular. Even so, we are confident of being able to successfully address these challenges thanks to our global footprint and further improvements in our processes. We expect the Automotive Division in particular to achieve further growth in 2016. On the other hand, revenue in the Seating Systems Division is likely to remain muted compared with the previous year due to the continued weakness of some of its core markets.

Driven by the positive effects of last year's numerous optimization measures and the resultant improvement in profitability, we expect both Divisions to make increased contributions to earnings this year.

We will be making further progress on our successful course this year, something which will allow us to achieve our ambitious growth and profitability goals and thus to realise GRAMMER's high potential value on a sustained basis for our shareholders.

The Executive Board wishes to thank all employees for their exemplary commitment and untiring efforts last year. We would also like to express our gratitude towards our customers and suppliers for the favorable joint activities and to our shareholders for their confidence in us.

Sincerely

Hartmut Müller
Chief Executive Officer of GRAMMER AG

EXECUTIVE BOARD

FROM LEFT TO RIGHT

GÉRARD CORDONNIER
Member of the Executive Board
(CFO)
since June 2015

Group Finance,
Group Accounting,
Group Controlling,
Group Purchasing,
Group IT

HARTMUT MÜLLER
Chief Executive Officer (CEO)
since August 2010
Member of the Executive Board
since 2007

Corporate Development,
Group Internal Control & Legal,
Group Investor Relations,
Communications & Marketing,
Group Human Resources,
Group Strategic Product Planning

MANFRED PRETSCHER
Member of the Executive Board
(COO)
since August 2010

Group Operations,
Group Sales & Projects,
Group Quality & Group Services,
Group Research & Development

THINKING FOR THE FUTURE – GENERATING IMPETUS

Thanks to the close partnerships which we have forged with scientists, universities and research institutions, our new developments set standards in technology and innovativeness.

Tracking new trends

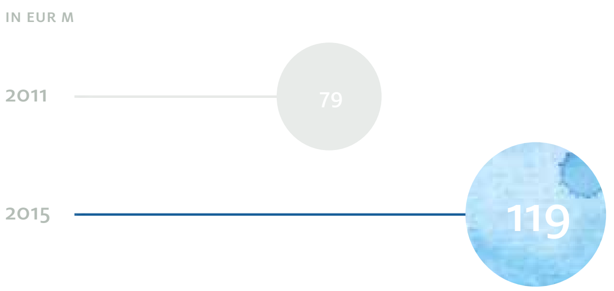
Research and development have always been of crucial importance for GRAMMER and have steadily grown in importance over the years. In the last five years alone, we have increased spending in this area by 50 %, and, hence, at a rate exceeding the growth in revenue. These advance outlays were necessary to establish ourselves as a global partner to renowned OEMs of passenger and commercial vehicles and to expand our leading position in technology and product innovation. Automotive OEMs in particular are increasingly outsourcing development work for their numerous models to components suppliers. This integration in the innovation process from the outset has opened up scope for GRAMMER to achieve additional growth as such projects establish long-standing business relationships.

In the Seating Systems Division, we have gained a leading position in the market for seats for trucks and offroad vehicles such as agricultural and construction machinery and forklift trucks thanks to innovative and creative ideas. We have created many innovative trends in ergonomics, safety and comfort and work with universities and research institutes including the renowned spine researcher Prof. Dr. Hans-Joachim Wilke. In this way, we are able to incorporate the latest findings from accident and spine research directly in the development of our various seating systems. The optimum combination of ergonomics and biomechanics, something which we refer to as Ergomechanics® minimizes the strain exerted by vibration, thus providing maximum comfort even under extremely arduous conditions.

We are confident of gaining new insights from the Ergonomics Congress, which will be taking place in Amberg for the third time in 2017 and will be attended by national and international scientists and researchers.

Looking forward, we want to structure our research and development projects on an even more global and efficient basis. Specifically, this means allocating more responsibility to the local centers particularly in North America, China and Eastern Europe. In this way, they will be able to develop products and applications which can be adjusted even more quickly to meet the special requirements of individual markets.

Total spending on research and development (gross)[1]



[1] including project expense and tools

Sites with R&D activities

17

Looking ahead over the next few years, we want to additionally reinforce our international research and development sites and integrate our global development network even more closely.

The future of interior design

The growing individualization of vehicle interiors is increasingly emerging as a trend. High interior quality creates a unique identity, with premium materials, top workmanship and peerless style combining to form a new driving experience.

This is now being joined by heightened demands with respect to functionality in response to further growth in mobile communications, something which is calling for entirely new ways of utilizing the vehicle interior – particularly in the light of the move towards autonomous driving.

GRAMMER is actively supporting this product differentiation via enhanced interiors through innovative new developments aimed at creating even greater perceived quality and design in tandem with additional functionality.

PERFECT FIT
—
TOP-QUALITY SOLUTIONS

Whether it's seats for commercial vehicles or headrests, center consoles or armrests for the automotive sector, GRAMMER always has the right product, offering drivers and passengers maximum safety and comfort.

Designed for use

GRAMMER is synonymous with products possessing a unique quality with outstanding characteristics in ergonomics, safety, comfort, design and style. In the Automotive Division, we have systematically expanded the center console segment, which holds great promise for the future, over the last ten years. The consoles feature modern design, high-quality styling and special functions. Our customer base includes German premium OEMS as well as leading international carmakers in the growth regions of the world.

We are one of the world's largest producers of headrests with an annual output of more than 40 million units. Safety, quality and comfort form the core of our range, which offers an optimum solution for nearly every model. The range encompasses passive as well as crash-active systems with mechanical or electronic adjustment, bespoke models with neck heating for convertibles or models with integrated monitors.

The Company's other Division, Seating Systems, has been a trend setter in intelligent seating systems for commercial vehicles for more than half a century. In addition, we supply passenger seats for long-distance and increasingly also regional trains. We owe our technological leadership in commercial vehicles to the optimized combination of electronic and ergonomic components. This results in tailored solutions for an optimum driver seat environment. As a full-liner, we are one of the few suppliers in the world capable of fitting the entire spectrum of commercial vehicles – from a simple tractor right up to sophisticated construction machinery – with seats. Many renowned manufacturers rely solely on GRAMMER seating systems and, with our global footprint, we are able to gain even large contracts, as was recently the case with a leading US construction machinery OEM.

Just how good we are at innovating was evident once more at Agritechnica 2015 in Hannover. Seven out of the eight "Machine of the Year" award winners featured seats made by GRAMMER.

A world first for the agricultural industry

In 2015, GRAMMER developed the first semi-active lateral suspension for tractor seats, substantially improving suspension performance compared with passive systems both horizontally and in tilted or sloped positions.

Thanks to the modular structure, the appropriate seat is available for almost every purpose and all types of machinery: The various components can be combined with each other, while optimized modules have been developed to address specific requirements. Accordingly, each GRAMMER product is a bespoke solution for safety, comfort and ergonomics.

OPTIMIZING MATERIALS – ENHANCING TECHNOLOGY

The greatest possible quality combined with low weight, high-quality surfaces and high functionality – these are the expectations which automotive OEMs have of passenger-vehicle interior design. GRAMMER is constantly investing in the development of new materials and processes to widen its technological leadership.

Global production standards

GPS

(GRAMMER Production System)

Our products are developed on the basis of global standards and tested in accordance with strict criteria pertaining to quality, comfort and safety.

Developing skills

A leading components supplier such as GRAMMER is not only characterized by innovative products and materials. Just as important are state-of-the-art production processes. For this reason, we are constantly expanding our technological skills in areas such as plastic injection molding, surface finishing, metal processes and bonding technologies. The key to our success is our proprietary GRAMMER Production System (GPS), which sets global standards for the production process, ensuring the consistently high quality of our products. All employees are integrated in the quality process via the GPQ (GRAMMER Produces Quality) quality system and program and can trigger improvements at all times.

One aspect which is increasingly growing in relevance is light-weight construction. This is because less weight means lower fuel consumption and also fewer CO_2 emissions. In the case of consoles and armrests, light-weight structures particularly entail the use of plastic, whereas the focus is on thin-walled rods with headrests and light metals and composites with seating structures. At the same time, they must be able to satisfy the increasingly stringent mechanical requirements.

Wherever opportunities arise, we also strengthen our core skills and technological leadership by means of acquisitions. The most recent example is the Reum Group, a leading specialist in interior components and surface finishes. Using the process expertise gained from Reum, particularly in connection with innovative injection-mold systems, we are able to develop our range of automotive interior parts even more quickly and in line with requirements.

3 QUESTIONS FOR
Ralf Hoppe,
Head of Strategic
Product Planning

What does the future hold for vehicle interiors?
What we are seeing is that interior fittings are steadily growing in importance in the passenger-vehicle segment. Expectations of autonomous driving will also lead to enhancements to the interior: As less attention will need to be paid to traffic, the interior must offer additional appeal for passengers and drivers.

Do you consider GRAMMER to be well positioned to address the rapid technological progress?
Over the last few years, we have been very active here. Today we have a strong global R&D network. At these centers, we engage in basic research and development for processes, materials and products as well as technological adjustments for local markets and customers. We are already the technology leader in many areas and an innovative partner for automotive and commercial vehicle OEMs. We have taken an important step forward and expanded our expertise with the acquisition of process and surface finish specialist REUM. We will be transferring this knowledge gradually to the individual regions and products.

How does GRAMMER manage the sharing of knowledge between individual plants?
Knowledge sharing plays a key role within the Group. We take different approaches in this connection, sharing existing expertise with our sites via digital network, the global roll-out of technologies and staff transfers.

DETECTING TRENDS — LEVERING EXPERTISE

The need for greater mobility remains unabated in many regions, particularly in the emerging markets. Yet, with the advent of self-driving and networked vehicles, the situation on the roads is set to change before too long. GRAMMER is already designing driver cabins and passenger vehicle interiors which provide a glimpse of the future.

Visions for the future

With the emergence of electromobility, digitalization and autonomous driving, the automotive industry is on the verge of secular change. There will come a time when technological advances render some of the components currently still required, such as today's combustion engines and transmissions, superfluous, forcing some components suppliers to alter their business model. GRAMMER has nothing to fear from these trends. Seats, center consoles and headrests will continue to have a firm place in vehicles of the future as automotive OEMs will be increasingly enhancing the quality of the interior in an effort to stand out from the competition. In the Seating Systems Division, we are being supported by mega trends such as demographic growth and urbanization.

In the wake of technological progress, more and more electronic and electric components are finding their way into our products, opening up numerous new applications which call for new operating concepts. What is required are intuitive solutions involving touchscreens or functional surfaces which we are developing with the special skills held by our subsidiary GRAMMER Electronics. At the core is the human/machine interface (HMI). We expect to be able to achieve progress in this area in particular, e.g. in the form of highly modern user interfaces and heightened functional integration.

Seating Systems must likewise adapt to the changed requirements triggered by the emergence of autonomous vehicles. For one thing, comfort is likely to come even more firmly to the fore and, for another, more and more information and control systems must be integrated. GRAMMER has conducted a concept study with other renowned components suppliers to consider the technical possibilities which the driver's cabin of the future could offer. This resulted in the "Genius Cab", which unites innovative features setting standards in safety, ease of use, driver comfort, maintenance and design on the international markets.

GRAMMER on the move

GRAMMER is driven by the passion to improve the quality of life of people during the time which they spend in vehicles. Growing mobility in tandem with ever higher speeds calls for maximum safety and comfort. At the same time, developments such as electromobility and autonomous driving offer great potential for further enhancements to our products.

DESIGN
MOBILITY
AUTONOMOUS DRIVING
SAFETY
INTERIOR ENHANCEMENTS
INDIVIDUAL SOLUTIONS
HUMAN MACHINE INTERFACE
ELECTROMOBILITY
ERGONOMICS
COMFORT
LIGHT-WEIGHT CONSTRUCTION

The center console of the future

The center console is growing steadily in importance as the main unit for controlling vehicle functions. GRAMMER is already working on revolutionary innovations of the future, such as operating systems with haptic feedback.

CLOSE TO THE CUSTOMER – CLOSE TO THE MARKET

The major automotive and commercial vehicle OEMs are increasingly establishing international production facilities. At the same time, their local procurement requirements are constantly increasing. Close intermeshing with components suppliers and knowledge of the specific local requirements form a crucial basis for gaining orders for global platforms.

Never far away

Looking forward, suppliers with an insufficient global footprint will increasingly have difficulty gaining global project work. We have an excellent international presence which has been integrated in our strategy from an early stage.

38

facilities around the world

Efficiency through close links

As automotive OEMs are increasingly relocating their production activities to high-growth markets, there has been a change in the underlying conditions for components suppliers. They must now pay greater attention to regional requirements, which cannot be met with standardized products. Consequently, they are increasingly resorting to the local procurement of specially adapted products. Components suppliers must establish local production facilities of their own in close consultation with automotive OEMS if they are to gain a share of global platform business.

GRAMMER has resolutely opted for this course and currently has 38 facilities of its own in 20 countries. Yet, production facilities on their own are not sufficient. This is why we have also built up other relevant functions such as purchasing, sales, project management and particularly also a strong R&D network in other countries. The aim is to organize the local branches as separate units with their own staff, financial resources and capacity so that they can compete successfully and operate as local players. This is supplemented with a network of 17 sites with development activities around the world ensuring close collaboration with our international and regional customers during the development and start-up phase as well as in volume production.

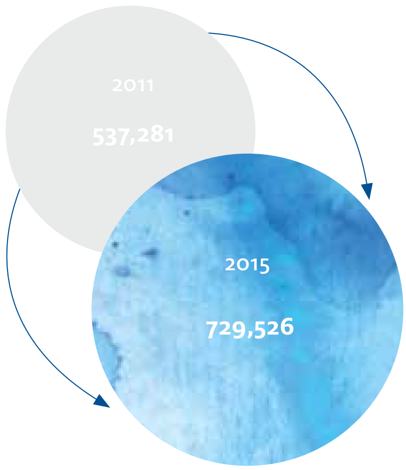
The decentralized group structure makes it possible to react swiftly to changes and to address local requirements. A further advantage of our broad footprint in the core regions of Europe, North and South America and Asia is that it allows us to offset any regional fluctuation in our business more effectively.

And this development is far from over. Moving forward, we will be paying greater attention to our supplier structure, giving preference to those vendors whose expertise allows us to integrate them at an early stage in product development and who provide us with the appropriate tools and machinery. The aim is to address the entire value chain locally in order to reduce imports from European plants as far as possible as a basis for optimizing cost structures and reducing lead times.

Foreign business

In 2015, GRAMMER again invested in the expansion of its global facilities. As a result, the Group now has 38 facilities in 20 countries and already generates around 51% of its business outside Europe.

IN EUR K



IDENTIFYING SKILLS – TAPPING POTENTIAL

As a globally active components supplier, we rely on qualified and motivated staff. In addition to creating an atmosphere of trust and integrity, we attach particular importance to the professional and personal development of our employees.

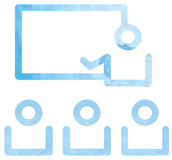
Creativity through diversity

GRAMMER is aware of its responsibility towards its employees. We owe our success not least of all to the high qualifications, creativity and commitment of our staff. Safe working conditions and health protection are equally as important as fair pay and the encouragement of self-initiative. Our staff leadership policies are guided by such principles as openness, honesty, equal opportunities and mutual respect. We offer flexible working-time models to improve work/life balances. Particular importance is attached to furthering diversity as creative solutions are most likely to arise in an atmosphere in which people with different views, experience and values meet.

Employer branding is a decisive argument particularly of advantage in the automotive industry in which OEMS and components suppliers with their similar employee structures increasingly compete for scarce human resources. This applies not only in Germany or the United States but particularly also in the emerging markets of Eastern Europe and Asia. In addition to international groups, small and midsize companies are also increasingly entering the international arena to tap new markets and lower their personnel costs. Serbia provides a very good example of the extent to which GRAMMER is perceived as an attractive and reliable employer. We work with various organizations and associations there and have since become the country's second largest employer.

Well-trained employees are of crucial importance for an innovative company with a large proportion of research and development work. At our own training center, we give school-leavers an opportunity of training for their future careers. Existing employees are able to take advantage of upskilling courses tailored to their specific capabilities.

Number of training courses provided by GRAMMER in Germany 2015



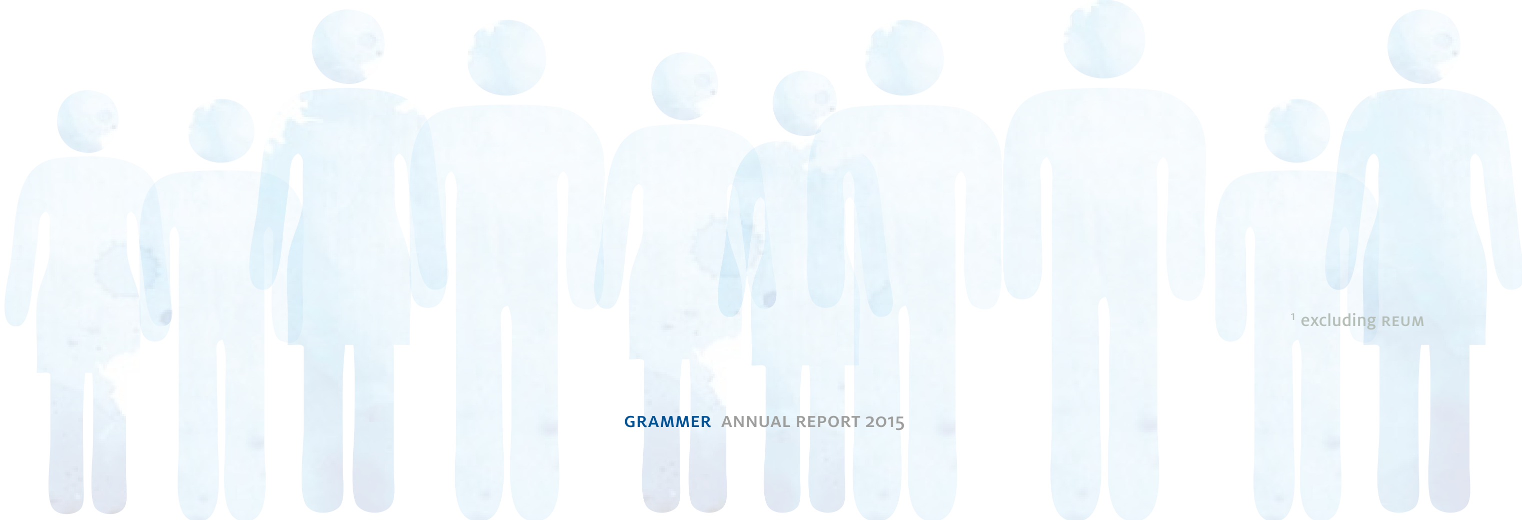
1,882

High qualifications, creativity and commitment on the part of GRAMMER employees form the basis of our success. That is why we offer our employees a comprehensive range of further education and upskilling measures to ensure that they have the capabilities which they require to address new challenges. In addition to team-building, our training and further education activities also focus on statutory and quality-assurance activities.

GRAMMER Group employees (December 31)

8,726
2011

11,397
2015[1]



[1] excluding REUM

REINFORCING THE BASE – LEVERAGING FLEXIBILITY

The automotive and commercial vehicle industries are characterized by innovativeness and intense competition. New developments and globalization frequently call for staying power. This makes it all the more important to have solid capital resources – also as a basis for acting on opportunities and broadening expertise through lucrative acquisitions.

Solid financial structures

Global activities call for heavy capital spending. In the long term, only automotive components suppliers with a solid financial basis are able to maintain an international presence and simultaneously satisfy the requirements of research and development. Thanks to its solid balance-sheet structure with a high equity ratio, GRAMMER is in sound condition. The aim is to enhance its enterprise value on a sustained basis through organic and non-organic growth and simultaneously to pay an attractive dividend.

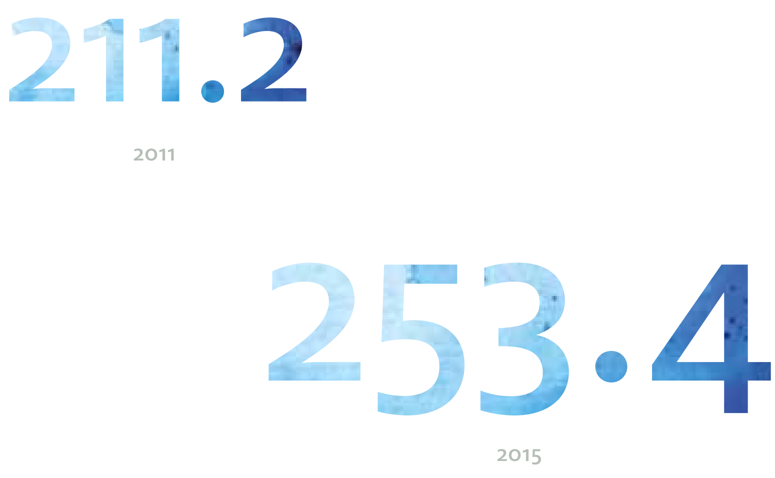
GRAMMER has flexible funding structures to finance any acquisitions. These were most recently used with the acquisition of the REUM Group at the end of 2015, when the purchase price of EUR 50 million was co-financed through the issue of a new bonded loan for a total of EUR 120 million. Consequently, GRAMMER still has an attractive funding structure even after this acquisition with potential for financing continued strategic growth.

In previous years, GRAMMER had regularly improved the maturities structure of its liabilities and secured its long-term finance on favorable terms. Not least of all, this solid financial structure is reflected in the investment-grade rating assigned to GRAMMER by a German rating agency.

Equity

GRAMMER was again able to reinforce its equity in 2015, thus strengthening its financial structure in the long term. Compared with the previous year, equity increased by 9.3 %.

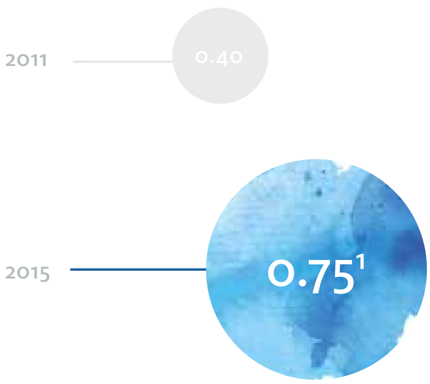
IN EUR M



Attractive dividend

Over the past few years, GRAMMER has always been able to pay its shareholders an attractive dividend. And this year, they will again be receiving an appropriate share of the Company's profits.

IN EUR PER SHARE



[1] Proposed

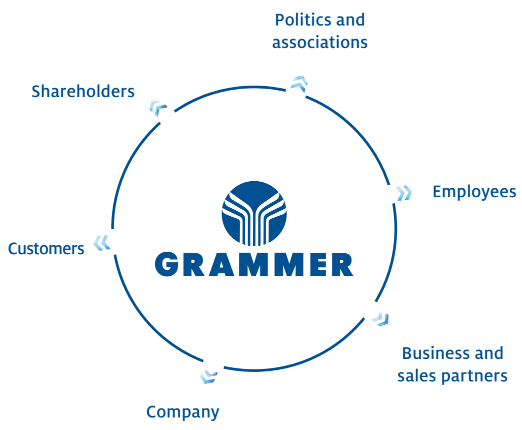
ASSUMING RESPONSIBILITY – ACTING SUSTAINABLY

1. RESPONSIBLE CORPORATE GOVERNANCE

Sustainable activity has a tradition at the GRAMMER Group and forms part of its corporate philosophy. We conduct our business in line with our basic values, thus ensuring the Group's long-term success.

GRAMMER takes sustainability seriously. This starts with the people working for or connected with the Company and covers such aspects as research and development, procurement and production as well as the finished products and the end-of-life recycling of product components. With the expansion of our global presence and the Group's broad footprint, we are also communicating this message internationally.

GRAMMER GROUP STAKEHOLDER GROUPS



Around the world, there is a growing realization that motor vehicles must take account of heightened environmental awareness, e.g. through the increased use of light-weight and innovative materials as well as the latest production technologies. GRAMMER is generating valuable impetus with seating systems for commercial vehicles. This starts with the design of a new-generation seat, in which we use precise simulation technologies to optimize its structural rigidity and apply high-strength alloys. Further weight savings can be gained from seats made from composite materials such as fiber-reinforced plastic or the use of modern bonding technologies like laser welding. In the passenger vehicle segment, we are making a contribution through our commitment to light-weight construction and the responsible use of raw materials.

To anchor sustainability even more firmly across the Group, GRAMMER is defining specific goals and measures and identifying opportunities and risks for the main sustainability aspects of relevance to it. At the same time, we are, of course, taking account of local requirements and conditions at our facilities around the world.

2. GRAMMER GROUP STAKEHOLDERS

Sustainability aspects are growing in importance in the capital market as well as in public opinion. The GRAMMER Group takes account of this in its dialog with its main stakeholder groups. In order to continue doing justice to our stakeholders' expectations in the future, we are preparing sustainability concepts on ecological, economic and social matters. At the same time, we are already maintaining close ties with our main stakeholders. This initially applies to our employees, who are at the center of our Company. In our operating business, it additionally includes our customers in the automotive and railway industry as well as our business partners and suppliers. As an enterprise and employer, we are also subject to observation by politicians, municipalities, associations and our neighbors at our various facilities. Because we are a listed company the broad public, particularly the media, also play a role. Capital market participants are a further, very important stakeholder group. In this context, we talk to private and institutional investors and analysts. At the same time, the share of investors preferring sustainable and socially responsible investments (SRI) is growing in importance. These investors specifically seek companies which pursue particularly sustainable business models.

As well as this, national and international non-governmental organizations (NGOs) are also of relevance for companies with a global presence.

3. OUR ROAD TOWARDS SUSTAINABILITY

The starting point for the development of a Group-wide sustainability program is an internal materiality analysis, which we completed last year. The purpose of the materiality analysis was to identify the matters which from the GRAMMER Group's point of view are capable of exerting a significant influence on its business activities in the short, medium or long term.

The materiality analysis entailed a multi-step process. First of all, the sustainability aspects of potential relevance for the GRAMMER Group were identified. This was done in the light of all the sustainability aspects specified in the Global Reporting Initiative. In the following step, the potential aspects of concern to GRAMMER were determined, taking account of the input from the dialog with various stakeholder groups. This culminated in a list of around 100 issues, which were initially evaluated by the Group's Corporate Social Responsibility Council (CRS council) and then by Group management. On this basis, the GRAMMER Group identified 13 material and nine important aspects which will be elaborated upon in greater detail in future sustainability reporting.

The GRAMMER Group then initiated an analysis of the status quo with respect to these matters in the year under review to gain an idea of the GRAMMER Group's positioning with respect to individual issues.

THE ROUTE TO CSR REPORTING

MATERIAL AND IMPORTANT MATTERS

ASPECTS OF RELEVANCE FOR THE GRAMMER GROUP	MATERIAL ASPECTS	IMPORTANT ASPECTS
ECONOMIC STABILITY	Economic performance	Regional manufacturing input and employment
PRODUCT AND PROCESS RESPONSIBILITY	Innovative product and process solutions Customer orientation/satisfaction (including quality and safety)	Use of the best available techniques and processes Environment-friendly products
PROCUREMENT		Supply chain management in accordance with environmental and social standards Origin of resources
EMPLOYEES	Employee satisfaction Employee development and fostering including development of young potentials Safety and health	Work/life balance/flexibilization
HUMAN RIGHTS	Child and forced labor	
RESPONSIBILITY AS A CORPORATE CITIZEN		Support for school and university training
ENVIRONMENTAL PROTECTION	Energy Air/water/soil emissions	Transport and logistics Resource efficiency
CORPORATE GOVERNANCE	Compliance Enterprise values and culture Data protection and security Stakeholder dialog	

This entailed a quantitative and qualitative review, a consideration of the existing strategic plans and the measures implemented in this connection as well as the situation at individual facilities or in individual regions.

In the currently ongoing analysis, the GRAMMER Group is formulating specific targets and activities for eight of the material aspects and assessing the opportunities and risks. Regardless of this, we are implementing individual measures and activities at all facilities to achieve the ecological and social goals.

4. OUR SUSTAINABILITY REPORTING

By identifying the material and important aspects for the GRAMMER Group, we have also defined the scope of our sustainability reporting. In the interests of target-group-oriented, transparent communication of the relevant matters, we will be confining ourselves to the aspects identified in our materiality analysis. This approach is consistent with the requirements of the German Reporting Standard for appropriate financial communications.

The EU Directive governing the disclosure of non-financial information also has a key bearing on our external communications on sustainability matters. Under this legislation, we are required to report non-financial information pertaining to the environment, social and employee concerns, human rights and diversity from 2018. To this end, we must describe the underlying concepts, results, material risks and the main non-financial performance indicators. We are currently defining the corresponding concepts in preparation for this future legislation.

5. OUR SUSTAINABILITY MANAGEMENT

We have issued policies, installed management systems and created organizational structures to ensure the observance of our rules as a basis for coordinating sustainability aspects internationally across the entire GRAMMER Group. Among other things, we have set up environmental and energy management systems at our facilities. In addition, a code of conduct imposes on all GRAMMER employees the binding duty to observe human rights and stipulates how the compliance and anti-corruption requirements are to be put into practice.

In view of its importance for the GRAMMER Group's business activities, responsibility for sustainability is allocated directly to the Executive Board. At the same time, a CSR council was established in 2015 to entrench sustainability even more firmly within the Group. This council includes executives from all relevant parts of the Group such as accounting, compliance, human resources, R&D, communications, quality, purchasing, controlling, environment and production. Institutionalized dialog and regular meetings ensure that sustainability as an issue is firmly rooted in the Group and implemented in accordance with the corporate strategy and business requirements.

Employees' high qualifications are a decisive competitive factor.

CORPORATE GOVERNANCE REPORT AND STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

GRAMMER AG is committed to good corporate governance, which is defined as the observance of international standards of responsible and sustainable governance. Our corporate governance is based on effective and trusting collaboration between the Executive Board and the Supervisory Board as well as on the part of employees. In this way, we seek to reinforce the confidence which shareholders, employees, customers and the general public hold in GRAMMER. Our corporate governance is based on the German Corporate Governance Code and the German Stock Corporation Act. In addition, the employees at all locations around the world undertake to observe the Code of Conduct which the GRAMMER Group has adopted.

DECLARATION OF CONFORMITY

On December 3, 2015, the Executive Board and the Supervisory Board of GRAMMER AG issued the following declaration in accordance with section 161 of the German Stock Corporation Act (AktG) concerning conformity to the German Corporate Governance Code (GCGC).

"GRAMMER AG conforms and will in the future continue to conform to all of the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015 published by the Federal Ministry of Justice on June 12, 2015 in the official section of Bundesanzeiger with three exceptions:

1. Article 4.2.2 (2) Sentence 3
   Article 4.2.2 (2) Sentence 3 of the Code includes a recommendation under which the Supervisory Board is to consider the relationship between the remuneration of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time and to determine how senior managers and the relevant staff are to be differentiated.

   In determining the remuneration payable to the Executive Board, the Supervisory Board takes account of the criteria referred to in Article 4.2.2 (2) Sentence 2 of the Code, which among other things stipulate that the remuneration structures applicable elsewhere in the company must also be considered. This remuneration structure was analyzed in 2013 by an independent expert in the light of the current arrangements. This expert confirmed that the remuneration structure for the Executive Board was appropriate in the light of the remuneration structures applicable elsewhere in the Company. The analysis did not include a consideration of the development over time of the relationship between the remuneration of the Executive Board and that of the Company's senior managers and staff. Moreover, the Supervisory Board had not expressly stipulated how the senior managers were to be differentiated from the relevant staff as a whole. Accordingly, the Executive Board and the Supervisory Board hereby disclose this exception on a precautionary basis.

2. Article 4.2.5 (3) Sentence 3
   Under Article 4.2.5 (3) of the Code, the remuneration report for financial years commencing after December 31, 2013 must present the remuneration of each member of the Executive Board on the basis of model tables containing defined information beyond the scope of the previous disclosures.

   The remuneration paid to the members of GRAMMER AG's Executive Board has hitherto been disclosed in accordance with the applicable statutory provisions and already sets out detailed information on each member's remuneration. Accordingly, there are no plans to include any further disclosures on the basis of the model tables.

3. Article 5.4.1 (2) Sentence 1
   The Supervisory Board has not defined any maximum period of membership for the Supervisory Board. Rather, it wishes to retain the flexibility of proposing candidates for nomination to the Supervisory Board who are able to contribute to GRAMMER AG on account of their long-standing experience and who have proven themselves in their activities on the Supervisory Board.

In the period between its last declaration of conformity of December 9, 2014 and the date on which the May 5, 2015 version of the Code took effect GRAMMER AG conformed to the recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 24, 2014 published by the German Federal Ministry of Justice in the official part of Bundesanzeiger with the exception of Article 4.2.2 (2) Sentence 3 and Article 4.2.5 (3). The reasons for the departure from the recommendations set out in Article 4.2.2 (2) Sentence 3 can be found in Section 1 above. "

This declaration and all declarations of conformity issued in previous years are available on GRAMMER AG's website.

MEMBERS OF THE EXECUTIVE BOARD

EXECUTIVE BOARD

NAME	FUNCTION	RESPONSIBILITIES
M.Sc. BWL, Dipl.-Ing. (FH) **HARTMUT MÜLLER** In office since 2007	Chairman of the Executive Board (CEO, from August, 2010) HR Director (from June 1, 2015)	Corporate development Group Internal Control & Legal Group Investor Relations, Communications & Marketing Group Human Resources (Personnel including training) (from June 1, 2015) Group Strategic Product Planning (from June 1, 2015)
Dipl.-Ing. (FH) **MANFRED PRETSCHER** In office since 2010	Member of the Executive Board Chief Operating Officer (COO) HR Director (until May 31, 2015)	Group Operations Group Projects (from June 1, 2015 Group Sales & Projects) Group Quality & Group Services Group Human Resources (until May 31, 2015) Group Research & Development Group Strategic Product Planning (until May 31, 2015)
Gradué en Sciences Juridiques **GÉRARD CORDONNIER** From June 2015	Member of the Executive Board Chief Financial Officer (CFO)	Group Finance Group Accounting Group Controlling Group Purchasing Group IT
Dipl.-Kaufmann **VOLKER WALPRECHT** Until May 20, 2015	Member of the Executive Board	Group Accounting Group Commercial Projects Group Controlling Group Finance Group IT Group Purchasing Group Sales

Declarations of conformity: http://www.grammer.com/en/investor-relations/corporate-facts/corporate-governance.html

MEMBERS OF THE SUPERVISORY BOARD

SUPERVISORY BOARD

NAME	FUNCTION	PROFESSION/ PLACE OF RESIDENCE
Dr.-Ing. **KLAUS PROBST**	Chairman of the Supervisory Board	Chief Executive Officer of LEONI AG (until May 7, 2015) Nuremberg/ Heroldsberg
HORST OTT	Deputy Chairman of the Supervisory Board, employee representative	1st Chairman of IG Metall Amberg/Königstein
ANDREA ELSNER	Member of the Supervisory Board, employee representative (from May 20, 2015)	Industrial business management assistant/ Ebermannsdorf
M.A. **TANJA FONDEL**	Member of the Supervisory Board, employee representative	Trade union secretary, IG Metall Board, Frankfurt a. M./ Frankfurt a.M.
Dipl.-Betriebswirt (FH) **WOLFRAM HATZ**	Member of the Supervisory Board	Self-employed businessman, executive director of Motorenfabrik Hatz GmbH & Co. KG and Hatz Holding GmbH Ruhstorf a. d. Rott/ Ruhstorf a. d. Rott
BERNHARD HAUSMANN	Member of the Supervisory Board, employee representative (until May 20, 2015)	Team leader Intercompany Processing/ Amberg
MARTIN HEISS	Member of the Supervisory Board, employee representative (from May 20, 2015)	Data processing management assistant/ Sulzbach-Rosenberg
Lic. oec. HSG **INGRID HUNGER**	Member of the Supervisory Board	Spokesperson of the Management Board of HUNGER Hydraulik Gruppe, Lohr a. M./ Lohr a. M.
Dipl.-Betriebswirt (FH) **HARALD JUNG**	Member of the Supervisory Board, employee representative	Vice President Division Controlling Consoles/ Nabburg
Dipl.-Betriebswirt **GEORG LIEBLER**	Member of the Supervisory Board (until May 20, 2015)	Consultant, owner of Georg Liebler Consulting Services Unternehmensberatung/Möglingen, former member of the Executive Board of KSPG AG, Düsseldorf/ Möglingen

MEMBERS OF THE SUPERVISORY BOARD

SUPERVISORY BOARD

NAME	FUNCTION	PROFESSION/ PLACE OF RESIDENCE
Dipl.-Kaufmann **DR. HANS LIEBLER**	Member of the Supervisory Board	Self-employed investment advisor/Gräfelfing
Dipl.-Kaufmann **DR. PETER MERTEN**	Member of the Supervisory Board (from May 20, 2015)	Member of the Management Board (finance/ controlling, IT) of KSPG AG/Herrsching
WOLFGANG RÖSL	Member of the Supervisory Board, employee representative (until May 20, 2015)	Industrial electrician/ Sulzbach-Rosenberg
LARS RODER	Member of the Supervisory Board, employee representative	Mechanical engineering technician/ Kümmersbruck
DR. BERNHARD WANKERL	Member of the Supervisory Board	Attorney, law firm Dr. Wankerl und Kollegen/Schwandorf

WORK PRACTICE OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD AND ITS COMMITTEES

As a stock corporation under German law, GRAMMER AG has a dual governance system comprising the Executive Board and the Supervisory Board, each of which has distinct powers. The Executive Board and the Supervisory Board work together in a close and mutually trusting relationship to manage and monitor the Company. The Executive Board manages GRAMMER AG on the basis of statutory provisions and the rules of procedure defined by the Supervisory Board. The Supervisory Board advises and monitors the Executive Board in matters relating to management of the Company. Material transactions performed by the Executive Board require the Supervisory Board's approval. In addition, the Supervisory Board appoints the member of the Executive Board.

EXECUTIVE BOARD

The Executive Board of GRAMMER AG comprises three members: Mr. Hartmut Müller, Chief Executive Officer (CEO), Mr. Gérard Cordonnier, Chief Financial Officer (CFO), and Mr. Manfred Pretscher, Chief Operating Officer (COO). The Executive Board's rules of procedure govern the allocation of their individual responsibilities and internal cooperation on the Executive Board. In accordance with the applicable rules of procedure, certain decisions by the Executive Board require the approval of the Supervisory Board. The following change arose in the composition of the Executive Board in 2015: Mr. Volker Walprecht stepped down from his position as the Company's Chief Financial Officer effective May 31, 2015. Accordingly, he relinquished his position on GRAMMER AG's Executive Board at the end of the annual general meeting on May 20, 2015. To replace Mr. Walprecht, the Supervisory Board appointed Mr. Gérard Cordonnier new CFO of GRAMMER AG effective June 1, 2015. In connection with the resultant adjustments to the business allocation plan for the Executive Board, Mr. Hartmut Müller assumed the position of Director of Human Resources effective June 1, 2015.

The members of the Executive Board jointly manage the Company, define its strategy and ensure compliance with the applicable statutory provisions and internal guidelines. At regular meetings, the Executive Board provides the Supervisory Board with prompt and comprehensive information, orally and in writing, on current business developments. The focus of these meetings is on the strategy, ongoing business and economic situation of the Company and the Group as well as risk management.

The members of GRAMMER AG's Executive Board are obliged to act in the Company's best interests. In the event of any conflicts of interests on the part of members of the Executive Board, the Supervisory Board and the rest of the Executive Board must be notified without delay. The members of the Executive Board did not disclose any conflicts of interests in 2015.

THE SUPERVISORY BOARD

GRAMMER AG's Supervisory Board has a total of twelve members, half of whom are elected by the Company's shareholders and the other half by the employees of GRAMMER AG. All members of the Supervisory Board elected by the shareholders are independent persons having no business or personal relationships with the Company or the Executive Board. The members of the Supervisory Board undertake to act in the Company's best interests. Any conflicts of interests, e.g. arising from a management function for customers, suppliers, creditors or other business partners, must be disclosed to the Supervisory Board. The members of the Supervisory Board did not disclose any conflicts of interests in 2015.

The following changes to the composition of GRAMMER AG's Supervisory Board arose in 2015: The members of the Supervisory Board representing the shareholders – Wolfram Hatz, Ingrid Hunger, Dr. Hans Liebler, Dr. Klaus Probst and Dr. Bernhard Wankerl – were re-elected at the annual general meeting on May 20, 2015. In addition, Dr. Peter Merten, was elected to GRAMMER AG's Supervisory Board for the first time to replace Georg Liebler, who did not stand for re-election for age reasons. The members of the Supervisory Board representing the employees – Tanja Fondel, Harald Jung, Horst Ott and Lars Roder (née Schelenz) – were re-elected. Andrea Elsner and Martin Heiß were elected to the Supervisory Board for the first time. Bernhard Hausmann and Wolfgang Rösl stepped down from GRAMMER AG's Supervisory Board. At the Supervisory Board's constituting meeting, Dr. Klaus Probst was elected Chairman of the Supervisory Board and Horst Ott Deputy Chairman.

A list of the current members of the Supervisory Board can be found on page 28 of this report.

