Annual Report 2023

ORDER INTAKE REACHES NEW DIMENSIONS

GRAMMER

GRAMMER ON COURSE FOR GROWTH

ORDER INTAKE 2023

Order intake reaches new dimensions

High order intake in all three regions shows that GRAMMER once again achieved its high standard in terms of customer satisfaction in 2023. These high orders make us confident about our growth bring us even closer to our medium-term target of generating EUR 2.5 billion in revenue in 2025

https://reports.grammer.com/annual-report/2023.

"The high level of order intake achieved shows that we once again met our high standards in terms of customer satisfaction in 2023. They reflect the vehicle manufacturers' confidence in our products and underline the progress of our global initiatives to improve quality and delivery reliability."

Jens Öhlenschläger – Spokesman of the Executive Board (CEO)

Index

Group Management Report

Consolidated Financial Statements

LETTER FROM THE EXECUTIVE BOARD

Dear Sir or Madam,

A year ago we presented our "5 for 5 in 25" medium-term strategy and our five fields of action. Today we are pleased to report further progress in our "profitable growth" objective. Revenue increased significantly in 2023 and operating earnings also improved, albeit not as much as we had anticipated at the start of the financial year.

The high level of order intake last year also makes us confident about our growth. At EUR 2.69 billion, a new record was set here, bringing us even closer to our medium-term target of EUR 2.5 billion in revenue in 2025. This exceptionally high order intake was driven by our customer focus, one of the fields of action in the medium-term strategy. A consistent focus on customer needs and requirements in a constantly changing industry, innovative product quality, high delivery reliability, flexibility and open communication behavior form the foundation of our success in terms of customer satisfaction. High order intake in all three regions, including from emerging Chinese new energy vehicles (NEV) manufacturers, shows that we once again achieved our high standard in terms of customer satisfaction in 2023. These orders reflect vehicle manufacturers' trust in our products and underscore the progress we have made with our global initiatives to improve quality and delivery reliability. Under the tagline "Order intake reaches new dimensions", we prepared regional initiatives and drivers of strong customer demand in digital format at the same time as publishing our annual report and presented them to stakeholders in our online report.

Significant revenue growth and improved but still lower than expected earnings performance "Top 10 measures" program initiated

Business performance in 2023 was dominated by ongoing macroeconomic and industry-specific uncertainties. Nonetheless, the GRAMMER Group considerably increased Group revenue year-on-year and is on track to achieve its medium-term revenue target. Revenue improved on the back of strong business growth in the APAC region in particular, although the EMEA region also saw a further increase in revenue. Both product areas also contributed to the revenue upturn. GRAMMER did not achieve its operating earnings targets for last year as planned. Although operating EBIT improved by 60% year-on-year, the original aim was to double earnings. This was due to volume mix effects, higher costs in connection with volatile capacity utilization at plants, foreign exchange losses, and the sharp rise in personnel expenses. In addition, efficiency and cost reduction measures – primarily in the AMERICAS region – have not yet had the intended effect.

In response to the lower than expected profitability and the emerging slowdown in business development, particularly in Europe, the „Top 10 Measures" program was initiated at the beginning of the year. It mainly comprises measures to increase profitability in the EMEA region and to reduce costs in the global product development organization, sales and general administration. In addition, our main focus is on turning around the AMERICAS region and on further optimization of earnings,

Jens Öhlenschläger
Spokesman of the Executive Board (CEO)

Jurate Keblyte
Chief Financial Officer (CFO)

such as the discontinuation or renegotiation of loss-making projects. The „TOP 10 measures" will lay the foundations for a sustainable improvement in our earnings situation in 2024 and beyond.

Total GRAMMER Group revenue in the 2023 financial year came to EUR 2,304.9 million, up 6.8% on the previous year.

The Commercial Vehicles product area achieved revenue growth of 4.0%, while the Automotive product area recorded an increase of 8.3% compared to the previous year. Operating EBIT rose from EUR 35.5 million to EUR 56.8 million. The year-on-year increase in earnings is attributable in particular to the more stable business development in the APAC region. In addition, the passing on of the inflation-related cost increases once again impacted earnings.

Good performance in APAC and EMEA regions, AMERICAS still impacted by non-recurring expenses and lower volume growth
Revenue in the APAC region grew by 24.7% to EUR 532.3 million. As well as the base effect from the weaker prior-year period the new plant in Hefei, which supplies one of the most successful Chinese NEV manufacturers, contributed to the revenue increase. Operating EBIT in the region rose disproportionately to EUR 62.5 million.

The EMEA region also developed positively, generating revenue of EUR 1,210.9 million (up 7.0%). Operating EBIT in the EMEA region also rose to EUR 64.2 million (2022: EUR 60.0 million).

In the AMERICAS region, revenue in the 2023 financial year was at EUR 622.0 million and again fell short of expectations. Operating EBIT also improved only slightly to EUR -42.7 million. The targeted volume growth at existing and new customers failed to materialize. In addition, one-off effects from plant closures, costly machine transfers, product ramp-ups and the start-up of a new paint line in Mexico weighed on earnings.

GRAMMER on track with its sustainability goals
GRAMMER continued to work hard on achieving its climate protection targets in the 2023 reporting year. We are well on track for our aim of reducing Scope 1 and 2 CO_2 emissions by 25% by 2025. In 2023, a reduction of 2.0% compared to the absolute values of the previous year and 8.0% in relation to revenue was achieved. A reduction of 50% is to be achieved by 2030.

A team of specialists is working with great success on the use of materials that reduce CO_2 emissions while meeting all functional specifications and customer weight requirements.

The early involvement of suppliers in our sustainability strategy enabled a smooth adoption of the Lieferkettensorgfaltspflichtengesetz (German Supply Chain Due Diligence Act), which came into effect on January 1, 2023.

The positive results of our sustainability initiatives have also translated into higher ratings from ratings agencies: Our EcoVadis rating improved from 56 to 58 points (max. 100 points) last year. GRAMMER received a grade B rating from the Carbon Disclosure Project (CDP) for climate protection, with its water security rating improving from C to B-.

Overall, 2023 was a year of ups and downs for GRAMMER. On the positive side, order intake was high, securing sales growth, while profitability still fell short of our own expectations. The earnings situation should improve sustainably in the current year 2024 in order to achieve the target margin of 5% for operating EBIT by 2025. To do so, we are relying chiefly on corporate culture and the dedication of GRAMMER's team, which once again demonstrated great commitment in the face of consistently challenging market conditions last year. We would like to sincerely thank all of our employees for this, as well as our business partners, customers and shareholders for the trust they have placed in us in such challenging times. Let us work together to strengthen GRAMMER as we move forward into a sustainable and successful future.

Warm regards,

Jens Öhlenschläger Jurate Keblyte

The Executive Board of GRAMMER Aktiengesellschaft

Revenue
2,304.9 EUR m

Operating EBIT
56.8 EUR m

Operating EBIT margin
2.5 %

Equity ratio
20.4 %

Net profit
3.4 EUR m

Free cash flow
48.2 EUR m

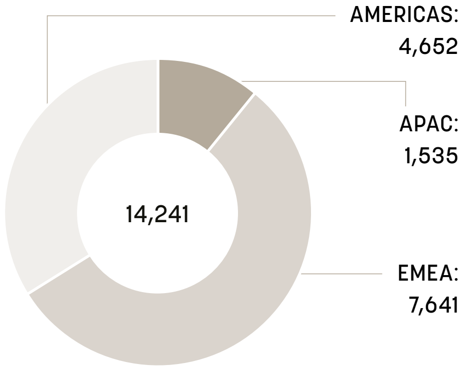
EBIT
42.0
EUR m

Capital expenditure
97.1
EUR m

Company profile

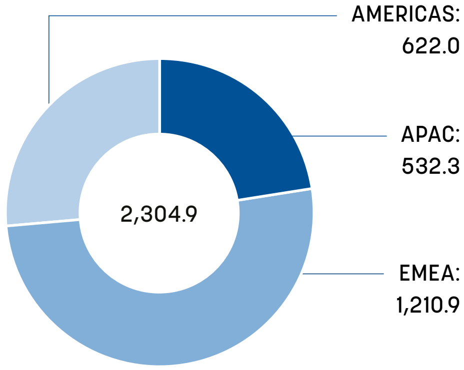
GRAMMER AG, which has its head office in Ursensollen, operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. GRAMMER is a full service provider of driver and passenger seats for trucks, buses, trains and offroad vehicles. At present, GRAMMER AG has about 14,200 employees in 19 countries around the world. Its revenue in 2023 was about EUR 2.3 billion. GRAMMER shares are listed in the Prime Standard and traded on the Munich and Frankfurt stock exchanges as well as via the Xetra electronic trading platform.

Employees by region[1]
Annual average



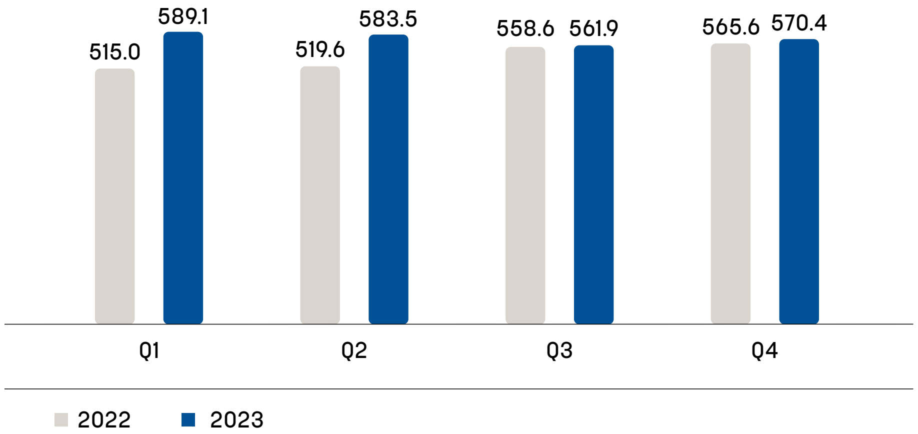
[1] On average, 413 people were employed in Central Services.

Revenue by region[2]
EUR m



[2] The consolidation effect of revenue between the regions amounts to EUR 60.3 million.

Revenue by quarter
EUR m



Operating EBIT by region

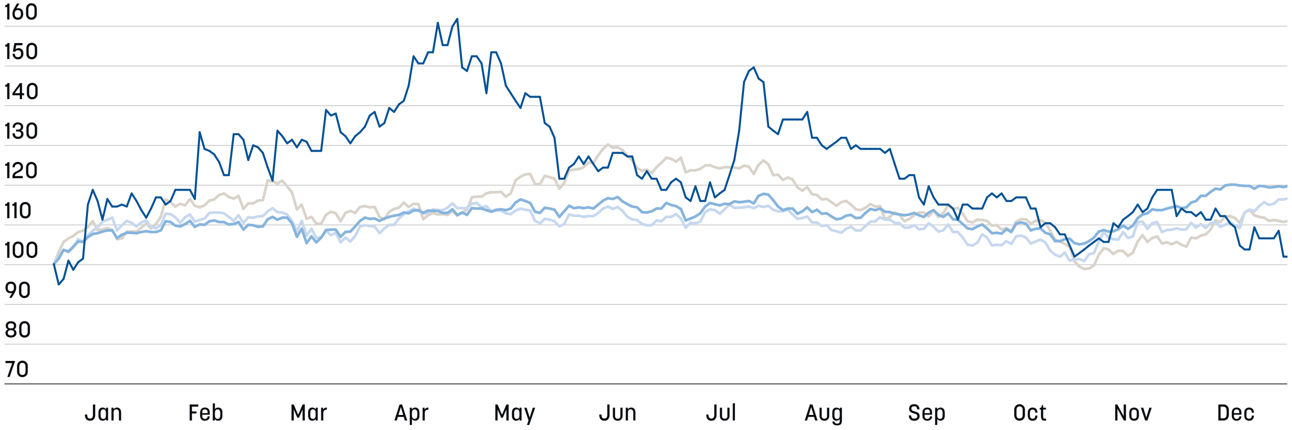
AMERICAS	EMEA	APAC
–42.7 EUR m	64.2 EUR m	62.5 EUR m

GRAMMER share

"2023 was a year of challenging market conditions for GRAMMER AG. Despite significant signs of recovery in the first half of the year, earnings performance was lower than expected in the rest of the year and in the fourth quarter especially. We are addressing these challenges by ensuring highly agile operating management while at the same time remaining focused on our medium-term goals to create long-term added value for our shareholders."

Jurate Keblyte, CFO

Share price development 2023 – GRAMMER vs German share indices
in %



Trends on German stock markets
Significant recovery despite ongoing challenges
After the major challenges of the previous year, triggered in particular by the war in Ukraine, the German benchmark index opened the trading on January 2, 2023, at 13,993 points. However, this level also marked the low for the year. As worries over interest rates and a recession eased, the start of the year saw a significant upward trend, although this has since been negatively influenced by turbulence in the banking sector. The DAX rose to 15,629 points by the end of March. Expectations of less dramatic interest rate changes by central banks provided additional lift as the year went on. Thus, in the middle of June, the US Federal Reserve announced an interest rate pause after ten consecutive rate hikes. The ECB said that it would give more consideration to the economy when making interest rate decisions in the future. While the DAX rose to 16,148 points by the end of the first half of the year, there was then a resurgence in concern over the flagging global economy and, in particular, the situation in the Middle East, driving the German benchmark index down to 14,810 points at the end of October. Meanwhile, optimistic US and euro area inflation figures, in addition to the prospect of interest rate cuts in 2024, led to a rally at the end of the year. The DAX peaked at 17,003 points on December 14 and closed the year on December 29, 2023 at 16,752 points, up 19.7% on its opening price.

GRAMMER share price performance affected by volatile economic environment
The performance of GRAMMER's shares was characterized by significant signs of recovery in the first half of 2023, though the consistently poor economic performance, in particular for automotive and commercial vehicle suppliers, had a noticeable negative impact. The shares closed at EUR 10.55 on December 30, 2022. On January 2, 2023, they opened trading at EUR 10.70, rising to EUR 12.50 by the end of January. The confirmation of the outlook for the 2022 financial year and the announcement of

significant earnings improvements in the 2023 financial year on February 13 buoyed the share price further to EUR 14.25. This upward trend continued following the release of 2022 earnings figures at the end of March and a strong first quarter that was well above the previous year's level. As a result, GRAMMER's share price peaked at EUR 17.60 on May 2 before declining again to EUR 12.40 in mid-July. Earnings for the second quarter were once again far higher than in the previous year, which drove the share price to EUR 16.00 as at July 26. GRAMMER AG's earnings performance in the third quarter was down on the previous year but confirmed the outlook for the year as a whole. The share price declined sharply to EUR 11.10 by October 31. In view of the slower turnaround in the AMERICAS region, volatile capacity utilization at plants, higher personnel expenses and outstanding customer compensation for inflation, GRAMMER AG issued an ad hoc disclosure in December 2023 stating that it was revising its guidance with lower operating earnings. The share price declined again towards the end of the year as a result. GRAMMER AG's shares closed the final trading day of 2023 at EUR 10.90, up 1.9% on their opening price. The benchmark SDAX index gained 16.5% over the same period, with the DAXsector Automobile sub-index also rising by 10.9%.

Key figures for the GRAMMER share 2019 to 2023

	2019	2020	2021	2022	2023
Earnings per share (in EUR)	3.56	–5.10	0.08	–5.26	0.12
Year-end share price (Xetra, in EUR)	31.95	19.90	17.95	10.55	10.90
High for the year (in EUR)	39.20	33.30	27.80	19.45	17.60
Low for the year (in EUR)	27.90	12.60	17.20	7.92	10.15
Dividend (in EUR)	0.00	0.00	0.00	0.00	0.00[1]
Number of shares	12,607,121	15,237,922	15,237,922	15,237,922	15,237,922
Market capitalization (in EUR m)	402.8	303.2	273.5	160.8	166.1

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

GRAMMER basic share data

GRAMMER AG's share capital totaled EUR 39,009,080.32 as of December 31, 2023, divided into 15,237,922 bearer shares with a notional value of EUR 2.56 per share. The Company holds 330,050 of these shares. GRAMMER's shares are traded on the Frankfurt and Munich stock exchanges, on the Xetra electronic trading system and in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges.

GRAMMER continues to suspend dividend

GRAMMER AG implemented various financing measures to widen its financial scope in 2020 in view of the difficulty of estimating the impact of the COVID-19 pandemic on its business performance. One of these precautionary measures was to expand the syndicated loan agreement to include a EUR 235.0 million tranche C in August 2020. This was extended early in the 2022 financial year until February 10, 2025, further securing GRAMMER's liquidity even in the currently challenging economic environment. In addition to GRAMMER's core banks, KfW Bankengruppe is also involved in this tranche as a direct lender. Consequently, the existing dividend suspension, which is part of KfW's program conditions, will also continue until February 10, 2025.

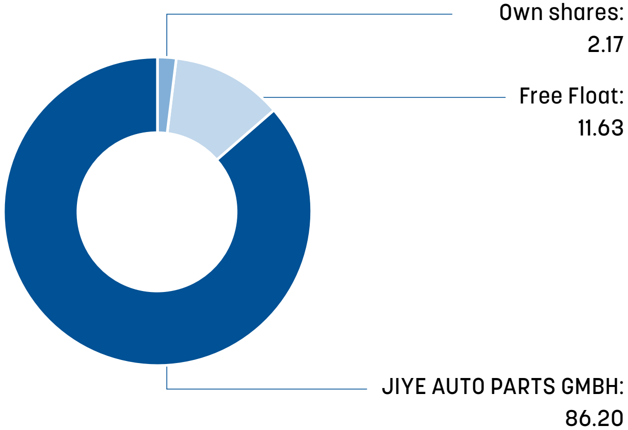
Financial communication and Annual General Meeting

As a company listed in the Prime Standard of the German Stock Exchange, GRAMMER AG is subject to extensive transparency and disclosure requirements. The aim of investor relations work is to process and present current and future developments at the GRAMMER Group transparently for all stakeholders. In 2023, GRAMMER AG's Executive Board and IR team continued to maintain an intensive dialog with the capital market, providing regular and comprehensive information on the Company's current business performance. As usual, telephone conferences were held each quarter at the same time as the publication of annual and quarterly figures. Detailed information on GRAMMER's shares is available at https://www.grammer.com/en/investor-relations.html where recent financial news and reports as well as presentations and recordings of the conference calls are also published. After three virtual GRAMMER AG annual general meetings on account of the COVID-19 pandemic, the 2023 Annual General Meeting was held in person again. A number of questions were answered as part of the event. In total, more than 86% of the voting share capital was represented at the Annual General Meeting on May 10, 2023. The shareholders accepted all the proposals by the Executive Board and Supervisory Board. All items of the agenda were approved with large majorities.

Shareholder structure

There were no changes to shareholder structure in 2023 compared to the previous year. With a shareholding of 86.20%, Jiye Auto Parts GmbH is still the main shareholder of GRAMMER AG. The diagram below only shows shareholders who hold more than 3% of GRAMMER shares. It also indicates the number of treasury shares held. The current shareholder structure and voting rights announcements are also disclosed in the Investor Relations section of GRAMMER AG's website.

Shareholder structure
in %
as of December 31, 2023



Index
Group Management Report

Group Management Report 2023, GRAMMER Aktiengesellschaft, Ursensollen

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

Forward-looking statements
This Group management report contains forward-looking statements based on current assumptions and estimates made by GRAMMER's management of future trends. Such statements refer to periods in the future or are characterized by terms such as "expect", "predict", "intend", "forecast", "plan", "estimate", "anticipate", or similar terms. Such statements are subject to risks and uncertainties which GRAMMER can neither estimate nor influence with any precision, e.g. future market conditions and the macroeconomic environment, the behavior of other market participants, the successful integration of newly acquired companies, and the materialization of expected synergistic benefits and government actions. If any of these or other uncertainties or imponderables were to occur or if any of the assumptions on which these statements are based prove to be incorrect, the actual results could differ materially from the results expressed or implied in these statements. GRAMMER neither intends nor is under any obligation to update any forward-looking statements in the light of any changes occurring after the publication of this document.

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

1. Basis of the Group

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

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

GRAMMER Group
Revenue (FY 2023): EUR 2,304.9 m
Employees (FY 2023): Ø 14,241

AMERICAS	EMEA	APAC
Revenue: EUR 622.0 m	Revenue: EUR 1,210.9 m	Revenue: EUR 532.3 m
Employees: Ø 4,652	Employees: Ø 7,641	Employees: Ø 1,535

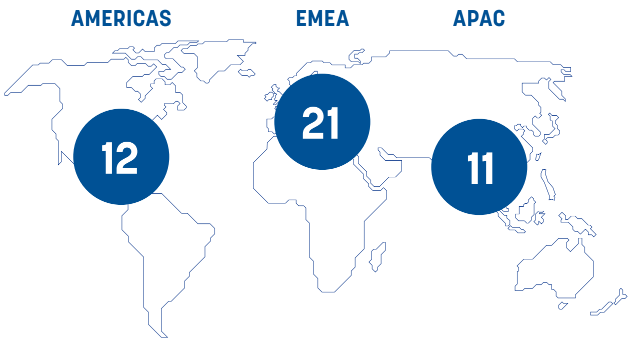
The consolidation effect of the revenue generated within the Group between the regions amounted to EUR 60.3 million in the reporting year. On average, 413 people were employed in Central Services in 2023.

1.2 Corporate structure
GRAMMER Aktiengesellschaft (GRAMMER AG for short), headquartered in Ursensollen, is the parent company of GRAMMER Group and is managed by two members of the Executive Board. It acts as an operating holding company in which the Executive Board members and the business-relevant Group departments are based. The Executive Board team is assisted by the Executive Committee, which meets regularly. The Executive Committee comprises the members of the Executive Board and the heads of key core business areas and forms the Company's highest operating management body.

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

GRAMMER operates 44 production and logistics sites worldwide, which assemble and distribute high-quality products for the global vehicle industry with varying degrees of vertical integration: 21 are located in EMEA, 11 in APAC and 12 production and logistics sites are in the AMERICAS region.

Production and logistics sites



In addition to the parent company GRAMMER AG, the Group includes 41 fully consolidated companies as well as two joint ventures accounted for using the equity method (see also Note 3 "Scope of consolidation" in the notes to the consolidated financial statements). GRAMMER is active in 19 countries worldwide.

GRAMMER's shares are traded on the Frankfurt and Munich stock exchanges, on the Xetra electronic trading system and in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges. On December 31, 2023, the share capital of GRAMMER AG totaled approximately EUR 39.0 million, divided into 15,237,922 bearer shares. Of this, the Company holds 330,050 of its own shares. Own shares account for 2.17%. The majority of the shares issued (86.20%) are held by Jiye Auto Parts GmbH, Frankfurt am Main. The free float currently stands at around 11.63%. Effective October 8, 2019, the majority shareholder Jiye Auto Parts GmbH became an indirect subsidiary of Ningbo Jifeng Auto Parts Co. Ltd., Ningbo-City, China, following a change in its parent company's shareholder structure. Accordingly, the GRAMMER Group has been fully consolidated within the Ningbo Jifeng Group since that date.

1.3 Corporate strategy and management

Electric vehicles and digitalization, a growing global population and increasing urbanization, sustainability and climate change – current megatrends are changing people's lives more rapidly and fundamentally than ever before. GRAMMER helps vehicle manufacturers and mobility providers around the world successfully tackle the challenges these megatrends entail. The Company aims to be the world's leading provider of seating solutions for commercial vehicles and interior solutions for the automotive industry. GRAMMER products set the bar when it comes to ergonomics, comfort and safety. Customers and partners in the OEM and replacement parts business view GRAMMER as an innovation and quality leader and value the outstanding support they receive.

2025 medium-term strategy

GRAMMER's medium-term strategy is designed to keep pace with the needs of its customers and the rapid changes in the sector. GRAMMER has five focus areas that will help it to achieve an operating EBIT margin of more than 5% by 2025. **Profitable growth** to secure the Group's future is at the heart of the 2025 roadmap. As well as improving the operating EBIT margin, the aim is to grow revenue to EUR 2.5 billion by 2025. This growth will be driven by all regions, with the Automotive product area accounting for about 60% and the Commercial Vehicles product area for 40%. The most important levers here are optimizing GRAMMER's global presence and achieving a long-term turnaround in AMERICAS.

As part of its **customer focus** objective, the Company is aiming to optimize product quality with the goal of minimizing error rates (target: PPM = 0) and achieving 100% delivery reliability. This will be achieved through a global quality initiative and by streamlining the product development process. To further safeguard its competitive position, the major focal areas at GRAMMER also include **innovation and digitalization**. GRAMMER has a strong innovation pipeline in both the automotive and commercial vehicle lines. With its Mayflower digitalization project, GRAMMER aims to become the most advanced seating manufacturer in the industry worldwide, with the best possible efficiency and quality despite high complexity and variance. The introduction of product lifecycle management will reduce product development and project times. This is crucial to achieving a R&D product conversion rate (share of revenue generated by new products compared to share of R&D spending) of greater than 5, i.e. revenue from own innovations is at least five times higher than the sums invested in these products. Details on GRAMMER's research and development initiatives can be found in the "Research and development" section.

However, only by making all business processes **sustainable** can we ensure a future worth living in. Reducing Group-wide Scope 1 and Scope 2 CO_2 emissions by 25% is thus another key milestone in our medium-term planning for 2025. The goal of a 50% reduction in CO_2 emissions is to be achieved by 2030 under the Green Company Initiative. Information on GRAMMER's commitment to sustainability can be found in the combined separate non-financial report.

2025 medium-term strategy

1 Profitable growth	2 Customer focus	3 Sustainability	4 Innovation & digitalization	5 Employer of choice
Revenue of EUR 2.5 billion Operating EBIT margin of more than 5%	Optimization of product quality Error rates (PPM) of 0 100% delivery reliability	Reducing CO_2 emissions by 25%	R&D product conversion rate of more than 5 (share of revenue generated by new products compared to share of R&D spending)	Participation rate of more than 80% in the WoW pulse survey

Employees are also key to GRAMMER's success, and so the fifth focus area is the Company's reputation as an **employer of choice**. The GRAMMER Way of Working (WoW) describes the company's unique culture. One aim of this culture is to provide an optimum environment in which all employees can reach their full potential and make a real, satisfactory contribution through their work. More information on the GRAMMER Way of Working can be found in the People at GRAMMER section and in the combined separate non-financial report.

Management process system

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

Since 2020, both revenue and operating EBIT have been defined as the key management indicators. These indicators were maintained in 2023. Operating EBIT is defined as consolidated earnings before interest and taxes, i.e. excluding income taxes, financial income, financial expenses and other financial result, adjusted for foreign exchange effects and special items (e.g. restructuring expenses, expenses under change-of-control arrangements, transaction costs from company acquisitions, special expenses in connection with shareholder matters and, since 2020, corona-related protection and response measures). Operating EBIT is not a performance indicator defined in accordance with the International Financial Reporting Standard (IFRS) in the version endorsed by the EU. However, GRAMMER AG uses operating EBIT for management purposes as it presents the GRAMMER Group's results of operations more transparently and in a more comparable manner over time, irrespective of special factors that may affect the assessment of the Company's performance.

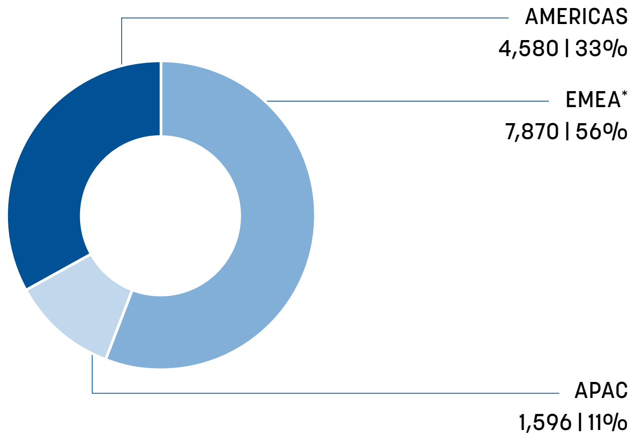
The Executive Board remuneration system was also revised in 2021. Net income, EBIT or EBT – an annual selection is made by the Supervisory Board – as well as free cash flow (FCF) and strategic and ESG targets, such as, in the reporting year, the reduction of accident frequency, the reduction of CO_2 emissions as well as succession planning and diversity, are defined as short-term incentives (STI). A more detailed explanation of the key non-financial performance indicators for GRAMMER AG can be found in the remuneration report.

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

1.4 People at GRAMMER

GRAMMER owes its success as a company in no small part to the extensive expertise and dedication of its approximately 14,000 employees. With great personal commitment, the GRAMMER team around the world develops and produces solutions and innovations that make mobility safer, more comfortable, and more sustainable for millions of people. The Company faces significant challenges on a daily basis. The transformation of the automotive sector, driven by current megatrends such as sustainability, automated driving and digitalization, demand adaptability in that we must be able to make decisions and put these into practice quickly to make the most of the opportunities that present themselves. This is why GRAMMER creates space for new ideas and for its employees' personal development. In this context, we not only facilitate collaborative working, we actively encourage it. GRAMMER supports teamwork between its organizational units and involves team members in important issues and decision-making processes as sources of expertise.

Breakdown of employees by region
as of December 31, 2023



* This includes 414 employees from Central Services.

Way of Working at GRAMMER: Collaboration on a new level

Since 2019, the letters "WoW" have been synonymous with a special corporate culture at GRAMMER: the GRAMMER "Way of Working".

Through its Way of Working, GRAMMER has provided its employees with a binding general framework for collaboration. After all, real teamwork and the search for joint decisions for the best solutions are the vital elements for sustainable and successful business. If the premises of the WoW are taken to heart, GRAMMER will continue to be successful in the rapidly changing vehicle sector and its extremely challenging competitive environment moving forward.

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

The WoW CODE and its four principles represent the pillars of the culture. To make the cultural shift visible, „Pulse surveys" are conducted annually and the CODE Awards have been handed out each year since 2022. These are internal awards for all GRAMMER employees worldwide, who excel in the four categories collaboration, openness, drive and empowerment. A winner is selected for each of the four areas.

In 2023, work also continued on making it easier to apply the WoW principles in daily work. As part of this, 60 employees from all regions volunteered to be trained as internal WoW trainers starting in January 2024 alongside their existing jobs.

Employee development and securing young talent

Ongoing employee training and further education is a central pillar for GRAMMER. GRAMMER is committed to promoting a culture of learning and fostering future skills and expertise. Qualified and motivated employees are essential building blocks for the Company's success.

Training and further education

Cementing success also requires well-qualified young staff at all sites. Accordingly, GRAMMER strategically designs its professional training in line with technological advances. GRAMMER also maintains a network of research partners to ensure that it remains at the cutting edge of technology and research. For example, it currently partners with Baden-Württemberg Cooperative State University (DHBW), OTH Amberg-Weiden and OTH Regensburg. This network, which is to be further expanded in the future, also puts GRAMMER in a good position to recruit qualified young staff.

Five trainers and numerous training officers at six German training sites ensure that more than 70 apprentices and 25 dual students have the best possible start to their professional futures and are prepared for future challenges as highly qualified employees.

Our commitment to employee development creates an environment where our employees can improve their skills based on the ever-changing requirements of their environment, business priorities and individual needs of everyone.

Leadership development

To provide optimal support and further training for junior staff and managers, GRAMMER also offers them the opportunity to participate in various corporate development programs. Geared toward the participants' career trajectory to date, the programs are aimed at developing future managers largely from within the Company's own organization.

The newly designed programs integrate learning content and exercises and support the WoW culture. The "Talent Circle" program is designed for talented employees with the potential to progress to senior positions and responsibilities. The new "Way of Leading" program is aimed at all managers and illustrates different management styles using the effective management model.

More information on securing young talent, employee development and support and our targets in this area can be found in our combined separate non-financial report.

Attractive remuneration

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

GRAMMER is working on a Group-wide job evaluation system to ensure that remuneration is in line with market conditions and employee performance. This makes it possible to compare positions within the Company as a whole and within the market environment using transparent criteria, ensuring fair salaries.

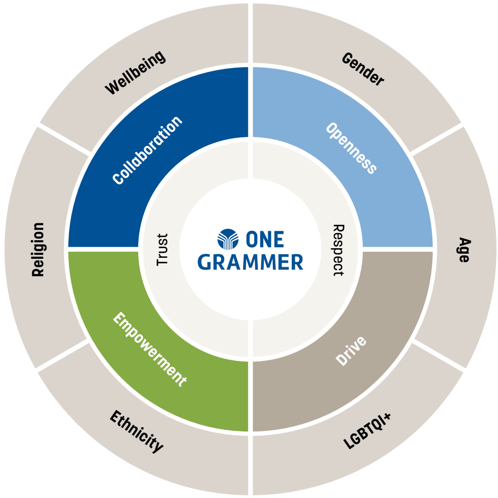
In addition to fixed remuneration in line with market rates, management employees also receive performance-based annual additional remuneration. This is based on the Company's financial success, the attainment of strategic company targets (ESG targets) and individual performance. In doing so, GRAMMER ensures that employees receive regular feedback on their performance and that remuneration is transparent.

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

In addition to fixed and performance-based remuneration, GRAMMER also offers its employees a wide range of individual, voluntary and social benefits as well as special allowances. Prime examples of these include the company pension scheme at sites in Germany and comprehensive health insurance in the US and China. GRAMMER also offers a number of non-monetary benefits such as company catering, a company physician and other social support services.

Diversity, equity, inclusion & belonging (DEIB)

GRAMMER's diverse workforce is also a source of creativity, innovation and economic success. GRAMMER is a global company with locations and business partners around the world, meaning that tolerance and mutual understanding are crucial. GRAMMER strives to create an accepting work environment for its employees that is free from prejudice. DEIB is part and parcel of the corporate culture and, like the Way of Working philosophy, is based on the fundamental values of trust and respect. It ensures that the Company makes better decisions, retains employees for the longer term and achieves a better customer focus. For GRAMMER, diversity of people and personalities is one of the Company's main strengths.



Holger Theiss, Senior Vice President Group Human Resources:
"At GRAMMER, we fundamentally believe that we make better decisions and achieve better results when we apply diversity to our thoughts and actions at the Company. Diversity makes us more innovative, and this requires including all people with different perspectives, different experiences, different opinions and different ways of working."

By signing the Diversity Charter, GRAMMER officially committed itself to upholding these values. The GRAMMER Code of Conduct also includes a clear prohibition on non-discrimination and a commitment to equal treatment.

Share of women in the workforce
as of December 31, 2023

	Female	Male
AMERICAS	2,297 (50%)	2,283 (50%)
EMEA (incl. CS)	3,505 (45%)	4,365 (55%)
APAC	447 (28%)	1,149 (72%)
GRAMMER Group	6,189 (44%)	7,857 (56%)

To foster diversity, GRAMMER continues to support the internal global network of women, Ladies@GRAMMER, encouraging participants to share their experiences and support each other.

More on DEIB@GRAMMER, targets, the Code of Conduct and the Ladies@GRAMMER network can be found in our combined separate non-financial report.

Occupational health and safety

Customized solutions to support wellbeing

Occupational health and safety is naturally the top priority at a production company like GRAMMER. The goal is to avoid work accidents and to actively help employees to stay fit and effective. GRAMMER has implemented various measures to ensure this. For example, all managers at GRAMMER are regularly trained on and aware of their responsibility when it comes to occupational health and safety. The Company also has trained mental health first responders. The MyLife@GRAMMER initiative advocates for a healthy work-life balance. GRAMMER places significant value on health, family and individual flexibility for its employees, for example through flexible working hours and an integrated nursery at the site in Hardheim.

More on our approach to occupational health and safety can be found in our combined separate non-financial report.

			Total December 31, 2023	Total December 31, 2022
Number of employees	global, total		14,046	14,174
	EMEA (incl. CS)		7,870	7,965
	APAC		1,596	1,469
	AMERICAS		4,580	4,740
Number of nationalities in Germany			59	54
Number of nationalities at GRAMMER AG			22	23
Share of employees working outside Germany		%	79.36	79.17
Share of women in the workforce	global, total	%	44.06	43.85
	EMEA (incl. CS)	%	44.54	43.98
	APAC	%	28.01	28.59
	AMERICAS	%	50.15	48.38
	in Germany	%	23.97	23.34
Share of women in management positions at GRAMMER AG	Top management	%	16.70	17.60
	Middle-Management	%	13.20	13.70
Share of (graded) managers outside Germany		%	40.80	46.86
Number of apprentices in Germany			82	63
Share of part-time employees in Germany		%	4.83	4.51
Share of employees younger than 30		%	17.14	17.77
Share of employees 30 to 50		%	61.80	61.35
Share of employees older than 50		%	21.06	20.88
Average age	global	Years	41.33	41.12
	EMEA (incl. CS)	Years	43.00	42.68
	APAC	Years	37.43	37.12
	AMERICAS	Years	39.81	39.72
Average years of service	global	Years	8.14	8.04
	EMEA (incl. CS)	Years	10.48	10.41
	APAC	Years	5.11	5.11
	AMERICAS	Years	5.19	4.98
Average years of service in Germany			13.64	13.35

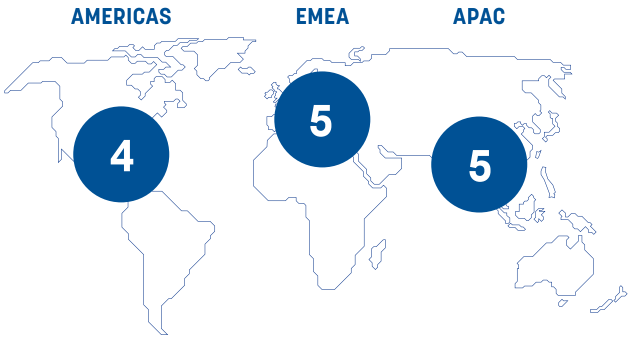
1.5 Research and development

R&D strategy

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

In global engineering, GRAMMER works on the basis of a streamlined central structure and a strong regional structure. The global network bundles issues such as product strategy, central services, sustainability and technology management in a central department for global responsibilities. GRAMMER had 14 R&D locations in 2023, five of which were in EMEA, four in AMERICAS and five in APAC. About 600 GRAMMER engineers and R&D employees work there with the aim of continuously enhancing the sustainability, ergonomics, safety, functionality, quality and aesthetics of our products. GRAMMER continued to step up its R&D resources in both product areas last year, especially in China, in order to capitalize on the strong regional growth. A new R&D location was added in the Chinese city of Harbin. With its local presence on the Chinese market, GRAMMER is aiming for closely interlocked, regional cooperation with its global customers – from the first stages of development right up to the end product, taking account of country-specific market requirements.

Research and development centers



Key areas of development

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

Specifically, the key areas of development in all three regions in the Automotive product area last year were customer projects – from acquisition to validated series production. Furthermore, qualitative and economic results optimization were driven forward in the ongoing series. In its innovation projects, GRAMMER also focused on innovative console functionalities such as modular product standards for consoles with a focus on sustainability and an ambitious carbon footprint, glass as both a design and functional element, as well as the upgrade of the entire vehicle interior. For the Commercial Vehicles product area, alongside developing and testing customer-specific projects in the onroad and offroad sectors, the focus was on the further development of the seat platforms for the offroad, the reduction of process variance in the offroad sector, the further development of "Ubility One" for bus and rail transport, and the series development of the weight-optimized seating platforms for high-speed trains.

More efficient product development and production through digitization

In order to meet future requirements in the markets and regions, GRAMMER launched two digitalization projects.

The "PLM" (Product Lifecycle Management) project focuses on the management of the entire product and process lifecycle. In 2021, work began on developing methods that optimally support the integrative development of product and manufacturing processes and automatically pass on the results and information to all other systems and processes in the plant. The aim of this novel approach is to reduce development times and significantly improve data quality, ultimately resulting in increased quality.

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

The PLM digitalization project is thus a global project that is being gradually introduced within the organization in six-month development cycles. A corresponding roadmap has been developed. The target date for full implementation is 2027.

In addition to PLM, GRAMMER's R&D activities in the past fiscal year also focused on increasing its capacities, hardware and software and expertise in the area of innovative calculation methods for global simulations. The aim is to increase the informative value of the calculation models. It also invested in test facilities and 3D printers to speed up development and reduce development cycles.

Closely linked to PLM, the introduction of the GRAMMER Manufacturing Platform (MPG) is the second major digitalization project to join forces in production. Thanks to the seamless integration of various systems such as PLM and SAP, MPG ensures efficient and precise production planning and management. Monitoring machine actions, tracking parts using DMC codes and visualizing tasks enable improved traceability, quality assurance and workflow optimization, leading to an increase in productivity and a reduction in errors and downtime.

The MPG digitalization project is also a global project that is being successively introduced into the organization in six-month development cycles and will also support areas such as maintenance and operational tool management in the future. The first productive use is planned for 2024, with full introduction scheduled for 2027.

The prototype development for MPG is part of the AdaProQ research project ("Adaptive process chains to increase production quality and efficiency", www.adaproq.de) funded by the Federal Ministry for Economic Affairs and Climate Protection (BMWK). In addition to the MPG, the research project also developed the first prototype for a production-related AI application and investigated initial approaches for the use of augmented reality in the plants.

R&D expenses

Non-capitalized research and development expenses came to EUR 80.5 million in 2023 (2022: EUR 86.9 million), representing 3.5% of total revenue (2022: 4.0%). In addition, development costs of EUR 7.1 million (2022: EUR 7.1 million) were capitalized in fixed assets.

Results of R&D work

GRAMMER started successful series production for numerous development projects last year and brought innovative products to market. There were 1,977 Group-wide property rights (patents, designs and utility models) pending and granted (2022: 2,054).

Significant projects in the product areas in 2023 are listed below:

New seat generations for increased comfort in the Commercial Vehicles product area

GRAMMER's development activities in the 2023 financial year focused on the major projects MSG 297, S2900 and TGV. MSG 297 is a new high-performance suspension system that will replace MSG 97 in the medium term and be the top range GRAMMER suspension system for the next two decades. For the first time, the S2900 seat top features fully electric adjustment options and comfort features such as an adjustable massage system. The MSG 297 and S2900 components constitute a new driver seat for agricultural and construction machinery that GRAMMER first unveiled to the public at the 2023 Agritechnica in Hanover. The final development phase was completed in 2023 and the seat operation was adjusted to meet market demands.

The TGV is a seat for the French national railway company's new generation of high-speed trains. The seat has a low weight thanks to innovative lightweight magnesium pressure casting technology and 3D-molded lightweight covers. Development in 2023 was dominated by significant process optimization to ensure the reliable manufacturing of the complex product.

Alongside these major projects, the MSG 115 and MSG 90.X seat platforms for trucks were continuously enhanced in 2023 in order to meet GRAMMER customers' increased comfort and cost demands. The familiar modular concept of the offroad seats was further refined and streamlined with the aim of reducing variants, including process variance optimization. In pre-development, progress is being made in offroad interior light, offroad zero-gravity seats with pitch compensation, and cost-optimized solo seat pans for turf applications.

Expansion of the Automotive product portfolio

Innovation in the Automotive product area in the 2023 financial year focused on the further development of the traditional product segments of center consoles, seat components and interior components. GRAMMER also systematically pressed ahead with modularization and standardization work for its products, the materials used, the functions and the methods of digital development. GRAMMER also developed modular and standardized functional systems for headrests, significantly decreasing the number of individual components and thus product costs. These product standards can also be used in automated manufacturing processes where manual upholstery was previously required.

GRAMMER is working on several pre-development projects for center consoles. The focus is on finding solutions to new use cases in connection with electrification, such as products that allow users to relax or do work when stopping to charge. In interior components, GRAMMER is working on technical solutions that translate ambitious design visions into real products.

Sustainability now plays a key role in all product lines. In this respect, GRAMMER provides solutions that not only meet ambitious OEM specifications but go above and beyond them.

2. Economic conditions

2.1 General economic conditions

2.1.1 Macroeconomic environment

Global economic development increasingly cooled off in 2023 and remained affected by global crises including the wars in Ukraine and the Middle East. While supply chains largely recovered from the disruption caused by the pandemic, other problems, such as low global industrial production and a reluctance to invest given the uncertainties surrounding future economic development, came to the fore. In particular, the economy was held back by the significant interest rate hikes imposed by central banks to tackle inflation. Although global inflation declined slowly throughout 2023, it remained at a high level. In its latest World Economic Outlook dated January 2024, the International Monetary Fund (IMF) thus anticipates modest global economic growth of 3.1% in 2023, compared to 3.5% in the previous year. According to the IMF, gross domestic product in industrialized countries rose by 1.6%, compared to 4.1% in emerging markets.

According to the IMF, the AMERICAS region showed stable development despite the central bank's continued restrictive monetary policy. Turbulence in the US banking sector at the start of the year was addressed successfully and the debt ceiling dispute in the US was resolved. In addition, private consumer spending and capital investment gradually picked up. The IMF puts US economic growth in 2023 at 2.5%. In Brazil and Mexico, gross domestic product rose by 3.1% and 3.4% respectively.

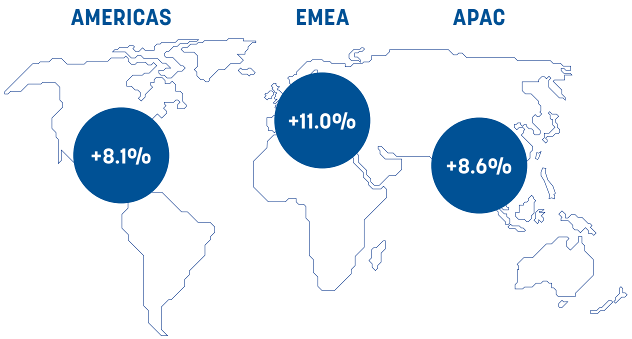
In 2023, adverse factors continued to dominate the EMEA region, which has been hit hard by the war in Ukraine and the resulting energy crisis. The economy was largely stagnant. The IMF calculates that eurozone GDP rose by just 0.5% in 2023, with Germany even seeing a decline of 0.3% .

In APAC, China's economy grew by 5.2%, meaning that it just about achieved the government's growth target. However, the upturn following the end of COVID-19 restrictions was short-lived, with high debt levels in the real estate sector weighing particularly heavily on growth rates across 2023 as a whole. In Japan, GDP rose by 1.9% last year according to the IMF.

2.1.2 Sector environment

Automotive industry recovery continues

Automotive production in 2023 compared with the previous year



Production volumes in the automotive industry continued to improve in 2023. Overall, data from S&P Global Mobility shows that global production volumes increased by 9.0% in the reporting period. In absolute terms, global growth in 2023 amounted to approximately 7.4 million units. Further supply chain improvements were the primary factor in this positive development. China also reported good production figures, with the extension of tax breaks for new energy vehicles (NEV) until 2027 having a positive impact. Price reductions, stronger exports and fewer stop-start effects were also key factors.

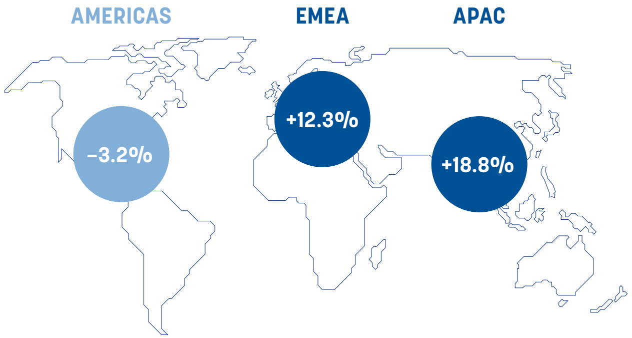
At 4.0 million units, APAC accounted for the majority of the growth in units manufactured in the reporting period, corresponding to year-on-year growth of 8.6%. Growth in China came to 8.5% or 2.2 million units. In addition to the effects already mentioned, the recovery from the semiconductor shortage had a particularly positive impact in APAC. Demand for electric vehicles in the region picked up in particular. Production in China consistently benefited from the boom in export business and the decision to extend tax breaks.

