Press information

Grammer AG: Positive operating performance with improved markets in the third quarter of 2020

- *Revenue and earnings benefiting from improved markets and strict cost management in the third quarter*
- *Group revenue at 461.7 million euros and, thus, only 7.3 percent down on the previous year, after a 30-percent decline in the first half of the year*
- *Operating EBIT margin of around 5 percent as a result of successful crisis management*
- *Restructuring measures laying the foundations for a sustainable improvement in competitiveness*
- *Further milestones achieved in expanding business in APAC*
- *Resolution passed to issue fresh equity of 40 million euros from authorized capital subject to shareholders' preemptive subscription rights*

Ursensollen, October 29, 2020 – After being materially impacted by the effects of the COVID-19 pandemic in the first six months of the year, Grammer's business performance improved significantly in the wake of the recovery of the markets in the third quarter. Thus, Group revenue came to 461.7 million euros in the period from July through September, falling only 7.3 percent short of the same quarter of the previous year (Q3 2019: 498.1 million euros). This performance is materially due to growth in APAC (Asia Pacific) as well as improved markets in the Americas (North, Central and South America) and EMEA (Europe, Middle East and Africa). At 1,197.5 million euros in the first nine months, Group revenue was down almost 23 percent on the previous year.

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Significant improvement in operating EBIT

In the third quarter, operating EBIT reached 22.4 million euros accompanied by an EBIT margin of 4.9 percent, thus significantly exceeding the same period in the previous year (Q3 2019: 9.1 million euros, 1.8 percent). This improvement was particularly driven by the global recovery in revenue, the successful implementation of operational measures and ongoing strict cost management. In addition to the negative currency-translation effects of 3.1 million euros, operating earnings in the third quarter were adjusted for the directly attributable costs of the corona-related protection and response measures (1.3 million euros) as well as provisions of 12.2 million euros for restructuring measures.

Accordingly, operating EBIT came to -23.3 million euros in the period from January through September 2020 (01-09 2019: 59.2 million euros).

Earnings before interest and taxes (EBIT) amounted to -47.2 million euros in the first nine months (01-09 2019: 61.9 million euros). They were impacted by a significant decline in volumes due to the global COVID-19 pandemic, the negative one-time effects in the first half of the year and restructuring expenses in the third quarter.

"After the impact of the COVID-19 pandemic hit us very hard, especially in the second quarter in the Americas and EMEA, our operating business performed extremely positively worldwide in the third quarter. Whereas APAC has been posting revenue growth since

April, we are now also seeing improved markets in the Americas and EMEA," says **Thorsten Seehars, Chief Executive Officer of GRAMMER AG**, commenting on the current situation. "To safeguard our company's sustained competitiveness, we have made our global organization leaner and more flexible and initiated preliminary restructuring measures. The effects of the cost discipline are already being reflected in the increase in our operating EBIT margin in the third quarter. Looking forward to the fourth quarter, we continue to see high uncertainties particularly given the added momentum that the corona situation has recently gained."

Restructuring measures laying the foundations for a sustainable improvement in competitiveness

The efficiency-enhancement program launched in the fourth quarter of 2019 to optimize operating processes and cost structures has been continued and intensified in all areas in the current year. A new, more regionally focused organization, which accelerates decision-making processes within the Group, as well as numerous measures to sustainably improve the Group's cost structure were implemented in the first nine months despite the COVID-19 pandemic.

Among other things, the restructuring measures adopted in the third quarter entail the consolidation of sites in Europe and North America and a reduction of roughly 300 jobs in indirect areas at several German locations, which is to be implemented by mid-2021 with minimum social hardship. To this end, a comprehensive voluntary program has been implemented together with the social partners.

Markets improved in all regions

APAC was negatively impacted by the government-ordered plant closures in China in the first quarter in particular. Revenue rose in the second quarter due to new product launches and the market recovery, rising by 10.7 percent over the same quarter in the previous year to 84.9 million euros in the third quarter (Q3 2019: 76.7 million euros). APAC posted revenue of 224.6 million euros in the period from January through September, thus falling only 1.6 percent short of the same period in the previous year (01-09 2019: 228.4 million euros).

EMEA sustained a substantial decline of 48.8 percent in revenue to 147.7 million euros in the second quarter in particular as a result of the pandemic-induced plant closures. However, revenue in the third quarter increased substantially over the previous quarter to 229.4 million euro, declining by only 15 percent year-on-year (Q3 2019: 268.6 million euros). Revenue in EMEA came to 640.6 million euros in the period from January through September, marking a year-on-year decline of 25.8 percent (01-09 2019: 863.8 million euros).

The situation was similar in the **Americas**, where revenue dropped by 27.3 percent to 332.3 million euros in the first nine months (01-09 2019: 457.4 million euros). Revenue in that region also climbed significantly from 47.1 million euros in the second quarter to 147.4 million euros in the third quarter.