The Supervisory Board appoints and dismisses the members of the Executive Board, makes decisions on their service contracts and on the Executive Board remuneration system and advises and monitors the Executive Board on matters concerning the management of the Company. In addition, it is involved in strategy and planning as well as in all issues that are of key importance to the Company. The Supervisory Board elects a Chairman and a Deputy Chairman, reviews the annual financial statements, management reports and proposal for the allocation of the unappropriated profit as well as the consolidated financial statements and the Group management report in accordance with the statutory provisions. In addition, it drafts and amends the Executive Board's rules of procedure and issues the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) in conjunction with the Executive Board.

Detailed information on the activities of the Supervisory Board and its relations with the Executive Board can be found in the Report of the Supervisory Board (page 33 ff.).

The Supervisory Board manages its affairs in accordance with rules of procedure which it has adopted itself and which were most recently amended on October 1, 2015.

The members of the Supervisory Board review the efficiency of their work once a year. At its meeting on May 19, 2015, the Supervisory Board considered the results of its efficiency review and discussed measures to additionally improve efficiency.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of GRAMMER AG had four committees in 2015: the Strategy Committee, the Audit Committee, the Standing Committee, which was renamed the Personnel and Mediation Committee on October 1, 2015, and the Nominating Committee. The work of the committees is governed by the Supervisory Board's rules of procedure. The Audit Committee has its own rules of procedure, it meets at least once each quarter and additionally on an ad-hoc basis.

A list of the current members of the Supervisory Board committees can be found on page 35 of this report.

TARGETS FOR THE COMPOSITION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Vacancies on the Executive Board and the Supervisory Board of GRAMMER AG are filled in accordance with various criteria. When making new appointments to the Executive Board, the Supervisory Board attaches importance to the professional qualifications, international experience and leadership qualities of the candidate and particularly also diversity and adequate consideration of female candidates. The Supervisory Board has set a target of 20 % for the share of women on the Executive Board. This target was defined at its meeting of March 26, 2015 and will initially apply for two years, after which it will be reviewed at the latest at the meeting at which the Supervisory Board deliberates on the annual financial statements for 2016 in March 2017.

ACHIEVEMENT OF TARGET PROPORTION OF WOMEN AS OF DECEMBER 31, 2015

	SUPERVISORY BOARD	EXECUTIVE BOARD
Target	30 %	20 %
Current proportion	25 %	0 %

The profile of requirements for potential members of the Supervisory Board includes the prerequisite knowledge and capabilities as well as appropriate experience in performing the duties of a supervisory board member. In addition, GRAMMER AG's Supervisory Board must have at least one independent member with accounting or auditing qualifications. A further goal stipulates that members of the Supervisory Board should not have yet reached the age of seventy years when they are elected or re-elected to the Supervisory Board.

In accordance with the objectives which have been defined in respect of its composition, at least 25 % of its members should possess international experience obtained, for example, from many years of professional activity abroad or from managing an internationally active company. In addition, the Supervisory Board is committed to achieving a reasonable proportion of woman in the composition of the Board. Thus, following the new elections in 2015, the number of women on the Supervisory Board has risen to three. As of December 31, 2015, three women – Ms. Andrea Elsner, Ms. Tanja Fondel and Ms. Ingrid Hunger – held seats on GRAMMER AG's Supervisory Board. One of these, Ms. Ingrid Hunger, represents the shareholders. The quotas stipulated by the Act on the Equal Participation of Women and Men in Executive Positions in the Private and Public Sector will be observed in all elections and with all replacement vacancies from January 1, 2016.

Under this legislation, 30 % of the Supervisory Board is to be made up of women. As the employee representatives have opposed combined fulfilment of the quota, it will now be fulfilled separately for the shareholder representatives and the employee representatives. Accordingly, the number of female shareholder representatives will be increased to two in the next elections or when a position becomes vacant.

In addition, no more than two former members of the Executive Board are permitted to hold seats on the Supervisory Board. Similarly, members of the Supervisory Board must not exercise any governance or advisory function for any of GRAMMER AG's main competitors. If a member of the Supervisory Board is also on the executive board of a listed company, he or she may not hold more than three supervisory board offices for listed companies.

TARGETS FOR THE PROPORTION OF WOMEN ON UPPER MANAGEMENT LEVELS

Under section 76 (4) of the German Stock Corporation Act (AktG), the Executive Board is required to define the target proportion of women on the two management levels below GRAMMER AG's Executive Board. A global quota of 15 % has been defined for top management and of 20 % for middle management. In Germany a quota of 10 % applies for Tier 1 management and of 15 % for middle management. This target will initially apply for two years, after which it will be reviewed in March 2017 at the latest.

CURRENT TARGET ACHIEVEMENT AS OF DECEMBER 31, 2015

	TOP MANAGEMENT	MIDDLE MANAGEMENT
Target quota (international)	15 %	20 %
Current quota (international)	14.30 %	22.90 %
Target quota (Germany)	10 %	15 %
Current quota (Germany)	7 %	16 %

DISCLOSURES ON D&O INSURANCE

D&O insurance has been taken out. With respect to the Executive Board, a deductible of at least 10 % of the loss up to an amount equaling or exceeding one-and-a-half times the annual fixed remuneration of the Executive Board member in question applies in accordance with section 93 (2) AktG; the Supervisory Board has voluntarily agreed to a deductible of 10 % of its annual fixed remuneration.

GRAMMER GROUP'S CODE OF CONDUCT

In addition to the recommendations of the German Corporate Governance Code, GRAMMER AG has adopted its own Code of Conduct which includes further binding rules governing the GRAMMER Group's business activity. The GRAMMER Group's Code of Conduct defines mandatory rules for observing national statutory requirements, the principles of fair competition, health, safety and the environment as well as provisions concerning the treatment of confidential information and the avoidance of corruption and insider trading. The principle of equal opportunities is also firmly entrenched in the Code of Conduct. To ensure that the Code is implemented and duly observed, GRAMMER has issued further explanatory and supplementary rules. GRAMMER offers its employees web-based training and has established a Code Team. This Code Team comprises a member of the Executive Board as well as the Vice President Group Human Resources and the Vice President Group Internal Control & Legal. The members answer any questions which employees may have concerning the Code of Conduct and help in investigating and eliminating any breaches or instances of improper conduct.

The Company has set up a separate e-mail address for reporting any compliance-related matters and publishes bulletins on an ad-hoc basis. In this connection, staff are also able to attend lectures and take part in web-based training on compliance-related matters. As well as this, they have access to a list of frequently asked questions complete with the corresponding answers on this subject.

RESPONSIBILITY AS A CORPORATE CITIZEN

A company's long-term success does not depend only on successful business performance. GRAMMER is expressly committed to a culture of caring and has firmly entrenched the duty of sustainable activity in its corporate guidelines. Its corporate social responsibility statement comprises economic, ecological and social components. Thus, it strives to minimize the strain on people and nature as far as possible, supports social projects and institutions at various GRAMMER locations around the world, furthers employees and young potentials and is committed to environmental protection and lower emissions as well as the sparing consumption of raw materials, water and energy.

Detailed information on the GRAMMER Group's CSR activities can be found in the section entitled "Assuming responsibility – acting sustainably" on page 22 ff.

INVESTOR RELATIONS

As a matter of principle, GRAMMER reports about the Company and current developments equally and at the same time to all relevant target groups. The Executive Board and the Supervisory Board are committed to the continuing improvement of communications in order to provide the general public with comprehensive and transparent information.

At our corporate website www.grammer.com, institutional and private investors have access to information on relevant topics. In addition to current press releases, all declarations of conformity to the German Corporate Governance Code, information about the Executive Board, the Supervisory Board and Annual General Meeting are published here, as well as annual and quarterly reports. The Internet site also provides information on all important dates and publications, ad hoc notifications and transactions subject to disclosure requirements (directors' dealings). Other information of interest to investors, such as road show presentations, are also included.

DIRECTORS' DEALINGS

Members of the Executive Board and the Supervisory Board, along with all other employees holding management responsibilities, are obliged under section 15a of the German Securities Trading Act (WpHG) to disclose the purchase and sale of GRAMMER shares or related financial instruments. This obligation also applies to persons closely related to management staff.

GRAMMER AG was notified of the following transactions in 2015:

DETAILS OF REPORTABLE TRANSACTIONS

NAME	Dr. Klaus Probst	Dr. Klaus Probst	Dr. Klaus Probst
REASON FOR REPORTING DUTY	Person with management duties	Person with management duties	Person with management duties
FUNCTION	Chairman of the Supervisory Board	Chairman of the Supervisory Board	Chairman of the Supervisory Board
ISSUER WITH REPORTING DUTY	GRAMMER Aktiengesellschaft, Georg-Grammer-Straße 2, D-92224 Amberg	GRAMMER Aktiengesellschaft, Georg-Grammer-Straße 2, D-92224 Amberg	GRAMMER Aktiengesellschaft, Georg-Grammer-Straße 2, D-92224 Amberg
DESIGNATION OF THE FINANCIAL INSTRUMENT	Shares in GRAMMER Aktiengesellschaft	Shares in GRAMMER Aktiengesellschaft	Shares in GRAMMER Aktiengesellschaft
ISIN OF THE FINANCIAL INSTRUMENT	DE0005895403	DE0005895403	DE0005895403
TYPE OF TRANSACTION	Purchase	Purchase	Purchase
DATE	June 18, 2015	August 12, 2015	August 12, 2015
TRADING PLATFORM	Xetra	Xetra	Xetra
PRICE	29.60	22.65	22.54
CURRENCY	EUR	EUR	EUR
NUMBER	5,000	9,736	264
TOTAL VALUE	EUR 147,980.29	EUR 220,520.40	EUR 5,950.56

As of December 31, 2015, members of the Executive Board and the Supervisory Board directly or indirectly held less than one percent of the Company's shares. This also applies to persons closely related to management staff.

See page 140 ff. for the remuneration report.

REMUNERATION REPORT

All information concerning the remuneration of members of the Executive Board and the Supervisory Board as well as the details of GRAMMER AG's remuneration system can be found in this report.

ACCOUNTING AND STATUTORY AUDIT

GRAMMER AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The separate financial statements are prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB).

The auditing company appointed by the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg – audited the consolidated financial statements as well as the annual financial statements of GRAMMER AG. Both audits were performed in accordance with all accounting rules and taking into account the Generally Accepted Standards in Germany for the Audit of Financial Statements promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer – IDW).

The audit also covered risk management and compliance with the GCGC corporate governance reporting requirements under section 161 of the German Stock Corporation Act (AktG). It was contractually agreed that the auditor would immediately notify the Supervisory Board as to any grounds for disqualification or conflicts of interest, as well as any key findings and occurrences during the audit. No such notification needed to be made. The annual financial statements and the consolidated financial statements were both awarded an unqualified opinion.

More information on risk management can be found on page 63 ff. of the management report.

RISK MANAGEMENT

A responsible approach to business risks is a fundamental element of good corporate governance. Group-wide and company specific management accounting and control systems ensure that the Executive Board and management of GRAMMER AG are able to readily and comprehensively identify, assess and manage risks. The Audit Committee regularly monitors accounting processes and reporting, the efficacy of the internal control system, the risk management system and the internal audit system.

REPORT OF THE SUPERVISORY BOARD

DR. KLAUS PROBST
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,
in 2015, the Supervisory Board fulfilled its duties with the utmost care in accordance with the Articles of Association, the rules of procedure and the applicable statutory requirements. It monitored the activities of the Executive Board on an ongoing basis, advising it on all matters of importance for the Company. To this end, the Executive Board and the Supervisory Board worked closely together, maintaining regular contact with each other. The Executive Board briefed the Supervisory Board regularly, immediately and comprehensively in both writing and orally on all relevant matters within the Company as well as on its main business performance indicators. The Supervisory Board and the Executive Board discussed decisions of fundamental importance such as strategic issues concerning corporate planning, business policy, business performance, the risk situation and risk management.

Outside its meetings, the chairman of the Supervisory Board consulted with the Chief Executive Officer several times a month in intensive discussions both in person and over the phone, obtaining information on the Company's business performance and main transactions.

MAIN MATTERS DEALT WITH AT THE MEETINGS OF THE SUPERVISORY BOARD

At its ordinary quarterly meetings, the Supervisory Board dealt in detail with the Company's current business and financial condition. At its meetings, the Supervisory Board regularly deliberated on revenue, earnings and capacity utilization as well as the financial condition and liquidity situation of GRAMMER AG and the GRAMMER Group. In addition, the members of the Supervisory Board discussed and passed resolutions on numerous matters as well as measures requiring their consent. The Supervisory Board held a total of five ordinary meetings in 2015; in addition, the various committees were convened ten times. No member of the Supervisory Board attended only half or fewer than half of the meetings. There were no conflicts of interests on the part of any of the members of the Supervisory Board in connection with the exercise of their duties in the period under review.

All members of the Supervisory Board attended the first meeting on March 26, 2015. The main item on the agenda concerned the audit of the annual financial statements and the consolidated financial statements as well as the combined management report. In the presence of the statutory auditor, the Supervisory Board adopted the parent-company financial statements of GRAMMER AG for the year ending December 31, 2014 and approved the consolidated financial statements of GRAMMER AG for the year ending December 31, 2014.

In addition, the Supervisory Board passed resolutions concerning GRAMMER AG's Annual General Meeting which was to take place on May 20, 2015. In particular, it accepted the Executive Board's proposal to ask the shareholders to approve a dividend of EUR 0.75 per dividend-entitled share and determined the nominations for the shareholder representatives for election to GRAMMER AG's Supervisory Board. In doing so, it adopted the recommendations of the Nominating Committee.

Further matters discussed at the meeting included:

- Deliberation on the risk report
- Resolution concerning a contract to terminate the service contract with Mr. Volker Walprecht
- Definition of the targets for the composition of the Executive Board and the Supervisory Board: The profile of requirements for members of the Supervisory Board and the definition of targets for the proportion of women on the Executive Board and the Supervisory Board and in the Group's top management levels were set.

The main focus of the second meeting, which was held on May 19, 2015 and attended by all members of the Supervisory Board, was on preparations for the Annual General Meeting taking place on the following day. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board additionally reviewed the efficiency of its activities.

A further topic entailed amendments to the Executive Board's rules of procedure (business allocation plan) as well as the change in the appointment to the position of HR Director.

The third meeting of the Supervisory Board was held immediately after the Annual General Meeting on May 20, 2015. Eleven of the twelve members of the Supervisory Board attended the meeting. At this constitutive meeting, the new members of the Supervisory Board were welcomed and the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairpersons of the committees were elected.

The fourth meeting of the Supervisory Board was held on September 22, 2015 at the Haselmühl production site, where the Supervisory Board was able to gain a detailed impression of the production organization, technology, capital spending and current capacity utilization. The main business dealt with at this meeting, which was attended by all members of the Supervisory Board, concerned the progress made in implementing the medium-term strategy for the period through 2020 which had been adopted in 2014.

Further matters discussed at the meeting included:

- The Standing Committee was renamed "Personnel and Mediation Committee" and the Supervisory Board's rules of procedure revised
- Presentation of the amendments to the German Corporate Governance Code and discussion particularly on a limit on the duration of Supervisory Board membership

At its fifth and final meeting on December 3, 2015, the Supervisory Board discussed and approved the budget for 2016. In addition, it dealt in depth with the Company's compliance with the recommendations of the German Corporate Governance Code in the most recently amended version dated May 5, 2015, approving the declaration of conformity which had been prepared in conjunction with the Executive Board. Eleven of the twelve members of the Supervisory Board attended the meeting.

CIRCULATORY RESOLUTIONS OF THE SUPERVISORY BOARD

In 2015, the Supervisory Board of GRAMMER AG passed four circulatory resolutions in writing.

- Circulatory resolution of June 19, 2015: Approval of the issue of a bonded loan/registered bond with a volume of up to EUR 100 million by September 30, 2015 at the latest.
- Circulatory resolution of October 26, 2015: Approval of the issue of a bonded loan with a volume of up to EUR 120 million by May 31, 2016 at the latest.
- Circulatory resolution of October 14, 2015: Approval of the acquisition of the REUM Group.
- Circulatory resolution of October 14, 2015: Approval of the sale of a plot of land.

The Standing Committee passed two circulatory resolutions.

SUPERVISORY BOARD COMMITTEES

To facilitate the efficient discharge of its duties, the Supervisory Board established the following four committees in the year under review:

STRATEGY COMMITTEE
Georg Liebler (until May 20, 2015)
Dr. Bernhard Wankerl (from May 20, 2015)
Horst Ott
Dr. Klaus Probst (Chairman)
Wolfgang Rösl (until May 20, 2015)
Lars Roder (from May 20, 2015)

STANDING COMMITTEE (renamed Personnel and Mediation Committee effective October 1, 2015)
Georg Liebler (until May 20, 2015)
Dr. Bernhard Wankerl (from May 20, 2015)
Horst Ott
Dr. Klaus Probst (Chairman)
Wolfgang Rösl (until May 20, 2015)
Lars Roder (from May 20, 2015)

AUDIT COMMITTEE
Wolfram Hatz (Chairman)
Harald Jung (until May 20, 2015)
Andrea Elsner (from May 20, 2015)
Wolfgang Rösl (until May 20, 2015)
Martin Heiß (from May 20, 2015)
Dr. Bernhard Wankerl (until May 20, 2015)
Dr. Klaus Probst (from May 20, 2015)

NOMINATING COMMITTEE
Wolfram Hatz
Dr. Klaus Probst (Chairman)
Dr. Bernhard Wankerl

The Strategy Committee advises the Executive Board on the development and implementation of the corporate strategy. It monitors the progress being made, prepares the consultations and resolutions of the Supervisory Board in connection with strategy-related matters and submits recommendations to it. The committee met three times in 2015. All members attended these meetings. At its first meeting on March 19, 2015, it primarily discussed the modifications to the strategy which had been adopted at the meeting held on October 7, 2014. The members performed a detailed review of GRAMMER's regional presence and expected growth trends in the individual regions. In addition, it considered the extent to which product and technology development was consistent with the strategic requirements. The purpose of the second meeting held on August 6, 2015 was to prepare the meeting of GRAMMER AG's Supervisory Board on September 23, 2015. The Executive Board presented to the committee members the strategy for the period from 2015 through 2020. On this basis, the committee members formulated a recommendation for a resolution to be passed by the Supervisory Board. At its third meeting on September 21, 2015, the Strategy Committee dealt with current M&A projects.

The Standing Committee, which was renamed "Personnel and Mediation Committee" on October 1, 2015, performs tasks relating to Executive Board matters in addition to duties under the German Codetermination Act, prepares personnel decisions to be made by the Supervisory Board and negotiates service contracts with the members of the Executive Board. It met twice in the year under review. All members attended these meetings.

Matters discussed at the meeting of March 19, 2015:

- A recommended proposal for submission to the Supervisory Board concerning a contract to terminate Mr. Walprecht's service contract
- Information on the progress made in filling the position of Chief Financial Officer (CFO) at GRAMMER AG

Matters discussed at the meeting of April 14, 2015:

- Presentation of candidates for the position of Chief Financial Officer (CFO) at GRAMMER AG

The Standing Committee dealt with ancillary activities of the Executive Board in one circulatory resolution. Under the Supervisory Board's new rules of procedure responsibility for such matters had been delegated to the Standing Committee. On January 29, 2015, the Standing Committee of the Supervisory Board of GRAMMER AG granted Mr. Walprecht permission to hold a seat on the advisory board for the future EMBA "Leadership & Human Resources" course at the Quadriga University Berlin.

The Audit Committee prepares the Supervisory Board's resolutions on accounting matters and monitors the efficacy of the internal control system, the risk management system and the internal auditing system. It also deals with compliance matters and engages the statutory auditor. The Chairman of the Audit Committee, Mr. Wolfram Hatz, is an independent financial expert and holds extensive professional knowledge and experience in accounting. The Audit Committee met five times in 2015 and all members attended these meetings. The main item on the agenda for the first meeting held on March 26, 2015 concerned the annual financial statements and consolidated financial statements for 2014. Representatives from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, which had been elected as statutory auditors for 2014 at the annual general meeting, were also present. Other matters included the risk report, the proposal for the election of the statutory auditors for 2015 and the efficiency review.

The second meeting held on April 30, 2015 considered the interim report for the first quarter ending March 31, 2015. In addition, the members prepared the efficiency review of the committee's activity and discussed the annual Group internal auditing report.

At the third meeting held on July 31, 2015, Mr. Hatz was confirmed as Chairman. Moreover, the committee deliberated on the GRAMMER Group's interim figures as of June 30, 2015, the risk report and the work practices of GRAMMER's Internal Control System. Further discussion concerned the statutory auditor's activities. After the members had discussed and agreed on the main focus of the audit, the schedule, the costs and the contents of the contract with the auditing company, Mr. Hatz was asked to implement the resolution.

At its fourth – extraordinary – meeting, the Audit Committee dealt in detail with currency-translation effects. The Executive Board had engaged an auditing company to perform a detailed review of currency-translation effects, the results of which as well as measures and recommendations were presented.

At the fifth meeting held on October 29, 2015, the Committee discussed the interim financial statements as of September 30, 2015 and the risk report.

The Nominating Committee is responsible for submitting the names of suitable nominees for the Supervisory Board to the annual general meeting as well as for defining in advance the requirements for the specific position to be filled. In the year under review, a meeting was held on March 3, 2015, at which the nominations of the shareholder representatives for GRAMMER AG's Supervisory Board to be elected at the Annual General Meeting on May 20, 2015 were prepared.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At the annual general meeting held on May 20, 2015, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, was appointed as statutory auditor of the annual financial statements and the consolidated financial statements for the reporting year. At its meeting of July 31, 2015, the Audit Committee engaged the auditor for the 2015 annual financial statements and the consolidated financial statements. The auditor submitted the Statement of Auditor's Independence as required by the German Corporate Governance Code and disclosed the auditing and consulting fees charged during the fiscal year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited GRAMMER AG's annual financial statements prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements of GRAMMER Group prepared in accordance with IFRS as well as the management report for GRAMMER AG and the GRAMMER Group. The auditor issued an unqualified opinion in both cases. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft determined that the management report of GRAMMER AG and the GRAMMER Group provides a true and fair view of the Company and of the Group, as well as the opportunities and risks with regard to future development.

The auditor was satisfied in accordance with section 317 (4) HGB that the Executive Board had instituted a monitoring system that meets the statutory requirements for an early warning system to identify risks threatening the Company's going-concern status and that the Executive Board had implemented appropriate measures for early detection of developments and for averting risks.

The reports and financial statement documents were submitted to the members of Supervisory Board by the auditor in a timely manner and examined thoroughly. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the key results of the audit during the meeting of the Audit Committee held on March 22, 2016 dealing with the annual and consolidated financial statements and at the Supervisory Board meeting also held on March 22, 2016 to review the financial statements.

After thorough examination of the annual financial statements and consolidated financial statements as well as the management report of GRAMMER AG and the GRAMMER Group, the Supervisory Board raised no objections in this regard. The Supervisory Board thus endorsed the audit results established by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and approved the annual financial statements for GRAMMER AG and the Group. GRAMMER AG's annual financial statements have therefore been duly approved. The Supervisory Board agreed with the Executive Board proposal for appropriation of net retained profits.

COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

The following change arose in the composition of the Executive Board in 2015: Mr. Volker Walprecht stepped down from his position as the Company's Chief Financial Officer effective May 31, 2015. Accordingly, he relinquished his position on GRAMMER AG's Executive Board at the end of the annual general meeting on May 20, 2015. The Supervisory Board appointed Mr. Gérard Cordonnier new CFO of GRAMMER AG effective June 1, 2015. In connection with the resultant adjustments to the business allocation plan for the Executive Board, Mr. Müller assumed the position of Director of Human Resources effective June 1, 2015.

There were several changes in the composition of the Supervisory Board during the reporting year: The members of the Supervisory Board representing the shareholders – Wolfram Hatz, Ingrid Hunger, Dr. Hans Liebler, Dr. Klaus Probst and Dr. Bernhard Wankerl – were re-elected at the annual general meeting on May 20, 2015. Dr. Peter Merten, was elected to GRAMMER AG's Supervisory Board for the first time to replace Georg Liebler, who did not stand for re-election for age reasons.

The members of the Supervisory Board representing the employees – Tanja Fondel, Harald Jung, Horst Ott and Lars Roder (né Schelenz) – were re-elected. Andrea Elsner and Martin Heiß were elected to the Supervisory Board for the first time. Bernhard Hausmann and Wolfgang Rösl stepped down from GRAMMER AG's Supervisory Board.

At the Supervisory Board's constituting meeting, Dr. Klaus Probst was elected Chairman of the Supervisory Board and Horst Ott Deputy Chairman.

VOTE OF THANKS

The Supervisory Board would like to express its thanks to the Executive Board, the employees and the employee representatives of GRAMMER AG for their personal commitment and hard work without which the favorable business performance achieved in 2015 would not have been possible.

Amberg, March 2016
On behalf of the Supervisory Board

Dr. Klaus Probst
Chairman

GRAMMER SHARE

DAX INDEX UNABLE TO DEFEND ITS HIGHS

2015 was a turbulent year for the global stock markets against the backdrop of geopolitical crises and economic risks. This was reflected in the sharp upward and downward moves in the German blue-chip DAX index during the entire year. The DAX had closed 2014 at 9,806 points, which formed the basis for a strong rally taking it to a new all-time high of close to 12,400 points in April 2015. This strong start to the year was followed by an equally pronounced decline which ultimately pushed the DAX below 9,500 points in September. After further strong gains, which proved to be short-lived however, the DAX closed the year at 10,743 points on December 30, 2015. Accordingly, it closed the trading year with a gain of 9.6 % over the previous year.

The SDAX, a selection index of the 50 smaller listed companies in Germany, in which GRAMMER is also included, posted more pronounced gains in 2015, closing the year at 9,099 points, up 26.6 % on the end of the previous year.

GRAMMER SHARE MORE MUTED IN 2015

The GRAMMER share entered the 2015 trading year on an upbeat note but was likewise unable to shrug off the effects of the volatile market conditions. Moreover, the Company had to adjust its full-year earnings guidance for 2015 in response to the uncertainty surrounding the economic outlook for South America and Asia and the resultant decline in demand for commercial vehicles as well as the muted agricultural market. In addition, the prices of all automotive stocks came under heavy pressure from the end of September in the wake of the VW diesel emission topic.

The GRAMMER share closed the year at EUR 27.32, marking a full-year decline of 17.3 %.

Average daily trading volumes on the Xetra trading platform came to 100,000 in 2015, a substantial increase over the previous year (average daily trading volumes of around 64,000). Accordingly, GRAMMER was the fourth most liquid share in the SDAX as of December 30, 2015.

GRAMMER BASIC SHARE DATA

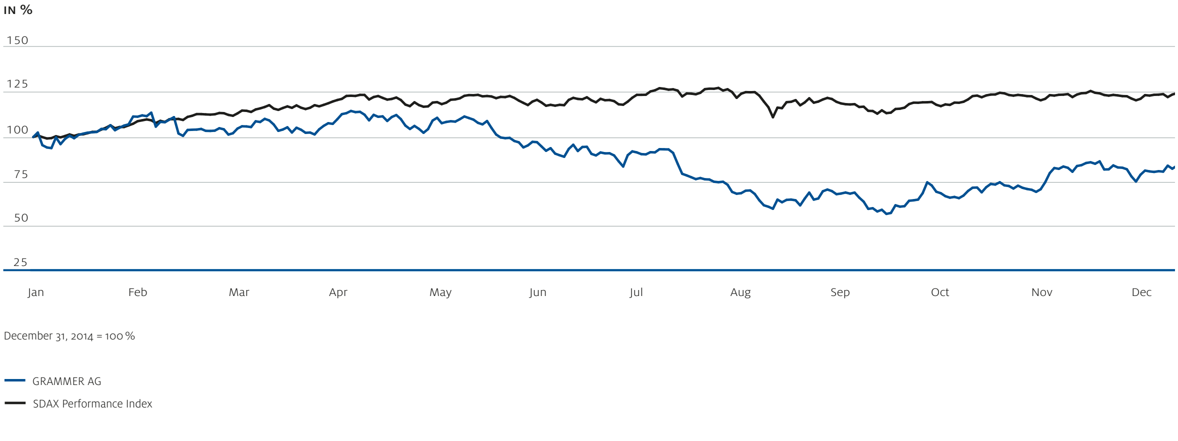
On December 31, 2015, the share capital of GRAMMER AG totaled approximately EUR 29.6 million, divided into 11,544,674 bearer shares. Of this, the Company holds 330,050 of its own shares. GRAMMER shares are listed in the SDAX and traded on the Frankfurt and Munich stock exchanges via the electronic trading system Xetra as well as in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges.

KEY FIGURES FOR THE GRAMMER SHARE

	2015	2014
Closing Xetra price (EUR, December 31)	27.32	33.05
High for the year (EUR)	37.86	44.70
Low for the year (EUR)	18.86	25.04
Number of shares (December 31)	11,544,674	11,544,674
Market capitalization (EUR million, December 31)	315.4	381.6
Earnings per share (in EUR)	2.10	3.09
Dividend per share (EUR)	0.75[1]	0.75

[1] Proposed

GRAMMER AG AND SDAX PERFORMANCE INDEX 2015 PRICE TREND



REGULAR COVERAGE BY ANALYSTS

At the end of December 2015, the GRAMMER share was being covered by six different research departments. A total of more than 60 analyses on the share were published in 2015.

ANALYST COVERAGE OF GRAMMER AG IN 2015

BANKS AND RESEARCH COMPANIES
Baader Bank
Bankhaus Lampe
DZ Bank
Landesbank Baden-Württemberg
M.M. Warburg
Oddo Seydler

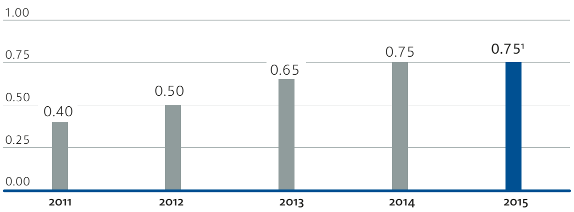
DIVIDEND CONTINUITY

Around 40 % of the voting-entitled capital was represented at GRAMMER AG's Annual General Meeting again on May 20, 2015. The shareholders approved the proposal submitted by the Executive Board and the Supervisory Board for a dividend of EUR 0.75 per share. Accordingly, the dividend has risen continuously over the last few years. GRAMMER is committed to ensuring that its shareholders receive an appropriate share of the Company's profit in 2015 once again.

For this reason, the Executive Board and the Supervisory Board will be asking the shareholders to approve a dividend of EUR 0.75 per share for 2015 at the annual general meeting on May 11, 2016. This translates into a dividend yield of around 2.7 % based on the 2015 closing price.

DEVELOPMENT OF DIVIDENDS

IN EUR



[1] Proposal

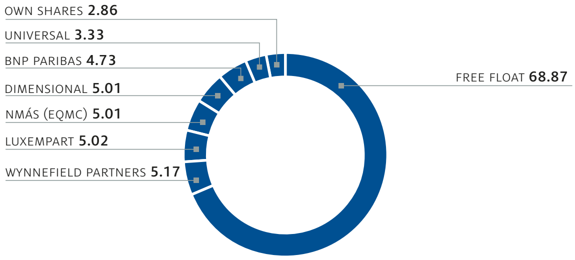
INVESTOR RELATIONS

GRAMMER AG's financial communications were again characterized by open, prompt and comprehensive information for all market participants in the year under review. Once again, the Executive Board as well as the investor relations team maintained regular contacts with analysts, financial and business journalists as well as institutional and private investors in 2015. To this end, we held more than 250 one-on-ones. In addition to talks in person, capital market participants have numerous other options for keeping abreast of events at the Group and the performance of the GRAMMER share: Press releases, ad-hoc releases and voting right notifications provide information on the latest developments at the Company with minimum delay. The annual report, our quarterly reports and our website at www.grammer.com provide additional extensive information. As well as this, the investor relations team is also available in person to answer any questions.

SHAREHOLDER STRUCTURE

SHAREHOLDER STRUCTURE

IN %



as of December 31, 2015

The above chart only includes notifications relating to holdings of GRAMMER shares of greater than 3 %. In addition, it shows the number of shares held as own shares. The current shareholder structure is also disclosed in the Investor Relations section of the GRAMMER AG website.

In 2015, GRAMMER AG received the following voting right notifications in accordance with section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG):

VOTING RIGHT NOTIFICATIONS IN 2015

DATE OF CHANGE	NOTIFYING SHAREHOLDER	THRESHOLD EXCEEDED/ DROPPED BELOW		SHARING OF VOTING RIGHTS ACCORDING TO NOTIFICATION	
March 10	Source Markets	Over	5 %	6.26 %	(722,761)
March 10	Source Holdings	Over	5 %	6.26 %	(722,761)
March 10	Source Investments Management	Over	5 %	6.26 %	(722,761)
March 11	Source Markets	Under	3 %	0.85 %	(98,366)
March 11	Source Holdings	Under	3 %	0.85 %	(98,366)
March 11	Source Investments Management	Under	3 %	0.85 %	(98,366)
May 18	Dimensional	Over	5 %	5.01 %	(577,968)
July 3	BNP Paribas Investment	Under	5 %	4.73 %	(545,592)
July 20	Nmás1 (EQMC)	Over	5 %	5.01 %	(578,388)
July 29	Universal-Invesment-Gesellschaft	Over	3 %	3.33 %	(384,300)
August 4	Deutsche Asset & Wealth Management	Under	5 %	4.60 %	(530,846)
August 7	Deutsche Asset & Wealth Management	Under	3 %	2.82 %	(325,966)
August 19	Luxempart/Foyer Finances	Over	3 %	3.12 %	(360,482)
August 26	Deutsche Asset & Wealth Management	Over	3 %	3.45 %	(398,148)
August 26	UBS	Over	3 %	3.71 %	(428,735)
September 24	Luxempart/Foyer Finances	Over	5 %	5.02 %	(579,630)
October 16	UBS	Under	3 %	2.78 %	(321,093)
November 5	Deutsche Asset & Wealth Management	Under	3 %	2.40 %	(277,317)

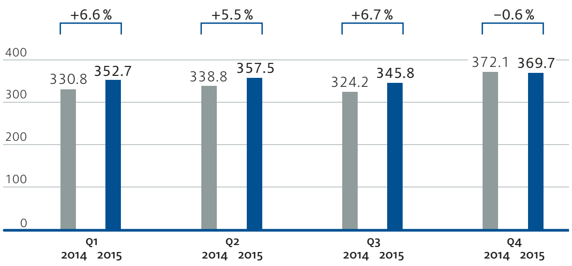
QUARTERLY OVERVIEW OF THE GROUP AND DIVISIONS

QUARTERLY OVERVIEW OF THE GROUP AND DIVISIONS

GROUP

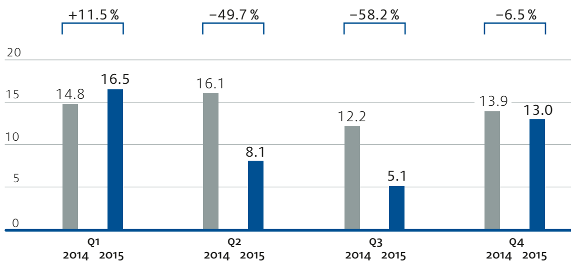
GROUP REVENUE DEVELOPMENT BY QUARTER

IN EUR M



GROUP EBIT BY QUARTER

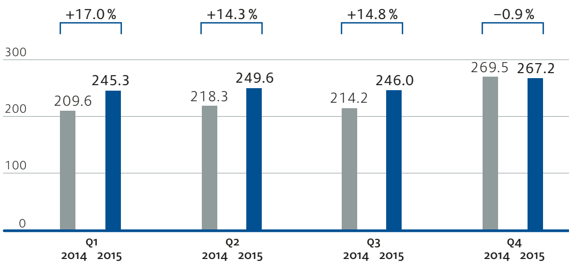
IN EUR M



AUTOMOTIVE

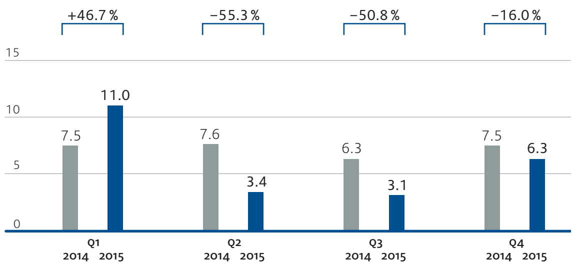
AUTOMOTIVE REVENUE DEVELOPMENT BY QUARTER

IN EUR M



AUTOMOTIVE EBIT DEVELOPMENT BY QUARTER

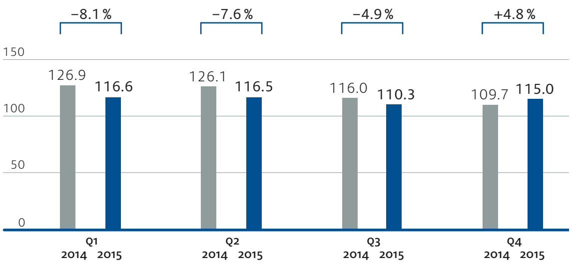
IN EUR M



SEATING SYSTEMS

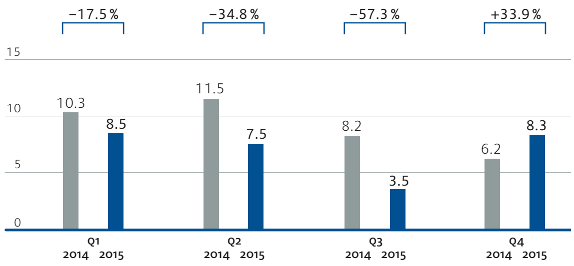
SEATING SYSTEMS REVENUE DEVELOPMENT BY QUARTER

IN EUR M



SEATING SYSTEMS EBIT DEVELOPMENT BY QUARTER

IN EUR M



GROUP MANAGEMENT REPORT INDEX

GROUP MANAGEMENT REPORT

- 4.4 % increase in Group revenue to EUR 1.43 billion
- Net profit for the year of EUR 23.8 million
- Earnings per share of EUR 2.10
- Unchanged dividend of EUR 0.75 per share proposed

BASIS OF THE GROUP

BUSINESS MODEL

GRAMMER is a global group specializing in the development and production of components and systems for automotive interiors as well as driver and passenger seats for trucks, trains and offroad commercial vehicles. Not including the REUM Group, which was acquired shortly before the end of the year, it operates over 38 production plants and logistics facilities worldwide, which manufacture and distribute high-quality products for the global vehicle industry with a high degree of value chain integration. In addition to the parent company, GRAMMER AG, the Group includes 30 fully consolidated companies as well as one joint venture consolidated at equity. The GRAMMER Group is represented in 20 countries worldwide. With its presence in the various regions, it chiefly follows its main customers. The main markets are the domestic European market, the NAFTA region, China and Brazil. The Group's business performance correlates closely with the performance of its relevant markets and main customers. In the Automotive Division these are primarily the premium passenger vehicle segment and in the Seating Systems Division commercial vehicle business in its main sell-side markets.

The GRAMMER Group is managed centrally by the three members of its Executive Board. The parent company, GRAMMER AG, has its headquarters in Amberg, Germany.

BUSINESS DIVISIONS

The GRAMMER Group comprises two divisions. The Automotive Division supplies premium automakers and automotive system vendors with products such as premium interior components, including headrests, armrests and center consoles. In the Seating Systems division, the Company operates as both a tier I and aftermarket supplier for complete seat units and seating systems. Here, GRAMMER supplies OEMs of commercial and off-road vehicles, including agricultural and forestry vehicles as well as construction machinery and material management vehicles. Other customer groups include railway transport OEMs, rail operators and bus manufacturers. In addition to the two Divisions, Central Services provides corporate functions.

MANAGEMENT PROCESS SYSTEM

GRAMMER's value-based management process system is primarily aligned to the key management indicators revenue and operating earnings before interest and taxes (EBIT). In addition, working capital, net financial liabilities, GEVA (GRAMMER Economic Value Added) and gearing (net financial liabilities divided by equity) are monitored. GEVA is described in further detail in the remuneration report.

RESEARCH AND DEVELOPMENT

Innovative products and production technologies holding promised for the future are decisive determinants of a company's business performance, particularly in the automotive industry. Reflecting this, research and development for the creation of new and innovative products, applications and processes form a central element of the GRAMMER Group's corporate strategy. Over the last few years, we have been steadily broadening our international development network to maintain our technological lead with products offering potential for the future so as to successfully position ourselves in all core regions. This allows us to tap into new market potential and ensure the Company's competitiveness. In order to secure and reinforce the leading position that we hold in innovations and technology, we have more than 400 GRAMMER engineers and R&D employees working in the Group-wide research and development network with the aim of constantly improving the ergonomics, safety, functionality, quality, aesthetics and design of our products. In addition to meeting ongoing market and customer requirements, GRAMMER has established a systematic innovation process in the R&D area. By the close connection of predevelopment and "Strategic Product Planning", we are able to identify future trends and key developments in our markets at an early stage and systematically initiate and develop our own innovations. The success of this strategy is reflected in the numerous new orders in all regions. The continued large number of volume and predevelopment projects additionally testifies the Company's high innovativeness.

For many years now, light-weight construction has formed a major thrust of our development activities. The aim is to play an active role in the general trend towards weight reduction in automotive engineering as a means of cutting fuel consumption and CO_2 emissions. To this end, numerous activities – including ones with the external support of universities and specialist institutions – have been initiated and various designs, e.g. for truck passenger seats and the production of center consoles, presented. Looking forward, the use of sustainable materials will also continue to grow in importance.

In addition to mastering and enhancing our traditional products and skills, we are thus increasingly concentrating on the integration of electric and electronic subsystems in our products. This forms the basis for the development of intuitive or sensor-based operating interfaces.