Although automotive production growth in percentage terms was strongest in EMEA, rising by 11.0% or 2.0 million units, this was lower than previously estimated by S&P Global Mobility. Supply shortages were resolved, but price reductions and individual production stoppages were necessary given the ongoing decline in the order backlog.

According to the S&P Global Mobility data, AMERICAS saw year-on-year growth of 8.1% or 1.4 million units in the reporting period. Supply chain problems are still ongoing in the region but are no longer disrupting production. In addition, the UAW trade union strike had less of an impact than originally expected.

Commercial vehicle market: Improvement in supply chains boosts recovery

Commercial vehicle production (trucks and buses) in 2023 compared with the previous year



In the commercial vehicles sector, S&P Global Mobility anticipates a 11.7% upturn in the global production volume in 2023 (+0.4 million units). As on the passenger car market, the recovery of the recently strained supply chains in particular encouraged growth in truck production. One effect of this development is that – in contrast to the sharp rise in prices in 2022 – supply and demand became more balanced in the reporting period as against the previous year and consumer price inflation consequently became less pronounced, which had a positive impact on industrial material prices.

APAC saw production increase by 18.8% in 2023. The number of units manufactured thus rose by around 0.31 million year-on-year. This growth was driven in particular by China, where around 0.30 million units were manufactured – an increase of 34.5%. This primarily reflects the recovery after the restrictions in connection with China's zero-COVID policy were lifted. Nonetheless, a base effect from 2022 should also be noted, when production figures reached a six-year low due to high inventories, inflation and the pandemic.

In EMEA, S&P Global Mobility reported a 12.3% rise in production figures in 2023. The supply of semiconductors and cable harnesses enjoyed a particular improvement compared to the weak prior year. Orders were also high on the whole.

In AMERICAS, production figures declined by 3.2% or 0.03 million units year-on-year in 2023. While North America reported a rise of 8.0%, the negative overall figure was mainly due to the 36.3% year-on-year decline in truck production in South America, where new emissions standards weighed heavily on manufacturers in Brazil and Colombia.

Agricultural machinery

According to PSR OE Link, the agricultural machinery industry saw production decline by 6.0% in 2023. The lower volume chiefly reflects uncertainties in Europe due to the overall economic slowdown. New emissions regulations also increased pressure and pushed up prices.

Construction machinery sector

PSR OE Link also reported a significant 6.2% production decline in the global construction machinery sector. Again, the main reason for this was sustained weakness in a difficult economic environment. Geopolitical crises combined with rising inflation and high interest rates put an end to the cautious signs of recovery.

Material handling

By contrast, the material handling industry again performed well last year. This was mainly due to growing automation in the logistics industry, especially in Europe and the US. On the other hand, Europe was pulled down by lower investment in e-commerce infrastructure compared to the previous year. According to the most recent PSR OE Link forecast, production output increased by 2.0% worldwide compared to the previous year.

Railway industry

PSR OE Link expects global production in the railway industry to grow by an average of 6.0% until 2028. With a share of 60%, the market is dominated by China, where average growth of 4.6% is forecast.

2.2 Significant events in 2023

Earnings up significantly on previous year but short of expectations

Business performance in 2023 was dominated by ongoing macroeconomic and industry-specific uncertainties. Due to higher costs as a result of volatile plant capacity utilization, foreign exchange losses and a continued sharp rise in personnel costs, GRAMMER's earnings performance fell well short of expectations. Furthermore, progress in the efficiency and cost reduction measures was not made as planned last year, especially in the AMERICAS region. As a result of these developments, GRAMMER failed to achieve its full-year forecast for operating EBIT of around EUR 70 million. Nevertheless, at EUR 56.8 million, operating EBIT was well above the previous year's level. GRAMMER responded to the lower than expected profitability by initiating the "Top 10 measures" program to help boost efficiency in 2024. In addition, there is a particular focus on turning around the AMERICAS region and on further cost reduction measures.

Order intake reaches new dimensions

To achieve the revenue and earnings targets set out in the medium-term guidance, GRAMMER defined customer excellence as an additional focus area. A consistent focus on customer needs and requirements in its constantly changing sectors is at the heart of GRAMMER's success. Order intake in 2023 shows that the Group continued to meet its high standards in terms of customer satisfaction in the reporting period. GRAMMER reported major successes in order intake in all regions, reaching a new record high of EUR 2.7 billion overall.

Performance by region

Revenue and earnings picked up in the EMEA and APAC regions. In EMEA, volume effects and the agreements already reached with customers in the previous year to pass on inflation-related cost increases made a significant contribution to the development of results. At the same time, challenging new launches and supply chain disruption weighed on operating efficiency.

In APAC, the new plant in Hefei, which supplies a booming NEV automotive manufacturer in China, contributed to the earnings and revenue growth. Nevertheless, performance compared to previous years varied greatly from quarter to quarter in APAC as a result of the lockdowns imposed in China in 2022. The P2P – Path to Profitability – restructuring project played a key role in AMERICAS in 2023. However, the measures introduced to stabilize and improve operating efficiency were delayed. The positive effects from the restructuring thus fell short of expectations.

GRAMMER internal awards: WoW and CSR awards

The WoW CODE and its four principles of collaboration, openness, drive and empowerment represent the pillars of GRAMMER's corporate culture. To further drive the cultural shift and reward good conduct, the GRAMMER WoW CODE awards were also handed out in 2023. The WoW CODE awards are annual, internal awards for all GRAMMER employees worldwide. They are presented in the categories of collaboration, openness, drive and empowerment. A winner in each of the four categories is selected and acknowledged with an award. There was an overwhelming response with 129 nominations from all countries and regions (up 15% on the previous year), which reflects the remarkable commitment and dedication of GRAMMER's employees. A total of five awards were actually presented in 2023: A Special WoW CODE award went to the entire GRAMMER team in China for their unparalleled commitment during the COVID-19 lockdowns after they lived at plants to keep production going.

The Corporate Social Responsibility (CSR) awards are internal awards for locations that demonstrate a great commitment to sustainability. With these awards, GRAMMER aims to highlight the importance of sustainability and corporate responsibility and acknowledge its employees' work in this area. This year again saw awards being presented in three categories: Environment, Employees and Society.

GRAMMER and science: Outstanding basic research for the GRAMMER seats of tomorrow

GRAMMER maintains a network of research partners to ensure that it remains at the cutting edge of technology and research. In this context, the 2023 Eurospine GRAMMER Award went to Dr. Masoud Malakoutian and the team under Prof. Thomas Oxland at the University of British Columbia in Vancouver, Canada. The scientists discovered differences in muscle fibers that could significantly impact strain on the spine. These insights provide an important basis for future practical findings that will allow GRAMMER to provide the optimal seating solutions to protect end users' spines.

Furthermore, together with OTH Technical University of Applied Sciences Amberg-Weiden, GRAMMER also hosted the fourth international Comfort Congress in Amberg. The conference focused on research into comfort in a range of applications. As a recognized expert in comfort and back health, GRAMMER representatives discussed future comfort requirements in the mobility sector with those attending the international event. These key findings are constantly being integrated into GRAMMER's product development and help GRAMMER to meet high customer demands year after year.

GRAMMER named top employer

GRAMMER came in the top third in the Top Employers Institute's prestigious employer ranking. With a strong overall result, the Company was named one of Germany's top employers in 2023. The Company was assessed in 20 areas, including its human resources strategy, working environment, talent acquisition, training, wellbeing, culture, diversity and integration.

Product innovations for the mobility of tomorrow

Innovation is of great importance to GRAMMER. It is a key strategic tool for further developing the Company. Having always placed considerable importance on developing modern, forward-looking products, GRAMMER is one of the leading companies in the industry, as the examples below demonstrate:

The ID. BuzzBox shows what new mobility feels like inside a vehicle, helping users of Volkswagen's new electric all-rounder commercial vehicle to flexibly design the (storage) space. The large storage box can be unlocked at the touch of a button and positioned where it is needed or simply removed from the vehicle.

In the interior of the BMW 7 series, GRAMMER's central armrests help drivers and passengers relax in the spacious interior. Developed in close collaboration with the BMW Group, it is a key element of the interior design and serves aesthetics and luxury – not only with regard to design, but also in terms of its features and operation.

For the HiPhi X electric SUV from Chinese manufacturer Human Horizons, GRAMMER is supplying the center console for the rear seat, allowing passengers to benefit from the development know-how acquired by GRAMMER over many years as an interior supplier for international top players in the automotive industry.

Comfort, ergonomics and intuitive operation - in the everyday working lives of truck drivers these are essential requirements for the properties of the seat to staying fit and healthy in the long term. GRAMMER has addressed these features in the Roadtiger retrofit seat, which is also available for the current TGX and TGA truck model series from MAN.

The MSG 297/2900, a newly developed driver seat for agricultural and construction machinery, is the first of its kind in the world. With its focus on cushioning and suspension, multi-level climate control, massage function and dual-motion backrest, the seat combines a high level of health protection for the driver with the comfort that customers are accustomed to from their cars. GRAMMER provides a high level of modularity for manufacturers - a large number of vehicle models can be equipped with just a few variants and different customer requirements can be met.

GRAMMER exhibits outstanding product portfolio at major trade fairs

In the reporting period, GRAMMER once again unveiled numerous innovations at international trade fairs. The MSG 297/2900 was presented at this year's Agritechnica in Hanover. The seat is the result of the agricultural development expertise built up by GRAMMER over the decades. This experience can also be seen in the retrofit seats, with the Maximo and Compacto models being exhibited at Agritechnica.

At North America's largest construction equipment trade fair, Conexpo, GRAMMER presented some of its highlights such as ErgoPlus (the first six-way control pod carrier), an audio headrest and other products that improve the interface between the vehicle, the seat and the user.

At ProMat 2023 in Chicago, the largest North American trade fair for material handling and logistics, GRAMMER presented its significantly expanded forklift product program. Debut highlights included a haptic warning system, water-repellent upholstery fabrics and other innovations that improve safety, durability and user comfort in this demanding work environment.

In Asia, center consoles, headrests, armrests and other interior components for customers in China were exhibited at AutoShanghai. Highlights included new e-air vents and sustainable headrest concepts that could dramatically improve the carbon footprint of this component. Japan's most important construction equipment trade fair, the Construction & Survey Productivity Improvement Expo (CSPI), was the perfect platform for GRAMMER to present its innovative seat solutions for aftermarket and OEM customers in this key market.

2.3 Overview of key figures and business performance

GRAMMER Group Key figures

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change
Revenue	2,304.9	2,158.8	146.1	1,210.9	1,131.4	79.5	622.0	672.5	-50.5	532.3	426.7	105.6
EBIT	42.0	-45.0	87.0	60.1	58.6	1.5	-50.6	-125.8	75.2	61.2	47.0	14.2
EBIT margin (%)	1.8	-2.1	3.9 %-points	5.0	5.2	-0.2 %-points	-8.1	-18.7	10.6 %-points	11.5	11.0	0.5 %-points
Operating EBIT	56.8	35.5	21.3	64.2	60.0	4.2	-42.7	-48.3	5.6	62.5	48.5	14.0
Operating EBIT margin (%)	2.5	1.6	0.9 %-points	5.3	5.3	0.0 %-points	-6.9	-7.2	0.3 %-points	11.7	11.4	0.3 %-points
Capital expenditure (without financial assets)	97.1	91.0	6,1	40,2	36,0	4,2	17,1	19,7	-2,6	27,5	21,5	6,0
Employees (number, average)	14,241	14,044	197	7,641	7,429	212	4,652	4,724	-72	1,535	1,483	52

The consolidation effect of the revenue generated within the Group between the regions amounted to EUR 60.3 million in the reporting year. On average, 413 people were employed in Central Services in 2023.

GRAMMER Group business performance

With economic development in the previous year hit hard by the outbreak of war in Ukraine, the macroeconomic environment in the reporting period continued to be shaped by the ongoing war in eastern Europe and declining but still high inflation. The outbreak of war in the Middle East at the start of the fourth quarter also further exacerbated the uncertain economic situation. As a result, last year saw weak and uneven growth, high prices for commodities, materials and energy, rising wages and strained supply chains, which also impacted GRAMMER's operating performance. Sales in the automotive and commercial vehicle industry relevant to GRAMMER fared well despite this, in part due to the weak prior-year figures. Nevertheless, the high price pressure was also felt in this area.

Despite this negative impact on business performance, the GRAMMER Group reported a 6.8% increase in revenue to EUR 2,304.9 million in 2023. FX-adjusted revenue amounted to EUR 2,382.9 million. This increase in revenue was chiefly thanks to revenue growth in APAC, which was driven in particular by series start-ups and ramp-ups with Chinese OEMs. However, the region had also been significantly affected by COVID 19-related lockdowns in the previous year.

GRAMMER Group earnings before interest and taxes (EBIT) increased significantly to EUR 42.0 million in the reporting period (2022: EUR -45.0 million). Earnings in the previous year were heavily impacted by the impairment losses in AMERICAS that were recognized on account of higher interest rates. GRAMMER Group's operating EBIT also rose considerably to EUR 56.8 million (2022: EUR 35.5 million), resulting in an operating EBIT margin of 2.5% (2022: 1.6%). The year-on-year increase in earnings is attributable in particular to the more stable business development in APAC and good performance in EMEA. Operating earnings in AMERICAS also improved but again fell short of expectations in the reporting period at EUR -42.7 million (2022: EUR -48.3 million). The expected volume growth at GRAMMER's customers failed to materialize. In addition, one-off effects from plant closures, followed by expensive machine transfers, product ramp-ups and the start-up of a new paint line in Mexico weighed on earnings. As well as expenses for restructuring measures in AMERICAS of EUR 4.1 million, operating EBIT was adjusted for negative currency effects of EUR 10.7 million.

Consolidated earnings after tax improved significantly to EUR 3.4 million (2022: EUR -78.6 million). The prior-year figure was also heavily impacted by impairment losses. Earnings per share came to EUR 0.12 (2022: EUR -5.26). However, higher financial expenses also weighed on the GRAMMER Group's earnings after tax. On the other hand, the passing on of the substantial inflation-related cost increases (material, energy, transport and wage costs) that had already been agreed with customers in 2022 had a positive effect on earnings.

Free cash flow in the 2023 financial year amounted to EUR 48.2 million (2022: EUR 31.3 million) and mainly resulted from an improvement in working capital items for raw materials and project inventories. As planned, the GRAMMER Group increased its investments to EUR 97.1 million (2022: EUR 91.0 million), with investment activity directed towards production ramp-ups and projects to digitalize core processes and systems and plant construction in China in particular. Net debt declined to EUR 401.0 million as of December 31, 2023 (December 31, 2022: EUR 429.3 million).

GRAMMER had an average of 14,241 employees in 2023. The number of employees worldwide thus increased compared to the previous year (+197 employees).

2.4 Reconciliation of business performance in 2023 with the outlook

In its full-year forecast issued in mid-February 2023, GRAMMER assumed that revenue would remain stable at EUR 2.2 billion (2022: EUR 2.2 billion) due to continuing macroeconomic and industry-specific uncertainties. Operating EBIT was expected to double to around EUR 70 million compared to the 2022 financial year (2022: EUR 35.5 million). However, GRAMMER's earnings in the third and, in particular, fourth quarters of the financial year were far lower than in the previous year on account of lower inflation pass-through to customers and higher costs in connection with volatile capacity utilization at plants, foreign exchange losses, and the further sharp rise in personnel expenses. Accordingly, the guidance for the year as a whole was withdrawn in December 2023. It was not possible to issue new earnings guidance for the year as a whole because of ongoing customer negotiations to offset inflation-linked cost increases at the time the guidance was withdrawn. Overall, however, GRAMMER AG expected operating EBIT to be significantly higher than in the previous year while retaining its revenue guidance of around EUR 2.2 billion. Ultimately, revenue for 2023 amounted to EUR 2,304.9 million, which was consistent with the original revenue guidance. Operating EBIT amounted to EUR 56.8 million and was therefore significantly higher than in the previous year (+60.0%).

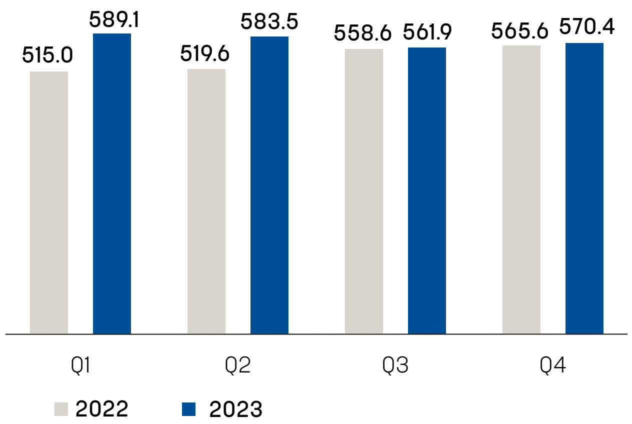
2.5 GRAMMER Group results of operations

2.5.1 GRAMMER Group revenue

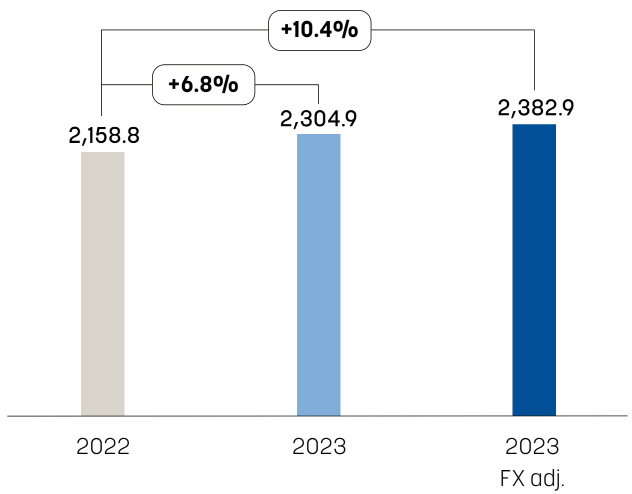
GRAMMER Group revenue came to EUR 2,304.9 million in 2023, thus exceeding the previous year by 6.8% (2022: EUR 2,158.8 million). Revenue growth adjusted for currency effects was 10.4%. This revenue upturn was driven chiefly by growth in EMEA and APAC. In APAC, revenue in the previous year was still significantly impacted by COVID-19-related lockdowns, and the start-ups of Chinese OEMs in particular also contributed to growth. Revenue in AMERICAS was down on the previous year's level.

Both product areas contributed to the revenue growth. Automotive increased revenues by 8.3% to EUR 1,505.5 million, with Commercial Vehicles picking up by 4.0% to EUR 799.4 million. Revenue in the Automotive product area includes income from development services totaling EUR 116.8 million (2022: EUR 115.7 million). The expenses of supplies, tools and equipment until the product reaches series production are allocated to this revenue.

GRAMMER Group revenue by quarter
EUR m



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



2.5.2 Revenue in the regions

EMEA

EMEA generated revenue of EUR 1,210.9 million in 2023 (2022: EUR 1,131.4 million), representing a year-on-year upturn of 7.0%. Adjusted for currency effects, revenue growth was 7.9%. This rise was driven primarily by revenue growth of 10.9% to EUR 644.6 million in the Automotive product area. The Commercial Vehicles product area reported a 2.9% upturn in revenue to EUR 566.3 million. EMEA enjoyed a particularly strong first half of the year. However, poorer market conditions took a toll on the second half in both product areas as a result of seasonal factors, with supply chain problems, partly due to flooding in Slovenia in the third quarter, playing a role.

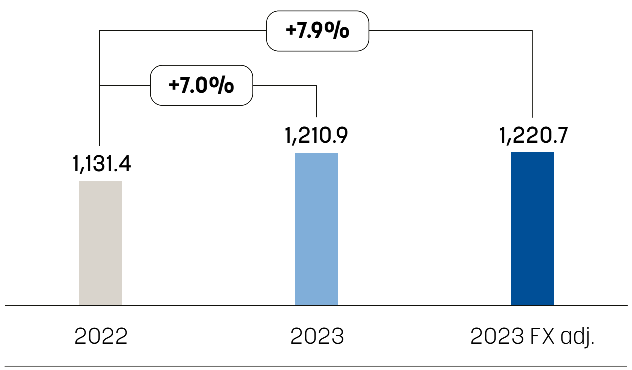
AMERICAS

AMERICAS generated revenue of EUR 622.0 million in 2023 (2022: EUR 672.5 million), representing a decline of 7.5%. The EUR 50.5 million reduction in revenue was attributable mainly to the Automotive product area, which saw a drop of EUR -35.0 million. This was impacted in particular by the premature expiry of a customer project, combined with a plant closure at GRAMMER, as well as the strikes at the plants of several US automotive manufacturers. Revenue in the Commercial Vehicles product area also decreased, primarily in Brazil. Adjusted for currency effects, revenue in AMERICAS fell by 3.6% to EUR 648.2 million. Revenue in the Commercial Vehicles product area declined by 11.4% to EUR 119.9 million, while Automotive revenue increased by 6.5% to EUR 502.1 million.

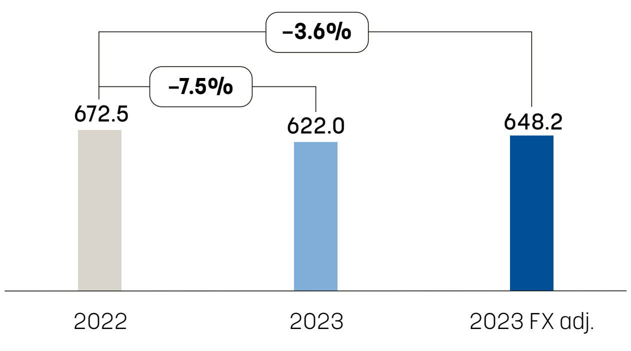
APAC

In the APAC region, revenue was up 24.7% year-on-year at EUR 532.3 million (2022: EUR 426.7 million). Adjusted for currency effects, revenue increased by 35.0% to EUR 576.2 million. In the Automotive product area, revenue rose by 30.4% to EUR 378.7 million (2022: EUR 290.5 million). This was partly due to lower customer call-offs as a result of COVID-19 shutdowns in China and to global supply shortages for semiconductors in the previous year. The new plant in Hefei, which supplies one of the booming NEV automotive manufacturers, also contributed to the strong revenue growth. In the APAC region, the Automotive product area now generates more than 40% of its revenue with Chinese OEMs. Revenue in the Commercial Vehicles product area rose by 12.8% to EUR 153.6 million (2022: EUR 136.2 million) but remained significantly behind expectations due to lower demand from major OEMs as a result of the general slowdown in the heavy-duty truck market.

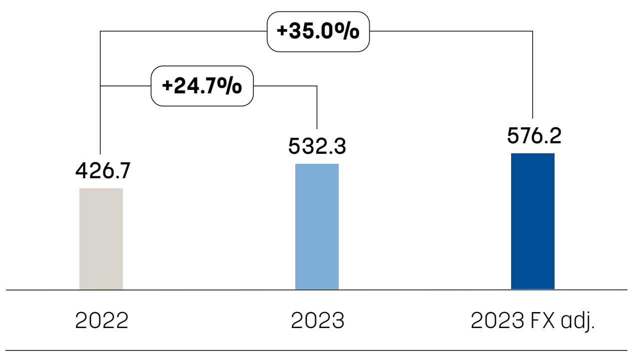
EMEA revenue (incl. FX-adjustment)
EUR m



AMERICAS revenue (incl. FX-adjustment)
EUR m



APAC revenue (incl. FX-adjustment)
EUR m



Revenue development by region and product area

EUR m

	GRAMMER Group			EMEA			AMERICAS			APAC		
	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change
Automotive	1,505.5	1,390.3	8.3%	644.6	581.0	10.9%	502.1	537.1	-6.5%	378.7	290.5	30.4%
Commercial Vehicles	799.4	768.5	4.0%	566.3	550.4	2.9%	119.9	135.4	-11.4%	153.6	136.2	12.8%
Revenue	**2,304.9**	**2,158.8**	**6.8%**	**1,210.9**	**1,131.4**	**7.0%**	**622.0**	**672.5**	**-7.5%**	**532.3**	**426.7**	**24.7%**

The consolidation effect of the revenue generated within the Group between the regions amounted to EUR 60.3 million in the reporting year.

2.5.3 GRAMMER Group earnings

GRAMMER Group condensed statement of income

EUR k

	2023	2022	Change
Revenue	2,304,888	2,158,791	146,097
Cost of sales	-2,062,076	-2,018,284	-43,792
Gross profit	**242,812**	**140,507**	**102,305**
Selling expenses	-31,991	-28,947	-3,044
Administrative expenses	-190,441	-202,213	11,772
Other operating income	21,633	45,672	-24,039
Earnings before interests and taxes (EBIT)	**42,013**	**-44,981**	**86,994**
Financial result	-32,836	-17,783	-15,053
Earnings before taxes	**9,177**	**-62,764**	**71,941**
Income taxes	-5,763	-15,797	10,034
Net profit/loss	**3,414**	**-78,561**	**81,975**

Derivation of operating EBIT

EUR m

	2023	2022	Change
EBIT	42.0	-45.0	87.0
Currency-translation effects	10.7	0.2	10.5
Costs for corona-related protection and response measures	0.0	2.1	-2.1
Impairment, losses on property, plant and equipment and intangible assets	0.0	73.6	-73.6
Expenses for restructuring measures	4.1	4.6	-0.5
Operating EBIT	**56.8**	**35.5**	**21.3**

The GRAMMER Group recorded earnings before interest and taxes (EBIT) of EUR 42.0 million in 2023 (2022: EUR -45.0 million). Earnings performance in the previous year was particularly adversely affected by the impairment losses of EUR -73.6 million in AMERICAS that were recognized on account of higher interest rates. The full-year EBIT margin came to 1.8% in 2023 (2022: -2.1%).

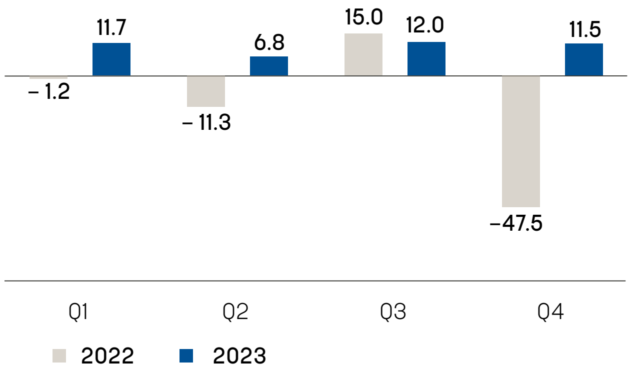
Operating EBIT of EUR 56.8 million (2022: EUR 35.5 million) and an operating EBIT margin of 2.5% (2022: 1.6%) were also significantly higher than in the previous year (60.0% increase). As well as negative currency effects of EUR 10.7 million (2022: negative currency effects of EUR 0.2 million), it was adjusted for expenses for restructuring measures in AMERICAS of EUR 4.1 million. There were no directly attributable costs for corona-related protection and response measures in 2023, compared to EUR 2.1 million in the previous year.

The cost of sales increased by EUR 43.8 million or 2.2% to EUR 2,062.1 million (2022: EUR 2,018.3 million). This increase is primarily the result of higher revenue. The gross margin rose to 10.5% (2022: 6.5%). Sales expenses increased by EUR 3.1 million year-on-year to EUR 32.0 million (2022: EUR 28.9 million). As a percentage of revenue, they rose slightly to 1.4% (2022: 1.3%). Administrative expenses decreased to EUR 190.4 million (2022: EUR 202.2 million) due to the discontinuation of costs for corona-related protection and response measures and the impairment of intangible assets, including goodwill in the amount of EUR 39.4 million, recognized in the previous year. It also includes effects from the foreign currency valuation of receivables and liabilities. While a loss of EUR 0.2 million was recorded in the previous year, there was a loss of EUR 10.7 million in the 2023 financial year. The personnel expense included in the above items increased to a total of EUR 533.7 million (2022: EUR 518.5 million) for business-related and inflation-related reasons. On the other hand, the personnel expense ratio declined to 23.2%

(2022: 24.0%). Other operating income decreased substantially from EUR 45.7 million in the previous year to EUR 21.6 million in 2023. The considerable year-on-year downturn is due to compensation for non-recurring expenses and the reversal of provisions in 2022.

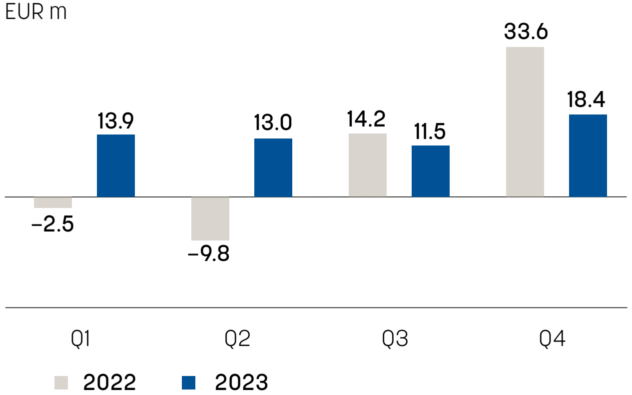
GRAMMER Group EBIT by quarter

EUR m



GRAMMER Group operating EBIT by quarter

EUR m



At EUR -32.8 million, the financial result was lower than the previous year's figure of EUR -17.8 million. This was essentially due to higher financial expenses of EUR 42.6 million (2022: EUR 28.9 million) in line with increased interest rates as well as the increase in the compounding of pension provisions. The other financial result decreased to EUR 2.8 million (2022: EUR 7.5 million). The performance of the US dollar in particular led to exchange rate losses.

Earnings before taxes improved significantly from EUR -62.8 million in 2022 to EUR 9.2 million in 2023. The impairment losses described above were the reason for the extremely negative earnings in the 2022 financial year. Tax expenses amounted to EUR 5.8 million in the reporting period (2022: EUR 15.8 million). This was due primarily to the non-recognition of deferred tax assets on loss carryforwards for the Tax Group in the USA, which is why there was no offsetting.

Earnings after taxes also improved considerably from EUR -78.6 million in 2022 to EUR 3.4 million in 2023. Relative to revenue, the return on earnings after taxes came to 0.1% (2022: -3.6%). Basic/diluted earnings per share are calculated by reference to earnings after tax for the year adjusted for non-controlling interests and shares attributable to lenders of hybrid loans and amounted to EUR 0.12 in 2023, which was also up significantly year-on-year (2022: EUR -5.26).

ROCE for 2023 came to 6.8% (2022: 3.8%). ROCE is the ratio of the operating EBIT reported for the year in question to the average operating assets (average assets required for operations less average liabilities required for operations) in the same year and is expressed as a percentage.

2.5.4 Appropriation of profit

The appropriation of profit by the GRAMMER Group is based on the retained profit/loss recorded in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. As of December 31, 2023, GRAMMER AG posted a retained loss of EUR 146.1 million (December 31, 2022: retained loss of EUR 131.2 million). This includes the net loss for the year of EUR 14.9 million (2022: net loss of EUR 56.3 million). Due to the net loss of GRAMMER AG for the current financial year, there is no dividend proposal. Furthermore, with the increase to the syndicated loan in 2020, it was resolved to suspend the dividend payment during the loan's three-year term of the third tranche. Against the backdrop of the challenging economic environment, GRAMMER AG prematurely extended tranche C until February 10, 2025 in June 2022 and so the dividend suspension will also remain in place until this date.

2.5.5 Earnings performance in the regions

EMEA

EBIT in EMEA, which includes the companies with the highest revenue in the Group, rose to EUR 60.1 million in 2023 compared to EUR 58.6 million in the previous year. Volume effects and the agreements already reached with customers in the previous year to pass on inflation-related cost increases made a significant contribution to this development. At the same time, earnings were reduced by challenging new launches and higher personnel expenses as a result of inflation. The EBIT margin was 5.0% (2022: 5.2%). Adjusted for negative currency effects of EUR 4.1 million, operating EBIT increased to EUR 64.2 million (2022: EUR 60.0 million). Accordingly, the operating EBIT margin came to 5.3% (2022: 5.3%).

EMEA key figures

EUR m

	2023	2022	Change
Revenue	1,210.9	1,131.4	79.5
EBIT	60.1	58.6	1.5
EBIT margin (%)	5.0	5.2	-0.2%-points
Operating EBIT	64.2	60.0	4.2
Operating EBIT margin (%)	5.3	5.3	0.0%-points
Capital expenditure (without financial assets)	40.2	36.0	4.2
Employees (number, average)	7,641	7,429	212

APAC

EBIT in APAC climbed to EUR 61.2 million (2022: EUR 47.0 million). This is essentially due to the 24.7% year-on-year revenue upturn. The EBIT margin improved by 0.5 percentage points to 11.5% (2022: 11.0%). Operating EBIT also rose to EUR 62.5 million (2022: EUR 48.5 million). Accordingly, the operating EBIT margin improved by 0.3 percentage points year-on-year to 11.7% (2022: 11.4%), thanks chiefly to cost reduction measures. Operating EBIT was adjusted by currency effects in the amount of EUR 1.3 million in particular.

APAC key figures

EUR m

	2023	2022	Change
Revenue	532.3	426.7	105.6
EBIT	61.2	47.0	14.2
EBIT margin (%)	11.5	11.0	0.5%-points
Operating EBIT	62.5	48.5	14.0
Operating EBIT margin (%)	11.7	11.4	0.3%-points
Capital expenditure (without financial assets)	27.5	21.5	6.0
Employees (number, average)	1,535	1,483	52

AMERICAS

EBIT in AMERICAS improved to EUR -50.6 million (2022: EUR -125.8 million) but again fell short of expectations in the reporting period. The previous year's result was affected in particular by an impairment loss of EUR 73.6 million. In addition to lower volumes and plant closures, this year's result was negatively impacted by a site relocation, the ramp-up of series production and the start-up of a new paint line in Mexico. Overall, the result was burdened by one-off expenses for restructuring measures amounting to EUR 4.1 million. The EBIT margin improved to -8.1% (2022: -18.7%). Operating EBIT came to EUR -42.7 million (2022: EUR -48.3 million), representing a margin of -6.9% (2022: -7.2%). Operating EBIT was adjusted for negative currency effects in the amount of EUR 3.9 million and costs for restructuring measures of EUR 4.1 million.

AMERICAS key figures

EUR m

	2023	2022	Change
Revenue	622.0	672.5	–50.5
EBIT	–50.6	–125.8	75.2
EBIT margin (%)	–8.1	–18.7	10.6%-points
Operating EBIT	–42.7	–48.3	5.6
Operating EBIT margin (%)	–6.9	–7.2	0.3%-points
Capital expenditure (without financial assets)	17.1	19.7	–2.6
Employees (number, average)	4,652	4,724	–72

2.6 Financial position

2.6.1 Finance and liquidity management

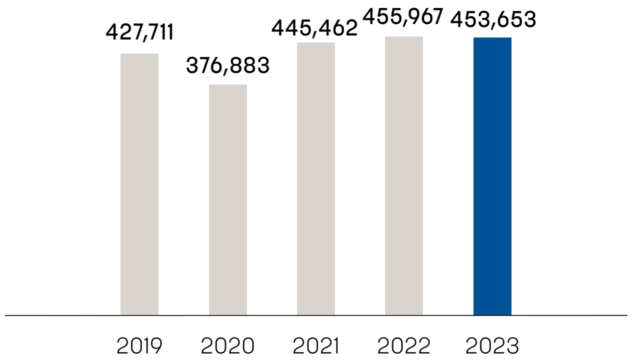
In implementing its funding activities, GRAMMER Group attaches importance to timing aspects in its interest-rate structure. Short-term drawdowns are based on floating rates, while medium to long-term funding generally involves fixed rates based on matching maturities. Operating cash flows and the availability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

In August 2020, the successful early refinancing and increase of the syndicated loan relaid the company's financing base. Tranche A has a volume of EUR 150.0 million with a five-year term. Tranche B amounted to USD 80.0 million and was repaid as planned by December 29, 2022. In addition, the existing syndicated loan under the KfW program "Direct Participation for Syndicated Financing (855)" was extended by an amendment agreement to include a tranche C with a volume of EUR 235.0 million with a three-year term. Against the backdrop of the challenging economic environment, in June 2022 GRAMMER AG prematurely extended tranche C of the syndicated loan agreement until February 10, 2025

Furthermore, GRAMMER AG received an additional Tranche D of EUR 31.5 million from selected core banks under the syndicated loan agreement in 2022. This additional tranche D was utilized as refinancing for a maturing borrower's note loan of the same amount. It is partly repayable in installments until maturity on February 10, 2025. This secures Group's liquidity, even in the difficult economic environment at present. GRAMMER AG is currently in advanced talks, particularly with regard to refinancing the syndicated loan maturing in 2025. According to the company's current assessment, it can be assumed that the follow-up financing can most likely be concluded. Financial covenants have also been agreed under loan agreements, mainly relating to the two key figures leverage and gearing. The financial covenants already adjusted in 2020 for the periods up to December 31, 2022, have been amended for 2022 and 2023. The original contractual conditions will come into effect again as of the calculation date of December 31, 2023.

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

Current and non-current financial liabilities
EUR k



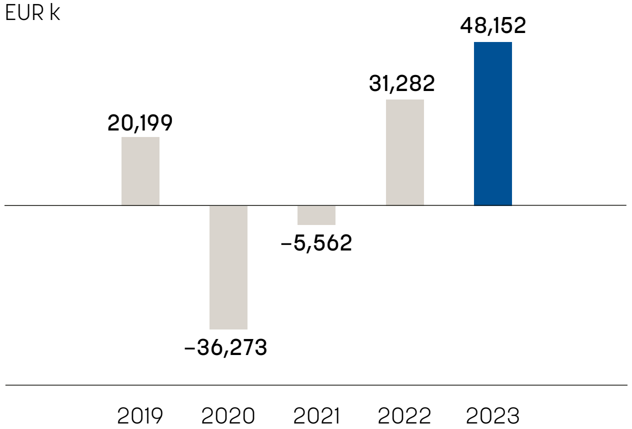
At EUR 453.7 million (December 31, 2022: EUR 456.0 million), financial liabilities were virtually unchanged on the previous year. Current financial liabilities declined to EUR 286.6 million (December 31, 2022: EUR 298.2 million). Within current financial liabilities, EUR 16.5 million more was repaid than was newly added or reclassified from non-current financial liabilities. EUR 6.8 million in non-current financial liabilities were reclassified to current financial liabilities due to their maturity and EUR 15.5 million were newly added.

Cash flow from operating activities increased by EUR 25.7 million to EUR 132.4 million in 2023 (2022: EUR 106.7 million). This improvement was due chiefly to significantly improved earnings before taxes and much lower cash outflows from working capital compared with the same period of the previous year.

At EUR -84.3 million in 2023, the cash outflow from investing activities was higher than in the previous year (2022: EUR -75.4 million). Capital expenditure on property, plant and equipment increased to EUR 75.6 million (2022: EUR 71.6 million), chiefly reflecting capital expenditure for the ramp-up of new products in the Automotive product area. Investments in intangible assets also rose to EUR 8.8 million (2022: EUR 7.8 million), resulting essentially from the ongoing development of the new seat generations.

Financing activities generated a cash outflow of EUR -37.4 million in 2023 (2022: EUR -41.9 million) which resulted from the repayment of financial liabilities and an increase in interest payments. Consequently, the GRAMMER Group had liquidity of EUR 131.0 million as of December 31, 2023 (December 31, 2022: EUR 108.6 million). Bank overdrafts facilities utilized (including current liabilities under factoring contracts) of EUR 79.6 million (December 31, 2022: EUR 73.0 million) must be deducted from this. Accordingly, cash and cash equivalents stood at EUR 51.4 million as of December 31, 2023 (December 31, 2022: EUR 35.6 million).

Free cash flow
EUR k



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

2.6.2 Capital structure

As of December 31, 2023, the Company´s share capital amounted to EUR 39,009,080.32 as in the previous year, divided into 15,237,922 shares with a nominal value of EUR 2.56 per share. All shares (with the exception of own shares) accord the same rights. The shareholders have a right to payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting.

By resolution of the Annual General Meeting on June 23, 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 22, 2026, by issuing new no-par value bearer shares against cash contributions and/or contributions in kind, but by no more than a total of EUR 19,504,537.60 (Authorized Capital 2021). In principle, shareholders are to be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares are taken up by one or more banks or equivalent companies pursuant to Section 186 (5) sentence 1 of the AktG (German Stock Corporation Act) with the obligation to offer them to shareholders for subscription. The Executive Board was authorized to exclude the shareholders' preemptive subscription rights in certain cases subject to the approval of the Supervisory Board. The GRAMMER AG Executive Board did not utilize Authorized Capital 2021 in the 2023 financial year.

No authorization to issue bonds with warrants and/or convertible bonds or to increase the Company's share capital on a contingent basis was granted at the Annual General Meeting held in 2023.

The capital reserve amounted to EUR 162,947 thousand as of December 31, 2023 (December 31, 2022: EUR 162,947 thousand) and includes premiums from the capital increases in 1996, 2001, 2011, 2017 and 2020 less transaction costs. Retained earnings amounted to EUR 124,075 thousand as of December 31, 2023 (December 31, 2022: EUR 122,276 thousand).

2.6.3 Disclosure of shareholdings in accordance with section 33 WpHG

Under the WpHG (German Securities Trading Act), 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 German Federal Financial Supervisory Authority. The lowest notification threshold is 3%. An overview of the current status of disclosed shareholdings that exceed the 3% threshold as of December 31, 2023, is included in the notes to the GRAMMER Group's consolidated financial statements.

2.6.4 Own shares

There is currently no authorization to acquire own shares. GRAMMER AG holds 330,050 own shares, all of which were acquired in 2006. These shares have a total nominal value of EUR 844,928.00 and still represent 2.166% (2022: 2.166%) of the share capital. These 330,050 treasury shares do not carry voting rights and are not entitled to dividends.

2.6.5 Capital expenditure

Total capital expenditure

GRAMMER Group's capital expenditure increased by 6.7% to EUR 97.1 million in 2023 (2022: EUR 91.0 million). In the year under review, EUR 12.6 million (previous year: EUR 11.6 million) of the total capital expenditure related to leased assets capitalized in accordance with IFRS 16. This essentially includes lease extensions for existing plants and lease agreements for the new plant sites in China. Capital expenditure excluding leased assets recognized under IFRS 16 came to EUR 84.5 million in 2023, up EUR 5.1 million or 6.4% on the previous year's figure of EUR 79.4 million. Capital expenditure on property, plant and equipment amounted to EUR 88.2 million in 2023 (2022: EUR 83.2 million), including EUR 75.6 million for assets acquired (2022: 71.6 million).

Capital expenditure in EMEA was up on the previous year at EUR 40.2 million (previous year: EUR 36.0 million). It primarily related to numerous ramp-ups in the Automotive product area, the further expansion of injection molding activities, and replacement investments and investments in new product generations in the Commercial Vehicles product area.

Capital expenditure in APAC climbed by 27.9% year-on-year to EUR 27.5 million (2022: EUR 21.5 million). In particular, this involved investments for the plants in Changzhou, Tianjin and Beijing and a dedicated paint shop at the metal plant in Ningbo.

Capital expenditure in AMERICAS decreased by 13.2% to EUR 17.1 million (2022: EUR 19.7 million) and related primarily to a new seat and foam line for the expansion of capacities in the Commercial Vehicles product area and to a press in the Automotive product area. In connection with the restructuring, investments were also made for the relocation of seat assembly from Tupelo to Delphos.

Capital expenditure in Central Services decreased by 10.9% to EUR 12.3 million (2022: EUR 13.8 million). Of this figure, EUR 1.0 million (2022: EUR 2.0 million) was attributable to the continuation of the "Management of product lifecycles" digitalization project and EUR 7.1 million (2022: EUR 7.1 million) related to capitalized development costs. As in the previous years, this mainly relates to the longer-term development of new seat generations for the Commercial Vehicles product area.

Capital expenditure GRAMMER Group

EUR m

	2023	2022	Change
GRAMMER Group	**97.1**	**91.0**	**6.7%**
Acquired	84.5	79.4	6.4%
of which property, plant and equipment	75.6	71.6	5.6%
of which intangible assets	8.9	7.8	14.1%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	12.6	11.6	8.6%

Capital expenditure EMEA

EUR m

	2023	2022	Change
EMEA	**40.2**	**36.0**	**11.7%**
Acquired	36.0	32.1	12.1%
of which property, plant and equipment	35.9	31.9	12.5%
of which intangible assets	0.1	0.2	–50.0%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	4.2	3.9	7.7%

Capital expenditure AMERICAS

EUR m

	2023	2022	Change
AMERICAS	**17.1**	**19.7**	**–13.2%**
Acquired	16.6	16.0	3.8%
of which property, plant and equipment	16.2	15.9	1.9%
of which intangible assets	0.4	0.1	300.0%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	0.5	3.6	–86.1%

Capital expenditure APAC

EUR m

	2023	2022	Change
APAC	**27.5**	**21.5**	**27.9%**
Acquired	21.6	20.4	5.9%
of which property, plant and equipment	21.1	20.3	3.9%
of which intangible assets	0.5	0.1	400.0%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	5.9	1.1	436.4%

Capital expenditure Central Services

EUR m

	2023	2022	Change
Central Services	**12.3**	**13.8**	**–10.9%**
Acquired	10.3	10.9	–5.5%
of which property, plant and equipment	2.4	3.5	–31.4%
of which intangible assets	7.9	7.4	6.8%
of which financial assets	0.0	0.0	–
Right-of-use assets (IFRS 16)	2.0	3.0	–33.3%

2.7 Net assets

Condensed balance sheet of the GRAMMER Group

EUR k

	Dec. 31, 2023	Dec. 31, 2022	Change
Non-current assets	813,653	768,076	45,577
Current assets	720,768	676,518	44,250
Assets	**1,534,421**	**1,444,594**	**89,827**
Equity	313,355	301,108	12,247
Non-current liabilities	378,444	366,408	12,036
Current liabilities	842,622	777,078	65,544
Equity and liabilities	**1,534,421**	**1,444,594**	**89,827**

As of December 31, 2023, the GRAMMER Group had total assets of EUR 1,534.4 million, up EUR 89.8 million or 6.2% on December 31, 2022 (EUR 1,444.6 million). The increase in total assets primarily reflects the higher level of trade accounts receivable as a result of increased revenue and liquidity.

Non-current assets primarily comprise property, plant and equipment, intangible assets and deferred taxes as well as non-current contract assets. As of December 31, 2023, they increased by EUR 45.6 million or 5.9% to EUR 813.7 million (December 31, 2022: EUR 768.1 million). In particular, contract assets rose by EUR 15.6 million to EUR 73.8 million (December 31, 2022: EUR 58.2 million) and other assets by EUR 9.8 million to EUR 47.4 million (December 31, 2022: EUR 37.6 million). Other assets include EUR 33.6 million in nomination fees, an increase of EUR 4.9 million compared to the previous year. Deferred tax assets also saw an increase of

EUR 11.5 million or 27.5% to EUR 53.3 million (December 31, 2022: EUR 41.8 million).

Current assets increased by 6.5% or EUR 44.3 million to EUR 720.8 million (December 31, 2022: EUR 676.5 million). In particular, this development includes the revenue-driven increase in current trade accounts receivable by 12.4% to EUR 288.5 million (December 31, 2022: EUR 256.7 million). Cash and short-term deposits also rose by 20.6% to EUR 131.0 million as of December 31, 2023 (December 31, 2022: EUR 108.6 million). Inventories decreased by EUR 11.2 million to EUR 186.2 million (December 31, 2022: EUR 197.4 million), which is an extremely positive development considering the increased business volume.

Equity increased by EUR 12.3 million or 4.1% to EUR 313.4 million as of December 31, 2023 (December 31, 2022: EUR 301.1 million). This change is essentially due to the hybrid loan of around EUR 19.1 million that GRAMMER received from its majority shareholder on October 31, 2023.

