GRAMMER AG

INTERIM FINANCIAL REPORT
JANUARY TO JUNE 2019

GRAMMER

COMPANY PROFILE

GRAMMER AG is a globally active stock-listed manufacturer of seating systems and automotive interiors. The Commercial Vehicles Division develops and manufactures technologically sophisticated seating systems for commercial and offroad vehicles as well as for trains and buses. In its Automotive Division, GRAMMER engineers and produces high-quality headrests, center consoles, armrests and interior components and innovative thermoplastic solutions for OEMs.

With around 15,000 employees, GRAMMER operates in 19 countries around the world. GRAMMER shares are listed in the Prime Standard and traded on the Frankfurt and Munich stock exchanges and via the electronic trading system Xetra.

CONTENTS

HIGHLIGHTS OF THE SECOND QUARTER OF 2019

- **Group revenue** rose to EUR 1,051.5 million in the first half of 2019 (01–06 2018: EUR 927.6 million). The increase of 13.4% or EUR 123.9 million over the same period in the previous year is mainly due to the acquisition of the TMD Group effective October 1, 2018.

- At EUR 50.2 million, **Group EBIT** was up EUR 8.3 million on the previous year (01–06 2018: EUR 41.9 million). The EBIT margin reached 4.8% (01–06 2018: 4.5%).

- **Operating EBIT**[1] came to EUR 50.1 million (01–06 2018: EUR 43.3 million), translating into an operating EBIT margin of 4.8% (01–06 2018: 4.7%).

- The **equity ratio** rose slightly to 23% as of June 30, 2019 (December 31, 2018: 22%) despite the first-time application of IFRS 16 “Leases” and the negative impact on the balance sheet of the low interest rates applied in the measurement of retirement benefits.

- The **Automotive Division** posted revenue of EUR 745.0 million (01–06 2018: EUR 646.7 million). At EUR 28.4 million, EBIT exceeded the previous year (01–06 2018: EUR 22.4 million), with the EBIT margin widening to 3.8% (01–06 2018: 3.5%).

- Revenue in the **Commercial Vehicles Division** increased from EUR 308.3 million to EUR 332.2 million. EBIT rose to EUR 32.5 million (01–06 2018: EUR 31.2 million), translating into an EBIT margin of 9.8% (01–06 2018: 10.1%).

- On April 25, 2019, the Supervisory Board of GRAMMER AG appointed Mr. Thorsten Seehars to the position of **Chief Executive Officer (CEO)** of the Company with effect from August 1, 2019.

[1] The GRAMMER Group defines operating EBIT as EBIT adjusted for translation-induced foreign-currency effects and other exceptional effects.

INTERIM GROUP MANAGEMENT REPORT

KEY FIGURES GRAMMER GROUP ACCORDING TO IFRS

IN EUR M

	01–06 2019	01–06 2018	01–12 2018
Group revenue	**1,051.5**	**927.6**	**1,861.3**
Automotive revenue	745.0	646.7	1,312.6
Commercial Vehicles revenue	332.2	308.3	599.8
Income statement			
EBITDA	91.3	65.4	101.0
EBITDA margin (in %)	8.7	7.1	5.4
EBIT	50.2	41.9	48.7
EBIT margin (in %)	4.8	4.5	2.6
Operating EBIT	50.1	43.3	75.8
Operating EBIT margin (in %)	4.8	4.7	4.1
Profit/loss (–) before income taxes	39.6	36.4	34.5
Net profit/loss (–)	27.6	25.2	23.2

NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE GRAMMER GROUP FROM JANUARY TO JUNE 2019

GROUP REVENUE

As of June 30, 2019, the GRAMMER Group achieved revenue of EUR 1,051.5 million, thus exceeding the previous year by EUR 123.9 million (13.4%). This revenue growth was underpinned by both Divisions. In the first half of the year, the Commercial Vehicles Division recorded an increase of 7.8% or EUR 23.9 million in revenue in important core markets. Revenue in the Automotive Division rose by 15.2% or EUR 98.3 million as a result of the acquisition of the TMD Group in the Americas, while the Division's revenue in EMEA was down.

REVENUE BY REGION[2]

Driven by the acquisition of the TMD Group effective October 1, 2018 as well as organic growth in the United States and Mexico, revenue in the Americas more than doubled in the first half of 2019 to EUR 304.6 million (01–06 2018: EUR 139.0 million). Reflecting the continued market contraction in the automotive industry in Europe, revenue in EMEA dropped by EUR 41.5 million or 6.5% to EUR 595.2 million. This decline affected the Automotive Division, which sustained a EUR 57.8 million drop in revenue (–13.4%) over the same period in the previous year. On the other hand, the Commercial Vehicles Division grew by EUR 14.6 million (6.4%) in this region. At EUR 151.7 million, revenue in APAC was virtually unchanged over the previous year. The slight decline in revenue in the Automotive Division was cushioned by higher revenue in the Commercial Vehicles Division.