In the Automotive Division, responsibility for developing new automotive components and systems is continuing to shift away from OEMs towards suppliers. Consequently, GRAMMER is continuing to strengthen its position as a development partner and innovation driver for customers in this area. In this context, a technological lead and innovative solutions give us an important competitive edge. In addition to the light-weight construction mentioned above, the thrust of our development activities is targeted at the production of high-quality surfaces for our products as well as new kinematic solutions for consoles. Here, we are conducting intensive research into materials as well as production processes. With the acquisition at the end of 2015 of the REUM Group, a specialist in surface, plastic and metal technology, we are specifically extending our own technological capabilities in plastic injection molding processes, surface finishing and metalworking. These innovative process and production technologies will allow GRAMMER to additionally develop its range – particularly in automotive interiors – swiftly and in line with future requirements. In addition, we are working on solutions for integrating new HMI (human-machine interface) solutions, which are to be offered to customers as an integrated system together with the consoles in the future. With respect to headrests, the main focus is on innovative solutions for electric drives and fully automatic adjustments in the premium segment as well as further enhancements to existing technologies with respect to safety, comfort, package space, weight and adjustment mechanisms.

In the Seating Systems Division, GRAMMER is also working steadily on enhancing its range and creating innovative solutions that anticipate changes in market conditions. Looking ahead, new and innovative products will enable GRAMMER to meet customer requirements to a high degree and to additionally reinforce and broaden its market position. With the combination of many years of experience in the development of suspended seats and ergonomic solutions together with the electronic skills which it has amassed in the last few years, GRAMMER is able to offer integrated and bespoke solutions providing optimum cabin comfort and covering all aspects of vehicle control. In the offroad segment, activities aimed at expanding the current range of HMI solutions are progressing according to schedule; at the same time, however, work on the next-generation integrated seat solutions is being stepped up. As well as this, we are continuing to improve the comfort, safety and functionality of our latest generation of truck driver seats with adjustment functions fully controlled by electric motors. Looking forward to future generations of truck cabins, demand for the integration of ergonomic seating systems with multifunctional electronic armrests will increase. We are working closely with universities and customers to design the driver cabin of the future. In this way, we are able to enter a whole new dimension in the integration of vehicle and cabin functions as well as the ergonomic design of the cabin environment. In the rail segment, we are increasingly establishing ourselves as a full-line supplier for the entire segment, supplying new seating platforms for high-speed, long-distance and regional trains.

Looking ahead over the next few years, a further aspect of our innovation strategy alongside conventional product and technology-related developments will entail the continued expansion and reinforcement of development activities and research and development structures in the regional markets as a means of safeguarding our global market position and growth as well as to ensure efficient development activities.

ECONOMIC CONDITIONS

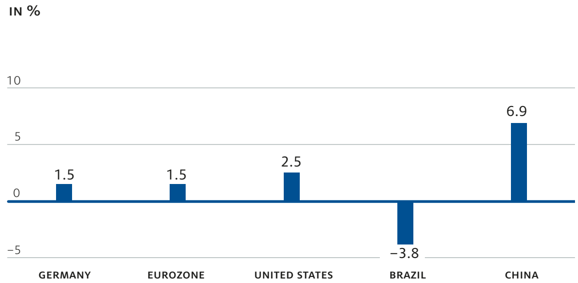
OVERALL ECONOMIC CONDITIONS AND DEVELOPMENTS

STATE OF THE GLOBAL ECONOMY

The global economy expanded at a slower rate last year. According to the International Monetary Fund (IMF), global economic output rose by 3.1 % in 2015, down from 3.4 % in the previous year. This was the slowest rate of expansion since the crisis year of 2009. The main reason for this was the continued downswing in the emerging markets. More pronounced volatility in the financial markets, declining commodity prices and pressure on exchange rates left negative traces on many emerging markets, particularly Brazil and Russia, which slipped into a deep recession. At 3.8 %, the decline in gross domestic product (GDP) in Brazil was even more pronounced than in Russia (down 3.7 %). Of the other two BRIC nations, India achieved a growth rate of 7.3 %, thus repeating the previous year's performance, while growth in China slowed by 0.4 percentage points to 6.9 %. Growth in the economies of the emerging markets as a whole fell from 4.6 % to 4.0 % in 2015.

The advanced economies continued to expand at a moderate rate, reporting growth of 1.9 %, up from 1.8 % in the previous year. However, there were considerable differences in economic momentum between the individual countries and regions. Once again, the United States stood out with year-on-year growth of 2.5 %. The Eurozone recovered only slowly from its phase of weakness, with production rising by 0.6 percentage points over the previous year to 1.5 %. The highly accommodative monetary policy pursued by the European Central Bank exerted pressure on the external value of the euro, thus improving the competitiveness of Eurozone exporters. In Germany, the upswing failed to emerge, with gross domestic product dropping from 1.6 % in the previous year to 1.5 %. Whereas France (up 1.1 %) and Italy (up 0.8 %) lagged behind, Spain led the field with expansion of 3.2 %. Economic conditions in the United Kingdom clouded over somewhat, accompanied by a decline of 0.7 percentage points in growth to 2.2 %. Japan managed to free itself from the previous year's minor recession and achieved small growth of 0.6 percentage points.

ECONOMIC GROWTH (GROSS DOMESTIC PRODUCT) IN 2015 IN SELECTED COUNTRIES



Source: IMF

BUSINESS PERFORMANCE

KEY FIGURES GRAMMER GROUP

IN EUR M

	2015	2014	CHANGE
Revenue	1,425.7	1,365.9	4.4 %
EBIT	42.7	57.0	−25.1 %
EBIT-margin (in %)	3.0 %	4.2 %	−1.2 %-points
Investments (without acquisitions)	47.9	51.5	−7.0 %
Employees (number, as of December 31)	11,397	10,700	6.5 %

BUSINESS PERFORMANCE STILL CHARACTERIZED BY REVENUE GROWTH

In the year under review, the GRAMMER Group once more achieved substantial revenue growth. This performance was chiefly underpinned by the Automotive Division, with Group revenue growing by a substantial 4.4 % in the course of the year and thus coming within GRAMMER's target corridor. Order intake was also up appreciably, with the Automotive Division registering appreciable growth. The good performance in this Division was driven by our favorable international position and the clear focus on customers in the premium segment. This customer group achieved rising sales volumes thanks to upbeat market conditions in Asia, North America and Europe. Within the Seating Systems Division, business in the truck segment was stable in Europe. On the other hand, however, revenue was down in the regions Americas and APAC (Asia Pacific) for market-related reasons. The offroad segment fell slightly short of the previous year for market-related reasons due to soft demand for agricultural machinery, while revenue in the rail segment was substantially lower for project-related reasons. In 2015, operating profit came under pressure from the expected heavy advance outlays in connection with the implementation of the global growth strategy as well as the unexpected softening of market conditions in the Seating Systems Division, which impacted the operating result considerably. However, as it was not possible to offset these effects, net profit dropped substantially to EUR 23.8 million. Earnings per share came to EUR 2.10, down from EUR 3.09 in 2014.

CHANGES IN 2015

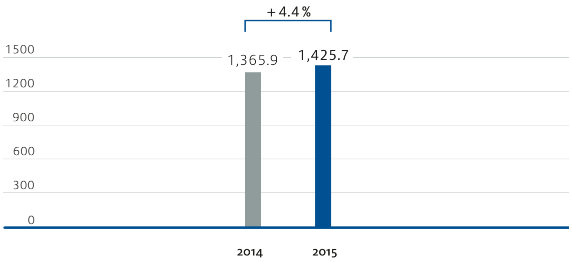
On October 19, 2015, GRAMMER AG signed a contract for the sale of land including the buildings at the Immenstetten site. The buildings will be handed over to the buyer step by step over the next few years.

On October 22, 2015, GRAMMER AG signed a contract for the acquisition of REUM Kunststoff- und Metalltechnik GmbH, Germany, (with registered offices in Hardheim) and REUM Polska Sp. z o.o., Poland (with registered offices in Sosnowiec). 100 % of the shares in these two companies were acquired. In addition, GRAMMER AG acquired the real estate which had been leased by REUM Kunststoff- und Metalltechnik GmbH at its German sites in Hardheim and Trusetal. The transaction was cleared by the competition authorities. On December 28, 2015, Grammer AG completed the acquisition of REUM Kunststoff- und Metalltechnik GmbH and REUM Polska Sp. z o.o., and hence the entire REUM Group, as a result of which the REUM Group was consolidated at the end of the year. With more than 900 employees, the REUM Group generated revenue of some EUR 130 million under local GAAP in 2014. The purchase price of the shares in REUM acquired under the terms of the transaction and the real estate acquired stands at EUR 50 million. The transaction is being financed via GRAMMER AG's existing credit facilities.

SUBSTANTIAL GROWTH IN REVENUE TO EUR 1.43 BILLION

In 2015, the GRAMMER Group generated total revenue of EUR 1,425.7 billion (2014: 1,365.9), thus reaching a new record for the fifth consecutive year in its history. After increasing by 6.1 % again over the very strong first half of 2014 in the first six months of the year under review, growth in Group revenue slowed to 2.8 % in the second half of the year. The significant increase in revenue was chiefly underpinned by strong growth in North America and moderate expansion in Europe and Asia. It should be noted that revenue growth in the Automotive Division was the driver in all regions in 2015, while the Seating Systems Division sustained substantial declines in revenue for macroeconomic and market-related reasons particularly in the Americas as well as Asia.

GROUP REVENUE DEVELOPMENT
IN EUR M



SALES BY REGION

To reflect the Group's growing international footprint, the designations of the regions have been revised. The previous term "Europe" has been replaced by "EMEA" (Europe, Middle East, Africa) and the previous term "Far East/Others" by "APAC" (Asia Pacific). At the same time, the regions have been restructured. As a result, Turkey and South Africa are now allocated to EMEA. These companies had previously been assigned to the Far East/Others. The figures for the previous year have been duly adjusted in the interests of comparability.

Business growth varied from region to region, reflecting local market conditions.

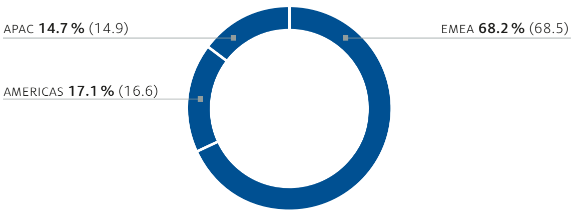
Revenue in EMEA rose by 3.8 % or EUR 35.7 million to EUR 971.7 million in the reporting period. Growth in our core region was driven almost exclusively by the high revenue generated in the Automotive Division. This reflected various new product launches in a stable environment, helping GRAMMER to additionally reinforce its market position. By contrast, revenue in the Seating Systems Division fell by 2.6 % in Europe due to softer demand in parts of the offroad segment. All in all, organic growth remained at a satisfactory level in Europe compared with the previous year. The share of EMEA business in total consolidated revenue shrank slightly to 68.2 % (2014: 68.5).

In contrast to the previous year, APAC also achieved only moderate growth in the reporting period, with business rising by only 3.2 % over the previous year to EUR 210.1 million. Reflecting general market trends, this was the lowest rate of growth in the Group. The reason for this was that in this region only the Automotive Division posted high growth rates (8.0 %). The Automotive Division benefited from strong order intake in all business segments. The slower growth in the Seating Systems Division was chiefly due to the contraction of the Chinese truck market. The region's share in total consolidated revenue shrank from 14.9 % in the previous year to 14.7 % in 2015.

The greatest growth was recorded in the Americas, where revenue rose by EUR 17.6 million over the previous year to EUR 243.9 million. This particularly reflects the disparate conditions in the individual markets. The sharp decline of 18.3 % in the Seating Systems Division, which was due solely to the slump in demand for seating products in Brazil, was accompanied by substantial growth of 22.9 % in this region in the Automotive Division, which was able to more than make up for the effects in the Seating Systems Division. All told, the share of Americas business in total Group revenue widened by 0.5 percentage points to 17.1 %.

REVENUE BY REGIONS

PREVIOUS YEAR IN BRACKETS



IN EUR M

	2015	2014	CHANGE
APAC	210.1	203.6	3.2 %
Americas	243.9	226.3	7.8 %
EMEA	971.7	936.0	3.8 %
Total	**1,425.7**	**1,365.9**	**4.4 %**

ECONOMIC SITUATION

RESULTS OF OPERATIONS

CONDENSED INCOME STATEMENT FOR THE GRAMMER GROUP

IN EUR K

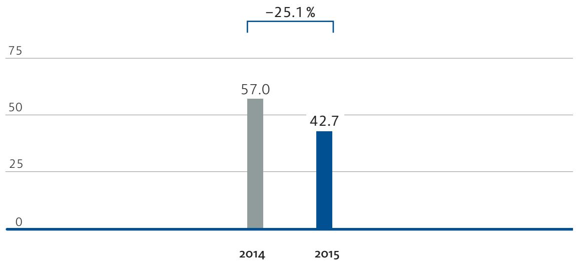
	2015	2014	CHANGE
Revenue	1,425,686	1,365,898	59,788
Cost of sales	–1,273,577	–1,207,615	–65,962
Gross profit	**152,109**	**158,283**	**–6,174**
Selling expenses	–30,803	–29,840	–963
Administrative expenses	–96,085	–88,482	–7,603
Other operating income	17,434	17,085	349
Operating profit	**42,655**	**57,046**	**–14,391**
Financial result	–6,937	–8,637	1,700
Profit/loss (–) before income taxes	**35,718**	**48,409**	**–12,691**
Income taxes	–11,942	–14,760	2,818
Net profit/loss (–)	**23,776**	**33,649**	**–9,873**

DECLINE IN EARNINGS REASONABLE GIVEN HIGH ADVANCE OUTLAYS AND SHARP CONTRACTION IN SOME MARKETS

Despite the GRAMMER Group's favorable revenue performance, earnings after tax dropped to EUR 23.8 million in 2015 (2014: 33.6) due to strains in individual market segments and the cost of continued growth. At the same time, operating earnings before interest and taxes (EBIT) fell significantly short of the previous year as expected, coming to EUR 42.7 million (2014: 57.0). This was due to the high advance outlays arising in the year under review for the implementation of the global growth strategy and the sharp market-induced decline in revenue in the high-margin sub-markets of the Seating Systems Division. As a result of these effects, the EBIT margin contracted from 4.2 % in 2014 to 3.0 % in the year under review. Even so, the substantial improvement in financial result as a result of the refinancing of financial liabilities in the previous year together with positive currency-translation effects in internal Group funding was not sufficient to offset these effects. This led to weaker net profit, causing earnings per share to drop by EUR 0.99 to EUR 2.10.

EBIT DEVELOPMENT GRAMMER GROUP

IN EUR M



COSTS

The cost of sales increased by 5.5 % to EUR 1,273.6 million (2014: 1,207.6). This growth was largely due to the increased revenue as well as higher production costs.

In the year under review, selling expenses were also up on the previous year, climbing to EUR 30.8 million (2014: 29.8) and, hence, also at the same rate as revenue.

Administrative expenses rose to EUR 96.1 million (2014: 88.5). Relative to revenue, these expenses were substantially up on the previous year due to higher revenues and expanded business activities in all regions. This was caused by business expansion in the United States, the Czech Republic and China in particular and the resultant currency-translation effects.

The staff costs included in the aforementioned items rose by EUR 19.6 million to a total of EUR 301.8 million (2014: 282.2) for business-related reasons as well as due to the advance outlays. The staff cost ratio widened only marginally over the previous year to 21.2 % (2014: 20.7).

OTHER OPERATING INCOME

Other operating income came to EUR 17.4 million (2014: 17.1) and was thus unchanged over the previous year.

FINANCIAL RESULT

Financial result came to EUR 6.9 million (2014: 8.6) The more favorable terms on which the financial liabilities were refinanced in 2013 resulted in an improvement in interest expense in 2015. In addition, currency translation had a positive effect on internal Group funding.

TAXES

At EUR 11.9 million, tax expense was down on the previous year (2014: 14.8) due to the lower earnings before tax. The percentage increase in taxes was due to the growth in operating profit in Germany together with minimum taxation effects. In addition, international tax reconciliation matters resulted in income tax payments. Moreover, strain arose from the growth in the earnings of subsidiaries subject to regionally higher tax rates.

EARNINGS

As a result of the high advance outlays in the year under review for the implementation of the global growth strategy and the market-induced decline in revenue in high-margin sub-markets in the Seating Systems Division, operating earnings before interest and taxes (EBIT) came to EUR 42.7 million and were thus substantially lower than in the previous year (2014: 57.0). The EBIT margin reached 3.0 % (2014: 4.2). Earnings after interest and taxes dropped to EUR 23.8 million (2014: 33.6) despite the improved financial result.

Earnings per share are calculated on the basis of net profit for the year adjusted for non-controlling interests and stand at EUR 2.10 (2014: 3.09).

APPROPRIATION OF PROFIT

The appropriation of profit by the GRAMMER Group is based on the net profit/loss recorded in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. Compared with the previous year, GRAMMER AG posted a substantially higher unappropriated surplus of EUR 31.2 million as of December 31, 2015 (2014: 23.6). This includes the profit of EUR 15.2 million carried forward and the net profit for the year of EUR 31.9 million less retained earnings of EUR 15.9 million. The Executive Board will be proposing to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.75 per share be paid (total dividend: EUR 8.4 million) and that the balance of EUR 22.8 million be carried forward. In this connection, allowance was made for the fact that Company holds a total of 330,050 of its own shares, which are not dividend-entitled. If the number of dividend-entitled shares changes before the date of the Annual General Meeting on May 11, 2016, the Executive Board and Supervisory Board of GRAMMER AG will present a duly adjusted dividend proposal to the meeting.

FINANCIAL POSITION

FINANCE AND LIQUIDITY MANAGEMENT

GRAMMER signed a new syndicated loan contract for EUR 180.0 million in 2013, thus securing the Group's long-term funding. The syndicated loan contract has a term of five years plus two one-year renewal options. GRAMMER exercised the second renewal option in 2015, with all participating banks renewing their share accordingly. The new term thus expires on October 31, 2020.

In addition, GRAMMER AG issued a new bonded loan in December 2015 with a total nominal value of EUR 120 million. The first tranche of EUR 81 million was issued in December 2015 and the second one of EUR 39 million in January 2016.

In implementing funding activities, Group Treasury attaches importance to timing aspects in the interest structure so that short-term drawdowns are based on floating rates, while medium to long-term funding generally exhibits matching maturities. Management of operating cash flows and adequate external capital are overseen centrally by Group Treasury except in cases where legislation in a specific jurisdiction would limit this. The Group's main financial priority is to further improve its credit rating and to establish a balanced maturity structure and diversified funding portfolio to ensure liquidity over the long term.

Group Finance handles worldwide payment transactions and administration of the cash pool in consultation with the local companies for ensuring adequate liquidity for the Group's subsidiaries, as well as determining the extent to which the system is viable and effective within the given legal and economic circumstances. For the purposes of managing financial risks, interest rate and currency risks are hedged centrally using conventional external derivative financial instruments. The Group has always kept very close watch over these risks.

As of December 31, 2015, the Group holds EUR 127.3 million in cash and cash equivalents (2014: 84.0), which are primarily being used to fund the continued growth of its business activities and as a strategic reserve.

At EUR 218.7 million, non-current bank borrowings were higher than in the previous year (2014: 145.3) due to the issue of a new bonded loan.

At EUR 64.1 million, current financial liabilities were substantially up on the previous year (2014: 25.4). This increase is due to the maturity-related reclassification of the tranches of an older bonded loan of EUR 40.0 million maturing in August and September 2016.

Cash flow from operating activities declined as a result of the substantially lower earnings before tax. In addition, it came under pressure from the effects arising from the business-induced increase in accounts receivable and inventories, which in contrast to the previous year were not offset by the opposing effects of liabilities. At the same time, income tax payments, which also include amounts for the previous year, left negative traces on cash flow from operating activities.

Cash flow from investing activities was influenced by the purchase price payments of EUR 50.0 million for the acquisition of the REUM Group less cash and cash equivalents of EUR 5.9 million acquired. Adjusted for this non-recurring effect, cash flow from investing activities was down on the previous year. In the year under review, capital spending on property, plant and equipment increased substantially over the previous year due to continued production expansion as well as capital spending on intangible assets. Capital spending on intangible assets returned to normal after the previous year's spending on software and IT licenses. Disposals of property, plant and equipment include the sale of land and buildings in Immenstetten, Amberg.

Cash flow from financing activities was well up on the previous year due to the addition of further non-current financial liabilities through the issue of further bonded loans. Despite the acquisition of the REUM Group, it was thus possible to create a strategic financial reserve by raising long-term funding in an operation that was completed in January 2016.

All in all, the Group's strong cash and cash equivalents are available for further business expansion in the growth regions and as a strategic reserve.

CAPITAL STRUCTURE

As of December 31, 2015, the Company's share capital amounted to EUR 29,554,365.44 divided into 11,544,674 shares. All shares (with the exception of own shares) accord the same rights; shareholders have a right to payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting.

On May 26, 2011, the Annual General Meeting granted approval until May 25, 2016 for new authorized capital in the amount of EUR 14,777,182.72 (Authorized Capital 2011). The Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company once or more than once by up to a total of EUR 14,777 thousand through the issue of shares against cash contribution and/or contribution in kind. A general shareholder subscription right applies to the new shares. The new shares may also be underwritten by one or more banks subject to an obligation to offer them for subscription to shareholders. The Executive Board is, however, authorized, subject to the approval of the Supervisory Board, exclude shareholders' statutory subscription rights,

a) provided this is necessary to eliminate fractional amounts;

b) if the shares are issued against contribution in kind for the purpose of acquiring companies, parts of companies, or for the purpose of acquiring receivables payable by the Company;

c) if a capital increase made against a cash contribution does not exceed 10 % of share capital and the issue price of the new shares is not substantially lower than the exchange price (section 186 (3) sentence 4 AktG); if use is made of the authorization in conjunction with an exclusion of shareholder rights in accordance with section 186 (3) sentence 4 AktG, the exclusion of subscription rights under other authorizations is to be taken into account pursuant to section 186 (3) sentence 4 AktG.

With the resolution on May 18, 2011, the Executive Board of GRAMMER AG declared its intent:

(1) to refrain from using the authorization under the new Article 5 (3) of the Articles of Association to increase the share capital of the Company against cash and/or contributions in kind with statutory subscription rights for shareholders during the term of the authorization if this would lead to issuance of an amount of shares in GRAMMER AG in excess of 30 % of existing share capital;

(2) to limit use of the authorization to exclude shareholders' statutory subscription rights in the event that shares are issued against contributions in kind for the purpose of acquiring companies, parts of companies, or for the purpose of acquiring receivables payable by the Company during the term of the authorization to no more than 20 % of the Company's existing share capital;

(3) to ensure that the sum total of any capital increases from authorized capital excluding shareholders' subscription rights during the term of this authorization does not exceed 20 % of the existing share capital.

At the annual general meeting held on May 28, 2014, a resolution was passed to grant new authorization to issue option bonds and/or convertible bonds with the possibility of excluding the shareholders' preemptive subscription rights, to create new Contingent Capital 2014/I and to make a corresponding amendment to the Company's Articles of Association: The Company's share capital was increased by up to EUR 14,777,182.72 on a contingent basis through the issue of up to 5,772,337 new bearer shares (Contingent Capital 2014/I). The contingent capital was issued so that shares can be granted to the bearers of convertible or option bonds issued in accordance with the corresponding authorization. The Executive Board may exercise this authorization with the Supervisory Board's approval on or before May 27, 2019.

The capital reserve amounted to EUR 74,444 thousand as of December 31, 2015 (2014: 74,444) and includes premiums from the capital increases in 1996, 2001 and 2011.

The revenue reserve amounted to EUR 199,698 thousand (2014: 184,505) as of December 31, 2015.

DISCLOSURE OF SHAREHOLDINGS SUBJECT IN ACCORDANCE WITH SECTION 21 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 notified shareholdings that currently exceed the 3 % threshold or have at some stage done so is included in the notes to the annual financial statements of GRAMMER AG.

OWN SHARES

The Annual General Meeting passed a resolution on May 28, 2014 to authorize the acquisition of treasury stock amounting to no more than 10% of the share capital on or before May 27, 2019. Neither in the prior year nor in the year under review did the Executive Board of GRAMMER AG make use of the authorization to acquire own shares. GRAMMER holds 330,050 treasury shares, all of which were acquired in 2006. These shares have a total value of EUR 884,928 and represent 2.8589 % of the share capital. The 330,050 treasury shares are non-voting and non-dividend-entitled.

CAPITAL SPENDING

Total capital spending by the GRAMMER Group excluding the acquisition of the REUM Group dropped from EUR 51.5 million in the previous year to EUR 47.9 million. At EUR 39.1 million, spending on property, plant and equipment remained almost unchanged at the previous year's level (2014: 38.1).

In the Automotive Division, capital spending came to a total of EUR 31.9 million (2014: 33.0) and continued to concentrate on China, the Czech Republic, Mexico and

Germany. In China, capital spending focused on new series start-ups for center consoles. In Mexico, capital spending on production equipment was also required for the start-up of new projects. As well as this, there were investments in the expansion of injection-mold production equipment and the localization of frame production. Capital spending at the Czech facilities focused on plant expansion. There was further capital spending at the sewing facilities in Bulgaria and Serbia due to the insourcing of activities and in response to the high demand. At the German facility in Schafhof, Bavaria, metal production was expanded to generate capacity for new projects.

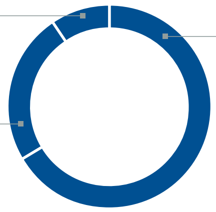
Capital spending in the Seating Systems Division totaled EUR 11.6 million in 2015 (2014: 15.0). In the United States, a production facility was established in Tupelo, Mississippi. Following the certification of the new facility by the main customers and successful start-up of seat production, preparations were initiated ahead of the commencement of automotive production. Consequently, the first center consoles for the local automotive market will be produced at the Tupelo site from 2016. In addition, capital spending was channeled into the production of modified suspension for the offroad segment at the Tachov facility in the Czech Republic. Moreover, the German plants were also subject to major expansion and replacement spending. In the rail segment, assembly facilities for the new regional transportation platform were acquired. In addition, investments were made in site safety and environmental protection.

A total of EUR 4.4 million (2014: 3.5) was spent on Central Services, chiefly in the form of software and IT licenses as well as the expansion of our development structures.

In 2016, Group capital spending will remain at the 2015 level and concentrate on the expansion of production capacity in the Automotive Division and the continuation of measures aimed at boosting efficiency.

INVESTMENTS (WITHOUT ACQUISITIONS) BY SEGMENTS

PREVIOUS YEAR IN BRACKETS



IN EUR M

	2015	2014	CHANGE
Automotive	31.9	33.0	–3.3 %
Seating Systems	11.6	15.0	–22.7 %
Central Services	4.4	3.5	25.7 %
Investments	**47.9**	**51.5**	**–7.0 %**

NET ASSETS

The individual items of the balance sheet break down as follows:

CONDENSED BALANCE SHEET GRAMMER GROUP

IN EUR K

	2015	2014	CHANGE
Non-current assets	373,573	319,114	54,459
Current assets	618,379	517,429	100,950
Assets	**991,952**	**836,543**	**155,409**
Equity	253,423	231,761	21,662
Non-current liabilities	382,678	306,810	75,868
Current liabilities	355,851	297,972	57,879
Equity and liabilities	**991,952**	**836,543**	**155,409**

On the reporting date, December 31, 2015, the GRAMMER Group had total assets of EUR 992.0 million (2014: 836.5). This was an increase of 18.6% due to plant expansion and the acquisition and consolidation of the REUM Group. The additions to the balance sheet as a result of the first-time consolidation of the REUM Group are set out in detail in the notes to the Consolidated Financial Statements. This constitutes provisional purchase price allocation.

NON-CURRENT ASSETS UP ON THE PREVIOUS YEAR DUE TO EXPANDED PRODUCTION

Non-current assets totaled EUR 373.6 million on December 31, 2015 (2014: 319.1). Property, plant and equipment rose from EUR 191.2 million in the previous year to EUR 221.1 million largely as a result of the acquisition and first-time consolidation of the REUM Group. In addition, additions arose from the establishment of a plant for seating systems for the offroad segment in Tupelo, Mississippi, United States. The increase in intangible assets to EUR 90.9 million (2014: 79.2) was primarily attributable to a further increase in concessions and industrial rights as well as of the acquisition of the REUM Group. In addition, first-time consolidation of the REUM Group led to an increase of EUR 2.1 million in goodwill due to provisional purchase price allocation. Other financial assets climbed particularly as a result of the long-term purchase price of EUR 3.8 million in connection with the sale of the land and buildings at the Immenstetten site. The increase in other non-current assets is due to the simultaneous signing of a lease under a sale-and-lease-back transaction. As the fair value of the land and buildings was higher than the directly attributable selling price, the difference was included as prepaid expense in other non-current assets and will be written down in installments over the period of preferentially priced utilization until 2020. At EUR 53.9 million, deferred tax assets exceeded the previous year (2014: 48.4).

INCREASE IN CURRENT ASSETS AS A RESULT OF GREATER BUSINESS ACTIVITY

Current assets increased to EUR 618.4 million in the year under review (2014: 517.4). Driven by revenue growth and the accumulation of precautionary reserves ahead of relocation activities, inventories climbed by EUR 17.6 million to EUR 145.9 million (2014: 128.3). Accounts receivable also rose from EUR 169.6 million to EUR 187.4 million as a result of the substantial revenue growth. Other current financial assets grew by EUR 16.1 million over the previous year to EUR 127.1 million due to high advance outlays for projects as well as the acquisition of the REUM Group.

Other current assets increased significantly to EUR 24,4 million (2014: 19.1). This was mainly due to an increase in input tax refund claims in international business. At the end of the year, cash and cash equivalents stood at EUR 127.3 million (2014: 84.0). This increase was due to inflows from the issue of a new bonded loan.

FURTHER GROWTH IN EQUITY

As of December 31, 2015, equity stood at EUR 253.4 million (2014: 231.8). However, the increased earnings are not fully reflected in equity due to the dividend distribution of EUR 8.5 million. The reduction in actuarial losses of EUR 6.4 million from retirement benefit commitments recorded within equity had a positive effect.

The equity ratio came to a virtually stable 26 % (2014: 28). Equity thus equals 67.8 % (2014: 72.6) of non-current assets.

CHANGES IN LIABILITIES

Non-current liabilities amounted to EUR 382.7 million on the reporting date (2014: 306.8), attributable largely to the issue of a further bonded loan. This resulted in an increase in non-current financial liabilities to EUR 218.7 million (2014: 145.3).

Retirement benefits and similar obligations dropped to EUR 123.4 million (2014: 129.6) primarily due to the increase in the discount rate in 2015. Deferred tax liabilities also increased to EUR 32.4 million (2014: 26.1).

Current liabilities climbed from EUR 298.0 million to EUR 355.9 million. Current trade accounts payable contracted by EUR 5.5 million to EUR 186.7 million. On the other hand, current financial liabilities rose from EUR 25.4 million to EUR 64.1 million due to the reclassification of two tranches of a bonded loan which are due for repayment in August and September 2016.

At EUR 70.2 million, other current liabilities were up on the previous year (2014: 55.8). Provisions rose from EUR 12.1 million in the previous year to EUR 18.7 million. Other current liabilities as well as provisions were up due, among other things, to the first-time consolidation of the REUM Group.

CONDITIONS IN THE DIVISIONS

AUTOMOTIVE DIVISION

MODERATE GROWTH IN THE AUTOMOTIVE INDUSTRY

The German Association of the Automotive Industry (VDA) reported that global new registrations of passenger vehicles increased by 3 % to 78.2 million in 2015. In China, the world's largest market with 20.0 million new registrations of passenger vehicles, growth slowed to 9 %. However, December proved to be a strong month with a 19 % increase in new registrations of passenger vehicles to 2.4 million. In the previous year, new registrations had risen by 13 % to 18.4 million vehicles. The United States ranked second globally with 17.4 million light vehicles (up 6 %). As in the previous year, the passenger vehicles (down 2 %) and light trucks (up 13 %) performed disparately.

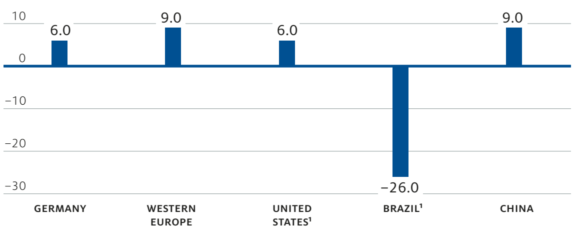
New registrations of light vehicles slumped sharply in Russia, with VDA reporting a 36% drop to 1.6 million units. In fact, a decline of 46% was recorded in December. The Brazilian light-vehicles market also continued to contract: After already dropping by 7% in the previous year, new registrations slumped again by 26% to 2.5 million units in 2015. However, the Japanese market also softened, shrinking by 10% to 4.2 million passenger vehicles.

After sharp growth of 15% in December, full-year passenger-vehicle registrations in Western Europe climbed by 9% to 13.2 million units in the year as a whole, with all major markets contributing to this growth. Spain and Italy stood out with double digit growth of 21% and 16%, respectively. In Spain, the government incentive program (Programa de Incentivos Effiziente = incentive program for efficient vehicles) is likely to have spurred sales. The government has decided to renew the incentive program again until an expected expiry date in mid-2016. Sharp gains were recorded in Ireland (up 30%) and Portugal (up 25%), two countries which had been particularly hit by the debt crisis in earlier years. On the other hand, France (up 7%), the United Kingdom (up 6%) and Germany (up 6%) exhibited below-average growth.

According to VDA, global production of passenger vehicles and station wagons rose by 1% to 76.2 million units. With growth of 7% to 20.0 million units, this trend was particularly evident in China, followed by the United States with an increase of 4% to 11.8 million light vehicles. Production of light vehicles in the Northern American free trade zone NAFTA widened by 3% to 17.4 million units. On the other hand, production in the South American Mercosur countries shrank by 20% to 2.9 million light vehicles. Output in the EU rose by 5% to 16.3 million units. In Spain, production was also up a substantial 17%, rising to 2.2 million vehicles. The German OEMs were able to increase their domestic output by 2% to 5.71 million and their non-domestic output by 1% to 9.43 million passenger vehicles.

CHANGE IN AUTOMOTIVE SALES VOLUMES 2015 IN SELECTED COUNTRIES YEAR ON YEAR

IN %



[1] including light vehicles
Source: VDA

SWIFT GROWTH IN THE AUTOMOTIVE DIVISION

KEY FIGURES AUTOMOTIVE DIVISION

IN EUR M

	2015	2014	CHANGE
Revenue	1,008.1	911.6	10.6%
EBIT	23.8	28.9	−17.6%
EBIT-margin	2.4%	3.2%	−0.8%-points
Investments (without acquisitions)	31.9	33.0	−3.3%
Employees (number, as of December 31)	7,400	6,761	9.5%

Once again, the Automotive Division was the Group's growth driver. During the year under review, it expanded substantially. Driven by the strength of the automotive sector in its main markets in EMEA, APAC and particularly also North America as well as various new product launches, business volumes expanded by 10.6% to EUR 1,008.1 million (2014: 911.6). The premium OEMs, which GRAMMER primarily supplies, particularly benefited from the favorable market environment. This was reflected in rising sales figures, from which GRAMMER as a components supplier duly benefited. Despite the significant increase in revenue, however, the Division failed to reach the operating profit which it had generated in the previous year. At EUR 23.8 million, EBIT was substantially down on the previous year (2014: 28.9) as expected, with the EBIT margin coming to 2.4% (2014: 3.2). This substantially lower Division margin was caused by the costs incurred in the year under review for the planned implementation of the global growth strategy, which entailed a large number of new product launches as well as production expansion in all regions.

Although the Division posted growth in all three regions, there were distinct differences in the individual growth rates. Substantial gains of 7.3% were achieved in the Division's domestic European market, the region in which it generates the largest volume of revenue. In this way, GRAMMER was able to additionally broaden its market position. At 22.9%, the most dynamic growth was recorded in the Americas, where GRAMMER grew significantly more quickly than the market as a whole, additionally reinforcing its position in the premium market for headrests, center consoles and also armrests. Growth of 8.0% was also achieved in APAC.

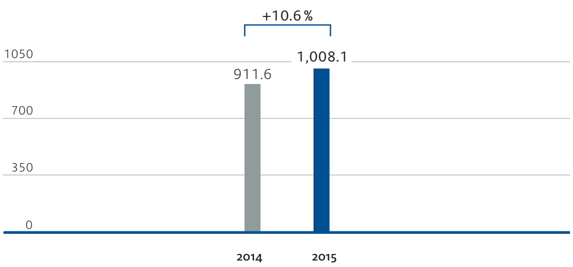
We registered growth across all product groups – headrests, center consoles and armrests – with center consoles achieving the highest growth rates.

Order intake in the year under review was again up on the previous year. Most of the new orders were received in the Americas and APAC. All three business segments achieved a notable volume of new orders.

To strengthen the Automotive Division's earnings situation on a sustained basis, we continued implementing measures to improve profitability and cost efficiency along the entire value chain. The current process and structural enhancement initiatives aimed at optimizing the worldwide production network and also entailed programs for improving product costs. Thus, the Česká Lípa facility in the Czech Republic was additionally stabilized, while the new facility in Zatec is still undergoing construction to address future growth requirements in Europe. In Shanghai, the relocation of production activities to a new plant, which had become necessary for capacity reasons, was completed on schedule, while the expansion of production activities at the Beijing location also proceeded according to plan. Substantial capacity expansion was also necessary at our facilities in Mexico and the United States. All these measures led to not inconsiderable cost burdens, which left corresponding traces on the Division's operating profit.

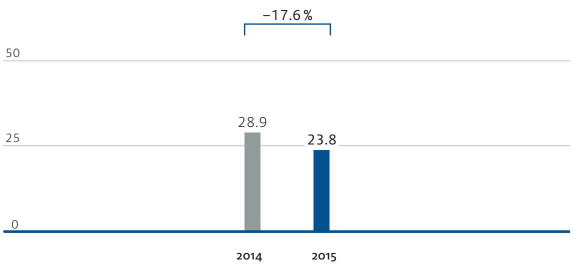
REVENUE DEVELOPMENT AUTOMOTIVE DIVISION

IN EUR M



EBIT DEVELOPMENT AUTOMOTIVE DIVISION

IN EUR M



SEATING SYSTEMS DIVISION

COMMERCIAL VEHICLE MARKET DOWN

The subdued conditions in the commercial vehicle market were unmistakable in 2015. According to VDA, new registrations dropped globally by 3 % across all size classes to 9.5 million units. New registrations for trucks over 6 t declined by 8 %. New registrations in China, the world's largest commercial vehicle market, dropped by 11 % to 4.6 million vehicles, with the market for trucks over 6 t contracting even more sharply. Between January and December, 751,000 vehicles were registered, resulting in a decline of 24 %. On the other hand, 2015 was a successful year for the commercial vehicle industry in the United States, where growth of 11 % was achieved. Medium trucks posted gains of 8 % and heavy trucks as much as 12 %.

Registrations of trucks over 6 t contracted at a double-digit rate in the Brazilian market, dropping by 49 % over the previous year. In December alone, new registrations were down 60 %. The Western European market for trucks over 6 t rose by 14 % over the previous year to 259,000 units. Of the larger markets, substantial expansion was recorded in France (up 11 %), Spain (up 39 %) and the United Kingdom (up 27 %). Germany saw an increase of 4 % to 334,000 vehicles. New registrations of heavy trucks over 6 t rose by as much as 5 % to 83,000 units.

AGRICULTURAL MACHINERY DRAGGED DOWN BY SHARP DECLINE IN PRODUCTION

The global agricultural market was characterized by lower production in all main regions in 2015. This contraction was also reflected in the sector's confidence indicator, the Agritech Business Barometer, which at –3 points slid into negative territory in October 2015. The current situation was assessed substantially less favorably (–14 points) than future expectations (+8 points). Of the major markets, only India, China and Japan revealed a favorable view of the current situation. On the other hand, the Business Barometer pointed downwards in the United States, Brazil and Turkey in particular.

In the tractor subsegment, the markets in Turkey, China, Korea and Japan performed favorably between January and September 2015. By contrast, there was significant market contraction in Russia, Brazil and India. In Germany, full-year new registrations of tractors numbered 32,220, a decline of 6.9 %. This marks a slight improvement in the situation given that a double-digit decline had been expected at the beginning of the year. The German agricultural machinery market as a whole is likely to have had a volume of EUR 5.2 billion in 2015, down from EUR 5.5 billion in the previous year. This is equivalent to a decline of 5 %.

CONSTRUCTION MACHINERY DIMINISHING

According to the German Mechanical and Plant Engineering Association (VDMA), global sales probably softened moderately in 2015. However, the situation varied sharply from region to region in the first three quarters of 2015. At 12%, the greatest growth was recorded in the Middle East. By contrast, conditions were more muted in India (up 4%), North America (up 4%) and Europe (up 1%). Otherwise, sales were generally lower, with double-digit declines sustained in Russia (down 70%), China (down 37%), Latin America (down 31%) and Africa (down 28%). In Europe, France lagged behind, while Italy and Spain recorded brisk sales.