Other comprehensive income in the reporting period amounted to EUR -54.6 million (2022: EUR -37.0 million) and mainly comprises effects from the currency translation of foreign subsidiaries amounting to EUR 11.0 million, the interest-related adjustment of retirement benefit provisions amounting to EUR 4.6 million and cash flow hedges of EUR -1.1 million. The equity ratio decreased slightly to 20.4% (December 31, 2022: 20.8%) as a result of the higher level of total assets.

Non-current liabilities were up EUR 12.0 million on the previous year's level at EUR 378.4 million (December 31, 2022: EUR 366.4 million). In particular, non-current financial liabilities increased by EUR 9.2 million to EUR 167.0 million (December 31, 2022: EUR 157.8 million) due to the utilization of tranche D of the syndicated loan agreement with a term until 2025. At the same time, other financial liabilities decreased by EUR 8.0 million to EUR 55.2 million (December 31, 2022: EUR 63.2 million) due to the reclassification of non-current lease liabilities to current lease liabilities. Retirement benefits and similar obligations increased by EUR 5.7 million or 4.9% to EUR 122.9 million (December 31, 2022: EUR 117.2 million). This was due to the increase in retirement benefit provisions as a result of a rise in the discount rate to 3.3% (December 31, 2022: 3.7%). Net deferred tax liabilities increased to EUR 29.0 million (December 31, 2022: EUR 23.5 million). As of December 31, 2023, the Group had unutilized credit facilities of EUR 116.7 million (December 31, 2022: EUR 136.3 million), for which all the conditions required for drawing had been met.

Current liabilities rose by EUR 65.5 million or 8.4% to EUR 842.6 million (December 31, 2022: EUR 777.1 million). This was mainly attributable to the increase in current trade accounts payable by EUR 98.0 million or 32.0% to EUR 404.1 million (December 31, 2022: EUR 306.1 million) due to the higher volume of business. By contrast, current financial liabilities declined by EUR 11.6 million or 3.9% to EUR 286.6 million (December 31, 2022: EUR 298.2 million) due to the repayment of current financial liabilities and the long-term refinancing of current financial liabilities repaid on schedule. Of the decrease in other current liabilities of EUR 14.7 million or 13.6% to EUR 93.5 million (December 31, 2022: EUR 108.2 million), EUR 32.3 million was attributable to liabilities to employees due to the build-up of accruals for bonus payments, Christmas and holiday bonuses as well as accruals for holidays not yet taken and overtime.

3. Risks and Opportunities

3.1 Basic principles of risk management and the internal control system

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

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

GRAMMER has implemented the following structures and processes with regard to its internal control system:

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

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

The Risk Committee is responsible for the continuous improvement of the risk management system and internal control system of the GRAMMER Group as well as for assessing the appropriateness and effectiveness of these systems. The Risk Committee meets quarterly and on an ad hoc basis. Its members are the CFO, the Group Risk Manager, the Chief Compliance Officer, the Head of Controlling, the Head of Group Accounting, representatives for the regions, the Head of Treasury and the Head of Group Legal. It is chaired by the Group Risk Manager.

The Risk Committee informs the Executive Board, the Audit Committee and the Supervisory Board regularly and on an ad hoc basis about the risk situation with regard to the risk management system and the status of the revision of the internal control system.

At the time of reporting, there are no indications in any key areas suggesting that the internal control and risk management system is generally inadequate or ineffective.

3.2 Opportunity and risk management process

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

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

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

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

3.3 Characteristics of the internal control system

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

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

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

3.4 Compliance management system

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

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

Compliance is an inter-departmental issue that affects all areas and functions at GRAMMER. Compliance measures are not taken in isolation, they are integrated into administrative and operating processes. The structure of GRAMMER's CMS is essentially based on the IDW PS 980 and ISO 37307 standards for compliance management systems. The seven-element CMS structure under IDW PS 980 sets out the systematic framework for compliance responsibilities:

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

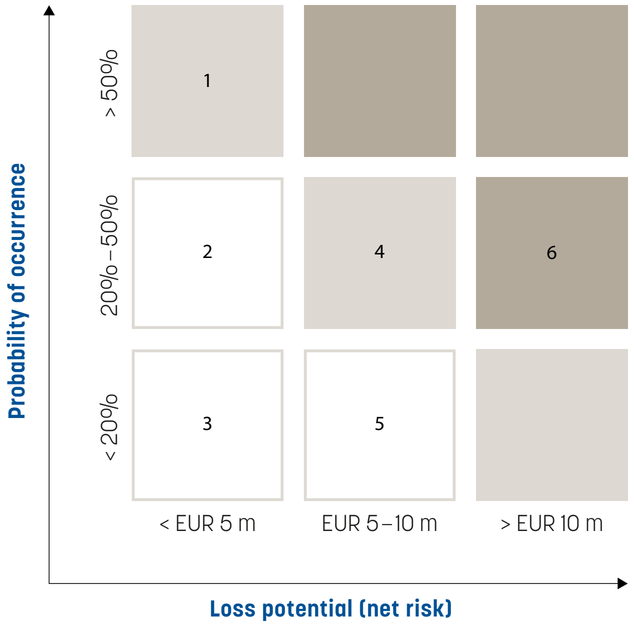
At the time of reporting, there are no indications in any key areas suggesting that the CMS is generally inadequate or ineffective.

3.5 Risks

Presentation of key risk areas

The table of risks below takes account of the relevant risk mitigation measures (net view). The risks listed under point 3 represent the respective risk potential of the individual risk categories listed therein.

Overview of key risk areas



1 • Procurement risks
2 • Quality risks
3 • Market risks
• ESG risks
• Cyber and information risks
• COVID-19 risks
• Human resource risks
4 • Financial risks
5 • Geopolitical risks
6 • Legal and compliance risks

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

Procurement risks

Supply risks will continue to be mainly characterized by geopolitical risks in 2024. International tensions between the United States and China and a growing number of military conflicts necessitate the regular re-examination of sourcing strategies to keep supply chains flexible.

Price increases – driven by strong inflation over the past two years in EMEA and the AMERICAS in particular – eased over the course of 2023. Most commodity indices have been trending downwards over recent months and moving toward pre-crisis levels. Transport costs have risen as a result of toll hikes and surcharges on seagoing freight in connection with the tense situation on the Suez Canal. Shipping companies are currently struggling with massive capacity problems for both exports from Europe to Asia as well as imports from Asia to Europe. This is due to the longer transit times on account of the situation in the Red Sea and the need to avoid the Suez Canal. This situation could persist for some time. These market changes now have to be monetarized by procurement in order to move prices back into line with the 2024 market level. Following sharp increases in recent years, wage costs remain at a very high level and will have to be permanently factored into the cost base for customers.

Supply risks for energy and gas have eased compared to recent years. The supply of gas and energy is largely assured and no shortages are anticipated. Nevertheless, unforeseen changes in prices and wage costs, particularly as a result of geopolitical tension, cannot be ruled out. This could have a detrimental effect on the Company's net assets, financial position and results of operation.

The GRAMMER Group as a whole continues to seek to minimize planning risks resulting from fluctuations in commodity prices. Particularly important in this regard is the market price of steel and petroleum-based foam and plastic products. GRAMMER continually monitors movements in the relevant commodity markets. As far as possible and appropriate, cost risks are hedged through long-term supply contracts and material escalator clauses in customer agreements. Furthermore, there are supply chain risks which for various reasons may influence product quality, the ability to meet delivery schedules or even product availability in general. Moreover, quality problems with suppliers that crop up with suppliers or disruptions in the supply chain cause risks to GRAMMER's productivity that adversely affect net assets, financial position and results of operations.

GRAMMER addresses risks arising from non-delivery by suppliers with localization, in-sourcing and dual-sourcing strategies, as well as by continuously monitoring potentially critical suppliers. In order to protect our value chain, we pay close attention to our suppliers' financial stability and compliance with the German Supply Chain Due Diligence Act (LkSG). The number of companies going bankrupt in Germany is currently on the rise. Temporary special regulations that were resolved in recent years are coming to an end (suspension of the duty to file for insolvency and going concern outlook), which is why it is extremely important to monitor the financial performance of GRAMMER's suppliers and be prepared to take special action at any time. Even if substitutions are implemented rapidly, the loss of suppliers could lead to production disruptions in a worst case scenario, with negative repercussions for the Company's net assets, financial position and results of operations.

The very close dialog between the Sales and Purchasing teams will remain extremely important in 2024. Given the market trends described above, customers now expect a downward correction following the price adjustments in recent years. These adjustments must be in line with price developments in the supplier network.

To keep procurement and cost risks to a minimum, localization projects (especially in the AMERICAS) remain a top priority for 2024. Furthermore, investments and technological progress in the area of digitalization helped to ensure greater transparency and faster information networking to withstand the global supply chain crisis.

Quality risks

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

Market risks

As a company with worldwide operations, the GRAMMER Group is exposed to business conditions in its home market as well as markets across the globe. Elevated geopolitical tension and its associated impact on the economic environment could greatly increase the risk of a recession in 2024. The Company addresses these risks by adopting a wide range of different measures. Thus, GRAMMER closely and continually monitors developments in relevant markets and industries and adjusts production and capacities accordingly. As part of effective risk management, the GRAMMER Group seeks to react immediately to crises and any initial signs of lower revenue by taking appropriate action. For example, production and cost structures are adjusted to the changed revenue situation at an early stage.

GRAMMER's markets are become increasingly competitive, exposing the Company to more and more risks from factors including price pressure, short timeframes for development and times to market, high product and process quality requirements and rapidly changing conditions. Due to exposure to the global markets with differing economic and demand cycles, GRAMMER must track and interpret a broad range of factors. In addition, new competitors or companies are arising in or entering the emerging markets. The effects of crises in certain markets and regions also harbor risks that are no longer directly derived from our business segments. Market differentiation is also steadily increasing so that GRAMMER can no longer necessarily draw conclusions about the effects of general developments on its business. This is equally true of both positive and negative trends. Further risks may arise for the Group's markets in the wake of e-mobility. The technological transformation may cause unprecedented shifts in the structure of customers and products. In the fastest-growing market of China in particular, a large number of new OEMs are arising and may take market shares away from current existing customers. While GRAMMER is successfully expanding its customer portfolio, also by adding these new OEMs, the Group cannot currently predict which of these companies will be successful on the market. There is also a risk that growth in autonomous driving will also lead the substitution of existing products or the development of new concepts. Although GRAMMER is attempting to prepare for future trends accordingly, this may have a negative impact on its net assets, financial position and results of operations.

Possible market or brand consolidation may lead to partial dependence on the part of GRAMMER on a small number of customers in view of their group structures. In addition, vehicle manufacturers are increasing the cost pressure on supply industry companies on account of the costs of the sector's e-mobility transformation and its impact on financial results. In this market environment, the possible absence of follow-up contracts may also exert pressure on the Company. Here, GRAMMER is pushing ahead with the consistent implementation of its strategic focus on innovation, customer focus and sustainability. As well as placing heavy emphasis on research and development, the Group is also making numerous process optimization measures to offset risk and increase cost efficiency, which will allow it to keep pace with customers' growing demands

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

Customarily, delivery contracts with the GRAMMER Group's principal customers contain legally binding commitments for a certain period for the delivery of specified products that have generally not yet been developed. However, these commitments do not entail exclusive delivery rights for a specific product on the part of GRAMMER Group companies. The specific products and quantities are ordered in separate call-downs which may apply to a shorter period but which constitute a specific obligation of acceptance. From a purely legal point of view, the GRAMMER Group's principal customers are fundamentally able to cancel even large contracts or reduce product quantities assigned to GRAMMER in the medium term. This would have a detrimental effect on the Company's net assets, financial position and results of operations. However, as the cancellation of a contract during ongoing volume production entails considerable costs and resource requirements for the customer and also necessitates a considerable lead time, it is fairly unlikely that a customer would completely cancel all orders at once. The semiconductor shortages in the automotive industry that defined 2022 largely ended in 2023. Nonetheless, supply shortages for other components and dynamic changes on the global markets are still causing significantly more volatile and generally lower call-offs for GRAMMER Automotive products (especially in AMERICAS and EMEA) with a correspondingly negative impact on the GRAMMER Group's revenue and earnings. In response to this situation, GRAMMER is cutting plant costs and scaling down production. Sales is negotiating with the OEMs regarding compensation for the lack of call-off orders due to OEM plant shutdowns for which GRAMMER is not at fault. At the same time, measures are being taken such as adjusting inventories.

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

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

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

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

ESG risks

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

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

Cyber and information risks

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

COVID-19 risks

In most countries, the measures to combat the COVID-19 pandemic ended in the 2023 financial year and leading experts have declared the pandemic over. Accordingly, the general economic impact of COVID-19 in the 2023 financial year was limited on all sales markets relevant to the GRAMMER Group. Many areas of the global economy have recovered almost fully from the COVID-19 pandemic, although the impact of the pandemic varied considerably from region to region as well as from sector to sector. In the winter months, there could be a rise in the number of COVID-19 infections and other respiratory infections in particular, causing an elevated disease burden to GRAMMER, customers or suppliers as well as restrictions affecting production. This would have a negative impact on the Company's net assets, financial position and results of operations. GRAMMER does not currently anticipate any notable risks of restricted labor availability due to illness.

Human resource risks

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

Financial risks

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

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

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

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

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

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

Geopolitical risks

Risks could arise for the GRAMMER Group as a result of the intensification of geopolitical tensions, such as the escalation of the Russia-Ukraine conflict or the situation in the Middle East. Given the GRAMMER Group's very limited activities on the markets of Russia, Ukraine and the Middle East, it does not anticipate any significant direct impact on consolidated revenue or earnings. However, this could give rise to indirect risks and implications, such as price increases or energy and commodity shortages. The broadening of the Russia-Ukraine conflict or the tension in the Middle East would further exacerbate the risk of a global economic downturn.

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

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

In a worst-case scenario, western subsidiaries in China could also be nationalized. This would have a serious impact on the

GRAMMER Group's revenue and earnings. This may result in a risk to its net assets, financial position and results of operations. GRAMMER considers the risk of an escalation in the conflict and its effects very low.

Legal risks

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

Compliance risks

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

3.6 Opportunities

Market opportunities

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

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

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

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

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

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

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

Strategic opportunities

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

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

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

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

3.7 Assessment of risks and opportunities

After a thorough review of the current risk situation, the Company has come to the conclusion that the precautions and measures adopted by the GRAMMER Group take appropriate account of the risks that have been identified. Compared to the previous year, the risk situation has changed in that geopolitical issues have become even more explosive and a greater focus is being placed on financial and economic risks on account of the rise in interest rates, whereas risks in connection with COVID-19 have become less relevant. Market risks in the sense of a global recession are higher. The risks currently known lead GRAMMER to assume that it is not exposed to any factors that are liable to jeopardize its going-concern status and that additional risk-mitigating effects may arise from the opportunities available, especially as the risks have been incorporated in corporate planning.

4. Business development forecast for the GRAMMER Group

4.1 Expected economic environment

4.1.1 Macroeconomic environment

The IMF expects economic growth to remain low in 2024. Experts believe that inflation will decline compared with the previous year, which saw the highest level for many years, but that it will remain elevated. Global inflation is anticipated at 5.8% in 2024 as against 6.8% last year. In the IMF's view, many major economic regions will not begin to approach the inflation targets set by the central banks until after 2025. Ongoing uncertainty regarding the future geo-economic environment is contributing to a general reluctance to invest, especially in view of the potential further escalation of geopolitical crises.

In its January 2024 forecast, the IMF anticipates growth in global gross domestic product of 3.1% for the current year. On the heels of an already weak previous year, global economic growth is therefore likely to remain low overall and below the historic average (2000-2019) of 3.8%. In AMERICAS, economic growth is forecast at 2.1% in the US, 1.7% in Brazil and 2.7% in Mexico. The continued restrictive nature of monetary policy and reduced labor demand will likely cause consumer demand to drop in the US. However, corporate investment is expected to pick up further thanks to government subsidy programs. In the EMEA region, low growth of 0.9% is anticipated for the eurozone, with GDP in Germany set to rise by 0.5% in 2024. The IMF expects the Chinese economy to expand by 4.6%, although growth momentum could continue to falter if the real estate sector crisis gets worse.

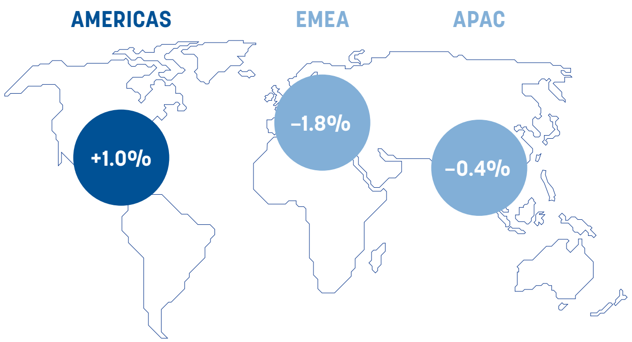
4.1.2 Sector environment

Automotive

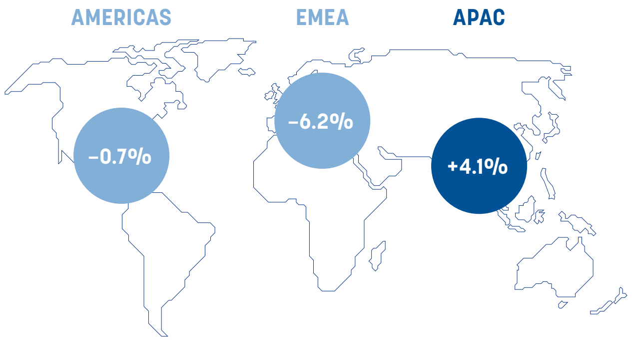
Car market expected to deteriorate

S&P Global Mobility's forecast from December 2023 anticipates a slight decline in passenger car production figures in 2024. The experts expect that approximately 0.4 million fewer vehicles will be produced worldwide this year than in the previous year, a decrease of 0.4%. While production in AMERICAS is set to pick up by 1.0%, trends in all other regions are negative, reflecting fears that pressure on inventories as a result of slower incoming orders could have an adverse effect. In EMEA, S&P Global Mobility data indicates lower incoming orders despite targeted price reductions. Production in the region is expected to decline by 1.8%. Meanwhile, APAC is expected to see a slight decrease of 0.4%.

Expected automotive production in 2024 compared with the previous year



Expected commercial vehicles production (trucks and buses) in 2024 compared with the previous year



Commercial Vehicles

APAC drives growth on commercial vehicles market

In the commercial vehicles sector, S&P Global Mobility's December 2023 forecast shows a slight increase of 0.8% in global production volume for the current 2024 financial year. Production is expected to decline by 6.2% in EMEA and 0.7% in AMERICAS. China is the main driver of global growth, with an expected increase of 4.3%. Commercial production volumes in the rest of the APAC region (excluding China) are also expected to rise by 3.7%. Overall, growth of 4.1% is expected for the APAC region (including China).

Agricultural machinery industry

The PSR OE Link Q4 Report puts expected global growth in the agricultural machinery industry at 2.1% in 2024. This good performance is primarily due to the expected market recovery in India. India and China were the only major agricultural producers to report declines in 2022. For the current financial year, however, only stagnation is expected in China.

Construction machinery industry

PSR OE's forecasts for the construction machinery industry are again positive for 2024. Following a 6.2% decline in global construction machinery production in 2023, growth of 1.3% is forecast for 2024. Trends are particularly positive on markets in the US and Japan, while China and Germany look set to decline further.

Material handling

Growth of 0.5% is expected in material handling in 2024. This performance is driven predominantly by the US and China, which can expect to see double-digit growth, while a downturn is anticipated in India and Germany.

Railway industry

The railway industry, which particularly benefits from global megatrends such as urbanization, population growth and increased environmental awareness, will likely maintain the growth it has enjoyed in previous years until 2028. PSR OE Link expects global production in the railway industry to grow by an average of 6.0% until 2028.

With a share of 60%, the market is dominated by China, where average growth of 4.6% is forecast.

Further determinants

The macroeconomic and industry-specific conditions are of key importance for GRAMMER's business performance. However, a number of other factors also play an important role.

The increasing number of shocks such as the COVID-19 pandemic, the war in Ukraine and the conflict in the Middle East are likely to continue to have a significant impact on global economic structures and relationships in 2024 and lead to necessary changes. The Russia-Ukraine conflict will continue to pose a significant geopolitical risk in 2024. It has triggered a humanitarian crisis and led to greater risks with regard to capital flows, trade and commodity markets worldwide. The strategic competition between the US and China is another risk to watch out for in 2024. China's increased military presence in the South China Sea, technological advances and ongoing trade tensions with the US have led to increased geopolitical tensions. The increasing conflicts between the superpowers are having a significant impact on the global economy. Any disruption in trade relations between the US and China, for example, will have an impact on the entire global economy. Trade wars and heightened international tensions could slow the move towards increased international cooperation and frictionless trade flows, with S&O Global Market Intelligence data already showing a decline in exports in many countries.

In addition, ongoing energy security concerns are bad news for the global economy and pose greater fiscal, social and political challenges for governments. A sharp rise in COVID-19 cases and/or new mutations of the virus could also further weaken national and international supply chains and disrupt production and exports, leading to global shortages.

In the shadow of these geopolitical risks, the automotive industry will most likely also face challenges in the current financial year 2024. Electrification in particular will face increasing headwinds due to rising operating costs and the price war between OEMs. Growth in vehicle sales is likely to decline as the pent-up demand created by the shortages of recent years is reduced and economic conditions tighten. As mentioned under geopolitical risks, trade risks will potentially lead to changes in supply chains as OEMs seek to reduce dependence on China.

In addition, the number of corporate insolvencies in Germany is currently on the rise. Temporary special regulations adopted in recent years are coming to an end (suspended obligation to file for insolvency and going concern prognosis). It is therefore extremely important for GRAMMER to closely monitor the financial development of its suppliers and to be prepared at all times to initiate special measures. In the worst-case scenario, supplier defaults could lead to production interruptions and thus to negative effects on earnings, despite the short-term introduction of substitution measures.

4.2 Outlook for the GRAMMER Group in 2024

At the time of preparing the 2023 annual report, there are indications that the enormously challenging 2023 financial year can expect to be followed by adverse effects in connection with the ongoing difficult macroeconomic environment in the 2024 financial year. In particular, the sharp rise in materials, energy and wage costs, limited economic growth – especially in Germany – and further developments regarding semiconductor supply shortages could continue to impact the Company's economic performance in 2024.

Given the ongoing macroeconomic and industry uncertainties, the GRAMMER Group expects revenue for the current 2024 financial year to remain at the previous year's level of around EUR 2.3 billion (2023: EUR 2.3 billion). GRAMMER forecasts operating EBIT to enjoy substantial year-on-year growth to around EUR 75 million (2023: EUR 56.8 million). The significantly increased earnings forecast reflects the progress made in the "Top 10 measures" program, which is specifically designed to boost the Company's efficiency in the long term. In addition, there is a particular focus on turning around the AMERICAS region. With the targeted margin increase, GRAMMER is on track to achieve an operating EBIT margin of more than 5% by 2025 in line with the medium-term outlook presented in April 2022. However, the full-year forecast will continue to depend largely on the extent to which GRAMMER can once again reach agreements with its customers on passing on cost increases.

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

Composition of subscribed capital: GRAMMER AG's subscribed capital as of December 31, 2023 amounted to EUR 39,009,080.32 (2022: EUR 39,009,080.32) and is divided into 15,237,922 bearer shares.

Restrictions on voting rights or the transfer of shares: Each ordinary share grants one vote at the Annual General Meeting and determines the shareholders' share of the profits. This does not include own shares held by the Company, which do not entitle the Company to any rights (section 71b AktG). In the cases set out in section 136 AktG, voting rights from the shares in question are excluded by law. Violations of notification requirements within the meaning of sections 33 (1), (2), 38 (1), 39 (1) of the WpHG (German Securities Trading Act) may result in the loss, at least temporarily, of rights arising from shares and of voting rights in accordance with section 44 WpHG. GRAMMER AG is not aware of any other restrictions on voting rights and, in particular, is not aware of any contractual restrictions. Statutory provisions apply to the exercising of voting rights by intermediaries, shareholder associations, voting rights consultants and other persons who offer shareholders their services in exercising voting rights at the Annual General Meeting. Section 135 AktG applies in particular. In connection with Article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation), Executive and Supervisory Board members at GRAMMER AG are subject to certain prohibitions on trading for transactions with GRAMMER AG shares, in particular those conducted at the time of publishing business figures.

Direct or indirect shares in the share capital exceeding 10% of the voting rights: The notes to GRAMMER Group's annual financial statements for 2023 set out detailed information on the voting right notifications received in accordance with section 33 WpHG. The shares in voting rights listed may have been subject to changes after the date stated of which GRAMMER AG was not informed. GRAMMER has not been notified of any direct or indirect shares in the share capital amounting to or exceeding 10% of the voting rights and it is not otherwise aware of any such shares.

There are no shares with special rights conveying control powers.

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

Statutory provisions and stipulations in the articles of association governing the appointment and dismissal of members of the Executive Board or amendments to the articles of association: The members of GRAMMER AG's Executive Board are appointed and dismissed in accordance with the statutory provisions (section 84 and 85 AktG (German Stock Corporation Act) and section 31 MitBestG (German Co-Determination Act)). Article 8 et seq. of the Company's articles of association stipulates that the Executive Board must be composed of at least two members. Any amendments to the Company's articles of association are executed in accordance with section 119 (1), number 5 and 179 (2)

AktG; article 25 of the articles of association governs the passing of resolutions by the Annual General Meeting. Under article 13 (3) of the Company's articles of association, the Supervisory Board may amend the articles of association, provided that such amendments are confined to the wording of the provision in question.

Executive Board's powers to issue or buy back shares: By resolution of the Annual General Meeting on June 23, 2021, the authorization of the Executive Board contained in Section 5 (3) of the articles of association to increase the Company's share capital on one or more occasions by up to EUR 9,402,263.04 against cash and/or non-cash contributions (Authorized Capital 2020) until July 7, 2025, with the approval of the Supervisory Board, was revoked. By resolution of the Annual General Meeting on June 23, 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before June 22, 2026 by issuing new no-par value bearer shares against cash contributions and/or contributions in kind, but by no more than a total of EUR 19,504,537.60 (Authorized Capital 2021). In principle, shareholders are to be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares are taken up by one or more banks or equivalent companies pursuant to Section 186 (5) sentence 1 of the AktG (German Stock Corporation Act) with the obligation to offer them to shareholders for subscription. The Executive Board was authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in certain cases. No use has been made of this authorization to date. There are no authorizations for the Executive Board of GRAMMER AG to issue bonds with warrants and/or convertible bonds. There is no authorization to acquire own shares in accordance with section 71 (1) no. 8. As of December 31, 2023, GRAMMER AG holds 330,050 own shares, all of which were acquired in fiscal year 2006. These 330,050 treasury shares do not carry voting rights and are not entitled to dividends.

Significant agreements of the parent company that are conditional upon a change of control following a takeover bid, and the effects resulting therefrom: In the event of a change of control as a result of a takeover bid, GRAMMER AG's material financing agreements, and especially the promissory note loans placed in 2015 and 2019 which are still held in the total amount of EUR 84.3 million as of December 31, 2023, may be called due immediately. Under the existing syndicated loan agreement dated February 10, 2020 (including its amendment agreements dated August 12, 2020, June 28, 2022 and January 26, 2023) totaling EUR 408.5 million, the lenders have rights of termination and maturity in the event of a change of control. Each lender is individually entitled to these relative to their share of the loan. In the event of a change of control, some of the main customers, suppliers and other cooperation partners also have the right to terminate the contractual agreements with the Company prematurely

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

Ursensollen, March 13, 2024

Jens Öhlenschläger Jurate Keblyte

GRAMMER Aktiengesellschaft Executive Board

COMBINED SEPARATE NON-FINANCIAL REPORT

GRAMMER

Contents Combined separate non-financial report

Combined separate non-financial report 2023

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

In 2022, GRAMMER defined clear climate protection targets and continued to work on them in the 2023 reporting year. The Company is well on track to reduce Scope 1 and 2 CO_2 emissions by 25% by 2025. It also intends to reduce emissions by 50% by 2030 and by 100% by 2040.

GRAMMER has started recording Scope 3 emissions in parallel with these efforts. A team is working hard to develop realistic targets for these emissions. At the same time, the Company is stepping up its efforts to make increased use of sustainable materials. To this end, it has established a team with responsibility for the implementation of these materials.

We actively integrate suppliers, partners and service providers into our sustainability strategy. As a result, we were well prepared for the new Lieferkettensorgfaltspflichtengesetz (LkSG - German Supply Chain Due Diligence Act), which came into effect on January 1, 2023. We have taken a range of measures to facilitate this, including the establishment of a human rights officer, the implementation of a human rights policy, the introduction of software to monitor our suppliers' ability to supply, the establishment of a whistleblower system and the updating of our Code of Conduct (CoC) and Supplier Code of Conduct (SCoC).

The positive results of our sustainability initiatives have also translated into higher ratings from rating agencies: Despite a significant change to the rating methodology, our EcoVadis score improved from 56 to 58 out of 100 points last year. In 2023, GRAMMER received a B grade from the Carbon Disclosure Project (CDP) for climate protection, with its water security rating improving from C to B-.

1. Sustainability at GRAMMER

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

We aspire to make thinking and acting sustainably an integral part of the Company's DNA. To us, accepting responsibility for people, society and the environment means not putting a strain on people and nature as far as possible and furthering their ability to regenerate. We take the interests of all our stakeholders into account, further our employees' interests and have introduced uniform ISO-certified environmental management for all our locations worldwide. At the end of the first quarter of 2024, an ISO-certified energy management system will have been introduced at over half our locations worldwide. We are aiming to implement energy management and occupational health and safety management systems around the world by the end of 2024.

1.1 Organizational structure of sustainability

We optimized the organizational structure to coordinate sustainability aspects internationally across the GRAMMER Group even more effectively in 2023. The structure is designed to drive the implementation and promotion of sustainability still further.

CSR representatives, who report directly to the global Corporate Social Responsibility team (CSR team), were appointed for each region (EMEA, AMERICAS and APAC). We are also in the process of establishing sustainability teams in each plant consisting of permanent contact persons from various departments, such as HR, Production, Quality or Plant Management. These teams will regularly report to the regional CSR representatives in meetings.

The CSR team maintains regular dialog with the CSR Council, which GRAMMER established in 2015. Besides the Executive Board, the members consist of Group area managers from the first management level below the Executive Board:

- Research and Development
- Legal
- Compliance
- Controlling
- Finance
- Accounting
- Investor Relations
- HR
- Production

- Supply Chain Management
- Quality
- Health, Security and Environmental Management
- IT
- Marketing and Communication
- Sales
- Data Protection

and from the three regions EMEA, AMERICAS, APAC and the two product areas. Through the CSR Council, we can guarantee that sustainability is firmly embedded and continually developed in line with corporate strategy and statutory requirements. The units represented on the CSR Council are responsible for implementing the strategic CSR objectives.

These objectives are grouped under the company-wide "Sustainable Company" initiative. Goals to be achieved in the medium and long term were defined for five action areas: energy and resource efficiency, efficient use of materials, avoidance of waste and recycling, reduction of emissions and development of sustainable products.

1.2 Materiality analysis

In the fourth quarter of 2023, work started on conducting a new materiality analysis in accordance with the principle of double materiality laid down in the European Sustainability Reporting Standards (ESRS) and defining material aspects with a positive and negative impact as well as material opportunities and risks along the entire value chain. These aspects were subsequently assessed by various internal stakeholders and checked in various validation steps.

However, since the results of the new materiality analysis do not cover the entire reporting period, the NFR (non-financial report) is still based on the 14 material aspects of the materiality analysis conducted in 2020.

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

1.3 Support for the UN Sustainable Development Goals

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

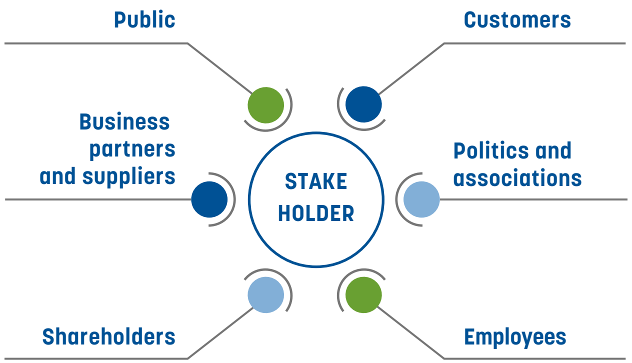
SDGs	Aspects of relevance for the GRAMMER Group	Material aspects	Non-financial aspects	Goals
8	Good corporate governance	Compliance Data security, Information and IT security	Cross-cutting issue, particularly anti-corruption	
8, 12	Products	Sustainable product development Material efficiency Customer health and safety	Environmental concerns, social concerns	• Increased efficiency and process optimization through expanded expertise and its integration into our projects by the end of 2024 • Intensification and continuation of product development and sustainable materials
12, 13	Environment	CO_2 emissions Energy and resources[1] Waste	Environmental concerns	• Minus 50% CO_2 by the year 2030 and minus 100% by the year 2040 • Switch to 100% green electricity at all locations by 2025 • Global implementation of ISO 50001 by the end of 2024
12	Supply chain	Working conditions and human rights Sustainable procurement of commodities	Cross-cutting issue, relates to all non-financial aspects	• 100% of global suppliers confirm GRAMMER's policies for suppliers • Transparency and controlling of our supplier's compliance with human rights and environmental due diligence obligations under the LkSG (German Supply Chain Due Diligence Act) • Introduction of whistleblowing tool for internal and external use
3, 5	Employees and community	Employee satisfaction Occupational health and safety Diversity and equal opportunities Corporate citizenship[2]	Employee matters, social concerns	• Increasing the share of women in top management (20%) • Intensifying the training of employees (interculturality, languages, diversity etc.) • Global implementation of ISO 45001 by the end of 2024 • Strengthening and promoting voluntary commitment of employees worldwide (concretisation of the concept and structural anchoring at GRAMMER worldwide)

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

1.4 Inclusion of all stakeholders

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

The GRAMMER's Group Stakeholders



1.5 Ratings

ESG (environment, social, governance) rating agencies are key players on the capital market and a basis for sustainable investment. Most providers publicly disclose the results of their ratings and rankings. They are used by investors as transparent and additional decision-making aids – and customer expectations of companies in terms of certain rating results are rising all the time.

In 2023, GRAMMER received a B grade in the sustainability rating from the Carbon Disclosure Project (CDP) in the area of climate protection, and in the area of water safety, an improvement from C to B- was achieved. The score from EcoVadis, a leading provider of ESG ratings, improved despite a significant change to the rating methodology to 58 (previously 56) out of 100 points. Consistently high ratings are achieved on NQC (a rating tool for suppliers in the automotive supply chain), which shows that GRAMMER satisfies the requirements of many of its customers for its contract award process.

1.6 Risk evaluation of non-financial matters

Doing business entails both risks and opportunities. We have defined various principles relating to risk policy in our risk strategy. In a risk management context, risks and opportunities refer to any positive or negative deviations from an uncertain plan. Risk management thus contributes to value-based corporate governance. We have established a uniform Group-wide risk management system to address such risks. This process allows risks to be detected, analyzed, and assessed early on so that countermeasures and risk mitigation can be implemented promptly.

Under the CSR Directive Implementation Act governing the disclosure of non-financial and diversity-related information, companies must not only report on the material aspects but also explain the related risks. The concept of risk has been broadened and integrated into risk management to model the non-financial risks involved in the process. Internal experts have assessed the qualitative impact of corporate activities. GRAMMER views risk in net terms, i.e. after taking account of risk mitigation measures and opportunities.

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

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

2. Responsible corporate governance

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

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

2.1 Compliance and combating corruption and bribery

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

The increasing statutory requirements for companies pose a challenge in the field of compliance: They are forced to make significantly more effort not to be exposed to accusations of organizational negligence or other liability risks. At the same time, the additional expense must be contained in order to remain competitive.

One potential risk is that violations of laws and guidelines typically result in a significant loss of trust, exclusion from tenders or the loss of business relationships. In contrast to this, the careful implementation of standards promotes trusting relationships with business partners, employees and other stakeholders.

Our strategic approach

Compliance with laws and international regulations is a top priority for GRAMMER. Above all, this includes respecting human rights, fair trade practices, the prohibition of corruption and the avoidance of conflicts of interest. We respect the freedom of association and reject forced and child labor. Furthermore, we comply with the applicable data protection law (see section 2.2, p. 56) and handle confidential information with due care (see section 2.3, pp. 56-57). We are committed to protecting the environment, to occupational health and safety and to social responsibility.

The aim of our compliance management is to guarantee the effectiveness and viability of our Company by respecting the legal provisions. Violations are detected and penalized.

We have set out corresponding guidelines in our Code of Conduct, which is binding for all employees: The GRAMMER Code of Conduct is available to all employees on the intranet in eleven languages. All new employees are informed of the Code of Conduct and it is explained to them in training. Additional training sessions in which they can refresh their knowledge of the Code of Conduct and the internal compliance guidelines take place at intervals of two to three years. We also publish articles on compliance on the intranet.

For this purpose, the Transparency International corruption index for specific countries provides an important indicator for determining the frequency of audits at individual locations. If an audit gives rise to a reasonable suspicion, we commence an investigation and take the requisite action as necessary.

GRAMMER has also set up a whistleblower system with which employees and external stakeholders can report any suspicions – both anonymously and in various languages. There is also the option to make contact via a Compliance e-mail inbox and to communicate in person, by phone or by mail in accordance with EU and German whistleblowing legislation. Following thorough verification, incoming compliance complaints are investigated and, if a suspicion is confirmed and a breach has taken place, appropriate measures are taken.

Implementation of the CCO to strengthen compliance in the Group

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

We have adapted our Code of Conduct and the whistleblower process in line with new standards such as the EU Whistleblower Directive and the German Whistleblower Protection Act. Compliance incidents were investigated and, where the reports proved justified, measures were taken. We used the findings from these cases to prevent future breaches and improve the compliance management system in these areas.

There were no confirmed incidents of corruption anywhere in the GRAMMER Group in the 2023 reporting year.

Outlook

In 2024, the compliance management system is to be refined, the compliance risk management system is to be further harmonized with strategic risk management, and internal training is to be expanded.

2.2 Data protection

Since the introduction of the European General Data Protection Regulation (GDPR) in 2016 at the latest, companies have been paying more attention to the security of personal data. At GRAMMER too, protecting the data of our employees, customers and business partners is a top priority, and we ensure that we comply with all statutory standards worldwide, including the GDPR and the supplementary Bundesdatenschutzgesetz (BDSG – German Data Protection Act).

A growing number of certifications is required to verify data protection at companies and to provide credible evidence of this to outside observers. Violations of data protection laws can lead to a loss of trust and fines by regulators.

Our strategic approach

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

We expect our employees to respect our customers' and business partners' business secrets – and to protect industrial property rights, business secrets and other confidential company information against unauthorized disclosure. Mandatory classroom-based and online training is available in order to further heighten employees' data protection awareness. Data protection training is also part of the Group-wide compliance training concept.

In 2023, approximately 3,000 employees completed online data protection training, while approximately 400 employees participated in classroom-based training.

Outlook

The data protection management system will be expanded and harmonized across countries in 2024.

2.3 Information security

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

The rising number of cyberattacks poses significant challenges for IT security the world over. The loss or unauthorized publication of information can have serious consequences for companies: These extend from grave financial damage to loss of image, lost contracts and customers, or their ability to act being compromised. It is therefore essential that information security is analyzed and improved continuously within the Company.

Our strategic approach

Information security ensures that data stay confidential and available – regardless of whether such information is digital, on paper, a fax, an e-mail or spoken out loud. Accordingly, we have introduced an information security management system (ISMS) at all our locations around the world. This is based on such standards as the international ISO/IEC 27000 series and the Trusted Information Security Assessment Exchange (TISAX) automotive standard.

In order to guarantee IT security in line with requirements, tools and methods are used to identify phishing campaigns. Besides the internal security procedures, the IT security infrastructure is also monitored by an external service provider at all times. GRAMMER assists its suppliers with appropriate software to safeguard its supply chains.

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

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

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

TISAX certification for production facilities

In 2022, we initiated the process to have the entire GRAMMER Group certified with the TISAX label "handling of information with very high protection needs" – for all production facilities in a delivery relationship with carmakers. The process was successfully completed for the relevant locations and the label was issued. The TISAX label is currently being extended to include "prototype protection."

Outlook
As far as cyberattacks are concerned, continuously improving "cyber resilience" and "operational continuity management" is paramount.

3. Products

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

Our seating systems and interior products are currently produced and sold at 44 production and logistics facilities around the world. Roughly 600 engineers and R&D employees work at 14 international locations with the aim of continuously enhancing the ergonomics, safety, functionality, quality and aesthetics of our products. The Group is capable of developing products with state-of-the-art tools and systems – from simulating characteristics using state-of-the-art test facilities to practical testing and prototyping. Smaller research and development teams are located in GRAMMER's own plants as well.

Non-capitalized R&D expenses amounted to EUR 80.5 million in the 2023 financial year (previous year: EUR 86.9 million), representing 3.5% of total revenue (previous year: 4.0%). Also, development costs of EUR 7.1 million (previous year: EUR 7.1 million) were capitalized in fixed assets. In 2023, Group-wide property rights (patents, designs and utility models) pending and granted fell by 3.7% to 1,977 (previous year: 2,054).

3.1 Customer health and safety

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

Our strategic approach
People and their subjective perceptions define the product experience. "Perceived quality" is the guiding principle when developing our products. Cooperation between interdisciplinary teams of developers and ergonomics experts is of great importance to guarantee that user interaction for all relevant applications is as positive as possible. They work together to define the usage requirements for the respective product, on the basis of which solutions can be developed. These solutions are evaluated and optimized in an iterative process. Findings gleaned from internal testing and appointments with customers are also incorporated continuously. Further communication with international experts from industry and research allows us to remain at the cutting edge of developments at all times. With our ergonomic products, we therefore contribute to a working environment that offers maximum comfort and keeps users healthy in the long term.

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

The same goes for multifunction armrests in commercial vehicles: Their ergonomic design eases the strain on the spine and forearm, improves concentration and heightens comfort.

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

In 2023, the ergonomics of various product characteristics were revised as part of the development of our new seat generation for the agricultural/construction machinery sector. The seat occupancy identification system was optimized to be able to reliably record a vast range of seating positions in the field. The redesign of the operating concept will increase user-friendliness significantly and make it easier to reach the controls. Implementation of a full-width cushion design with increased minimum foam density, a new cross contour to improve lateral support or the repositioning of the belt retractor are only some of the additional changes we have made to improve comfort. The option of integrating a haptic system seat can also give users reliable information in working environments characterized by visual and auditory overload. We will contribute actively to improving safety at work with these changes.

Ergonomics competence enhanced

Methods in the area of ergonomics were continuously optimized in 2023: The introduction of a test vehicle to record the forces involved in horizontal vibrations means that body dynamics can be depicted biomechanically. The partial automation of post-processing of micro-climate data facilitates significantly faster and more precise analysis of the results. In particular, the development of models based on human body data improves product design in early prototype phases.

In the area of research, we staged the fourth International Comfort Congress with OTH Amberg-Weiden. Various areas of mobility and their future comfort requirements were discussed here. We have refined our research partner network and held various workshops, training sessions and lectures on vehicle ergonomics at research institutions.

Outlook

We aim to expand particular aspects of our practical knowledge in 2024. The integration of these findings into our projects will be of particular significance here. At the same time, we will implement planned efficiency enhancement and standardization measures to optimize our processes and further improve the quality of our work.

GOAL

- Preserving users' health and safety will also be of the utmost importance for GRAMMER in the future. The development of innovative products that offer ergonomic added value in use for our customers is therefore paramount.

3.2 Sustainable product development

Sustainable product development is a key part of GRAMMER's strategic "Sustainable Company" initiative: With innovative and sustainable product solutions, we offer our customers environmentally friendly alternatives and contribute towards climate and environmental protection as well resource conservation.

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

Our strategic approach

The use of sustainable and recycled materials remains our key priority. We are also working on the development of circular products.

Sustainable and recycled materials (see section 3.3, pp. 59-60)

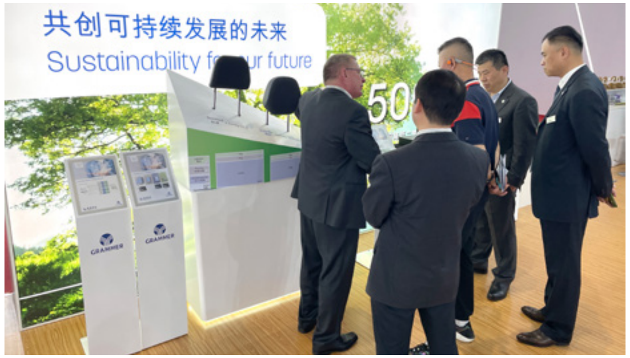
As an alternative to the carbon-intensive materials such as plastic, foam and steel, we focus on materials from renewable resources, recycled materials and the use of natural fibers. Green steel will not be available in sufficient quantities and at acceptable prices in the short term, but GRAMMER is already in touch with its steel suppliers and will gradually switch to minimum-emission steel over the coming years.

Efficiency of materials

The economic use of materials also conserves resources and is good for the climate. We therefore use processes such as foam injection molding, which minimizes the consumption of materials in our production processes. At the same time, the quantity of materials in products is reduced by innovative construction and material solutions.

Light-weight construction

We make a contribution to climate protection by reducing the weight of our seats, center consoles, armrests and headrests. Less material does more than conserve resources: The lower weight of the vehicle also reduces operational fuel consumption for our customers, which can help to cut greenhouse gas emissions. We reduce weight through function integration, which means fewer components are required. Another approach is to substitute metal die-cast components by using high-performance plastics.



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

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

In addition to CO_2 emissions, we are also reducing our volatile organic compound (VOC) emissions. In the Automotive product area, we use emissions-optimized alternative foam materials in a number of regions. Coating processes are another source of

VOC emissions at GRAMMER. Here, too, emissions have been reduced in cooperation with coating suppliers. The Research and Development unit established its own department for sustainable materials so that it can quickly respond to mounting market demands (see section 3.3, pp. 59-60). A team within the Purchasing organization is responsible for making supply chains sustainable (see section 5, pp. 64-67). A group within the Operations department is working on solutions to save energy in production.

Materials testing and recycling study

Many sustainable materials were examined in 2023 and an extensive recycling study was conducted with the aim of developing circular products. Carbon footprints were calculated for various representative products and ideas for optimization were derived from this – including close cooperation with materials manufacturers to reduce the CO_2 values and with GRAMMER's plants to reduce the energy requirements of facilities for various processes.

Outlook

Above all, we will be concentrating on sustainable product design, recyclability and the optimization of our processes throughout product development. Among other things, concepts for "green" truck and train seating will be developed. Moreover, various environmentally and climate-friendly materials will be tested, which will further increase the recycling rate and expand lightweight construction concepts to various products. We also want to achieve the CO_2 standards of our customers.

GOAL

- Intensification and continuation of sustainable product development and materials

3.3 Sustainable materials

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

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

Our strategic approach

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

Bioplastics

Conventional plastics derive from mineral oil; their manufacture and use releases large quantities of CO_2 emissions and causes harm to the climate. However, depending on the manufacturing process used and the component geometry, there are limits to the usability of bio-based plastics in car interiors. The extent to which these smell or produce emissions is critical here. As an alternative, GRAMMER will attempt to make more use of natural fleece fibers in the future.

Metals

Metals are used in GRAMMER products as well, above all steel, aluminum, and magnesium. Steel can be recycled, but its production is highly CO_2-intensive. Alternatives are therefore being tested and work is being carried out to reduce the share of steel in our products. Aluminum and magnesium are similarly CO_2-intensive to produce, though their low density makes these metals suitable for lightweight construction, which significantly cuts emissions in the use phase.