GROUP PROFIT

Group earnings before interest and taxes (EBIT) increased substantially by EUR 8.3 million to EUR 50.2 million in the first half of 2019, up from EUR 41.9 million in the first half of 2018. Accordingly, the EBIT margin came to 4.8% as of June 30, 2019, thus exceeding the previous year's figure of 4.5% despite the strain arising from the integration of the TMD Group. In addition, the first half of 2019 was influenced by exceptional effects of EUR 1.5 million (01–06 2018: EUR 3.4 million) arising from the subsequent exercise of change-of-control rights on the part of individual management employees as well as non-recurring legal and advisory costs in connection with the takeover by the majority shareholder in 2018. Currency-translation gains came to EUR 1.6 million in the first half of 2019 (01–06 2018: EUR 2.0 million). Adjusted for the aforementioned exceptional and currency-translation effects, operating EBIT reached EUR 50.1 million in the first half of 2019 (01–06 2018: EUR 43.3 million). At EUR 27.6 million (01–06 2018: EUR 25.2 million), Group net profit was up on the previous year although it came under pressure from financial result, which almost doubled to EUR –10.6 million compared with EUR –5.5 million in the same period of previous year.

[2] In the previous year, revenue by regions in the individual Divisions had been presented on a consolidated basis. To enhance comparability with the information contained in the segment reporting in note "Information on geographic areas", these figures for the first half of 2019 are presented consolidated at the level of the individual Divisions. The figures for the previous year have been adjusted accordingly in the interests of heightened comparability.

KEY FIGURES GRAMMER GROUP ACCORDING TO IFRS

IN EUR M

	01–06 2019	01–06 2018	01–12 2018
Statement of financial position			
Total assets	1,468.7	1,071.2	1,441.4
Equity	331.7	319.9	314.8
Equity ratio (in %)	23	30	22
Net financial debt	252.6	137.2	253.3
Gearing (in %)	76	43	80
Investments (without M&A)	56.0	23.0	73.9
Depreciation and amortization	41.1	23.5	52.3
Employees (number, as of reporting date)	14,946	13,143	14,657

STATEMENT OF FINANCIAL POSITION[3]

As of June 30, 2019, the GRAMMER Group had total assets of EUR 1,468.7 million, up EUR 27.3 million on December 31, 2018 (EUR 1,441.4 million). This increase is primarily due to the first-time application of new accounting rules IFRS 16 "Leases".

Non-current assets, particularly property, plant and equipment as a result of the application of IFRS 16 "Leases", and also planned investments, rose to EUR 765.6 million (2018: EUR 696.3 million).

Current assets dropped from EUR 745.1 million to EUR 703.1 million due to cash and cash equivalents. Cash and short-term deposits fell by EUR 49.9 million from EUR 204.4 million to EUR 154.5 million (June 30, 2018: EUR 96.5 million) for business-related reasons.

Equity grew by EUR 16.9 million from EUR 314.8 million as of December 31, 2018 to EUR 331.7 million. The net profit after tax of EUR 27.6 million in the first half of 2019 was more than enough to absorb the negative effects arising from actuarial losses of EUR 13.1 million from defined benefit plans caused by a further reduction in the discount rate. The equity ratio rose only slightly over December 31, 2018 to 22.6% due to the higher total assets (2018: 21.8%).

Non-current liabilities climbed by EUR 124.2 million from EUR 360.0 million as of December 31, 2018 to EUR 484.2 million. This was due to the addition of non-current loans as well as the effects of the application of the new accounting rules (IFRS 16). Retirement benefits and similar obligations also increased to EUR 155.3 million as of June 30, 2019 due to a further reduction in the discount rate (2018: EUR 135.0 million).

Current liabilities dropped from EUR 766.6 million to EUR 652.8 million. Current financial liabilities fell by EUR 106.6 million to EUR 189.1 million due to the planned repayment of loans. In addition, current trade accounts payable contracted from EUR 358.3 million as of December 31, 2018 to EUR 310.0 million. Other current financial liabilities in particular moved in the opposite direction due to the first-time application of IFRS 16. Net financial liabilities came to EUR 252.6 million (2018: EUR 253.3 million).

INVESTMENTS

As of June 30, 2019, investments by the GRAMMER Group stood at EUR 56.0 million and was thus significantly up on the previous year (01–06 2018: EUR 23.0 million). The increase over the previous year is primarily due to investments by the TMD Group, which was acquired effective October 1, 2018, as well as construction spending on the new GRAMMER Technology Center and the new Group headquarters in Ursensollen near Amberg, work on which began in 2018. Moreover, new non-current leases of EUR 9.4 million arising in 2019, which must be recognized as assets under the new accounting rules IFRS 16, are included in investments as of 2019.

EMPLOYEES

The number of employees at the GRAMMER Group rose to 14,946 (June 30, 2018: 13,143). This is primarily attributable to the acquisition of the TMD Group. Compared with December 31, 2018, the number of employees rose by 289 from 14,657.

[3] Note on accounting figures: 2018 = December 31, 2018.

AUTOMOTIVE DIVISION

KEY FIGURES AUTOMOTIVE DIVISION

IN EUR M

	01–06 2019	01–06 2018	CHANGE
Revenue	745.0	646.7	15.2 %
EBIT	28.4	22.4	26.8 %
EBIT margin (in %)	3.8	3.5	0.3 %-points
Operating EBIT	27.1	21.3	27.2 %
Operating EBIT margin (in %)	3.6	3.3	0.3 %-points
Investments (without M&A)	36.7	12.1	203.3 %
Employees (number, as of reporting date)	10,911	9,036	20.8 %

HEADRESTS

ARMRESTS

CENTER CONSOLES

FUNCTIONAL PLASTICS

INTERIOR COMPONENTS

REVENUE

As of June 30, 2019, Division revenue was up 15.2% or EUR 98.3 million, rising from EUR 646.7 million to EUR 745.0 million. The increase resulted primarily from the acquisition of the TMD Group, which had been consolidated for the first time in October 2018. Revenue in the Americas climbed from EUR 102.1 million to EUR 265.1 million as a result of this acquisition as well as organically. With revenue coming to EUR 373.3 million, EMEA remained the Division's largest region despite the decline of EUR 57.8 million over the previous year. Revenue in APAC also dropped slightly by 6.0% from EUR 113.4 million to EUR 106.6 million.