MATERIAL HANDLING DRIVEN BY POSITIVE IMPETUS

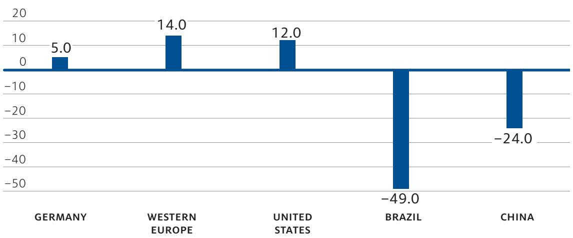
According to the German Association of Construction Machinery, Construction Equipment and Industrial Machinery (bbi), German sellers of material handling equipment expect total sales to rise by around 4% over the previous year in 2015. At 5%, new machinery business is expected to have expanded at a slightly above-average rate, while parts business presumably grew at a slower 1.5%.

HIGH ORDER INTAKE IN THE RAIL INDUSTRY

The German rail industry closed the first half of 2015 on an upbeat note. At EUR 5.2 billion, revenue remained stable at a high level over the previous year, accompanied by a roughly 52% increase in order intake to EUR 8.5 billion. The proportion of foreign business (EUR 4.3 billion) and business from Germany (EUR 4.2 billion) was more or less even. Rail technology manufacturers were awarded a greater number of large-volume orders again, while orders in the volatile business with locomotives also picked up.

CHANGE IN COMMERCIAL VEHICLE SALES VOLUMES 2015 (TRUCKS ABOVE 6 T) IN SELECTED COUNTRIES YEAR ON YEAR

IN %



Source: VDA

SEATING SYSTEMS ASSERTING ITSELF WELL IN A DIFFICULT MARKET ENVIRONMENT

KEY FIGURES SEATING SYSTEMS DIVISION

IN EUR M

	2015	2014	CHANGE
Revenue	458.4	478.7	–4.2%
EBIT	27.8	36.2	–23.2%
EBIT-margin	6.1%	7.6%	–1.5%-points
Investments (without acquisitions)	11.6	15.0	–22.7%
Employees (number, as of December 31)	3,729	3,679	1.4%

In 2015, business in the Seating Systems Division was characterized by very difficult market conditions in the individual business segments and regions. Against the backdrop of contracting agricultural machinery and construction machinery markets, the offroad segment sustained declines in revenue which the relatively favorable market conditions for material handling products were unable to offset. Truck business was also flat compared with the previous year, accompanied by considerable regional differences, while revenue in the rail segment was lower for project-related reasons. Only the aftermarket segment performed well relative to the overall situation, achieving stable revenue.

A slight decline was recorded in EMEA, which accounts for more than 50% of revenue in this segment, during the year under review. Specifically, revenue in the offroad segment continued to drop on account of the persistently muted market conditions. The truck segment recorded a further small increase in revenue but, as expected, fell short of the previous year's growth rates as the new-generation MSG 115 seat is now being delivered in stable quantities to the main customers. Business was also substantially weaker in the rail segment as a result of the difficult conditions in the high-speed area on account of project-related factors.

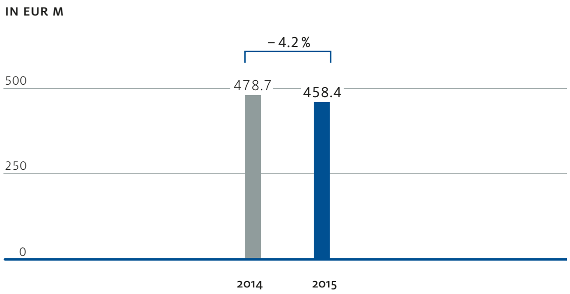
Moreover, revenue in the Americas fell well short of the previous year. Whereas business in offroad products was more or less stable in North America, conditions in the South American truck market remained unexpectedly muted. Despite its strong market position in Brazil, GRAMMER was unable to shrug off the effects of this trend.

Similarly, business in APAC was disappointing, dropping substantially over the previous year. Whereas moderate declines were recorded in the offroad segment, revenue in the truck segment dropped substantially due to market conditions.

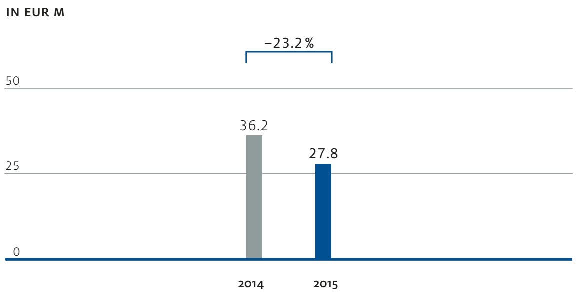
The EBIT margin came under pressure from the market-induced shift in revenue structures, adjustment costs and expenses arising in connection with the establishment of production activities in Tupelo, reaching 6.1 %, down from 7.6 % in the previous year, despite the significant deterioration in market conditions.

Business in the offroad segment in 2015 was particularly influenced by the persistently difficult market environment, the resultant adjustments required in response to this situation and the implementation of the strategy for North America.

REVENUE DEVELOPMENT SEATING SYSTEMS DIVISION



EBIT DEVELOPMENT SEATING SYSTEMS DIVISION



APPRAISAL OF THE COMPANY'S ECONOMIC SITUATION

On the basis of the higher revenue achieved in 2015 and the solid funding structures, we consider the GRAMMER Group to be well positioned to achieve its targets and to master the global challenges despite the decline in earnings caused by difficult conditions in some markets and the planned implementation of the growth strategy. We hold a good to very good market position in the individual business segments which we address and were again able to gain market share with our innovative and high-quality products in the year under review. Moving forward, GRAMMER will continue to be able to fund its organic growth with its own resources and continue on its course of strategic expansion thanks to rising revenue, a substantial improvement in post-tax earnings and positive cash flow from operating activities. What is more, our balanced funding structure and an equity ratio of 26 % despite significant strategic activities assures us of the flexibility which we require to act on opportunities arising in the market in the future. Accordingly, the Group's current economic condition can be considered to be favorable.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

INCREASE IN HEADCOUNT DUE TO REVENUE GROWTH

As of December 31, 2015, the GRAMMER Group had a total of 11,397 employees (December 31, 2014: 10,700).

This increase is due to revenue growth and continued production expansion. The staff cost ratio rose marginally. The annual average headcount stood at 10,995 (2014: 10,446). Following the acquisition of the REUM Group at the end of December 2015, 905 employees will be transferring to the GRAMMER Group. As this is not being done at the operating level until 2016, they are not yet included in the total number of employees of the GRAMMER Group as of the reporting date.

The number of employees in the Automotive Division rose to 7,400 (2014: 6,761). The headcount rose in the Czech Republic in particular in the course of the year due to new product launches and shifts in employee numbers. Employee numbers also increased in Mexico and China due to new product launches and production expansion in these regions.

The headcount in the Seating Systems Division climbed slightly to 3,729 (2014: 3,679). Despite the contraction of the Brazilian truck market and resultant adjustments to capacity in that country, there were slight increases in the internal supply plant in Bulgaria due to new product launches.

At 268, the number of employees in Central Services remained virtually steady at the previous year's level (2014: 260).

Looking forward, we also expect a slight increase in headcount in 2016 in view of the increased volume of business and the planned new product launches.

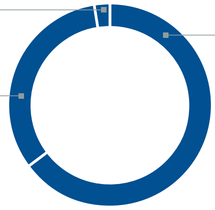
TRAINING, PROFESSIONAL DEVELOPMENT, HUMAN RESOURCES

Personnel development is key to achieving and improving success in business. Employees with new ideas and additional knowledge and additional skills play a decisive role in maintaining established standards and building on competitive strengths in the international market. For this reason, GRAMMER offers numerous initiatives for employees of all areas and levels. In 2013, the GRAMMER Group restructured the professional development programs in response to the heightened demands with respect to recruiting and training qualified staff, continuing these activities in 2014. An annually updated training catalog provides all employees with an overview of possible upskilling measures and contains standardized Group-wide training modules. Our professional development program for management staff is based on a hierarchical three-level structure: The "GRAMMER Corporate Executive Program" focuses on strategic training for top management; the "GRAMMER Advanced Management Program" is aimed primarily at middle management as well as plant and department supervisors and the "GRAMMER Basic Management Program" is aimed primarily at the promotion and development of newly appointed executives and was successfully tested in 2013/2014. The pilot projects for the Advanced and Executive Programs will be rolled out in 2016/2017. All three programs are oriented to the GRAMMER Group's mission statement, targets and strategy. In addition to management training, GRAMMER also offers training for experts as a means of providing highly qualified specialists with scope for professional development and deploying them to optimum effect as sources of knowledge and experience.

The Group is a key provider of vocational training and further education in its region in Germany as well as at its global sites and will remain so in 2016. For instance, the training program at the Company's professionally staffed training center in Amberg forms a key element of GRAMMER AG's human resource policy. We offer apprentices firm positions in our Company provided that this is in line with our personnel policy and we have sufficient vacancies. In 2015, we continued to employ motivated apprentices in many different parts of the Company in order to maintain a qualified pool of resources in fields that are becoming more important for the future. We also hosted internships in Germany and elsewhere and offered students and postgraduates the possibility of completing their thesis or dissertation while gaining practical experience within our Company. Highly qualified young professionals are also attracted through university recruiting events in Germany and in other countries or in cooperation with the OTH Amberg Weiden University of Applied Sciences (Ostbayerische Technische Hochschule für angewandte Wissenschaften Amberg-Weiden), offering a good example of our successful commitment to forging links between business and universities.

EMPLOYEES BY SEGMENTS

PREVIOUS YEAR IN BRACKETS



AS OF DECEMBER 31

	2015	2014	CHANGE
Seating Systems	3,729	3,679	1.4 %
Automotive	7,400	6,761	9.5 %
Central Services	268	260	3.1 %
Employees	11,397	10,700	6.5 %

SUPERVISORY BOARD AND EXECUTIVE BOARD

The rules for the appointment and dismissal of Executive Board members are based on the provisions of section 84 AktG as well as article 8 et sec. of the Company's articles of incorporation. The following changes arose in the composition of the Executive Board in 2015: Mr. Volker Walprecht left the Company effective May 31, 2015. Accordingly, he relinquished his position on GRAMMER AG's Executive Board at the end of the annual general meeting on May 20, 2015. To replace Mr. Walprecht, the Supervisory Board appointed Mr. Gérard Cordonnier new CFO of GRAMMER AG effective June 1, 2015. In connection with the resultant adjustments to the business allocation plan for the Executive Board, Mr. Müller assumed the position of Director of Human Resources effective June 1, 2015.

The following changes to the composition of GRAMMER AG's Supervisory Board arose in 2015: The members of the Supervisory Board representing the shareholders – Wolfram Hatz, Ingrid Hunger, Dr. Hans Liebler, Dr. Klaus Probst and Dr. Bernhard Wankerl – were re-elected at the annual general meeting on May 20, 2015. In addition, Dr. Peter Merten, was elected to GRAMMER AG's Supervisory Board for the first time to replace Georg Liebler, who did not stand for re-election for age reasons. The members of the Supervisory Board representing the employees – Tanja Fondel, Harald Jung, Horst Ott and Lars Roder – were re-elected. Andrea Elsner and Martin Heiß were elected to the Supervisory Board for the first time. Bernhard Hausmann and Wolfgang Rösl stepped down from GRAMMER AG's Supervisory Board. At the Supervisory Board's constituting meeting, Dr. Klaus Probst was elected Chairman of the Supervisory Board and Horst Ott Deputy Chairman.

PRINCIPLES OF THE REMUNERATION SYSTEM

Since August 1, 2010, Executive Board remuneration has entailed the following elements: The members of the Executive Board receive a fixed salary (70 %) and performance-related remuneration (30 %), as well as retirement benefits structured in the same manner as pension commitments to employees. The performance-related component comprises two elements – a short-term and a long-term one. The short-term bonus comprises 45 % of the performance related remuneration, one third of which is based on revenue and two thirds on return on sales. The long-term bonus is calculated entirely on the basis of the Company's enterprise value, GEVA (ROCE minus WACC). ROCE is the quotient of operating profit after tax and the capital required for operations. WACC indicates the return on capital employed. To ensure stable performance, the increase in enterprise value is calculated over the preceding three years, i.e. it is not finalized until three years have elapsed. An advance may be paid towards the long-term bonus to ensure income consistency, the amount and payment of which are determined by the Chairman of the Supervisory Board. Remuneration of the Executive Board contains no components with a long-term incentive effect, such as stock option or stock award programs. Furthermore, in the event of extraordinary earnings or losses in the relevant year, the Supervisory Board may decide to adjust compensation at the end of the year in the form of a bonus or penalty comprising 10 % of the fixed salary.

Changes to the remuneration of the Supervisory Board were authorized by the Annual General Meeting on May 26, 2012. Accordingly, remuneration is now calculated as follows as of 2012: For each complete year of Supervisory Board membership, each member of the Supervisory Board receives fixed remuneration of EUR 30,000. The Chairman receives twice this amount as fixed annual remuneration and the Deputy Chairman receives one and a half of the above amount. Members of the Supervisory Board who only sit on the board for part of the year receive fixed remuneration on a pro rata basis. The fixed remuneration is payable after the end of each fiscal year. The members of the Supervisory Board also receive a fee of EUR 1,000 for each Board or committee meeting which they attend in person, plus reimbursed expenses. The chairman of a committee receives a further EUR 1,000 per committee meeting. The meeting fee is not paid for participation in meetings of the Nominating Committee. Expenses are reimbursed on the first business day following the Supervisory Board or committee meeting. The Company is authorized to conclude financial loss insurance (D&O, directors and officers liability insurance) at reasonable conditions in line with the prevailing market rate, the premiums for which are covered by the Company. There are no variable or long-term incentive components, such as stock option or stock award programs, in the remuneration of the Supervisory Board.

PROCUREMENT MANAGEMENT

Procurement management is a key factor in the Group's success. Its main objective is to safeguard the constant availability of raw materials, components and services at defined high standards of quality to ensure that we are able to supply our customers to optimum effect. Group purchasing is based centrally within GRAMMER AG. This constitutes a key aspect of our efforts to safeguard the success of our business activities on a sustained basis. Another aim of procurement management is to identify the appropriate vendors worldwide for our innovative products and broad product range. Accordingly, the key tasks of procurement are to coordinate relations with vendors and to purchase project requirements. In this way, GRAMMER is able to harness new market potential in the emerging markets and safeguard its future competitiveness by leveraging savings potential, which can be additionally optimized by pooling Group-wide requirements to generate economies of scale. Further optimization effects can be gained by pooling Group-wide requirements and, thus, harnessing economies of scale and also by means of targeted local activities in the individual regions. The procurement organization is structured centrally according to commodities with global responsibility. Its employees are also based regionally to ensure greater penetration and a better understanding of the local markets. The strategic orientation in procurement management additionally entails the further development of the eSourcing platform, which was successfully rolled out in the previous year, as well as expansion of sourcing activities in the emerging markets to generate positive contributions along our value chain and in our growth regions in the light of sustainability and "total cost of ownership" requirements. The programs launched in 2013 in conjunction with development and production to strengthen design-to-cost activities as a means of additionally reducing the cost-of-materials base were continued in the year under review. Our global supply chain management helps us in the strategic and ongoing development of our vendors. Qualified selection, training and evaluation structures ensure that we are able to leverage our vendors' potential and innovativeness profitably and establish a solid basis for sourcing in all regions.

PRODUCTION

The GRAMMER Group produces and sells its products worldwide from 38 production and logistics facilities (excluding the REUM Group) in 20 countries. The GRAMMER Group's strategic goal is to achieve a continuous and sustainable improvement in the cost position of our products with production sites located in proximity to our customers. With uniformly defined, globally applicable standards for production processes and technology, plant technology and logistics along the entire value chain, the GRAMMER Group ensures consistently high quality in its products and services regardless of where they arise. Production methods and systems are implemented on a uniform global basis and undergo constant optimization as part of institutionalized continuous improvement processes using "best practice" benchmarking. With the GPS (GRAMMER Production System), GRAMMER coordinates and controls production methods across the Group to ensure that the individual operating units have the production processes required to achieve the quality expected by the customer at all times. The GPS is the manifestation of our structured, process-oriented approach to implementing and manufacturing lean manufacturing throughout the Group. It allows us to meet growing demands in production as well as to monitor and optimize the related cost positions. In order to additionally strengthen the lean manufacturing approach, the Group has launched a worldwide training program integrating every location, unit and function. With the "Lean Academy" and the continuous learning process installed there, we are systematically implementing our benchmarks on a sustained basis. Our growth of the past few years and the resultant expansion of our production capabilities in China, where we now have five production sites, as well as extensions in Mexico, the United States, the Czech Republic and Serbia impressively demonstrate the pronounced internationalization of our value chain.

QUALITY MANAGEMENT

The consistently high quality and reliability of our products and services are decisive determinants of our global market success. For many years, GRAMMER has utilized an independent quality management system and program, GPQ (GRAMMER Produces Quality), which integrates all employees in the quality control process and strives to systematically generate permanent quality improvements. These improvements are implemented with minimum delay using standardized processes to achieve uniformly high global levels of quality. The main quality objective is to generate high customer satisfaction with our innovative products all around the world and, as a result, to encourage strong customer loyalty. Internal audits and assessments, benchmarking in the GPQ process and against our peers help us to ensure the effectiveness and growth of our quality management capabilities. Driven by this philosophy and our customers' high expectations, our declared goal for our quality culture is to achieve ongoing improvements in our products and processes. Professional development in the area of quality management and regular training of our employees aim to further enhance and safeguard our high product quality and ensure that GRAMMER continues to be perceived as a quality and innovation leader in the market. Another important aspect of our quality management approach is product safety. As our products serve to protect the well-being and health of their final users, product safety constitutes a crucial goal of our value chain. Starting with research right through to after-sales service and spare-parts business, product safety is a cardinal strategic and operational objective. Accordingly, we not only strictly adhere to legislative rules and requirements but also work with scientists and researchers as well as independent experts to develop our own rules and standards going beyond what is legally required to achieve these goals.

SALES AND CUSTOMER MANAGEMENT

The GRAMMER Group organizes its segments and sales by product group. This ensures high product competence, which is required in the interests of the best possible customer relationship management. The sales force registers customer wishes, which are then implemented swiftly in the responsible Division. In doing so, we align our actions very closely to the requirements of customers and markets. Enduring customer relationships developed on this basis provide the foundations for our long standing success and growth.

Process specifications such as GRAMMER PDS (Product Development System) offer the underpinnings of systematic stable product development with the aim of delivering products to customers in the quality specified on the planned date and in the quantity ordered. The PDS also encourages joint activities with our customers and the search for innovative solutions.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On March 10, 2016, GRAMMER AG and Shaanxi Automobile Group Co. Ltd., the fourth largest heavy-duty truck OEM in China, entered into an agreement to establish a joint venture for the production and distribution of truck seats in China. GRAMMER AG will be holding 90% the new joint venture, to be known as GRAMMER Seating (Shaanxi) and based in Fuping in the Province of Shaanxi. The remaining 10% will be held by Shaanxi Automobile Group Co. Ltd.

By signing this agreement, GRAMMER has passed a further important strategic milestone in its global growth strategy. Local production at the Fupin industrial estate will allow GRAMMER to broaden its geographic footprint in the commercial vehicle segment and ensure close physical proximity to important customers in China. Looking ahead over the next few years, the new joint venture will thus additionally support Grammer's high growth targets.

CORPORATE GOVERNANCE

The corporate governance declaration pursuant to section 289a of the German Commercial Code (HGB) along with the declaration of conformance with the German Corporate Governance Code (section 161 AktG of the stock corporation act) are reproduced in this Annual Report and are permanently available in the investor relations section of the the corporate website at www.grammer.com.

Under section 289a (2) No. 4 HGB, listed companies are required to disclose the information required under section 76 (4) AktG and section 111 (5) AktG and to state whether the defined targets were achieved in the reference period.

The Supervisory Board has set a target of 20% for the share of women on the Executive Board. This target was defined at its meeting of March 26, 2015 and will initially apply for two years, after which it will be reviewed at the latest at the meeting at which the Supervisory Board deliberates on the annual financial statements for 2016 in March 2017.

ACHIEVEMENT OF TARGET PROPORTION OF WOMEN AS OF DECEMBER 31, 2015

	SUPERVISORY BOARD	EXECUTIVE BOARD
Target	30%	20%
Current proportion	25%	0%

In addition, the Supervisory Board is committed to achieving a reasonable proportion of women. Thus, following the new elections in 2015, the number of women on the Supervisory Board has risen to three. As of December 31, 2015, three women – Ms. Andrea Elsner, Ms. Tanja Fondel and Ms. Ingrid Hunger – held seats on GRAMMER AG's Supervisory Board, one of these, Ms. Ingrid Hunger, represents the shareholders. The quotas stipulated by the Act on the Equal Participation of Women and Men in Executive Positions in the Private and Public Sector will be observed in all elections and with all replacement vacancies from January 01, 2016. Under this legislation, 30% of the Supervisory Board is to be made up of women. As the employee representatives have opposed combined fulfilment of the quota, it will now be fulfilled separately for the shareholder representatives and the employee representatives. Accordingly, the number of female shareholder representatives will be increased to two in the next elections or when a position becomes vacant.

Under section 76 (4) of the German Stock Corporation Act (AktG), the Executive Board is required to define the target proportion of women on the two management levels below GRAMMER AG's Executive Board. A global quota of 15% has been defined for top management and of 20% for middle management. In Germany a quota of 10% applies for top management and of 15% for middle management. This target will initially apply for two years, after which it will be reviewed in March 2017 at the latest.

CURRENT TARGET ACHIEVEMENT AS OF DECEMBER 31, 2015

	TOPMANAGEMENT	MIDDLE MANAGEMENT
Target quota (international)	15%	20%
Current quota (international)	14.30%	22.90%
Target quota (Germany)	10%	15%
Current quota (Germany)	7%	16%

DISCLOSURES IN ACCORDANCE WITH SECTION 289 (4) AND SECTION 315 (4) HGB

GRAMMER AG's subscribed capital amounts to EUR 29,554,365.44 and is divided into 11,544,674 bearer shares.

The Executive Board is aware of no restrictions on the exercise of voting rights or the transfer of shares.

The notes to GRAMMER AG's annual financial statements for 2015 set out detailed information on the voting right notifications received in accordance with section 26 WpHG.

There are no shareholders with special rights. There are no staff participation programs.

The members of Grammer AG's Executive Board are appointed and dismissed in accordance with the statutory provisions (section 84 AktG) and article 8 et seq. of the Company's Articles of Association. Any amendments to the Articles of Association are executed in accordance with section 179 AktG; article 25 of the Articles of Association governs the passing of resolutions by the Annual General Meeting.

The Executive Board is authorized to increase GRAMMER AG's share capital once or repeatedly by a total of up to EUR 14,777,182.72 on a cash or non-cash basis subject to the Supervisory Board's approval on or before May 25, 2016 (Authorized Capital 2011). In addition, the Executive Board is authorized to issue profit-participation rights with or without an option or conversion right or obligation and/or option and/or convertible bonds on or before May 27, 2019. The share capital has been increased on a contingent basis by up to EUR 14,777,182.72 for this purpose (Contingent Capital 2014/I). GRAMMER holds 330,050 treasury shares, all of which were acquired in 2006. The 330,050 treasury shares are non-voting and non-dividend-entitled. The Company is authorized until May 27, 2019 to acquire treasury stock in accordance with section 71 (1) No. 8 AktG and to use it for all the purposes specified in the authorization.

The service contracts entered into with the members of the Executive Board include a change-of-control clause, under which each member of the Executive Board has a special right of termination which may be exercised within three months of a change of control. If the special right of termination is exercised, the terminating party may claim compensation equaling the sum total of the fixed remuneration no longer paid as a result of the termination up until the expiry of the service period and 80% of the maximum achievable short-term bonus and limited to 150% of the settlement cap agreed upon in the service contract equaling the total remuneration for a two-year period. There are no other compensation arrangements in force with any employees in the event of a change of control.

GRAMMER AG and two other domestic Group companies are parties to an agreement with a banking syndicate governing the provision of credit facilities of a maximum of EUR 180 million and giving each creditor the right to demand premature repayment in the event of a change of control. Following the merger of GRAMMER Wackersdorf GmbH with GRAMMER AG, the number of domestic Group companies has dropped to two alongside GRAMMER AG as the borrower. Corresponding provisions are also included in the agreements underlying the bonded loans issued by GRAMMER AG for a total of EUR 141.5 million. For the purposes of these contracts, a change of control is deemed to arise as soon as one or several persons acting jointly acquire at least 30% of the voting capital of GRAMMER AG or the other borrowers. If these termination rights are exercised individually or jointly, the funding required by the GRAMMER Group for its ongoing business operations may be jeopardized.

In addition, some customers and other partners are entitled to terminate contractual relations with GRAMMER for good cause in the event of a change of control.

OPPORTUNITY AND RISK REPORT

RISK POLICIES AND PRINCIPLES

Business always entails opportunities as well as risks. Opportunities and risks arise especially given the international orientation of the GRAMMER Group and must be duly managed. Listed below are some of the principles defined in the GRAMMER Group risk strategy:

- Opportunities and risks in the context of risk management for GRAMMER encompass any positive or negative deviations from a plan or target defined in circumstances of uncertainty.
- Risk management thus contributes to value based management within GRAMMER Group. Value-based means that the Company deliberately accepts risks only when there is potential for enhancing its value by taking advantage of favorable business opportunities. GRAMMER must avoid any activities potentially entailing risks that are liable jeopardize the further existence of the Company. Core operational risks, and in particular those originating in the market, as well as risks arising from the development of new products are borne by the Group itself. As far as possible, the Group seeks to transfer other risks, particularly financial and liability risk to third parties. Risk management within the GRAMMER Group extends to all companies and organizational units. Identification of risks and implementation of value-enhancing measures are deemed by GRAMMER management to be ongoing and Group-wide tasks. All employees of the Company are required to identify and minimize risks within their area of responsibility.
- At regular intervals, our internal audit function also performs a review of the sufficiency and effectiveness of our risk management system. All employees of the Company are under a duty to minimize risks to the extent possible within their area of responsibility and to actively contribute to risk avoidance. All employees undertake to report all opportunities and risks arising during business operations to their responsible managers.

RISK MANAGEMENT PROCESS

The risk management process ensures early identification, analysis and assessment of risks, along with coordinated implementation of suitable measures to manage risk, as well as risk monitoring and control. An ongoing risk-tracking process is applied to report all material risks liable to cause any unexpected deviations in earnings to central risk management. Every division and central service department has a responsible risk officer. In regular meetings with the various management levels of the divisions and central service departments, opportunities and risks are discussed along with measures to manage risk. A Group-wide reporting system ensures that decision makers regularly receive comprehensive information on the risk situation of the Company as well as the status of the measures implemented. For this purpose, an opportunities and risk report is prepared several times a year. Reports made to the risk management system are handled independently to ensure the broadest possible scope and reviewed in accordance with the “four eyes” principle.

Central risk management is contained within the Group Finance department and operates an IT-based risk management system, in which risks are managed centrally and appropriate measures for risk mitigation are initiated. This acknowledged software solution provides optimum support for risk management.

In this way, we maintain an overview of the key opportunities and risks for the GRAMMER Group. Opportunities and risks are classified using a “risk atlas” specifically designed to meet the GRAMMER Group’s requirements. These include strategic, market, financial and legal risks, as well as risks stemming from IT, human resources and production.

RISKS

In the following paragraphs, we describe risks and discuss their sometimes considerable impact on our business performance, net assets, financial position and results of operations as well as our stock price and market reputation. Additional risks that we currently rate as slight or whose existence or potential effects are as yet unknown to us may likewise adversely affect our business activities. An essential part of the Group’s risk management is the avoidance of risks to its going concern status.

MARKET AND SECTOR SPECIFIC RISKS

As an enterprise with worldwide operations, the GRAMMER Group is affected by business conditions in its home market as well as markets across the globe. We address these risks by means of numerous different measures, while closely and continually monitoring developments in relevant markets and industries. We adjust our production and capacity accordingly when necessary. As part of effective risk management, the GRAMMER Group strives to react immediately to crises and any initial signs of revenue weakening. Production and cost structures are proactively adjusted in the light of any changes to the revenue situation. We can generally expect to face sector specific revenue risks in the future. Our markets are become increasingly competitive, exposing us to more and more risks from factors including price pressure, more aggressive timeframes for development and times to market, product and process quality and rapidly changing conditions. Surges in demand and sales volumes are increasing in frequency, and the volatility of those swings is on the rise. Due to our exposure to the global markets with differing economic and demand cycles, we must track and interpret a broad range of factors. In addition, new competitors are arising in or entering the emerging markets. The effects of crises in certain markets and regions harbor risks that are no longer directly derived from our business segments. Market disparity is also steadily increasing so that we can no longer necessarily draw conclusions about the effects of general developments on our business. This applies to both positive and negative trends.

As our markets and the companies in them continue to consolidate, additional competitive risks will arise. At the same time, vehicle manufacturers are increasingly passing on cost pressure to components suppliers. Against this backdrop, the lack of follow-up contracts may also exert pressure on us. In response, we are placing heavy emphasis on research and development alongside numerous process optimization measures to offset risk and increase cost efficiency, which will allow us to keep pace with customers' growing demands.

Our goal is to improve our market position in all business segments as a way to reduce these competitive risks. Consequently, GRAMMER is focusing on technical innovation and advancement of existing products. Through an increase of R&D activities, we intend to strengthen our position as technology leader with respect to our core products in order to generate competitive advantages in the marketplace. 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 our numerous patents and the protection of our intellectual property, competitors – especially in growth markets – generally cannot be prevented from independently developing products and services that are similar to our own.

Continuous adjustments to and optimization of our capacities and production structures produce a risk in that plant consolidation and closures initially place burdens on our net assets, financial position and results of operations. Moreover, there is the risk that such measures cannot always be executed within the planned timeframe and that the manifold complexities of such processes may result in delays and additional costs or their benefits prove to be less than originally planned and estimated.

The scope of our operations increasingly embraces activities that are derived from our strategic portfolio policy affecting our business segments. Possible merger and acquisition activities are ordinarily fraught with uncertainties since they include risks of market reaction, integration of people and technologies as well as products and product development. It cannot be ruled out that implementation risks will also arise and, as is normally the case with such transactions, there will be acquisition, integration and other costs that cannot be estimated at the beginning of the transaction. Risks from such activities can also arise from divestments that might not produce the desired effects or could lead to additional strains on net assets, financial position and results of operations.

Risks can also arise from the many changes and adjustments to regulations, statutes, guidelines and technical specifications with respect to our products to which we, as a globally operating company, are increasingly exposed. We cannot rule out the possibility that rules and legal regulations in particular markets and regions will produce additional strain and expenses that could not previously be foreseen and may adversely affect our net assets, financial position and results of operations.

PROCUREMENT RISKS

GRAMMER aims to minimize planning risks resulting from fluctuations in commodity prices as much as possible. Particularly important in this regard is the market price of steel and petroleum-based foam and plastic products. GRAMMER continually monitors movements in the markets for these commodities. As far as possible and reasonable, cost risks are hedged through long-term supply contracts. These, however, are currently difficult to achieve in the market given the strong demand and prevailing volatility in steel, foam and plastics. Furthermore, there are supply chain risks which for various reasons may influence our product quality, ability to meet delivery schedules or, in a worst case scenario, product availability in general. Moreover, quality problems with suppliers that crop up from time to time with suppliers or disruptions in the supply chain cause risks to our productivity that may adversely affect our net assets, financial position and results of operations.

Potential risks arising from non-delivery by suppliers are addressed by GRAMMER with a dual-sourcing strategy as part of a contingency plan as well as close monitoring of potentially critical suppliers along with a rapid reaction through the implementation of defined emergency and risk management measures. In order to protect our value chain, we pay close attention to our suppliers' financial strength.

QUALITY RISKS

The GRAMMER Group attaches great importance to maintaining high internal quality standards together with the early identification of possible sources of errors and their avoidance. Despite this, it is not possible to entirely rule out potential quality risks arising from development and consultation with the customers for which GRAMMER is therefore responsible. This applies in particular to development work on products with complex production structures and cross-continental interdependencies that are inevitable given our global orientation and operation. We have adopted precautions to minimize such risks throughout the entire Group.

In order to minimize risks arising from quality problems attributable to suppliers, GRAMMER engages in intensive supplier development and conducts regular supplier audits. Using system-based supplier evaluations we continuously analyze and grade 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 by GRAMMER for project work and series production.

Even so, we cannot completely exclude the possibility of individual risks arising and negatively impacting our net assets, financial position and results of operations.

FINANCIAL RISKS

The GRAMMER Group is exposed to interest, currency and liquidity risks on account of its worldwide activities and the economic risks described above. The GRAMMER Group must primarily manage currency risks originating from trade accounts payable/receivable and procurement costs denominated in Czech koruna, US dollars, Mexican pesos, the Brazilian real and the Chinese yuan. The Group addresses currency risks through "natural hedging," i.e. increasing purchasing volumes in foreign currency regions or increasing local production. In addition, currency risks are hedged selectively via the financial market. Strong appreciation in the euro against the currencies of other exporting nations could negatively impact the Group's competitiveness.

The GRAMMER Group cannot completely avoid fluctuations in credit markets and this may give rise to risks to our net assets, financial position and results of operations. The GRAMMER Group seeks to minimize interest rate risks through long-term funding and the use of derivatives. High priority is also given to ensuring adequate liquidity. In 2013, the Group's funding was placed on a firm footing with the signing of a syndicated loan agreement for a period of five years plus two one-year renewal options. As the second renewal option was exercised in 2015, the syndicated loan is available to us for a further five years. Liquidity risks are monitored and documented continuously in a rolling Group-wide financial requirements plan. Additionally, investments are selectively concluded via leasing and rental agreements. Despite the possible disadvantages in terms of interest rates, key emphasis is placed on the expansion of our liquidity and the creation of appropriate liquidity reserves. To a certain degree, this adversely affects interest result, a fact that we are willing to accept in order to maintain our strategic leeway and safeguard our liquidity position. Our customer structure limits credit risks, which are monitored through active receivables management in Controlling/Accounting. The funded status of our pension plans is heavily influenced by interest rate uncertainties and risks in the market place as well as by changes in accounting rules that can mean both increases or decreases 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 development of payouts can deviate from the computed values since assumptions regarding interest rates, wages and inflation are all uncertain. Consequently, they may pose potential risks for our net assets, financial position and results of operations.

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

LEGAL RISKS

To guard against legal risks, we employ a system comprising intensive contract review and contract management, as well as systematic documentation and archiving. GRAMMER has sufficient insurance to cover normal and going-concern risks. Restrictions of the Group's international activities through import/export controls, tariffs or other regulatory barriers to trade represent a risk that, because of the nature of our operations, the Group cannot escape. In addition, our business activities may be adversely impacted or impeded by export control regulations, trade restrictions and sanctions. Strict adherence to all legal requirements can produce limitations that can lead to competitive disadvantages. The many legal rules and regulations and constant changes in tax rules, among other things, may give rise to risks that may adversely impact our net assets, financial position and results of operations.

HUMAN RESOURCE RISKS

As an engineering specialist and innovator, GRAMMER is dependent on highly qualified specialists and executives with international experience in all areas so that it is able to make efficient use of opportunities and extend its competitive lead. For this reason, focused, driven employee training and continuing upskilling programs for as many employees as possible at all levels and in all areas of the Company are a top priority. We also participate in recruiting events and job fairs at schools and universities in Germany and other countries to generate interest in GRAMMER among motivated, young professionals and specialists. Despite all these efforts, there is no guarantee now or in the future that the Group will be able to recruit and retain the number of qualified employees and managers it needs in every country and business segment. Heightened fluctuation must particularly be expected in expansionary markets such as China and NAFTA on account of the heavy growth.

IT AND INFORMATION RISKS

The security, protection and integrity of our data and IT infrastructure are indispensable for the smooth operation of our business. Legal requirements and regulations stipulate that technical and organizational measures be taken to protect our data centers and ensure highly available and secure data transfers. In order to meet these requirements, GRAMMER operates a redundant system with the mission critical components of the IT infrastructure installed in two data centers. The electricity supply is guaranteed, even in emergencies, by separate emergency generators. All GRAMMER sites have redundant connections to the data centers. Business continuity plans document the steps for ensuring the recovery of critical IT systems. GRAMMER has implemented appropriate security systems and taken measures to avert any intrusion. Firewalls, virus scanners and other activities are regularly reviewed to determine their efficacy and adjusted where necessary. A Group-wide IT security organization responsible for tracking the latest developments and proactively neutralizing threats is also in place to ensure IT security. The IT services department's Systems & Security Team along with the data protection officers and risk management team forms the Security Incidence Team, which is tasked with coordinating activities to improve IT security. Nonetheless, our worldwide activities, along with the general increase in threats and attacks, mean that our 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.

ECOLOGICAL 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. This system defines worldwide environment and energy efficiency standards (e.g. environmental programs and targets and energy efficiency goals), which are implemented by local energy efficiency and environmental officers and monitored via regular audits to minimize ecological impact. We are also continuing to pursue certification of our production sites in accordance with ISO 14001 and 50001. Nonetheless, external circumstances or misconduct may arise and result in risks for the Group.

CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

As a capital market-oriented corporation within the meaning of section 264d HGB, we are required under section 289 (5) 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 they relate to the Group's accounting processes". We believe the internal control and risk management system to be a comprehensive system, and we base our 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 in 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 the safeguarding of 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 includes, in its entirety, all organizational rules and measures intended to identify risks and control the risks inherent in business activities.

The Group has implemented the following structures and processes with respect to the internal control system for the accounting process:

The Executive Board holds overall responsibility for the internal control and risk management system as it relates to the Company's accounting process. All strategic segments are integrated in this system by means of defined management and reporting structures. The principles, the operational and organizational structure and the processes involved in the accounting-related internal control and risk management system are documented for the entire Group in policies and operating procedures that are updated at regular intervals to reflect current external and internal developments. As they relate to the accounting process, we consider the main characteristics of the internal control and risk management system to be those that can materially affect financial reporting and the overall impression left by the consolidated financial statements, including the group management report. These include the following elements in particular:

- Identification of the key risk and control areas relevant to the accounting process;
- Monitoring controls for supervising the accounting process and Group accounting process and their results at the level of the Executive Board and at the level of the Divisions and responsible departments;
- Regular and preventive checks in the financial and accounting systems and in operational, performance-related business processes that generate material information for the preparation of the consolidated financial statements, including the management report, plus a separation of functions and pre-defined approval processes in relevant departments;
- Measures that ensure proper IT-based processing of information and data relating to accounting processes;
- Measures for monitoring the internal control and risk management system as it relates to accounting processes;
- Measures for ensuring due and proper execution of the consolidation process.

OPPORTUNITIES MANAGEMENT

The GRAMMER Group engages in opportunities management to record and evaluate opportunities for the Group and to make the best possible use of them. Opportunities are defined as a positive deviation from a goal defined against a backdrop of uncertainty. As a matter of principle, opportunities may arise in all parts of the GRAMMER Group.

OPPORTUNITIES

MARKET OPPORTUNITIES

This section describes the main market opportunities which may arise assuming that the GRAMMER Group'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. Conversely, it is also possible that opportunities which have been identified may fail to materialize.

Global economy – Given the GRAMMER Group's global presence, it has an opportunity of continuing to benefit from growth in the global economy. Upbeat economic conditions in our main sell-side markets and, resulting from this, heightened demand for passenger and commercial vehicles may offer opportunities for GRAMMER in the form of increased demand for its products.

Growth in core regions – Generally speaking, the importance of North and South America as well as China has continued to grow sharply for GRAMMER. It has been able to optimize its presence in North America by opening new US headquarters in the US state of Mississippi. GRAMMER's Automotive Division is increasingly operating as a components supplier for local OEMs as well as its European partners in the premium segment. In China, success in gaining contracts from global and local OEMs is giving rise to new opportunities. In the Seating Systems Division, we operate 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.

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 into new markets. To date, such opportunities have resulted in greater customer diversification in the United States and Asia.

Focus on premium segment – With its innovative and attractive 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 may grow more sharply than in the volume segment. Accordingly, GRAMMER is endeavoring to make use of these market opportunities.

Global megatrends – GRAMMER is well positioned to capitalize on global trends such as population growth, heightened demand for mobility, increased demand for foods and greater wealth in the emerging markets. GRAMMER is attempting to make optimum use of the resultant opportunities. Thus, heightened demand for mobility may spur sales of our Automotive and Seating Systems. Rising demand for food and agricultural products may also generate additional sales in the Seating Systems Division as agricultural machinery is frequently fitted with products of GRAMMER Seating Systems. All told, GRAMMER is hoping to generate a continued rise in business in its products on the basis of global megatrends.

STRATEGIC OPPORTUNITIES

Alongside market opportunities, strategic opportunities may also arise for GRAMMER. These are discussed in greater detail below.

Non-organic growth – This entails examining and making use of opportunities for exogenous growth. In this connection, we continuously observe our markets for any opportunities for acquisitions and partnerships. If we see any opportunities for reinforcing our market position or for supplementing our product range, we explore the options available to us. As opportunities for non-organic growth depend on many factors beyond our control, it is not possible to make any forecasts on the scope available to us for acting on these opportunities.

Efficiency measures – We work permanently on improving our efficiency and on cutting costs with a view to additionally enhancing our cost position and, hence, to improving our strategic competitive position. In this connection, GRAMMER also regularly reviews the appropriateness of its network of locations.

Innovations – Projects in the research and development pipeline resulting in products which can be launched on the market also harbor opportunities for entering new market segments and/or widening market share. Both Divisions are working on innovative new solutions aimed at helping our customers address the requirements of the future. Looking forward, GRAMMER will continue to position itself as an innovative premium partner for its customers and to tap market potential by means of new developments.