Cover materials and foam

A significant proportion of cover materials are specified by our customers and must be purchased from predetermined suppliers. Nevertheless, we are seeing the first customer projects using seat covers made of recycled fibers from polyester waste.

Research into sustainable foam systems is also ongoing, with the aim of reducing the products' carbon footprint by around 40% by the end of 2024.

Recycling

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

At GRAMMER, the Materials and Sustainability department within Research and Development is responsible for the comprehensive testing of new materials. Its work focuses on carbon-neutral product approaches. To calculate the carbon footprint of our products, we use the GaBi software from the company Sphera, which has become the industry standard.

Our products' carbon footprints are to be certified from the beginning of 2025. A network of vehicle manufacturers, suppliers and research institutions is providing assistance in the development of more environmentally friendly products.

Progress in materials testing and recycling

A recycling study was performed on one of our series products, a center console. The results show that new granulate can be derived from the plastic and reused in production. Calculation of carbon footprints for various GRAMMER products was continued and ideas for optimization were derived from this. In addition, GRAMMER has produced a materials roadmap for the coming years, intensified contact with customers and research institutions, and carried out internal training to enhance the knowledge of sustainable materials within the Company.

Outlook

New materials and recycled materials from different manufacturing processes are continuously tested to increase the percentage of sustainable materials in GRAMMER products and at the same time reduce carbon emissions further. We are also working on designing our products in such a way that they can be recycled easily.

3.4 Innovations

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

The quickly changing requirements of products mean that GRAMMER is constantly facing fresh challenges. Car interiors are becoming a distinguishing feature for our customers and are being massively upgraded. State-of-the-art materials, uncluttered architecture and hidden technology are key criteria. For instance, center consoles are becoming the central element in vehicles. Digitalization is also increasing the share of electronics and the complexity of products. At the same time, short development cycles are needed if innovations are to be ready in time for series production. Moreover, there is high cost pressure, which is why innovations using ingenious approaches as well as modularization and standardization are necessary to be able to offer customers cost-effective solutions. Close customer contact helps us to identify and implement trends early on.

Our strategic approach

Innovation projects are to be found in the Automotive areas and in the Commercial Vehicles product area. There are projects at product level – for instance for new functions, materials or to improve ergonomics and comfort – and process innovations, such as in the use of new materials and optimized materials processing.

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

Development of modular and adaptive center consoles and new seat suspension

Further progress was made on several innovation projects in 2023:

- A modularization approach has been developed for center consoles that allows us to respond to customer requests for a wide range of requirements quickly and cost-effectively with pre-validated solutions: from a fixed basic console through to a center console with high-quality features that can be moved through the vehicle's interior on rails.
- Systematic investigations are also underway to identify new applications in the context of electric mobility and the requirements these will place on the center console. As a result, the concept of an adaptive center console has been developed, which can adapt flexibly to the needs of passengers during a break for charging, for example.
- Development of electric air vents continued in 2023 to optimize the benefits in terms of costs, comfort, performance and compactness compared with conventional air vents.
- In the field of commercial vehicles, we are working on new concepts for seat suspension to enhance comfort in agricultural and construction machinery or forklifts over long working days, and also on a concept for the intuitive and ergonomic operation of functions integrated into the seat.

Outlook

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

4. Environment

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

The success of our environmental activities is regularly reviewed – both internally and with the assistance of outside partners. All of our Group's facilities around the world have already implemented an environmental management system in accordance with ISO 14001 and defined local environmental targets and measures. This way, we are improving our environmental performance on an ongoing basis: In 2023, GRAMMER received a B grade from the Carbon Disclosure Project (CDP) in the area of climate protection, and in the area of water safety, an improvement from C to B- was achieved.

Overall responsibility for environmental management has been assigned to "Group Quality, Services and HSE", which reports to the Chairman of the Executive Board. This unit devises strategic parameters for environmental protection across the entire Group. An environmental manager is assigned to each plant to implement the measures.

4.1 Energy

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

Energy costs peaked in Germany in 2022 – also due to the Ukraine conflict – but have fallen continuously since then. They are expected to ease further without, however, reaching the level of 2020. Supply risks for energy and gas have decreased and a stable supply of gas and energy without unexpected shortages is currently guaranteed.

Our strategic approach

To manage our energy consumption around the world, GRAMMER is working with an energy management system certified according to ISO 50001, which we will be implementing at all production facilities by the end of 2024. This way, energy consumption can be controlled, analyzed and reduced using targeted measures. As of December 31, 2023, 56% of all production facilities and all German sites were already certified according to ISO 50001. The previous year's target of having 100% of all sites certified by the end of 2023 was not achieved, but ten additional sites were certified by the end of February 2024 (76% in total).

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

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

We are increasingly sourcing electricity from renewable energies for our power supply. All plants in Germany were switched to green electricity as early as 2021; we aim to achieve this around the world by 2025.

Measures to reduce energy consumption

Around two thirds of our production facilities are equipped with smart meters to measure energy consumption in detail. Many of our plants have made the switch to energy-saving LED lighting. In addition, energy-efficient machinery such as injection molding systems have been purchased. CO_2 emissions were reduced by 4% per EUR/revenue compared with the previous year.

Outlook

The ISO 50001 energy management system, including energy monitoring, will be introduced at all GRAMMER production facilities worldwide by the end of 2024. Furthermore, energy potential analysis will be continued and energy savings activities will be derived from this.

GOAL

- Global launch of the ISO 50001 certified energy management system by the end of 2024

4.2 CO_2 emissions

We all have to cut our greenhouse gas emissions dramatically to slow climate change – and we have to do it as quickly as possible. GRAMMER supports the 1.5 degree goal of the Paris Agreement and has undertaken to significantly reduce its CO_2 emissions worldwide: by 100% by 2040 (Scope 1 and 2) compared with the baseline year of 2019.

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

Our strategic approach

In 2019, we calculated the carbon emissions of our sites according to the Greenhouse Gas Protocol (GHG Protocol). This involves determining the Scope 1 and Scope 2 emissions. Scope 1 emissions are direct emissions produced by the Company's own energy generation or the production process. Scope 2 comprises indirect emissions that arise, for instance, when externally sourced electricity and heat are used. In 2023, Scope 1 comprised 14,340 t CO_2e and Scope 2 52,863 t CO_2e, which equates to a reduction of -39% in comparison with the previous year.

t of CO_2e

	2023	2019
Scope 1 emissions	14,340	13,875
Scope 2 emissions	52,863	136,334

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

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

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

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

More green electricity

Through the increased use of electricity from renewable sources, we were able to reduce our CO_2 emissions by 1,135 t CO_2 in comparison with the previous year. Moreover, various campaigns and training activities were carried out at all GRAMMER locations to raise employee awareness for the economical and responsible use of energy.

In addition to technical CO_2 reduction activities, GRAMMER has also started additional initiatives to protect the environment and operate in an environmentally-friendly manner. The "Nomination Tree" initiative, which obliges suppliers all over the world to plant a tree for every new order, has been in place since 2021. This project is part of our commitment to protect the climate and the environment.

Outlook

In 2024, we will continue to work on our reduction targets, steadily increase the use of green electricity at our global locations and enhance our energy efficiency. In addition, the CO_2 emissions in the use phase of our products will be further reduced as well. We believe that the biggest lever for this is lightweight construction, which saves fuel while vehicles are operating.

GOALS

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

4.3 Waste

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

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

Our strategic approach

At GRAMMER, we want to reduce waste, minimize hazardous waste, increase the recycling of waste and ensure that appropriate waste disposal and recycling methods are applied. The waste issue is a part of the strategic "Sustainable Company" initiative and is taken into account in the environmental management system already certified according to ISO 14001 at all GRAMMER locations. We regularly audit our waste disposal and produce annual waste reports to derive measures for optimization.

All waste flows have been analyzed with the aim of ensuring the utmost possible recycling, and contracts have been signed with certified waste disposal companies. Our stated aim is that waste should not end up in landfills.

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

Plastic waste reduced

We used various measures to improve our waste management in 2023:

- Plastic waste in production was reduced by regranulation. Plastic waste is ground directly where the machinery is located and sold to dealers who reintroduce the granulate into the cycle. In another initiative, waste was reduced by optimizing leather cutting.
- In packaging, options were found to reuse our suppliers' packaging materials for transport within our own locations.
- Moreover, packaging volumes for internal transport and plastic waste were reduced while at the same time increasing the share of recyclable packaging materials. The global recycling rate was improved through better pre-sorting and separation of materials. Moreover, a potential analysis was carried out for new reusable and recyclable packaging materials.
- Our paper consumption has been further reduced as well: Written correspondence with our suppliers was again handled almost entirely electronically in 2023.

Outlook

In 2024, waste disposal will be continuously optimized and the waste volume (that cannot be reused/recycled) will be reduced by a further 2%. We intend to cut our landfill use as well.

4.4 Water

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

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

Our strategic approach

Saving water is a strategic objective in the company-wide "Sustainable Company" initiative. The global and regional management teams set targets for cutting water consumption. These targets are a part of the sustainability roadmap and are followed by the plants. At global level, responsibility for this lies with the Group's Environment, Health and Safety and Energy managers and the CSR department; at the plants, it lies with the respective production management and the person responsible in environment, health and occupational health and safety management. They regularly report to management on the current status. Moreover, the results for the annual sustainability rating are regularly reported to the CDP in the water security survey (see section 1.5, p. 54). Savings measures focus on water-intensive production processes such as injection and blow molding and cleaning processes for coating systems.

Water consumption remains constant

Our global water consumption has increased slightly in comparison with the previous year – due to our new plant in Hefei (China) and starting glass processing for parts of our center consoles. However, through various measures, we have succeeded in keeping global water consumption in relation to revenue (2023: 0.151 m^3/million EUR revenue) at a similar level to the previous year (2022: 0.148 m^3/EUR m revenue).

Outlook

We will continue to optimize our water use in 2024 and reduce water consumption in relation to revenue (m^3/million EUR revenue) by 2% against the previous year.

4.5 Biodiversity

Biodiversity, which includes both fauna and flora, is essential to ensure the functionality of ecosystems. But many species are facing extinction – such as insects like bees and butterflies, which make sure that crops are pollinated and bear fruit. If the insect die-off continues, entire habitats and ecosystems would collapse. Since we are aware of our responsibility for our environment, GRAMMER is committed to the conservation of biodiversity.

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

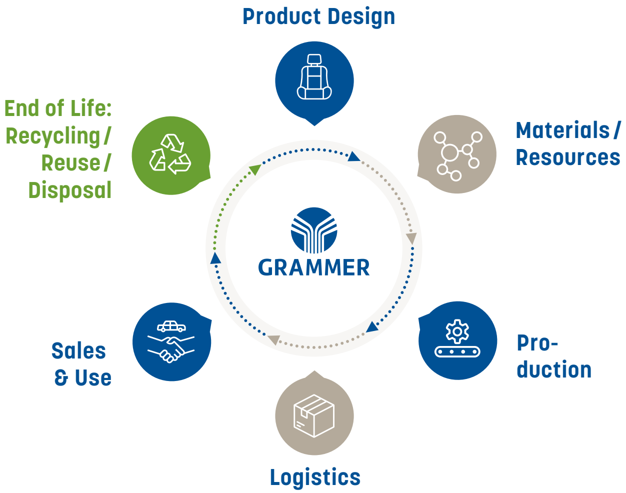
Our strategic approach
The CSR, Environment, Health and Safety and Energy units are responsible for biodiversity at GRAMMER. The protection of biodiversity is taken into account in all relevant business areas, especially at the production sites. We plant the grounds in order to provide animals with a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

Protection of insect diversity
Bees, bumblebees and butterflies play an important part in the conservation of agriculture and ecosystems. In 2023, we planted a field of flowers covering an area of 2,900 m^2 at our site in Ursensollen (Germany), and livestock ensure the ecological upkeep of our lawns.

Outlook
We will continue to broaden our commitment to biodiversity moving ahead and incorporate it into our business processes. Our efforts to raise employee awareness will be continued as well.

5. Supply chain

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



5.1 Supplier management for environmental and social standards

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

The ongoing conflicts in Ukraine and the Gaza Strip, attacks in the region surrounding the Suez Canal/Red Sea, and climatic effects (such as low water in the Panama Canal) will continue causing problems in supply chains. This can lead to suppliers making decisions that go against environmental and social standards. The new German Supply Chain Due Diligence Act (LkSG) can both counteract this and create transparency. We believe that an opportunity also lies in our digital structure and the support tools with which risk management and CSR issues can be efficiently guided in the supply chain.

Our strategic approach
GRAMMER works with a Supplier Code of Conduct in order to manage sustainability in our supply chain. This covers all relevant sustainability criteria, as well as statutory guidelines, ethical and international standards, and the requirements of our system of values. The Supplier Code of Conduct has been a component of every digital supplier RFQ since 2017 and its contents were expanded in 2023: Suppliers have to sign it electronically before they can make an offer. In it, they undertake to fight child and forced labor, to pay their employees fairly and to protect the environment. The Supplier Code of Conduct can be accessed by all business partners at all times on the digital supplier portal.

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

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

Chain Due Diligence Act. Here, suppliers must answer standardized questionnaires concerning the environment, anti-corruption, human rights, working conditions and responsibility in the supply chain and, if applicable, provide evidence for their answers with certificates. The system analyzes this information and these certificates independently to perform an assessment of the supplier. If necessary, possible countermeasures are subsequently defined within GRAMMER and documented in the system.

GRAMMER far exceeds the statutory requirements in its supplier management – and makes a positive contribution to a sustainable supply chain. Suppliers sign our standards and policies and carbon emissions are inquired about in the contract award process. Single-use packaging is increasingly being replaced with reusable packaging. We have set ourselves the target of buying electricity from renewable energies throughout the world by 2025. And in the "Nomination Tree" project, suppliers must continue to commit to planting a tree for every new order.

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

Implementation of the new German Supply Chain Due Diligence Act

In 2022, GRAMMER introduced an ESG risk management platform and created a reporting structure to receive supplier data for the new German Supply Chain Due Diligence Act. The ESG platform was also incorporated into our existing digital SCM[1] landscape comprising the e-procurement and SCM risk management system and the results are included in the tender information. In addition, employee training has been carried out on the German Supply Chain Due Diligence Act and the potential to reduce emissions in the supply chain. In addition, the supplier portal on the website and our terms and conditions were updated in line with the new statutory requirements and ESG criteria.

Besides the introduction of the ESG system to comply with the German Supply Chain Due Diligence Act, we have also developed an internal SCM matrix. This specifies how we act in the case of violations, from minor to serious ones, and which units must be involved when to comply with the requisite escalation stages. This matrix and its definition were developed on the basis of the GRAMMER Group's global risk management system. Cases that go beyond SCM are then also passed to central risk management to define global measures, if appropriate.

Outlook

In the coming years, GRAMMER will establish even more transparency regarding compliance with environmental and social standards in its supply chain in accordance with German Supply Chain Due Diligence Act and further improve its sustainability. Among other things, carbon emissions within the global supply chain (upstream) will be reduced by 20 % by 2030 compared with the baseline year of 2021.

The Nomination Tree will be replaced by another initiative in the future: the "Top 100 Green Supplier Program." It is aimed at promoting use of renewable energies and implementation of environmental management systems by our suppliers.

GOALS

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

5.2 Procurement of commodities from an environmental perspective

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

Procurement of commodities has become far more complex as a result of the crises in recent years and the ever increasing geopolitical tensions. The limited availability of materials is presenting companies all over the world with challenges. This applies to environmental aspects as well; longer transport distances, for example, have to be tolerated. Another risk is that the extraction of commodities is often energy-intensive and can have a negative impact on people and the environment. The circular economy and the use of innovative materials from renewable resources (see section 3.3, pp. 59-60) are opportunities to mitigate this impact and to conserve resources.

Our strategic approach

Generally, even when selecting its suppliers, GRAMMER ensures that they comply with environmental and social standards and do not use conflict materials. They make this commitment by signing our Supplier Code of Conduct (see section 5.1, pp. 64-65). When procuring plastic granulates, suppliers are advised that their specifications should be environmentally sustainable and that environmental impact should be avoided in production. In the early stage, we focus on choosing sustainable materials and technologies to reduce carbon emissions.

We use the global standard International Material Data System (IMDS) for the automotive industry to manage materials data.

[1] SCM = Supply Chain Management.

Carmakers use this system to manage the aspects of the materials used in their vehicles that are relevant to the environment and to reconstruct the entire material flow. It is the responsibility of the data creator to ensure that the requirements are passed on along the supply chain. GRAMMER therefore stipulates in its terms and conditions of purchase and in its Code of Conduct that its suppliers must use the database. In order to emphasize that the entire supply chain must comply with our requirements, the issue of human rights, the possibility of an audit and the transmission of responsibility to second-tier suppliers were added to the Company's Terms and Conditions and its Code of Conduct.

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

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

To control the supply chain sustainably and to verify compliance with standards, we use a digital procurement platform that is linked to a risk management and ESG risk management platform (see section 5.1, pp. 64-65). The supply chain management team is responsible for compliance with environmental and social standards in the supply chain.

Risk management system established

The SPHERA-SCM risk management software introduced in 2022 (previously "Riskmethods") has established itself as an integral component of supplier management. By linking with a separate ESG system, it gives the supply chain management team complete transparency regarding all human rights and environment-related events at suppliers. This integration allows a complete overview and helps the team to determine appropriate countermeasures.

Outlook

In collaboration with our strategic suppliers, we are currently working on additional targets for the procurement of sustainable materials. Cross-departmental discussions are also ongoing to use the ESG system for conflict materials, cobalt, and mica, REACH and also ROHS to improve efficiency within the Company and at suppliers. The aim is to operate free from conflict minerals, other dangers or environmentally harmful materials.

GOALS

– 20 % reduction in carbon emissions within the global supply chain (upstream) by 2030 compared with the baseline year of 2021

– Increase in the recycled content of raw materials

5.3 Working conditions and human rights

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

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

Our strategic approach

GRAMMER is committed to the core labor standards defined by the International Labour Organization (ILO) and the UN Universal Declaration of Human Rights. To emphasize its commitment to fair working conditions, GRAMMER's Executive Board has made a Human Rights Policy that can be viewed on the website. At all our plants around the world, we are introducing a management system for occupational health and safety according to ISO 45001 and thus guaranteeing fair and safe working conditions within the Company (see section 6.4, pp. 70-71). Moreover, we have created the position of a human rights officer who reports directly to the Executive Board.

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

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

A grievance mechanism has been set up as well: Employees and external stakeholders can report breaches of our standards anonymously using a complaints system. A position was established for this purpose in Legal, who contacts the Office for SCM Governance and Processes on receipt of reports from suppliers. We investigate any information received thoroughly and systematically, and we take appropriate action where necessary. This is the responsibility of an interdisciplinary team consisting of representatives from Compliance, Legal, HR and the Executive Board (see section 2.1, p. 55).

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

Compliance e-learning launched

In 2022, we launched mandatory e-learning on "Compliance," which also covers human rights issues. Currently, all material cases relating to the German Supply Chain Due Diligence Act are examined in a multi-departmental team with representatives from CSR, Compliance, Legal and Supply Chain Management; in the event of suppliers deviating from or violating the Act, the matter will be investigated immediately. A mechanism for measures was implemented in the ESG system to document and remedy such cases for this purpose.

Outlook

The certification of occupational health and safety systems at all GRAMMER plants in accordance with ISO 45001 will be completed by the end of 2024. 77% of all plants are currently certified.

6. Employees and community

Above all, GRAMMER owes its success as a company to the performance and dedication of its global team: With great personal commitment, GRAMMER's 14,000 or so employees around the world develop and produce solutions and innovations that make mobility safer, more comfortable and more sustainable for millions of people. We therefore attach great importance to the well-being of GRAMMER's employees – and to them all having the same opportunities to achieve their full potential. Responsibility as a corporate citizen is also an important part of our sustainability concept. GRAMMER therefore supports social and cultural initiatives all over the world.

6.1 Employee satisfaction

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

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

Our strategic approach

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

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

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

C O D E

Collaboration
We support each other to achieve our common goals as one team.

Openness
We communicate in a timely, transparent and respectful manner.

Drive
We are always working with energy, speed and the dedication to deliver.

Empowerment
We enable employees to take ownership.

TRUST & RESPECT

atically linked to sustainability concepts. The four CODE principles create the framework for respectful and trusting interactions. Various, sometimes mandatory, training courses, coaching sessions and workshops for management and employees help to ensure that the principles are put into practice throughout the Company and that the culture of mutual appreciation continues to grow. To this end, numerous workshops based on the WoW method were held in 2023. They focused on strategy, team development and worker participation.

WoW maturity checks were also carried out with the aim of determining the degree to which WoW culture has been implemented and providing help in the form of training or advice. We carry out company-wide surveys to assess employee satisfaction. This evaluates aspects that are key to employee motivation and loyalty, and areas for improvement are derived from the feedback. Various global, regional and local projects have already been launched on the basis of the results.

Next Generation Day: tomorrow's specialists

The first GRAMMER Next Generation Day was organized in November 2023 in order to guarantee that we secure the specialists we need in the long term and to publicize the opportunities available at GRAMMER. Approximately 100 children of employees aged between 10 and 17 were invited to spend an interesting, varied day at GRAMMER and subsequently become familiar with their parents' jobs. The extremely positive feedback from the group of young participants and their parents is evidence of the huge success of the event.

Outlook

In 2024, we want to further enhance our employee satisfaction and will continually implement the measures derived from the employee survey globally.

Since the end of 2023, employees from all three regions have been trained as WoW ambassadors and given the necessary skills to continue promoting WoW and the WoW Code. Employees will start their own training and briefings from the second quarter of 2024.

6.2 Employee development

Qualified and motivated employees are a key building block for GRAMMER's success. This is why we encourage the development of skills at all locations around the world – and see ourselves as a learning organization.

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

Our strategic approach

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

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

The average number of training hours per employee in Germany was 15 in 2023.

We wish to fill most key positions from within our own organization. Two advancement programs have therefore been developed specifically for managers and young professionals: The Talent Circle is designed for talented staff with the potential to progress to senior positions and responsibilities, while the Way of Leading program teaches managers the principles of leadership and employee development.

In conjunction with performance appraisals, development interviews are conducted between all employees and their respective managers at least once a year. Together, they analyze development requirements, define goals and agree corresponding training activities. These development interviews are based partly on our Group-wide succession planning, which is being devised as part of the talent management process applicable around the world.

We have also created the necessary transparency regarding vacant positions, both externally and internally, through the successful introduction of a new e-recruitment system. This gives all employees the chance to recognize and seize development and career opportunities.

Outlook

In the coming year, we want to continue developing programs for managers, young professionals and specialists. Our range of virtual training and face-to-face training, coaching and mentoring is to be expanded as well. There are plans in the next few years to make our GRAMMER Academy e-learning platform available to employees at the plants as well.

6.3 Diversity and equal opportunities

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

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

Our strategic approach

We do not see diversity as a passing fad – it is the reality we practice and has been for decades: The GRAMMER Group has 44 production and logistics facilities in 19 countries. Its workforce is correspondingly international and diverse. We actively encourage openness and respectful, appreciative interactions: In 2006, GRAMMER became one of the first companies to sign the Diversity Charter – thereby making a commitment to advocating for diversity and appreciation in the workplace. Equal opportunities for all employees are enshrined in the Code of Conduct. We take action against any form of discrimination or harassment at work – whether on the basis of ethnic origin, gender, religion or ideology, disability, age or sexual identity. Employees can report any incidents to the Compliance department using an internal whistleblower system. Intercultural training sessions, language courses and team-building exercises are offered for employees around the world to foster openness and a mutual understanding in mixed teams.

We seek a reasonable gender balance and support and encourage women at the Company. The share of women at GRAMMER is currently around 44%. The goal of keeping the global percentage of women at around 45% remains in effect. The target of 33% for the representation of women for listed companies was surpassed within the Executive Board. The global share of women in management positions at the first management level below the Executive Board is currently around 16.7%. Great importance is attached to equality in employee remuneration: We regularly review salary levels to ensure that women and men receive the same pay for the same performance. The internal net work of women, "Ladies@GRAMMER", enhances the professional sharing of experiences, provides the opportunity for mutual support and facilitates the transfer of expertise.

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

The GRAMMER Diversity Week 2023 to mark the 11th German Diversity Day of the Diversity Charter in May addressed the issue of unconscious bias. A global campaign and numerous campaigns on various communication channels raised employees' awareness of this issue. A new e-learning module prepared especially for GRAMMER proved very popular. An area of the intranet focusing on diversity, equity, inclusion & belonging (DEIB) was significantly expanded to ensure information is accessible at all times. A global team will also devise a DEIB strategy including focus issues by the end of 2025.

Outlook

The percentage of women in global top management is to be increased to 20% by 2030. Depending on the issue, we will gradually implement the defined issues and measures in national project groups over the coming year. Our internal campaign and our range of DEIB training opportunities will also continue in 2024.

GOAL

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

6.4 Occupational health and safety

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

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

Our strategic approach

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

GRAMMER has its health and safety certified in order to effectively integrate occupational health and safety into day-to-day practice: The ISO 45001 standard will gradually be implemented in all regions around the world. The certification rate currently stands at 77%.

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

We measure the frequency of accidents in the Company using the lost time incident frequency rate (LTIFR). This measures the number of reportable accidents with at least one day of work lost per million hours worked in the GRAMMER Group worldwide. The LTIFR provides a visualization of the trend in the number of accidents over time. In the past few years, we have succeeded in steadily reducing the accident frequency rate from 6.17 (2020) to 4.04 (2021), 3.33 (2022) and 2.27 in the reporting year. The goal of continually reducing the LTIFR was thus achieved – which demonstrates that the steps taken are effective and that the culture of health and safety at GRAMMER is constantly improving. The global LTIFR target is reduced each year compared to the figure for the previous year.

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

GRAMMER attaches great importance to the mental wellbeing of its employees as well. We therefore offer professional support for social issues (see section 6.1, pp. 67-68). In many regions, services have been set up to offer employees advice on, for example, particular life situations or matters of work-life balance. We work with renowned external partners to ensure absolute confidentiality regarding sensitive issues.

ISO 45001 certification at facilities

Good progress was made in the ISO 45001 certification of our facilities in 2023: 77% of all facilities around the world have now been certified. In addition, a uniform structure was established for the health and safety organization at all locations and the new organization was almost entirely put into practice. We have implemented occupational health and safety software, which digitally and centrally records relevant data, manages occupational health and safety and tracks trends within the Company.

Global focus on safety and health

We hold campaign days, such as the "World Day for Safety and Health at Work", "World First Aid Day" and "Fire Prevention Day" at our facilities around the world throughout the year. In addition to providing lots of information, these include practical exercises for all employees, which were met with a great deal of interest.

For example, our Mexican facilities established a comprehensive program for employees to mark World Health Day on April 7. In addition to lectures on physical health or childhood cancer, colleagues could be tested for HIV or receive vaccinations.

The COVID pandemic kept us busy in 2023 as well. In addition to implementing all statutory requirements in the individual countries and providing regular testing and vaccination campaigns, GRAMMER took extra measures to reduce the risk of infection within the Company. Contact events were reduced and the risk of spreading the disease was avoided by remote working, less business travel and the restriction of outside visitors.

The measures to improve occupational health and safety were effective: We achieved the goal of an LTIFR of less than 4.5 in all regions and the goal of an absence rate of less than 5%: This was 4.17% in 2023 after 4.41% in the previous year.

Outlook

The ISO 45001 certification of all GRAMMER locations is to be completed by the end of 2024. We also intend to finalize the implementation of the uniform health and safety organization in all locations. Moreover, various information campaigns and health and safety training events will be organized to further reduce the number of accidents and to promote the health of our employees.

GOAL

– Introduction of ISO 45001 occupational health and safety certification at all GRAMMER locations by the end of 2024

6.5 Social Commitment

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

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

Our strategic approach

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

In order to even better combine individual employee engagement at locations with the Company's support, a rough concept has been drawn up that we will develop further. The Strategy, Marketing, Communication and CSR department is responsible for social engagement at GRAMMER.

Global social initiatives

GRAMMER was again involved in social projects around the world in 2023. We carried out various activities as part of the "Green GRAMMER Week" at our Brazilian plant in Atibaia, including promoting environmental awareness in children aged from 6 to 10. Recyclable materials such as foam, textiles and pallet wood were used there to make products for donation. We started a children's summer camp in Beijing (China) to inspire and promote interest in science and environmentally friendly technology among the younger generation. These initiatives in Atibaia and Beijing successfully combine social and environmental aspects and reflect our commitment as a "Sustainable Company."

Employees participated in a special initiative at the Ursensollen and Haselmühl (Germany) plants. GRAMMER employees fulfilled the Christmas wishes of children from low-income families under the motto "Wish Tree." In total 242 packages were handed over to give these children a special, joyful Christmas. This campaign emphasizes our commitment to social responsibility and sustainability.

In response to the severe earthquake in Turkey and Syria at the beginning of February 2023, GRAMMER donated EUR 10,000 to Aktion Deutschland Hilft e.V. – a relief organization active on the ground in crisis regions. This financial support helped provide immediate assistance.

Outlook

In 2024, we intend to continue supporting our employees' volunteer work around the world, devise a comprehensive concept for social engagement and embed the issue even more deeply into the Company's structures.

GOALS

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

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

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

7.1 Background and objectives

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

7.2 Reporting by GRAMMER AG for the 2023 financial year

For the 2023 financial year, for the third year in a row, GRAMMER AG must report on the two environmental objectives of "climate change mitigation" and "climate change adaptation." The reporting obligation includes disclosures on the shares of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that relate to Taxonomy-eligible and non-Taxonomy-eligible economic activities as well as disclosures on the share of existing and newly added Taxonomy-aligned economic activities of the above-mentioned performance indicators.

For the other environmental objectives "water and marine resources," "circular economy," "pollution prevention" and "biodiversity and ecosystems," disclosures must be provided on the shares of turnover, CapEx and OpEx that relate to Taxonomy-eligible and non-Taxonomy-eligible economic activities for the 2023 financial year. The disclosures take into account all the companies consolidated in the consolidated financial statements.

7.3 Taxonomy-eligible economic activities

GRAMMER AG operates in two business segments: GRAMMER develops and produces high-quality interior and operating systems and innovative thermoplastic components for the global automotive industry. GRAMMER produces driver and passenger seats for trucks, buses, trains and commercial vehicles.

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

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

All relevant business areas were taken into account in the review of the Taxonomy eligibility of GRAMMER's economic activities. A central result was that GRAMMER's primary economic activities can be assigned to the two activities 3.18. Manufacture of automotive and mobility components and 3.19. Manufacture of rail rolling stock constituents. The economic activities of GRAMMER AG must therefore be assigned to the NACE codes C.29.3 Manufacture of parts and accessories for motor vehicles and C.30.2 Manufacture of railway locomotives and rolling stock.

The following economic activities with the corresponding NACE codes were also identified as part of GRAMMER AG's activities:

6.5. Transport by motorbikes, passenger cars and light commercial vehicles (N77.11 Renting and leasing of cars and light motor vehicles – with total weight of 3.5 t or less)

7.3. Installation, maintenance and repair of energy efficiency equipment (F43.2 Electrical, plumbing and other construction installation activities)

7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and on parking spaces attached to buildings) (F42 Civil engineering)

7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (F43.2 Construction installation)

7.6. Installation, maintenance and repair of renewable energy technologies (F42 Civil engineering)

7.7. Acquisition and ownership of buildings (F41.1 Development of building projects; developer, F41.2 Construction of residential and non-residential buildings)

9.1. Close to market research, development and innovation (M72.1 Research and experimental development on natural sciences, engineering, agriculture and medicine)

7.4 Alignment assessment

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

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

The audit procedures for the substantial contribution, the criteria for avoiding significant harm and the minimum safeguards were only performed for sites within the EU, as in the reporting year only the costs incurred at sites in EU member states can be classified as sustainable and are directly related to taxonomy-aligned activities.

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

7.5 Taxonomy-eligible and Taxonomy-aligned turnover

As outlined, GRAMMER is pursuing ambitious sustainability goals with its activities. GRAMMER's main economic activities are the economic activities 3.18. Manufacture of automotive and mobility components and 3.19. Manufacture of rail rolling stock constituents. In this regard, the share of taxonomy-eligible turnover is 8.19 % and the share of taxonomy-aligned turnover is 1.87% (see table on p. 74).

7.6 Taxonomy-eligible and Taxonomy-aligned CapEx and OpEx

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

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

The share of Taxonomy-eligible CapEx was calculated as 17.17 % and the share of Taxonomy-aligned CapEx as 2.03 % (see tables on pp. 76-77).

The share of Taxonomy-eligible OpEx was calculated as 8.19 % and the share of Taxonomy-aligned OpEx as 0.68 % (see table on p. 80).

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (1/2)

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)
		EUR m	%	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacture of automotive and mobility components	CCM 3.18	38.20	1.66	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	4.92	0.21	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		43.12	1.87						
Of which enabling		43.12							
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of other low carbon technologies	CCM 3.18	143.53	6.23	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	2.23	0.10	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		145.76	6.32						
Total (A.1 + A.2)		**188.88**	**8.19**						

B. Taxonomy-non-eligible activities			
Turnover of Taxonomy-non-eligible activities (B)		2,116.01	91.81
Total (A+B)		**2,304.89**	**100.00**

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (2/2)

Economic activities (1)	DNSH criteria ("Does Not Significantly Harm") Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category „enabling activity" (19)	Category „transitional activity" (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities										
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
Manufacture of automotive and mobility components	N/A	Y	Y	Y	Y	Y	Y	0.00	E	
Manufacture of rail constituents	N/A	Y	Y	Y	Y	Y	Y	0.00	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)										
Of which enabling									E	
Of which transitional										T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of other low carbon technologies								0.00		
Manufacture of rail constituents								0.00		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)										
Total (A.1 + A.2)										

	Proportion of turnover/Total turnover aligned per objective	eligible per objective
CCM	1.87%	8.19%
CCA	0%	0%
WTR	0%	0%

	Proportion of turnover/Total turnover aligned per objective	eligible per objective
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (1/2)

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)
		EUR m	%	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacture of automotive and mobility components	CCM 3.18	1.45	1.50	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	0.18	0.19	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.05	0.05	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.21	0.22	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.05	0.05	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Close to market research, development and innovation	CCM 9.1	0.02	0.02	Y	N/EL	N/EL	N/EL	N/EL	N/EL
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1.97	2.03						
Of which enabling		1.97							
Of which transitional									

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (1/2)

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)
		EUR m	%	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of automotive and mobility components	CCM 3.18	5.45	5.61	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	0.09	0.09	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7	5.76	5.93	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.22	0.22	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	3.10	3.19	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Close to market research, development and innovation	CCM 9.1	0.09	0.09	EL	N/EL	N/EL	N/EL	N/EL	N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		14.70	15.14						
Total (A.1 + A.2)		**16.66**	**17.17**						

B. Taxonomy-non-eligible activities			
CapEx of Taxonomy-non-eligible activities (B)		80.41	82.83
Total (A+B)		**97.07**	**100**

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (2/2)

Economic activities (1)	DNSH criteria ("Does Not Significantly Harm") Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year N-1 (18)	Category „enabling activity" (19)	Category „transitional activity" (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities										
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
Manufacture of automotive and mobility components		Y	Y	Y	Y	Y	Y	0.00	E	
Manufacture of rail constituents		Y	Y	Y	Y	Y	Y	0.00	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings		Y	Y	Y	Y	Y	Y	0.00	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		Y	Y	Y	Y	Y	Y	0.00	E	
Installation, maintenance and repair of renewable energy technologies		Y	Y	Y	Y	Y	Y	0.00	E	
Close to market research, development and innovation		Y	Y	Y	Y	Y	Y	0.00	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)								0.00		
Of which enabling									E	
Of which transitional										T

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (2/2)

	DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year N-1 (18)	Category „enabling activity" (19)	Category „transitional activity" (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of automotive and mobility components								0.00		
Manufacture of rail constituents								0.00		
Installation, maintenance and repair of charging stations for electric vehicles in buildings								1.07		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings								0.09		
Installation, maintenance and repair of renewable energy technologies								0.00		
Close to market research, development and innovation								0.00		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								1.16		
Total (A.1 + A.2)										

	Proportion of CapEx/Total CapEx	
	aligned per objective	eligible per objective
CCM	2.03%	17.17%
CCA	0%	0%
WTR	0%	0%

	Proportion of CapEx/Total CapEx	
	aligned per objective	eligible per objective
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (1/2)

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)
		EUR m	%	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)	(Y;N; N/EL)
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Manufacture of automotive and mobility components	CCM 3.18	0.44	0.60	Y	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	0.06	0.08	Y	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.50**	**0.68**						
Of which enabling		**0.50**							
Of which transitional									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Manufacture of automotive and mobility components	CCM 3.18	5.35	7.28	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail constituents	CCM 3.19	0.17	0.23	EL	N/EL	N/EL	N/EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5.52	7.51						
Total (A.1 + A.2)		**6.02**	**8.19**						

B. Taxonomy-non-eligible activities			
OpEx of Taxonomy-non-eligible activities (B)		67.51	91.81
Total (A+B)		**73.53**	**100.00**

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023 (2/2)

Economic activities (1)	DNSH criteria ("Does Not Significantly Harm") Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 (18)	Category "enabling activity" (19)	Category "transitional activity" (20)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activities										
A.1 Environmentally sustainable activities (Taxonomy-aligned)										
Manufacture of automotive and mobility components	N/A	Y	Y	Y	Y	Y	Y	0.00	E	
Manufacture of rail constituents	N/A	Y	Y	Y	Y	Y	Y	0.00	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)										
Of which enabling									E	
Of which transitional										T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
Manufacture of automotive and mobility components								0.00		
Manufacture of rail constituents								0.00		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)								**0.19**		
Total (A.1 + A.2)										

	Proportion of OpEx/Total OpEx aligned per objective	eligible per objective
CCM	0.68%	8.19%
CCA	0%	0%
WTR	0%	0%

	Proportion of OpEx/Total OpEx aligned per objective	eligible per objective
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

8. About this report

Basis of reporting
This combined separate non-financial report (NFR) has been prepared in accordance with the requirements of sections 315b and 315c in conjunction with sections 289c to 289e HGB for the 2023 financial year (January 1, 2023 to December 31, 2023). It contains the disclosures required by law on material matters pertaining to the environment, employees, social concerns, observance of human rights and anti-corruption and anti-bribery precautions. In addition, it discloses material risks in accordance with section 289c(3) no. 3 and 4 HGB where these are necessary for an understanding of the Group's business performance, results of operations and position as well as the impact on non-financial aspects. The mandatory disclosures pursuant to Article 8 of the EU Taxonomy Regulation 2020/852 are also included.

This report is the combined separate declaration for the GRAMMER Group and GRAMMER AG for the 2023 financial year in accordance with sections 289b and 315b HGB, which is made available to the general public on the Company's website under Company > Sustainability & social responsibility > Separate non-financial report.

The content deadline for the 2023 NFR was March 13, 2024. This NFR is available in both German and English. The German version takes precedence in the event of any discrepancies.

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

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

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

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

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

Index Corporate Governance

CORPORATE GOVERNANCE

GRAMMER AG – Corporate Governance Declaration pursuant to sections 289f and 315d HGB

In this declaration, the Executive Board and Supervisory Board report on the Company's corporate governance in the financial year from January 1 to December 31, 2023, in accordance with sections 289f, 315d HGB and as stipulated in principle 23 of the German Corporate Governance Code (the Code). Further information on corporate governance – such as the Company's Articles of Association, the Supervisory Board's Rules of Procedure and the corporate governance declarations from previous financial years – are also available on the GRAMMER AG website at https://www.grammer.com/investor-relations/corporate-governance/

1. Declaration of conformity with the German Corporate Governance Code

The Executive Board and Supervisory Board of GRAMMER AG have approved the following declaration in accordance with section 161 AktG as of December 19, 2023:

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

Since issuing the last declaration of conformity on December 20, 2022, the Company has conformed to all recommendations of the Government Commission on the German Corporate Governance Code in the version dated April 28, 2022, published in the official section of Bundesanzeiger on June 27, 2022, announced by the Federal Ministry of Justice and Consumer Protection in the official section of Bundesanzeiger and will continue to comply with these in the future

Ursensollen, December 19, 2023

GRAMMER Aktiengesellschaft

The Executive Board The Supervisory Board"

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

2. Remuneration report/remuneration system

The remuneration report for the last financial year and the auditor's report in accordance with section 162 AktG, the remuneration system in place for members of the Executive Board in accordance with section 87a(1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on June 23, 2021, and the resolution passed by the Annual General Meeting on May 18, 2022, in accordance with section 113(3) AktG on remuneration for members of the Supervisory Board are available to the public at https://www.grammer.com/investor-relations/corporate-governance/.

3. Information on corporate governance practices

Suggestions of the Code

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

GRAMMER Code of Conduct

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

Compliance management system

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

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

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

The Executive Board

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

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

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

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

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

The Executive Board of GRAMMER AG comprised the following members in the financial year:

Jens Öhlenschläger Spokesman of the Executive Board, member of the Executive Board since January 1, 2019, appointed until December 31, 2026	Responsibilities (as of December 31, 2023): Strategy & CSR, Operations, Sales & Projects, Supply Chain Management, Research & Development, Quality Management & HSE
Jurate Keblyte Member of the Executive Board since August 1, 2019, Human Resources Director, appointed until June 30, 2027	Responsibilities (as of December 31, 2023): Accounting & Controlling, Finance & Treasury, Investor Relations, Human Resources, Legal & Compliance, IT, Risk Management

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

The Supervisory Board

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

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

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

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

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

Supervisory Board committees

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

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

The Audit Committee's members in the reporting year were:

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

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

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

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

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

The members of the Personnel and Mediation Committee in the reporting year were:

- Gabriele Sons (Chairwoman)
- Dr. Martin Kleinschmitt
- Udo Fechtner (since October 1, 2023)
- Martin Heiß
- Horst Ott (until September 30, 2023)

The main task of the Strategy Committee is to advise the Executive Board on the Company's ongoing strategic development in relation to the corporate strategy and projects of strategic relevance and to monitor their implementation.

The Strategy Committee's members in the reporting year were:

- Prof. Dr. Birgit Vogel-Heuser (Chairwoman)
- Dr. Martin Kleinschmitt
- Udo Fechtner (since October 1, 2023)
- Martin Heiß
- Horst Ott (until September 30, 2023)

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

The Nomination Committee's members in the reporting year were:

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

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

The Chairman's Committee's members in the reporting year were:

- Dr. Martin Kleinschmitt
- Udo Fechtner (since October 1, 2023)
- Horst Ott (until September 30, 2023)

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

Supervisory Board self-assessment

The Supervisory Board and its committees regularly review, either internally or with the involvement of external advisors, how effectively the Supervisory Board as a whole and its committees are performing their duties. With the assistance of an external advisor, the Supervisory Board conducted a self-assessment in the 2023 financial year that incorporated the perspectives of the Audit Committee, the Strategy Committee, the Personnel and Mediation Committee and the Executive Board and discussed its findings and resulting measures at its meeting on November 14, 2023.

The overall result of the 2023 self-assessment was very high and better than in the previous year, confirming the constructive collaboration within the Supervisory Board and with the Executive Board. The composition and structure of the Supervisory Board, including the committees, are considered effective and efficient. There was no evidence that fundamental changes are needed, although the board's strategic work in particular should be further strengthened and sustainability monitoring expanded. Individual recommendations for action to further optimize the work of the Supervisory Board are also taken on board and implemented throughout the year.

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

When filling management positions within the Company, the Executive Board pays attention to diversity and strives, in particular, to give appropriate consideration to women and an international background. In line with statutory requirements in Germany, the Executive Board has set targets for the share of women at GRAMMER AG in the two management levels below the Executive Board within the meaning of section 76(4) AktG of 15% for the first management level below the Executive Board and 20% for the second level below the Executive Board by September 30, 2025. As of December 31, 2023, 16.7% of those employed at the first management level below the Executive Board and 13.2% at the second level were women. This is higher than the target set for the first management level, although the target for the second management level below the Executive Board was not achieved as of December 31, 2023. This was primarily because, despite concerted efforts to change this, there were often no or no suitable applications received from women and so men were typically hired to fill vacancies.

As the Executive Board of GRAMMER AG had two members in the financial year, the minimum quota requirement of section 76(3a) AktG does not apply. In accordance with section 111 (5) AktG, in 2020 the Supervisory Board set the target of 33% for the share of women on the GRAMMER AG Executive Board by December 31, 2023. The Executive Board of GRAMMER AG comprised one woman and one man in the 2023 financial year, meaning that the target was exceeded. Regardless of this, giving consideration to women is a material aspect of the Supervisory Board's long-term succession planning for the Executive Board. It considers the Company's executive planning and takes account of diversity. In the reporting year, the Supervisory Board set a minimum target of 33% for the share of women on the Executive Board by December 31, 2028. This becomes effective from January 1, 2024.

There were five women and seven men on the Supervisory Board in the reporting year, in line with statutory minimum representation requirements pursuant to section 96(2) AktG.

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

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

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

- In addition to the specific technical knowledge and management and leadership experience required for the task in question, the members of the Executive Board should possess as broad a range of knowledge and experience as possible as well as educational and professional backgrounds.
- With a view to the Company's international orientation, the composition of the Executive Board should take into account international profiles in the sense of different cultural backgrounds or international experience.
- The Executive Board as a whole should have experience in the business segments that are important for GRAMMER, particularly the industrial and automotive sectors.

- The Executive Board as a whole should have many years of experience in research and development, technology, purchasing, production and sales, finance, as well as legal matters (including compliance) and human resources.
- Diversity also refers to gender diversity. The minimum quota requirement of section 76(3a) AktG does not currently apply to the Executive Board of GRAMMER AG. When Executive Board positions are filled, the target set by the Supervisory Board in accordance with section 111(5) AktG for the representation of women on the Executive Board must be taken into account. The Supervisory Board has set a minimum target of 33% for the representation of women on the Executive Board.
- It is considered helpful to have different age groups represented on the Executive Board. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board has set an age limit for the members of the Executive Board. Consequently, persons appointed to the Executive Board should not be older than 63 at the time of their initial or reappointment.

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

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

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

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

Long-term succession planning for the Executive Board

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

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

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

Shareholder representatives on the Supervisory Board are nominated by the Supervisory Board and elected by the Annual General Meeting. Employee representatives on the GRAMMER AG Supervisory Board are elected in accordance with the provisions of the German Codetermination Act and comprise four employee representatives from the company, including one senior executive and two trade union representatives. The Supervisory Board does not have any statutory nomination rights in the election of employee representatives to the Supervisory Board. In view of this and the recommendations and suggestions of the German Corporate Governance Code (the Code), the following skills profile is to be taken into account for the composition of the Supervisory Board and when proposing Supervisory Board candidates to the Annual General Meeting.

Competence profile

Based on their knowledge, skills and experience, the candidates proposed for election to the Supervisory Board should be able to perform the duties of a Supervisory Board member in an internationally active and capital market-oriented company and safeguard the GRAMMER Group's public reputation. Particular attention should be paid to the personality, integrity and commitment of the proposed candidates here. The aim is for the Supervisory Board as a whole to possess all the knowledge and experience considered essential in view of GRAMMER's activities.

As well as experience in management and leadership, this also includes strategy, market development, business development and corporate development and organization. Industry and sector knowledge in business segments specific to GRAMMER, a knowledge of operations and operational excellence, new technologies, products and services and digitalization, IT and software are also important. Experience in sales, marketing, human resources and new work is also considered relevant.

The Supervisory Board has also made a commitment to further developing its ESG and sustainability expertise. Extensive knowledge of legal, compliance and corporate governance issues and experience on (other) advisory or supervisory boards are also considered key criteria by the Supervisory Board in determining its composition.