EBIT

Earnings before interest and taxes (EBIT) in the Automotive Division came to EUR 28.4 million in the first six months of the year, thus substantially exceeding the previous year (01–06 2018: EUR 22.4 million) primarily as a result of the acquisition of the TMD Group. Accordingly, the Division's EBIT margin reached 3.8% in the period under review, also surpassing the figure of 3.5% recorded in the same period of 2018. Adjusted for currency-translation effects, operating EBIT came to EUR 27.1 million (01–06 2018: EUR 21.3 million).

INVESTMENTS

At EUR 36.7 million as of June 30, 2019, Division investments were very substantially higher than in the previous year (01–06 2018: EUR 12.1 million). This includes new leases of EUR 7.8 million arising in 2019 which must be recognized as assets under the new accounting rules IFRS 16, capital spending by the TMD Group, which was acquired effective October 1, 2018, and planned investments.

EMPLOYEES

At 10,911, the number of employees in the Automotive Division was well up on the previous year (June 30, 2018: 9,036) due to the first-time inclusion of the TMD Group's workforce.

COMMERCIAL VEHICLES DIVISION

KEY FIGURES COMMERCIAL VEHICLES DIVISION

IN EUR M

	01–06 2019	01–06 2018	CHANGE
Revenue	332.2	308.3	7.8 %
EBIT	32.5	31.2	4.2 %
EBIT margin (in %)	9.8	10.1	–0.3 %-points
Operating EBIT	32.3	30.3	6.6 %
Operating EBIT margin in (%)	9.7	9.8	–0.1 %-points
Investments (without M&A)	8.8	6.2	41.9 %
Employees (number, as of reporting date)	3,831	3,819	0.3 %

REVENUE

Driven by rising sales volumes in important core markets in the first half of 2019, the Commercial Vehicles Division posted an increase of 7.8% in revenue over the same period of the previous year. In absolute figures, revenue in the Commercial Vehicle Division came to EUR 332.2 million, EUR 23.9 million up on the same period in the previous year. Driven by truck business in China, revenue in APAC achieved the highest percentage increase of 16.5%. This is followed by the Americas, where revenue rose by 7.3%, and EMEA with an increase of 6.4%.

EBIT

Earnings before interest and taxes (EBIT) in the Commercial Vehicles Division came to EUR 32.5 million in the first six months of the year (01–06 2018: EUR 31.2 million). The Division posted an EBIT margin of a remarkable 9.8% in the period under review (01–06 2018: 10.1%). Favorable market conditions in all regions spurred the Division's good earnings performance. At EUR 32.3 million, operating EBIT was also well up on the previous year (01–06 2018: EUR 30.3 million).

INVESTMENTS

As of June 30, 2019, investments in the Division stood at EUR 8.8 million and were thus up on the previous year (01–06 2018: EUR 6.2 million).

EMPLOYEES

As of June 30, 2019, the Commercial Vehicles Division had a total of 3,831 employees, i.e. slightly more than in the previous year (June 30, 2018: 3,819).

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

RISKS/OPPORTUNITIES

The opportunities and risks which we describe in detail in the Management Report of the Annual Report for the fiscal year ended December 31, 2018 continue to apply at this stage in our opinion. We are closely monitoring current developments in the automotive and commercial vehicle industries as well as the forecasts of market weakness which are pointing to a possible slowdown in the economy.

OUTLOOK

On the basis of our macroeconomic assessment, we assume that the comments made in the 2018 Group Management Report continue to apply. We still expect macroeconomic conditions to remain challenging, with the markets which we address painting a mixed picture.

Despite this, we assume that revenue performance in the Automotive Division will be stable, although conditions in Europe remain critical in light of the developments of the fourth quarter of 2018 and the first half of 2019 in the automotive industry. We project very slight growth in the Commercial Vehicles Division at the high level already achieved.

In view of the current macroeconomic situation and the volatile conditions in the world markets together with the complex political developments, we remain guardedly positive about the outlook for the GRAMMER Group in 2019 as a whole.

Assuming largely unchanged exchange-rate parities, Group revenue should reach around EUR 2.1 billion in 2019, underpinned by the additional revenue from the acquisition of the TMD Group and growth in the Commercial Vehicles Division.

Operating earnings will be influenced by pressure from possible additional costs in connection with the still ongoing expansion, integration and optimization projects in individual segments in the Automotive Division on the one hand and by the earnings contributed by the TMD Group on the other. We continue to anticipate very slight growth in the earnings contributed by the Commercial Vehicles Division on the basis of the expected business volumes. Assuming as we currently do the absence of any further significant exceptional expenses in 2019 of the type that arose in 2018, we expect the GRAMMER Group to be able to report good absolute EBIT in 2019, which will be clearly higher than in 2018 (EUR 48.7 million). This is already underpinned by the EBIT of EUR 50.2 million recorded in the first half of the year.

Accordingly, G-ROCE should also increase over 2018.