ASSESSMENT OF RISKS AND OPPORTUNITIES

After a detailed review of the current risk situation, we have determined that the GRAMMER Group has implemented appropriate precautions to address the risks which have been identified. The risks that are currently known to us have no material impact on the Company's future net assets, financial position and results of operations. At this time, we see no risks liable to jeopardize the Group's going-concern status, while the opportunities may additionally help to mitigate risks. Due to volatile forecasts, no conclusive assessment can be made as to the risks arising from commodity prices, since the possible scenarios entail both opportunities and risks. The GRAMMER Group's growth, particularly in its core markets, was again supported by the stabilization of the global economy in 2015. Assuming that the global economy continues to perform favorably in the future, this may yield additional opportunities for the GRAMMER Group.

BUSINESS DEVELOPMENT FORECAST

MODERATE GROWTH EXPECTED FOR THE GLOBAL ECONOMY IN 2016

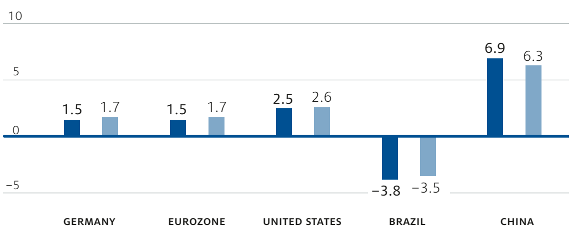
The International Monetary Fund (IMF) assumes that global growth will accelerate to 3.4 % in 2016. In the developed economies, macroeconomic stimulus measures, lower commodity prices and a continuous improvement in the labor market should spur the upswing. At the same time, the retarding effects of fiscal policy will recede in many advanced economies. The IMF projects overall growth of 2.1 % for this group of countries, underpinned by the robust performance of the United States, which should expand by 2.6 %. Given the improved outlook for domestic and international export sales, corporate spending as well as private consumption should point distinctly upwards in the United States.

The Eurozone economy should grow moderately, achieving a growth rate of 1.7 %. The persistent structural problems in part of the single-currency region will stand in the way of more pronounced economic vigor. Of the four major Eurozone countries, Spain should take the lead again with growth of 2.7 %, followed by Germany (up 1.7 %), France (up 1.3 %) and Italy (up 1.3 %). Outside the Eurozone, the IMF projects growth of 2.2 % for the United Kingdom, i.e. unchanged over the previous year. By contrast, growth in Japan should accelerate by 0.4 percentage points to 1 %. However, the OECD warns that the outlook for the emerging markets poses a major source of global uncertainty given the substantial contribution which they make to world trade and GDP growth. Declining commodity prices, tighter borrowing terms and weaker growth in their production potential are posing mounting challenges for these markets. Consequently, there is a risk that capital outflows and sharp currency depreciation may reveal financial vulnerabilities.

China faces the challenge of managing the transition from a dynamically growing industry and export society to a sustainable services and consumption economy while avoiding a sizeable slowdown in GDP growth. The trend towards slower growth rates from the previously very high levels is likely to continue with forecast growth of 6.3 %. Prospects in Latin America could gradually brighten provided that commodity prices stabilize. Brazil is likely to take a long time to emerge from the recession due, among other things, to still restrictive monetary policy. As a result, the economy looks set to contract by 3.5 %. Likewise, conditions in Russia will probably also be slow in improving, with GDP poised to contract again by 1.0 % in 2016.

ECONOMIC GROWTH (GROSS DOMESTIC PRODUCT) IN SELECTED COUNTRIES

IN %



Source: IMF

OUTLOOK FOR THE AUTOMOTIVE DIVISION

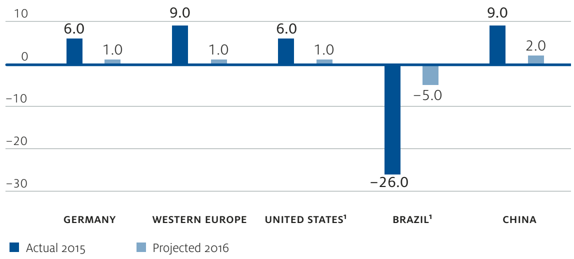
CONTINUED SLIGHT GROWTH IN THE PASSENGER VEHICLE MARKET

According to VDA forecasts, global registrations of passenger vehicles should increase again in 2016, rising by 1 % to 79.3 million. Driven by low petrol prices and favorable borrowing costs, the important US (United States) market could remain on its trajectory headed for further records and achieve a 1 % gain in new registrations to 17.5 million light vehicles. In the NAFTA region as a whole, new registrations should also expand by 1 % to 20.8 million. In Latin America, the downswing in Brazil will continue, albeit at a somewhat slower rate, with new registrations dropping 5 % to 2.4 million units. At 20.4 million units, growth in China is expected to slow to 2 %. New registrations in Japan could increase marginally by 2 % to 4.3 million. The Western European market will probably achieve only muted growth of 1 % to 13.3 million new registrations. The same thing applies to the markets in Germany (up 1 % to 3.2 million units), France (up 2 % to 2.0 million units) and Spain, which is likely to remain flat at around one million new registrations.

VDA projects global growth of 2 % in the production of passenger vehicles to 77.5 million units in the countries tracked in 2016. Production in China and the United States is expected to rise by 2 %. Germany should record growth of 1 % to 5.8 million passenger vehicles.

CHANGES IN AUTOMOTIVE SALES VOLUMES IN SELECTED COUNTRIES

IN %



[1] including light vehicles
Source: VDA

OUTLOOK FOR THE SEATING SYSTEMS DIVISION

SLIGHT SIGNS OF RECOVERY IN THE COMMERCIAL VEHICLE MARKET ACCOMPANIED BY CONTINUED STRONG REGIONAL DIFFERENCES

VDA forecasts minor signs of a recovery in the commercial vehicles segment in 2016. New registrations in the countries tracked should rise by 1 % to 9.6 million units.

In the United States, new registrations are expected to be lower, with a decline of 10 % projected for trucks over 6 t. On the other hand, new registrations in China, the largest market for commercial vehicles, should be up 5 %. A further decline is expected in Brazil. Western Europe should see solid growth of 3 % to 2.0 million commercial vehicles; in this connection, none of the key markets are expected to contract. A 4 % increase is projected for trucks over 6 t. In Germany, new registrations are expected to drift sideways, with trucks over 6 t set to grow only very slightly by 1 %.

AGRICULTURAL MACHINERY INDUSTRY STILL CHARACTERIZED BY UNCERTAINTIES IN 2016

According to the CEMA Business Barometer, 29 % of the companies polled in January expect rising order receipts, 49 % do not see any change and 21 % anticipate declining orders. The countries expecting substantial growth in production in the first half of the year include France, Spain and Italy as well as region Scandinavia. On the other hand, Poland, Germany and the Commonwealth of Independent States are particularly pessimistic in their outlook for the sector.

NO TURNAROUND EXPECTED IN THE CONSTRUCTION INDUSTRY

Although the CECE Business Barometer, which tracks the confidence of European machinery producers, improved slightly at the end of 2015, there was no real sign of any turnaround. However, global construction spending should increase in most regions in 2016 and in the following years.

MATERIAL HANDLING EQUIPMENT STILL STABLE AT A HIGH LEVEL

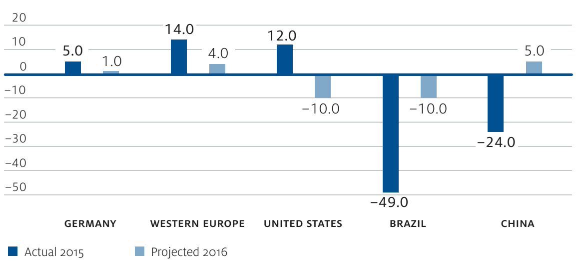
According to a poll conducted by bbi, the companies surveyed are optimistic about the future. Total revenue is expected to rise by 4.5 % in 2016.

UPBEAT CONDITIONS IN THE RAIL INDUSTRY

The German Rail Industry Association (VDB) assumes that the global market for rolling stock will grow by an annual average of 2.2 % between 2013 and 2019. The market was valued at EUR 47.9 billion in 2013. VDB identifies growing environmental and climate protection requirements, increasing urbanization, the liberalization and deregulation of railways and the creation of a single European rail market as key trends impacting the rail industry.

CHANGES IN COMMERCIAL VEHICLE SALES VOLUMES (TRUCKS OVER 6 T) IN SELECTED COUNTRIES

IN %



Source: VDA

OUTLOOK FOR THE GRAMMER GROUP

Last year, the GRAMMER Group was able to report further substantial growth in revenue. However, operating profit reached no more than a satisfactory level due to the heavy advance outlays and the unexpectedly sharp weakness of the high-margin business segments within the Seating Systems Division. Growth was materially driven by the Automotive Division, which simultaneously experienced significant pressure on earnings due to the numerous new product launches and the ongoing expansion and optimization projects in the year under review. On the other hand, revenue in the Seating Systems Division dropped in the reporting period chiefly as a result of the muted conditions in the agricultural machinery sector and in the Brazilian commercial vehicle market. The global margin in this important segment declined only slightly despite the extremely muted conditions in some markets. The following forecast for the GRAMMER Group and its Divisions is based on the general trends expected for the global economy and the specific projections for the Automotive Division and the Seating Systems Division as outlined above.

In 2016, the Automotive Division will again be influenced by numerous product launches and new projects. To this end, efforts are continuing to generate new project business across all of our product groups and regions to safeguard future growth. Given the product lifecycles of our order books and the marginally positive market forecasts, we expect to achieve enduring revenue growth in 2016. In addition, the consolidation of the REUM Group will have a positive effect on revenue. However, the Automotive Division is highly exposed to changes in the sales volumes of German premium OEMs in particular and would be unable to shield itself from the effects of a slower market in the upper segment.

The Seating Systems Division continues to face strong competitive pressure in our established markets. We expect revenue in this Division to remain stable in 2016 following the contraction in the last two years as the key markets should level out. Demand in the offroad markets in particular is expected to remain difficult due to the muted environment for agricultural machinery. We currently expect to see base formation at a low level in the Brazilian and Chinese truck markets, at least from the second half of the year.

The Group is exposed to currency translation effects particularly in the countries of material importance for its business such as Brazil, China, Mexico, the Czech Republic and the United States. Although we have been able to improve natural hedging effects all around the world through the ongoing localization of our production activities, significant exchange-rate changes between relevant currencies may still have an adverse effect on earnings. In addition, trends in production costs at our facilities – particularly in Germany – as well as in sell-side and buy-side prices may impact the GRAMMER Group.

In view of the GRAMMER Group's generally good order situation and additional customer projects in the Automotive Division, Group revenue is expected to continue climbing this year assuming stable political and economic conditions. In addition, the package of efficiency measures introduced by the Executive Board will now start to unleash its effects in 2016, thus enhancing profitability in both Divisions on a sustained basis. Once again, this year will see numerous new product launches and the stabilization of expansion and optimization projects, meaning that the full effects will not yet show up in costs in the first half of the year in particular.

SUMMARY STATEMENT CONCERNING THE FORECAST OF THE EXECUTIVE BOARD

This year, we expect macroeconomic conditions to remain challenging, with the markets which we address painting a mixed picture. Specifically, we forecast slight growth in the global passenger vehicle market, flat conditions in the agricultural machinery market, continued uncertainty in the Brazilian truck markets and difficult conditions in China for the market for seating systems. In the light of the current macroeconomic situation and the volatile conditions in the world markets, we are guardedly optimistic about the outlook for the GRAMMER Group in 2016 as a whole.

We expect a slight increase in revenue in the GRAMMER Group's core business. Including the REUM Group, revenue should rise to EUR 1.6 billion assuming unchanged exchange-rate parities. Operating profit will be influenced by pressure from trailing costs in connection with the still ongoing expansion and optimization projects as well as weak market conditions in individual segments in the Seating Systems Division. On the other hand, we anticipate slight growth in the earnings contributed by the Automotive Division thanks to stronger business, although we do not expect the current public discussion concerning vehicle exhaust emissions to have any major impact on ordering by our main OEM customers. Against this backdrop, we expect the GRAMMER Group to be able to report substantial EBIT in excess of the previous year in absolute terms in 2016, accompanied by slight growth in the operating margin compared with the previous year.

This assessment is based on the above forecasts for the global economy as well as our main sell-side markets and OEM customers. Any deterioration in these underlying economic or political conditions may also have an adverse effect on GRAMMER's business and earnings. On the other hand, a recovery in the agricultural machinery markets and stabilization of the Brazilian and Chinese truck markets could leave positive traces on business performance. Moreover, the GRAMMER Group's business may also deviate from the forecast as a result of the opportunities and risks described in the risk and opportunity report. Looking ahead to next year, we project further growth in revenue and earnings assuming stable macroeconomic conditions.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements based on current assumptions and estimates by GRAMMER's management of future trends. 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.

Amberg, March 18, 2016

GRAMMER AG
The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS INDEX

CONSOLIDATED STATEMENT OF INCOME

JANUARY 1 – DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	NOTE	2015	2014
Revenue	7	1,425,686	1,365,898
Cost of sales	8.3	−1,273,577	−1,207,615
Gross profit		**152,109**	**158,283**
Selling expenses	8.3	−30,803	−29,840
Administrative expenses	8.3	−96,085	−88,482
Other operating income	8.1	17,434	17,085
Operating profit/loss (–)		**42,655**	**57,046**
Financial income	8.2	1,151	1,626
Financial expenses	8.2	−11,177	−11,705
Other financial result	8.2	3,089	1,442
Profit/loss (–) before income taxes		**35,718**	**48,409**
Income taxes	9	−11,942	−14,760
Net profit/loss (–)		**23,776**	**33,649**
Of which attributable to:			
Shareholders of the parent company		23,604	34,680
Non-controlling interests		172	−1,031
Net profit/loss (–)		**23,776**	**33,649**
Earnings per share			
Basic/diluted earnings/loss (–) per share in EUR	10	2.10	3.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JANUARY 1 – DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	2015	2014
Net profit/loss (–)	**23,776**	**33,649**
Amounts not to be recycled in income in future periods		
Actuarial gains/losses (–) from defined benefit plans		
Gains/losses (–) arising in the current period	9,100	–29,136
Tax expenses (–)/Tax income	–2,658	8,473
Actuarial gains/losses (–) from defined benefit plans (after tax)	**6,442**	**–20,663**
Total amount not to be recycled in income in future periods	**6,442**	**–20,663**
Amounts recycled in income in future periods		
Gains/losses (–) from currency translation of foreign subsidiaries		
Gains/losses (–) arising in the current period	598	5,226
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**598**	**5,226**
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	116	–2,193
Less transfers recognized in the Income Statement	1,221	709
Tax expenses (–)/Tax income	–360	454
Gains/losses (–) from cash flow hedges (after tax)	**977**	**–1,030**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	–1,627	263
Gains/losses (–) from net investments in foreign operations (after tax)	**–1,627**	**263**
Total amount to be recycled in income in future periods	**–52**	**4,459**
Other comprehensive income	**6,390**	**–16,204**
Total comprehensive income (after tax)	**30,166**	**17,445**
Of which attributable to:		
Shareholders of the parent company	30,001	18,472
Non-controlling interests	165	–1,027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

ASSETS

EUR K

	NOTE	DEC. 31, 2015	DEC. 31, 2014
Property, plant and equipment	12	221,109	191,155
Intangible assets	12	90,856	79,199
Other financial assets	15	4,038	358
Income tax assets		11	22
Deferred tax assets	9	53,852	48,380
Other assets	16	3,707	0
Non-current assets		**373,573**	**319,114**
Inventories	13	145,905	128,330
Trade accounts receivable	14	187,376	169,588
Other current financial assets	15	127,086	110,970
Short-term income tax assets		6,272	5,435
Cash and short-term deposits	17	127,300	83,999
Other current assets	16	24,440	19,107
Current assets		**618,379**	**517,429**
Total assets		**991,952**	**836,543**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

EQUITY AND LIABILITIES

EUR K	NOTE	DEC. 31, 2015	DEC. 31, 2014
Subscribed capital	18	29,554	29,554
Capital reserve	18	74,444	74,444
Own shares	18	–7,441	–7,441
Retained earnings	18	199,698	184,505
Accumulated other comprehensive income	18	–43,632	–50,029
Equity attributable to shareholders of the parent company		**252,623**	**231,033**
Non-controlling interests	18	800	728
Equity		**253,423**	**231,761**
Non-current financial liabilities	20	218,707	145,255
Trade accounts payable	22	1,325	1,072
Other financial liabilities	23	6,814	4,802
Other liabilities	24	54	0
Retirement benefit obligations	19	123,419	129,604
Income tax liabilities		0	8
Deferred tax liabilities	9	32,359	26,069
Non-current liabilities		**382,678**	**306,810**
Current financial liabilities	20	64,128	25,385
Current trade accounts payable	22	186,714	192,153
Other current financial liabilities	23	5,028	5,416
Other current liabilities	24	70,193	55,819
Current income tax liabilities		11,066	7,130
Provisions	21	18,722	12,069
Current liabilities		**355,851**	**297,972**
Total liabilities		**738,529**	**604,782**
Total equity and liabilities		**991,952**	**836,543**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

EUR K	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	OWN SHARES
As of January 1, 2015	**29,554**	**74,444**	**184,505**	**−7,441**
Net profit/loss (−)	0	0	23,604	0
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**23,604**	**0**
Dividends	0	0	−8,411	0
Acquisition of non-controlling interests	0	0	0	0
As of December 31, 2015	**29,554**	**74,444**	**199,698**	**−7,441**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

EUR K	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVE	OWN SHARES
As of January 1, 2014	**29,554**	**74,444**	**159,423**	**−7,441**
Net profit/loss (−)	0	0	34,680	0
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**34,680**	**0**
Dividends	0	0	−7,290	0
Acquisition of non-controlling interests	0	0	−2,308	0
As of December 31, 2014	**29,554**	**74,444**	**184,505**	**−7,441**

NOTE 18

ACCUMULATED OTHER COMPREHENSIVE INCOME						
CASH FLOW HEDGES	CURRENCY TRANSLATION	NET INVESTMENTS IN FOREIGN OPERATIONS	ACTUARIAL GAINS/ LOSSES FROM DEFINED BENEFIT PLANS	TOTAL	NON-CONTROLLING INTERESTS	GROUP EQUITY
–1.846	**–836**	**–6,345**	**–41,002**	**231,033**	**728**	**231,761**
0	0	0	0	**23,604**	172	**23,776**
977	605	–1,627	6,442	**6,397**	–7	**6,390**
977	**605**	**–1,627**	**6,442**	**30,001**	**165**	**30,166**
0	0	0	0	**–8,411**	–93	**–8,504**
0	0	0	0	**0**	0	**0**
–869	**–231**	**–7,972**	**–34,560**	**252,623**	**800**	**253,423**

ACCUMULATED OTHER COMPREHENSIVE INCOME						
CASH FLOW HEDGES	CURRENCY TRANSLATION	NET INVESTMENTS IN FOREIGN OPERATIONS	ACTUARIAL GAINS/ LOSSES FROM DEFINED BENEFIT PLANS	TOTAL	NON-CONTROLLING INTERESTS	GROUP EQUITY
–816	**–6,058**	**–6,608**	**–20,339**	**222,159**	**2,512**	**224,671**
0	0	0	0	**34,680**	–1,031	**33,649**
–1,030	5,222	263	–20,663	**–16,208**	4	**–16,204**
–1,030	**5,222**	**263**	**–20,663**	**18,472**	**–1,027**	**17,445**
0	0	0	0	**–7,290**	0	**–7,290**
0	0	0	0	**–2,308**	–757	**–3,065**
–1,846	**–836**	**–6,345**	**–41,002**	**231,033**	**728**	**231,761**

CONSOLIDATED STATEMENT OF CASH FLOWS

JANUARY 1 – DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

NOTE 25

EUR K	2015	2014
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	35,718	48,409
Reconciliation of earnings before tax with cash flow from operating activities		
Depreciation of property, plant and equipment	31,333	28,295
Amortization of intangible assets	9,153	8,420
Gains (–)/losses from the disposal of assets	46	165
Other non-cash changes	7,451	6,405
Financial result	6,937	8,637
Changes in operating assets and liabilities		
Decrease/increase (–) in trade accounts receivable and other assets	–15,665	–45,411
Decrease/increase (–) in inventories	–7,769	–12,030
Decrease (–)/increase in provisions and pension provisions	–7,019	–4,814
Decrease (–)/increase in accounts payable and other liabilities	–13,197	36,421
Income taxes paid	–18,150	–9,477
Cash flow from operating activities	**28,838**	**65,020**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–37,834	–33,787
Purchase of intangible assets	–8,721	–13,357
Purchase of financial investments	0	0
Acquisition of subsidiaries (less acquired cash)	–44,103	0
Disposals		
Disposal of property, plant and equipment	7,466	379
Disposal of intangible assets	0	774
Disposal of financial assets	80	633
Interest received	1,151	1,626
Government grants received	3,299	2,164
Cash flow from investing activities	**–78,662**	**–41,568**
3. Cash flow from financing activities		
Dividend payments	–8,504	–7,290
Payments received from raising financial liabilities	123,856	18,384
Payments made for the settlement of financial liabilities	–18,391	–21,414
Decrease (–)/increase in lease liabilities	–1,872	–1,765
Acquisition of non-controlling interests	0	–1,250
Interest paid	–6,896	–7,746
Cash flow from financing activities	**88,193**	**–21,081**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	38,369	2,371
Effects of exchange rate differences of cash and cash equivalents	1,483	1,114
Cash and cash equivalents as of January 1st	82,404	78,919
Cash and cash equivalents as of December 31st	**122,256**	**82,404**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	127,300	83,999
Bank overdrafts	–5,044	–1,595
Cash and cash equivalents as of December 31st	**122,256**	**82,404**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

1 INFORMATION ABOUT THE GRAMMER GROUP AND BASIS OF REPORTING

INFORMATION ABOUT THE GRAMMER GROUP

GRAMMER AG is a public listed company incorporated under German law. The Company's registered office and business address is Georg-Grammer-Str. 2 in 92224 Amberg, Germany. The shares of the Company have been traded on the Frankfurt/Main and Munich stock exchanges since 1996.

GRAMMER AG has been included in the SDAX of the Frankfurt Stock Exchange since August 2005.

International Securities Identification Number (ISIN): DE0005895403
German Securities ID (WKN): 589540
Common Code: 006754821
Ticker Symbol: GMM

With regard to its core products, GRAMMER Group is a leader in the development and production of components and systems for automotive interiors as well as driver and passenger seats for commercial vehicles (trucks and offroad) busses and trains. As of December 31, 2015, the Company employed 11,397 persons (excluding trainees and including 268 employees in Central Services) at 38 production and logistics sites in Europe, the NAFTA and Mercosur regions, Asia as well as at GRAMMER Group Central Services in Amberg. Three new facilities have been added following the acquisition of the REUM Group. The GRAMMER Group is managed centrally by a three-member Executive Board.

GRAMMER Group has divided its activities into the Automotive and Seating Systems segments. The main activities of the Group are described in Note 6.

GENERAL INFORMATION

The consolidated financial statements and the Group management report of GRAMMER AG (the "Company") for the fiscal year ending December 31, 2015 were prepared in accordance with section 315 a (1) HGB and approved by the Executive Board for submission to the Supervisory Board on March 18, 2016.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements for GRAMMER AG were prepared in accordance with section 315a 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 are still valid.

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) is broken down by maturities. Net income is presented in two separate statements: an income statement and a statement of comprehensive income. The income statement was prepared using the cost of sales method.

PRINCIPLES OF CONSOLIDATION

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 fiscal year. The financial statements of the parent company and the subsidiaries are prepared in accordance with uniform Group accounting policies. 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.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group effectively obtains control of the company concerned. The Group is deemed to control an investee if it has power over it, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Group's returns.

Accordingly, the Group is only deemed to control an investee if it exhibits all of the following characteristics:

- It exerts control over the investee,
- It has exposure or rights to variable returns from its involvement with the investee,
- It is able to use its power over the investee to affect the amount of the Group's returns.

If the Group does not hold a majority of the voting or comparable rights in an investee, it takes account of all relevant matters and circumstances in determining whether it exerts control over an investee. This includes:

- a contractual arrangement with other holders of voting rights,
- rights arising from other contractual arrangements,
- voting rights and potential voting rights of the Group.

If any matters or circumstances indicate any change in one or more of the conditions for control, the Group must again review whether it exerts control over the investee. A subsidiary is consolidated from the day on which the Group gains control of it. The subsidiary is no longer included in the consolidated financial statements as soon as the parent effectively loses control over the company concerned.

Assets, liabilities, income and expenses of a subsidiary which was acquired or sold during the reporting period are recorded in the balance sheet and statement of comprehensive income as of the day on which the Group gains control over the subsidiary until the day on which control ceases.

The profit and loss and each part of the other comprehensive income are allocated to the holders of the parent company's shares and to non-controlling interests even if this results in a negative balance for the non-controlling interests. Any intragroup balances, transactions, income, expenses and unrealized profits or losses resulting from intragroup transactions that are included in the carrying amount of the assets are eliminated in full.

Any change in the size of the share in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. In the event of loss of control, the Group accounts for the remaining interest as follows:

- Derecognition of the assets and liabilities of the subsidiary, including goodwill
- Derecognition of the carrying amount of the non-controlling interest in a former subsidiary
- Derecognition of the cumulative amount of the currency translation differences recorded within equity
- Recognition of the fair value of the consideration received
- Recognition of the fair value of the remaining investment
- Recognition of the net profit or loss in the income statement
- Recycling of components of other comprehensive income attributable to the parent company to profit and loss to the extent that would be necessary if the Group had directly sold the corresponding assets and liabilities.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method in accordance with IFRS 3. 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. In the context of any business combination, the Group values minority interests in the acquired company either at fair value or as the relevant share of the identifiable net assets of the acquired company. Costs incurred in relation to the business combination are recognized as expense.

In the case of successive business combinations, the share of equity in the target company previously held by the acquiring entity is revalued to fair value at the time of acquisition and the resulting gain or loss is recognized in the income statement.

When the Group acquires a company, it determines the classification and designation of the financial assets and assumed debts in accordance with the contractual conditions, the economic situation and the conditions prevailing at the time of acquisition. Any embedded derivatives in underlying assumptions are also accounted for separately by the Company.

Identifiable assets, liabilities and contingent liabilities acquired in the context of a business combination are initially recognized at their fair value on the acquisition date. The agreed contingent consideration is measured at fair value at the time of the business combination. Subsequent changes to the fair value of a contingent consideration representing an asset or liability are either recognized in profit and loss or other income in accordance with IAS 39. If a contingent consideration is equity, the original amount is not remeasured and subsequent settlement is taken directly to equity. If the contingent consideration does not fall under the scope of IAS 39, measurement follows the relevant IFRS rules.

Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or the jointly controlled entity. Upon the disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss upon disposal.

Non-controlling interests refer to the share of results of operations and net assets not attributable to the Group. Any profit or loss from this share is accordingly recognized in the income statement separate 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.

INVESTMENTS IN JOINT VENTURES

A joint venture is a joint undertaking under which the parties which jointly manage the undertaking hold rights in the net assets of the joint venture. Joint management is the contractually agreed exercise of joint control. It arises only if decisions on the relevant activities must be made unanimously by the joint venture parties.

The Group's shares in the joint venture are recognized in accordance with equity method of accounting. Under the equity method of accounting, the shares in a joint venture are initially recognized at historical cost. The carrying amount of the investment is adjusted to reflect any changes in the Group's share in the joint venture's net assets since the date of acquisition. The goodwill arising from the joint venture is included in the carrying amount of the investments and is not written down on a regular basis or subjected to an impairment test. Goodwill arose from only one joint venture within the Group.

The income statement includes the Group's share in the net profit or loss of the joint venture for the reporting period. Any changes in the other comprehensive income of these investees are recorded within consolidated other comprehensive income. In addition, any changes are recorded directly in the equity of the joint ventures 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 are eliminated in accordance with the shares held in the joint venture.

The Group's total share in the joint ventures' net profit or loss is reported within the income statement and represents the earnings after tax and non-controlling interests in the subsidiaries of the joint ventures.

After applying the equity method of accounting, the Group determines whether it is necessary to allow for any impairment of its shares in the joint venture. The Group determines on each reporting date whether there is any objective evidence suggesting that the share in the joint venture 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 and the carrying amount, upon which the resultant loss is recognized through profit and loss within the share of profits of joint ventures.

Upon the loss of significant influence on the joint management of the joint control, the Group measures at fair value all shares which it retains in the former joint venture. Any differences between the carrying amount of the share in the joint venture on the date on which joint control is lost and the fair value of the retained shares and the proceeds from the sale are included in the income statement.

2.2 ESTIMATES AND JUDGEMENTS

In certain cases, reporting in accordance with IFRS requires the application of estimates and assumptions which entail complex and subjective assessments and estimates involving circumstances which are intrinsically uncertain and subject to change. 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 liabilities of the reporting period. Assumptions and estimates mainly relate to assessing the value of intangible assets, assessing the recoverability of receivables, the percentage of completion of long-term construction contracts and undertaking recognition and measurement of provisions. The assumptions and estimates are based on presumptions reflecting the currently available information. These may contain assumptions that the management could not have reasonably deemed otherwise in the same reporting period for equally reasonable reasons. In particular, the circumstances prevailing at the time of preparation of the consolidated financial statements as well as the anticipated realistic development of the global and sector-specific environment were used as the basis for forecasting the future business trends. Developments that differ from these assumptions and are beyond the control of management may cause actual results to differ from the originally forecast estimates. As a precaution, the Group notes that future events often deviate from forecasts, and that estimates are routinely subject to revision. If actual developments differ from forecast developments, the presumptions and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly.

ESTIMATION UNCERTAINTIES

The major assumptions concerning future events and other key sources of estimation uncertainty as of the reporting date, which entail considerable risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are explained below. Assumptions and estimates consistently relate to the parameters in effect at the time of preparation of the consolidated financial statements. As a result of market development and conditions outside Group control, however, these may change over time. Such changes are only taken into account when they have occurred.

IMPAIRMENT OF GOODWILL

The Group tests goodwill for impairment at least once annually. This requires an estimate to be made of the value in use of the cash-generating units to which the goodwill has been attributed. In order to estimate the value in use, 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 on payment flows entail historical data and are based on management's best estimate of future events. Payment flows beyond the forecast period are extrapolated on the basis of individual growth rates. The main 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 extent of a possible impairment of goodwill. The cash flows are extrapolated from budgets for the subsequent three years, which relates to the estimates of the management as to the realizable value. The recoverable amount depends largely on the discount rate applied for the discounted cash flow method as well as the expected future cash flows and rate of growth used as the basis for extrapolation. For further details, please refer to Note 12.2.

DEVELOPMENT COSTS
Development costs are capitalized in accordance with the accounting policies set out in Note 2.3. Capitalization of costs for the first time is based on the management's assessment that there is evidence that the development is technically and economically feasible. As a rule, this is the case if a product development project has achieved a specific stage of maturity in an existing project management model. For the purpose of calculating the amounts to be capitalized, assumptions and estimates were made concerning the expected future cash flows from assets, the applicable discount rates and the period in which the expected cash flows generated by such assets will flow to the Company. Further details can be found in Note 12.

REVENUE RECOGNITION FOR CONTRACT BUSINESS
A portion of business in the Group relates to customer development contracts. These construction contracts are recognized in accordance with the stage of completion as of the reporting date (percentage-of-completion method) as described in Note 2.3. This method entails a measured estimate of the stage of completion. For estimation of the stage of completion, the Group must approximate the total contract costs, the costs to complete, the total contract revenue, the contract risks and other assumptions. Management continually reviews these assumptions in the context of such construction contracts and adjusts them as necessary. In connection with the application of the percentage-of-completion method, such changes may result in an increase or decrease in revenue in the corresponding reporting period. The calculation also involves assumptions related to the contract term and execution as well as development efficiency. Uncertainties are greater at the beginning of construction contracts due to the development of design and function.

PROVISIONS
The measurement of provisions for warranties, litigation or restructuring is largely based on estimates and assumptions. For warranty estimates, a significant number of assumptions are made relating technical disruptions, costs and possible claims, which rely on assessments of operational management. These may change over the course of time as more specific information becomes available. The Group is confronted with various legal disputes and regulatory processes in different countries. 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 payments. To this extent, the creation of provisions is based largely on management discretion.

TAXES
As a result of the global orientation of our business and the complexity of existing contractual agreements, discrepancies may exist between actual developments and the assumptions made or changed in the future, which could necessitate changes to reported tax expenses or income. Uncertainties also stem from the official interpretation of complex tax rules, amendments to tax laws and their periods of effectiveness as well as the amount and timing of future taxable results. Based on reasonable estimates, the Group recognizes provisions for potential effects from tax audits in countries in which it operates. The amount of such provisions is based on various factors, such as experience in previous tax audits and different official interpretations of tax rules by the authorities.

Deferred income tax assets are recognized for all unused income tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused income tax losses can be actually utilized. Significant management judgments are required to determine the amount of deferred income tax assets on the basis of the expected timing and amount of the future taxable profit as well as the future tax planning strategies. Further details are included in Note 9.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS
Obligations for pensions and other post-employment benefits together with the associated net expense in the period are calculated using actuarial methods. These measurements are made on the basis of certain assumptions such as discount factors, salary trends, mortality and inflation rate/pension trends. The discount factors applied are determined on the basis of market yields at the reporting date on high-quality corporate bonds with the appropriate maturity and currency denomination. The expense from defined post-employment benefit plans is determined on the basis of actuarial calculations. 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. Further details on the pension obligations can be found in Note 19.

CALCULATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS
If the fair value of recognized financial assets and financial liabilities cannot be measured by reference to prices in active markets, it is calculated using valuation methods such as the discounted cash flow method. The input parameters for the model are based on observable market data as far as possible. If such data is not available, the fair value is based to a large degree on management's judgement. Such judgements relate to input parameters such as liquidity risk, credit risk and volatility. Any changes in the assumptions made for these factors may impact the fair values of financial instruments. Further details can be found in Note 29.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CURRENCY TRANSLATION
The Consolidated Financial Statements were prepared in Euro (EUR). Every company within the Group determines its own functional currency. The items included in the financial statements of the companies are measured on the basis of the relevant functional currency.

In the single-entity financial statements of GRAMMER AG and its consolidated subsidiaries, foreign currency transactions are translated at the exchange rate applicable on the date of initial recognition of the respective transaction. Financial statements prepared in foreign currencies and transactions denominated in foreign currencies are translated in accordance with the functional currency concept as set out in IAS 21. Accordingly, the functional currency is the currency of the primary economic environment in which the entity operates; its activities and financial structure are to be presented in the consolidated financial statements as they present themselves in that currency. Transactions in foreign currencies are translated into the functional currency at historical rates. Monetary items are translated at the closing rate. Any resulting translation differences are recognized in profit or loss. An exception is made for translation differences from loans or credits in foreign currencies that are recorded directly within equity to secure a net investment and are included in net income for the period only after their disposal. The financial statements of Group companies whose functional currency differs from the reporting currency of the Group (EUR) are translated using the modified closing rate method. In the consolidated financial statements, the assets and liabilities of foreign Group companies are translated into EUR from the respective local currency at the end-of-year exchange rate.

Income statement items are translated into EUR at the average exchange rate for the year. The net income for the year so determined is taken to the consolidated balance sheet. Any translation differences are recorded in equity with no effect on income.

For currency translation purposes, the following exchange rates were applied for the major currencies outside the Eurozone that are of relevance to the Group:

		AVERAGE RATE		END-OF-YEAR EXCHANGE RATE	
		2015	2014	2015	2014
Argentina	ARS	0.097	0.094	0.071	0.099
Brazil	BRL	0.274	0.321	0.232	0.310
China	CNY	0.143	0.123	0.142	0.133
United Kingdom	GBP	1.374	1.242	1.362	1.284
Japan	JPY	0.007	0.007	0.008	0.007
Mexico	MXN	0.057	0.057	0.053	0.056
Poland	PLN	0.239	0.239	0.235	0.234
Czech Republic	CZK	0.037	0.036	0.037	0.036
Turkey	TRY	0.332	0.345	0.315	0.353
USA	USD	0.899	0.756	0.919	0.824

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less straight-line depreciation and accumulated impairment losses (IAS 16). 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. The useful lives assumed correspond to the period over which the asset or relevant component is expected to be available for use. Residual values have been included in the calculation of the depreciation amounts to the extent material.

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. Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 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 less any accumulated depreciation.

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 resulting gains or losses are identified on the basis of the difference between the net sales proceeds and the carrying amount of the asset and are recognized as income in profit or loss in the period in which it is derecognized.

The residual carrying amounts of the assets, their useful lives and the depreciation methods applied are reviewed annually and, if needed, adjusted.

LEASES

Leases involving the Group as lessee are classified as operating leases or finance leases in accordance with IAS 17. Determining whether an arrangement contains a lease is based on the substance of the arrangement at the time of the conclusion thereof and requires a judgment as to whether the performance of the contractual arrangement depends on the use of a specific asset and whether the arrangement conveys the right to use the asset. With regard to leased items of property, plant and equipment, the requirements of finance leases in accordance with IAS 17 are met when all significant risks and opportunities of ownership have been transferred to the respective Group entity (economic ownership). In such case, the respective items of property, plant and equipment are capitalized at the lower of fair value or present value of the minimum lease payments and depreciated using the straight-line method over the shorter of the asset's economic life or the lease term. Consequently, the lease payment is recognized as a liability and the repayment component of the lease payments already made is deducted.

Any lease or rent payments under operating leases involving subsidiaries as the lessee are recognized as an expense directly in the income statement on a straight-line basis over the duration of the lease.

Leases also include sale-and-lease-back transactions. These include the sale of an asset and the leaseback of the same asset.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition, construction or production costs of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs include interest and other costs that a company incurs in connection with borrowing.

GOODWILL

Goodwill arising from a business combination is initially measured at cost, defined as the excess of the acquisition costs over the Group's share in the fair values of the identifiable assets, liabilities and debt acquired. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment cost. To establish whether goodwill is impaired, it is necessary to allocate the goodwill acquired by the business combination from the day of acquisition to each of the cash-generating units that will benefit from the business combination. This is carried out irrespective of any previous allocation of other Group assets or liabilities to these units.

Impairment testing is carried out at the level of segments, which are cash-generating units or groups of cash-generating units, and represent the lowest level at which goodwill is monitored for internal management purposes.

Impairment is measured by establishing the recoverable amount of the cash-generating unit (or group of cash-generating units) that relates to the goodwill. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is below its carrying amount, an impairment loss is recognized. If goodwill has been attributed to a cash-generating unit and a portion of this unit is sold, the goodwill attributable to the sold portion of the unit is included as part of the carrying amount of the unit in establishing the result from sale of the unit. The value of any goodwill sold in this manner is determined on the basis of the ratio of the value of the business sold to the remaining part of the cash-generating unit.

INTANGIBLE ASSETS

Intangible assets acquired – other than as a result of a business combination – are initially recognized at historical cost. The costs of such intangible assets acquired under business combinations equal their fair value on their date of acquisition. They are subsequently recorded at historical cost less cumulative amortization and any cumulative impairment expense. Development costs are not capitalized with the exception of the part qualifying for capitalization and are recognized as an expense in the period in which they are incurred.

As a matter of principle, a distinction is drawn between intangible assets with a definite useful life and those with an indefinite useful life. With the exception of goodwill, there are no intangible assets with an indefinite useful life. Intangible assets with finite useful lives are amortized over their useful lives and tested for impairment as soon as there is any indication that the intangible asset might be impaired. The amortization period and method applied to intangible assets with a finite useful life are reviewed at least annually. If the expected useful life of the asset or the expected amortization method has changed, a different amortization period or amortization method is chosen. Any such changes are treated as a change in an accounting estimate.

Amortization and impairments for the year under review have been attributed to the respective functional areas.

Gains and losses from derecognition of intangible assets are calculated as the difference between the net sales proceeds and the carrying amount of the asset. They are recognized as profit or loss in the period in which the asset is derecognized.

PATENTS AND LICENSES

Patents may be either internally generated or acquired and are recognized at historical cost. The patents are issued by the competent government authority for a minimum of ten years. There is a renewal option at the end of this period. Licenses for the use of intellectual property are issued for individual use for a period of one to ten years. The licenses generally include an option for extension, subject to the proviso that the Group satisfies the licensing conditions. There is little or no cost for an extension. Patents and licenses are amortized on a straight-line basis over their respective useful life.

RESEARCH AND DEVELOPMENT COSTS

Research costs are recognized as an expense in the period in which they are incurred. Development costs for individual projects are only capitalized as intangible assets if the Group can demonstrate the following:

- 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
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, development costs are accounted for using the cost model, i. e. at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Amortization commences with the completion of the development phase and as of the date on which the asset can be utilized and is calculated for the period in which the asset is expected to be used. Capitalized development costs are tested for impairment once annually if the asset has not yet been used or if there are indications for impairment during the year.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses on each reporting date whether there are any indications that the value of an asset could be impaired. If there is any such indication or if an annual impairment test for an asset is required, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value less costs to sell of the asset or cash-generating unit and its value in use. The recoverable amount must be established for each asset individually, unless an asset does not generate any cash flows that are largely independent from those of other assets or groups of assets. Should the carrying amount of an asset exceed its recoverable amount, the asset is deemed impaired and is written down to its recoverable amount. In order to establish the value in use, the estimated future cash flows are discounted to their present value, taking into account a discount rate before taxes reflecting current market expectations of the interest effect and the specific risks related to the asset.