Knowledge of the following areas are particularly relevant for members of the Audit Committee but also for the Supervisory Board as a whole: Control systems (CMS, RMS, ICS and internal audit), accounting, financial statement auditing, restructuring and transformation and financing and capital markets. Under the German Stock Corporation Act, at least one member of the Supervisory Board must be an expert in the area of accounting and at least one additional member of the Supervisory Board must be an expert in auditing. Expertise in the area of accounting should take the form of particular knowledge and experience in the application of accounting principles and internal control and risk management systems and expertise in auditing in the form of particular knowledge and experience of auditing. Accounting and auditing also include sustainability reporting and auditing of this reporting. The Chairman of the Audit Committee should be knowledgeable and independent in at least one of the two areas.

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

Diversity

Sufficient diversity should be ensured in the composition of the Supervisory Board. In addition to the appropriate representation of both genders, this also includes diversity with regard to the age structure, nationality, international experience and the diversity of educational and professional backgrounds, experience and ways of thinking. When considering potential candidates for by-election or replacement for positions on the Supervisory Board that become vacant, the aspect of diversity should be given appropriate consideration at an early stage of the selection process. With a view to the Company's international orientation, it should be ensured in particular that the Supervisory Board has a sufficient number of members with international experience.

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

Independence

The Supervisory Board should have an appropriate number of independent members (according to its own definition of appropriate), taking into account the shareholder structure. The Supervisory Board defines independence on the basis of the German Corporate Governance Code. More than half of the shareholder representatives should be independent of the Company and the Executive Board. Significant conflicts of interest that are not merely temporary should be avoided. No more than two former members of GRAMMER AG's Executive Board are permitted to hold seats on the Supervisory Board. The members of the Supervisory Board should have sufficient time to exercise their mandate with the requisite regularity and diligence.

Age limit

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

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

Supervisory Board as well as its Nomination Committee, take into account the objectives for the composition of the Supervisory Board and the requirements set out in the diversity policy during the selection process and the nomination of candidates for the Supervisory Board.

The Supervisory Board believes that its current composition meets the targets with respect to composition and fulfills the competence profile and diversity policy. The members of the Supervisory Board have the professional and personal qualifications deemed necessary. The members of the Supervisory Board as a whole are familiar with the sector in which the Company operates and possess the knowledge, skills and experience considered necessary for GRAMMER in these areas, in particular management and leadership, strategy, market and corporate development, human resources, ESG and sustainability, legal issues, compliance and corporate governance, restructuring and transformation, and have experience on (other) advisory or supervisory boards. Some of the Supervisory Board members work internationally or have many years of international experience. Diversity is duly taken into account in the composition of the Supervisory Board. The Supervisory Board had five female members in the reporting year, including three shareholder representatives and two employee representatives. The share of Women on the Supervisory Board is therefore 41.7%. The shareholder representatives believe that all six shareholder representative members are independent within the meaning of the Code. The defined age limit is observed.

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

Qualification matrix – Shareholder representatives

as of December 31, 2023

		Dr. Martin Kleinschmitt	Dr.-Ing. Ping He	Jürgen Kostanjevec	Dagmar Rehm	Gabriele Sons	Prof. Dr.-Ing. Birgit Vogel-Heuser
	Member since/elected until	**2022/2025**	**2020/2025**	**2020/2025**	**2022/2025**	**2020/2025**	**2017/2025**
Function	Supervisory Board	Chairman	Member	Member	Member	Member	Member
	Audit Committee	Member			Chairwoman		
	Nomination Committee			Member		Chairwoman	Member
	Personnel and Mediation Committee	Member				Chairwoman	
	Strategy Committee	Member					Chairwoman
	Chairman's Committee	Member					
Independence	Independence according to DCGK	yes	yes	yes	yes	yes	yes
Diversity	Sex	male	male	male	female	female	female
	Age cluster	56 – 65	66 – 75	56 – 65	56 – 65	56 – 65	56 – 65
	Nationality	German	Chinese	German	German	German	German
	International Experience	✓	✓	✓	✓	✓	✓
	Educational background	Lawyer	Engineer	Engineer	Economist	Lawyer	Engineer
Professional competences	Management/Leadership	✓		✓	✓	✓	✓
	Strategy / Market Development / Business Devel.		✓	✓	✓		✓
	Corporate development and -organization	✓		✓	✓	✓	✓
	Industry and sector knowledge in GRAMMER business segments (global perspective)	✓	✓	✓			
	Operations / Operational Excellence			✓			✓
	New technologies, products and services		✓				✓
	Digitalization / IT / Software		✓				✓
	Sales / Marketing			✓			✓
	Human Resources/New Work	✓				✓	
	ESG / Sustainability	✓	✓	✓	✓	✓	
	Legal / Compliance / Corporate Governance	✓		✓	✓	✓	
	Control systems (CMS, RMS, ICS, internal audit)	✓		✓	✓		

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

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

Qualification matrix – Employee representatives

as of December 31, 2023

		Udo Fechtner	Klaus Bauer	Andrea Elsner	Martin Heiß	Peter Kern	Antje Wagner
	Member since/elected until	**2023/2025**	**2020/2025**	**2015/2025**	**2015/2025**	**2020/2025**	**2019/2025**
Function	Supervisory Board	Deputy Chairman	Member	Member	Member	Member	Member
	Audit Committee			Member			Member
	Nomination Committee						
	Personnel and Mediation Committee	Member			Member		
	Strategy Committee	Member			Member		
	Chairman's Committee	Member					
Independence	Independence according to DCGK	–	–	–	–	–	–
Diversity	Sex	male	male	female	male	male	female
	Age cluster	56 – 65	46 – 55	36 – 45	46 – 55	56 – 65	56 – 65
	Nationality	German	German	German	German	German	German
	International Experience						
	Educational background	Toolmaker	Engineer	Industrial clerk	Data processing clerk	Building fitter	Lawyer
Professional competences	Management/Leadership	✓	✓		✓	✓	✓
	Strategy / Market Development / Business Devel.	✓					
	Corporate development and -organization	✓					
	Industry and sector knowledge in GRAMMER business segments (global perspective)	✓	✓	✓		✓	
	Operations / Operational Excellence	✓	✓				
	New technologies, products and services	✓					
	Digitalization / IT / Software				✓		
	Sales / Marketing			✓			
	Human Resources/New Work	✓		✓	✓	✓	✓
	ESG / Sustainability		✓				
	Legal / Compliance / Corporate Governance	✓					✓
	Control systems (CMS, RMS, ICS, internal audit)	✓					

		Udo Fechtner	Klaus Bauer	Andrea Elsner	Martin Heiß	Peter Kern	Antje Wagner
Professional competences	Accounting						
	Financial audit						
	Restructuring / Transformation	✓		✓			✓
	Financing / Capital Markets						
	Experience in Advisory or Supervisory boards	✓		✓	✓		✓
Proven Expert	Financial expert pursuant to Sec. 100 (5) AktG						
	Accounting Expert						
	Audit Expert						
	ESG Expertise according to DCGK						

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

8. Directors' dealings

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

9. Annual General Meeting and shareholder communication

The shareholders exercise their rights at the Annual General Meeting. In accordance with Article 22(5) of the Articles of Association, the Executive Board is authorized to hold the annual general meetings until May 9, 2028 without the physical presence of the shareholders or their proxies at the location of the Annual General Meeting (virtual Annual General Meeting).

At the Annual General Meeting, the shareholders pass resolutions on the appropriation of profits, the ratification of the actions of the members of the Executive Board and the Supervisory Board and the election of the auditors, among other things. The shareholders pass resolutions on amendments to the Articles of Association and capital measures, which are duly implemented by the Executive Board. The Annual General Meeting passes resolutions on the approval of the Executive Board remuneration system, Supervisory Board remuneration and on the approval of the remuneration report.

By using electronic means of communication, primarily the internet, Executive Board makes it easier for shareholders to take part in the Annual General Meeting and be represented by voting proxies when exercising their voting rights in accordance with the instructions issued; the voting proxies can also be reached during the Annual General Meeting. Shareholders may also cast their votes in writing or electronically (postal vote). They can submit motions on resolutions proposed by the Executive Board and Supervisory Board and contest resolutions passed at the Annual General Meeting.

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

The Annual General Meeting on May 10, 2023 was held in person again for the first time since 2020.

As part of the investor relations work, the Company provides comprehensive information on developments at the Company. Among other things, quarterly statements, half-yearly financial and annual reports, ad hoc disclosures, analyst presentations, press releases and the financial calendar for the current year, which includes the publication dates for key financial communications and the date of the Annual General Meeting, are published at https://www.grammer.com/en/investor-relations/. GRAMMER AG's Articles of Association and the Rules of Procedure for the Supervisory Board, the declarations of conformity and other corporate governance documents can be found online at https://www.grammer.com/en/investor-relations/corporate-governance.html.

10. Members of the Executive Board and their mandates

The Executive Board's members in the 2023 financial year were:

Name	Year of birth	First appointed on	Appointed until	Seats on other Supervisory Boards required by law or comparable domestic and foreign governing bodies of commercial enterprises: External mandates (as of December 31, 2023)	Group mandates (as of December 31, 2023)
Jens Öhlenschläger (Spokesman of the Executive Board)	1964	January 1, 2019	December 31, 2026	–	**Board of Directors:** – Allygram Systems and Technologies Pvt. Ltd., India – GRAMMER Vehicle Parts (Harbin) Co., Ltd., China **Supervisory Board:** – GRAMMER (China) Holding Co., Ltd., China – GRAMMER Interior (Beijing) Co., Ltd., China – GRAMMER Interior (Changchun) Co., Ltd., China – GRAMMER Interior (Shanghai) Co., Ltd., China – GRAMMER Interior (Tianjin) Co., Ltd., China – GRAMMER Seating (Ningbo) Co., Ltd., China – GRAMMER Seating (Shaanxi) Co., Ltd., China – GRAMMER Vehicle Interiors (Hefei) Co., Ltd., China – GRAMMER Vehicle Parts (Shenyang) Co., Ltd., China – GRAMMER Vehicle Parts (Changzhou) Co., Ltd., China (from December 7, 2023) – GRAMMER Japan Ltd., Japan
Jurate Keblyte	1975	August 1, 2019	June 30, 2027	– Member of the Supervisory Board of HAWE Hydraulik SE, Aschheim/Munich (not listed) – Member of the Supervisory Board of Ottobock SE & Co. KGaA, Duderstadt (not listed) – Member of the Supervisory Board of SAF-Holland SE, Bessenbach (listed) (from April 3, 2023)	**Board of Directors:** – Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd., China

11. Members of the Supervisory Board and their mandates

The Supervisory Board's members in the 2023 financial year were:

Name, place of residence	Profession	Year of birth	Member since	Appointed until[1]	Membership in Supervisory Boards required by law as well as in comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2023)
Dr. Martin Kleinschmitt, Berlin **(Chairman)**	Partner at Noerr Partnergesellschaft mbB, Executive Board member at Noerr Consulting AG	1960	May 18, 2022	2025	– Chairman of the Supervisory Board at SAF-HOLLAND SE[3], Bessenbach – Chairman of the Supervisory Board at SAF-HOLLAND GmbH, Bessenbach – Chairman of the Supervisory Board at G&H Bankensoftware AG, Berlin
Udo Fechtner[2], Kümmersbruck **(Deputy Chairman)**	First Representative of IG Metall Amberg	1965	October 1, 2023	2025	– Member of the Supervisory Board of Kennametal Holding GmbH, Fürth (until November 30, 2023) – Deputy Chairman of the Supervisory Board of Kennametal GmbH, Fürth (until November 30, 2023) – Member of the Supervisory Board of Pensionskasse Maxhütte VVaG, Sulzbach-Rosenberg
Klaus Bauer[2], Ensdorf	Plant manager at GRAMMER Deutschland GmbH, Kümmersbruck	1970	September 1, 2020	2025	
Andrea Elsner[2], Ebermannsdorf	Business management assistant, member of the Works Council at GRAMMER AG	1979	May 20, 2015	2025	
Dr. Ping He, Wenzenbach-Irlbach	Former development engineer in the Powertrain Division of Continental AG (retired)	1957	July 8, 2020	2025	
Martin Heiß[2], Sulzbach-Rosenberg	Management assistant for data processing, Chairman of the Works Council at GRAMMER AG	1971	May 20, 2015	2025	
Peter Kern[2], Kümmersbruck	Locksmith, member of the Works Council at GRAMMER AG	1963	July 8, 2020	2025	
Jürgen Kostanjevec, Cologne	Independent consultant	1961	July 8, 2020	2025	
Dagmar Rehm, Langen	Independent management consultant	1963	May 18, 2022	2025	– Member of the Supervisory Board of Koenig & Bauer AG[3], Würzburg – Member of the Supervisory Board of O'Donovan Consulting AG, Bad Homburg – Non-executive Director, Renewable Power Capital Ltd., London, United Kingdom – Member of the Supervisory Board of Rail Capital Europe Investment SAS, Saint-Ouen, France (from March 13, 2023)

Name, place of residence	Profession	Year of birth	Member since	Appointed until[1]	Membership in Supervisory Boards required by law as well as in comparable domestic or foreign supervisory bodies of business enterprises (as of December 31, 2023)
Gabriele Sons, Berlin	Independent attorney at law with the Sons law firm	1960	July 8, 2020	2025	– Member of the Supervisory Board of ElringKlinger AG[3], Dettingen/Erms – Member of the Board of Directors of Accelleron Industries AG[3], Baden, Switzerland
Prof. Dr. Birgit Vogel-Heuser, Garching	Electrical engineer, Professor of Automation and Information Systems at the Technical University of Munich	1961	July 26, 2017	2025	– Member of the Supervisory Board of HAWE Hydraulik SE, Aschheim/Munich
Antje Wagner[2], Frankfurt/Main	Lawyer, Trade Union Secretary, IG Metall Management Board	1966	September 16, 2019	2025	– Member of the Supervisory Board of WISAG Produktionsservice GmbH, Frankfurt/Main
Former members					
Horst Ott[2], Königstein **(Deputy Chairman)**	District manager at IG Metall Bayern	1966	July 30, 2012	September 30, 2023	

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

[2] Employee representative

[3] Listed

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

Dear Shareholders,

2023 was another challenging year – globally and also for GRAMMER AG. Longstanding crises, such as the war in Ukraine, continued and new ones were added, such as the war in the Middle East. In this context, the economy did not recover as originally hoped – especially in Germany, where industrial production has recently declined considerably and overall economic output contracted last year.

Despite these challenges, the Executive Board, managers, and employees at GRAMMER did everything possible to keep guiding the company robustly through this difficult market situation. It is particularly in uncertain times characterized by change that the qualities of a company's management and workforce come to the fore. Thanks to their dedication, we are confident that GRAMMER can also continue to ensure stability and long-term success.

Looking back on the past year, there is also a change on the Supervisory Board to report: After Mr. Horst Ott, who had taken on the district management of IG Metall Bayern as of April 1, 2023, resigned at the end of September 2023, Mr. Udo Fechtner, first representative of IG Metall Amberg, was appointed by court order as a member of the Supervisory Board from October 2023. On behalf of the Supervisory Board, I would like to thank Mr. Ott for his great dedication over the last few years.

It was an honor for me to continue in the position of Chairman of the Supervisory Board last year and, together with my Supervisory Board colleagues, help drive GRAMMER's responsible and sustainable development moving forward.

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

Topics addressed by the Supervisory Board as a whole
The Supervisory Board of GRAMMER AG held five ordinary and one extraordinary meeting last year. Five of these meetings were held in person and one as a video conference. No meetings were held as conference calls. One resolution was also passed outside of meetings by way of a digital process.

The board as a whole regularly discussed the Executive Board's reporting on the revenue and earnings performance of GRAMMER AG and the Group and the financial position and results of operations. We also dealt with business requiring approval and discussed business in the AMERICAS region in more detail, as required. In addition, the Executive Board reported on the continuing political and economic impact of the war in Ukraine and how this affects GRAMMER. In particular, we focused on the risk of supply chain bottlenecks and higher prices – especially for raw materials, logistics, and energy. The Supervisory Board also met regularly in the absence of the Executive Board to deal with matters relating either to the Executive Board itself or to internal Supervisory Board matters.

As well as Executive Board reporting on the Company's current position, agenda items at the first Supervisory Board meeting on March 28, 2023, included the approval and thus adoption of the annual financial statements and consolidated financial statements as of December 31, 2022, and the management reports for GRAMMER AG and the Group, related resolutions, and the appropriation of the profit for the 2022 financial year. The board approved the establishment of two companies in China and adopted the agenda for the Annual General Meeting in 2023. The Executive Board performance evaluation for the 2022 financial year was also carried out without the attendance of the Executive Board.

The second Supervisory Board meeting on May 9, 2023, focused on reporting by the Executive Board on the current business situation and information about GRAMMER AG's Annual General Meeting, which was being held on the next day. The Supervisory Board also discussed sustainability management issues at GRAMMER in detail.

In a resolution passed on July 3, 2023, outside a meeting by way of a digital process, the Supervisory Board approved the termination of a joint venture in China and the acquisition of the corresponding shares of the joint venture partner.

The third Supervisory Board meeting was held on September 19, 2023, at one of GRAMMER's Czech locations. Prior to the meeting, the board gained insights into production during a factory tour. At the meeting, the Executive Board reported in detail on the Company's current business situation, particularly focusing on operational issues in the regions and especially in the AMERICAS region. The Supervisory Board approved the establishment of a joint venture in China for the production of car seats with a Ningbo Jifeng Group company and also discussed issues relating to the GRAMMER Group's strategy. After Mr. Ott had resigned from his position as a member of the Supervisory Board as of the end of September 30, 2023, Mr. Udo Fechtner was elected as Deputy Chairman of the Supervisory Board with effect from October 1, 2023, and the composition of the committees was changed in some cases.

The fourth ordinary Supervisory Board meeting was held as an executive session without the Executive Board on November 14, 2023. Presentations were given on current topics to aid the further training of the Supervisory Board: The Supervisory Board was informed about cyber security at companies, also taking account of the Supervisory Board's perspective, and was given detailed insights into the GRAMMER product worlds presented at the showroom in Ursensollen. The Supervisory Board also looked closely at the results of the 2023 self-assessment that was conducted in the weeks prior to the meeting in the form of questionnaires. It also considered the work of the committees. The Executive Board's perspective was also integrated into the survey. Overall, the work of the Supervisory Board and its committees was rated favorably and considered to be efficient.

At the fifth ordinary Supervisory Board meeting on December 19, 2023, the Executive Board informed the Supervisory Board about the current state of the Company as part of its regular reporting. It particularly focused on the AMERICAS region and planned cooperations with the Ningbo Jifeng Group. For example, the establishment of another joint venture for car seat production in Europe was approved. The meeting also focused on discussing and approving the budget presented by the Executive Board for the 2024 financial year and the medium-term planning for 2025 to 2028. The corporate strategy and cyber security at GRAMMER were also reported on in detail. The Supervisory Board also discussed the recommendations of the German Corporate Governance Code and approved the 2023 declaration of conformity. The board received annual reports on risk management, the internal control and compliance system, and measures by Internal Audit. In addition, the Supervisory Board discussed required changes to its competence profile and adopted the current qualification matrix. The gender targets on the Executive Board were also resolved. In addition, Mr. Guoqiang Li was appointed as a member of the Executive Board of GRAMMER AG. His appointment will take effect as of April 1, 2024.

German Corporate Governance Code

The Supervisory Board agreed upon a declaration of conformity in accordance with section 161 AktG at the Supervisory Board meeting on December 19, 2023. Information on corporate governance can be found in the corporate governance declaration, which is available https://www.grammer.com/en/investor-relations/corporate-governance/. The declaration of conformity is permanently available to the public online at https://www.grammer.com/en/investor-relations/corporate-governance/. The current declaration of conformity is also included in the corporate governance declaration.

Work of the Supervisory Board's committees

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

The Audit Committee held four ordinary meetings. Two meetings were held in person, one as a hybrid meeting (i.e. in person with the option to attend virtually) and one as a virtual meeting by video conference. In the presence of the auditor and the Executive Board, the Audit Committee discussed the annual financial statements and the management reports for GRAMMER AG and the Group. It discussed the half-yearly financial report and quarterly statements with the Executive Board. As part of preparing and carrying out the audit, the Audit Committee, primarily the Chairwoman, regularly met with the auditor without the Executive Board and reported on this to the committee. The Audit Committee recommended that the Supervisory Board propose Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to the Annual General Meeting as auditor for the 2023 financial year. It issued the audit engagement to the auditor selected by the Annual General Meeting for the 2023 financial year, determined the main focal points of the audit, and set the fees. It monitored the selection, independence, qualifications, and rotation of the auditor and the auditor's services, including the approval of certain non-audit services, as well as reviewing the quality of the audit. The Audit Committee also discussed the accounts, the accounting system, the appropriateness and efficacy of the Company's internal control system and risk management system, and the effectiveness and findings of Internal Auditing. In addition, the Audit Committee addressed compliance with legal provisions, regulations, and internal company policies. One topic area related to preparations for the sustainability reporting that was to become mandatory for GRAMMER AG from the 2024 financial year in accordance with Directive (EU) No. 2022/2464 of the European Parliament and of the Council.

The Personnel and Mediation Committee met four times last year. One meeting was held in person and three as virtual video conferences. In particular, the committee prepared the Supervisory Board's resolutions for achieving and setting performance criteria and the targets for variable Executive Board remuneration as well as the preparation of the remuneration report for the previous financial year. One focus topic of the meetings was on preparing the Supervisory Board's personnel decisions. For example, the committee prepared the appointment of Mr. Guoqiang Li as a member of the Executive Board of GRAMMER AG.

The Strategy Committee held three meetings, one of which was held in person and two as hybrid meetings. These focused on presenting GRAMMER's strategy process and discussing selected strategic issues related to the Automotive and Commercial Vehicles product areas, including sustainable product development. In addition, an external speaker gave a talk on product lifecycle management and the committee discussed GRAMMER's current competitive position and portfolio analysis.

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

The Nomination Committee did not hold any meetings in the past financial year.

Supervisory Board training

The members of the Supervisory Board take their own initiative to undertake any training that may be required for their role and are supported here by the Company. Presentations on current issues are given for the purposes of targeted training, primarily at board meetings. For example, at the meeting on November 14, 2023, the Supervisory Board was informed about cyber security at companies, also taking account of the Supervisory Board's perspective, and was given detailed insights into the GRAMMER product worlds presented at the showroom in Ursensollen.

Individual disclosure of meeting attendance

The attendance rate was 96% for Supervisory Board meetings and 100% for all committees that held meetings, i.e. for the Audit Committee, the Personnel and Mediation Committee, the Strategy Committee, and the Chairman's Committee. Meetings in the reporting year were held not only as in-person events but also as virtual video conferences or as in-person meetings with the option of attending virtually (hybrid meetings). Chairman's Committee meetings were held as conference calls.

The individual members' attendance at the meetings of the Supervisory Board and its committees is disclosed below:

Attendance at the meetings of the Supervisory Board

Number of meetings /attendance in %		Full Supervisory Board		Audit Committee		Personnel and Mediation Committee		Strategy Committee		Chairman's Committee	
		Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Martin Kleinschmitt	Chairman	6/6	100	4/4	100	4/4	100	3/3	100	4/4	100
Udo Fechtner	Deputy Chairman (from October 1, 2023)	2/2	100			2/2	100	1/1	100	1/1	100
Klaus Bauer	Member	6/6	100								
Andrea Elsner	Member	6/6	100	4/4	100						
Dr. Ping He	Member	6/6	100								
Martin Heiss	Member	6/6	100			4/4	100	3/3	100		
Peter Kern	Member	6/6	100								
Jürgen Kostanjevec	Member	4/6	67								
Dagmar Rehm	Member	6/6	100	4/4	100						
Gabriele Sons	Member	6/6	100			4/4	100				
Prof. Dr. Birgit Vogel-Heuser	Member	6/6	100					3/3	100		
Antje Wagner	Member	6/6	100	4/4	100						
Former members:											
Horst Ott	Deputy Chairman (until September 30, 2023	3/4	75			2/2	100	2/2	100	3/3	100
			96		**100**		**100**		**100**		**100**

Conflicts of interest

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

Audit of 2023 annual and consolidated financial statements

The Annual General Meeting of GRAMMER AG appointed Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, on May 10, 2023, as the auditor of the annual financial statements and the consolidated financial statements for the 2023 financial year as proposed by the Supervisory Board and in accordance with the recommendation of the Audit Committee. Ernst&Young audited the annual financial statements of GRAMMER AG, the consolidated financial statements and the management reports for the 2023 financial year and issued an unqualified audit opinion. The German Public Auditor responsible is Udo Schuberth. Before being proposed as auditor to the Annual General Meeting by the Supervisory Board, Ernst&Young confirmed that there were no circumstances that could compromise its independence as auditor or give rise to doubts about its independence. Ernst&Young also stated the extent to which services outside the audit of the financial statements were provided to the Company in the previous financial year in compliance with the fee cap or are contractually agreed for the following year. GRAMMER AG's annual financial statements and management report were prepared in accordance with the provisions of the German Commercial Code. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and in accordance with the supplemental provisions of section 315e (1) HGB. The audit was conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). The auditor confirmed that the management reports provide a true and fair view of GRAMMER AG and the Group and of the opportunities and risks with regard to future development. The audit of the early risk detection system as part of the audit found that the Executive Board has taken appropriate measures as required under section 91 (2) AktG, in particular to establish a monitoring system, and that the monitoring system is suitable for identifying developments that jeopardize the Company's going-concern status at an early stage. The annual and consolidated financial statements of GRAMMER AG, the management reports, the separate non-financial report, and the auditor's reports were provided to all Supervisory Board members in good time. The Audit Committee performed a preliminary audit of these documents at its meeting on March 26, 2024, and reported on this to the Supervisory Board at the ordinary Supervisory Board meeting on the same day. The statements and reports were then discussed in detail. The auditor's representatives attended both meetings, reported on the results of their audits, and were available to take questions. In particular, they presented the results of key audit matters for GRAMMER AG and the Group for the 2023 financial year. Material weaknesses of the internal control system and the risk management system were not reported.

No objections were raised by the Audit Committee or the Supervisory Board following the final results of the audit of the annual/consolidated financial statements and the management reports. In line with the Audit Committee's recommendation, the Supervisory Board approved the results of the audit. The Supervisory Board approved the annual financial statements of GRAMMER AG and the consolidated financial statements for 2023 prepared by the Executive Board. The annual financial statements were thus approved. As part of its audit, the Supervisory Board also reviewed the separate non-financial report in accordance with sections 289b and 315b HGB and concluded that these comply with existing requirements and that no objections are to be raised. The report prepared by the Executive Board and the Supervisory Board on Executive Board and Supervisory Board remuneration for 2023 (remuneration report) in accordance with section 162 AktG was also formally audited by the auditor. Again, no objections were raised.

The Executive Board proposes, based on net loss of EUR 14.9 million for the 2023 financial year and the resulting retained loss of GRAMMER AG of EUR 146.1 million, which will be carried forward in full, not to propose a dividend payment to the Annual General Meeting in 2024. This proposal was approved by the Supervisory Board.

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

At the end of the reporting year, the Wang family (Yiping Wang, Jimin Wang, Bifeng Wu) indirectly held 86.2% of the share capital of GRAMMER AG. GRAMMER AG is included in the consolidated financial statements of Ningbo Jifeng Auto Parts Co., Ltd., China, as a consolidated subsidiary. For this reason, the GRAMMER AG Executive Board prepared a report on relationships with affiliated companies (dependent company report) for the 2023 financial year in accordance with section 312 AktG and presented this to the Supervisory Board in good time. The dependent company report was audited by the auditor. As there were no objections to be raised following the completion of its audit, the auditor issued the following auditor's report in accordance with section 313 (3) AktG: "Based on our audit and opinion as required by law, we confirm that (1.) the factual statements made in the report are correct, and (2.) the consideration paid by the Company for the transactions listed in the report was not unreasonably high." The dependent company report and the auditor's report were provided to the Audit Committee and the Supervisory Board, which reviewed the reports. The review did not give rise to any objections. Following the final result of the preliminary review by the Audit Committee and our own review, the Supervisory Board does not have any objections to the Executive Board's report on relationships with affiliated companies in accordance with section 312 (3) sentence 1 AktG. The results of the audit of the dependent company report by the auditor are approved.

Changes to the Supervisory Board and the Executive Board
As mentioned above, the following changes occurred in the Supervisory Board in the reporting year:

Mr. Horst Ott, Deputy Chairman of the Supervisory Board, resigned from his position as a member of the Supervisory Board with effect from the end of September 30, 2023. With effect from October 1, 2023, the Local Court – Registry Court – Amberg appointed Mr. Udo Fechtner as a member of the Supervisory Board. The Supervisory Board elected Mr. Fechtner as its Deputy Chairman with effect from October 1, 2023.

There were no changes to the Executive Board in the reporting year.

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

Ursensollen, March, 2024
On behalf of the Supervisory Board

Dr. Martin Kleinschmitt
Chairman

Remuneration Report

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

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

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

On June 4, 2024 the remuneration report is to be submitted to the Annual General Meeting for approval in accordance with the requirements of Section 120a (4) AktG.

The Executive Board and Supervisory Board of GRAMMER AG submitted the remuneration report for fiscal year 2022 prepared in accordance with section 162 of the German Stock Corporation Act (AktG) to the Annual General Meeting on May 10, 2023 for resolution. It has been approved with a 99.97% approval rate. The Executive Board and Supervisory Board of GRAMMER AG regard this high approval rate as a clear confirmation of the form and content of the remuneration report and will therefore maintain the previous structure when preparing the remuneration report for fiscal year 2023.

1. Review of the fiscal year 2023

Despite the once again challenging economic environment in fiscal year 2023, in particular influenced by the ongoing war in Ukraine as well as an albeit easing but nonetheless still high level of inflation, the GRAMMER Group was able to report a positive sales development and a revenue increase of EUR 2,304.9 million. The consolidated earnings before interest and taxes (EBIT) also developed positively and increased significantly to EUR 42 million. The operating EBIT also improved significantly to EUR 56.8 million on a year-on-year basis. The year-on-year increase in earnings is primarily due to the more stable business performance in APAC and the positive development in EMEA. However, higher costs in the fourth quarter in particular as a result of volatile plant capacity utilization, currency exchange losses, and a continued sharp rise in personnel costs meant that the forecast of around EUR 70 million in earnings made at the beginning of the financial year could not be achieved and the earnings development was therefore ultimately below expectations. In response, GRAMMER initiated a program of measures aimed at increasing efficiency.

In fiscal year 2023 Mr. Horst Ott, deputy Chairman of the Supervisory Board, resigned from his role as Member of the Supervisory Board effective September 30, 2023. Effective October 1, 2023 the Amtsgericht Amberg appointed Mr. Udo Fechtner to the Supervisory Board. The Supervisory Board elected Mr. Fechtner as deputy Chairman of the Supervisory Board with effect from October 1, 2023.

Effective January 1, 2023 the Supervisory Board resolved to adjust the target remuneration of Executive Board members Jens Öhlenschläger and Jurate Keblyte. With the appointments of Jens Öhlenschläger as CEO/Spokesperson and Jurate Keblyte as Labor Director the scope of their roles and responsibilities were significantly expanded. In light of the expanded scope of their roles and responsibilities as well as the continued positive performance and development of GRAMMER AG despite the once again challenging overall economic environment the Supervisory Board determined an increase in the target remuneration to be appropriate. With the adjustment of the target remuneration the Supervisory Board ensures that the remuneration of the Executive Board remains competitive in the long term in order to attract and retain the best and most suitable candidates as members Executive Board.

2. Overview of the Remuneration system of the Executive Board

2.1 Principles

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

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

The principles of the new remuneration system are explained below.

2.2 Remuneration elements

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

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

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

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

Fixed remuneration

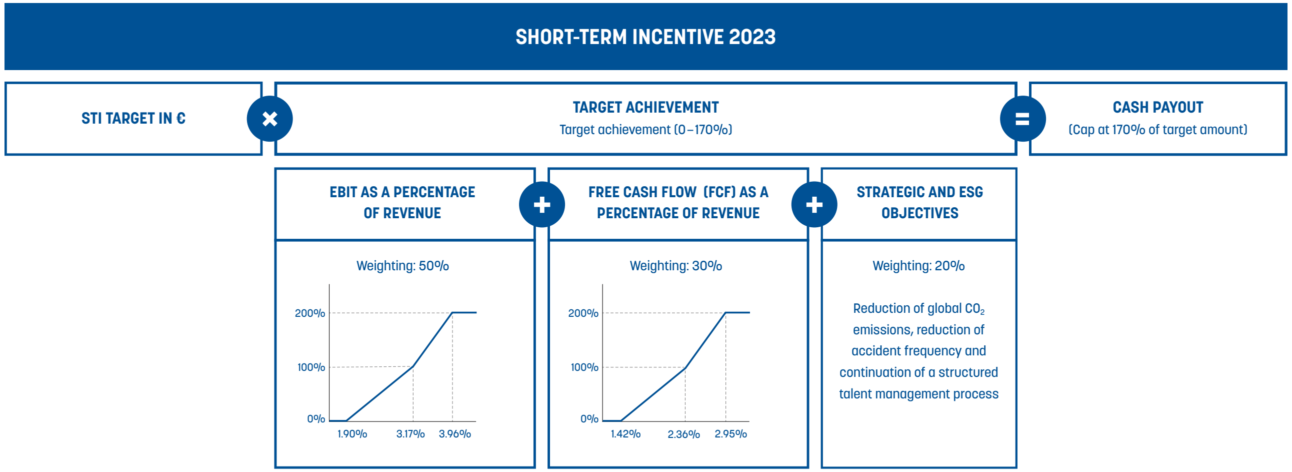
The fixed remuneration is paid in twelve equal monthly installments at the end of each month. The members of the Executive Board do not receive any separate remuneration for accepting intra-Group mandates.

Benefits in kind

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

Pension substitute payment

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



Short-term incentive

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

The Short-term incentive (STI) 2023 complies with the remuneration system of GRAMMER AG, approved by the Annual General Meeting, and is described in the graphic below:

The Supervisory Board set EBIT (Earnings Before Interest and Taxes) and Free Cash Flow, each as a percentage of sales, as financial performance criteria for the STI and determined the individual weightings for the fiscal year 2023. Thus, the Supervisory Board considers profitability and liquidity of GRAMMER AG and supports the implementation of the corporate strategy through the use of these core performance indicators.

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

For strategic and ESG objectives the reduction of global CO2-emissions in terms of annual sales, the reduction of accident frequency (LTIFR = Lost time incident frequency rate), continuation of a structured talent management process as well as succession planning taking into account a medium-term diversity target rate.

Those strategic and ESG criteria were selected by the Supervisory Board from a catalog of criteria derived from the materiality analysis of sustainability reporting. Strategic and ESG targets are weighted at 20%. The individual targets were equally weighted at 6.7%.

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

The following table shows target achievements and objectives for every performance criteria which is part of the Short Term Incentive for the fiscal year 2023:

STI 2023

	Weighting	Lower threshold	Target value	Upper threshold	Actual value	Target achievement
Earnings before Interest and Taxes (EBIT) (EBIT as % of revenue)	50%	1.90%	3.17%	3.96%	1.80%	0%
Free Cash Flow as % of revenue	30%	1.42%	2.36%	2.95%	2.10%	72%
Reduction of global CO_2 emissions in terms of revenue	6.7%	Previous year's value (45g)	–5% compared to previous year's value (43g)	–10% compared to previous year's value (40g)	24g	200%
Reduction of accident frequency (LTIFR)	6.7%	200% target from 2022 (5.0)	–10% compared to the 200% target from 2022 (4.5)	–20% compared to the 200% target from 2022 (4.0)	2.27	200%
Continuation of a structured talent management process	6.7%	Qualitative assessment of the supervisory board				128%
Total target achievement	100%					**57%**

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

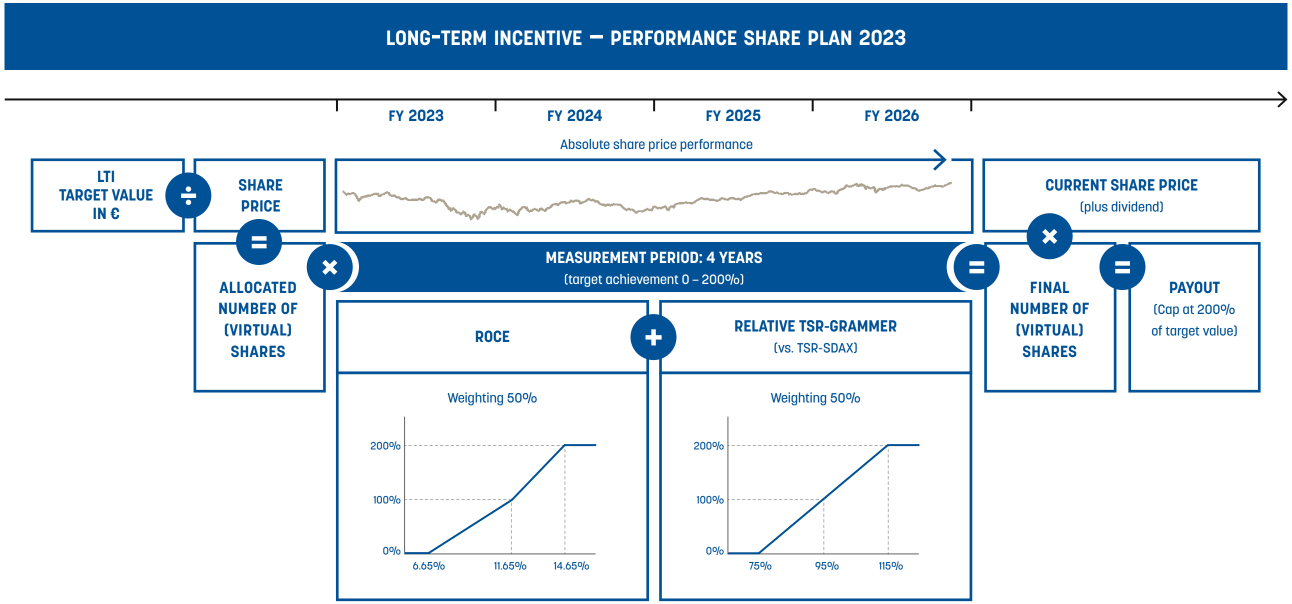
This results in the following target and payout amounts for the 2023 short term incentive:

Target and payout amounts STI 2023

	Target value in EUR k	Target achievement in %	Payout in EUR k
Jens Öhlenschläger	276	57	157
Jurate Keblyte	253	57	144

Long-term incentive – Performance Share Plan

The Long-term incentive (LTI) 2023 is structured as a Performance Share Plan and corresponds to the remuneration system of GRAMMER AG approved by the Annual General Meeting.



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

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

For the performance share plan 2023 the following allocations of virtual shares were made:

LTI tranche 2023 allocations

	Target value in EUR k	Initial reference price in EUR	Number of virtual shares
Jens Öhlenschläger	444	10.06	44,135
Jurate Keblyte	407	10.06	40,457

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

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

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

For the performance share plan's 2023 tranche the following target achievements for ROCE and relative TSR have been agreed on:

LTI tranche 2023 targets

	Lower threshold	Target value	Upper threshold
	0%	**100%**	**200%**
ROCE	6.65%	11.65%	14.65%
Relative TSR	75%	95%	115%

The final number of virtual shares reached at the end of the performance period is multiplied by the arithmetic mean of the closing prices of the GRAMMER AG share during the last 60 trading days prior to the end of the performance period 2026 plus dividends paid per GRAMMER AG share during the performance period. The resulting payout amount is limited to 200% of the LTI target amount. Payout is in cash and will be described in the remuneration report in 2026.

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

Malus and Clawback

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

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

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

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

For fiscal year 2023, the Supervisory Board did not see any reason to make any reductions or claims for repayment against members of the Executive Board.

Termination of the service contract

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

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

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

In the event of premature termination of the service contract, any outstanding variable remuneration components attributable to the period up until the date of termination of the contract are paid on the basis of the originally agreed targets and performance criteria on the due dates specified above. There is no early payout.

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

2.3 Individual disclosure of the Executive Board remuneration

Target remuneration

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

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

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

The target remunerations were increased for the members of the Executive Board Jurate Keblyte and Jens Öhlenschläger in the fixed and variable remuneration elements as of January 2023 in order to make the remuneration competitive in the long term. The total target remuneration for Jens Öhlenschläger was increased by 21% to reflect his appointment as CEO/Spokesperson. The remuneration for Jurate Keblyte was increased by 12% to appropriately reflect her new role as Labor Director. With the adjustment of the target remuneration, the Supervisory Board ensures that the remuneration of the Executive Board remains appropriate and competitive in the long term.

The following table presents the target remuneration for the fiscal year 2023 and the relative share of every remuneration component for the fiscal year 2022:

Target remuneration

	Jens Öhlenschläger Spokesman of the Executive Board (CEO) Executive Board Member since January 1, 2019			Jurate Keblyte CFO/Labor Director Executive Board Member since August 1, 2019		
	2023		2022	2023		2022
	in EUR k	in %	in EUR k	in %	in %	in EUR k
Fixed remuneration	488	35	390	449	35	390
Benefits in kind	23	2	25	24	2	24
Pension substitute payment	150	11	125	138	11	125
Short-term variable remuneration	276	20	230	253	20	230
Short-term incentive 2022	–	–	*230*	–	–	*230*
Short-term incentive 2023	*276*	–	–	*253*	–	–
Long-term variable remuneration	444	32	370	407	32	370
Long-term incentive 2022–2025	–	–	*370*	–	–	*370*
Long-term incentive 2023–2026	*444*	–	–	*407*	–	–
Total remuneration	**1,381**	**100**	**1,140**	**1,270**	**100**	**1,139**

Remuneration Awarded and Due

The following table shows the remuneration awarded and due individually for the fiscal year 2023 in accordance with Section 162 AktG (fixed remuneration, short-term incentive, long-term incentive, expenses for benefits) and their relative share. The term "remuneration awarded and due" describes remuneration for which the underlying activity has been fully performed as of the end of fiscal year 2023.

In addition, the remuneration awarded and due in fiscal year 2022 is presented.

Remuneration awarded and due for the fiscal year

	Jens Öhlenschläger Spokesman of the Executive Board (CEO) Executive Board Member since January 1, 2019			**Jurate Keblyte** CFO/Labor Director Executive Board Member since August 1, 2019		
	2023		**2022**	**2023**		**2022**
	in EUR k	**in %**	**in EUR k**	**in %**	**in %**	**in EUR k**
Fixed remuneration	488	60	390	449	59	390
Benefits in kind	23	3	25	24	3	24
Pension substitute payment	150	18	125	138	18	125
Short-term variable remuneration	157	19	74	144	19	74
Short-term incentive 2022[1]	–	–	*74*	–	–	*74*
Short-term incentive 2023	*157*	–	–	*144*	–	–
Long-term variable remuneration	0	0	0	0	0	0
Long-term incentive 2019 – 2022[2]	–	–	*0*	–	–	*0*
Long-term incentive 2020 – 2023[2]	*0*	–	–	*0*	–	–
Other	–	0	–	–	0	–
Remuneration awarded and due in accordance with Section 162 AktG	**818**	**100**	**614**	**754**	**100**	**613**

[1] It was agreed between the Supervisory Board and the members of the Executive Board in office on December 31, 2022 to pay out only half of the remuneration due under the STI 2022, which constitutes a waiver in the amount of 50%.
[2] In March 2020, the members of the Executive Board waived the previously allocated 2019-2022 LTI tranche and the allocation of their 2020-2023 LTI tranche in view of the economic impact of the COVID-19 pandemic on the company.

Maximum remuneration

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

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

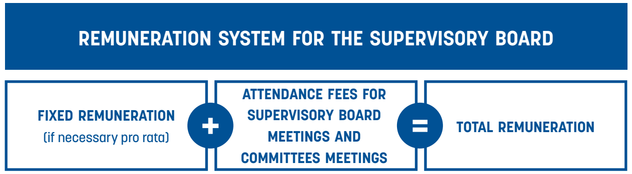
In fiscal year 2023, the total of the fixed remuneration, benefits in kind, retirement benefits, and the awarded short-term incentive is EUR 818 thousand and EUR 754 thousand for Jens Öhlenschläger and Jurate Keblyte respectively. Even if the long-term incentive were to pay out at its maximum the total of all remuneration components would not exceed the maximum remuneration.

Maximum remuneration for fiscal year 2023

	Jens Öhlenschläger Spokesman of the Executive Board (CEO) Executive Board Member since January 1, 2019	**Jurate Keblyte** CFO/Labor Director Executive Board Member since August 1, 2019
	in EUR k	**in EUR k**
Fixed remuneration 2023	488	449
Benefits in kind 2023	23	24
Retirement benefits 2023	150	138
Short-term incentive 2023	157	144
Payout limit for the Performance Share Plan (2023–2026)	888	814
Maximum Value of the remuneration for the fiscal year 2023	**1,706**	**1,568**
Maximum remuneration Section 87a (1) sentence 2 No 1 AktG	**1,800**	**1,800**

3. Remuneration System for the Supervisory Board

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



The following table presents the remuneration awarded and due individually for members of the Supervisory Board for the fiscal years 2023 and 2022 as well as their relative share of total remuneration.

Supervisory Board remuneration

	2023					2022				
	Fixed remuneration		Attendance fees		Total remuneration	Fixed remuneration [1]		Attendance fees		Total remuneration
	in EUR k	in %	in EUR k	in %	in EUR k	in EUR k	in %	in EUR k	in %	in EUR k
Dr. Martin Kleinschmitt (ChSB)	99	82	21	18	**120**	57	80	14	20	**71**
Udo Fechtner (deputy ChSB / from October 1, 2023)	14	69	6	31	**20**	n/a	n/a	n/a	n/a	**n/a**
Klaus Bauer	35	85	6	15	**41**	32	76	10	24	**42**
Andrea Elsner	45	82	10	18	**55**	42	74	15	26	**57**
Dr. Ping He	35	85	6	15	**41**	32	76	10	24	**42**
Martin Heiss	45	78	13	22	**58**	42	69	19	31	**61**
Peter Kern	35	85	6	15	**41**	32	76	10	24	**42**
Jürgen Kostanjevec	35	90	4	10	**39**	32	76	10	24	**42**
Dagmar Rehm	55	85	10	15	**65**	32	82	7	18	**39**
Gabriele Sons	45	82	10	18	**55**	39	68	18	32	**57**
Prof. Dr. Birgit Vogel-Heuser	45	83	9	17	**54**	35	76	11	24	**46**
Antje Wagner	45	82	10	18	**55**	42	78	12	22	**54**
Former Supervisory Board members										
Horst Ott (deputy ChSB / until September 30, 2023)	40	80	10	20	**50**	49	71	20	29	**69**

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

4. Comparative presentation of remuneration and earnings development

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

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

Net income is used as the earnings indicator, as it is a key performance indicator and an indicator of the profitability of business activities. Net income also serves as a possible performance target in the STI.