This assessment is based on the above forecasts for the global economy as well as our main sell-side markets and OEMs. Any deterioration in these underlying economic or political conditions may also have an adverse effect on GRAMMER's business and earnings. In particular, developments in the automotive market in Europe and other geopolitical problems may have an adverse impact on the business and earnings situation. On the other hand, further positive impetus in the individual markets addressed by the Commercial Vehicles Division may additionally spur business performance. Moreover, the GRAMMER Group's business may generally also deviate from the forecast as a result of the opportunities and risks described in the risk and opportunity report for 2018. Assuming that underlying macroeconomic conditions remain stable, we project a still positive development in revenue and earnings in the following year.

CHANGES TO THE EXECUTIVE BOARD OF GRAMMER AG

On April 25, 2019, the Supervisory Board of GRAMMER AG appointed Mr. Thorsten Seehars to the position of Chief Executive Officer (CEO) of the Company for a period of three years with effect from August 1, 2019. With this appointment, all the positions on the Executive Board have now been filled.

On March 15, 2019, the Supervisory Board of GRAMMER AG had appointed Ms. Jurate Keblyte to the Executive Board as Chief Financial Officer (CFO) for a period of three years likewise effective August 1, 2019.

In an understanding with GRAMMER AG represented by the Supervisory Board, the CEO and CFO, Mr. Manfred Pretscher, agreed to a further extension of his term of office, which was originally due to expire on June 30, 2019, and will be remaining on the Executive Board until August 31, 2019. Executive Board member Manfred Pretscher held the position of CEO and CFO on an interim basis until July 31, 2019 and will leave GRAMMER AG's Executive Board as planned on August 31, 2019.

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.

RESPONSIBILITY STATEMENT

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST HALF OF THE YEAR

KEY FIGURES ACCORDING TO IFRS
GRAMMER GROUP

IN EUR M	01–06 2019	01–06 2018
Group revenue	**1,051.5**	**927.6**
Automotive revenue	745.0	646.7
Commercial Vehicles revenue	332.2	308.3
Income statement		
EBITDA	91.3	65.4
EBITDA margin (in %)	8.7	7.1
EBIT	50.2	41.9
EBIT margin (in %)	4.8	4.5
Operating EBIT	50.1	43.3
Operating EBIT margin (in %)	4.8	4.7
Profit/loss (–) before income taxes	39.6	36.4
Net profit/loss (–)	27.6	25.2
Statement of Financial Position		
Total assets	1,468.7	1,071.2
Equity	331.7	319.9
Equity ratio (in %)	23	30
Net financial debt	252.6	137.2
Gearing (in %)	76	43
Investments (without M&A)	56.0	23.0
Depreciation and amortization	41.1	23.5
Employees (number, as of reporting date)	**14,946**	**13,143**
Key share data	**June 30, 2019**	**June 30, 2018**
Share price (Xetra closing price in EUR)	32.55	59.60
Market capitalization (in EUR m)	410.4	751.4
Earnings per share (basic/diluted, in EUR)	2.25	2.06

CONSOLIDATED STATEMENT OF INCOME

JANUARY 1 – JUNE 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–06 2019	01–06 2018
Revenue	1,051,478	927,609
Cost of sales	–921,761	–815,035
Gross profit	**129,717**	**112,574**
Selling expenses	–20,898	–17,331
Administrative expenses	–68,547	–61,256
Other operating income	9,889	7,922
Earnings before interest and taxes (EBIT)	**50,161**	**41,909**
Financial income	749	447
Financial expenses	–11,207	–5,153
Other financial result	–145	–790
Profit/loss (–) before income taxes	**39,558**	**36,413**
Income taxes	–11,947	–11,179
Net profit/loss (–)	**27,611**	**25,234**
Of which attributable to:		
Shareholders of the parent company	27,650	25,238
Non-controlling interests	–39	–4
Net profit/loss (–)	**27,611**	**25,234**
Earnings per share		
Basic/diluted earnings/loss (–) per share in EUR	2.25	2.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JANUARY 1 – JUNE 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–06 2019	01–06 2018
Net profit/loss (–)	27,611	25,234
Amounts not recycled to profit and loss in future periods		
Actuarial gains/losses (–) from defined benefit plans		
Gains/losses (–) arising in the current period	–18,490	2,872
Tax expenses (–)/tax income	5,399	–839
Actuarial gains/losses (–) under defined benefit plans (after tax)	–13,091	2,033
Total amount not recycled to profit and loss in future periods	–13,091	2,033
Amounts recycled to profit and loss in future periods under certain conditions		
Gains/losses (–) from currency translation of foreign subsidiaries		
Gains/losses (–) arising in the current period	619	–2,858
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	619	–2,858
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	777	–2,425
Plus/less (–) amounts recycled to the income statement through profit and loss	48	–129
Tax expenses (–)/tax income	–231	670
Gains/losses (–) from cash flow hedges (after tax)	594	–1,884
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	1,579	1,721
Tax expenses (–)/tax income	–443	–323
Gains/losses (–) from net investments in foreign operations (after tax)	1,136	1,398
Total amount recycled to profit and loss in future periods under certain conditions	2,349	–3,344
Other comprehensive income	–10,742	–1,311
Total comprehensive income (after tax)	16,869	23,923
Of which attributable to:		
Shareholders of the parent company	16,912	23,935
Non-controlling interests	–43	–12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