Impairment expenses are recognized in those cost categories that reflect the function of the impaired asset.

An impairment loss recognized in prior periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount; this does not apply to goodwill. The increased carrying amount, however, may not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment been recognized for the asset in previous years.

Any such reversal of an impairment loss must be recognized immediately in the profit or loss for the period. Following the reversal of an impairment loss, the depreciation or amortization charge for the asset must be adjusted in future periods to allocate the asset's revised carrying amount, less any residual carrying amount, on a systematic basis over its remaining useful life.

CALCULATION OF FAIR VALUE

The Group measures financial instruments at their fair value on each reporting date. The fair values of the financial instruments at amortized cost are set out in Note 29.

Fair value 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. Fair value is measured on the assumption that the transaction under which the asset is sold or the liability transferred is executed either

- in the main market for the asset or liability or
- in the most advantageous market for the asset or liability in the absence of any main market.

The Group must have access to the main or most advantageous market.

The fair value of an asset or liability is measured on the basis of assumptions that market participants would apply in determining the price of the asset or liability. For this purpose, it is assumed that the market participants operate in their own best economic interests.

In connection with the measurement of the fair value of a non-financial asset, allowance is made for the market participant's ability to generate economic benefits through the highest and best use of the asset or the sale of the asset to another market participant who finds the highest and best use for the asset.

The Group applies measurement methods which are appropriate in the light of the applicable circumstances and provide sufficient data for measuring fair value. In this connection, the greatest possible use is made of material and observable input factors and the least possible use of non-observable input factors.

All assets and liabilities whose fair value is measured and recognized in the financial statements are assigned to the following fair-value hierarchy based on input parameters for the lowest level which is generally material for measuring fair value:

- Level 1 – (Non-adjusted) prices quoted in active markets for identical assets or liabilities.
- Level 2 – Measurement process for which the input parameters for the lowest level which is generally material for measuring fair value are directly or indirectly observable.
- Level 3 – Measurement process for which the input parameters for the lowest level which is generally material for measuring fair value are not observable.

In the case of assets and liabilities which are recorded in the annual financial statements on a recurring basis, the Group determines whether there have been any changes in the allocation to the hierarchy levels by reviewing the classification at the end of each reporting period.

In order to satisfy the goodwill disclosure requirements, the Group has defined groups of assets and liabilities on the basis of their type, characteristics and risks as well as their allocation to the above-mentioned levels of the fair value hierarchy.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. Financial instruments recognized as financial assets or financial liabilities are recognized separately.

Financial instruments are recognized as soon as the Group becomes a counterparty to the financial instrument. In the case of regular way purchases or sales as part of a contract, the conditions of which envisage delivery of the asset within a period, which is normally set by law or the conventions of the respective market, the settlement date, i.e. the date on which the asset is delivered to or by the Group, is the date on which the asset is first recognized or derecognized in the balance sheet.

If contracts to buy or sell non-financial items fall under the scope of IAS 39, they are accounted for in accordance with the procedures of this standard.

INITIAL RECOGNITION OF FINANCIAL ASSETS

Financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, as loans and receivables, as held to maturity investments, as available-for-sale financial assets or as derivatives designated as hedging instruments and effective as such. The Group determines the classification of its financial assets upon initial recognition.

Upon initial recognition, financial assets are measured at fair value. In the case of investments not classified as at fair value through profit or loss, transaction costs directly attributable to acquisition of the assets are also taken into account.

The Group's financial assets include cash and short-term deposits, trade receivables, receivables from outstanding loans and other receivables as well as quoted and unquoted financial instruments and derivatives.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Subsequent measurement of financial assets depends on their classification.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets measured at fair value through profit or loss include financial assets classified as held for trading and those designated measured at fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they have been purchased for the purpose of selling 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 hedging instrument in accordance with IAS 39 and are effective as such. If agreements contain embedded derivatives, the derivatives are accounted for separately from the underlying agreement when the economic attributes and risks of the embedded derivative are not closely connected to the economic attributes and risks of the underlying agreement. The Group establishes whether embedded derivatives are to be accounted for separately from the underlying agreement when it becomes a counterparty for the first time. A reassessment takes place only if there are major changes to the agreement terms, which result in a significant change to the payment flows.

Financial assets measured at fair value through profit or loss are recognized at fair value and the resultant gains and losses are recognized in the income statement.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these are recognized at amortized cost using the effective interest rate method less possible impairment losses. Gains and losses are recognized as profit or loss in the period when they are derecognized or written down or are reduced through amortization.

HELD TO MATURITY FINANCIAL INVESTMENTS

Non-derivative financial instruments with fixed or definable payments as well as a fixed term, which the Group clearly intends and has ability to hold to maturity are categorized as held to maturity financial investments. Following initial recognition, these held to maturity financial investments are measured at amortized cost using the effective interest rate method. Gains and losses are recognized as profit or loss in the period when they are derecognized or written down or are reduced through amortization.

No financial instruments of this category were present in the Group either on the reporting date or in the previous year.

AVAILABLE-FOR-SALE ASSETS

Available-for-sale (AfS) financial assets include debt and equity securities. Available-for-sale equity instruments are those that are not classified as held for trading or as financial assets at fair value through profit or loss. Debt instruments in this category are those held for an indefinite period and which can be sold in reaction to liquidity demands or changes in market conditions.

Following initial recognition, available-for-sale financial assets are measured at their fair value in subsequent periods provided that there is an active market. Non-realized gains or losses are recognized as other gains/losses under the provision for available-for-sale financial assets. As no prices are quoted on an active market for the Group's held-for-sale financial assets, their fair value cannot be reliably determined. For this reason, they are measured at amortized cost. In the event of derecognition of such assets, the cumulative gain or loss is recognized in other operating income. In the event of impairment, the cumulative loss is recognized under financial expenses in the income statement and eliminated from the provision for available-for-sale financial instruments.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognized if it meets one of the following conditions:

The contractual rights to the cash flows from the financial asset have expired; the Group has transferred its contractual rights to the cash flows from a financial asset or has undertaken a contractual obligation to immediately transfer cash flows to a third party pursuant to IAS 39.19 (pass-through arrangement) and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the financial asset.

If the Group has transferred its contractual rights to the cash flows from a financial asset or entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the financial asset, the Group recognizes an asset in the amount of the continuing involvement.

In such cases, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

If the continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment can exist if there are signs that the obligor or group of obligors face significant financial difficulties, default on interest or principle payments, if there are indications that bankruptcy or other financial reorganization are probable and if observable data indicates that there is a measurable decrease in the expected future cash flows, such as changes in arrears or economic conditions that point to default.

IMPAIRMENT OF ASSETS CARRIED AT AMORTIZED COST

With respect to amounts carried at amortized cost from trade account receivables, an initial assessment is made to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is then recognized or continues to be recognized are not included in a collective assessment of impairment. If there is any objective evidence indicating that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of trade receivables is reduced through use of an allowance account and the loss recognized in the income statement. No separate allowance account is used for any other financial assets.

If a receivable is classed as uncollectible, it is to be derecognized along with any related impairments when all pledged security has been called and liquidated. If, in a subsequent period, the amount of the impairment loss increases or decreases as the result of an event occurring after the impairment was recognized, the previously recognized impairment loss is accounted for in the income statement through and an upward or downward adjustment of the allowance account.

If a derecognized receivable is reclassified as collectable as the result of an event occurring after derecognition, the relevant impairment loss is reversed and the amount recognized in profit or loss.

FINANCIAL ASSETS AVAILABLE FOR SALE

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity instruments held for sale, a significant and persistent reduction in the fair value of the instrument to below its historical cost would constitute objective evidence. The criterion "significant" is assessed on the basis of the original cost of the financial asset and the criterion "persistent" is based on the time period during which the fair value was lower than historical cost. If there are any indications of impairment, the cumulative loss – calculated as the difference between historical cost and fair value less any earlier impairment loss on the instrument recognized in the income statement – is eliminated from other profit/loss and recognized via the income statement. Impairment of equity instruments is not reversed in the income statement; any subsequent rise in fair value is directly recognized under other profit/loss.

When calculating impairment of debt instruments classified as available for sale, the same criteria are applied as for financial asset carried at amortized cost. The impairment recognized is the cumulative loss equaling the difference between historical cost and the current fair value less any earlier impairment loss on the instrument recognized through profit and loss.

Future interest income continues to be calculated based on the impaired book value of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This interest income is recognized under financial income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit or loss statement.

INITIAL RECOGNITION OF FINANCIAL LIABILITIES

Financial liabilities coming within the meaning of IAS 39 are classified either as financial liabilities recognized at fair value through profit or loss, as other financial liabilities or as derivatives that are designated as hedging instruments and are effective as such.

The Group determines the classification of its financial liabilities upon initial recognition. Upon initial recognition, financial liabilities are measured at fair value. In the case of loans, directly attributable transaction costs are also taken into account.

The Group's financial liabilities include trade accounts payable and other financial liabilities, bank overdrafts, loans, bonds and derivatives.

SUBSEQUENT RECOGNITION OF FINANCIAL LIABILITIES

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial liabilities held for trading as well as financial liabilities designated as measured at fair value through profit or loss upon initial recognition.

Derivatives with a negative market value, which were not designated as hedging instruments or are ineffective as such, are also classified as held for trading.

Financial liabilities that fall under the category "financial liabilities measured at fair value through profit or loss" are recognized at fair value in subsequent periods and the resultant gains and losses are recognized in the income statement.

No originated financial liabilities were classified as held for trading in either the reporting year or the previous year; no use was made of the option to initially designate financial liabilities as recognized at fair value through profit or loss.

LOANS

Subsequent to initial recognition, interest-bearing loans are recognized at amortized cost using the effective interest rate method. Gains and losses are recognized as profit or loss when the liabilities are derecognized or as part of amortization using the effective interest rate method. Amortized cost is calculated taking into account any premium or discount upon acquisition, as well as fees or costs, which represent an integral component of the effective interest rate. Amortization using the effective interest rate method is recognized in the income statement under financial expenses.

OTHER LIABILITIES

All financial liabilities that do not fall into the category financial liabilities recognized at fair value through profit or loss and are not derivatives, are recognized at amortized cost using the effective interest rate method. In the case of current liabilities, the repayment amount or settlement amount equates to the amortized cost. Gains and losses are recognized as profit or loss when the liabilities are derecognized or as part of write-downs.

DERECOGNITION OF FINANCIAL LIABILITIES

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or has expired. An exchange of an existing financial liability from the same lender with substantially different terms or a subsequent modification of the terms of an existing financial liability is accounted for as a derecognition of the primary financial liability and recognition of the new financial liability. The difference between the carrying amounts is recognized in profit or loss for the period.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset, and the net amount recognized in the balance sheet, only when a current legal right exists, e.g. contractually, to offset the amounts against one another, and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group makes use of derivative financial assets, such as currency forwards, interest rate swaps and commodity futures 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 revalued for recognition at fair value in subsequent periods. Derivative Financial instruments are accounted for as financial assets if their fair value is positive, and as financial liabilities if their fair value is negative. Gains or losses from changes during the fiscal year in the fair value of derivatives that do not satisfy the requirements for recognition as hedging transactions, as well as any ineffective portion of an effective hedging instrument are recognized immediately in profit or loss.

For purposes of hedge accounting, hedging instruments are classified as follows:

- As a fair value hedge if it is a hedge against a change in the fair value of a recognized asset or liability or an unrecognized firm commitment (excluding currency risks),
- As a cash flow hedge, if it is a hedge against cash flow fluctuations attributable to a particular risk associated with a recognized asset or liability or a highly probable future transaction, or the currency risk of an unrecognized firm commitment,
- as a hedge of a net investment in a foreign operation.

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. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the cash flows. Such hedges are expected to be highly effective in offsetting risks from changes in cash flows. They are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group uses derivatives to hedge future cash flows from pending and planned transactions (cash flow hedges).

Hedges that satisfy the strict criteria for recognition as cash flow hedges are accounted for as follows:

The effective portion of the gain or loss from a hedging instrument is recognized directly in equity, whereas the ineffective portion is recognized directly in the income statement. The amount included under equity is transferred to the income statement in the period in which the hedged transaction affects net income. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction is no longer expected to occur, or the firm commitment no longer applies, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs or the firm commitment is settled.

HEDGES OF A NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. Gains or losses from the hedging instrument that are attributable to the effective portion of the hedging instrument are recognized in other gains/losses, whereas any gains or losses from the ineffective portion are recognized in profit or loss. Upon disposal of a foreign operation, the cumulative value of any gains or losses previously recognized in equity is transferred to the income statement. The Group makes use of loans to hedge against currency risks in relation to investments in foreign subsidiaries.

INVENTORIES

Inventories are valued at cost under strict application of the lower-of-cost-and-market principle. Costs of purchase are 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 was accounted for by discounts on the internal transfer prices using the retail method. If, in response to decreased prices on the market, the net realizable value on the reporting date is lower than the inventory cost, the inventories are measured at their net realizable value.

CONSTRUCTION CONTRACTS

Customer-specific construction contracts are recognized using the percentage-of-completion method in accordance with IAS 11 on the basis of the ratio of costs already incurred to expected total contract costs ("cost-to-cost" method). A solid and reliable basis for estimating the contract costs is of particular importance for estimating the percentage of completion. If it is not possible to reliably estimate the results of a construction contract, the income from the contract is recorded at an amount equaling the contract costs which have arisen, meaning that this construction contract is recorded within equity. Contract costs are recognized as an expense in the period in which they are incurred. Any expected contract losses are recognized as provisions. The construction contracts are included with "other financial assets".

CASH AND CASH EQUIVALENTS

Cash and short-term deposits, as reported in the balance sheet, include cash in 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 presently drawn overdraft facilities.

OWN SHARES

If the Group acquires own shares, these are 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.

OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized insofar as the Group, as a result of a past event, has a present obligation vis-à-vis 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 carried as a liability (e.g. in the case of an insurance policy), the reimbursement is recognized as a separate asset only 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 original estimate of costs in relation to warranties is reviewed annually.

Restructuring costs are recognized when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the divisions affected by the restructuring.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYMENT BENEFITS

The actuarial measurement of pension 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 pension 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 recycled 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 only has plan assets in connection with a 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).

RECOGNITION OF INCOME AND EXPENSES

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount can be reliably determined. These amounts are measured at the fair value of the consideration received or receivable, taking into account the contractual conditions governing payment and similar factors and net of any taxes or other charges. Upon comprehensive review, the Group has determined that it acts as the supplier for all revenue-generating transactions.

Revenue from sales and other operating income is principally recognized when the service has been rendered or the goods have been delivered, i.e. when the risk has been transferred to the customer. Any sales allowances such as discounts, rebates, customer bonuses etc. are deducted from revenues.

In the case of long-term construction contracts (e.g. customer development contracts), revenue is recognized in accordance with the stage of completion as of the reporting date. The percentage of completion is determined by the ratio of the accumulated contract costs as of the reporting date to the estimated total contract costs. Accordingly, income from percentage of completion is recognized as revenue. If income from a construction contract cannot be estimated reliably, probable revenues are recognized in the amount of expenses incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is immediately recognized in full as an expense in the period this became apparent.

INTEREST INCOME AND EXPENSE

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. For all financial instruments measured at amortized cost and interest-bearing available-for-sale financial assets, interest income and expenses are calculated using the effective interest rate method. 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

Dividends are recognized upon legal entitlement to payment arising.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company complies with the conditions attached to them. Grants related to expenses are recognized as income on a systematic basis over the periods necessary to match with the related costs. Government grants related to assets are presented in the balance sheet by setting up the grant as deferred income that is depreciated on a straight-line basis over the expected useful life of the 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 further government grant.

TAXES

CURRENT TAX ASSETS AND CURRENT TAX LIABILITIES

Current tax assets and liabilities for current and prior periods are measured at the expected amount of tax reimbursements or tax payments. The amount is based on the tax rates and tax laws that are applicable or have been enacted as of the reporting date. Based on reasonable estimates, the Group recognizes provisions for potential effects from tax audits in countries in which it operates. The amount of such provisions is based on various factors, such as experience in previous tax audits and different official interpretations of tax rules by the authorities.

Actual taxes referring to items that are recognized directly in equity are recognized directly in equity without effect on profit or loss.

DEFERRED TAXES

Deferred taxes are recognized using the balance sheet liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

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 taxable 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.

As of each reporting date, the carrying amount of deferred tax assets is reassessed and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which the deferred tax asset can be at least partially utilized. Unrecognized tax assets are reassessed as of each reporting date and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the income tax rates expected to apply to the period in which the asset is realized or the liability settled, based on the income tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Income taxes referring to items that are recognized directly in equity, depending on the types of transactions, are recognized either in other income or directly in equity without effect on profit or loss.

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 taxes refer to income taxes of the same taxable entity levied by the same tax authority.

VALUE ADDED TAX

Sales revenues, expenses and assets are recognized net of value added tax. The following exceptions apply:

- Value added tax from the purchase of goods or services that cannot be recovered from the tax authorities is recognized as part of the costs of conversion of the asset or as part of expenses and
- Receivables and liabilities are recognized including value added tax.

The value added tax refunded by or paid to the tax authorities is reported on the face of the balance sheet within other current assets or other current liabilities, as the case may be.

2.4 APPLICATION OF IFRS STANDARDS

Several minor amendments and clarifications of various standards were subject to compulsory application in 2015 for the first time. However, they did not have any material impact on the consolidated financial statements or notes to the consolidated financial statements.

2.5 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 fiscal year 2015. The following section only describes the standards and interpretations which have an effect on the consolidated financial statements. The other accounting standards published by the IASB and IFRIC and endorsed by the EU are not relevant for the Group and are therefore not included here.

AMENDMENT TO IAS 1: DISCLOSURE INITIATIVE

The amendments to IAS 1, Presentation of Financial Statements provide clarification rather than making any major changes to the guidance contained in the standard. They provide additional guidance on the following matters:

- The materiality provisions in IAS 1.
- Certain items in the income statement, the statement of comprehensive income and the balance sheet can be disaggregated.
- Companies are free to select the sequence in which they set out the disclosures in the notes.

The share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregated form as a single line item based on whether or not it will subsequently be recycled to profit or loss. They also clarify the guidance which applies to additional disaggregation in the balance sheet, income statement and comprehensive income. The amendments must be applied prospectively for the first time to accounting periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments and clarifications are not expected to have any material impact on the Group.

AMENDMENTS TO IAS 19: EMPLOYEE BENEFITS: EMPLOYEE CONTRIBUTIONS

The amendment to IAS 19 was published in November 2013 and must be applied for the first time in accounting periods beginning on or after February 1, 2015. The amendment provides guidance on the recognition of contributions by employees or third parties to the pension plan as a reduction in past service cost provided that these reflect the service provided in the reporting period. The revisions are to be applied retrospectively. Early adoption is permitted.

These amendments do not have any effect on the Group.

EU ENDORSEMENT PENDING

The IASB has published the following standards and interpretations, the application of which was not yet mandatory in fiscal year 2015. These standards and interpretations have not yet been endorsed by the EU and are not applied by the Group.

IFRS 9: FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which will be replacing IAS 39, "Financial instruments: Recognition and Measurement" as well as all previous versions of IFRS 9. IFRS 9 combines the three project phases for accounting for financial instruments: "classification and measurement", "impairment" and "hedge accounting". IFRS 9 must be applied for the first time in accounting periods beginning on or after January 1, 2018. Earlier adoption is permissible. With the exception of hedge accounting, the standard must be applied retroactively, although the disclosure of comparative information is not required. Aside from a few exceptions, the guidance on hedge accounting must be applied prospectively. At this stage, it is not yet possible to make any statement on the expected impact of the amended guidance on the Group's net assets, financial position and results of operations.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

Published in May 2014, IFRS 15 introduces a five-step model for accounting for revenue from contracts with customers. Under IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (transaction price as defined in IFRS 15). The new standard on revenue will be replacing all current guidance provided under IFRS for revenue recognition. In the case of accounting periods commencing on or after January 1, 2018, it must be applied either on a fully or a modified retrospective basis. Early adoption is permitted. At this stage, it is not yet possible to make any statement on the expected impact of the amended guidance on the Group's net assets, financial position and results of operations.

IFRS 16: LEASES

The IASB published the new standard on leases in January 2016. Under this new standard, the lessee is required to recognize the rights to use the leased asset and a corresponding lease liability. On the other hand, there are only minor changes for lessors compared with the guidance in IAS 17 on classifying and accounting for leases. IFRS 16 stipulates additional disclosure obligations for lessees as well as lessors. IFRS 16 must be applied for the first time in accounting periods commencing on or after January 1, 2019. Early adoption is permissible provided that IFRS 15 Revenue from Contracts with Customers is already being applied or is adopted at the same time as IFRS 16. At this stage, it is not yet possible to make any statement on the expected impact of the amended guidance on the Group's net assets, financial position and results of operations.

AMENDMENT OF IFRS 10 AND IAS 28 – SALES OR TRANSFERS OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE/JOINT VENTURE

The amendments seek to eliminate the inconsistencies between the guidance in IFRS 10 and IAS 28 in connection with the loss of control of a subsidiary which is sold or transferred to an associated company or joint venture. The amendments clarify that an investor must recognize the full profit or loss from the sale or transfer of assets in such cases if the assets constitute a business as defined in IFRS 3 Business Combinations. All profits or losses from the sale or transfer of assets which do not constitute a business are only recognized up to the amount of the share of held by the other investors in the associated company or joint venture. The amendments must be applied for the first time prospectively to accounting periods beginning on or after January 1, 2016. Early adoption is permitted. They are currently not expected to have any impact on the Group.

AMENDMENT TO IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES

The purpose of these amendments is to eliminate the uncertainty occurring in practice in connection with the recognition of deferred tax assets from unrealized losses arising from assets measured at fair value. The amendments must be applied for the first time to accounting periods beginning on or after January 1, 2016. Early adoption is permitted. They are currently not expected to have any impact on the Group.

3 COMPANIES CONSOLIDATED

INFORMATION ON SUBSIDIARIES

The consolidated financial statements include the financial statements of GRAMMER AG as parent and the following subsidiaries:

				Equity interest in %	
	Name of subsidiary	Registered office	Main activity	2015	2014
1. Fully consolidated subsidiaries					
1.	GRAMMER do Brasil Ltda.	Atibaia, Brazil	Automotive/Seating Systems	100.00	100.00
2.	GRAMMER Seating Systems Ltd.	Bloxwich, United Kingdom	Sales company	100.00	100.00
3.	GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S.	Bursa, Turkey	Seating Systems	99.40	99.40
4.	GRAMMER Inc.	Hudson (WI), USA	Seating Systems	100.00	100.00
5.	GRAMMER CZ s.r.o.	Tachov, Czech Republic	Automotive/Seating Systems	100.00	100.00
6.	GRAMMER Japan Ltd.	Tokyo, Japan	Sales company	100.00	100.00
7.	GRAMMER AD	Trudovetz, Bulgaria	Seating Systems	90.23	90.23
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.	Slovenji Gradec, Slovenia	Automotive	100.00	100.00
11.	GRAMMER Automotive Española S.A.	Olèrdola, Spain	Automotive	100.00	100.00
12.	GRAMMER Industries Inc.	Greenville (SC), USA	Automotive	100.00	100.00
13.	GRAMMER Automotive Puebla S.A. de C.V.	Puebla, Mexico	Automotive	100.00	100.00
14.	GRAMMER Automotive Polska sp. z.o.o.	Bielsko-Biala, Poland	Automotive	100.00	100.00
15.	GRAMMER Seating (Xiamen) Ltd.	Xiamen, China	Automotive	100.00	100.00
16.	GRAMMER Interior (Tianjin) Co., Ltd.	Tianjin, China	Seating Systems	100.00	100.00
17.	GRAMMER Interior (Changchun) Co., Ltd.	Changchun, China	Automotive	100.00	100.00
18.	GRAMMER Interior (Shanghai) Co., Ltd.	Shanghai, China	Automotive	100.00	100.00
19.	GRAMMER System d.o.o.	Aleksinac, Serbia	Automotive	100.00	100.00
20.	GRAMMER Railway Interior GmbH	Amberg, Germany	Seating Systems	100.00	100.00
21.	GRAMMER Technical Components GmbH	Kümmersbruck, Germany	Seating Systems	100.00	100.00
22.	GRAMMER EiA Electronics N.V.	Aartselaar, Belgium	Seating Systems	100.00	100.00
23.	GRAMMER Interior (Beijing) Co., Ltd.	Beijing, China	Automotive	100.00	100.00
24.	GRAMMER Automotive CZ s.r.o.	Česká Lípa, Czech Republic	Automotive	100.00	100.00
25.	GRAMMER Seating (Jiangsu) Co., Ltd.	Jiangyin, China	Seating Systems	100.00	100.00
26.	GRAMMER Automotive South Africa (Pty) Ltd.	Bedfordview, South Africa	Automotive	100.00	100.00
27.	GRAMMER Argentina S.A.	Buenos Aires, Argentina	Seating Systems	99.96	99.96
28.	GRAMMER Italia srl.	Jesi, Italy	Seating Systems	100.00	100.00
29.	REUM Kunststoff- und Metalltechnik GmbH	Hardheim, Germany	Automotive	100.00	–[1]
30.	REUM Polska Sp. z.o.o.	Sosnowiec, Poland	Automotive	100.00	–[1]
2. Proportionately consolidated companies					
1.	GRA-MAG Truck Interior Systems LLC	London (OH), USA	Seating Systems	50.00	50.00

[1] The REUM Group was acquired in full effective December 28, 2015.

The consolidated financial statements include GRAMMER AG as well as five German and 25 foreign companies which are controlled either directly or indirectly by GRAMMER AG in accordance with IFRS 10.

The company accounted for using the equity method refers to the joint venture GRA-MAG, in which GRAMMER AG holds 50 % of the voting rights.

Effective December 28, 2015, 100 % of the shares in REUM Kunststoff- und Metalltechnik GmbH with registered offices in Hardheim, Germany, and REUM Polska Sp. z o.o. with registered offices in Sosnowiec, Poland, were acquired.

The uniform reporting date for all consolidated companies is December 31, 2015.

	NATIONAL	ABROAD	TOTAL
Fully consolidated companies (incl. GRAMMER AG)	6	25	31
Companies consolidated at equity	0	1	1
Companies	**6**	**26**	**32**

The GRAMMER Group does not have any material shares in subsidiaries on which it does not exerting a controlling influence or in consolidated structured entities.

GRAMMER System GmbH, GRAMMER Automotive Metall GmbH, GRAMMER Railway Interior GmbH and GRAMMER Technical Components GmbH make use of the exemption under section 264 (3) of the German Commercial Code (HGB).

4 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

On October 22, 2015, GRAMMER AG signed a contract for the acquisition of shares in REUM Kunststoff- und Metalltechnik GmbH, Hardheim, Germany, and REUM Polska Sp. z o.o. Sosnowiec, Poland. 100 % of the shares in these two companies were acquired and recognized as shares in affiliated companies. In addition, GRAMMER AG acquired the real estate which had been leased by REUM Kunststoff- und Metalltechnik GmbH at its German sites in Hardheim and Trusetal. The transaction was cleared by the competition authorities. On December 28, 2015, GRAMMER AG completed the acquisition of REUM Kunststoff- und Metalltechnik GmbH and REUM Polska Sp. z o.o. and hence the entire REUM Group, as a result of which the REUM Group was consolidated at the end of the year. In view of the date of consolidation, there was no effect on the GRAMMER Group's statement of income or statement of comprehensive income. With over 900 employees, the REUM Group generated revenue under local GAAP of some EUR 130 million in 2014. REUM's technological capabilities will supplement and extend GRAMMER's expertise particularly in plastic injection molding, metalworking and surface finishing. At the same time, the products offer crucial potential for expanding and enhancing GRAMMER's range, particularly center consoles.

The cost of the net assets acquired in the REUM Group including land less cash and cash equivalents acquired came to EUR 50.0 million. Adjusted for the cash and cash equivalents acquired, total consideration thus came to EUR 44.1 million. There were no other contingent considerations or compensation claims. In connection with the acquisition, costs of EUR 505 thousand were recorded in the income statement within administrative expenses in 2015. The transaction is being financed via GRAMMER AG's existing credit facilities.

As of the date of acquisition, the net assets acquired break down as follows:

EUR K	FAIR VALUE AT DATE OF ACQUISITION
Property, plant and equipment	29,516
Intangible assets	9,810
Inventories	9,807
Trade accounts receivable	13,436
Other current financial assets	17,084
Cash and short-term deposits	5,897
Deferred tax assets	168
Accruals/deferrals	207
Assets	**85,925**
Provisions	–9,847
Non-current financial liabilities	–760
Current financial liabilities	–633
Current trade accounts payable	–8,730
Other current financial liabilities	–43
Other current liabilities	–13,321
Deferred tax liabilities (of which from remeasurement: EUR –3,062 thousand)	–4,672
Liabilities	**–38,006**
Total fair value of identifiable net assets	**47,919**
Goodwill from company acquisition	2,081
Consideration paid	**50,000**
Cash acquired from new subsidiary	5,897
Cash outflow	–50,000
Total cash outflow from company acquisition	**–44,103**

The above data is derived from the provisional allocation of the cost of the business combination.

All assets and liabilities acquired were recognized at their fair value on the date of acquisition. Intangible assets (order books) which had previously not been included in the acquired companies' balance sheets were duly recognized. Similarly, the fair values of the land and buildings were remeasured. Allowance was made for deferred income tax liabilities arising from the transaction. There are no material differences between the gross value and carrying amount of the receivables. There are no non-controlling interests. On the basis of the fair value of the net assets acquired, goodwill which cannot be amortized for tax purposes stands at EUR 2,081 thousand. The goodwill is determined by the opportunities for growth arising from the acquisition and allocated to the Automotive Division.

5 SHARES IN A JOINT VENTURE

GRAMMER AG holds an interest of 50 % in GRA-MAG Truck Interior Systems LLC (GRA-MAG LLC), a jointly controlled entity in the United States, which is active in the Seating Systems Division. The Group's shares in GRA-MAG LLC are recognized in accordance with equity method of accounting.

The summarized financial information corresponds to the amounts reported in the annual financial statements of the joint venture prepared in accordance with IFRS.

EUR K	2015	2014
Current assets	9,570	7,944
Non-current assets	852	1,030
Assets	**10,422**	**8,974**
Current liabilities	−10,505	−10,733
Non-current liabilities	−30,173	−27,572
Liabilities	**−40,678**	**−38,305**
Equity	**−30,256**	**−29,331**
Share held by the Group	50 %	50 %
Goodwill from first-time consolidation	2,043	2,043
Carrying amount of the investment	0	0

The share in GRA-MAG LLC has a value of EUR 0 in accordance with the equity method of accounting as the losses exceed the cumulative losses.

As GRAMMER AG is not under any obligation to settle the loss, the negative equity is not recognized as a liability.

The above-mentioned assets and liabilities include the following amounts:

EUR K	2015	2014
Cash and cash equivalents	1,259	1,131
Current financial liabilities (net of trade accounts payable and other liabilities and provisions)	−7,962	−7,533
Non-current financial liabilities (net of trade accounts payable and other liabilities and provisions)	−30,173	−27,572

GRA-MAG LLC's income statement includes the following amounts:

EUR K	2015	2014
Revenue	42,364	29,993
Cost of sales, including scheduled depreciation of EUR 445 thousand (2014: 393)	−34,959	−26,553
Administrative expenses	−3,780	−2,855
Interest income	0	0
Interest expenses	−1,121	−1,489
Profit/loss (−) before income taxes	**2,504**	**−904**
Income taxes	−79	0
Net profit/loss (−)	**2,425**	**−904**
Group's share of profit or loss	1,212	−452

GRA-MAG LLC's unrealized losses break down as follows:

EUR K	2015	2014
GRA-MAG LLC's unrealized losses as of January 1	–15,592	–15,140
Unrealized gains/losses of GRA-MAG LLC in the period under review	1,212	–452
Unrealized losses of GRA-MAG LLC as of December 31	**–14,380**	**–15,592**

As of December 31, 2015 and 2014, the joint venture did not have any contingent liabilities or capital commitments.

The GRAMMER Group is not involved in any joint activities.

6 SEGMENT REPORTING

The segments described below cover the internal reporting and organizational structure of GRAMMER Group. Determination of the Company's key management indicators is based on the data contained in the IFRS consolidated financial statements. For the purpose of management, the Group is organized into product segments by relevant products and services, comprising the following two reportable segments:

The Automotive Division, which is the largest segment within the GRAMMER Group, contributed 68.7 % (2014: 65.6) of total Group revenue in fiscal year 2015. GRAMMER is active in this segment as a supplier to the automotive industry, developing and producing headrests, armrests and center console systems. The Group sells these products primarily to automakers in the upper and premium segments and to their tier 1 suppliers.

The Seating Systems Division generated 31.3 % of Group revenue in 2015 (2014: 34.4). In this segment, GRAMMER is active as a supplier to the commercial vehicles industry, developing and manufacturing driver and passenger seats for offroad vehicles (agricultural machinery, construction machinery and forklifts) and markets these to commercial vehicle manufacturers or as an aftermarket supplier. The segment also develops and produces driver and passenger seats for sale to makers of busses and railway vehicles, as well as railway operators. The Seating System segment encompasses the business segments Trucks, Busses and Offroad (agricultural machinery, construction machinery and forklifts) as well as Railway.

Profit before income tax generated by the operating segments is monitored separately by the management, in order to make decisions on resource allocation and determine the earnings strength of the units. Segment performance is assessed on the basis of profit before income tax and is assessed in the consolidated financial statements on the basis of profit before income tax. Group financing (including financial 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 financial controlling, corporate communications, procurement, product development, operations, finance, internal control, investor relations, marketing, IT, human resources, accounting and legal affairs.

Transfer prices between the Group's operating segments are based on market prices established at arm's length. Segment income, segment expenses and segment earnings include transfers between business segments. These transfers are eliminated upon consolidation.

REPORTING SEGMENTS

The following tables include information on income and earnings as well as selected information on assets and liabilities of the Group's business segments.

FISCAL YEAR ENDED DECEMBER 31, 2015

EUR K

	SEATING SYSTEMS	AUTOMOTIVE	CENTRAL SERVICES/ RECONCILIATION	GRAMMER GROUP
Revenue to external customers	425,513	1,000,173	0	**1,425,686**
Inter-segment revenue	32,846	7,968	–40,814[1]	**0**
Revenue	**458,359**	**1,008,141**	**–40,814**	**1,425,686**
Segment earnings (Operating profit)	**27,833**	**23,759**	**–8,937**	**42,655**
Financial income				1,151
Financial expenses				–11,177
Other financial result				3,089
Profit/loss (–) before income taxes				**35,718**
Income taxes				–11,942
Net profit/loss (–)				**23,776**
Other segment information				
Investments				
Property, plant and equipment	10,255	25,865	3,014	**39,134**
Intangible assets	1,327	6,011	1,383	**8,721**
Amortization				
Depreciation of property, plant and equipment	–10,988	–18,693	–1,651	**–31,332**
Amortization of intangible assets	–2,292	–5,810	–1,052	**–9,154**
Non-cash items				
Changes in pension provisions	4,263	1,251	761	**6,275**

[1] Sales to and income from other segments comply with arm's length requirements.

FISCAL YEAR ENDED DECEMBER 31, 2014

EUR K

	SEATING SYSTEMS	AUTOMOTIVE	CENTRAL SERVICES/ RECONCILIATION	GRAMMER GROUP
Revenue to external customers	455,547	910,351	0	**1,365,898**
Inter-segment revenue	23,136	1,202	–24,338[1]	**0**
Revenue	**478,683**	**911,553**	**–24,338**	**1,365,898**
Segment earnings (Operating profit)	**36,210**	**28,873**	**–8,037**	**57,046**
Financial income				1,626
Financial expenses				–11,705
Other financial result				1,442
Profit/loss (–) before income taxes				**48,409**
Income taxes				–14,760
Net profit/loss (–)				**33,649**
Other segment information				
Investments				
Property, plant and equipment	12,347	25,395	396	**38,138**
Intangible assets	2,654	7,592	3,110	**13,356**
Amortization				
Depreciation of property, plant and equipment	–11,017	–15,256	–2,022	**–28,295**
Amortization of intangible assets	–2,182	–5,373	–865	**–8,420**
Non-cash items				
Changes in pension provisions	4,305	1,361	802	**6,468**

[1] Sales to and income from other segments comply with arm's length requirements.

RECONCILIATION

EUR K

	2015	2014
Segment earnings (Operating profit)	**51,592**	**65,083**
Central Services[1]	–8,518	–6,345
Eliminations[2]	–419	–1,692
Group earnings (Operating profit)	**42,655**	**57,046**
Financial result	–6,937	–8,637
Profit/loss (–) before income taxes	**35,718**	**48,409**

[1] Central Services includes areas centrally administrated by the Group.
[2] Transactions between the segments are eliminated in the reconciliation statement.

INFORMATION ABOUT GEOGRAPHIC AREAS

The following tables include information on externally generated revenues and non-current assets of the Group's geographical segments for the fiscal years ending December 31, 2015 and 2014. The geographical breakdown is based on the region of registration of the companies:

2015

EUR K

REGISTRATION OF THE COMPANIES	EMEA	AMERICAS	APAC	GROUP
Revenue	971,635	243,938	210,113	**1,425,686**
Non-current assets (property, plant and equipment as well as intangible assets)	256,702	26,957	28,306	**311,965**

2014

EUR K

REGISTRATION OF THE COMPANIES	EMEA	AMERICAS	APAC	GROUP
Revenue	935,964	226,290	203,644	**1,365,898**
Non-current assets (property, plant and equipment as well as intangible assets)	221,330	23,984	25,040	**270,354**

The GRAMMER Group's revenue in Germany stands at EUR 696 thousand (2015: 679).

7 REVENUE STRUCTURE OF THE GROUP

GRAMMER Group generates revenue primarily from the sale and delivery of its products to customers. Please refer to the segment report for an overview of the revenue structure of the operating and business segments.

Revenue of EUR 1,425,686 thousand (2014: 1,365,898) includes contract revenue of EUR 69,659 thousand (2014: 75,327) determined using the percentage-of-completion (POC) method. The expenses incurred largely correspond to revenues. This revenues arise from development activities as well as supplies which the GRAMMER Group must outlay and prefinance until a product reaches series production and generates initial revenues. It is primarily allocated to the Automotive Division. However, POC revenue also arose in the Seating Systems Division as a result of new production projects for truck seats.

8 OTHER INCOME AND EXPENSES

8.1 OTHER INCOME

Other operating income primarily includes handling costs of EUR 3,318 thousand (2014: 3,355), income from the sale of scrap metal and other income of EUR 7,700 thousand (2014: 4,527). This item also includes the income from the sale of land and buildings under the sale-and-lease-back transaction. Other operating income additionally comprises government grants of EUR 3,191 thousand (2014: 3,355) and income from recharged expenses and rental income of EUR 651 thousand (2014: 1,055). 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 observed in the future.

8.2 FINANCIAL RESULT

The following table breaks down financial result:

EUR K	2015	2014
Interest income on bank balances	752	1,107
Available-for-sale financial assets	27	2
Other loans	372	517
Financial income	**1,151**	**1,626**
Loans and overdraft	–6,896	–6,678
Other interest costs	–20	–163
Interest cost of pension provisions	–2,904	–3,573
Net loss from financial assets and liabilities measured at fair value through profit or loss	–1,134	–1,069
Interest element of lease payments	–223	–222
Financial expenses	**–11,177**	**–11,705**
Other financial result	**3,089**	**1,442**
Financial result	**–6,937**	**–8,637**

Financial income chiefly comprises surpluses from active cash management which are deposited in short-term investments.

Financial income includes interest income of EUR 1,151 thousand (2014: 1,626) calculated using the effective interest rate method.

Financial expenses include the corresponding interest expense on loans and overdraft facilities of EUR 6,896 thousand (2014: 6,678). Of this, an amount of EUR 5,855 thousand (2014: 5,963) was calculated using the effective interest method.

Other financial result primarily relates to gains or losses from the measurement of borrowings and loans in foreign currencies and measurement of bank balances and financial liabilities as of the reporting date.

8.3 AMORTIZATION, DEPRECIATION AND IMPAIRMENT; FOREIGN EXCHANGE DIFFERENCES AND COST OF INVENTORIES INCLUDED IN THE CONSOLIDATED INCOME STATEMENT

COST OF SALES

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. The set up of reserves for warranty purposes is covered by this item as well. This item also includes the cost of additions to warranty provisions. The cost of sales also includes non-capitalized research and development costs in the amount of EUR 51,798 thousand (2014: 53,234) as well as amortization of development costs. Expenses relating to the development and expansion of 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. Development in the Seating Systems Division is generally performed on a "design to market" basis, with the corresponding costs included here accordingly. The costs of inventories, which are recognized as an expense within the cost of sales, amount to EUR 1,213,845 thousand (2014: 1,149,809).

SELLING EXPENSES

Selling expenses involve all sales-related costs and primarily refer to costs incurred by the Sales, Advertising and Marketing departments as well as overheads allocable to these departments or activities. Freight, commissions and forwarding charges are also included in selling expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and central departments. Other administrative expenses also include income from exchange rate movements of EUR 23,156 thousand

(2014: 15,823) 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 19,468 thousand (2014: 10,986) are also recognized under other administrative expenses. Cost components from the internal restructuring of the Group are also included.