Comparative presentation

	2023 in EUR k	2022 in EUR k	Change 2023/2022 in %	Change 2022/2021 in %	Change 2021/2020 in %
Executive Board members					
Jens Öhlenschläger	818	614	33	6	23
Jurate Keblyte	754	613	23	6	32
Supervisory Board members					
Dr. Martin Kleinschmitt (ChSB)	120	71	69	n/a	n/a
Udo Fechtner (deputy ChSB / from October 1, 2023)	20	n/a	n/a	n/a	n/a
Klaus Bauer	41	42	–2	14	164
Andrea Elsner	55	57	–4	36	–2
Dr. Ping He	41	42	–2	14	90
Martin Heiss	58	61	–5	33	0
Peter Kern	41	42	–2	14	90
Jürgen Kostanjevec	39	42	–7	14	90
Dagmar Rehm	65	39	67	n/a	n/a
Gabriele Sons	55	57	–4	30	87
Prof. Dr. Birgit Vogel-Heuser	54	46	17	28	0
Antje Wagner	55	54	2	29	5
Horst Ott (deputy ChSB / until September 30, 2023)	50	69	–27	6	–4
Employees					
Average	73	70	4	–1	2
Earnings performance					
Net Income Group	3,414	–78,561	104	–12,261	101
Net Income GRAMMER AG	–14,897	–56,316	74	–2,247	97

Consolidated Financial Statements Index

Consolidated Statement of Income

January 1 – December 31 of the respective financial year

EUR k	Note	2023	2022
Revenue	6	2,304,888	2,158,791
Cost of Sales	7.3	–2,062,076	–2,018,284
Gross profit		**242,812**	**140,507**
Selling expenses	7.3	–31,991	–28,947
Administrative expenses	7.3	–190,441	–202,213
Other operating income	7.1	21,633	45,672
Earnings before interest and taxes (EBIT)		**42,013**	**–44,981**
Financial income	7.2	6,976	3,576
Financial expenses	7.2	–42,566	–28,896
Other financial result	7.2	2,754	7,537
Earnings before taxes		**9,177**	**–62,764**
Income taxes	8	–5,763	–15,797
Net profit/loss		**3,414**	**–78,561**
Of which attributable to:			
Shareholders of the parent company		1,799	–78,405
Non-controlling interests		903	–793
Hybrid loan lender’s compensation claims		712	637
Net profit/loss		**3,414**	**–78,561**
Earnings per share			
Basic/diluted earnings per share in EUR	9	0.12	–5.26

Consolidated Statement of Comprehensive Income

January 1 – December 31 of the respective financial year

EUR k	2023	2022
Net profit/loss	**3,414**	**–78,561**
Amounts that will not be reclassified to profit and loss in future periods		
Actuarial gains/losses (–) under defined benefit plans		
Gains/losses (–) arising in the current period	–6,487	32,073
Tax expenses (–)/tax income	1,861	–9,428
Actuarial gains/losses (–) under defined benefit plans (after tax)	**–4,626**	**22,645**
Total amounts that will not be reclassified to profit and loss in future periods	**–4,626**	**22,645**
Amounts that will be reclassified to profit and loss in future periods under certain conditions		
Gains/losses (–) from currency translation of foreign subsidiaries		
Gains/losses (–) arising in the current period	–11,067	4,019
Gains/losses (–) from currency translation of foreign subsidiaries (after tax)	**–11,067**	**4,019**

EUR k	2023	2022
Gains/losses (–) from cash flow hedges		
Gains/losses (–) arising in the current period	3,832	4,317
Plus/less (–) amounts reclassified to the income statement through profit and loss	–5,305	–1,915
Tax expenses (–)/tax income	416	–624
Gains/losses (–) from cash flow hedges (after tax)	**–1,057**	**1,778**
Gains/losses (–) from net investments in foreign operations		
Gains/losses (–) arising in the current period	–1,228	6,561
Tax expenses (–)/tax income	217	–383
Gains/losses (–) from net investments in foreign operations (after tax)	**–1,011**	**6,178**
Total amounts that will be reclassified to profit and loss in future periods under certain conditions	**–13,135**	**11,975**
Other comprehensive income	**–17,761**	**34,620**
Total comprehensive income after taxes	**–14,347**	**–43,941**
Of which attributable to:		
Shareholders of the parent company	–15,859	–43,746
Non-controlling interests	800	–832
Hybrid loan lender's compensation claims	712	637

Consolidated Statement of Financial Position

as of December 31 of the respective financial year

Assets

EUR k

	Note	December 31, 2023	December 31, 2022
Property, plant and equipment	11	478,553	477,327
Intangible assets	11	147,781	146,285
Investments measured at equity	4	1,085	1,158
Other financial assets	15	11,757	5,711
Deferred tax assets	8	53,269	41,805
Other assets	16	47,442	37,554
Contract assets	14	73,766	58,236
Non-current assets		**813,653**	**768,076**
Inventories	12	186,207	197,386
Current trade accounts receivable	13	288,474	256,712
Other current financial assets	15	11,909	6,731
Current income tax receivables		3,232	2,143
Cash and short-term deposits	17	131,005	108,587
Other current assets	16	47,010	48,842
Current contract assets	14	52,931	56,117
Current assets		**720,768**	**676,518**
Total equity and liabilities		**1,534,421**	**1,444,594**

Consolidated Statement of Financial Position

as of December 31 of the respective financial year

Equity and Liabilities

EUR k

	Note	December 31, 2023	December 31, 2022
Subscribed capital	18	39,009	39,009
Capital reserve	18	162,947	162,947
Own shares	18	–7,441	–7,441
Retained earnings	18	124,075	122,276
Cumulative other comprehensive income	18	–54,645	–36,987
Equity attributable to shareholders of the parent company		**263,945**	**279,804**
Hybrid loan	18	38,795	19,610
Non-controlling interests	18	10,615	1,694
Equity		**313,355**	**301,108**
Non-current financial liabilities	20	167,025	157,807
Trade accounts payable	22	1,474	1,801
Other financial liabilities	23	55,221	63,211
Other liabilities	24	0	408
Retirement benefits and similar obligations	19	122,925	117,165
Deferred tax liabilities	8	29,013	23,491
Contract liabilities	14	2,786	2,525
Non-current liabilities		**378,444**	**366,408**

EUR k

	Note	December 31, 2023	December 31, 2022
Current financial liabilities	20	286,628	298,160
Current trade accounts payable	22	404,051	306,087
Other current financial liabilities	23	23,169	18,671
Other current liabilities	24	93,476	108,207
Current income tax liabilities		4,193	8,950
Provisions	21	29,022	32,071
Current contract liabilities	14	2,083	4,932
Current liabilities		**842,622**	**777,078**
Total liabilities		**1,221,066**	**1,143,486**
Total equity and liabilities		**1,534,421**	**1,444,594**

Consolidated Statement of Changes in Equity

for the financial year ending December 31, 2023

EUR k

					Cumulative other comprehensive income							
	Subscribed capital	Capital reserve	Retained earnings	Own shares	Cash flow hedges	Foreign currency conversion	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Hybrid loan	Non-controlling interests	Consolidated equity
As of January 1, 2023	**39,009**	**162,947**	**122,276**	**–7,441**	**2,438**	**6**	**–14,842**	**–24,589**	**279,804**	**19,610**	**1,694**	**301,108**
Net profit/loss	0	0	1,799	0	0	0	0	0	1,799	712	903	3,414
Other comprehensive income	0	0	0	0	–1,057	–10,964	–1,011	–4,626	–17,658	0	–103	–17,761
Total comprehensive income	**0**	**0**	**1,799**	**0**	**–1,057**	**–10,964**	**–1,011**	**–4,626**	**–15,859**	**712**	**800**	**–14,347**
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0
Transaction involving non-controlling interests	0	0	0	0	0	0	0	0	0	0	8,121	8,121
Distribution of hybrid loan lender's compensation claims	0	0	0	0	0	0	0	0	0	–598	0	–598
Hybrid loans	0	0	0	0	0	0	0	0	0	19,071	0	19,071
As of December 31, 2023	**39,009**	**162,947**	**124,075**	**–7,441**	**1,381**	**–10,958**	**–15,853**	**–29,215**	**263,945**	**38,795**	**10,615**	**313,355**

Consolidated Statement of Changes in Equity

for the financial year ending December 31, 2022

EUR k

					Cumulative other comprehensive income							
	Subscribed capital	Capital reserve	Retained earnings	Own shares	Cash flow hedges	Foreign currency conversion	Net investments in foreign operations	Actuarial gains and losses from defined benefit plans	Total	Hybrid loan	Non-controlling interests	Consolidated equity
As of January 1, 2022	**39,009**	**162,947**	**200,534**	**–7,441**	**660**	**–4,043**	**–21,020**	**–47,243**	**323,403**	**19,621**	**2,526**	**345,550**
Net profit/loss	0	0	–78,405	0	0	0	0	0	–78,405	637	–793	–78,561
Other comprehensive income	0	0	0	0	1,778	4,049	6,178	22,654	34,659	0	–39	34,620
Total comprehensive income	**0**	**0**	**–78,405**	**0**	**1,778**	**4,049**	**6,178**	**22,654**	**–43,746**	**637**	**–832**	**–43,941**
Changes in scope of consolidation	0	0	147	0	0	0	0	0	147	0	0	147
Transaction involving non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of hybrid loan lender's compensation claims	0	0	0	0	0	0	0	0	0	–648	0	–648
Hybrid loans	0	0	0	0	0	0	0	0	0	0	0	0
As of December 31, 2022	**39,009**	**162,947**	**122,276**	**–7,441**	**2,438**	**6**	**–14,842**	**–24,589**	**279,804**	**19,610**	**1,694**	**301,108**

Consolidated Statement of Cash Flows

January 1 – December 31 of the respective financial year

EUR k	Note	2023	2022
1. Cash flow from operating activities			
Earnings before taxes		9,177	–62,764
Reconciliation of earnings before taxes with cash flow from operating activities			
Depreciation and impairment of property, plant and equipment	11	72,020	108,608
Amortization and impairment of intangible assets	11	9,745	53,813
Gains (-)/losses from the disposal of assets		76	427
Other non-cash changes		11,952	10,851
Financial result	7.2	32,836	17,783
Dividends received from investments measured at equity	4	544	359
Changes in operating assets and liabilities			
Decrease/increase (-) in trade accounts receivable and other assets	13, 14, 15, 16	–57,776	–31,478
Decrease/increase (-) in inventories	12	11,179	–1,249
Decrease (-)/increase in provisions and retirement benefit provisions	19, 21	–26,119	–31,656
Decrease (-)/increase in accounts payable and other liabilities	22, 23, 24	85,288	52,609
Income taxes paid	8	–16,510	–10,582
Cash flow from operating activities		**132,412**	**106,721**
2. Cash flow from investing activities			
Purchases			
Purchase of property, plant and equipment	11	–75,622	–71,629
Purchase of intangible assets	11	–8,831	–7,819
Purchase of financial assets	15	–8,922	–7

EUR k	Note	2023	2022
Disposals			
Disposal of property, plant and equipment	11	2,736	2,163
Disposal of intangible assets	11	0	154
Disposal of financial assets	15	2,781	897
Payments made for the formation of plan assets	19	–1,476	–1,506
Interest received	7.2	5,053	1,998
Government grants received		21	310
Cash flow from investing activities		**–84,260**	**–75.439**
3. Cash flow from financing activities			
Inflow from hybrid loans	18	19,071	0
Payment of the hybrid loan lender's compensation claims	18	–598	–648
Inflow from capital increase by minority shareholders	18	8,121	0
Payments received from raising financial liabilities	20	31,500	76,669
Payments made for the settlement of financial liabilities	20	–39,239	–73,393
Payments made for the settlement of lease liabilities	11	–22,273	–21,180
Interest paid	7.2	–34,015	–23,388
Cash flow from financing activities		**–37,432**	**–41,940**
4. Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents recognized in the cash flow statement (sub-total of items 1-3)		10,719	–10,658
Effects of exchange rate differences of cash and cash equivalents		5,183	1,850
Cash and cash equivalents as of January 1		35,549	44,357
Cash and cash equivalents as of December 31		**51,451**	**35,549**
5. Analysis of cash and cash equivalents			
Cash and short-term deposits	17	131,005	108,587
Bank overdrafts (including current liabilities under factoring contracts)	20	–79,554	–73,038
Cash and cash equivalents as of December 31		**51,451**	**35,549**

Notes to the Consolidated Financial Statements for the year ending December 31, 2023

1. Information about the GRAMMER Group and Basis of Reporting

GRAMMER AG is a public listed company incorporated under German law. The Company's registered office and business address is Grammer-Allee 2, 92289 Ursensollen, Germany. The Company's shares have been traded on the Frankfurt/Main and Munich stock exchanges via the Xetra electronic trading platform since 1996.

GRAMMER AG is listed in the Prime Standard on the Frankfurt Stock Exchange.

- International Securities Identification Number (ISIN): DE0005895403
- German Securities ID (WKN): 589540
- Common Code: 006754821
- Ticker Symbol: GMM
- Commercial register number: HRB 1182, Local Court of Amberg

The GRAMMER Group is a global group of companies specializing in the development and production of complex components and systems for passenger vehicle interiors as well as driver and passenger seats for trucks, buses, trains and offroad commercial vehicles (tractors, construction machinery and forklifts). In 2023, the Company employed an average of 14,241 persons (excluding apprentices, including 413 employees in Central Services) at 44 (2022: 46) production and logistics sites around the world as well as at GRAMMER Group Central Services in Amberg and Ursensollen.

GRAMMER AG is managed by an Executive Board composed of two members (2022: two).

GRAMMER has classified its activities in the operating regions EMEA, AMERICAS and APAC which are the reportable business segments. These segments are described in greater detail in Note 5. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union. The consolidated financial statements of GRAMMER AG (the "Company") were prepared by the Executive Board in accordance with section 315 e (1) HGB (German Commercial Code) on March 13, 2024.

GRAMMER AG is an indirectly held subsidiary of Ningbo Jifeng Auto Parts Co., Ltd., Ningbo City, China (Ningbo Jifeng) and is included in that company's consolidated financial statements. These are available in Chinese at http://www.sse.com.cn. Ningbo Jifeng indirectly holds 86.20% (2022: 86.20%) of the voting rights in GRAMMER AG and is the next highest parent company of GRAMMER AG that prepares consolidated financial statements. The direct parent company of GRAMMER AG is Jiye Auto Parts GmbH, Frankfurt am Main.

2. Accounting and valuation methods

2.1. Summary of significant accounting policies and use of estimates and judgments

These consolidated financial statements for GRAMMER AG were prepared in accordance with section 315e HGB ("consolidated financial statements in accordance with international accounting standards") in conjunction with the International Financial Reporting Standards (IFRS) and related interpretations (SIC/IFRIC interpretations) as applicable in the European Union (EU) in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council. The term "IFRS" also includes the International Accounting Standards (IAS), which continue to apply.

The consolidated financial statements are prepared using the historical cost principal, except where application of other methods of measurement are mandatory. The consolidated financial statements were prepared in Euro (EUR). Unless otherwise indicated, all values are rounded to the nearest thousand (EUR k). Individual amounts and percentages may not exactly equal the aggregated amounts due to rounding differences. The consolidated statement of financial position (balance sheet) applies the current/non-current distinction. Net income is presented in two separate statements: an income statement and a statement of comprehensive income. The income statement is prepared using the cost of sales method.

Estimates and judgments (IAS 8)

In certain cases, it is necessary to apply assessments and judgments. For instance, in preparing the consolidated financial statements, discretionary decisions, assumptions and estimates have to be made to a certain degree, which have an impact on the measurement and recognition of reported assets and liabilities, income and expenses and contingent assets and liabilities of the reporting period. The assumptions and estimates are based on information currently available. In addition, they may include estimates that could have been different in the same reporting period for equally plausible reasons. GRAMMER cautions that future events often differ from forecasts and that estimates are routinely subject to revision. Assumptions and estimates consistently relate to the parameters in effect at the time of preparation of the consolidated financial statements. However, as a result of market development and conditions outside Group control, these may change over time. Such changes are taken into account only when they have occurred.

The current uncertainties, particularly with regard to the consequences of the Russia-Ukraine war and the economic impact of this on the future development of the business activities of GRAMMER and its subsidiaries, sell-side markets and supply chains, prices in the markets relevant for GRAMMER, interest rates and exchange rates, mean that the assumptions and estimates in the consolidated financial statements are subject to additional uncertainty. The impact of the Russia-Ukraine war on the consolidated financial statements is dependent on supply bottlenecks and related supply difficulties on the part of OEMs which could lead to disruptions in the production of vehicles, also in Germany, on higher inflation, including prices for raw materials and energy as well as on the development of key interest rates. Due to the extremely limited nature of the GRAMMER Group's activities in Russia and Ukraine, there were no material direct consequences on Group revenue. These factors had an indirect impact on the consolidated financial statements, particularly with respect to goodwill (Note 11.3), government grants (Note 7.1, Note 7.3 and 7.4), impairment losses on trade accounts receivable (Note 13), contract assets and liabilities (Note 14) and provisions (Note 21).

In particular, estimates and discretionary judgments are necessary in connection with impairment testing of goodwill, intangible assets and non-current assets and the recognition of deferred tax assets on unused tax losses as well as the definition of the assumptions underlying the actuarial calculations of retirement benefit expenses under defined benefit plans. Furthermore, estimates and discretionary judgments are applied to revenue from contracts with customers for the purpose of determining the transaction price and also to the formation of portfolios of financial instruments in the case of expected credit risks or losses. In addition, discretionary decisions must be made in assessing whether there is a legal or constructive obligation for which a provision must be recognized. In particular, all known circumstances, such as restructuring provisions, are taken into account to determine the existence of a constructive obligation. Estimates and discretionary judgments are particularly applied to determine the term of the lease. With respect to the inclusion of subsidiaries in the consolidated financial statements, GRAMMER also applies discretionary judgments in determining whether it has the de facto ability and possibility to determine the relevant activities as a controlling influence over the investee.

Climate-related aspects

GRAMMER AG pursues sustainability in its corporate strategy and operating activities, specifically with the Sustainable Company strategic initiative which covers all areas of the company. The focus in research and development is on using renewable or recycled materials as well as on the durability, reusability and disposal of products and materials. But climate-related aspects are also pursued in procurement, transportation and production. In the process, the GRAMMER Group supports the 1.5 degree goal of the Paris Agreement and has set itself the target of reducing its direct and indirect CO2 emissions by 25% to 2025, by 50% to 2030 and by 100% to 2040. The consolidated financial statements take into account the climate-related developments and risks related to this target. GRAMMER also began implementing the EU Corporate Sustainability Reporting Directive (CSRD) in the financial year. The analysis and implementation process will be completed in the 2024 financial year. Reporting will take place for the first time in the 2025 financial year. Due to GRAMMER's specific product portfolio, climate-related aspects have an impact on the procurement and production process and less on the products sold by GRAMMER. In the Automotive product area, the transformation to electromobility brings with it additional opportunities rather than risks. In this connection estimates and judgments relate particularly to assumptions about future legal regulations and developments of the market environment which are subject to a high level of dynamism and also uncertainty. The Group continuously monitors legislation related to climate change. Due to the introduction of legislation or other regulations, there are no known consequences which have a material impact on the Group, such as the economic useful life of assets being reduced compared to the original forecasts.

Principles of consolidation (IFRS 10)

The consolidated financial statements include the financial statements of GRAMMER AG and the financial statements of the consolidated subsidiaries as of December 31 of each financial year. The financial statements of the parent company and the subsidiaries are prepared in accordance with uniform accounting and valuation methods. The reporting date of the financial statements of the companies included in the consolidated financial statements corresponds to the reporting date of the consolidated financial statements.

The consolidated financial statements include GRAMMER AG as well as subsidiaries on which GRAMMER AG directly or indirectly exerts control. GRAMMER AG controls a subsidiary if it has the power over it, participates in positive and negative returns from these companies and is also able to use its power over the subsidiary to affect the amount of such returns. This involves an assessment of all circumstances that result in GRAMMER AG having the de facto ability and possibility to determine the relevant activities as a controlling influence over the investee.

Assets, liabilities, income and expenses of a subsidiary which was acquired during the reporting period are recorded in the statement of financial position and statement of comprehensive income as of the day on which GRAMMER AG gains control over the subsidiary until the day on which control ceases.

Receivables and liabilities as well as income and expenses arising between consolidated companies are mutually netted. Intercompany profits from deliveries and services as well as dividends distributed within the Group are eliminated.

Business combinations (IFRS 3)

Business combinations are accounted for using the purchase method. Costs for the acquisition of a company are measured as the aggregate of the acquisition-date fair value of the consideration transferred and the amount of any minority interest.

Costs incurred in connection with the business combination are recognized as expenses in the period in which they arise.

In a business combination, all identifiable assets acquired, liabilities assumed and contingent liabilities of the acquiree are measured at their fair values at the acquisition date. Any agreed contingent consideration is also recognized at fair value as of the acquisition date. Any resulting difference is reported as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment expense. Please refer to the section on goodwill for details of impairment testing. Subsequent changes to the fair value of a contingent consideration representing an asset or liability are recognized either in profit and loss or in other comprehensive income in accordance with IFRS 9. If a contingent consideration is classified as equity, the original amount is not remeasured, and subsequent settlement is taken directly to equity.

Subsidiaries are included in the consolidated financial statements by offsetting the carrying amount of the shares in subsidiaries against the Group's share of the equity of the respective subsidiary. Non-controlling interests refer to the share of results of operations and net assets not attributable to the Group. Therefore, any profit or loss from this share is recognized in the income statement separately from the share of results of operations attributable to the shareholders of the parent company. In the balance sheet, it is recognized directly in equity in a line item separate from the equity attributable to the shareholders of the parent company.

Joint ventures (IFRS 11) and associates (IAS 28)

Joint ventures are companies on which GRAMMER AG and one or more outside parties jointly exercise control. Joint control arises if decisions on the main activities require the unanimous consent of the parties sharing control over the entity.

An associate is an entity over which GRAMMER AG has significant influence. Significant influence occurs when the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control. Where an entity holds 20% or more of the voting power (directly or indirectly) of an investee, it will be presumed that the investor exerts significant influence unless it can be clearly demonstrated that this is not the case.

The GRAMMER Group's shares in such joint ventures and associates are recognized by using the equity method.

By using the equity method, the shares in a joint venture or associate are initially recognized at cost. These costs are adjusted in subsequent periods to reflect any changes in the Group's share in the net assets of the joint venture or associate since the acquisition date. If the Group's share of net assets is negative, loss portions are recognized only if there is an obligation to offset losses. The Group determines on each reporting date whether there is any objective evidence suggesting that the share in the joint venture or the associate may be impaired. In the event of such evidence being found, the impairment equals the difference between the recoverable amount of the share in the joint venture or associate and the carrying amount, upon which the resultant loss is recognized through profit and loss within the share of earnings of joint ventures and associates. The carrying amount forms the upper limit of the impairment provided that there is no obligation to compensate for any losses.

Goodwill arising from the acquisition of an associate or a jointly controlled entity is included within the carrying amount of such entities. If such an entity is sold, the attributable amount of goodwill is included in the determination of the net gain or loss on the sale.

Accordingly, the consolidated statement of income includes the Group's share in the earnings of the joint venture or associate for the period under review. A loss attributable to GRAMMER is taken into account as long as it does not exceed the carrying amount of the investment in the joint venture or associate. Any adjustments recognized within the other comprehensive income of a subsidiary are likewise recognized in the Group's other comprehensive income. In addition, any changes are recorded directly in the equity of the joint ventures or associates in an amount equaling the share held by the Group and, as far as necessary, included in the statement of changes in equity. Unrealized gains and losses from transactions between the Group and the joint ventures or associates are eliminated in accordance with the shares held in the joint venture or associates.

Current/non-current distinction (IAS 1)

The Group classifies its assets and liabilities according to whether they are current or non-current. An asset is classified as current if it is expected to be realized within twelve months of the reporting date, the asset is held primarily for trading, or it entails cash or cash equivalents. All other assets are classified as non-current. A liability is classified as current if settlement of the liability is expected within twelve months of the reporting date or the liability is held primarily for trading purposes. All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets or liabilities.

Currency translation (IAS 21)

The consolidated financial statements were prepared in euro, which is GRAMMER AG's functional currency. The Group determines the functional currency for each subsidiary. The items included in the financial statements of the companies are measured on the basis of the relevant functional currency. Any resulting translation differences from this are recognized in profit or loss. The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated into euro on the basis of their functional currency. The functional currency of the subsidiaries is the relevant local currency in most cases. The functional currency of the subsidiary is translated into the Group's reporting currency using the modified closing rate method under which items of the statement of financial position are translated at the end-of-year exchange rate and items of the income statement at average exchange rates. Any resulting translation differences from this are recognized directly in equity. In addition, currency translation differences arising from foreign-currency loans for collateralizing a net investment are recognized directly in equity in other comprehensive income and reclassified to profit and loss for the period upon disposal.

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

		Average exchange rate		End-of-year exchange rate	
		2023	2022	2023	2022
Argentina	ARS	0.004	0.007	0.001	0.005
Brazil	BRL	0.185	0.183	0.187	0.177
China	CNY	0.131	0.141	0.127	0.136
United Kingdom	GBP	1.149	1.172	1.151	1.127
Japan	JPY	0.007	0.007	0.006	0.007
Mexico	MXN	0.052	0.047	0.053	0.048
Poland	PLN	0.221	0.214	0.230	0.214
South Africa	ZAR	0.050	0.058	0.049	0.055
Czech Republic	CZK	0.042	0.041	0.040	0.041
Turkey	TRY	0.040	0.058	0.031	0.050
United States	USD	0.925	0.949	0.905	0.938

Revenue from contracts with customers (IFRS 15)

Revenue from contracts with customers is recognized when control over the goods or services passes to the customer. The revenue recognized equals the consideration that GRAMMER expects to receive upon the transfer of these goods or services. The five-step model is used to determine revenue recognition from contracts with customers. Within the scope of the identified contracts with customers, two independently definable performance obligations are identified with series development and series delivery, particularly for the Group, which are described separately below.

Revenue from series development

Customer tools, development services, devices and prototypes used in series development are generally combined to form a performance obligation referred to as "series development", as GRAMMER does not believe that the underlying goods and services can be independently identified, and the goods and services are highly interdependent or interrelated. Revenue from this performance obligation is recognized over a certain period if the resulting asset has no alternative use for the Company and it has a legal right to receive payment for the service already rendered. Complete satisfaction of a performance obligation is determined using the input-based method as there is assumed to be a direct correlation between the costs already incurred and the progress of the development work and is based on the ratio of costs already incurred to the total expected costs (cost to cost). Only in cases where it is not yet possible to measure the performance obligation appropriately at certain stages of the contract is revenue recognized on the basis of costs incurred (at cost). Provisions are recognized immediately for expected contract losses from a performance obligation for series development (note on provisions). Recognition of this performance obligation is based on the individual contracts with the customers, primarily in the Automotive product area. No significant financing components for these contracts were identified. Customer claims and obligations under contracts for series development are recognized as "contract assets" or "contract liabilities", respectively.

Revenue from series delivery

In connection with series delivery, the production and delivery of series parts are bundled into a performance obligation known as "series delivery". GRAMMER transfers the power of control over the delivered series parts at a certain point in time and thus recognizes the revenue at the point in time at which the customer receives the power of control over these parts and derives the benefit from the series delivery. No significant financing components for these series delivery contracts were identified. In determining the transaction price for series deliveries, the Group considers the impact of consideration paid to customers. The consideration paid to the customer comprises amounts that GRAMMER pays to its customers that do not represent payment for an independently identifiable item or service delivered by the customer. The consideration paid to the customer is recognized by GRAMMER within other assets in an amount equaling the prepayment and deducted from the transaction price at the time at which the revenue in connection with the corresponding series delivery is recognized. Additional costs incurred in connection with the fulfillment of series supply contracts with customers are recognized as an asset if GRAMMER expects these costs to be generated. Capitalized costs are amortized on a straight-line basis over the period of the expected future benefit and recognized in the cost of sales.

Contract assets

A contract asset is the right to receive consideration in exchange for goods or services transferred to a customer. If GRAMMER meets its contractual obligations by transferring goods or services to a customer before the customer remits the consideration or before payment becomes due, a contractual asset is recognized for the contingent claim for consideration.

Contract liabilities

A contract liability is GRAMMER's obligation to transfer goods or services to a customer for which it has received or will receive consideration. If a customer remits consideration before GRAMMER transfers the goods or services to it, a contract liability is recognized when payment is made or becomes due (whichever occurs first). Contract liabilities are recognized as revenue as soon as GRAMMER has fulfilled its contractual obligations.

Trade accounts receivable (IAS 32, IFRS 9)

The unconditional entitlement of the Group to receive consideration (i.e. due date occurs automatically as time elapses) is shown under trade accounts receivable. The accounting policies for trade accounts receivable are explained in the note on financial assets.

Warranty obligations (IAS 37)

The Group normally provides statutory warranties for any defects that existed at the time of sale. These assurance type warranties are recognized as provisions. Details of the accounting method for warranty provisions can be found in the note on provisions. There are no further warranty commitments that can be classified as an independently definable service.

Research and development expenses (IAS 38)

Research expenses are recognized as expense directly upon arising. Market-related development expenses are recognized as intangible assets if the conditions for recognition are satisfied and the Group is able to prove this:

- The technical feasibility of completing the intangible asset so that it will be available for internal use or sale,
- the intention to complete the intangible asset and use or sell it,
- how the intangible asset will generate probable future economic benefits,
- the availability of resources for purposes of completing the asset and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

After initial recognition, development expenses are accounted for using the purchase cost model, i.e. at cost less cumulative depreciation and impairment expense. Depreciation is calculated for the period in which the asset is expected to be used. Capitalized development expenses are tested for impairment annually as long as the asset has not yet been used or if there are any indications for impairment during the year.

Interest income and expense (IAS 1, IAS 32)

Interest income and expense are recognized in the period in which they arise and are recognized in the income statement as part of the financial result. Interest income and expenses are calculated using the effective interest rate method in the case of all financial instruments measured at amortized cost and interest-bearing financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Dividends (IAS 1)

Dividend income is recognized upon a legal right to payment arising.

Government grants (IAS 20)

Government grants are recognized when there is reasonable assurance that the grants will be received, and the eligible Group company complies with the conditions attached to them. Grants related to expenses are recognized as liabilities and systematically recorded as income over the period necessary to net them with the corresponding expenses. A grant related to an asset is presented as deferred income and amortized on a straight-line basis over the expected useful life of the related asset. To the extent that loans or other subsidies from governments or their executive agencies are provided at an interest rate below the prevailing market rate, the resulting benefit is recognized as a government grant.

Taxes (IAS 12)

Tax items are calculated in the light of the applicable local tax legislation and tax rates. Due to their complexity, they may be subject to differences in interpretation between the taxpayers and the local tax authorities. The Group recognizes provisions for potential effects from tax audits based on estimates. The calculation of these provisions is based on various factors, such as experience from previous tax audits and different official interpretations of tax rules by the authorities. Taxes referring to items that are recognized directly in equity are also recognized directly in equity. The liability method is used to calculate deferred tax assets and liabilities with an impact on future taxes arising from differences between the carrying amounts of assets and liabilities recognized in the statement of financial position and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences. The following exceptions apply:

- Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction had no influence on the net profit for the period as reported in the financial statements or on the taxable income are not recognized.
- Deferred tax assets arising from deductible temporary differences in connection with investments in subsidiaries and associates and interests in joint ventures are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there is sufficient taxable income against which the temporary differences can be utilized.

Deferred tax assets are recognized on unused tax losses only if the corresponding tax advantages are likely to be utilized. In particular, the Group determines whether there has been a series of losses in the recent past. In assessing the likelihood that taxable profit will be available against which unused tax losses can be utilized, particular consideration is given to whether there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity to give rise to taxable amounts against which the unused tax losses can be utilized.

Accordingly, a discretionary judgment by management is required to determine the amount of deferred tax assets on the basis of the expected timing and amount of the future taxable profit. Reliable planning of future taxable results is also required. The recoverable value of deferred tax assets is reviewed annually.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to apply in the period in which an asset is realized or a liability settled.

Deferred tax assets and liabilities are netted if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income taxes refer to income taxes of the same taxable entity levied by the same tax authority.

Property, plant and equipment (IAS 16, IAS 36)

Property, plant and equipment are recognized at cost less straight-line depreciation and accumulated impairment losses. If the cost of certain components is significant in proportion to the overall cost of the item of property, plant and equipment and if these components are subject to regular replacement, the Group recognizes these separately and depreciates them individually on a straight-line basis. The useful lives applied correspond to the period over which the relevant component is expected to be available for use. Any material residual values have been included in the calculation of the depreciation amounts.

Cost is recognized on the basis of directly attributable costs plus any allocable material and production overheads, including depreciation, and borrowing costs for long-term construction projects or similar manufacturing processes, as long as they qualify for recognition. Repair costs and interest on borrowed funds are recognized as current expenses. Property, plant and equipment are depreciated pro rata temporis over the expected useful life using the straight-line method. Impairments are recognized when the carrying amount exceeds the value in use or the fair value less costs to sell of the assets. Should the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to the amount of the asset's original cost.

An item of property, plant and equipment is derecognized upon disposal or when an economic benefit can no longer be expected from its continued use. Any gains or losses arising from this derecognition as the net proceeds from the sale differ from the carrying amount are reported through profit and loss.

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

Leases (IFRS 16)

A lease is a contract that transfers the right to use an asset (leased asset) for an agreed period of time in return for payment. As the lessee, GRAMMER recognizes a right-of-use asset and a corresponding lease liability over the lease term calculated at its present value using the effective interest method. The judgment as to whether a contract constitutes or contains a lease is made at the inception of the lease. Right-of-use assets and lease liabilities are recognized on the commencement date, i.e. the date on which the leased asset becomes available for use.

The following lease payments are included in the measurement of the lease liability:

- fixed payments, less any leasing incentives to be provided;
- variable lease payments that are tied to an index or interest rate;
- expected payments under residual value guarantees;
- the exercise price of a purchase option where exercise is reasonably certain;
- penalties for terminating the lease if the calculation of the lease term takes into account the exercise of an option to terminate the lease.

Lease payments are discounted at the incremental borrowing rate as it is generally not possible for GRAMMER to readily determine the interest rate on which the lease is based. Right-of-use assets are recognized at cost and are composed of:

- the amount derived from the initial measurement of the lease liability;
- lease payments made on or before the leased asset becomes available less any lease incentives received;
- initial direct costs and
- dismantling obligations.

They are subsequently remeasured at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the lease term or the expected useful life of the leased asset, whichever is the shorter. The guidance contained in IAS 36 on recognizing and measuring impairments also applies to right-of-use assets.

In the case of short-term leases (leases with a maximum duration of twelve months with no purchase option) and leases for low-value assets (office and business equipment, such as printers and small electronic devices), GRAMMER recognizes the lease payments on a straight-line basis through profit and loss. This procedure is also applied to intangible assets.

The lease term comprises the non-cancelable term of a lease, taking into account options to extend or terminate it as well as purchase options, provided that it is reasonably certain that the option will be exercised. The assessment of whether it is reasonably certain that a contractual option will be exercised is made at the inception of the lease. Consideration is given to all relevant facts and circumstances that provide an economic incentive to exercise or not exercise the option, such as costs associated with relocation, material leasehold improvements and the contractual terms, including any changes in those facts and circumstances that are expected to occur from the commencement date to the date the option is exercised. After the provision of the leased asset, the lease term is redefined if a material event or change in circumstances occurs that is within GRAMMER's control and affects the original determination of the lease term.

The lease liability is remeasured if the expected lease payments change, e.g. in the case of index-linked lease payments or due to new estimates regarding contractual options. The change to the carrying amount is recognized through equity by making a corresponding adjustment to the right-of-use asset.

Intangible assets (IAS 38)

Intangible assets are initially recognized at cost. Costs of such intangible assets acquired under business combinations equal their fair value on their date of acquisition. They are subsequently recorded at cost less cumulative amortization and any cumulative impairment expense. A distinction is drawn between intangible assets with a definite useful life and those with an indefinite useful life. With the exception of goodwill, the GRAMMER Group does not have any intangible assets with an indefinite useful life. Intangible assets with a definite useful life are amortized over their useful lives using the same method as for depreciation of property, plant and equipment. They are also tested for impairment as soon as there is any indication that they might be impaired. If the expected useful life of the asset or the expected amortization schedule has changed, a different amortization period or amortization method is chosen. Such changes constitute a change of estimate. Intangible assets include patents and licenses. Patents may be either generated internally or acquired and are recognized at cost provided that the criteria for recognition of an intangible asset are satisfied and the Group can provide proof of the development costs. Licenses for the use of intellectual property are issued for individual use for a period of one to ten years. Patents and licenses are amortized on a straight-line basis over their respective useful life.

Goodwill (IAS 38, IAS 36)

Goodwill arising from a business combination is initially measured at cost and is defined as the excess of cost over the Group's share in the fair values of the identifiable assets, liabilities and debt of the entity acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment expense. Goodwill is not subject to scheduled amortization but is tested for impairment annually or whenever there are any indications of impairment. In such a test, impairment is measured by the determination of the recoverable amount of the cash-generating unit that relates to the goodwill. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. If the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. First, the carrying amount of the goodwill allocated to the cash-generating unit and then, in proportion to the total carrying amount of the cash-generating unit, the carrying amount of the other assets of the unit is impaired. Impairment losses on goodwill are not reversed. Impairment is tested annually and additionally on an ad-hoc basis at the level of the groups of cash-generating units of the Group that are expected to benefit from the synergies of the business combination. These units or groups of units represent the lowest level at which goodwill is monitored for internal management purposes. This requires an estimate to be made of the fair value less costs to sell of the cash-generating units to which the goodwill has been attributed. In order to estimate the fair value less costs to sell, the Group must estimate the expected future cash flows from the cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Forecasts of cash flows are based on historical data and management's best estimate of future events over the next five years. Cash flows beyond the forecast period are extrapolated on the basis of individual growth rates. The assumptions underlying the fair value less costs to sell and value in use entail estimated growth rates, weighted average cost-of-capital rates and tax rates. These estimates and the underlying methods may exert considerable influence on the applicable figures and ultimately also the amount of a possible impairment of goodwill.

Inventories (IAS 2)

Inventories are valued at cost under strict application of the lower-of-cost-and-market principle. Cost is measured in the Group using a moving average price and an adequate portion of the costs associated with the procurement of goods. In addition to directly attributable costs, the costs of conversion include reasonable portions of manufacturing and materials overheads as well as depreciation. Administrative expenses are included insofar as they relate to production. General administrative expenses and interest expenses are not recognized. Due to the elimination of intercompany profits, the cost of inventories from intercompany deliveries is calculated on the basis of retrograde discounts on the internal transfer prices. If, as a result of decreased prices on the market, the net realizable value on the reporting date is lower, the inventories are recognized at such lower prices.

Cash and short-term deposits (IAS 7)

Cash and short-term deposits, as reported in the balance sheet, include cash on hand, bank balances and short-term deposits with original terms to maturity of less than three months. These are recognized at amortized cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash and short-term deposits, as defined above, plus overdraft facilities that have been drawn on.

Own shares (IAS 32)

If the GRAMMER AG or a Group company acquires any own shares, this is carried at cost and deducted from equity. The purchase, sale, issue or cancellation of own shares is recognized directly in equity. Any differences between the carrying amount and the consideration paid are recognized in equity.

Hybrid loans (IAS 32)

The recognition of the hybrid loan depends on the specific structure of the instrument. A hybrid loan is accounted for and measured as an equity instrument if certain conditions are cumulatively met. These include the fact that the hybrid loan has no final maturity, the lender has no termination rights and distributions are made at the discretion of GRAMMER. In this case, the loan is classified completely as equity in accordance with IAS 32. It is reported below the item "Equity attributable to shareholders of the parent company", as it was obtained by a subsidiary of GRAMMER AG.

The hybrid loan is recognized at cost using the historical exchange rate. Changes in exchange rates over the historical exchange rate are recognized in other comprehensive income as a component of "Equity attributable to shareholders of the parent company". The hybrid loan lender's compensation claims are deducted from retained earnings and allocated to the hybrid loan.

Retirement benefits and other post-employment benefits (IAS 19)

The actuarial measurement of retirement benefit provisions is based on the projected unit credit method in respect of defined benefit plans in accordance with IAS 19 (revised 2011). This valuation method is based not only on retirement benefit payments and vested benefits known as of the reporting date but also reflects future salary and pension increases. Actuarial gains or losses result from changes in the number of beneficiaries and differences between actual trends (e.g. salary or pension increases) compared to the assumptions on which the calculations were based. They are reported within other comprehensive income (retained earnings) and subsequently no longer reclassified to profit and loss. Current service cost, past service cost, gains and losses from plan curtailments and extraordinary plan settlements are recognized within cost of sales, administrative costs or selling costs depending on their function. Past service cost is recorded as expense upon the plan change taking effect. With respect to defined benefit plans, the GRAMMER Group has plan assets only in connection with one deferred compensation commitment. The net interest expenses and interest income on defined benefit plans resulting from the plan assets are recorded in net financial result. Other post-employment benefits for employees are measured in accordance with IAS 19 (revised 2011). Actuarial calculations are based on material assumptions including on discount rates, expected salary and pension trends and mortality rates. The discount factors applied are determined on the basis of market yields on the reporting date on investment-grade corporate bonds with the appropriate maturity and currency denomination. Changes in market and economic conditions, particularly interest rates, may cause the underlying assumptions to differ from actual performance. Given the complexity of the measurements and their long-term nature, defined benefit obligations react extremely sensitively to any changes in the underlying assumptions. These assumptions are reviewed on each reporting date. The GRAMMER Group does not have any defined contribution pension plans for employees. Further details on retirement benefit obligations can be found in Note 19.

Provisions (IAS 37)

In accordance with IAS 37, provisions are recognized insofar as the Group, as a result of a past event, has present obligations towards third parties that will likely cause an outflow of resources and a reliable estimate can be made with respect to the amount of the obligation.

Where the Group expects at least a partial reimbursement of a provision (e.g. in the case of an insurance policy) for a particular matter, the reimbursement is recognized as a separate asset when it is virtually certain that reimbursement will be received. The expense relating to the provision is presented in the income statement net of the amount recognized for the reimbursement. Where the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. When discounting, the increase in the amount of a provision reflecting the time value of money is recognized as interest expense. Provisions for warranty costs are recognized at the time of sale of the relevant products or performance of the relevant services. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation.

The measurement of provisions for warranties and litigation is largely based on estimates and assumptions. For warranty estimates, a significant number of assumptions are made relating to technical disruptions, costs and possible claims, which to some extent rely on operating management's past experience. These may specify and change over time as more specific information becomes available. Restructuring costs are provided for if the general criteria for the recognition of provisions in accordance with IAS 37 are satisfied. Termination benefits (IAS 19) are included in restructuring provisions. The Group is confronted with various legal disputes and regulatory processes in different countries. Warranty claims are also sometimes asserted in court proceedings. These can result in civil sanctions or monetary fines for the Group. The Group recognizes provisions for such litigation costs if it is probable that an obligation will arise from them that is likely to result in future cash outflows. If the Group has an onerous contract, the present contractual obligation is recognized and measured as a provision. However, before establishing a separate provision for an onerous contract, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. This does not apply to contract assets as these represent services already transferred to the customer. An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the expected economic benefits. The unavoidable costs under a contract reflect the minimum net cost of exiting the contract, which is the lower of the cost of fulfilling it or any compensation or penalties arising from failure to fulfill it.

Share-based payment (IFRS 2)

The remuneration system for the Executive Board includes share-based remuneration as part of the variable performance-related remuneration. The share-based compensation is included in the total shareholder return (TSR) as part of the long-term incentive (LTI) and is calculated by comparing the GRAMMER share's performance over the four years of the performance period relative to the SDAX. The share-based payment is settled in cash and measured at its fair value on the reporting date. Pending payment of the LTI, the liability for the performance-related compensation is remeasured on each reporting date and on the settlement date and any changes in fair value are recognized through profit and loss under administrative expenses.

Financial assets (IFRS 9)

Financial assets are recognized on their settlement date.

After initial recognition, financial assets are subsequently measured either at amortized cost, at fair value through other comprehensive income or at fair value through profit and loss. Financial assets are classified on the basis of the characteristics of the cash flows associated with them (cash flow criteria) and the GRAMMER Group's business model for managing financial assets (business model criteria). Financial assets that meet the cash flow criteria by generating cash flows that represent only payments of principal and interest on the outstanding principal amount can be measured at amortized cost or at fair value through other comprehensive income. This assessment is made on the basis of the individual financial instrument. Financial assets are assigned to the following categories within GRAMMER Group:

- Financial assets at amortized cost (FAAC)
- Financial assets at fair value through other comprehensive income without reclassification of the cumulative gains and losses on derecognition (equity instruments) (FVOCI)
- Financial assets at fair value through profit or loss (FVtPL)

"Financial assets at amortized cost" (FAAC) include cash and short-term deposits, trade accounts receivable, loans and receivables (other financial assets). They are held within the purposes of the GRAMMER Group's business model, of which is to hold assets to generate contractual cash flows. The cash flow criteria are met for these financial assets. Gains and losses are recognized as profit or loss in the period when they are derecognized or impaired or are reduced through amortization. Subsequent to initial recognition, they are recognized at amortized cost using the effective interest rate method less possible impairment losses. Trade accounts receivable are recognized at their invoice amount.

Impairments of loans and receivables (other financial assets) are recognized in accordance with general principles. If their credit risk has not increased significantly since initial recognition, an impairment loss is recognized equaling the credit losses that are expected to occur within the next twelve months (12-month expected credit loss; Level 1). Expected credit losses are based on the difference between the contractual cash flows payable under the contract and the total cash flows expected to be received by the Group discounted using an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit collateral that is an integral part of the terms of the contract. If credit risk has increased significantly since initial recognition, an impairment loss is recognized equaling the expected credit loss over the remaining term (lifetime expected credit loss; Levels 2 and 3). The expected credit loss is deducted from the carrying amount of the financial asset and recorded through profit and loss in a separate impairment account.

The simplified impairment model is applied to trade accounts receivable and contract assets and the lifetime expected losses duly recognized. The Group has drawn up an impairment matrix based on its past experience with credit losses and adjusted for forward-looking factors specific to borrowers and the economic environment. The practical simplification option for financial instruments is applied to cash and short-term deposits as they are exposed to only a minor credit risk. On each reporting date, it assesses whether the financial instrument has a low credit risk using all reasonable and reliable information available without unreasonable expense or time.

"Financial assets measured at fair value through profit or loss" (FVtPL) include financial assets classified as held for trading, financial assets initially recognized at fair value through profit and loss and financial assets which must be recognized at their fair value. Financial assets are classified as held for trading if they have been purchased for the purpose of selling or repurchasing in the near future. Derivatives, including embedded derivatives recognized separately, are also classified as held for trading with the exception of those derivatives that are designated as a hedge and are effective as such. They are initially recognized at fair value. Any gains and losses arising from them are not netted and are recognized through profit and loss in financial result. Trade accounts receivable that are to be sold as part of factoring operations also fall into this category. The Group did not have any financial assets at fair value through profit or loss in the year under review or in the previous year.

Upon initial recognition, the Group may make an irrevocable decision to measure its equity instruments at "Fair value through other comprehensive income" (FVOCI) when they satisfy the definition of equity in IAS 32 and are not held for trading. Each individual instrument is classified separately. Gains and losses arising upon derecognition of the financial asset remain within other comprehensive income (OCI). Gains and losses from investments in equity instruments are recognized in other comprehensive income.

If the contractual rights to cash flows generated by an asset have lapsed or materially all risks and opportunities under the financial asset are transferred, it is derecognized. Trade accounts receivable and other financial assets are derecognized before the settlement date as soon as it is established that they are no longer recoverable.

Financial liabilities (IFRS 9)

Upon initial recognition, financial liabilities are classified as financial liabilities recognized at fair value through profit or loss, as loans, as liabilities or as derivatives that are designated as hedging instruments and effective as such. All financial liabilities are measured at fair value upon initial recognition. In the case of loans and liabilities, directly attributable transaction costs are deducted. Financial liabilities are assigned to the following categories:

- Financial liabilities at amortized cost (FLAC)
- Financial liabilities at fair value through profit or loss (FLtPL)

"Financial liabilities at fair value through profit or loss" (FLtPL) include financial liabilities held for trading purposes and other financial liabilities designated as measured at fair value through profit or loss upon initial recognition and derivatives with a negative market value that are not designated as hedging instruments or are ineffective as such.

Financial liabilities are classified as held for trading if they were entered into for the purpose of being repurchased in the near future. The financial liabilities assigned to this category are measured at fair value not only upon initial recognition but also in subsequent periods. Any resultant gains and losses are recorded through profit and loss. The portion of the fair value changes attributable to the change in the GRAMMER Group's own credit risk is not recognized through profit and loss but in other comprehensive income. The Group did not make use of the option to allocate financial liabilities to this category in the current financial year or in the previous year.