ASSETS

EUR K

	JUNE 30, 2019	DECEMBER 31, 2018
Property, plant and equipment	427,571	348,246
Intangible assets	208,805	214,399[1]
Other financial assets	2,050	2,026
Deferred tax assets	46,102	40,344
Other assets	25,859	27,929
Contract assets	55,223	63,388
Non-current assets	**765,610**	**696,332**
Inventories	192,349	190,992
Current trade accounts receivable	252,049	250,009
Other current financial assets	4,650	7,968[1]
Current income tax receivables	11,782	11,458
Cash and short-term deposits	154,512	204,373
Other current assets	34,321	28,438
Current contract assets	53,422	51,847
Current assets	**703,085**	**745,085**
Total assets	**1,468,695**	**1,441,417**

EQUITY AND LIABILITIES

EUR K

	JUNE 30, 2019	DECEMBER 31, 2018
Subscribed capital	32,274	32,274
Capital reserve	129,796	129,796
Own shares	−7,441	−7,441
Retained earnings	256,570	228,920
Cumulative other comprehensive income	−79,669	−68,931
Equity attributable to shareholders of the parent company	**331,530**	**314,618**
Non-controlling interests	179	222
Equity	**331,709**	**314,840**
Non-current financial liabilities	218,011	162,004
Trade accounts payable	1,806	2,273
Other financial liabilities	61,527	17,957
Retirement benefits and similar obligations	155,314	134,990
Deferred tax liabilities	45,422	41,933
Contract liabilities	2,123	799
Non-current liabilities	**484,203**	**359,956**
Current financial liabilities	189,064	295,676
Current trade accounts payable	310,039	358,332
Other current financial liabilities	18,807	6,181
Other current liabilities	105,602	82,693
Current income tax liabilities	7,748	5,079
Provisions	20,617	18,018
Current contract liabilities	906	642
Current liabilities	**652,783**	**766,621**
Total liabilities	**1,136,986**	**1,126,577**
Total equity and liabilities	**1,468,695**	**1,441,417**

[1] Previous year's figures adjusted in accordance with IFRS 3.49, see note "Adjustment of purchase price paid for the acquisition of the TMD Group".

CONSOLIDATED STATEMENT OF CASH FLOWS

JANUARY 1 – JUNE 30 OF THE RESPECTIVE FINANCIAL YEAR

EUR K	01–06 2019	01–06 2018
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	39,558	36,413
Reconciliation of profit/loss(–) before income taxes with cash flow from operating activities		
Depreciation and impairment of property, plant and equipment	32,233	18,801
Amortization and impairment of intangible assets	8,819	4,704
Gains (–)/losses from the disposal of assets	734	225
Other non-cash changes	4,558	3,411[1]
Financial result	10,603	5,496
Changes in operating assets and liabilities		
Decrease/increase (–) in trade accounts receivable and other receivables	4,657	–39,416
Decrease/increase (–) in inventories	–1,357	–15,385
Decrease (–)/increase in provisions and retirement benefit provisions	–2,118	–1,816
Decrease (–)/increase in accounts payable and other liabilities	–25,666	–5,865
Income taxes paid	–6,791	–9,867
Cash flow from operating activities	**65,230**	**–3,299**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–44,386	–20,256
Purchase of intangible assets	–2,237	–2,721
Disposals		
Disposal of property, plant and equipment	23	201
Disposal of intangible assets	1	402
Interest received	749	447
Cash flow from investing activities	**–45,850**	**–21,927**
3. Cash flow from financing activities		
Dividend payments	0	–15,346
Payments received from raising financial liabilities	56,371	7,335
Payments made for the settlement of financial liabilities	–95,928	–4,529
Decrease (–)/increase in lease liabilities	–8,349	–591
Interest paid	–9,136	–3,857
Cash flow from financing activities	**–57,042**	**–16,988**
4. Cash and cash equivalents at the end of the period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	–37,662	–42,214
Effects of exchange rate differences of cash and cash equivalents	–1,150	65[1]
Cash and cash equivalents as of January 1	193,304	138,032
Cash and cash equivalents as of June 30	**154,492**	**95,883**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	154,512	96,515
Bank overdrafts (including current liabilities under factoring contracts)	–20	–632
Cash and cash equivalents as of June 30	**154,492**	**95,883**

[1] Presentation adjusted for "Effects of exchange rate differences of cash and cash equivalents" in 01–06 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS OF JUNE 30, 2019

EUR K

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OWN SHARES
As of January 1, 2019	**32,274**	**129,796**	**228,920**	**−7,441**
Net profit/loss (–)	0	0	27,650	0
Other comprehensive Income	0	0	0	0
Total comprehensive Income	**0**	**0**	**27,650**	**0**
Dividends	0	0	0	0
As of June 30, 2019	**32,274**	**129,796**	**256,570**	**−7,441**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS OF JUNE 30, 2018

EUR K

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OWN SHARES
As of January 1, 2018 before adjustments	**32,274**	**129,796**	**254,960**	**−7,441**
Adjustment due to first-time application of IFRS 15 (after tax)	0	0	−26,008	0
Adjustment due to first-time application of IFRS 9 (after tax)	0	0	−365	0
As of January 1, 2018 (adjusted)	**32,274**	**129,796**	**228,587**	**−7,441**
Net profit/loss (–)	0	0	25,238	0
Other comprehensive Income	0	0	0	0
Total comprehensive Income	**0**	**0**	**25,238**	**0**
Dividends	0	0	−15,346	0
Transaction of non-controlling interests	0	0	0	0
As of June 30, 2018	**32,274**	**129,796**	**238,479**	**−7,441**