AMORTIZATION AND DEPRECIATION

Amortization of intangible assets totaled EUR 9,153 thousand (2014: 8,421) and is recognized in the income statement under cost of sales, selling expenses and administrative expenses. The amount amortized includes EUR 2,183 thousand (2014: 1,878) for capitalized development costs included in cost of sales.

Depreciation of property, plant and equipment amounted to EUR 31,333 thousand (2014: 28,295). As in 2014, no impairment losses were recognized in fiscal year 2015.

Depreciation and amortization are recognized in the income statement under cost of sales, selling expenses and administrative expenses.

8.4 PERSONNEL EXPENSES

Personnel expenses are analyzed in the following table:

EUR K	2015	2014
Wages and salaries	245,478	230,335
Social security contributions of which for pensions EUR 4,181 thousand (2014: 4,140)	56,299	51,900
Personnel expenses	**301,777**	**282,235**

9 INCOME TAXES

The key components of income taxes for fiscal years 2015 and 2014 break down as follows:

EUR K	2015	2014
Consolidated Statement of Income		
Current tax		
Current tax expenses Germany	–3,659	–3,890
Current tax expenses abroad	–15,140	–6,552
Total current tax expenses	**–18,799**	**–10,442**
Deferred tax		
Deferred tax expenses (–)/income Germany	2,745	–6,625
Deferred tax expenses (–)/income abroad	4,112	2,307
Deferred tax expenses (–)/income	**6,857**	**–4,318**
Tax expenses reported in the Consolidated Statement of Income	**–11,942**	**–14,760**

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the Group for fiscal years 2015 and 2014 is as follows:

EUR K

	2015	2014
Profit/loss (–) before income taxes	**35,719**	**48,409**
Income taxes at the effective rate in Germany of 29.1 % (2014: 29.1)	–10,394	–14,087
Effects from minimum taxation and withholding taxes	–1,278	–582
Current income taxes relating to previous years	–6,212	–960
Effect of the non-recognition of deferred income taxes for the current year	–236	–234
Changes in the utilization of deferred income tax assets	6,053	–107
Tax-exempt government grants/Tax benefits	277	525
Non-deductible expenses	–2,259	–1,394
Other tax effects	732	77
Effects from different foreign tax rates	1,375	2,002
Income taxes at the effective tax rate of 33.4 % (2014: 30.5)	**–11,942**	**–14,760**

Deferred income tax comprised the following as of the relevant reporting dates:

EUR K

	2015	2014
Property, plant and equipment	–8,201	–7,199
Intangible assets	–7,857	–5,589
Goodwill	–4,839	–4,839
Finance lease	–632	–675
Other assets	–959	0
Receivables	–5,175	–6,266
Others	–4,696	–1,501
Deferred tax liabilities	**–32,359**	**–26,069**
Retirement benefit obligations	19,888	22,368
Other provisions	1,014	1,389
Tax losses carried forward	23,061	15,194
Financial assets	8	137
Others	9,881	9,292
Deferred tax assets	**53,852**	**48,380**

The reconciliation of deferred taxes is set out below:

EUR K	2015	2014
As of January 1	**22,311**	**16,937**
Deferred tax expenses (–)/income in profit and loss	6,857	–4,318
Deferred tax expenses (–)/income in the statement of comprehensive income	–3,018	8,927
Deferred tax acquired through first-time consolidation	–4,504	0
Currency-translation effects	–153	765
As of December 31	**21,493**	**22,311**

The statutory rate of corporate income tax in Germany was 15 % for the 2014 and 2015 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 29.1 % for 2015 (2014: 29.1).

For the calculation of deferred tax assets and liabilities, the tax rates applicable at the point of utilization of the asset or fulfillment of the liability are used. Deferred tax assets and liabilities were measured on the basis of the overall tax rate of 29.1 % (2014: 29.1). The local income tax rates for foreign entities varied between 10 % and 38 %.

Deferred tax assets are only recognized if the management deems their recoverability to be probable. Relevant value adjustments are based on all known positive and negative factors relating to future taxable income. The estimates made can 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. Based on past experience and anticipated income levels, it is assumed that the corresponding benefits can be realized.

Deferred tax assets of EUR 0.4 million were recognized on unused tax losses assumed to be unavailable for use (2014: EUR 0.4 million). The Group assumes that it will have sufficient taxable income to make use of existing unused tax losses. The unused tax losses may be carried forward for periods of 10 to 20 years or indefinitely and in some cases carried back.

Deferred taxes were not recorded on outside basis differences (i.e. differences between net assets, incl. goodwill at subsidiaries and 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 85,715 thousand as of December 31, 2015 (2014: 74,966).

The distribution of dividends by the Group to the shareholders did not have any consequences for income tax in 2015 or 2014.

10 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing consolidated net profit by the nominal number of shares outstanding during the fiscal year, less the Company's own shares that have been bought back. The Company's share capital amounts to EUR 29,554,365.44 divided into 11,544,674 shares. All shares with the exception of treasury stock 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). Since GRAMMER Group has not issued any such financial instruments or entered into any such contracts, its basic and diluted earnings per share are identical.

EARNINGS PER SHARE

	2015	2014
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	11,214,624	11,214,624
Consolidated net profit/loss (in EUR thousand)	23,604	34,680
Basic/diluted earnings/loss (–) per share in EUR	2.10	3.09

No transactions involving no-par value shares or potential no-par value shares of the Group were effected in the period between the reporting date and preparation of the consolidated financial statements.

11 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. On December 31, 2015, GRAMMER AG posted net profit of EUR 31.2 million (2014: 23.6). This takes into account the profit of EUR 15.2 million carried forward, the allocation of EUR 15.9 million to retained earnings and annual profit of EUR 31.9 million. The Executive Board and the Supervisory Board will be proposing to the Annual General Meeting that a dividend of EUR 0.75 per share be paid and that the balance of EUR 22.8 million be carried forward. In this connection, allowance was made for the fact that Company holds a total of 330,050 of its own shares, which are not dividend-entitled. If the number of dividend-entitled shares changes before the date of the Annual General Meeting on May 11, 2016, the Executive Board and Supervisory Board of GRAMMER AG will present a duly adjusted dividend proposal to the meeting.

A dividend of EUR 8.4 million was paid in the reporting year (2014: 7.3).

Further details can be found in Note 18.

Dividends resolved and distributed during the fiscal year:

DIVIDENDS ON NO-PAR VALUE SHARES

EUR K

	2015	2014
Dividend for 2014: EUR 0.75 (2013: EUR 0.65)	8,411	7,290

A dividend of EUR 0.75 per share (2014: 0.75) is being proposed for approval at the Annual General Meeting. The dividend was not recognized as a liability as of December 31.

12 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR K AS OF DECEMBER 31, 2015	COSTS						
	AS OF JANUARY 1, 2015	ADDITIONS	DISPOSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	EFFECTS FROM COMPANY ACQUISITION	RECLASSIFI-CATIONS	AS OF DECEMBER 31, 2015
Land and buildings	**103,505**	838	–19,301	–591	16,413	1,049	**101,913**
Technical machines and equipment	**175,584**	13,542	–6,708	–1,686	8,075	4,625	**193,432**
Factory and office equipment	**189,021**	13,759	–4,958	–1,701	1,648	2,491	**200,260**
Advance payments and plant under construction	**6,858**	9,695	–14	79	646	–8,165	**9,099**
Finance lease	**9,663**	1,300	–10	240	2,734	0	**13,927**
Property, plant and equipment	**484,631**	**39,134**	**–30,991**	**–3,659**	**29,516**	**0**	**518,631**
Concessions, industrial rights	**62,289**	7,047	–265	265	9,804	53	**79,193**
Goodwill	**47,152**	0	0	0	2,081	0	**49,233**
Capitalized development costs	**25,213**	1,632	0	128	0	0	**26,973**
Advance payments	**11**	42	0	0	6	–53	**6**
Intangible assets	**134,665**	**8,721**	**–265**	**393**	**11,891**	**0**	**155,405**
Property, plant and equipment and intangible assets	**619,296**	**47,855**	**–31,256**	**–3,266**	**41,407**	**0**	**674,036**

EUR K AS OF DECEMBER 31, 2014	COSTS						
	AS OF JANUARY 1, 2014	ADDITIONS	DISPOSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	EFFECTS FROM COMPANY ACQUISITION	RECLASSIFI-CATIONS	AS OF DECEMBER 31, 2014
Land and buildings	**96,557**	4,630	–53	–155	0	2,526	**103,505**
Technical machines and equipment	**161,680**	12,588	–6,400	1,931	0	5,785	**175,584**
Factory and office equipment	**176,770**	12,134	–3,534	1,601	0	2,050	**189,021**
Advance payments and plant under construction	**9,797**	6,544	0	248	0	–9,731	**6,858**
Finance lease	**8,177**	2,242	–101	–25	0	–630	**9,663**
Property, plant and equipment	**452,981**	**38,138**	**–10,088**	**3,600**	**0**	**0**	**484,631**
Concessions, industrial rights	**53,354**	10,239	–1,284	–20	0	0	**62,289**
Goodwill	**47,152**	0	0	0	0	0	**47,152**
Capitalized development costs	**21,927**	3,106	0	180	0	0	**25,213**
Advance payments	**0**	11	0	0	0	0	**11**
Intangible assets	**122,433**	**13,356**	**–1,284**	**160**	**0**	**0**	**134,665**
Property, plant and equipment and intangible assets	**575,414**	**51,494**	**–11,372**	**3,760**	**0**	**0**	**619,296**

DEPRECIATION							CARRYING AMOUNT	
AS OF JANUARY 1, 2015	ADDITIONS	DISPOSALS	REVERSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	RECLASSIFI-CATIONS	AS OF DECEMBER 31, 2015	JANUARY 1, 2015	DECEMBER 31, 2015
48,875	4,230	−12,781	0	−394	0	**39,930**	**54,630**	**61,983**
101,171	13,105	−6,154	0	−1,893	0	**106,229**	**74,413**	**87,203**
141,266	12,802	−4,544	0	−1,527	0	**147,997**	**47,755**	**52,263**
0	0	0	0	0	0	**0**	**6,858**	**9,099**
2,164	1,196	0	0	6	0	**3,366**	**7,499**	**10,561**
293,476	**31,333**	**−23,479**	**0**	**−3,808**	**0**	**297,522**	**191,155**	**221,109**
32,780	6,970	−265	0	72	0	**39,557**	**29,509**	**39,636**
10,636	0	0	0	0	0	**10,636**	**36,516**	**38,597**
12,050	2,183	0	0	123	0	**14,356**	**13,163**	**12,617**
0	0	0	0	0	0	**0**	**11**	**6**
55,466	**9,153**	**−265**	**0**	**195**	**0**	**64,549**	**79,199**	**90,856**
348,942	**40,486**	**−23,744**	**0**	**−3,613**	**0**	**362,071**	**270,354**	**311,965**

DEPRECIATION							CARRYING AMOUNT	
AS OF JANUARY 1, 2014	ADDITIONS	DISPOSALS	REVERSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	RECLASSIFI-CATIONS	AS OF DECEMBER 31, 2014	JANUARY 1, 2014	DECEMBER 31, 2014
45,975	2,891	−18	0	45	−18	**48,875**	**50,582**	**54,630**
93,878	12,094	−6,286	0	913	572	**101,171**	**67,802**	**74,413**
131,151	12,213	−3,158	0	1,005	55	**141,266**	**45,619**	**47,755**
0	0	0	0	0	0	**0**	**9,797**	**6,858**
1,783	1,097	−101	0	−6	−609	**2,164**	**6,394**	**7,499**
272,787	**28,295**	**−9,563**	**0**	**1,957**	**0**	**293,476**	**180,194**	**191,155**
26,688	6,543	−511	0	60	0	**32,780**	**26,666**	**29,509**
10,636	0	0	0	0	0	**10,636**	**36,516**	**36,516**
9,993	1,878	0	0	179	0	**12,050**	**11,934**	**13,163**
0	0	0	0	0	0	**0**	**0**	**11**
47,317	**8,421**	**−511**	**0**	**239**	**0**	**55,466**	**75,116**	**79,199**
320,104	**36,716**	**−10,074**	**0**	**2,196**	**0**	**348,942**	**255,310**	**270,354**

12.1 PROPERTY, PLANT AND EQUIPMENT

Depreciation is based generally on the following useful economic lives:

Buildings and fixtures	10 – 40 years
Leasehold improvements	5 – 40 years
Manufacturing plant and equipment	5 – 25 years
Other plant and equipment	2 – 15 years
Leased assets (finance leasing)	3 – 12 years

Land is not depreciated.

12.2 INTANGIBLE ASSETS

Intangible assets comprise concessions, industrial property rights, patents and customer orders. The customer orders include items which were identified in connection with the acquisition of the REUM Group in December 2015. All other intangible assets are amortized, as in the past, using the straight-line method over an expected useful life of three to six years.

Capitalized development costs comprise internally generated patents, which are amortized on a straight-line basis over an average expected useful life of 10 years. In fiscal year 2015, total research and development costs stood at EUR 53,430 thousand (2014: 56,340), of which EUR 1,632 thousand (2014: 3,106) satisfied the criteria for capitalization under IAS 38.

12.3 LEASES

GRAMMER has entered into various finance and operating leases for buildings, manufacturing plant and equipment, other plant and equipment as well as motor vehicles with terms between three and twelve years. Most of the leases do not provide for renewal or purchase options, with the exception of buildings and limited items of equipment. In the case of buildings, these relate largely to customary renewal options, which provide for a renegotiation for continued use after expiry.

GRAMMER executed a sale-and-lease-back transaction in 2015 in connection with the sale of the buildings and land in Immenstetten. The buildings and lands were sold and leased back for the next few years under a simultaneously signed lease agreement. The buildings will be handed over to the buyer step by step over the next few years. The lease signed under the sale-and-lease-back transaction is classified as an operating lease. As the fair

EUR K AS OF DECEMBER 31, 2015	COSTS						
	AS OF JANUARY 1, 2015	ADDITIONS	DISPOSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	EFFECTS FROM COMPANY ACQUISITION	RECLASSIFICATIONS	AS OF DECEMBER 31, 2015
Land and buildings	**2,030**	0	0	234	0	0	**2,264**
Manufacturing plant and equipment	**7,430**	0	–10	2	2,719	0	**10,141**
Factory and office equipment	**100**	1,300	0	2	0	0	**1,402**
Motor vehicles	**103**	0	0	2	15	0	**120**
Leased assets	**9,663**	**1,300**	**–10**	**240**	**2,734**	**0**	**13,927**

EUR K AS OF DECEMBER 31, 2014	COSTS						
	AS OF JANUARY 1, 2014	ADDITIONS	DISPOSALS	EFFECTS FROM EXCHANGE RATE DIFFERENCES	EFFECTS FROM COMPANY ACQUISITION	RECLASSIFICATIONS	AS OF DECEMBER 31, 2014
Land and buildings	**0**	2,030	0	0	0	0	**2,030**
Manufacturing plant and equipment	**7,870**	212	0	–22	0	–630	**7,430**
Factory and office equipment	**101**	0	0	–1	0	0	**100**
Motor vehicles	**206**	0	–101	–2	0	0	**103**
Leased assets	**8,177**	**2,242**	**–101**	**–25**	**0**	**–630**	**9,663**

value of the buildings and land exceeded the directly attributable selling price. In this way, a deferral equaling the difference was recognized and will be reversed in installments over the term of the preferential utilization until 2020.

The lease expires in 2020 and does not provide for any renewal or buy-back option.

Gains from fair value measurement came to EUR 4.4 million in 2015. The outstanding receivables, which are due for settlement in 2020 stand at EUR 4.0 million and are recognized at their discounted present value of EUR 3.8 million.

The leased assets to be recognized by the Company under IAS 17 are as follows:

Depreciation						Carrying amount	
As of January 1, 2015	Additions	Disposals	Effects from exchange rate differences	Reclassifications	As of December 31, 2015	January 1, 2015	December 31, 2015
7	86	0	2	0	**95**	**2,023**	**2,169**
1,956	1,065	0	−2	0	**3,019**	**5,474**	**7,122**
98	45	0	3	0	**146**	**2**	**1,256**
103	0	0	3	0	**106**	**0**	**14**
2,164	**1,196**	**0**	**6**	**0**	**3,366**	**7,499**	**10,561**

Depreciation						Carrying amount	
As of January 1, 2014	Additions	Disposals	Effects from exchange rate differences	Reclassifications	As of December 31, 2014	January 1, 2014	December 31, 2014
0	6	0	1	0	**7**	**0**	**2,023**
1,481	1,088	0	−4	−609	**1,956**	**6,389**	**5,474**
96	3	0	−1	0	**98**	**5**	**2**
206	0	−101	−2	0	**103**	**0**	**0**
1,783	**1,097**	**−101**	**−6**	**−609**	**2,164**	**6,394**	**7,499**

Under the finance leases, the following payments (including guaranteed residual values) are due in subsequent periods:

EUR K	UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
2015			
Lease payments	2,268	5,331	2,441
Less interest cost on a discounted basis	−234	−423	−535
Present value (Statement of financial position)	**2,034**	**4,908**	**1,906**
2014			
Lease payments	2,061	3,356	2,347
Less interest cost on a discounted basis	−213	−371	−530
Present value (Statement of financial position)	**1,848**	**2,985**	**1,817**

Under the operating leases, the following payments (including guaranteed residual values) are due in subsequent periods:

EUR K	UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
2015			
Lease payments	17,515	36,378	17,048
2014			
Lease payments	16,756	36,401	21,364

As of the reporting date, there were no purchase price obligations for property, plant and equipment (2014: EUR k 2,232).

12.4 GOODWILL

The Seating Systems and Automotive product segments represent the primary economic basis of GRAMMER Group and reflect the internal management structure of the Group. The products segments Seating Systems and Automotive are the reportable operational segments and the cash-generating units (CGUs) of GRAMMER Group.

For purposes of impairment testing in accordance with IAS 36, goodwill acquired in the past and recognized in Group accounting is allocated to the CGUs.

GRAMMER AG tests goodwill for impairment at least once annually in accordance with the process outlined in section 2.3. The fundamental assumptions on which the determination of the recoverable amount attributable to the CGUs as of December 31, 2015 include the sustainable (net) growth rate of the relevant positive cash flows and the discount factor. These are presented in the following table:

EUR K

	CASHGENERATING UNIT	2015 GOODWILL	2014 GOODWILL	2015 GROWTH RATE [1]	2014 GROWTH RATE [1]	2015 DISCOUNT FACTOR	2014 DISCOUNT FACTOR
CGU I	Seating Systems	4,423	4,423	1 %	1 %	7.2 %	7.4 %
CGU II	Automotive	34,174	32,093	1 %	1 %	7.2 %	7.4 %
	Goodwill	**38,597**	**36,516**				

[1] perpetual annuity

The increase in the goodwill attributable to the Automotive Division is due to the acquisition of the REUM Group.

BASIS OF CALCULATION

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.

Estimated cash flows are forecast for a three-year period using financial plans authorized by Company management and take into account past performance, current operating profit, best management forecasts of future performance as well as market expectations and market assumptions.

The total cost of capital is determined using the capital asset pricing model based on a risk-free interest rate of 1.5 % after tax (2014: 2.0) and a risk premium for general market risks of 6.5 % after tax (2014: 6.0). For the determination of operating and leverage risks, individual beta factors are derived from a group of comparable companies (peer group) and used to measure the positive cash flows of the specific CGU. Cost of capital is estimated taking into account the future financing conditions of GRAMMER AG and adjusted in line with market expectations. The cost of capital determined in this way reflects the interest rate effects of money and the specific risks of the CGU for which the estimated future cash flows were not adjusted.

Cash flows after this three-year period are extrapolated on the basis of a growth rate of 1 % (2014: 1).

The impairment tests performed confirm that the value of all goodwill is fully recoverable. There were no changes in the terminal-value growth rate to zero or in the detailed planning period to zero or any evidence of impairments such as an increase by 400 basis points in the interest rate on debt capital.

BASIC ASSUMPTIONS FOR CALCULATING FAIR VALUE

In calculating the fair value of the two segments Seating Systems and Automotive, the underlying assumptions are subject to estimation uncertainty with respect to:

- operating profit/loss,
- commodity price trends,
- market share in the reporting period.

OPERATING PROFIT/LOSS

Operating profit is derived from multi-year planning based on projected figures for revenues and expenses. Current figures, modified by future changes, are used to forecast manufacturing costs. Sales planning is based on information from GRAMMER Group customers as well as market forecasts from various information services.

COMMODITY PRICE TRENDS

Estimates are based on published price indices in countries from which commodities are purchased as well as data relating to specific commodities. Forecast data is used if it is publicly accessible – otherwise actual past trends in commodity prices are used as an indicator for future price trends.

ASSUMPTIONS REGARDING MARKET SHARE

These assumptions are important in as much as the Company's management assesses how the position of the cash-generating unit might change in comparison with its competitors in the forecast period. The management expects that the Seating Systems segment will solidify its market share during the period covered by the budget and that the Automotive segment will improve its position internationally.

MARKET-BASED VIEW

For the assessment as to whether indications exist that goodwill has been impaired, the Group also takes into account the relationship between market capitalization and the carrying amount of the shareholders' equity of GRAMMER Group.

As of December 31, 2015, GRAMMER AG's market capitalization was higher than the carrying amount of its consolidated equity, meaning that there was no evidence of any impairment of goodwill or any other assets.

EUR K

	2015	2014
Market capitalization	315,400	381,551
Equity	253,423	231,761
Fixed assets	311,965	270,354
Gearing	61 %	37 %
Closing price on December 31	**27.32**	**33.05**

13 INVENTORIES

Inventories break down as follows:

EUR K

	DEC. 31, 2015	DEC. 31, 2014
Raw material and supplies	96,937	83,018
Work in progress	13,971	11,091
Finished goods and services	25,822	21,606
Advance payments	9,175	12,615
Inventories	**145,905**	**128,330**

The increase in inventories is primarily due to the acquisition of the REUM Group.

All inventories are recognized at their historical cost. Impairments recognized on inventories in the light of their lower fair value stand at EUR 3.3 million (2014: 3.0).

14 TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are mostly non-interest-bearing and due for settlement in 30 to 120 days.

EUR K

	DEC. 31, 2015	DEC. 31, 2014
Trade accounts receivable	**187,376**	**169,588**

As of the reporting date, trade accounts receivable of EUR 13,882 thousand (2014: 19,036) were reduced as a result of genuine factoring.

As of December 31, 2015, impairments of EUR 2,646 thousand (2014: 2,682) were recognized on trade accounts receivable. Details are given in the table below:

EUR K

	ALLOWANCES FOR DOUBTFUL ACCOUNTS	PORTFOLIO-BASED ALLOWANCES	TOTAL
As of January 1, 2015	**1,643**	**1,039**	**2,682**
Additions	823	5	**828**
Utilization	–10	–5	**–15**
Write-backs	–862	0	**–862**
Effects from exchange rate differences	13	0	**13**
As of December 31, 2015	**1,607**	**1,039**	**2,646**
As of January 1, 2014	**1,311**	**1,571**	**2,882**
Additions	790	159	**949**
Utilization	–114	–111	**–225**
Write-backs	–407	–580	**–987**
Effects from exchange rate differences	63	0	**63**
As of December 31, 2014	**1,643**	**1,039**	**2,682**

The following table shows non-current and current financial receivables, which have neither been written down nor are overdue on the reporting date, as well as overdue receivables, which have not been written down:

EUR K

	Total	Neither past due nor impaired	Non-impaired and past due in the following periods: Up to 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 181 days
2015							
Trade accounts receivable	**187,376**	173,148	7,572	2,163	1,370	1,662	1,461
Receivables from construction contracts	**116,920**	116,920	0	0	0	0	0
Other financial receivables	**13,394**	13,394	0	0	0	0	0
2014							
Trade accounts receivable	**169,588**	149,171	13,052	3,628	950	1,133	1,654
Receivables from construction contracts	**100,904**	100,904	0	0	0	0	0
Other financial receivables	**9,925**	9,925	0	0	0	0	0

The carrying amount of the receivables portfolio represents the maximum default risk. The amount under accounts up to 30 days past due primarily comprises payments pending at the reporting date for which payments are expected. On the reporting date, there were no indications with regard to the receivables that had neither been written down nor were in default that the debtors would not be able to fulfill their obligations.

15 OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

EUR K

	Dec. 31, 2015	Dec. 31, 2014
Outstanding loans	0	20
Participating interests	129	129
Others	3,909	209
Non-current other financial assets	**4,038**	**358**
Receivables from construction contracts	116,920	100,904
Other receivables	9,485	9,696
Derivative financial assets	681	370
Current other financial assets	**127,086**	**110,970**

Loans comprise loans to affiliated companies. The increase in non-current other financial assets is due to the consideration of EUR 3,760 thousand payable in installments for the sale of the buildings and land in Immenstetten. The remaining amount of EUR 149 thousand (2014: 209) comprises loans to third parties and employees.

Receivables from construction contracts include the amount owed by customers calculated in accordance with the percentage-of-completion method not yet invoiced as of the reporting date.

Other receivables result primarily from current accounts receivable from associates with a term of 30 to 90 days.

16 OTHER ASSETS

Other assets break down as follows:

EUR K	DEC. 31, 2015	DEC. 31, 2014
Prepaid expenses	3,707	0
Other assets	**3,707**	**0**
Current other assets	18,720	14,201
Current prepaid expenses	5,720	4,906
Current other assets	**24,440**	**19,107**

The increase in prepaid expenses which are reported within non-current other assets is due to the sale-and-lease-back transaction in connection with the land and buildings in Immenstetten.

Other current assets mainly include receivables arising from pass-through taxes such as value-added tax of EUR 11,693 thousand (2014: 9,619), temporary deposit agreements of EUR 962 thousand (2014: 907), receivables due from creditors with debit balances of EUR 761 thousand (2014: 600), receivables due from employees of EUR 368 thousand (2014: 313) and claims under investment grants totaling EUR 65 thousand (2014: 1,316).

There were no material ownership or alienation restrictions with respect to the other receivables and assets reported and no impairment losses were recognized.

17 CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits break down as follows as of the reporting date:

EUR K	DEC. 31, 2015	DEC. 31, 2014
Cash and short-term deposits	**127,300**	**83,999**

The Group has bank balances at different banks in various currencies.

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	DEC. 31, 2015	DEC. 31, 2014
Cash and short-term deposits	127,300	83,999
Bank overdrafts	–5,044	–1,595
Cash and cash equivalents	**122,256**	**82,404**

18 SUBSCRIBED CAPITAL AND RESERVES

SUBSCRIBED CAPITAL

As of December 31, 2015, the subscribed capital of GRAMMER Group amounted to EUR 29,554 thousand divided into 11,544,674 no-par value shares. 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 74,444 thousand (2014: 74,444) as of December 31, 2015. It includes premiums from the capital increases in 1996, 2001 and 2011, less transaction costs.

RETAINED EARNINGS

Retained earnings comprise the statutory reserve of GRAMMER AG, which totaled EUR 1,183 thousand on both December 31, 2015 and 2014, 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. This item rose from EUR 184,505 thousand to EUR 199,698 thousand. However, the growth in the Company's earnings is not fully reflected in retained earnings due to the dividend payment of EUR 8,411 thousand (2014: 7,290).

ACCUMULATED 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 cumulative foreign-currency translation effects in connection with the loans classified as net investments in a foreign operation in accordance with IAS 21.

OWN SHARES

As of December 31, 2015, GRAMMER AG holds a total of 330,050 shares as treasury stock, 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 of the share capital and represent 2.8589 % of share capital.

ACQUISITION OF OWN SHARES

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 treasury stock in accordance with section 71 (1) number 8 AktG. The Company may 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 complies with the safe haven rules of sections 14 (2), 20a (3) of the 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 and the transaction was published on the Company's website. The Executive Board has not yet proposed how the shares will be utilized.

As of December 31, 2015, 11,544,674 ordinary shares (2014: 11,544,674) were outstanding.

NON-CONTROLLING INTERESTS

Non-controlling interests in equity relate primarily to share holdings in GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Turkey and GRAMMER AD, Bulgaria.

AUTHORIZATIONS

On May 26, 2011 the Annual General Meeting granted approval until May 25, 2016 for new authorized capital in the amount of EUR 14,777,182.72 (Authorized Capital 2011). The Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company once or repeatedly by up to a total of EUR 14,777,182.72 through the issue of shares against on a cash or non-cash basis. A general shareholder subscription right applies to the new shares. The shares may also be underwritten by one or more banks subject to an obligation to offer them for subscription to shareholders. The Executive Board is, however, authorized, subject to the approval of the Supervisory Board, exclude shareholders' statutory subscription rights,

a) provided this is necessary to eliminate fractional amounts;
b) if the shares are issued against contribution in kind for the purpose of acquiring companies, parts of companies, or for the purpose of acquiring receivables against by the Company;
c) if a capital increase made against a cash contribution does not exceed 10 % of share capital and the issue price of the new shares is not substantially lower than the exchange price (section 186 (3) sentence 4 AktG); if use is made of the authorization in conjunction with an exclusion of shareholder rights in accordance with section 186 (3) sentence 4 AktG, the exclusion of subscription rights under other authorizations is to be taken into account pursuant to section 186 (3) sentence 4 AktG.

With the resolution on May 18, 2011, the Executive Board of GRAMMER AG declared its intent:

(1) to refrain from using the authorization under the new Article 5 (3) of the Articles of Association to increase the share capital of the Company against cash and/or contributions in kind with statutory subscription rights for shareholders during the term of the authorization if this would lead to issuance of an amount of shares in GRAMMER AG in excess of 30 % of existing share capital;
(2) to limit use of the authorization to exclude shareholders' statutory subscription rights in the event that shares are issued against contributions in kind for the purpose of acquiring companies, parts of companies, or for the purpose of acquiring receivables against by the Company during the term of the authorization to no more than 20 % of the Company's existing share capital;
(3) to ensure that the sum total of any capital increases from authorized capital excluding shareholders' subscription rights during the term of this authorization does not exceed 20 % of the existing share capital.

Contingent Capital 2009 expired on May 27, 2014. At the Annual General Meeting held on May 28, 2014, a resolution was passed to grant new authorization to issue option bonds and/or convertible bonds with the possibility of excluding the shareholders' preemptive subscription rights, to create new Contingent Capital 2014/I and to make a corresponding amendment to the Company's Articles of Association: The Company's share capital was increased by up to EUR 14,777,182.72 on a contingent basis through the issue of up to 5,772,337 new bearer shares (Contingent Capital 2014/I). The contingent capital was issued so that shares can be granted to the bearers of convertible or option bonds issued in accordance with the corresponding authorization. The Executive Board may exercise this authorization with the Supervisory Board's approval on or before May 27, 2019.

19 PENSIONS 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, other benefits chiefly entail 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 pension 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 pension commitments is based primarily on the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS DBO

IN %

	2015	2014
Interest rate	2.60	2.20
Salary trend	2.30	2.30
Income trend for individual commitments	2.30	2.30
Inflation rate/pension trend	1.90	1.90

ACTUARIAL ASSUMPTIONS OTHER BENEFITS

IN %

	2015	2014
Interest rate	2.60–6.75	2.20–6.75
Salary trend	2.30–4.50	2.30–5.01
Inflation rate	1.90–5.00	1.90–8.17

The measurement parameters also include obligations in other countries, which tend to have higher interest-rate levels due to deviating country structures compared to Germany. For example, Mexico has an interest rate of 6.75 %, while the salary trend and inflation rate for Turkey stands at around 5.0 %.

As in the previous year, the AON Hewitt interest rate was applied in fiscal year 2015. 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' pension obligations which underlie the pension provisions as of December 31, 2015.

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, 2015.

Mortality and disability are calculated on the basis of the 2005 G Heubeck tables or comparable foreign mortality tables. The probability of fluctuation was computed specifically for the Group. There are no plan assets for pension obligations recognized in the balance sheet.

In fiscal year 2015, annuities were paid on pensions in the amount of EUR 2,354 thousand (2014: 2,208). Other post-employment benefits paid totaled EUR 305 thousand (2014: 247).

The following amounts were recognized in the income statement:

EUR K

	PENSION PLAN	OTHER BENEFITS
2015		
Service cost	2,622	742
Current service cost	2,622	742
Past service cost	0	0
Net interest expense	2,750	151
Net interest expense and service cost	**5,372**	**893**

EUR K

	PENSION PLAN	OTHER BENEFITS
2014		
Service cost	2,187	708
Current service cost	2,186	682
Past service cost	1	26
Net interest expense	3,428	145
Net interest expense and service cost	**5,615**	**853**

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 pension 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 functional areas; 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
2015		
Cumulative amount recognized in other comprehensive income as of January 1, 2015	57,825	0
Amount recognized in the current year	–9,097	0
Cumulative amount recognized in other comprehensive income as of December 31, 2015	**48,728**	**0**

EUR K	PENSION PLAN	OTHER BENEFITS
2014		
Cumulative amount recognized in other comprehensive income as of January 1, 2014	28,691	0
Amount recognized in the current year	29,136	0
Cumulative amount recognized in other comprehensive income as of December 31, 2014	**57,827**	**0**

The changes in the present value of the defined benefit obligations break down as follows:

EUR K	PENSION PLAN	OTHER BENEFITS
As of January 1, 2015	**125,851**	**3,753**
+ Service cost	2,622	742
+ Interest expense	2,750	151
Changes in estimates: gains (–)/losses (+)	–9,107	0
Changes in demographic assumptions	0	0
Changes in financial assumptions	–9,196	0
Experience adjustments	90	0
– Actual payments	–2,323	–335
– Disposal of obligations	0	–6
Changes in exchange rates	1	–375
As of December 31, 2015	**119,794**	**3,930**
As of January 1, 2014	**93,308**	**3,022**
+ Service cost	2,187	708
+ Interest expense	3,428	145
Changes in estimates: gains (–)/losses (+)	29,136	0
Changes in demographic assumptions	–6	0
Changes in financial assumptions	30,085	0
Experience adjustments	–943	0
– Actual payments	–2,208	–247
– Disposal of obligations	0	–26
Changes in exchange rates	0	151
As of December 31, 2014	**125,851**	**3,753**

In the year under review, a contractual trust agreement was entered into for an individual defined benefit pension commitment. The obligation of EUR 309 thousand arising from this commitment was added.

	2015
Fair value of the plan assets on Jan. 1	**0**
Interest expense on the plan assets	4
Adjustments	–10
Contributions to plan assets	312
Fair value of the plan assets on Dec. 31	**306**

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

	2015 1 % REDUCTION	2015 1 % INCREASE	2014 1 % REDUCTION	2014 1 % INCREASE
Impact on DBO	25,022	–19,171	28,122	–21,298
Impact on current service cost	546	–410	682	–505
Impact on net interest expense	–774	485	–900	556

FUTURE SALARY INCREASE

EUR K

	0,5 % REDUCTION	0,5 % INCREASE	0,5 % REDUCTION	0,5 % INCREASE
Impact on DBO	–3,275	3,705	–3,783	4,289

INFLATION RATE

EUR K

	0,5 % REDUCTION	0,5 % INCREASE	0,5 % REDUCTION	0,5 % INCREASE
Impact on DBO	–7,204	7,941	–7,861	8,686

MORTALITY RATE

EUR K

	10 % REDUCTION	10 % INCREASE	10 % REDUCTION	10 % INCREASE
Impact on DBO	3,783	–3,394	4,155	–3,718

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 statement of financial position.

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:

EUR K	EXPECTED CASH OUTFLOW
Short-term (<1 year)	2,389
Medium-term (1 to 5 years)	11,453
Long-term (>5 years)	105,149

20 FINANCIAL LIABILITIES

INTEREST-BEARING LIABILITIES

EUR K	CURRENT	NON-CURRENT	TOTAL
2015			
Overdrafts	5,044	0	**5,044**
Loans	17,667	16,610	**34,277**
Bonded loans	41,417	202,097	**243,514**
Financial liabilities	**64,128**	**218,707**	**282,835**

EUR K	CURRENT	NON-CURRENT	TOTAL
2014			
Overdrafts	1,595	0	**1,595**
Loans	22,293	4,158	**26,451**
Bonded loans	1,497	141,097	**142,594**
Financial liabilities	**25,385**	**145,255**	**170,640**

GRAMMER signed a syndicated loan contract for EUR 180 million in 2013, thus securing the Group's long-term funding. The syndicated loan contract was entered into between the domestic GRAMMER companies and six commercial banks.

The cash credit facilities may be drawn on as an overdraft or as loans with fixed interest periods of up to six months. Interest is charged on the basis of a money market rate plus a fixed credit margin. The syndicated loan contract has a term of five years plus two one-year renewal options. GRAMMER exercised the first renewal option in 2014 and the second one in September 2015. The new term expires on October 31, 2020.

GRAMMER Group companies bear joint and several liability for the credit facilities. Beyond this, no other collateral backing exists.

OVERDRAFTS

Overdrafts are primarily amounts drawn under corresponding credit facilities.

LOANS

This item includes a KfW loan of EUR 2.5 million, which is being repaid in half-yearly installments of EUR 1,250 thousand at a floating EURIBOR-based rate.

In addition, there are bilateral loans to subsidiaries with short and medium terms. 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 of EUR 242.5 million (2014: 141.5). The bonded loans have fixed or variable interest rates and differing maturity dates until 2027.

GRAMMER AG issued a further bonded loan in 2015 with a total nominal value of EUR 120 million. The first tranche of EUR 81 million was issued on December 29, 2015 and the second one of EUR 39 million on January 4, 2016. The new bonded loan comprises two tranches expiring in 2020, 2022 and 2025 with both fixed and variable interest rates.

Deferred interest is allocated to the current part. The increase over the previous year (2014: 1.5) is due to the reclassification of two tranches of EUR 40 million of a bonded loan, which had previously been recognized as non-current financial liabilities and are now recognized as current financial liabilities. These tranches will be maturing in August and September 2016.

21 PROVISIONS

EUR K

	AS OF JANUARY 1, 2015	ADDITIONS	UTILI-ZATION	RELEASES	EFFECTS FROM COMPANY ACQUISI-TION	EFFECTS FROM EXCHANGE RATE DIF-FERENCES	AS OF DECEMBER 31, 2015	CURRENT PROVISIONS 2015	NON-CURRENT PROVISIONS 2015
Market related provisions	7,193	3,811	−3,361	−424	5,279	−645	11,853	11,853	0
Obligations relating to personnel	3,513	838	−480	−147	2,228	66	6,018	6,018	0
Other provisions	1,363	48	−591	0	0	31	851	851	0
Provisions	**12,069**	**4,697**	**−4,432**	**−571**	**7,507**	**−548**	**18,722**	**18,722**	**0**

EUR K

	AS OF JANUARY 1, 2014	ADDITIONS	UTILI-ZATION	RELEASES	EFFECTS FROM COMPANY ACQUISI-TION	EFFECTS FROM EXCHANGE RATE DIF-FERENCES	AS OF DECEMBER 31, 2014	CURRENT PROVISIONS 2014	NON-CURRENT PROVISIONS 2014
Market related provisions	7,435	2,357	−1,409	−1,253	0	63	7,193	7,193	0
Obligations relating to personnel	2,029	2,006	−618	0	0	96	3,513	3,513	0
Other provisions	2,082	576	−246	−1,137	0	88	1,363	1,363	0
Provisions	**11,546**	**4,939**	**−2,273**	**−2,390**	**0**	**247**	**12,069**	**12,069**	**0**

Market-related provisions relate to risks from the sale of parts and products as well as development. 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.

Personnel provisions contain obligations related to personnel and social benefits such as anniversary bonuses. The allocated plan assets and obligations from phased-retirement entitlement were netted in the amount of EUR 210 thousand in accordance with IAS 19.

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

EUR K	DEC. 31, 2015	DEC. 31, 2014
Non-current trade accounts payable	1,325	1,072
Current trade accounts payable	186,714	192,153
Trade accounts payable	**188,039**	**193,225**

Trade accounts payable and other liabilities 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 are due for settlement normally in less than 90 days. Non-current trade accounts payable in particular include liabilities under hire-purchase agreements with maturities of up to five years. Customary retention of title by suppliers applies in relation to trade payables.

23 OTHER FINANCIAL LIABILITIES

Other financial liabilities break down as follows:

EUR K	DEC. 31, 2015	DEC. 31, 2014
Liabilities from derivatives	2,053	2,992
Liabilities from leases	2,034	1,848
Liabilities to affiliated companies	941	576
Other current financial liabilities	**5,028**	**5,416**
Liabilities from leases	6,814	4,802
Other non-current financial liabilities	**6,814**	**4,802**

24 OTHER LIABILITIES

Other liabilities break down as follows:

EUR K	DEC. 31, 2015	DEC. 31, 2014
Social security obligations	3,492	3,377
Liabilities from other taxes and charges	8,545	7,242
Prepayments received	7,113	3,921
Other liabilities	45,789	35,743
Deferred income	5,254	5,536
Other current liabilities	**70,193**	**55,819**
Miscellaneous other liabilities	54	0
Other non-current liabilities	**54**	**0**
Other liabilities	**70,247**	**55,819**

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. The increase in this item is primarily due to the first-time consolidation of the REUM Group (EUR 6,473 thousand).

Liabilities relating to other taxes and charges principally comprise outstanding wage taxes and similar charges for fiscal year 2015.

25 STATEMENT OF CASH FLOW

The statement of cash flow breaks down the Group's cash flow situation 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 profit/loss before income 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 and investments in property, plant and equipment and financial assets, but not additions to capitalized development costs. Financing activities include cash outflows for dividend payments and repayments of loans, as well as changes in other financial liabilities. At GRAMMER Group, cash and cash equivalents consists of cash and short-term money market funds, less current account liabilities to banks.