"Financial liabilities at amortized cost" (FLAC) comprise financial liabilities that are not assigned to any other category of financial liabilities. This category usually includes mainly loans. They are measured at amortized cost using the effective interest method. In the case of current financial liabilities, amortized cost equals the repayment or settlement amount. Gains and losses are recognized as profit or loss when the liabilities are derecognized or as part of amortizations by using the effective interest method.

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as currency forwards and interest rate swaps to hedge interest rate, exchange rate and other price risks. These derivative financial instruments are recognized at fair value at the time of agreement and remeasured at their fair value in subsequent periods. Depending on whether the fair value is positive or negative, they are recognized either as financial assets or as financial liabilities.

The GRAMMER Group classifies hedge relationships as cash flow hedges for accounting purposes. This is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction or the foreign currency risk attributable to an unrecognized firm commitment.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

Hedging instruments that meet all the criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss from a hedging instrument is recognized in other comprehensive income, whereas the ineffective portion is recognized through profit and loss immediately. Cumulative other comprehensive income is adjusted to the lower of the following amounts:

- the cumulative gain or loss on the hedge since its inception at the date when the hedged cash flows affect profit or loss, or
- the cumulative change in the fair value of the hedged item if the hedging instrument continues to exist as of the reporting date.

The Group uses currency forwards to hedge the currency risk resulting from an expected transaction and forward commodity contracts to hedge the volatility risk of commodity prices. GRAMMER also uses interest rate swaps to hedge cash flows from variable-rate financial liabilities. As of the reporting date, the portfolio included currency forwards, but no commodity futures contracts and interest rate swaps. In addition, there were fully effective hedging relationships for the forward exchange contracts. If the hedges do not satisfy the requirements of hedge accounting or they constitute the ineffective part of another effective hedge relationship, the change in fair value is recognized through profit and loss.

2.2. Application of new IFRS in 2023

The IASB has published the following standards and interpretations, application of which was mandatory the first time in 2023:

- IFRS 17: Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

There were no material changes in the accounting policies applied beyond the newly applied standards presented.

IFRS 17: Insurance Contracts

IFRS 17 (Insurance Contracts) is a comprehensive new accounting standard for insurance contracts that establishes principles for their recognition, disclosure and presentation. IFRS 17 replaces IFRS 4 (Insurance Contracts). IFRS 17 applies to all types of insurance contract (i.e. life, non-life, direct and reinsurance contracts), regardless of the type of company that issues these contracts, and to certain guarantees and financial instruments with discretionary participation features. The overarching aim of IFRS 17 is to create a comprehensive accounting model for insurance contracts that is more useful and more standardized and that covers all relevant accounting aspects.

The new standard did not have any impact on GRAMMER AG's consolidated financial statements as GRAMMER has not issued any insurance contracts or guarantees within the meaning of IFRS 17.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB published "Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies" on February 12, 2021. The amendments provide guidance and examples intended to help companies assess when information on accounting policies is considered "material" and must therefore be disclosed. The amendments are intended to help companies disclose accounting policies more helpfully for users of financial statements by replacing the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" information on accounting policies and adding guidance to make it easier for companies to apply the concept of materiality upon assessing when information on accounting policies is to be disclosed.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023. As the amendments to the Practice Statement 2 contain non-binding application guidance for the definition of "material" regarding information on accounting policies, an effective date for the amendments was not considered necessary. The amendments will have no impact on the disclosures on accounting policies in the consolidated financial statements.

Amendments to IAS 8: Definition of accounting estimates

The IASB published "Amendments to IAS 8: Definition of Accounting Estimates" on February 12, 2021. The amendment clarifies how to differentiate between changes to accounting estimates, changes to accounting policies and error corrections. It also explains how companies can perform accounting estimates with the help of measurement tools and inputs.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023 and to changes to accounting policies and accounting estimates made at or after the start of this period. The amendments do not have any material impact on GRAMMER AG's consolidated financial statements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB published "Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on May 7, 2021. The amendments relate to accounting for deferred taxes on transactions such as leases at the lessee and dismantling obligations. As a result of the amendment, a counter-exemption to the initial recognition exemption was introduced in line with IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This results from the introduction of IAS 12.22A, which sets out a counter-exemption from the initial recognition exemption.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023. The amendments are to be applied retrospectively for transactions that occur at or after the beginning of the earliest comparative period presented. In addition, deferred taxes for all temporary differences related to leases and decommissioning obligations are to be recognized at the beginning of the earliest comparative period. The cumulative effect of the initial application of these amendments is recognized as an adjustment of the opening retained earnings. The amendments do not have any material impact on GRAMMER AG's consolidated financial statements.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published the "Pillar Two" rules to reform international taxation. Pillar Two is intended to ensure that large multinational enterprises pay a minimum level of tax in each of the jurisdictions in which they operate. It uses a system of additional taxes to raise the minimum tax rate in the jurisdiction to 15%. Pillar Two was transposed into national law by the German Bundestag in November 2023.

IAS 12 was amended in May 2023 to provide temporary relief from recognizing deferred taxes in connection with the application of the Pillar Two model rules. The GRAMMER Group applies this exception in accordance with IAS 12.4A.

The Pillar Two rules were implemented or substantially implemented in certain jurisdictions in which GRAMMER operates. The Pillar Two rules come into effect for the GRAMMER Group from the financial year beginning on January 1, 2024. The GRAMMER Group is covered by the OECD Pillar Two model rules and has evaluated the impact of the rules on the Group's tax burden. This evaluation is based on the most recent tax returns and annual financial statements of the companies in question. According to this analysis, Pillar Two tax rate in most countries in which the Group operates is over 15%. However, there are a limited number of countries with effective tax rates close to 15%. GRAMMER does not anticipate a material income tax burden in these countries due to Pillar Two. This relates to the units in China, where the effective tax rate under Pillar Two is close to 15%. The effective tax rate under Pillar Two is lower here than the nominal tax rate in China, as certain adjustments due to the high-tech status of some subsidiaries result in a lower tax rate and the subsidiaries also receive considerable tax benefits.

2.3. Published standards which are not yet subject to mandatory application

Endorsed by the EU but not yet applied

The IASB published the standards and interpretations listed below which have already been integrated into EU law as part of the comitology procedures but application of which was not yet mandatory in 2023:

- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The GRAMMER Group did not adopt to these standards and interpretations prematurely. Only those standards and interpretations of relevance for GRAMMER's consolidated financial statements are described below in greater detail. The other standards published by the IASB and IFRIC are not relevant for the Group and therefore are not included here.

Amendments to IAS 1: Classification of liabilities as current or non-current

The IASB published "Amendments to IAS 1: Classification of liabilities as current or non-current" on January 23, 2020. The amendments concern paragraphs 69 to 76 of "IAS 1 Presentation of Financial Statements" and clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- The right to defer the settlement of a liability is explained.
- The right to defer settlement of a liability must exist at the reporting date.
- For classification purposes, it is irrelevant whether the company expects to actually exercise this right.
- Only if a derivative embedded in a convertible debt instrument is an equity instrument that must be accounted for separately do the terms of the debt instrument not have to be taken into account when classifying it.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2023 and are applicable retroactively. The amendments are not expected to have any material impact on the consolidated financial statements as the Group currently has no contractual rights in its obligations which are impacted by the amendment.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

On September 22, 2022, IASB published "Amendments to IFRS 16: Lease Liability in a Sale and Leaseback". The amendments clarify how a seller-lessee of a sale and leaseback transaction, which is accounted for as sale according to IFRS 15, has to apply the subsequent measurement regulation in line with IFRS 16 to the lease liability.

As a result of the amendment, subsequent to a sale the lessee has to measure the lease liability in such a way that he does not recognize any gain or loss relating to the retained right of use in the income statement.

The amendment must be applied for the first time to annual accounting periods beginning on or after January 1, 2024.

Not yet endorsed by the EU

The IASB published further standards and interpretations, which however have not yet been integrated in EU law under the comitology procedures:

- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IAS 21: Lack of Exchangeability

Only those standards and interpretations of relevance for GRAMMER's consolidated financial statements are described below in greater detail. The other standards published by the IASB and IFRIC are not relevant for the Group and therefore are not included here.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The IASB published amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments) on disclosures of supplier finance arrangements in May 2023. The amendments require reporting entities to provide additional disclosures on finance arrangements granted to their suppliers. Users of financial statements can use this information to assess their impact on the company's liabilities, cash flows and liquidity risk. The additional disclosure requirements should also improve comparability between entities. Overall, they are intended to increase the transparency, comparability and understandability of supplier finance arrangements.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2024. Certain relief arrangements are provided for the period of initial application.

Amendments to IAS 21: Lack of Exchangeability

The IASB published amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates) in August 2023 that require entities to provide more useful information in their financial statements as to when a currency is exchangeable into a foreign currency. This covers an area that has not previously been taken into account in the regulations.

The amendments require entities to use a uniform approach when assessing if a currency is not exchangeable and, if this is the case, when determining the exchange rate and the required disclosures in the notes.

The amendments must be applied for the first time to annual accounting periods beginning on or after January 1, 2025. Earlier application is permitted subject to adoption into European law. The amendments are to be applied prospectively and specific transitional provisions must be observed.

3. Scope of consolidation

Information on subsidiaries

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

	Name of subsidiary	Domicile	Main activity	Equity interest (%) 2023	2022
1. Consolidated subsidiaries					
1.	GRAMMER do Brasil Ltda.	Atibaia, Brazil	Automotive/Commercial Vehicles	100.00	100.00
2.	GRAMMER Seating Systems Ltd.	Bloxwich, United Kingdom	Distribution company	100.00	100.00
3.	GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S.	Bursa, Turkey	Commercial Vehicles	99.40	99.40
4.	GRAMMER Inc.	Shannon (MS), United States	Automotive/Commercial Vehicles	100.00	100.00
5.	GRAMMER CZ s.r.o.	Tachov, Czech Republic	Automotive/Commercial Vehicles	100.00	100.00
6.	GRAMMER Japan Ltd.	Tokyo, Japan	Distribution company	100.00	100.00
7.	GRAMMER AD	Trudovetz, Bulgaria	Automotive/Commercial Vehicles	98.84	98.84
8.	GRAMMER System GmbH	Amberg, Germany	Automotive	100.00	100.00
9.	GRAMMER Automotive Metall GmbH	Amberg, Germany	Automotive	100.00	100.00
10.	GRAMMER Automotive Slovenija d.o.o.	Slovenj Gradec, Slovenia	Automotive	100.00	100.00
11.	GRAMMER Industries, LLC	Troy (MI), United States	Automotive	100.00	100.00
12.	GRAMMER Automotive Puebla S.A. de C.V.	Puebla, Mexico	Automotive/Commercial Vehicles	100.00	100.00
13.	GRAMMER Automotive Polska Sp. z o.o.	Bielsko-Biala, Poland	Automotive	100.00	100.00
14.	GRAMMER Interior (Tianjin) Co., Ltd.	Tianjin, China	Commercial Vehicles	100.00	100.00
15.	GRAMMER Interior (Changchun) Co., Ltd.	Changchun, China	Automotive	100.00	100.00
16.	GRAMMER Interior (Shanghai) Co., Ltd.	Shanghai, China	Automotive/Commercial Vehicles	100.00	100.00
17.	GRAMMER System d.o.o.	Aleksinac, Serbia	Automotive	100.00	100.00
18.	GRAMMER Railway Interior GmbH	Amberg, Germany	Commercial Vehicles	100.00	100.00
19.	GRAMMER Deutschland GmbH	Kümmersbruck, Germany	Commercial Vehicles	100.00	100.00
20.	GRAMMER Electronics N.V.	Aartselaar, Belgium	Commercial Vehicles	100.00	100.00
21.	GRAMMER Interior (Beijing) Co., Ltd.	Beijing, China	Automotive	100.00	100.00
22.	GRAMMER Automotive CZ s.r.o.	Česká Lípa, Czech Republic	Automotive	100.00	100.00
23.	GRAMMER Seating (Ningbo) Co., Ltd.	Ningbo City, China	Automotive/Commercial Vehicles	100.00	100.00
24.	GRAMMER Automotive South Africa (Pty) Ltd.	Bedfordview, South Africa	Automotive	100.00	100.00

Name of subsidiary		Domicile	Main activity	Equity interest (%) 2023	2022
1. Consolidated subsidiaries					
25.	GRAMMER Argentina S.A.	Buenos Aires, Argentina	Commercial Vehicles	99.96	99.96
26.	GRAMMER Italia srl.	Jesi, Italy	Distribution company	100.00	100.00
27.	GRAMMER Interior Components GmbH	Hardheim, Germany	Automotive	100.00	100.00
28.	GRAMMER Seating (Shaanxi) Co., Ltd.	Weinan City, China	Commercial Vehicles	90.00	90.00
29.	Toledo Molding & Die, LLC	Toledo (OH), United States	Automotive/Commercial Vehicles	100.00	100.00
30.	TMD Mexico LLC	Wilmington (DE), United States	Automotive	100.00	100.00
31.	TMD International Holdings LLC	Wilmington (DE), United States	Automotive	100.00	100.00
32.	Toledo Molding de Mexico S.R.L. de C.V.	Queretaro, Mexico	Automotive	100.00	100.00
33.	Toledo Molding CZ s.r.o. [1]	Prague, Czech Republic	Automotive	0.00	100.00
34.	Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd.	Changchun, China	Automotive	49.00	49.00
35.	GRAMMER Vehicle Parts (Shenyang) Co., Ltd.	Shenyang, China	Automotive	100.00	100.00
36.	GRAMMER (China) Holding Co., Ltd.	Hefei City, China	Holding company	100.00	100.00
37.	GRAMMER Vehicle Parts (Harbin) Co., Ltd.	Harbin, China	Commercial Vehicles	60.00	60.00
38.	GRAMMER Vehicle Parts (Qingdao) Co., Ltd.	Qingdao City, China	Commercial Vehicles	60.00	60.00
39.	GRAMMER CZ Servicecenter s.r.o.	Tachov, Czech Republic	Service company	100.00	100.00
40.	GRAMMER Vehicle Interiors (Hefei) Co., Ltd.	Hefei City, China	Automotive	100.00	100.00
41.	GRAMMER Americas, LLC [2]	Wilmington (DE), United States	Commercial Vehicles	100.00	0.00
42.	GRAMMER Vehicle Parts (Changzhou) Co., Ltd. [3]	Changzhou City, China	Automotive/Commercial Vehicles	100.00	0.00
2. Consolidated joint ventures and associated companies					
1.	GRA-MAG Truck Interior Systems LLC	London (OH), United States	Commercial Vehicles	50.00	50.00
2.	AllyGram Systems and Technologies Private Limited	Pune, India	Development company	30.00	30.00

[1] Toledo Molding CZ s.r.o. was deconsolidated on November 30, 2023.

[2] GRAMMER Americas, LLC was included in the consolidated financial statements for the first time on July 1, 2023.

[3] GRAMMER Vehicle Parts (Changzhou) Co., Ltd. was included in the consolidated financial statements for the first time on December 1, 2023.

In addition to GRAMMER AG, five (2022: five) domestic and 36 (2022: 35) foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IFRS 10 are consolidated.

The companies accounted for at equity are the joint venture GRA-MAG Truck Interior Systems LLC, London, OH, United States (GRA-MAG LLC), in which GRAMMER AG holds 50% of the voting rights, and the associate ALLYGRAM Systems and Technologies Private Limited, Pune, India (ALLYGRAM), in which GRAMMER AG holds 30% of the voting rights.

The uniform reporting date for all of the consolidated companies is December 31, 2023.

2023

	Germany	International	Total
Fully consolidated companies (including GRAMMER AG)	6	36	**42**
Companies accounted for at equity	0	2	**2**
Companies	**6**	**38**	**44**

2022

	Germany	International	Total
Fully consolidated companies (including GRAMMER AG)	6	35	**41**
Companies accounted for at equity	0	2	**2**
Companies	**6**	**37**	**43**

Within GRAMMER Group, investments are held in all subsidiaries that ensure a controlling influence.

The companies GRAMMER System GmbH, GRAMMER Automotive Metall GmbH, GRAMMER Railway Interior GmbH, GRAMMER Deutschland GmbH and GRAMMER Interior Components GmbH make partial use of the accounting conveniences provided for in section 264 (3) HGB.

4. Investments in joint ventures and associates

GRA-MAG LLC

GRAMMER AG holds a 50% share in the capital of GRA-MAG Truck Interior Systems LLC, London, OH, United States (GRA-MAG LLC), a joint venture in the United States, which is active in the AMERICAS region and primarily develops and assembles seats and seating systems for trucks. As in the previous year, the Group's shares in GRA-MAG LLC are recognized in accordance with the equity method of accounting. The share in GRA-MAG LLC is recognized at equity and has a value of EUR 0 as the cumulative losses exceed the carrying amount of the investment. As GRAMMER AG is not under any obligation to settle the loss, the negative equity is not recognized as a liability.

The summarized financial information corresponds to the amounts reported in the annual financial statements of the joint venture as of December 31, 2023 prepared in accordance with IFRS.

EUR k

Income statement 100%	2023	2022
Revenue	68,918	61,267
Cost of sales including systematic depreciation of EUR 327 thousand (2022: EUR 216 thousand)	–57,873	–50,449
Selling expenses	–71	–32
Administrative expenses	–5,450	–4,784
Interest expense	–578	–724
Earnings before taxes	**4,946**	**5,278**
Income taxes	–91	–76
Net profit/loss	**4,855**	**5,202**
Group's share of profit or loss (50%)	2,428	2,601

EUR k

Statement of financial position 100%	2023	2022
Non-current assets	2,103	2,435
Current assets	13,234	14,274
Assets	**15,337**	**16,709**
Non-current liabilities	12,195	18,756
Current liabilities	6,679	6,540
Liabilities	**18,874**	**25,296**
Equity	**–3,537**	**–8,587**
Share held by the Group	50%	50%
Goodwill from first-time consolidation	2,043	2,043
Carrying amount of the investment	0	0

The aforementioned items include cash and short-term deposits of EUR 3,158 thousand (2022: EUR 2,502 thousand) as well as current and non-current financial liabilities of EUR 3,007 thousand (2022: EUR 2,051 thousand) and EUR 12,195 thousand (2022: EUR 18,756 thousand).

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

EUR k

Unrecognized gains/losses (50%)	2023	2022
Unrecognized losses of GRA-MAG LLC as of January 1	–3,766	–6,367
Unrecognized gains of GRA-MAG LLC in the period under review	2,428	2,601
Unrecognized losses of GRA-MAG LLC as of December 31	**–1,338**	**–3,766**

As of December 31, 2022 and 2023, the joint venture did not have any contingent liabilities or capital commitments. The GRAMMER Group is not involved in any joint activities within the scope of IFRS 11.

Other immaterial investments accounted for using the equity method

GRAMMER AG holds a 30% interest in the capital of ALLYGRAM Systems and Technologies Private Limited, Pune, India (ALLYGRAM). ALLYGRAM is an associate in India that provides development services for the global GRAMMER sites. As in the previous year, the Group's shares in ALLYGRAM are recognized by using the equity method. The equity measurement in ALLYGRAM is recognized at equity and amounts to EUR 1,085 thousand as of December 31, 2023 (2022: EUR 1,158 thousand). Accordingly, the share of net profit of EUR 521 thousand (2022: EUR 261 thousand) was recognized in profit and loss along with the share of dividends received in the amount of EUR 556 thousand (2022: EUR 0 thousand). In addition, foreign currency differences of EUR -46 thousand (2022: EUR -59 thousand), actuarial losses of EUR 0 thousand (2022: EUR 0 thousand) and gains from cash flow hedges of EUR -3 thousand (2022: EUR -2 thousand) were recognized in cumulative other comprehensive income. In 2023, there was a payment of a dividend resolved in the previous year equivalent to EUR 556 thousand.

5. Segment reporting

The segments described below cover the internal reporting and organizational structure of the GRAMMER Group in 2023. Determination of the Company's key management indicators is based on the data contained in the IFRS consolidated financial statements. For management purposes, the Group is classified by region and has three reportable business segments:

The EMEA region (Europe, Middle East, Africa) comprises all European companies as well as the companies in Turkey and South Africa. The AMERICAS region includes all companies in North, Central and South America, while APAC (Asia Pacific) is made up of all Chinese companies and Japan. Alongside the three segments, Central Services comprises the higher-level general corporate functions, which are allocated to GRAMMER AG.

The EMEA region is the largest of the three reportable segments within the GRAMMER Group. Based on the total revenue of the three reporting segments (excluding eliminations across segments), 51.2% (2022: 50.7%) of revenue was generated in the EMEA region in 2023, followed by the AMERICAS region at 26.3% (2022: 30.2%) and the APAC region at 22.5% (2022: 19.1%).

Revenue, earnings before interest and taxes (EBIT), operating EBIT and the operating EBIT margin of the product areas are monitored separately by management so that decisions can be made on allocating resources and the units' profitability can be determined. Group financing (including financing income and expenses) as well as income taxes are managed uniformly and autonomously within the Group and not allocated to the individual segments. Similarly, expenses for the Central Service departments are not broken down by segment. The Central Services Division carries out Group-wide functions in controlling, taxes and risk management, marketing and communications, purchasing, development, operations, finance, internal audit, investor relations, IT, human resources, accounting, legal affairs and compliance.

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

Reporting segments

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

2023

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	1,163,835	618,923	522,130	0	0	**2,304,888**
Inter-segment revenue	47,085	3,114	10,153	0	–60,352	**0**
Revenue	**1,210,920**	**622,037**	**532,283**	**0**	**–60,352**	**2,304,888**
Segment earnings (EBIT)	**60,129**	**–50,648**	**61,223**	**–30,033**	**1,342**	**42,013**
Financial income						**6,976**
Financial expenses						**–42,566**
Other financial result						**2,754**
Earnings before taxes						**9,177**
Income taxes						**–5,763**
Net profit/loss						**3,414**
Other segment information						
Capital expenditure						
Property, plant and equipment	40,038	16,727	27,034	4,440	0	**88,239**
Intangible assets	174	376	441	7,840	0	**8,831**
Depreciation and amortization						
Depreciation of property, plant and equipment	–30,844	–19,341	–16,104	–5,731	0	**–72,020**
Amortization of intangible assets	–304	–7,099	–72	–2,270	0	**–9,745**
Non-cash items						
Changes in retirement benefit provisions	5,517	566	8	2,783	0	**8,874**

2022

EUR k

	EMEA	AMERICAS	APAC	Central Services	Eliminations	GRAMMER Group
Revenue from sales to external customers	1,071,494	669,616	417,681	0	0	**2,158,791**
Inter-segment revenue	59,870	2,838	8,972	0	–71,680	**0**
Revenue	**1,131,364**	**672,454**	**426,653**	**0**	**–71,680**	**2,158,791**
Segment earnings (EBIT)	**58,580**	**–125,766**	**47,037**	**–25,048**	**216**	**–44,981**
Financial income						**3,576**
Financial expenses						**–28,896**
Other financial result						**7,537**
Earnings before taxes						**–62,764**
Income taxes						**–15,797**
Net profit/loss						**–78,561**
Other segment information						
Capital expenditure						
Property, plant and equipment	35,752	19,578	21,406	6,487	0	**83,223**
Intangible assets	250	95	112	7,362	0	**7,819**
Depreciation and amortization						
Depreciation of property, plant and equipment	–30,283	–58,503	–14,064	–5,758	0	**–108,608**
Amortization of intangible assets	–520	–50,693	–132	–2,468	0	**–53,813**
Non-cash items						
Changes in Retirement benefit provisions	3,856	632	7	1,819	0	**6,314**

Information on product areas

The following tables include information on externally generated revenue and non-current assets of the Group's product areas for the financial years ending December 31, 2023 and 2022.

2023

EUR k

By product area	Automotive	Commercial Vehicles	Central Services	GRAMMER Group
Revenue EMEA	644,579	566,341	0	**1,210,920**
Revenue AMERICAS	502,085	119,952	0	**622,037**
Revenue APAC	378,726	153,557	0	**532,283**
Eliminations	–19,909	–40,443	0	**–60,352**
Revenue	**1,505,481**	**799,407**	**0**	**2,304,888**
Non-current assets (property, plant and equipment as well as intangible assets)	399,607	107,132	119,595	**626,334**

2022

EUR k

By product area	Automotive	Commercial Vehicles	Central Services	GRAMMER Group
Revenue EMEA	580,959	550,405	0	**1,131,364**
Revenue AMERICAS	537,090	135,364	0	**672,454**
Revenue APAC	290,466	136,187	0	**426,653**
Eliminations	–18,207	–53,473	0	**–71,680**
Revenue	**1,390,308**	**768,483**	**0**	**2,158,791**
Non-current assets (property, plant and equipment as well as intangible assets)	416,062	92,157	115,393	**623,612**

The product areas of the GRAMMER Group focus on creating and implementing global market, customer and product strategies. In the Automotive product area, the GRAMMER Group operates as a supplier to the automotive industry, developing and producing headrests, armrests, center console systems, high-quality interior components and operating elements as well as innovative thermoplastic solutions. The Group sells these products to automotive OEMs and their system suppliers. The Commercial Vehicles product area develops and produces driver and passenger seats for trucks, driver seats for offroad vehicles (tractors, construction machinery and forklifts), and seats and seating systems for trains and buses. In this product area, GRAMMER is active as a supplier to the commercial vehicle industry, marketing driver and passenger seats to commercial vehicle OEMs, or as an aftermarket supplier. It also markets driver and passenger seats to bus and rolling stock OEMs, as well as railway operators.

6. Revenue from contracts with customers

The GRAMMER Group generates revenue from the transfer of goods and services both over time and on a point-in-time basis in the following segments:

2023

EUR k

Point in time of revenue recognition	EMEA	AMERICAS	APAC	Eliminations	GRAMMER Group
Goods transferred at a specific point in time	1,147,474	601,035	498,241	–58,644	**2,188,106**
Goods and services transferred over time	63,446	21,002	34,042	–1,708	**116,782**
Intragroup transactions	–47,085	–3,114	–10,153	60,352	**0**
Total revenue from contracts with customers	**1,163,835**	**618,923**	**522,130**	**0**	**2,304,888**

2022

EUR k

Point in time of revenue recognition	EMEA	AMERICAS	APAC	Elimina-tions	GRAMMER Group
Goods transferred at a specific point in time	1,072,842	638,805	401,245	–69,801	**2,043,091**
Goods and services transferred over time	58,522	33,649	25,408	–1,879	**115,700**
Intragroup transactions	–59,870	–2,838	–8,972	71,680	**0**
Total revenue from contracts with customers	**1,071,494**	**669,616**	**417,681**	**0**	**2,158,791**

76% of the net contract liabilities of EUR 7,457 thousand reported as of December 31, 2022 were recognized as revenue in 2023 (2022: approx. 60% of EUR 5,924 thousand).

In 2023 and 2022, there was likewise no material revenue from performance obligations which had been fulfilled in part or in full in earlier periods.

7. Other income and expenses

7.1. Other operating income

Other operating income primarily include income from recharged handling costs of EUR 2,788 thousand (2022: EUR 3,490 thousand), income from the sale of metal waste of EUR 3,970 thousand (2022: EUR 4,720 thousand) and miscellaneous other income of EUR 6,347 thousand (2022: EUR 24,912 thousand). Miscellaneous other income mainly consists of reversals of provisions from previous years and one-time payments for compensation for order cancellations and increases in material prices and freight costs. Other operating income also comprises government grants of EUR 3,338 thousand (2022: EUR 2,036 thousand), sales of property, plant and equipment of EUR 1,747 thousand (2022: EUR 153 thousand), income from insurance claims of EUR 86 thousand (2022: EUR 2,525 thousand) and income from recharged expenses and rental income of EUR 1,660 thousand (2022: EUR 4,252 thousand). In addition, it includes a refund claim for other taxes of EUR 335 thousand (2022: EUR 1,312 thousand) in connection with the quasi-VAT levies PIS and COFINS (Programa de Integraçao Social/Contribuiçao para o Financiamento da Seguridade Social) in Brazil. The refund claim includes taxes paid twice. Brazilian courts confirmed the refund claim in 2021. The government grants were received for the acquisition of certain items of property, plant and equipment as well as in the form of income subsidies. The conditions for these grants were satisfied in full and there is currently no risk that they will not be complied with in the future.

7.2. Financial result

The following table breaks down the financial result:

EUR k	2023	2022
Interest income on bank balances	5,053	1,998
Income from other financial assets	1,395	495
Income from other assets	528	1,083
Financial income	**6,976**	**3,576**
Interest on loans and overdrafts	–34,015	–23,388
Other interest costs	–95	0
Interest cost of retirement benefit provisions	–5,298	–2,544
Loss from financial assets and liabilities at fair value through profit or loss	–30	–49
Interest element of lease payments	–3,128	–2,915
Financial expenses	**–42,566**	**–28,896**
Currency translation gains/losses from cash at bank and in hand	5,183	1,850
Exchange rate differences from intercompany finance	–2,429	5,687
Other financial result	**2,754**	**7,537**
Financial result	**–32,836**	**–17,783**

The lower financial result was essentially the result of higher interest on loans and current accounts as a result of generally higher interest rates and the increase in the interest cost of retirement benefit provisions. In the other financial result, the performance of the US dollar resulted in foreign exchange losses on intercompany loans in the current financial year. Income from other assets includes interest income on the refund claim for other taxes of EUR 528 thousand (2022: EUR 1,083 thousand) in connection with the quasi-VAT levies PIS and COFINS (Programa de Integraçao Social/ Contribuiçao para o Financiamento da Seguridade Social) in Brazil.

7.3. Amortization, depreciation, foreign exchange differences and acquisition and production costs included in the consolidated statement of income

Cost of sales

The cost of sales includes the manufacturing costs attributable to revenue and the cost of merchandise amounting to EUR 1,972,772 thousand (2022: EUR 1,924,411 thousand). This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. This item also includes the cost of additions to warranty provisions. Expenses relating to the development and expansion of individual plant locations in preparation for forthcoming series production ("industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Non-capitalized development costs incurred in the Commercial Vehicles product area are also included here. The cost of sales also includes exceptional expenses from non-recurring business transactions of EUR 2,993 thousand in 2023 (2022: EUR 38,743 thousand). In 2023, these comprised expenses for directly attributable costs for corona-related protection and response measures of EUR 0 thousand (2022: EUR 2,121 thousand), expenses for restructuring measures of EUR 2,993 thousand (2022: EUR 2,474 thousand) and impairment losses on prop-erty, plant and equipment of EUR 0 thousand (2022: EUR 34,148 thousand). In 2023, the cost of sales includes government grants for research projects and higher energy costs of EUR 149 thousand (2022: EUR 279 thousand) that served to reduce this expense item.

Selling expenses

The selling expenses of EUR 31,991 thousand (2022: EUR 28,947 thousand) relate to expenses of the sales and distribution function and primarily refer to costs incurred by the Sales, Advertising and Marketing departments as well as overheads allocated to these functions or activities. Freight, commissions and forwarding charges are also included in selling expenses.

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure on general administration, management and central departments. Other administrative expenses also include income from exchange rate movements in the amount of EUR 20,567 thousand (2022: EUR 18,563 thousand) and mainly relate to foreign exchange gains between the origination and settlement of foreign currency receivables and liabilities as well as foreign exchange gains resulting from measurement at the reporting date. Foreign exchange losses amounting to EUR 31,239 thousand (2022: EUR 18,785 thousand) are also recognized under other administrative expenses. Administrative expenses also include various exceptional expenses from non-recurring business transactions of EUR 1,089 thousand in 2023 (2022: EUR 41,528 thousand). In 2023, they comprised directly attributable costs for expenses for restructuring measures of EUR 1,089 thousand (2022: 2,097 thousand). In the previous year, costs for corona-related protection and handling measures of EUR 26 thousand and impairment losses on intangible assets, including goodwill, of EUR 39,404 thousand were additionally included.

Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment

Amortization of intangible assets totaled EUR 9,745 thousand (2022: EUR 14,409 thousand) and is recognized in the cost of sales, selling expenses and administrative expenses depending on origin. This item also contains capitalized development costs of EUR 1,366 thousand (2022: EUR 1,572 thousand) that are included in the cost of sales. Depreciation of property, plant and equipment amounted to EUR 72,020 thousand (2022: EUR 74,459 thousand), including scheduled depreciation of EUR 18,878 thousand (2022: EUR 19,032 thousand) for right-of-use assets. No expenses due to a lower recoverable amount (impairment losses) were incurred in 2023 (2022: EUR 73,553 thousand). Depreciation, amortization and impairment on intangible assets and property, plant and equipment are recognized in the income statement under cost of sales, selling expenses and general administrative expenses.

7.4. Personnel expenses

Personnel expenses are presented in the following table:

EUR k	2023	2022
Wages and salaries	432,279	418,134
Social security contributions	101,456	100,323
Employee benefits expense	**533,735**	**518,457**

In 2022, personnel expenses included EUR 14 thousand in government grants to deal with the consequences of the COVID-19 pandemic that served to reduce this expense item. This was not the case in 2023.

8. Income taxes

The key components of income taxes for 2023 and 2022 break down as follows:

EUR k	2023	2022
Consolidated statement of income		
Actual income taxes		
Actual tax expenses – Germany	–1,476	–4,121
Actual tax expenses – international	–9,980	–13,175
Total actual tax expenses	**–11,456**	**–17,296**
Deferred taxes		
Deferred tax liabilities (-)/ deferred tax assets – Germany	–2,095	803
Deferred tax liabilities (-)/ deferred tax assets – international	7,788	696
Deferred tax liabilities (-)/deferred tax assets	**5,693**	**1,499**
Tax expense (-)/income reported in the consolidated statement of income	**–5,763**	**–15,797**

The decline in actual income tax expense in Germany is due primarily to a tax loss at the German tax group. International tax expenses declined year-on-year as companies such as those in Brazil and Japan that reported high income tax expenses in the previous year generated lower taxable profit in the year under review. Non-recurring effects in Mexico also resulted in higher income tax expenses in the previous year.

While the GRAMMER Group reported deferred tax assets in Germany in the previous year, it recognized deferred tax liabilities this year as a result of an increase in development costs in Germany. The higher IFRS interest rate on retirement benefit provisions also contributed to this.

The much-improved tax rate compared to the previous year chiefly reflects the recognition of deferred tax assets on loss carryforwards in Mexico, Belgium and China. Unlike in the previous year, these were considered recoverable due to the improved earnings situation of the companies in question. Furthermore, as a result of the higher Group tax rate, impairment of goodwill, property, plant and equipment and additional intangible assets that could not be recognized for tax purposes had a negative impact in the previous year. In the previous year, this effect was recognized in the Group tax reconciliation in the non-deductible business expenses item. Tax rate effects from foreign tax jurisdictions had a positive impact of EUR 3.7 million on the reported tax expense.

The high tax rate of 62.8% in the financial year is attributable mainly to the non-recognition of deferred tax assets on losses of the loss-making tax group in the US, as there is no substantial evidence indicating that sufficient taxable income towards which the unused losses can be used will arise in the future.

As of the balance sheet date, the Group had loss carryforwards totaling EUR 374.0 million (2022: EUR 387.1 million). No deferred tax assets were recognized for tax losses of EUR 248.4 million (2022: EUR 276.3 million). If the Group had been able to recognize all unconsidered deferred tax assets from 2023 and preceding years, net profit and equity would have increased by a total of EUR 56.9 million (2022: EUR 50.1 million).

Reconciliation between the income tax expenses reported in the consolidated income statement and the product of the reported net profit for the period and the applicable tax rate for the Group for financial years 2023 and 2022 is as follows:

EUR k

	2023	2022
Earnings before taxes	**9,177**	**–62,764**
Income taxes at the effective rate in Germany of 28.9% (2022: 28.9%)	–2,652	18,139
Effects from minimum taxation and withholding taxes	–1,619	–3,086
Actual income taxes relating to previous years	867	355
Effects of the non-recognition of deferred taxes for the current year	–12,039	–15,854
Change in deferred taxes from previous years	7,438	–1,514
Tax reduction from tax-exempt income	201	153
Non-deductible expenses	–1,359	–8,551
Other tax effects	462	–1,871
Effect of changes in tax rates/tax law	–758	627
Effect of foreign tax groups on tax rate	3,696	–4,195
Income taxes at the effective tax rate of 62.8% (2022: –25.2%)	**–5,763**	**–15,797**

In 2023, deferred tax assets on loss carryforwards of EUR 12.0 million (2022: EUR 15.9 million) were not recognized, primarily impacting the USA tax. This is because there is not enough positive taxable income to recognize loss carryforwards.

Due to the improved earnings situation of some companies outside Germany, deferred tax assets on loss carryforwards were capitalized in the financial year, which were classified as non-recoverable in the previous year.

The other tax effects item primarily includes non-recurring inflation-related effects in Turkey.

Deferred tax assets break down as follows for each balance sheet item as of the relevant reporting date:

EUR k

	2023	2022
Property, plant and equipment (excluding right-of-use assets)	–19,863	–20,156
Right-of-use assets	–8,483	–8,087
Intangible assets	–19,189	–18,080
Other assets	–5,267	–4,748
Trade accounts receivable, current	–54	–124
Contract assets	–3,127	–2,749
Other current financial assets	–3,334	–923
Non-current financial liabilities	–351	–274
Other	–4,923	–2,582
Deferred tax liabilities (non-netted)	**–64,591**	**–57,723**
Retirement benefits and similar obligations	16,116	14,439
Provisions	3,697	4,648
Tax losses carried forward	22,288	19,187
Contract assets	243	346
Property, plant and equipment	10,833	5,855
Intangible assets	2,254	2,905
Other current liabilities	862	753
Current trade accounts receivable	6,416	4,865
Other financial liabilities	6,769	9,985
Other current financial liabilities	5,849	1,740
Inventories	6,299	2,492
Non-current financial liabilities	7	43
Other	7,214	8,779
Deferred tax assets (non-netted)	**88,847**	**76,037**
Net deferred tax liabilities (–)/deferred tax assets	**24,256**	**18,314**

The change in the deferred taxes is described below:

EUR k	2023	2022
As of January 1	**18,314**	**26,782**
Deferred tax liabilities (-)/deferred tax assets through profit and loss	5,693	1,499
Deferred tax liabilities (-)/deferred tax assets through statement of comprehensive income	2,278	–10,053
Currency translation effects	–2,029	86
As of December 31	**24,256**	**18,314**

The statutory rate of corporate income tax in Germany was 15% for the 2023 and 2022 assessment periods, plus a solidarity surcharge of 5.5%. Together with municipal trade tax, which is not deductible as a business expense in Germany, this results in a tax rate of approximately 28.9% for 2023 (2022: 28.9%).

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply when the asset is realized or the liability settled. Deferred tax assets and liabilities were measured on the basis of the overall tax rate of 28.9% (2022: 28.9%). As in the previous year, the local income tax rates for foreign entities varied between 10% and 34%. Deferred tax assets are recognized only if the management deems their recoverability to be probable. Relevant impairments are based on all known positive and negative factors relating to future taxable income. The estimates made may change over time. Assessment of the value of deferred tax assets is based on the probability of measurement differences being reversed and the recoverability of unused tax losses that led to their creation.

The Group assumes that it will have sufficient taxable income to make use of existing unused tax losses for which deferred tax assets have been recognized. The unused tax losses in individual countries may be carried forward for periods of 5 to 20 years or also indefinitely and in some cases carried back. The companies that generated losses in the current year or in the previous year and whose deferred tax assets are not covered by deferred tax liabilities have recognized deferred tax assets that exceed the deferred tax liabilities in the amount of of EUR 17.0 million (2022: EUR 12.0 million).

Deferred taxes were not recorded on outside basis differences (i.e. differences between net assets, incl. goodwill at subsidiaries or the relevant tax value of interests in subsidiaries), as reversal of differences, e.g. through distributions, are taxable and because no significant tax effects are expected in the foreseeable future. The outside basis differences amount to EUR 35.0 million as of December 31, 2023 (2022: EUR 123.9 million). The distribution of dividends to shareholders did not have any consequences for income tax in 2023 or 2022.

9. Consolidated earnings per share

Basic earnings per share are calculated by dividing consolidated net profit by the nominal number of shares outstanding during the financial year, less the Company's own shares that were bought back in 2006 (330,050 shares). The Company's share capital amounts to EUR 39,009,080.32 and is divided into 15,237,922 shares. All shares with the exception of own shares accord the same rights; shareholders have a right to receive payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting. The number of outstanding shares is calculated based on the weighted average.

In addition to basic earnings per share, diluted earnings per share must be disclosed if a company has potential shares (i.e. financial instruments and other contracts entitling the holders to subscribe to no-par value shares of the Company, such as convertible bonds and options). As the GRAMMER Group did not issue any such financial instruments or enter into any such contracts as of December 31, 2023, its basic and diluted earnings per share are identical.

Consolidated earnings per share

	2023	2022
Weighted average number of ordinary shares used to calculate basic/diluted earnings	14,907,872	14,907,872
Earnings in EUR thousand (excluding non-controlling interests/hybrid loan lenders)	1,799	–78,405
Basic/diluted earnings per share in EUR	0.12	–5.26

The hybrid loans issued in 2020 and 2023 are classified as equity (see Note 18). The related compensation claim of the hybrid loan lender represents payments for a component of equity that reduces the earnings available for distribution to the shareholders of the parent company and therefore has been included in the determination of (basic/diluted) earnings per share.

10. Dividends paid and proposed

Appropriation of profit by GRAMMER Group is based on net profit/loss in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. GRAMMER AG reported a net loss of EUR –146,1 million as of December 31, 2023 (2022: EUR -131.2 million). This includes the net loss for the 2023 financial year of EUR –14,9 million. As GRAMMER AG does not report a net profit, no dividend will be proposed. In addition, there is a suspension of dividends during the term of tranche C of the syndicated loan agreement until February 10, 2025, as part of the conditions for KfW's participation. The net loss as of December 31, 2023 will be carried forward. No dividends were distributed in 2023 or 2022.

Further details can be found in Note 18.

Dividends approved and distributed during the financial year:

Dividends on ordinary shares:

EUR k

	2023	2022
Dividend for 2023: EUR 0.00 (2022: EUR 0.00)	0	0

11. Property, plant and equipment and intangible assets

EUR k

Amount on December 31, 2023	Historical cost					
	Amount on January 1, 2023	Additions	Disposals	Effects from exchange rate differences	Reclassifications	Amount on December 31, 2023
Land and buildings	**196,446**	2,463	–2,681	–977	1,019	**196,270**
Technical equipment and machines	**395,223**	21,811	–9,616	–8,577	12,028	**410,869**
Operating and business equipment	**251,731**	18,832	–6,913	–5,058	6,694	**265,286**
Prepayments made and assets under construction	**33,385**	32,516	–173	–853	–22,973	**41,902**
Right-of-use assets	**130,006**	12,617	–9,580	–3,567	0	**129,476**
Property, plant and equipment	**1,006,791**	**88,239**	**–28,963**	**–19,032**	**–3,232**	**1,043,803**
Concessions, industrial rights	**148,340**	1,723	–1,052	–3,698	3,252	**148,565**
Goodwill	**126,496**	0	0	–2,697	0	**123,799**
Capitalized development costs	**54,378**	7,111	–3,435	–118	0	**57,936**
Prepayments made	**25**	–3	0	–2	–20	**0**
Intangible assets	**329,239**	**8,831**	**–4,487**	**–6,515**	**3,232**	**330,300**
Property, plant and equipment and intangible assets	**1,336,030**	**97,070**	**–33,450**	**–25,547**	**0**	**1,374,103**

EUR k

Amount on December 31, 2023	Depreciation and amortization							Carrying amount	
	Amount on January 1, 2023	Additions	Impairment losses	Disposals	Effects from exchange rate differences	Reclassi-fications	Amount on December 31, 2023	January 1, 2023	Amount on December 31, 2023
Land and buildings	**66,902**	5,902	0	–1,540	–463	86	**70,887**	**129,544**	**125,383**
Technical equipment and machines	**232,191**	28,312	0	–8,952	–5,016	–493	**246,042**	**163,032**	**164,827**
Operating and business equipment	**174,493**	18,928	0	–6,371	–2,807	407	**184,650**	**77,238**	**80,636**
Prepayments made and assets under construction	**0**	0	0	0	0	0	**0**	**33,385**	**41,902**
Right-of-use assets	**55,878**	18,878	0	–9,287	–1,798	0	**63,671**	**74,128**	**65,805**
Property, plant and equipment	**529,464**	**72,020**	**0**	**–26,150**	**–10,084**	**0**	**565,250**	**477,327**	**478,553**
Concessions, industrial rights	**119,313**	8,379	0	–1,047	–2,883	0	**123,762**	**29,027**	**24,803**
Goodwill	**34,151**	0	0	0	–2,697	0	**31,454**	**92,345**	**92,345**
Capitalized development costs	**29,490**	1,366	0	–3,435	–118	0	**27,303**	**24,888**	**30,633**
Prepayments made	**0**	0	0	0	0	0	**0**	**25**	**0**
Intangible assets	**182,954**	**9,745**	**0**	**–4,482**	**–5,698**	**0**	**182,519**	**146,285**	**147,781**
Property, plant and equipment and intangible assets	**712,418**	**81,765**	**0**	**–30,632**	**–15,782**	**0**	**747,769**	**623,612**	**626,334**

EUR k

Amount on December 31, 2022	Historical cost					
	Amount on January 1, 2022	**Additions**	**Disposals**	**Effects from exchange rate differences**	**Reclassifications**	**Amount on December 31, 2022**
Land and buildings	**191,006**	1,751	–142	1,662	2,169	**196,446**
Technical equipment and machines	**350,703**	26,829	–8,498	9,217	16,972	**395,223**
Operating and business equipment	**235,800**	15,817	–6,900	699	6,315	**251,731**
Prepayments made and assets under construction	**31,627**	27,232	–23	71	–25,522	**33,385**
Right-of-use assets	**125,325**	11,594	–9,920	3,007	0	**130,006**
Property, plant and equipment	**934,461**	**83,223**	**–25,483**	**14,656**	**–66**	**1,006,791**
Concessions, industrial rights	**142,720**	680	–769	5,643	66	**148,340**
Goodwill	**121,973**	0	0	4,523	0	**126,496**
Capitalized development costs	**47,430**	7,114	–122	–44	0	**54,378**
Prepayments made	**0**	25	0	0	0	**25**
Intangible assets	**312,123**	**7,819**	**–891**	**10,122**	**66**	**329,239**
Property, plant and equipment and intangible assets	**1,246,584**	**91,042**	**–26,374**	**24,778**	**0**	**1,336,030**

EUR k

Amount on December 31, 2022	Depreciation and amortization							Carrying amount	
	Amount on January 1, 2022	Additions	Impairment losses	Disposals	Effects from exchange rate differences	Reclassifications	Amount on December 31, 2022	January 1, 2022	December 31, 2022
Land and buildings	**59,672**	6,050	870	–128	438	0	**66,902**	**131,334**	**129,544**
Technical equipment and machines	**173,283**	31,265	32,170	–7,310	2,771	12	**232,191**	**177,420**	**163,032**
Operating and business equipment	**161,463**	18,112	0	–5,734	664	–12	**174,493**	**74,337**	**77,238**
Prepayments made and assets under construction	**0**	0	0	0	0	0	**0**	**31,627**	**33,385**
Right-of-use assets	**44,724**	19,032	1,109	–9,721	734	0	**55,878**	**80,601**	**74,128**
Property, plant and equipment	**439,142**	**74,459**	**34,149**	**–22,893**	**4,607**	**0**	**529,464**	**495,319**	**477,327**
Concessions, industrial rights	**89,999**	12,837	14,953	–737	2,261	0	**119,313**	**52,721**	**29,027**
Goodwill	**10,630**	0	24,451	0	–930	0	**34,151**	**111,343**	**92,345**
Capitalized development costs	**27,960**	1,572	0	0	–42	0	**29,490**	**19,470**	**24,888**
Prepayments made	**0**	0	0	0	0	0	**0**	**0**	**25**
Intangible assets	**128,589**	**14,409**	**39,404**	**–737**	**1,289**	**0**	**182,954**	**183,534**	**146,285**
Property, plant and equipment and intangible assets	**567,731**	**88,868**	**73,553**	**–23,630**	**5,896**	**0**	**712,418**	**678,853**	**623,612**

11.1. Property, plant and equipment and intangible assets

Depreciation is generally based on the following useful economic lives:

Land	No depreciation
Buildings and fixtures	10 – 40 years
Building fittings	5 – 40 years
Technical equipment and machines	5 – 25 years
Other equipment, operating and business equipment	2 – 15 years
Right-of-use assets (leased assets)	2 – 25 years
Concessions, industrial rights	3 – 12 years
Capitalized development costs	7 – 10 years

As in the past, property, plant and equipment are depreciated and intangible assets amortized using the straight-line method over the expected useful life of the assets. No expenses due to a lower recoverable amount (impairments) were incurred in the 2023 financial year (2022: EUR 73,553 thousand). Further details can be found in Notes 7.3 and 11.3. Intangible assets comprise concessions, industrial property rights, patents and customer orders. Capitalized development costs comprise internally generated patents, which are amortized on a straight-line basis over an average expected useful life of ten years. In 2023, research and development costs totaled EUR 87,587 thousand (2022: EUR 94,053 thousand). Of this figure, EUR 7,111 thousand (2022: EUR 7,114 thousand) meets the IAS 38 capitalization criteria. Most of this amount was recognized as expense in the income statement.