	Cumulative other comprehensive income						
	Cash flow hedges	Currency translation	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Non-controlling interests	Consolidated equity
	−332	**−11,092**	**−18,206**	**−39,301**	**314,618**	**222**	**314,840**
	0	0	0	0	**27,650**	−39	**27,611**
	594	623	1,136	−13,091	**−10,738**	−4	**−10,742**
	594	**623**	**1,136**	**−13,091**	**16,912**	**−43**	**16,869**
	0	0	0	0	**0**	0	**0**
	262	**−10,469**	**−17,070**	**−52,392**	**331,530**	**179**	**331,709**

	Cumulative other comprehensive income						
	Cash flow hedges	Currency translation	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Non-controlling interests	Consolidated equity
	−446	**−7,144**	**−20,314**	**−44,373**	**337,312**	**349**	**337,661**
	0	0	0	0	**−26,008**	0	**−26,008**
	0	0	0	0	**−365**	0	**−365**
	−446	**−7,144**	**−20,314**	**−44,373**	**310,939**	**349**	**311,288**
	0	0	0	0	**25,238**	−4	**25,234**
	−1,884	−2,850	1,398	2,033	**−1,303**	−8	**−1,311**
	−1,884	**−2,850**	**1,398**	**2,033**	**23,935**	**−12**	**23,923**
	0	0	0	0	**−15,346**	0	**−15,346**
	0	0	0	0	**0**	−1	**−1**
	−2,330	**−9,994**	**−18,916**	**−42,340**	**319,528**	**336**	**319,864**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF THE YEAR

GENERAL INFORMATION

GRAMMER AG prepared its Consolidated Financial Statements for the financial year 2018 and these Interim Financial Statements for the period ending June 30, 2019 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB).

In preparing the Consolidated Financial Statements for the period ending June 30, 2019 and the comparative prior-year figures, the same accounting policies and principles of consolidation were applied as for the consolidated financial statements for the year ending December 31, 2018 with the exception of the accounting standard IFRS 16 “Leases”, which was applied on January 1, 2019 for the first time. These principles and methods as well as the changes taking effect from January 1, 2019 are described in detail in the notes to the consolidated financial statements for 2018, which are published in full in the 2018 Annual Report and should therefore be read in conjunction with the financial report on the first half of the year.

These Interim Financial Statements for the first half of the year have not been audited and contain all customary and ongoing adjustments necessary to provide a true and fair representation of the Company’s business in the period under review. The results for first the half of the year/first six months of 2019 are not necessarily indicative of future business performance.

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

FIRST-TIME APPLICATION OF IFRS 16 “LEASES”

GRAMMER has been applying the new guidance contained in IFRS 16 “Leases” since January 1, 2019, using the modified retrospective method. This means that cumulative conversion effects were recognized directly from the date of initial application on January 1, 2019, while the comparison periods were not restated.

IFRS 16 replaces IAS 17 “Leases” and all interpretations relating to lease accounting. IFRS 16 was described in detail in the consolidated financial statements for 2018. The accounting options described in the Consolidated Financial Statements for 2018 were duly utilized.

The main conversion effects for the GRAMMER Group as a lessee arise from the fact that assets and liabilities are now recognized for the former operating leases for administration and production buildings, warehouses, vehicles and technical equipment and machinery.

In line with expectations, the impact on the consolidated income statement arises from the replacement of straight-line monthly expenses for operating leases with the depreciation of right-of-use assets as well leased assets and interest expenses from the recognition of lease liabilities.

In the Consolidated Financial Statements for 2018 GRAMMER reported lease liabilities of EUR 55.6 million in accordance with the new definition on the basis of payments of EUR 68.3 million under operating leases as a lessee as of December 31, 2018. Including extension and termination options considered to be reasonably certain, lease liabilities of EUR 56.0 million were recognized in the opening balance as of January 1, 2019.

In connection with the first-time application of IFRS 16 on operating leases, the right-of-use assets were generally measured at the amount of the lease liability. The incremental borrowing rate was applied to measure the right-of-use assets as of the date of initial application in accordance with IFRS 16.C(b)(i). Directly attributable costs were initially not taken into account for the purposes of measuring the right-of-use asset as of the date of initial application. The comparison information for 2018 was not adjusted.

In accordance with IAS 17, expenses for operating leases were recognized within operating, administrative and selling expenses. On the other hand, the right-of-use assets under leases are subject to systematic depreciation in accordance with IFRS 16. These presentation changes caused EBITDA to rise by around EUR 7.9 million in the first half of 2019. Other than this, there was no material impact on net assets, financial condition and results of operations.

ADJUSTMENT OF PURCHASE PRICE PAID FOR THE ACQUISITION OF THE TMD GROUP

In accordance with IFRS 3.49, the goodwill arising from the acquisition of Toledo Molding & Die, Inc. (TMD), Toledo, Ohio, United States, was reduced by EUR 1,356 thousand to EUR 71,521 thousand effective October 1, 2018. This reduction is due to the determination of the final purchase price in accordance with the contract documents. Conversely, other current financial assets rose by the same amount. The correction was made retrospectively. Accordingly, the comparison figures for 2018 have been adjusted in the report on the first half of 2019.

BASIS OF CONSOLIDATION

The following companies are included in the consolidated financial statements:

	NATIONAL	ABROAD	TOTAL
Fully consolidated companies (including GRAMMER AG)	6	34	40
Companies accounted for at equity	0	1	1
Companies	**6**	**35**	**41**

In addition to GRAMMER AG, five domestic and 34 foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IFRS 10 are consolidated.

The company accounted for at equity is the GRA-MAG joint venture, in which GRAMMER AG holds 50% of the voting rights.