Further milestones achieved in expanding business in APAC

As the world's largest single market for cars and commercial vehicles, China offers enormous potential for Grammer. Measured in terms of global Group revenue, Grammer currently generates around 19 percent of its business in the Chinese automotive market. With two new plants in Ningbo and Shenyang, Grammer will be expanding its footprint in China by the beginning of next year and positioning itself for further planned growth in both divisions by improving its proximity to key customers.

Another focus for Grammer is the strategic partnership with Ningbo Jifeng. Since the beginning of the year, the two companies have been working on a variety of joint projects to harness purchasing and production synergies, to expand the product ranges and to improve market access in certain regions. At the end of March, a contract establishing a worldwide purchasing partnership was signed and promises the two partners savings in the double-digit millions over the next few years. In October, Grammer and Ningbo Jifeng decided to establish a sales partnership for the Japanese market, which Grammer hopes will give it better access to Japanese automotive OEMs.

With a total of seven production and two research and development sites in China, Grammer has an outstanding platform for additionally expanding its customer base in APAC and supporting its growth targets in Asia.

Both divisions outperforming the market
Despite the COVID-19-induced decline in revenue, Grammer outperformed the overall market in the period from January through September in its two divisions.

Revenue in the **Automotive Division** dropped by 24.1 percent to 844.0 million euros in the first nine months (01-09 2019: 1,112.3 million euros). This substantial decline is chiefly due to the effects of the COVID-19 pandemic in the first half of 2020 and coincided with the weakness that had already emerged in the second half of 2019 in the automotive markets. The third quarter saw a substantial recovery in revenue to 344.9 million euros (Q3 2019: 367.3 million euros). Consequently, the third quarter was only 6.1 percent down on the same quarter of the previous year. The measures taken in response to the COVID-19 pandemic merely cushioned the effects on earnings caused by the substantial decline in revenue. Moreover, one-time effects exerted pressure on EBIT in the second quarter. In addition, provisions of 5.0 million euros were recognized for restructuring in the third quarter. EBIT for the period from January through September came to -52.0 million euros (01-09 2019: 34.3 million euros). Adjusted for currency-translation losses, the directly attributable costs of the COVID-19 protection and response measures and termination benefit expenses, operating EBIT stood at -40.5 million euros in first three quarters.

The **Commercial Vehicles Division** sustained a 17.5 percent decline in revenue in the first nine months to 391.4 million euros (01-09 2019: 474.6 million euros). This decline was also materially caused by the COVID-19 pandemic. It additionally reflects the extraordinarily high demand recorded in the Commercial Vehicles Division in the same period of the previous year. In the third quarter, revenue came to 134.8 million euros, falling 5.3 percent short of the same quarter of the previous year (Q3 2019: 142.4 million euros). However, the measures taken in response to the COVID-19 pandemic were not sufficient to fully offset the substantial decline in revenue and the negative impact of the one-time effects in the second quarter of 2020. EBIT came to 12.1 million euros in the period from January to September. Negative currency-translation effects of 3.3 million euros, directly attributable costs for corona-related protection and response measures and restructuring expenses were eliminated from operating EBIT, which thus came to 20.9 million euros in the period from January through September (01–09 2019: 38.9 million euros).

Resolution passed to issue fresh equity of 40 million euros

In response to the worldwide sales crisis triggered by COVID-19, the Executive Board of GRAMMER AG initiated extensive liquidity-preservation precautions at an early stage. In addition to the early refinancing of and increase in the syndicated loan contract of 150 million euros and the redemption of the bridge finance of 80 million euros, Grammer raised a hybrid loan with an equity character for 19.1 million euros in March and extended the syndicated loan contract entered into in the first quarter by adding a C tranche of 235 million euros in August.

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

Forecast for the full-year 2020 still suspended

In view of the extremely dynamic development of the COVID-19 pandemic and the economic uncertainty arising from this, it is currently not possible to issue any forecast concerning the Group's performance in the further course of 2020. Over 2020 as a whole, GRAMMER expects revenue and operating earnings to fall substantially short of the previous year.

About Grammer AG

Located in Ursensollen, Germany, Grammer AG specializes in the development and production of components and systems for automotive interiors as well as suspended driver and passenger seats for onroad and offroad vehicles. In the Automotive Division, Grammer supplies headrests, armrests, center console systems, high-quality interior components, operating systems and innovative thermo-plastic solutions to automakers and automotive system suppliers. The Commercial Vehicles Division comprises seats for the truck and offroad seat segments (tractors, construction machinery, and forklifts) as well as train and bus seats. With about 14,500 employees, Grammer operates in 20 countries around the world. Grammer shares are listed in the Prime Standard and traded on the Frankfurt and Munich stock exchanges via the electronic trading system Xetra.

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