26 LEGAL DISPUTES

As protection against legal risks, we work with a system of intensive contract review, contract management and systematic archiving. Sufficient insurance cover has been taken out for “normal risks” and risks to the Company’s ability to continue as a going concern. There were no significant legal disputes in the fiscal year.

27 CONTINGENT LIABILITIES

EUR K	2015	2014
Guarantees	**600**	**632**

The guarantees were primarily issued in the form of performance guarantees for contract breaches and for leased office space.

28 RELATED PARTY DISCLOSURES

Information on the Group structure, subsidiaries and the parent company can be found in Note 3.

CONDITIONS FOR RELATED PARTY TRANSACTIONS

This section describes the sales to and purchases from related parties. Outstanding amounts at the end of the fiscal year are unsecured, non-interest bearing and are settled by cash payment. No guarantees exist for receivables or liabilities to related parties. As of December 31, 2015, the Group recognized an impairment loss of EUR 0.7 million on accounts receivable from related parties (2014: 0). An impairment test is performed annually by reviewing the financial position of the related party and the market in which it operates.

The following table specifies the total amounts of transactions between related parties for the reporting year:

EUR K RELATED PARTIES		SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	RECEIVABLES FROM RELATED PARTIES	LIABILITIES FROM RELATED PARTIES
GRA-MAG Truck Interior Systems LLC	2015	9,171	0	9,460	0
	2014	7,907	0	9,677	0

GRA-MAG TRUCK INTERIOR SYSTEMS LLC

GRAMMER AG holds an interest of 50 % in GRA-MAG Truck Interior Systems LLC (GRA-MAG) (2014: 50 %). GRA-MAG had 56 employees as of December 31, 2015 (2014: 46).

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.

29 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows all of the Group's financial instruments classified according to category, carrying amount and fair value:

EUR K

	Valuation category acc. to IAS 39	Carrying amount on Dec. 31, 2015	Amount stated in balance sheet acc. to IAS 39				Amount stated in balance sheet acc. to IAS 17	Fair value on Dec. 31, 2015
			Amortized costs	Historical costs	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and short-term deposits	LaR	127,300	127,300					**127,300**
Trade accounts receivable	LaR	187,376	187,376					**187,376**
Other financial assets								
Loans and receivables	LaR	13,394	13,394					**13,394**
Receivables from construction contracts	LaR	116,920	116,920					**116,920**
Financial assets available-for-sale	AfS	129		129				**129**
Financial assets held-for-trading	FAHfT	23				23		**23**
Derivatives with hedge relationship	n.a.	658			658			**658**
Liabilities								
Trade accounts payable	FLAC	188,039	188,039					**188,045**
Current and non-current financial liabilities	FLAC	282,835	282,835					**286,177**
Other financial liabilities								
Other financial liabilities	FLAC	941	941					**941**
Liabilities form finance leases	n.a.	8,848					8,848	**8,594**
Derivatives without hedge relationship	FLHfT	43				43		**43**
Derivatives with hedge relationship	n.a.	2,010			2,010			**2,010**
Of which aggregated by category in acc. with IAS 39:								
Loans and receivables	LaR	444,990	444,990					**444,990**
Financial assets available-for-sale	AfS	129		129				**129**
Financial assets held-for-trading	FAHfT	23				23		**23**
Financial liabilities at amortized cost	FLAC	471,815	471,815					**475,163**
Financial liabilities held-for-trading	FLHfT	43				43		**43**

EUR K	Valuation category acc. to IAS 39	Carrying amount on Dec. 31, 2014	Amount stated in balance sheet acc. to IAS 39				Amount stated in balance sheet acc. to IAS 17	Fair value on Dec. 31, 2014
			Amortized costs	Historical costs	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and short-term deposits	LaR	83,999	83,999					**83,999**
Trade accounts receivable	LaR	169,588	169,588					**169,588**
Other financial assets								
Loans and receivables	LaR	9,925	9,925					**9,925**
Receivables from construction contracts	LaR	100,904	100,904					**100,904**
Financial assets available-for-sale	AfS	129		129				**129**
Financial assets held-for-trading	FAHfT	12				12		**12**
Derivatives with hedge relationship	n.a.	358			358			**358**
Liabilities								
Trade accounts payable	FLAC	193,225	193,225					**193,248**
Current and non-current financial liabilities	FLAC	170,640	170,640					**174,842**
Other financial liabilities								
Other financial liabilities	FLAC	576	576					**576**
Liabilities form finance leases	n.a.	6,650					6,650	**6,358**
Derivatives without hedge relationship	FLHfT	0						**0**
Derivatives with hedge relationship	n.a.	2,992			2,992			**2,992**
Of which aggregated by category in acc. with IAS 39:								
Loans and receivables	LaR	364,416	364,416					**364,416**
Financial assets available-for-sale	AfS	129		129				**129**
Financial assets held-for-trading	FAHfT	12				12		**12**
Financial liabilities at amortized cost	FLAC	364,441	364,441					**368,666**
Financial liabilities held-for-trading	FLHfT	0						**0**

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.

Available-for-sale financial assets are non-listed equity instruments for which a fair value cannot be reliably determined. These instruments are therefore measured at historical cost. On the reporting date, the Group had no intention to sell these instruments.

Trade accounts payable and other liabilities usually have short residual maturities. Longer-term trade accounts payable were determined on the basis of the respective yield curves and the risk premium applicable for GRAMMER.

The fair values of liabilities to banks, debenture bond 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.

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, 2015:

EUR K	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets measured at fair value				
Derivative financial assets				
Currency forwards	681	0	681	0
Interest-rate swaps	0	0	0	0
Liabilities measured at fair value				
Derivative financial liabilities				
Currency forwards	74	0	74	0
Interest-rate swaps	1,979	0	1,979	0
Liabilities for which a fair value is disclosed				
Interest-bearing loans				
Obligations under finance leases and hire-purchase agreements	11,124	0	11,124	0
Current and non-current financial liabilities	286,177	0	286,177	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, 2014.

EUR K	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets measured at fair value				
Derivative financial assets				
Currency forwards	370	0	370	0
Interest-rate swaps	0	0	0	0
Liabilities measured at fair value				
Derivative financial liabilities				
Currency forwards	410	0	410	0
Interest-rate swaps	2,582	0	2,582	0
Liabilities for which a fair value is disclosed				
Interest-bearing liabilities				
Obligations under finance leases and hire-purchase agreements	8,548	0	8,548	0
Current and non-current financial liabilities	174,842	0	174,842	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.

The following table shows the gains and losses on financial instruments:

EUR K	2015	2014
Loans and receivables	10,718	7,157
Financial assets and liabilities held-for-trading	12	11
Financial liabilities measured at historical cost	–6,738	–1,910
Net gains/losses from financial instruments	**3,992**	**5,258**

Net income from loans and receivables include currency gains or losses, changes to value adjustments recognized as income, gains or losses from derecognition of receivables and reversals of previously impaired receivables.

Net profit or loss from financial instruments held for trading includes changes in the market value of unhedged derivatives including interest income and expenses.

The net income from financial liabilities recognized at fair value through profit or loss include primarily currency gains and losses.

The GRAMMER Group has transacted hedges 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 BALANCE SHEET	OFFSETTING AGREEMENT	NET AMOUNT
Dec. 31, 2015			
Financial assets			
Currency forwards	681	−20	661
Interest rate swaps	0	0	0
Financial liabilities			
Currency forwards	−74	20	−54
Interest-rate swaps	−1,979	0	−1,979

EUR K

	GROSS AND NET AMOUNTS OF FINANCIAL INSTRUMENTS IN THE BALANCE SHEET	OFFSETTING AGREEMENT	NET AMOUNT
Dec. 31, 2014			
Financial assets			
Currency forwards	370	−142	228
Interest rate swaps	0	0	0
Financial liabilities			
Currency forwards	−410	142	−268
Interest-rate swaps	−2,582	0	−2,582

30 FINANCIAL DERIVATIVES AND RISK MANAGEMENT

The primary financial liabilities used in the Group encompass debenture bonds, bank loans, overdrafts and finance leases as well as trade accounts payable. The Group has various financial assets such as trade accounts receivable and cash, which result directly from operating activities.

The Group also has derivative financial instruments, used by the Group for risk management, primarily to hedge interest rate and currency risks.

FINANCIAL RISKS

The Group is subject to market, credit and liquidity risks, as well as the 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, taking into account the Company's receptivity to risk.

All derivative transactions entered into for purposes of risk management 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. As a result of the financial crisis, management of the credit risk has grown in importance. The creditworthiness of major customers, especially in the Automotive sector, is subject to particular monitoring due to risks from trade receivables. 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. There are no significant concentrations of credit risks in the Group 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 types of risk: exchange rate risk, interest rate risk and other price risks, such as share price risk. Instruments subject to market risk include interest-bearing loans, deposits, available-for-sale financial assets and derivatives. The sensitivity analyses in the sections below relate to the situation as of December 31, 2015 and 2014. They were prepared on the basis of the hedging transactions outstanding on December 31, 2015, 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 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, to be recognized as derivatives under IAS 39, can also be entered into to hedge price risks related to purchases of commodities. 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 2015 or 2014, and no such contracts were concluded in either of these two years.

CURRENCY RISK

As a consequence of its international focus and business activities, the Group is exposed to currency risks. Fluctuations in exchange rates may lead to unforeseeable and unfavorable volatility in net income and cash flow. By transacting business in currencies other than the functional currencies of the respective Group companies, the Company may be exposed to risks from future payment flows. The risk is reduced by the requirement to invoice business transactions generally in the respective functional currency. 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. 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, currency hedges were in place in PLN, CZK, USD and TRY, which satisfy the requirements for cash flow hedging. Moreover, currency forwards in USD were concluded but do not qualify for cash flow hedging.

As of December 31, 2015, currency forwards with a positive market value of EUR 584 thousand (2014: –51) were designated as cash flow hedging instruments. These forward transactions will be maturing in 2016. Consequently, an amount of EUR 519 thousand (2014: 9) for currency hedges was included directly in equity. Of this amount, a loss of EUR 87 thousand (2014: 360) was taken to net profit for the period. The settlement results are recognized under the financial result. There were no significant ineffective portions of hedging transactions to report in the income statement in the year under review.

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 into 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 into account of accordingly in the sensitivity analysis.
- For the determination of sensitivity to exchange rate risks, a change in the exchange rate of +/– 10 percentage points on the reporting date (2014: 10) is assumed. 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 profit before tax	Impact on equity
2015	+10 %	4,715	–1,422
	–10 %	–4,613	1,635
2014	+10 %	4,845	–1,045
	–10 %	–4,851	1,084
	Changes in the TRY exchange rate	Impact on profit before tax	Impact on equity
2015	+10 %	–436	1,076
	–10 %	436	–880
2014	+10 %	–963	976
	–10 %	963	–520
	Changes in the CZK exchange rate	Impact on profit before tax	Impact on equity
2015	+10 %	4,104	1,553
	–10 %	–4,105	–1,349
2014	+10 %	2,001	899
	–10 %	–2,001	–737
	Changes in the PLN exchange rate	Impact on profit before tax	Impact on equity
2015	+10 %	–712	519
	–10 %	713	–424
2014	+10 %	–757	–239
	–10 %	757	316
	Changes in the MXN exchange rate	Impact on profit before tax	Impact on equity
2015	+10 %	3,036	1,291
	–10 %	–3,037	–1,291
2014	+10 %	2,902	1,291
	–10 %	–2,902	–1,291
	Changes in the CNY exchange rate	Impact on profit before tax	Impact on equity
2015	+10 %	2,745	0
	–10 %	–2,745	0
2014	+10 %	2,200	0
	–10 %	–2,200	0

INTEREST RATE RISK

The Company pursues a strategy of hedging interest rate fluctuation arising from floating-rates non-current financial liabilities. The market rates prevailing on the date on which the loan is taken out apply in the case of current 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 rollover 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.

As of December 31, 2015, interest rate swaps with a total nominal volume of EUR 133.0 million (2014: 84.0) were in place in connection with the issue of the bonded loan to hedge interest rate changes affecting the floating-rate tranches and have the same residual maturity range of between one and seven years as the underlying transactions. These interest rate swaps qualify as cash flow hedges. Consequently, an amount of EUR 458 thousand (2014: 1,022) for currency hedges was included directly in equity. Of this, a loss of EUR –1,134 thousand (2014: –1,069) was taken to net profit for the period. The negative market value of EUR 1,936 thousand (2014: 2,582) is reported under “other current financial liabilities”. The Company recognizes changes in the market value in accumulated other comprehensive income.

There is a further interest rate swap which does not qualify for cash flow hedging.

The interest rate sensitivity analysis 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, interest payments for which are not designated as 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 included in the sensitivity analysis.
- Interest rate derivatives not designated as cash flow hedges have an effect on net profit for the period and are thus included in 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.
- For the determination of the sensitivity of interest rate derivatives, a parallel shift along the yield curve of +/– 50 basis points (2014: 50) is assumed. The interest rate on deposits was reduced on interest-bearing current account balances to a minimal level of 0.001 %. As a result of the current low interest rate, a minimal basic rate of interest of 0.0000001 % was assumed for derivative financial instruments and otherwise a minimal basic rate of 0.001 % was applied.

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 IN BASIS POINTS	IMPACT ON PROFIT BEFORE TAX	IMPACT ON EQUITY
2015	–50	–657	–132
	50	52	507
2014	–50	–77	–614
	50	367	1,164

LIQUIDITY RISK

The Group manages liquidity risks by means of appropriate bank credit facilities of EUR 230.3 million (2014: 209.7), through constant monitoring of forecast 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, finance leases and hire-purchase agreements.

As of December 31, 2015, the Group had unutilized credit facilities of EUR 204.7 million (2014: 180.5), for which all the conditions required for utilization 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

2015	Carrying amount	Cash flow 2016	Cash flow 2017–2019	Cash flow 2020 and thereafter
Bonded loans	243,514	45,366	111,699	107,005
Bank loans	34,277	18,261	16,551	527
Overdrafts	5,044	5,044	0	0
Current and non-current financial liabilities	**282,835**	**68,671**	**128,250**	**107,532**
Current and non-current trade accounts payable	**188,039**	**186,752**	**1,354**	**0**
Liabilities from finance leases	8,848	2,268	4,615	3,157
Other original financial liabilities	941	941	0	0
Current and non-current other financial liabilities	**9,789**	**3,209**	**4,615**	**3,157**
Interest rate derivates	1,979	1,352	1,488	–235
Currency derivates	74			
Incoming payments		6,966		
Payments in advance		–7,022		
Derivatives	**2,053**	**1,296**	**1,488**	**–235**
	482,716	**259,928**	**135,707**	**110,454**

EUR K

2014	Carrying amount	Cash flow 2015	Cash flow 2016–2018	Cash flow 2019 and thereafter
Bonded loans	142,594	3,988	99,961	51,169
Bank loans	26,451	22,844	4,319	0
Overdrafts	1,595	1,595	0	0
Current and non-current financial liabilities	**170,640**	**28,427**	**104,280**	**51,169**
Current and non-current trade accounts payable	**193,225**	**192,201**	**1,107**	**0**
Liabilities from finance leases	6,650	2,061	3,031	2,672
Other original financial liabilities	576	576	0	0
Current and non-current other financial liabilities	**7,226**	**2,637**	**3,031**	**2,672**
Interest rate derivates	2,582	984	1,828	54
Currency derivates	410			
Incoming payments		9,627		
Payments in advance		–10,028		
Derivatives	**2,992**	**583**	**1,828**	**54**
	374,083	**223,848**	**110,246**	**53,895**

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 net financial liabilities and gearing.

Net financial liabilities include current and non-current financial liabilities, less cash and short-term deposits. Gearing is defined as the ratio of net financial liabilities to equity.

The syndicated loan agreement provides for financial covenants which the Group observed at all times during the reporting period.

EUR K	DEC. 31, 2015	DEC. 31, 2014
Non-current bank liabilities	218,707	145,255
Current bank liabilities	64,128	25,385
Cash and short-term deposits	–127,300	–83,999
Net financial liabilities	**155,535**	**86,641**
Equity	**253,423**	**231,761**
Equity ratio	**26 %**	**28 %**
Gearing	**61 %**	**37 %**

31 EVENTS AFTER THE REPORTING DATE

DISCLOSURE OF SHAREHOLDINGS IN THE COMPANY SUBJECT TO SECTION 21 WPHG

"HALOG GmbH & Co. KG, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 10 % on February 26, 2016 and stood at 10.22 % (1,180,234 voting rights) on that day." (Published on March 3, 2016)

"HALOG Beteiligungs- und Geschäftsführungs-GmbH, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 10 % on February 26, 2016 and stood at 10.22 % (1,180,234 voting rights) on that day. Of this, 10.22 % (1,180,234 voting rights) are attributable to it according section 22 WpHG. It has been assigned voting rights by the following shareholder, whose share of the voting rights in Grammer AG is 10 % or more: HALOG GmbH & Co. KG, Wolfsburg, Germany." (published on March 3, 2016)

"Nijaz Hastor, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that his share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 10 % on February 26, 2016 and stood at 10.22 % (1,180,234 voting rights) on that day. Of this, 10.22 % (1,180,234 voting rights) are attributable to him under section 22 WpHG. He has been assigned voting rights by the following shareholder, whose share of the voting rights in Grammer AG is 10 % or more: HALOG GmbH & Co. KG, Wolfsburg, Germany." (published on March 3, 2016)

"HALOG GmbH & Co. KG, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 5 % on February 1, 2016 and stood at 5.01 % (578,058 voting rights) on that day." (Published on February 5, 2016)

"HALOG Beteiligungs- und Geschäftsführungs-GmbH, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 5 % on February 1, 2016 and stood at 5.01 % (578,058 voting rights) on that day. Of this, 5.01 % (578,058 voting rights) are attributable to it under section 22 WpHG. It has been assigned voting rights by the following shareholder, whose share of the voting rights in Grammer AG is 5 % or more: HALOG GmbH & Co. KG, Wolfsburg, Germany." (published on February 5, 2016)

"Nijaz Hastor, Wolfsburg, Germany, notified us in accordance with section 21 (1) WpHG that his share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the threshold of 5 % on February 1, 2016 and stood at 5.01 % (578,058 voting rights) on that day. Of this, 5.01 % (578,058 voting rights) are attributable to him under section 22 WpHG. He has been assigned voting rights by the following shareholder, whose share of the voting rights in Grammer AG is 5 % or more: HALOG GmbH & Co. KG, Wolfsburg, Germany." (published on February 5, 2016)

"BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had dropped below the threshold of 3 % on January 26, 2016 and stood at 2.95 % (341,079 voting rights) on that day." (Published on January 29, 2016)

"BNP Paribas Investment Partners UK Ltd., London, United Kingdom, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had dropped below the threshold of 3 % on January 26, 2016 and stood at 2.95 % (341,079 voting rights) on that day. Of this, 2.95 % (341,079 voting rights) are attributable to it under section 22 WpHG. Voting rights are assigned to it by the following shareholder: BNP Paribas Investment Partners Belgium S.A." (Published on January 29, 2016)

"BNP Paribas Investment Partners S.A., Paris, France, notified us in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had dropped below the threshold of 3 % on January 26, 2016 and stood at 2.96 % (341,527 voting rights) on that day. Of this, 2.96 % (341,527 voting rights) are attributable to BNP Paribas Investment Partners S.A. under section 22 WpHG. Voting rights are assigned to it by the following shareholders: BNP Paribas Investment

Partners Belgium S.A. and BNP Paribas Investment Partners Luxembourg S.A." (Published on January 29, 2016)

OTHER EVENTS AFTER THE REPORTING PERIOD

On May 10, 2016, GRAMMER AG and Shaanxi Automobile Group Co. Ltd., the fourth largest heavy-duty truck OEM in China, entered into an agreement to establish a joint venture for the production and distribution of truck seats in China. GRAMMER AG will be holding 90 % of the new joint venture, to be known as GRAMMER Seating (Shaanxi) and based in Fuping in the Province of Shaanxi. The remaining 10 % will be held by Shaanxi Automobile Group Co. Ltd.

By signing this agreement, GRAMMER has passed a further important strategic milestone in its global growth strategy. Local production at the Fupin industrial estate will allow GRAMMER to broaden its geographic footprint in the commercial vehicle segment and ensure close physical proximity to important customers in China. Looking ahead over the next few years, the new joint venture will thus additionally support GRAMMER's growth targets.

32 OTHER INFORMATION

EMPLOYEES

Annual average number of employees:

	2015	2014
Wage-earning employees	8,847	8,399
Salaried employees	2,148	2,047
Employees	**10,995**	**10,446**

Breakdown of employees by Division as of December 31:

	2015	2014
Seating Systems	3,729	3,679
Automotive	7,400	6,761
Central Services	268	260
Employees	**11,397**	**10,700**

In addition to the employees stated above as of the reporting date, there were a further 905 employees resulting from the first-time consolidation of the REUM Group.

AUDITORS' FEES WITHIN THE MEANING OF SECTION 314 (1) NO. 9 HGB

Fees for the auditor of the consolidated financial statements recognized as expenses in the reporting year amounted to EUR 504.7 thousand for the audit. Of this, an amount of EUR 97.0 thousand is due to the audit for the previous year. In the previous year an amount of EUR 490.5 thousand had been recorded for this; of this amount, EUR 121.3 had related to the audit for the prior year. The fees for tax advice and other attestation and appraisal services come to EUR 437.6 thousand (2014: 341.3). A fee of EUR 29.1 thousand (2014: 9.6) was charged for miscellaneous services.

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	2015	2014
Total remuneration paid to the Executive Board amounted to	2,052	2,239
The Supervisory Board received total remuneration of	522	482

Of the total remuneration of the Executive Board, EUR 191 thousand (2014: 371) is attributable to performance-related components and EUR 343 thousand (2014: 419) to components with a long-term incentive effect.

Individual remuneration paid to the members of the Executive Board was as follows in fiscal year 2015 and 2014:

EUR K

2015	NON-PERFORMANCE-RELATED COMPONENTS	PERFORMANCE-RELATED COMPONENTS	LONG-TERM INCENTIVE COMPONENTS	TOTAL
Hartmut Müller	625	68	143	**836**
Gérard Cordonnier	263	27	54	**344**
Manfred Pretscher	419	46	95	**560**
Volker Walprecht	211	50	51	**312**
	1,518	**191**	**343**	**2,052**

EUR K

2014	NON-PERFORMANCE-RELATED COMPONENTS	PERFORMANCE-RELATED COMPONENTS	LONG-TERM INCENTIVE COMPONENTS	TOTAL
Hartmut Müller	619	159	173	**951**
Manfred Pretscher	416	106	123	**645**
Volker Walprecht	416	106	123	**643**
	1,449	**371**	**419**	**2,239**

Provisions of EUR 1,596 thousand (2014: 2,016) were recognized for pension obligations to current members of GRAMMER AG's Executive Board.

Executive Board members receive no loans or advances from the Company.

A further amount of EUR 296 thousand (2014: 291) was paid to former members of the management and the Executive Board and their surviving dependents.

Pension obligations towards former members of the management and the Executive Board and their surviving dependents are valued at EUR 6,155 thousand (2014: 6,082) as of the reporting date and corresponding provisions have been recognized under IAS 19 (revised).

Moreover, current service cost of EUR 225 thousand (2014: 605) for allocations to pension provisions arose for active members of the Executive Board. Of this, EUR 108 thousand (2014: 118) was for Mr. Hartmut Müller, EUR 74 thousand (2014: 79) for Mr. Manfred Pretscher and EUR 43 thousand (2014: 0) for Mr. Gérard Cordonnier (2014: 0).

Individualized remuneration for the Supervisory Board breaks down as follows:

EUR K

	NET NON-PERFORMANCE REMUNERATION	NET MEETING FEES	TOTAL
Dr.-Ing. Klaus Probst	60.0	19.0	79.0
Horst Ott	45.0	11.0	56.0
Andrea Elsner[1]	18.4	5.0	23.4
M.A. Tanja Fondel	30.0	6.0	36.0
Dipl.-Betriebswirt (FH) Wolfram Hatz	30.0	15.0	45.0
Bernhard Hausmann[2]	11.7	3.0	14.7
Martin Heiß[1]	18.4	6.0	24.4
Lic. Oec. HSG Ingrid Hunger	30.0	6.0	36.0
Dipl.-Betriebswirt (FH) Harald Jung	30.0	8.0	38.0
Dipl.-Betriebswirt Georg Liebler[2]	11.7	5.0	16.7
Dipl.-Kaufmann Dr. Hans Liebler	30.0	5.0	35.0
Dipl.-Kaufmann Dr. Peter Merten[1]	18.4	3.0	21.4
Lars Roder	30.0	8.0	38.0
Wolfgang Rösl[2]	11.7	7.0	18.7
Dr. Bernhard Wankerl	30.0	10.0	40.0
	405.3	**117.0**	**522.3**

[1] Member from May 20, 2015
[2] Member until May 20, 2015

No compensation was paid to former members of the Supervisory Board, and no such payments constitute a component of Supervisory Board remuneration. In fiscal year 2015, the Supervisory Board was not paid any performance-based remuneration.

33 CORPORATE GOVERNANCE

The Corporate Governance Statment pursuant to section 289a of the German Commercial Code (HGB) together with the Declaration of Conformity with the German Corporate Governance Code (section 161 of the Stock Corporation Act (AktG)) is reproduced in the 2015 Annual Report and is permanently available on the company website at www.grammer.com/en/about-grammer/corporate-governance.html

DISCLOSURES ON THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

EXECUTIVE BOARD	
M.Sc. BWL, Dipl.-Ing. (FH) **HARTMUT MÜLLER,** Darmstadt	Chief Executive Officer
Dipl.-Ing. (FH) **MANFRED PRETSCHER,** Meine	
Graudé en Sciences Juridiques **GÉRARD CORDONNIER,** Eupen, Belgium	Member of the Executive Board from June 1, 2015
Dipl.-Kaufmann **VOLKER WALPRECHT,** Essen	Member of the Executive Board until May 20, 2015

MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

SUPERVISORY BOARD	
Dr.-Ing. **KLAUS PROBST,** Heroldsberg	Chairman of the Supervisory Board
HORST OTT, Königstein	Deputy Chairman of the Supervisory Board, employee representative
ANDREA ELSNER, Ebermannsdorf	Employee representative Member of the Supervisory Board from May 20, 2015
M.A. **TANJA FONDEL,** Frankfurt a. M.	Employee representative
Dipl.-Betriebswirt (FH) **WOLFRAM HATZ,** Ruhstorf a.d. Rott	
BERNHARD HAUSMANN, Amberg	Employee representative Member of the Supervisory Board until May 20, 2015
MARTIN HEISS, Sulzbach-Rosenberg	Employee representative Member of the Supervisory Board from May 20, 2015
Lic. oec. HSG **INGRID HUNGER,** Lohr a. M.	
Dipl.-Betriebswirt (FH) **HARALD JUNG,** Nabburg	Employee representative
Dipl.-Betriebswirt **GEORG LIEBLER,** Möglingen	Member of the Supervisory Board until May 20, 2015
Dipl.-Kaufmann **DR. HANS LIEBLER,** Gräfelfing	
Dipl.-Kaufmann **DR. PETER MERTEN,** Herrsching	Member of the Supervisory Board from May 20, 2015
LARS RODER (NÉE SCHELENZ), Kümmersbruck	Employee representative
WOLFGANG RÖSL, Sulzbach-Rosenberg	Employee representative Member of the Supervisory Board until May 20, 2015
DR. BERNHARD WANKERL, Schwandorf	

PROFESSIONS AND OTHER OFFICES OF THE MEMBERS OF THE EXECUTIVE BOARD WITHIN THE MEANING OF SECTION 285 (1) NO. 10 HGB

EXECUTIVE BOARD	
HARTMUT MÜLLER Chief Executive Officer HR Director (from June 1, 2015)	– Chairman of the Supervisory Board of GRAMMER AD, Trudovetz, Bulgaria – Member of the Supervisory Board of GRAMMER Interior (Changchun) Co., Ltd., Changchun, China (until November 19, 2015) – Member of the Advisory Board of IFA ROTORION – Holding GmbH, Haldensleben, Germany – Member of the Supervisory Board of Wieland-Werke AG, Ulm
MANFRED PRETSCHER Member of the Executive Board HR Director (until May 31, 2015)	– Member of the Supervisory Board of GRAMMER AD, Trudovetz, Bulgaria – Member of the Supervisory Board of GRAMMER Seating (Jiangsu) Co., Ltd., Jiangyin, China (until December 22, 2015) – Member of the Supervisory Board of GRAMMER Interior (Tianjin) Co., Ltd., Tianjin, China (until July 21, 2015) – Member of the Supervisory Board of CVC Commercial Vehicle Cluster GmbH, Kaiserslautern – Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH), United States
GÉRARD CORDONNIER Chief Financial Officer (from June 1, 2015)	– Member of the Supervisory Board of GRAMMER Interior (Shanghai) Co., Ltd., Shanghai, China (from July 9, 2015) – Member of the Supervisory Board of GRAMMER Interior (Tianjin) Co., Ltd., Tianjin, China (from July 21, 2015) – Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH), United States (from August 1, 2015) – Member of the Supervisory Board of GRAMMER Interior (Changchun) Co., Ltd., Changchun, China (from November 19, 2015) – Member of the Board of Directors of GRAMMER EiA Electronics N.V., Artselaar, Belgium (from December 1, 2015) – Member of the Supervisory Board of GRAMMER Seating (Jiangsu) Co., Ltd., Jiangyin, China (from December 22, 2015) – Member of the Supervisory Board of GRAMMER Interior (Beijing) Co., Ltd., Peking, China (from January 18, 2016) – Member of the Board of Directors of GRAMMER Japan Limited, Tokyo, Japan (from January 19, 2016)
VOLKER WALPRECHT Chief Financial Officer (until May 20, 2015)	– Member of the Supervisory Board of GRAMMER Interior (Shanghai) Co., Ltd., Shanghai, China (until May 20, 2015) – Member of the Supervisory Board of GRAMMER Interior (Beijing) Co., Ltd., Beijing, China (until May 20, 2015) – Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH), United States (until May 20, 2015)

PROFESSIONS AND OTHER OFFICES HELD BY THE MEMBERS OF THE SUPERVISORY BOARD

SUPERVISORY BOARD	
Dr.-Ing. **KLAUS PROBST** Chief Executive Officer of LEONI AG (until May 7, 2015)	– Member of the Advisory Board of Lux-Haus GmbH & Co., Georgensmünd – Member of the Supervisory Board of Zapp AG, Ratingen – Member of the Advisory Board of Deutsche Bank AG, Munich (region south)
HORST OTT First Representative of IG Metall Amberg	– Member of the Supervisory Board of Luitpoldhütte AG, Amberg
ANDREA ELSNER Industrial business management assistant (Member of the Supervisory Board from May 20, 2015)	– No further offices
TANJA FONDEL Trade union secretary, IG Metall Vorstand, Frankfurt a. M.	– Member of the Supervisory Board of Harman Becker Automotive Systems GmbH, Karlsbad (until January 31, 2015)
WOLFRAM HATZ Self-employed businessman, executive director of Motorenfabrik Hatz GmbH & Co. KG and Hatz Holding GmbH	– Member of the Advisory Board of Commerzbank AG, Frankfurt am Main
BERNHARD HAUSMANN Team Leader Intercompany Processing (Member of the Supervisory Board until May 20, 2015)	– No further offices
MARTIN HEISS Management assistant for data processing (Member of the Supervisory Board from May 20, 2015)	– No further offices
INGRID HUNGER Spokesperson of the Management Board of HUNGER Hydraulik Gruppe	– No further offices
HARALD JUNG Vice President Division Controlling Consoles	– No further offices
GEORG LIEBLER Consultant, owner of Georg Liebler Consulting Services Unternehmensberatung, former member of the Executive Board of KSPG AG, (member of the Supervisory Board until May 20, 2015)	– No further offices
DR. HANS LIEBLER Managing director of Maxburg Capital Partners GmbH	– Member of the Supervisory Board of Augusta Technologie AG, Munich (until January 19, 2015) – Member of the Supervisory Board of SKW Stahl AG, Munich (until December 1, 2015) – Member of the Supervisory Board of Washtec AG, Augsburg – Member of the Supervisory Board of Autowerkstattgroup N.V., Maastricht, Netherlands
DR. PETER MERTEN Member of the Management Board of KSPG AG (Member of the Supervisory Board from May 20, 2015)	– Member of the Advisory Board of Deutsche Bank AG, Mannheim – Member of the Advisory Board of KAMAX Holding GmbH & Co. KG, Homberg (Ohm)
LARS RODER Mechanical engineering technician	– No further offices
WOLFGANG RÖSL Industrial electrician (Member of the Supervisory Board until May 20, 2015)	– Member of the Advisory Board of AOK, Amberg
DR. BERNHARD WANKERL Attorney, law firm Dr. Wankerl and colleagues	– No further offices

AUDITOR'S REPORT

We have issued the following opinion with respect to the Consolidated Financial Statements and the Consolidated Management Report:

"We have audited the consolidated financial statements prepared by GRAMMER Aktiengesellschaft, Amberg, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS, as they are to be applied in the EU, the supplementary provisions of German commercial law in accordance with Section 315 (1) HGB are the responsibility of the Company's statutory representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidation, the definition of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRS as endorsed by the EU, the supplementary provisions of German commercial law in accordance with Section 315a (1) HGB and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Nuremberg, March 18, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Sieger	Oßmann
Wirtschaftsprüfer	Wirtschaftsprüfer

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 development of the Group.

Amberg, March 18, 2016.

GRAMMER AG
The Executive Board

GRAMMER GROUP FIVE-YEAR OVERVIEW ACCORDING TO IFRS

IN EUR M	2015	2014	2013	2012[1]	2011
Group revenue	**1,425.7**	**1,365.9**	**1,265.7**	**1,133.0**	**1,093.5**
Automotive revenue	1,008.1	911.6	813.3	711.1	680.3
Seating Systems revenue	458.4	478.7	472.8	439.1	438.0
Income Statement					
Gross profit	152.1	158.3	155.9	141.7	142.5
EBIT	42.7	57.0	58.0	49.0	49.4
EBIT margin (%)	3.0	4.2	4.6	4.3	4.5
Financial result	−6.9	−8.6	−15.6	−10.6	−15.1
Profit/loss (−) before income taxes	35.7	48.4	42.4	38.3	34.3
Income taxes	−11.9	−14.8	−12.8	−11.6	−12.2
Net profit/loss (−)	23.8	33.6	29.6	26.8	22.1
Statement of Financial Position					
Total assets	992.0	836.5	766.0	668.8	625.2
Non-current assets	373.6	319.1	298.5	266.8	260.6
Current assets	618.4	517.4	467.4	401.9	364.6
Equity	253.4	231.8	224.7	210.3	211.2
Equity ratio (%)	26	28	29	31	34
Net financial debt	155.5	86.7	93.2	76.5	92.1
Statement of Cash Flows					
Investments (without M&A)	47.9	51.5	46.8	39.0	37.6
Depreciation and amortization	40.5	36.7	34.3	29.1	27.5
Cash inflow/outflow from operating activities	28.8	65.0	59.5	62.2	58.0
Employees					
Annual average	10,995	10,446	9,315	8,808	8,429
thereof in Germany	2,457	2,374	2,235	2,212	2,177
thereof abroad	8,538	8,072	7,080	6,596	6,252
Personnel expenses	301.8	282.2	251.6	232.3	229.6
Key share data					
Share price at year-end (XETRA, in EUR)	27.32	33.05	34.66	16.02	13.02
Market capitalization at year-end (in EUR m)	315.4	381.6	400.1	184.9	150.3
Dividend (in EUR)	0.75[2]	0.75	0.65	0.50	0.40
Earnings per share (in EUR)	2.10	3.09	2.67	2.38	2.02

[1] adjusted comparison figures
[2] proposal

GRAMMER AG FINANCIAL STATEMENTS

RESULTS OF OPERATIONS OF GRAMMER AG

GRAMMER AG INCOME STATEMENT[1] FOR THE FINANCIAL YEAR FORM JANUARY 1 TO DECEMBER 31

EUR K

	2015	2014	CHANGE
Revenue	583,967	568,047	15,920
Decrease (2014: increase) in inventories of finished goods and work in progress	−8,815	14,809	−23,624
Other own work capitalized	32	117	−85
Other operating income	13,004	9,540	3,464
Total revenues	**588,188**	**592,513**	**−4,325**
Material expenses	439,533	437,018	2,515
Personnel expenses	80,979	79,491	1,488
Depreciation and amortization	8,073	8,845	−772
Other operating expenses	54,374	56,452	−2,078
Financial result	30,408	24,242	6,166
Result of ordinary business activity	**35,637**	**34,949**	**688**
Extraordinary result	0	19	−19
Income taxes	3,659	3,891	−232
Other taxes	84	85	−1
Net profit/loss (–)	**31,894**	**30,992**	**902**
Profit carried forward from the previous year	15,237	8,152	7,085
Additions to retained earnings	−15,947	−15,496	−451
Net retained profit/loss (–)	**31,184**	**23,648**	**7,536**

[1] Financial statements in accordance with HGB

NET ASSETS OF GRAMMER AG

GRAMMER AG'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION [1] AS OF DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEAR

ASSETS

EUR K	2015	2014	CHANGE
A. Fixed assets			
I. Intangible assets	13,099	11,515	1,584
II. Property, plant and equipment	30,530	25,964	4,566
III. Financial assets	226,658	182,697	43,961
	270,287	**220,176**	**50,111**
B. Current assets			
I. Inventories	65,598	79,103	−13,505
II. Receivables and other assets	182,452	171,781	10,671
III. Cash at bank and in hand	76,855	29,833	47,022
	324,905	**280,717**	**44,188**
C. Prepaid expenses	685	291	394
Total assets	**595,877**	**501,184**	**94,693**

EQUITY AND LIABILITIES

EUR K	2015	2014	CHANGE
A. Equity			
I. Subscribed capital	29,555	29,555	0
Own shares	−845	−845	0
II. Capital reserve	74,651	74,651	0
III. Retained earnings	45,016	29,069	15,947
IV. Net retained profit	31,184	23,648	7,536
	179,561	**156,078**	**23,483**
B. Provisions			
1. Provisions for pensions	67,476	60,142	7,334
2. Tax provisions	60	3,234	−3,174
3. Other provisions	19,440	27,064	−7,624
	86,976	**90,440**	**−3,464**
C. Liabilities			
1. Liabilities to banks	260,000	156,500	103,500
2. Prepayments received	3,306	3,216	90
3. Trade accounts payable	18,529	22,455	−3,926
4. Liabilities to related parties	40,291	65,088	−24,797
5. Liabilities to companies in which a participating interest is held	0	44	−44
6. Other liabilities	7,214	7,363	−149
	329,340	**254,666**	**74,674**
Total equity and liabilities	**595,877**	**501,184**	**94,693**

[1] Financial statements in accordance with HGB

FINANCIAL CALENDAR 2016 AND TRADE FAIR DATES [1]

IMPORTANT DATES FOR SHAREHOLDERS AND ANALYSTS

Annual Report 2015	Mar. 30, 2016
Annual analyst and press conference fiscal year 2015	Mar. 30, 2016
Interim Report, 1st quarter 2016	May 9, 2016
Annual General Meeting 2016 Venue: ACC (Amberger Congress Centrum), 92224 Amberg	May 11, 2016
Interim Report 2nd Quarter and 1st Half 2016	Aug. 10, 2016
Interim Report, 3rd quarter 2016	Nov. 9, 2016

IMPORTANT TRADE FAIR DATES

LAMMA Show, Peterborough, United Kingdom	Jan. 20 – Jan. 21, 2016
BOOT 2016, Düsseldorf, Germany	Jan. 23 – Jan. 31, 2016
Commodity Classic, New Orleans, Louisiana, United States	Mar. 3 – Mar. 5, 2016
Bauma 2016, Munich, Germany	April 11 – April 17, 2016
CeMAT 2016, Hannover, Germany	May 31 – June 3, 2016
Truck Grand Prix 2016, Nürburgring, Germany	July 1 – July 3, 2016
Caravan Salon 2016, Düsseldorf, Germany	Aug. 27 – Sep. 4, 2016
IHMX 2016, Birmingham, United Kingdom	Sep. 13 – Sep. 16, 2016
IBEX, Tampa, Florida, United States	Sep. 15 – Sep. 17, 2016
Innotrans 2016, Berlin, Germany	Sep. 20 – Sep. 23, 2016
IAA Nutzfahrzeuge 2016, Hannover, Germany	Sep. 22 – Sep. 29, 2016
GIE Expo 2016, Louisville, Kentucky, United States	Oct. 19 – Oct. 21, 2016
CeMAT 2016, Shanghai, China	Nov. 1 – Nov. 4, 2016
EIMA 2016, Bologna, Italy	Nov. 9 – Nov. 13, 2016
METS 2016, Amsterdam, Netherlands	Nov. 15 – Nov. 17, 2016
Bauma China 2016, Shanghai, China	Nov. 22 – Nov. 25, 2016

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

CONTACT

GRAMMER AG
Georg-Grammer-Straße 2
92224 Amberg

P.O. Box 14 54
92204 Amberg

Phone +49 96 21 66 0
Fax +49 96 21 66 1000
www.grammer.com

Investor Relations
Ralf Hoppe
Phone +49 96 21 66 2200
Fax +49 96 21 66 32200
E-Mail: investor-relations@grammer.com

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GRAMMER AG

P.O. Box 14 54
D-92204 Amberg
Germany
Phone +49 (0) 96 21 66 0

www.grammer.com