FINANCIAL LIABILITIES

NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities break down as follows:

EUR K	JUNE 30, 2019	DECEMBER 31, 2018
Bonded loans	154,511	136,852
Others	63,500	25,152
Non-current financial liabilities	**218,011**	**162,004**

Non-current financial liabilities increased due to long-term refinancing of expiring bonded loans and other loans.

CURRENT FINANCIAL LIABILITIES

Current financial liabilities break down as follows:

EUR K	JUNE 30, 2019	DECEMBER 31, 2018
Bonded loans	1,611	47,688
Bank overdrafts	20	11,069
Others	187,433	236,919
Current financial liabilities	**189,064**	**295,676**

Current financial liabilities came to a total of EUR 189.1 million and were therefore down on the end of 2018 (2018: EUR 295.7 million). This decline was mainly due to the scheduled maturity of bonded loans and other loans recognized within current financial liabilities.

EQUITY

Movements in the GRAMMER Group's equity are analyzed in the consolidated statement of changes in equity on pages 14/15.

There were no changes in subscribed capital and in capital reserve compared with December 31, 2018. Retained earnings increased due to the net profit achieved in the first half of 2019.

Cumulative other comprehensive income chiefly comprises actuarial losses from defined benefit plans and recognized adjustments to net investments in accordance with IAS 21 including related deferred/current taxes.

In accordance with the resolution passed at the Annual General Meeting on July 12, 2019, GRAMMER AG will distribute a dividend of EUR 0.75 per share for the 2018 fiscal year. Accordingly, the dividend was not distributed until the second half of 2019. Excluding treasury stock (330,050 own shares), on which no dividend is payable for the 2018 fiscal year, the total distribution will stay at EUR 9.2 million (2018: EUR 15.3 million). The balance of EUR 32.4 million will be carried forward.

FINANCIAL INSTRUMENTS

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the fair values and carrying amounts of financial assets and liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

EUR K	Measurement category in accordance with IFRS 9	Carrying amount on June 30, 2019	Fair value on June 30, 2019	Carrying amount on December 31, 2018	Fair value on December 31, 2018
Assets					
Cash and short-term deposits	FAAC	154,512	154,512	204,373	204,373
Trade accounts receivable	FAAC	252,049	252,049	250,009	250,009
Other financial assets					
Loans and receivables	FAAC	5,757	5,757	9,675[1]	9,675[1]
Participations	FVOCI	50	50	51	51
Financial assets held for trading	FVtPL	0	0	0	0
Derivatives with hedge relationship	n.a.	893	893	268	268
Liabilities					
Trade accounts payable	FLAC	311,845	311,845	360,605	360,552
Current and non-current financial liabilities	FLAC	407,075	407,075	457,680	459,342
Other financial liabilities					
Other financial liabilities	FLAC	797	797	2,200	2,200
Liabilities from leases (2018: liabilities from finance leases)	n.a.	78,889	78,889	21,087	19,415
Derivatives without hedge relationship	FLtPL	0	0	0	0
Derivatives with hedge relationship	n.a.	648	648	851	851
Of which aggregated by category in accordance with IFRS 9:					
Assets					
Financial assets at amortized cost	FAAC	412,318	412,318	464,057[1]	464,057[1]
Financial assets at fair value through other comprehensive income	FVOCI	50	50	51	51
Financial assets at fair value through profit or loss	FVtPL	0	0	0	0
Liabilities					
Financial liabilities at amortized cost	FLAC	719,717	719,717	820,485	822,094
Financial liabilities at fair value through profit or loss	FLtPL	0	0	0	0

[1] Previous year's figures adjusted in accordance with IFRS 3.49, see note "Adjustment of purchase price paid for the acquisition of the TMD Group".

FAIR VALUE MEASUREMENT

The following table sets out the quantitative parameters for measuring the fair value of the assets and liabilities on the basis of the fair value hierarchy as of June 30, 2019:

EUR K	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	893	0	893	0
Interest rate swaps	0	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	0	0	0	0
Interest rate swaps	648	0	648	0
Liabilities for which a fair value is disclosed				
Interest bearing loans				
Obligations under leases and hire-purchase agreements	81,734	0	81,734	0
Current and non-current financial liabilities	407,075	0	407,075	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, 2018:

EUR K	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	268	0	268	0
Interest rate swaps	0	0	0	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	136	0	136	0
Interest rate swaps	715	0	715	0
Liabilities for which a fair value is disclosed				
Interest bearing loans				
Obligations under finance leases and hire-purchase agreements	22,777	0	22,777	0
Current and non-current financial liabilities	459,342	0	459,342	0

The levels of the fair value hierarchy reflect the level of judgment involved in estimating fair values. The hierarchy is broken down into three levels as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation of assets or liabilities is based on direct or indirect market observables, which are not quoted prices in accordance with level 1.

Level 3: Valuation techniques are based upon inputs that are not observable in the market.

There were no changes between Level 1 and Level 2 in the year under review. No assets or liabilities were assigned to Level 3.

SEGMENT REPORTING

SEGMENT INFORMATION

Segment information is provided for the Automotive Division and the Commercial Vehicles Division.

Central items and the elimination of internal Group transactions are reported in the columns headed “Central Services” and “Elimination”.

Details on the areas of activity are also included in the Consolidated Financial Statements as of December 31, 2018.

REPORTING SEGMENTS

AS OF JUNE 30, 2019

EUR K

	COMMERCIAL VEHICLES	AUTOMOTIVE	CENTRAL SERVICES	ELIMINATION	GRAMMER GROUP
Revenue from sales to external customers	313,995	737,483	0	0	**1,051,478**
Inter-segment revenue	18,253	7,549	0	−25,802	**0**
Revenue	**332,248**	**745,032**	**0**	**−25,802**	**1,051,478**
Segment earnings (EBIT)	**32,462**	**28,437**	**−10,758**	**20**	**50,161**

AS OF JUNE 30, 2018

EUR K

	COMMERCIAL VEHICLES	AUTOMOTIVE	CENTRAL SERVICES	ELIMINATION	GRAMMER GROUP
Revenue from sales to external customers	287,506	640,103	0	0	**927,609**
Inter-segment revenue	20,766	6,612	0	−27,378	**0**
Revenue	**308,272**	**646,715**	**0**	**−27,378**	**927,609**
Segment earnings (EBIT)	**31,192**	**22,423**	**−11,668**	**−38**	**41,909**

INFORMATION ON GEOGRAPHIC AREAS

The following table contains information on externally generated revenue broken down by the Group’s geographic segments:

01–06 2019

EUR K

BY DOMICILE OF COMPANIES	EMEA	AMERICAS	APAC	GROUP
Automotive revenue	373,396	265,086	106,550	**745,032**
Commercial Vehicles revenue	242,668	44,254	45,326	**332,248**
Elimination	−20,832	−4,773	−197	**−25,802**
Revenue	**595,232**	**304,567**	**151,679**	**1,051,478**

01–06 2018

EUR K

BY DOMICILE OF COMPANIES	EMEA	AMERICAS	APAC	GROUP
Automotive revenue	431,216	102,104	113,395	**646,715**
Commercial Vehicles revenue	228,129	41,252	38,891	**308,272**
Elimination	−22,660	−4,342	−376	**−27,378**
Revenue	**636,685**	**139,014**	**151,910**	**927,609**

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

RELATED PARTIES DISCLOSURES

The following table specifies the amounts of transactions with related parties as of June 30, 2019 and June 30, 2018:

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	2019	4,847	0	3,399	0
	2018	4,215	0	4,400	0
Ningbo Jifeng Auto Parts Co., Ltd.	2019	200	1	6	1
	2018	481	265	174	0
Jiye Auto Parts GmbH	2019	2,387	0	2,508	0
	2018	0	0	0	0
Jifeng Automotive Interior GmbH	2019	1	0	0	0
	2018	0	0	0	0
Jifeng Automotive Interior CZ s.r.o.	2019	0	21	0	8
	2018	0	2	0	0
Ningbo Jifeng Technology Co., Ltd.	2019	0	890	0	329
	2018	0	827	0	580

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

CONTINGENT LIABILITIES

Guarantees valued at EUR 600 thousand are outstanding as of June 30, 2019 and primarily take the form of performance guarantees for contract breaches.

KEY FIGURES ACCORDING TO IFRS
GRAMMER GROUP – QUARTERLY OVERVIEW

IN EUR M	Q2 2019	Q2 2018	01–06 2019	01–06 2018
Group revenue	**517.4**	**473.2**	**1,051.5**	**927.6**
Automotive revenue	366.7	332.8	745.0	646.7
Commercial Vehicles revenue	163.7	154.5	332.2	308.3
Income statement				
EBITDA	47.1	33.4	91.3	65.4
EBITDA margin (in %)	9.1	7.1	8.7	7.1
EBIT	26.2	21.5	50.2	41.9
EBIT margin (in %)	5.1	4.5	4.8	4.5
Operating EBIT	27.1	22.8	50.1	43.3
Operating EBIT margin (in %)	5.2	4.8	4.8	4.7
Profit/loss (–) before income taxes	22.8	18.8	39.6	36.4
Net profit loss (–)	16.0	13.0	27.6	25.2
Statement of Financial Position				
Total assets	1,468.7	1,071.2	1,468.7	1,071.2
Equity	331.7	319.9	331.7	319.9
Equity ratio (in %)	23	30	23	30
Net financial debt	252.6	137.2	252.6	137.2
Gearing (in %)	76	43	76	43
Investments (without M&A)	23.6	13.0	56.0	23.0
Depreciation and amortization	20.9	11.9	41.1	23.5
Employees (number, as of reporting date)			**14,946**	**13,143**
Key share data			**June 30, 2019**	**June 30, 2018**
Share price (Xetra closing price in EUR)			32.55	59.60
Market capitalization (in EUR m)			410.4	751.4
Earnings per share (basic/diluted, in EUR)			2.25	2.06

FINANCIAL CALENDAR FOR 2019 AND TRADE FAIR DATES[1]

IMPORTANT DATES FOR SHAREHOLDERS AND ANALYSTS	
Interim Management Statements, third quarter of 2019	November 12, 2019

IMPORTANT TRADE FAIR DATES	
Caravan Salon, Dusseldorf, Germany	August 30–September 8, 2019
IMHX, Nec Birmingham, Great Britain	September 24–27, 2019
Fenatran, São Paulo, Brazil	October 14–18, 2019
Gie Expo, Louisville, Kentucky, United States	October 16–18, 2019
Busworld Brussels, Brussels, Belgium	October 18–23, 2019
Automotive Interiors Expo Novi, Novi, Michigan, United States	October 22–24, 2019
CeMAT Asia, Shanghai, China	October 23–26, 2019
China Commercial Vehicle Show, Wuhan, China	November 1–4, 2019
Agritechnica, Hanover, Germany	November 10–16, 2019

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

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