In the previous year, the AMERICAS region had to recognize impairment losses on property, plant and equipment and other intangible assets in the amount of EUR 49.1 million. This was due to a surplus of goodwill impairment. No impairment losses were required for property, plant and equipment and other intangible assets in any other region.

An impairment test of property, plant and equipment and other intangible assets was carried out in the AMERICAS region in the 2023 reporting year as a precautionary measure. The regions were further broken down into four cash generating units (CGUs), which are based on product categories and strategic units: (i) Toledo Molding & Die, LLC, (ii) TMD Mexico LLC, (iii) GRAMMER Automotive Puebla S.A. de C.V., GRAMMER Inc. and GRAMMER Industries, LLC, and (iv) GRAMMER Americas, LLC, GRAMMER do Brasil Ltda. and GRAMMER Argentina.

The CGUs were evaluated as to whether or not they meet the following criteria:

- Cash inflows are largely independent of the cash inflows from other assets or groups of assets (IAS 36.6; IAS 36.68) and are received from parties external to the entity (IAS 36.69).
- An active market exists for the output produced by the group of assets on which they could be sold to generate cash flows, even if some or all of this output is used internally (IAS 36.70).

All defined CGUs within the AMERICAS region meet these criteria.

The CGUs in the AMERICAS region were evaluated for potential indications of impairment (triggering event) using the IAS 36 catalog. Based on operating performance, which shows negative profitability and a significant deterioration compared to the 2023 budget, the CGUs (i) – (iii) were tested. The two impairment tests confirmed the recoverability of the assets.

No indications of impairment were found in the EMEA and APAC regions and so no impairment tests were carried out.

11.2. Leases

GRAMMER has entered into various leases for buildings, manufacturing plant and equipment, other plant and equipment as well as motor vehicles with terms between 2 and 25 years. Most of the leases do not provide for any options for extending the lease or purchasing the leased asset, with the exception of buildings or limited items of equipment. In the case of buildings, these are largely standard renewal options, which provide either for a renewal option which may be unilaterally exercised by GRAMMER or for renegotiation for continued use after expiry of the lease. Expense of EUR 421 thousand (2022: EUR 87 thousand) for short-term leases and EUR 468 thousand (2022: EUR 467 thousand) for low-value leases was recognized through profit and loss in 2023.

The right-of-use assets shown in Note 11 under which GRAMMER has a right to use the corresponding assets in accordance with IFRS 16 break down as follows:

EUR k

Amount on December 31, 2023	Historical cost					
	Amount on January 1, 2023	Additions	Disposals	Effects from exchange rate differences	Reclassifications	Amount on December 31, 2023
Land and buildings	**108,859**	8,218	–2,071	–3,375	0	**111,631**
Technical equipment and machines	**4,815**	548	–2,898	–63	0	**2,402**
Operating and business equipment	**6,403**	581	–2,012	–13	200	**5,159**
Motor vehicles	**9,929**	3,270	–2,599	–116	–200	**10,284**
Right-of-use assets	**130,006**	**12,617**	**–9,580**	**–3,567**	**0**	**129,476**

EUR k

Amount on December 31, 2023	Depreciation and amortization							Carrying amount	
	Amount on January 1, 2023	Additions	Impairment losses	Disposals	Effects from exchange rate differences	Reclassi-fications	Amount on December 31, 2023	January 1, 2023	December 31, 2023
Land and buildings	**42,772**	14,608	0	–2,071	–1,655	0	**53,654**	**66,087**	**57,977**
Technical equipment and machines	**4,050**	693	0	–2,811	–46	0	**1,886**	**765**	**516**
Operating and business equipment	**3,677**	1,053	0	–1,996	–7	–43	**2,684**	**2,726**	**2,475**
Motor vehicles	**5,379**	2,524	0	–2,409	–90	43	**5,447**	**4,550**	**4,837**
Right-of-use assets	**55,878**	**18,878**	**0**	**–9,287**	**–1,798**	**0**	**63,671**	**74,128**	**65,805**

EUR k **Amount on December 31, 2022**	**Historical cost**					
	Amount on January 1, 2022	**Additions**	**Disposals**	**Effects from exchange rate differences**	**Reclassifications**	**Amount on December 31, 2022**
Land and buildings	**104,939**	6,966	−5,746	2,700	0	**108,859**
Technical equipment and machines	**5,095**	427	−822	115	0	**4,815**
Operating and business equipment	**5,337**	1,305	−342	103	0	**6,403**
Motor vehicles	**9,954**	2,896	−3,010	89	0	**9,929**
Right-of-use assets	**125,325**	**11,594**	**−9,920**	**3,007**	**0**	**130,006**

EUR k **Amount on December 31, 2022**	**Depreciation and amortization**						**Carrying amount**	
	Amount on January 1, 2022	**Additions**	**Impairment losses**	**Disposals**	**Effects from exchange rate differences**	**Reclassi-fications**	**Amount on December 31, 2022**	**January 1, 2022**	**December 31, 2022**
Land and buildings	**32,159**	14,591	1,109	−5,670	583	0	**42,772**	**72,780**	**66,087**
Technical equipment and machines	**4,120**	703	0	−822	49	0	**4,050**	**975**	**765**
Operating and business equipment	**2,785**	1,176	0	−340	56	0	**3,677**	**2,552**	**2,726**
Motor vehicles	**5,660**	2,562	0	−2,889	46	0	**5,379**	**4,294**	**4,550**
Right-of-use assets	**44,724**	**19,032**	**1,109**	**−9,721**	**734**	**0**	**55,878**	**80,601**	**74,128**

The following lease payments (including guaranteed residual values) are payable in subsequent periods under the right-of-use assets recognized:

EUR k	Less than 1 year	1 to 5 years	More than 5 years
2023			
Lease payments	18,488	39,061	23,020
Less interest expense from discounting	-1,866	-5,158	-2,005
Present value (statement of financial position)	**16,622**	**33,903**	**21,015**
2022			
Lease payments	20,028	43,536	31,120
Less interest expense from discounting	–3,360	–6,353	–5,092
Present value (statement of financial position)	**16,668**	**37,183**	**26,028**

Possible future cash outflows of EUR 23,772 thousand (2022: EUR 23,487 thousand) for options to extend leases the exercise of which is not yet reasonably certain are not included in lease liabilities. In 2023, there were future possible cash outflows from leases that had not yet commenced of EUR 64 thousand (2022: EUR 2,258 thousand).

11.3. Goodwill

The EMEA, AMERICAS and APAC regions represent the reportable operating segments as well as groups of cash-generating units (CGUs) of the GRAMMER Group and reflect the internal management structure of the GRAMMER Group. Goodwill recognized in the consolidated financial statements and acquired in the past has so far been allocated to these groups of CGUs for the purposes of impairment testing in accordance with IAS 36. The goodwill of the AMERICAS region was fully impaired in the 2022 financial year. The goodwill impairment test for the AMERICAS region therefore no longer applies. An asset impairment test was carried out for the CGUs in the AMERICAS region in the 2023 financial year (see Note 11.1).

Goodwill attributable to the operating segments breaks down as follows as of December 31, 2023:

EUR k

Operating Segments	Goodwill in 2023	Goodwill in 2022	2023 growth rate [1]	2022 growth rate [1]	Discount factor in 2023	Discount factor in 2022
EMEA	37,425	37,425	1%	1%	8.7%	7.4%
APAC	54,920	54,920	1%	1%	8.9%	7.6%
Goodwill	**92,345**	**92,345**				

[1] Perpetual annuity

Goodwill is generally tested for impairment at the level of the groups of CGUs (cash-generating units) which are to benefit from the synergies of the business combination, annually as of December 31. In addition, impairment tests are carried out at the level of the groups of CGUs on an ad hoc basis. The recoverable amount from the CGUs is determined on the basis of the present value of estimated future cash flows less costs to sell based on the budgets approved by management for a period of five years. These budgets are based particularly on assumptions with respect to macroeconomic trends and trends in sell-side and commodity prices. These are subject to additional uncertainty due to the consequences of the Russia-Ukraine war. This relates to the impact of higher inflation, including the prices for raw materials and energy as well as passing on price increases to customers, the development of key interest rates and exchange rates. In addition to these market forecasts, historical data is also taken into account. Raw material prices are expected to ease further. This applies to all three regions. Slight price rises are anticipated only in individual cases (e.g. crude steel in EMEA from 2027 onwards). Reduced purchasing costs, ongoing improvement measures and higher productivity offset the agreed discounts for series orders, nomination fees and higher personnel costs in connection with collective wage increases in the 2024 planning year. This is extrapolated to the following years taking account of expected developments. Climate-related aspects have been factored into raw material and energy prices, as well as capital expenditure. To arrive at the perpetual annuity extending beyond the five-year time horizon, the cash flow was extrapolated in the light of the expected sustainable growth rate of 1% (2022: 1%). The fair value calculated for the CGUs is assigned to Level 3 of the fair value hierarchy. The Group uses the same calculation methods and parameters for all three segments when testing for impairment.

The key assumptions used in determining the fair value less of costs to sell of a CGU are the free cash flows, the discount rate together with the related parameters and the sustainable growth rate. Free cash flows are calculated on the basis of the budget of the five-year plan adjusted for expected efficiency improvements. The discount factor is calculated on the basis of a cost of equity and a cost of debt rate. The cost of equity rate applied is based on a risk-free interest rate of 2.8% after tax (2022: 2.0%), a risk premium for general market risks of 7.0% after tax (2022: 7.5%) and a premium for a CGU's specific country risk. To determine operating and leverage risks, beta factors are derived from a group of comparable companies (peer group) and used to measure the positive cash flows of the specific CGU. The cost of debt rate is determined by reference to the peer group of relevance for GRAMMER. The cash flows were discounted at an interest rate after tax of between 8.7% and 8.9% (2022: 7.4% to 7.6%). A growth rate of 1% (2022: 1%) was assumed.

The impairment tests carried out in 2023 confirmed the recoverability of the goodwill of the groups of CGUs in the EMEA and APAC regions. Impairment losses of EUR 73.6 million were recognized in the AMERICAS region in the previous year, which mainly resulted from the higher discount factor. This resulted in a complete write-down of goodwill of EUR 24.5 million in the AMERICAS region and impairment of property, plant and equipment and other intangible assets of EUR 49.1 million.

A scenario analysis of the recoverable amount of the CGUs in the EMEA and APAC regions was carried out to determine the risk exposure of the cash flows. The scenario analysis is based on a variation of the discount factor of between 5.0% and 12.0%.

In the case of the EMEA CGU, this showed that the application of a discount factor of 11.2% triggers an impairment loss (2022: 7.9%). In addition, an impairment loss would be recognized in the event of a 1.8 (2022: 0.4) percentage-point reduction in the sustainable EBIT margin and a 30% reduction in sustainable revenue (2022: 7.7%).

No impairments arose in the CGUs of the APAC region under the above discount factor range.

12. Inventories

Inventories break down as follows:

EUR k

	December 31, 2023	December 31, 2022
Raw materials, supplies and consumables	130,686	138,112
Work in progress	22,430	24,241
Finished goods and services	29,913	32,521
Prepayments made	3,178	2,512
Inventories	**186,207**	**197,386**

All inventories are carried at cost. Inventories were written down to the lower fair value in the amount of EUR 4,596 thousand (2022: EUR 4,045 thousand). Write-downs of EUR 1,970 thousand (2022: EUR 1,939 thousand) and reversals of write-downs of EUR 581 thousand (2022: EUR 1,198 thousand) were recognized in 2023.

13. Trade accounts receivable

Generally, trade accounts receivable are non-interest-bearing and have a term of between 30 and 60 days.

EUR k

	December 31, 2023	December 31, 2022
Trade accounts receivable – gross	291,834	261,043
Impairment	–2,908	–3,658
Provisions for verity risks	–452	–673
Trade accounts receivable	**288,474**	**256,712**

The increase in trade accounts receivable resulted from higher revenue in December, higher receivables invoiced for development services and from the expanded volume resulting from the plant construction in China. As of the reporting date, trade accounts receivable of EUR 77,149 thousand (2022: EUR 78,127 thousand) were reduced as a result of non-recourse factoring. The risks arising from the factored receivables relevant for risk assessment are credit risk as well as the risk of delayed payment. With regard to a contract with a bank, the Group continues to recognize trade accounts receivable in the amount of its continuing exposure, i.e. the amount of the maximum default reserve and thus recognizes a corresponding liability. As of December 31, 2023, impairments of EUR 2,908 thousand (2022: EUR 3,658 thousand) were recognized on trade accounts receivable. There is also a provision for verity risks based on an individual valuation discount.

Details are given in the table below:

EUR k

	Impairment	Provisions for verity risks	Total
Amount on January 1, 2023	**3,658**	**673**	**4,331**
Additions	290	68	**358**
Utilization	–98	–287	**–385**
Write-backs	–468	0	**–468**
Effects from exchange rate differences	–475	–2	**–477**
Amount on December 31, 2023	**2,908**	**452**	**3,359**
Amount on January 1, 2022	**2,007**	**2,202**	**4,209**
Additions	1,681	124	**1,805**
Utilization	–6	–1,642	**–1,648**
Write-backs	0	–15	**–15**
Effects from exchange rate differences	–24	4	**–20**
Amount on December 31, 2022	**3,658**	**673**	**4,331**

The following table shows the default risk position for trade accounts receivable and contract assets determined using an impairment matrix:

EUR k			Past due in the following time bands				
	Total	Not overdue	Up to 30 days	31-60 days	61-90 days	91-180 days	More than 180 days
2023							
Trade accounts receivable – gross	**291,834**	263,408	18,402	3,602	1,623	1,069	3,731
Contract assets – gross	**126,697**	126,697	0	0	0	0	0
Impairment	**2,908**	303	129	181	113	71	2,111
2022							
Trade accounts receivable – gross	**261,043**	216,452	29,352	7,431	1,156	2,003	4,649
Contract assets – gross	**114,353**	114,353	0	0	0	0	0
Impairment	**3,658**	225	207	385	83	163	2,595

14. Balances of contract assets and contract liabilities

Contract assets as defined in IFRS 15 break down as follows:

EUR k	December 31, 2023	December 31, 2022
Non-current contract assets	73,766	58,236
Current contract assets	52,931	56,117
Contract assets	**126,697**	**114,353**

As planned, performance obligations of EUR 199,276 thousand as of December 31, 2023 (2022: EUR 122,512 thousand) for series development were not fulfilled in part or in full in line with plans. Around 37% of these is expected to be recognized as revenue within one year.

Contract liabilities break down as follows:

EUR k	December 31, 2023	December 31, 2022
Non-current contract liabilities	2,786	2,525
Current contract liabilities	2,083	4,932
Contract liabilities	**4,869**	**7,457**

Contract liabilities arise from customer prepayments for series development activities.

15. Other financial assets

Other financial assets break down as follows:

EUR k	December 31, 2023	December 31, 2022
Outstanding loans	2,702	5,680
Investments in associates	32	31
Financial assets at fair value through other comprehensive income	8,916	0
Derivative financial assets	107	0
Non-current other financial assets	**11,757**	**5,711**
Other receivables	8,512	3,443
Derivative financial assets	3,397	3,288
Current other financial assets	**11,909**	**6,731**

Financial assets at fair value through other comprehensive income include two investments in China established in 2023, which GRAMMER neither controls nor has significant influence over. The carrying amount is initially equal to cost. Future changes in fair value are recognized in other cumulative comprehensive income.

Other receivables result primarily from current accounts receivable from associates, creditors with debit accounts and amounts due from employees. They are due for settlement in roughly 30 days. Financial assets are neither past due nor impaired. Loans include the loan to GRA-MAG LLC, a joint venture accounted for using the equity method, of EUR 2,702 thousand (2022: EUR 5,680 thousand). The reduction is due to scheduled repayments.

16. Other assets

Other assets break down as follows:

EUR k

	December 31, 2023	December 31, 2022
Other assets	46,818	36,897
Deferrals	624	657
Non-current other assets	**47,442**	**37,554**
Other assets	41,322	37,185
Deferrals	5,688	11,657
Current other assets	**47,010**	**48,842**

Other non-current assets include security deposit agreements, which are classified as long-term depending on the term of the underlying contract. Assets also include consideration paid to customers of EUR 34,112 thousand (2022: EUR 28,852 thousand). This asset is recognized on a straight-line basis over the duration of the series as a reduction in revenue. If necessary, impairment is recognized. The majority of these assets are classified as non-current other assets. Of these assets, an amount of EUR 7,170 thousand (2022: EUR 6,238 thousand) was recognized as a reduction in revenue in 2023.

GRAMMER has included assets in connection with contract fulfillment costs for series deliveries in current other assets of EUR 1,375 thousand (2022: EUR 972 thousand) and non-current other assets of EUR 10,273 thousand (2022: EUR 5,378 thousand). No other impairments were recognized.

Other current assets are chiefly made up of receivables of EUR 25,477 thousand (2022: EUR 26,722 thousand) arising from pass-through taxes such as value added tax and other taxes as well as temporary security deposit agreements of EUR 327 thousand (2022: EUR 636 thousand). Receivables from other taxes include the refund claim of EUR 4,656 thousand (2022: EUR 6,077 thousand) from the two quasi-VAT levies PIS and COFINS (Programa de Integraçao Social / Contribuiçao para o Financiamento da Seguridade Social) in Brazil.

There were no material restrictions on ownership and disposal with respect to the other receivables and assets reported. There were no impairments.

17. Cash and short-term deposits

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

EUR k

	December 31, 2023	December 31, 2022
Cash and short-term deposits	131,005	108,587

The Group has balances at different banks in various currencies that are translated at the end-of-year exchange rate as of the reporting date. The bank balances have variable interest rates and can be withdrawn on demand. Short-term deposits are made for various terms of between one day and three months depending on the Group's current liquidity requirements. The deposits accrue interest at the current interest rates for demand deposits. For the purposes of the consolidated cash flow statement, holdings of cash and cash equivalents as of December 31 are as follows:

EUR k

	December 31, 2023	December 31, 2022
Cash and short-term deposits	131,005	108,587
Bank overdrafts (including current liabilities under factoring contracts)	–79,554	–73,038
Cash and cash equivalents	**51,451**	**35,549**

18. Equity

Subscribed capital

As of December 31, 2023, the subscribed capital of GRAMMER AG amounted to EUR 39,009 thousand (2022: EUR 39,009 thousand) and was divided into 15,237,922 (2022: 15,237,922) 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 162,947 thousand as of December 31, 2023 (2022: EUR 162,947 thousand). It includes premiums from the capital increases in 1996, 2001, 2011, 2017 and 2020, less transaction costs.

Own shares

As of December 31, 2023, GRAMMER AG holds a total of 330,050 shares as own shares, all of which were acquired in 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 and represent 2.166% (2022: 2.166%) of the share capital.

On August 16, 2006, the Executive Board of GRAMMER AG decided to make use of the authorization of the Annual General Meeting of June 28, 2006 to acquire own shares in accordance with section 71 (1) number 8 AktG. The Company was authorized by its shareholders to acquire up to 10% of its share capital, i.e. up to 1,049,515 of its own shares. The share repurchase is for the purposes set out in the resolution adopted by the Annual General Meeting, which provides for both the acquisition of companies or participating interests, sale through the stock exchange or through an offer directed to all shareholders as well as the recall of shares. This authorization was valid from August 16, 2006 until December 1, 2007. The repurchase of the shares under this Executive Board resolution complied with the safe haven rules of sections 14 (2), 20a (3) of the old version of German Securities Trading Act (WpHG) in conjunction with Commission Regulation (EC) no. 2273/2003 dated December 22, 2003. The 330,050 shares were purchased on the stock exchange at the price specified in the resolution of the Annual General Meeting. The Executive Board has not yet proposed how the shares will be utilized.

As of December 31, 2023 15,237,922 (2022: 15,237,922) ordinary shares were outstanding.

Retained earnings

Retained earnings comprises the statutory reserve of GRAMMER AG, which totaled EUR 1,183 thousand on both December 31, 2023 and 2022. and is not available for the payment of dividends.

Retained earnings additionally include income earned in the past by the consolidated companies not paid out as dividends. They increased from EUR 122,276 thousand to EUR 124,075 thousand due to the positive result after taxes of EUR 1,799 thousand attributable to the shareholders of the parent company. In the previous year, this figure included the net loss after taxes of EUR 78,405 thousand.

Cumulative other comprehensive income

Accumulated other comprehensive income mainly comprises adjustments arising from the currency translation of the financial statements of foreign subsidiaries and the effects of the subsequent measurement of financial instruments in equity, as well as the related deferred taxes.

In addition, it includes changes in connection with actuarial gains and losses in accordance with IAS 19 and the tax payable on these as well as cumulative foreign-currency translation effects in connection with the loans classified as net investments in a foreign operation in accordance with IAS 21 and the tax payable on these.

Hybrid loan

On March 30, 2020, a subordinated hybrid loan of EUR 19,148 thousand was granted indefinitely by Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG), to one of GRAMMER AG's Chinese subsidiaries, GRAMMER Interior (Shanghai) Co., Ltd., China. The hybrid loan has an indefinite term and was paid out in full to this subsidiary.

The hybrid loan bears interest at 3% p.a. and is not contractually limited in its term. The hybrid loan is allocated to the subsidiary's equity in accordance with IAS 32. It is at the sole discretion of the subsidiary to decide whether and when to repay the hybrid loan. The lender, Ningbo Jifeng Auto Parts Co., Ltd., has no ordinary right to terminate the loan agreement and unilaterally demand repayment of the loan. The timing of interest payments under the hybrid loan is determined solely at the discretion of GRAMMER.

On October 31, 2023, a subordinated hybrid loan was granted indefinitely by Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG), to one of GRAMMER AG's Chinese subsidiaries, GRAMMER (China) Holding Co., Ltd., China, to further strengthen the equity base. The equivalent of EUR 19,071 thousand was paid out on November 16, 2023. The hybrid loan has an indefinite term and was paid out in full to this subsidiary.

The hybrid loan bears interest at 6.0% p.a. and is not contractually limited in its term. The hybrid loan is allocated to the subsidiary's equity in accordance with IAS 32. It is at the sole discretion of the borrower to decide whether and when to repay the hybrid loan. The lender, Ningbo Jifeng Auto Parts Co., Ltd., has no ordinary right to terminate the loan agreement and unilaterally demand repayment of the loan. The timing of interest payments under the hybrid loan is determined solely at the discretion of GRAMMER.

As of April 20, 2023, the compensation claims from the hybrid loan in 2020, comprising interest accrued for the period from March 30, 2022 to March 29, 2023 and equivalent to EUR 598 thousand (2022: EUR 648 thousand), were paid to the hybrid loan lender, Ningbo Jifeng Auto Parts Co., Ltd., a member of the Ningbo Jifeng Group (the majority shareholder of GRAMMER AG). The hybrid loan of EUR 38,795 thousand reported in equity as of December 31, 2023 is composed of the hybrid loan from 2020 in the amount of EUR 19,610 thousand plus interest accrued since March 30, 2023 of EUR 569 thousand (2022: EUR 462 thousand), less the distribution of EUR 598 thousand, and of the hybrid loan from 2023 in the equivalent amount of EUR 19,071 thousand plus interest accrued since October 31, 2023 of EUR 143 thousand.

Non-controlling interests

Non-controlling interests in equity relate primarily to shareholders in GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Turkey, GRAMMER AD, Bulgaria, GRAMMER Seating (Shaanxi) Co. Ltd., China, GRAMMER Argentina S.A., Argentina, Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd., China and GRAMMER Vehicle Parts (Harbin) Co., Ltd., China. In April, the shareholders resolved to increase the capital of Grammer Vehicle Parts (Harbin) Co., Ltd. As the capital increase was resolved in proportion to the previous interests, GRAMMER's 60% interest in the capital is unaffected. On July 28, 2023, the minority shareholder made a payment of the equivalent of EUR 8,121 thousand. In addition, a further capital increase attributable to minority interests was resolved, which had not yet been paid in as at the balance sheet date and was therefore not reported in the balance sheet. As the shares in GRAMMER Vehicle Parts (Qingdao) Co., Ltd., China, are held by GRAMMER Vehicle Parts (Harbin) Co., Ltd., its components of profit or loss are still attributable to non-controlling interests on a pro rata basis. GRAMMER AG indirectly controls Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd. with an equity interest of 49%, as GRAMMER AG is entitled to 51% of voting rights in accordance with the partnership agreement. Non-controlling interests totaled EUR 10,615 thousand as of December 31, 2023 (2022: EUR 1,694 thousand). With effect from January 18, 2024, GRAMMER's interest in Changchun GRAMMER FAWSN Vehicle Parts Co., Ltd. increased to 100%.

Authorizations

In accordance with a resolution passed at the Annual General Meeting of June 23, 2021, the Executive Board's authorization, included in article 5 (3) of the articles of association subject to the Supervisory Board's approval, to increase the Company's share capital once or repeatedly by a total up to EUR 9,402,263.04 in return for contributions in cash and/or in kind until July 7, 2025 (Authorized Capital 2020), was canceled. In addition, a resolution authorized the Executive Board, subject to the Supervisory Board's approval, to increase the Company's share capital once or repeatedly by a total of up to EUR 19,504,537.60 by issuing bearer shares on a cash and/or non-cash basis on or before June 22, 2026 (Authorized Capital 2021). In principle, shareholders are to be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares are taken up by one or more bank(s) or equivalent companies pursuant to Section 186 (5) sentence 1 of the AktG (German Stock Corporation Act) with the obligation to offer them to shareholders for subscription. The Executive Board was authorized to disapply shareholder's pre-emptive rights under certain conditions, within defined limits and with the approval of the Supervisory Board. Authorized Capital 2022 as of December 31, 2023 was unchanged at EUR 19,504,537.60.

19. Retirement benefits and other post-employment benefits

The GRAMMER Group has defined benefit plans, mostly in Germany.

Provisions for retirement benefit obligations are calculated on the basis of benefit plans for the provision of old-age, invalidity and surviving dependents benefits. Benefits paid by the Group vary in accordance with the legal, tax and economic factors in the relevant countries and generally depend on the length of employment and the remuneration paid to the employee.

In the case of the foreign subsidiaries, the provisions primarily contain other post-employment benefits.

The present value of the defined benefit obligations and the related current and past service cost have been calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Under this method, the necessary expense for the accrued benefits is allocated to the period which is attributable to the unit of accrued benefits arising in the year in question in the light of vesting conditions.

When retirement benefit obligations are measured, assumptions regarding the relevant factors affecting the amount of the benefit are made. These assumptions are based on actuarial calculations performed by an actuary for the GRAMMER Group.

The calculation of the defined benefit obligation (DBO) for retirement benefit commitments is based primarily on the following actuarial assumptions:

DBO measurement parameters

in %

	2023	2022
Interest rate	3.30	3.70
Salary trend	2.50	2.50
Income trend for individual commitments	2.50	2.50
Inflation rate/pension trend	2.00	2.00

Measurement parameters for other benefits

in %

	2023	2022
Interest rate	3.30–25.00	3.70–19.22
Salary trend	2.50–5.80	2.50–5.80
Inflation rate	2.00–20.77	2.00–15.19

The measurement parameters also include liabilities from other countries that tend to have higher interest rates than Germany due to different structures. For example, the interest rate in Mexico is 10.3% (2022: 8.0%) and in Turkey 25.0% (2022: 19.2%), while the salary trend in Mexico is 5.8% (2022: 5.8%) and Turkey has an inflation rate of around 20.8% (2022: 15.2%).

As in the previous year, the Aon Solutions Germany GmbH, Hamburg, interest rate was applied in 2023. This interest rate is derived from the vested obligations in the light of the specific structure of the payment flows. The calculation is based on the GRAMMER companies' retirement benefit obligations which underlie the retirement benefit provisions as of December 31.

The calculation of the interest rate is based on the yield structure curve of investment-grade EUR-denominated corporate bonds, the coupon yields of the "iBoxx € Corporates AA" index for various maturity classes and the yield structure curve for (fictitious) zero-coupon bonds with no credit risk (source: Deutsche Bundesbank). The calculations are performed on the basis of the end-of-day prices as of December 31, 2023.

Mortality and disability are calculated on the basis of the 2018 G Heubeck biometric tables or comparable foreign mortality tables. The inflation rate/pension trend remains on a par with the previous year at 2.0% (2022: 2.0%). The probability of fluctuation was computed specifically for the Group.

In 2023, annuities were paid on retirement benefit commitments in an amount of EUR 3,938 thousand (2022: EUR 3,455 thousand). Other post-employment benefits paid totaled EUR 2,036 thousand (2022: EUR 66 thousand).

The following amounts were recognized in the income statement:

EUR k	Pension plan	Other benefits
2023		
Service cost	2,696	880
Current service cost	2,910	880
Past service cost	–214	0
Net interest expense	4,521	777
Service cost and net interest expense	**7,217**	**1,657**

EUR k	Pension plan	Other benefits
2022		
Service cost	3,601	168
Current service cost	3,597	168
Past service cost	4	0
Net interest expense	1,974	570
Service cost and net interest expense	**5,575**	**738**

Service cost includes current and past service cost. Past service cost corresponds to the gains or losses from plan adjustments or curtailments which are recognized immediately upon arising.

As there are no plan assets for funding future retirement benefit obligations under defined benefit plans, net interest expense for the defined benefit plans is identical to interest expense.

Service cost is generally contained in personnel costs in the different segments; interest expense for pension commitments is recognized in the financial result.

The following items were recorded within other comprehensive income:

EUR k	Pension plan	Other benefits
2023		
Cumulative amount recognized in other comprehensive income as of January 1, 2023	32,290	2,228
Amount recognized in the year under review	6,477	19
Cumulative amount recognized in other comprehensive income as of December 31, 2023	**38,767**	**2,247**

EUR k	Pension plan	Other benefits
2022		
Cumulative amount recognized in other comprehensive income as of January 1, 2022	66,591	0
Amount recognized in the year under review	–34,301	2,228
Cumulative amount recognized in other comprehensive income as of December 31, 2022	**32,290**	**2,228**

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

EUR k	Pension plan	Other benefits
Amount on January 1, 2023	**120,282**	**4,702**
+ Service cost	2,696	880
+ Interest expense	4,521	777
Changes in estimates: gains (-)/losses (+)	6,543	19
Changes in demographical assumptions	–5	3
Changes in financial assumptions	6,211	0
Changes based on historical data	337	16
- Actual payments	–3,938	–2,036
- Disposal of obligations	–307	81
Exchange rate differences	–54	–1,595
As of December 31, 2023	**129,743**	**2,828**
Amount on January 1, 2022	**152,723**	**2,812**
+ Service cost	3,601	168
+ Interest expense	1,974	570
Changes in estimates: gains (-)/losses (+)	–34,629	2,227
Changes in demographical assumptions	–23	125
Changes in financial assumptions	–40,831	163
Changes based on historical data	6,225	1,939
- Actual payments	–3,455	–66
- Disposal of obligations	4	–2
Exchange rate differences	64	–1,007
Amount on December 31, 2022	**120,282**	**4,702**

In the past, retirement benefits for the members of the Executive Board took the form of a capital account plan, to which the Company added an annually calculated amount for each member of the Executive Board.

A defined benefit plan in different forms applies to employees at German sites and members who have already left the Executive Board. In this context, a Contractual Trust Agreement remains in place.

As of December 31, 2023, the capital payments deposited in the Contractual Trust Agreement thus amounted to EUR 9,646 thousand (2022: EUR 7,819 thousand), which also includes an amount of EUR 2,543 thousand (2022: EUR 2,497 thousand) for former members of the Executive Board and management. This capital benefit represents plan assets and is netted with the retirement benefit obligations reported in the statement of financial position. The assets of the contractual trust agreement have been invested in a fund comprising global shares, fixed-income securities and cash. The funds are exposed to the general risks of the equity and fixed-income markets.

Changes in the fair value of the plan assets are shown in the following table:

EUR k	2023	2022
Fair value of plan assets on January 1	**7,819**	**6,562**
Interest income on plan assets	285	78
Adjustments	66	-327
Contributions to plan assets	1,476	1,506
Fair value of plan assets on December 31	**9,646**	**7,819**

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 date, with all other assumptions remaining constant.

Discount factor

EUR k

	2023 1% reduction	2023 1% increase	2022 1% reduction	2022 1% increase
Effect on DBO	18,181	–14,595	16,907	–13,598
Effect on current service cost	204	–158	190	–150
Effect on net interest expense	–724	514	–612	429

Future salary increases

EUR k

	2023 0.5% reduction	2023 0.5% increase	2022 0.5% reduction	2022 0.5% increase
Effect on DBO	–1,320	1,429	–1,263	1,356

Inflation rate

EUR k

	2023 0.5% reduction	2023 0.5% increase	2022 0.5% reduction	2022 0.5% increase
Effect on DBO	–6,397	6,995	–5,866	6,408

Mortality rate

EUR k

	2023 10% reduction	2023 10% increase	2022 10% reduction	2022 10% increase
Effect on DBO	3,690	-3,300	3,284	–2,947

As most of the defined benefit obligations relate to the German companies, the sensitivity analysis is confined to these companies.

In the above sensitivity analyses, the present value of the defined benefit obligation was calculated using the projected unit credit method as of the reporting date, i.e. the same method as that used to calculate the defined benefit liability recorded in consolidated balance sheet.

It can be assumed that the above sensitivity analysis is not representative of the actual change which would occur in the defined benefit obligation as it is unlikely for deviations from the assumptions applied to arise in isolation in view of the fact that some of the assumptions are linked to each other.

The following table sets out the expected future cash outflows for the existing pension plans:

Expected cash outflows

EUR k

	Expected cash outflows in 2023	Expected cash outflows in 2022
Short-term (<1 year)	4,619	4,305
Medium-term (1 to 5 years)	19,696	18,382
Long-term (>5 years)	95,987	90,421

20. Financial liabilities

Financial liabilities break down as follows:

EUR k	Current	Non-current	Total
2023			
Bank overdrafts (including current liabilities under factoring contracts)	79,554	0	**79,554**
Loans	199,235	89,650	**288,885**
Bonded loans	7,839	77,375	**85,214**
Financial liabilities	**286,628**	**167,025**	**453,653**

EUR k	Current	Non-current	Total
2022			
Bank overdrafts (including current liabilities under factoring contracts)	73,038	0	**73,038**
Loans	222,946	73,461	**296,407**
Bonded loans	2,176	84,346	**86,522**
Financial liabilities	**298,160**	**157,807**	**455,967**

One key element of GRAMMER's Group funding is the syndicated loan taken out in 2020. This is divided into a credit facility for general corporate financing of EUR 150.0 million (Tranche A) with a term of five years and a credit facility for financing the TMD acquisition in the amount of USD 80.0 million (Tranche B), which was repayable in installments over four years and was repaid as scheduled in 2022. In addition, the existing syndicated loan under the KfW program "Direct Participation for Syndicated Financing (855)" was expanded in 2020 with the addition of Tranche C in an amount of EUR 235.0 million with a three-year term in an amendment agreement and was prematurely extended in June 2022 until February 10, 2025 against the backdrop of the challenging economic environment, meaning that GRAMMER's liquidity is secured on a sustained basis. Furthermore, GRAMMER AG received an additional Tranche D of EUR 31.5 million from selected core banks under the syndicated loan agreement in the 2022 financial year. This additional tranche D was utilized as refinancing for a maturing borrower's note loan of the same amount. It is partly repayable in installments until maturity on February 10, 2025.

The euro credit facility under Tranche A was provided by five core banks and can be drawn on either as an overdraft facility or in the form of fixed-rate loans with interest periods of up to six months. Interest is charged on the basis of a money market rate plus a fixed margin. A small number of key GRAMMER companies are liable for the entire syndicated loan via guarantees.

Details on the financial covenants can be found in Note 30 "Capital management". Qualitative information on the assessment of the nature and extent of risks associated with financial instruments to which GRAMMER is exposed as of the reporting date can be found in Section 3 "Opportunity and risk report" in the GRAMMER Group Management Report.

In addition, long-term mortgage-backed fixed-rate (development) loans with a carrying amount of EUR 31.3 million (2022: EUR 37.1 million) were taken out to finance the construction of the new GRAMMER campus.

Overdrafts
Overdrafts are primarily amounts drawn under corresponding credit facilities as well as current bank borrowings under factoring agreements due for settlement within a very short space of time.

Loans
This item includes short and medium-term bilateral loans. Depending on the facility, the loans are structured to allow revolving utilization.

Bonded loans
In addition to deferred interest and the discount, this item includes bonded loans and private placements of EUR 85.2 million (2022: EUR 84.5 million). The amount of the bonded loans declined slightly due to currency effects. The bonded loans have fixed or variable interest rates and differing maturity dates until 2031. Deferred interest for the existing bonded loans is included in the current part. EUR 6.9 million was reclassified from non-current to current bonded loans due to their maturity.

Reconciliation of changes in financial liabilities for the financial year ending December 31, 2023

EUR k

	December 31, 2022	Change recognized in the cash flow statement	Reclassification	Change due to currency translation effects	Other non-cash changes	December 31, 2023
Current financial liabilities	**225,122**	–23,239	6,766	–277	–1,299	**207,073**
Current financial liabilities from leases	**16,668**	–22,273	18,005	–547	4,769	**16,622**
Non-current financial liabilities	**157,807**	15,500	–6,766	–163	647	**167,025**
Non-current financial liabilities from leases	**63,211**	0	–18,005	–1,038	10,750	**54,918**
Total	**462,808**	**–30,012**	**0**	**–2,025**	**14,867**	**445,638**

Reconciliation of changes in financial liabilities for the financial year ending December 31, 2022

EUR k

	December 31, 2021	Change recognized in the cash flow statement	Reclassification	Change due to currency translation effects	Other non-cash changes	December 31, 2022
Current financial liabilities	**194,342**	–8,393	35,956	2,954	263	**225,122**
Current financial liabilities from leases	**16,269**	–21,180	19,041	185	2,353	**16,668**
Non-current financial liabilities	**182,036**	11,669	–35,956	410	–352	**157,807**
Non-current financial liabilities from leases	**68,719**	0	–19,041	1,559	11,974	**63,211**
Total	**461,366**	**–17,904**	**0**	**5,108**	**14,238**	**462,808**

In line with the presentation of changes in financial liabilities in the consolidated statement of cash flows, the current liabilities shown in the table do not include current account overdrafts or current liabilities under factoring agreements with banks. The other non-cash changes arise from changes in discounts and interest.

21. Provisions

Provisions break down as follows:

EUR k	Amount on January 1, 2023	Addition	Utilization	Amounts not used and written back	Reclassification	Effects from exchange rate differences	Amount on December 31, 2023	Current provisions 2023
Market-related provisions	**21,905**	14,175	–12,756	–3,828	–355	–859	**18,282**	18,282
Obligations relating to personnel	**7,487**	3,291	–1,591	–882	226	–24	**8,507**	8,507
Other provisions	**2,679**	4,844	–3,508	–1,838	129	–73	**2,233**	2,233
Provisions	**32,071**	**22,310**	**–17,855**	**–6,548**	**0**	**–956**	**29,022**	**29,022**

EUR k	Amount on January 1, 2022	Addition	Utilization	Amounts not used and written back	Reclassification	Effects from exchange rate differences	Amount on December 31, 2023	Current provisions 2022
Market-related provisions	**43,387**	15,263	–26,818	–10,085	0	158	**21,905**	21,905
Obligations relating to personnel	**6,734**	2,689	–1,302	–635	0	1	**7,487**	7,487
Other provisions	**2,489**	1,749	–877	–776	0	94	**2,679**	2,679
Provisions	**52,610**	**19,701**	**–28,997**	**–11,496**	**0**	**253**	**32,071**	**32,071**

Market-related obligations include provisions for post-development risks from the sale of parts and products. For the most part, this comprises warranty claims calculated on the basis of previous claims and estimated future claims. These encompass Group liability for the proper functioning of the products sold and obligations to compensate buyers for damages and costs caused by use of the products. In addition, provisions for impending losses from onerous contracts from series development are included. The additions relate to provisions for warranties of EUR 5,882 thousand (2022: EUR 4,604 thousand) and provisions for impending losses from onerous contracts from series development of EUR 5,692 thousand (2022: EUR 4,771 thousand). The utilizations relate to provisions for warranties of EUR 4,476 thousand (2022: EUR 15,672 thousand) and provisions for impending losses from onerous contracts from series development of EUR 5,986 thousand (2022: EUR 7,592 thousand). Unused reversed amounts of EUR 844 thousand (2022: EUR 5,125 thousand) relate to provisions for warranty claims and of EUR 2,334 thousand (2022: EUR 4,745 thousand) relate to provisions for price differences.

Personnel provisions contain obligations related to personnel and social benefits such as anniversary bonuses. As of December 31, 2023, they include restructuring provisions of EUR 1,365 thousand (2022: EUR 2,133 thousand). This item essentially declined as a result of utilizations.

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. With an amount of EUR 4,554 thousand (2022: EUR 1,462 thousand), the majority of the additions relates to other provisions.

22. Trade accounts payable

Trade accounts payable break down as follows:

EUR k

	December 31, 2023	December 31, 2022
Non-current trade accounts payable	1,474	1,801
Current trade accounts payable	404,051	306,087
Trade accounts payable	**405,525**	**307,888**

Trade accounts payable relate to include outstanding obligations in connection with the Group's provision of goods and services. Outstanding invoices and liabilities for goods received are recognized in trade accounts payable in accordance with their nature. Generally, trade accounts payable are non-interest-bearing and have a term of up to 90 days. In particular, the non-current trade accounts payable include a liability under a hire purchase contract with a term of five years. Trade accounts payable are subject to the supplier's customary retention of title.

23. Other financial liabilities

Other financial liabilities break down as follows:

EUR k

	December 31, 2023	December 31, 2022
Derivative financial liabilities	1,069	0
Liabilities from leases	16,622	16,668
Liabilities to associated companies	1,092	330
Miscellaneous other current financial liabilities	4,386	1,673
Other current financial liabilities	**23,169**	**18,671**
Derivative financial liabilities	303	0
Liabilities from leases	54,918	63,211
Other non-current financial liabilities	**55,221**	**63,211**

Other financial liabilities mainly comprise non-current and current liabilities from leases. The decline in comparison to 2022 resulted from the reduction of non-current lease liabilities due to scheduled repayments which considerably exceeds the increase from renewing existing leases and concluding new ones.

24. Other liabilities

Other liabilities break down as follows:

EUR k

	December 31, 2023	December 31, 2022
Other liabilities	71,451	79,729
of which personnel-related liabilities	32,320	36,028
of which liabilities for consulting	2,373	2,168
Liabilities from other taxes and charges	10,377	14,530
Prepayments received	2,783	5,064
Social security obligations	7,038	6,857
Deferred income	1,827	2,027
Other current liabilities	**93,476**	**108,207**
Prepayments received	0	408
Other non-current liabilities	**0**	**408**
Other liabilities	**93,476**	**108,615**

Social security obligations are largely obligations to social security agencies. Other liabilities mainly comprise liabilities to employees from outstanding annual leave, overtime, flex-time or similar benefits. The item also includes liabilities relating to value-added tax and for short-term accrued expenses.

25. Statement of Cash Flows

The cash flow statement presents the Group's cash flow situation broken down into cash inflows and outflows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification of the respective items. Cash flow from operating activities is derived indirectly from net profit before taxes, which is adjusted for non-cash expenses (primarily depreciation, amortization and impairment) and income. Cash flow from operating activities is calculated under consideration of the change in working capital. Investing activities comprise payments for property, plant and equipment, intangible assets and financial assets, but not additions of right-of-use assets. Financing activities include cash outflows for dividend payments, changes to other financial liabilities and lease liabilities and cash outflows for the hybrid loan lender's compensation claims. In 2023, these also included cash inflows from the new hybrid loan granted by the main shareholders and from a capital increase by the minority shareholders. In 2023, there were no special items to be taken into account in the cash flow from investing activities. At the GRAMMER Group, cash and cash equivalents consist of cash and short-term money market funds, less bank overdrafts (including current liabilities under factoring contracts) to banks.

26. Legal disputes

Some GRAMMER Group companies are involved in legal disputes or could be involved in other legal disputes. This could bring about claims for compensation or other claims. Suitable amounts and, where necessary, receivables from insurers are recognized for these receivables and claims.

An American subsidiary of GRAMMER AG has been and is still defendant in several lawsuits in the United States, one of which has been filed as a class action. Under the lawsuits, claims are being asserted for allegedly defective products. The amount in dispute has not been set. GRAMMER successfully had some more of these actions dismissed in the reporting year. GRAMMER is defending itself against the other actions that are still pending, although the outcome of the proceedings cannot be foreseen at present.

There are not currently any further pending lawsuits or legal action that could significantly impact GRAMMER's economic position, nor have there been any in the past.

27. Contingent liabilities

Contingent liabilities break down as follows:

EUR k	2023	2022
Guarantees	937	746

Guarantees have been issued primarily as performance bonds.

28. Related party disclosures

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

Terms of related party transactions
This section describes the sales to and purchases from related parties on arm's length terms. Outstanding amounts at the end of the financial year are unsecured, non-interest bearing and are settled by cash payment. No guarantees exist for receivables from or liabilities to related parties. An impairment test is performed annually by reviewing the financial position of the related party and the market in which it operates. As in the previous year, no impairment losses were recognized on accounts receivable from related parties as of December 31, 2023.

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

EUR k

Related parties		Sales to related parties	Purchases from related parties	Accounts receivable from related parties	Accounts payable to related parties
GRA-MAG Truck Interior Systems LLC	**2023**	13,789	0	3,861	0
	2022	13,120	0	7,597	0
Ningbo Jifeng Auto Parts Co., Ltd.	**2023**	802	8,115	251	2,750
	2022	881	5,453	64	1,494
Jifeng Automotive Interior GmbH	**2023**	0	356	0	356
	2022	0	0	0	0
Jifeng Automotive Interior CZ s.r.o.	**2023**	2,323	77	139	2
	2022	1,675	133	137	40
Ningbo Jifeng Technology Co., Ltd.	**2023**	0	4,303	0	720
	2022	0	4,404	0	1,439
Ningbo Jiye Trading Co., Ltd.	**2023**	0	1,535	0	–2
	2022	0	3,330	0	1,607
Tianjin Jifeng Auto Parts Co., Ltd.	**2023**	0	34	0	22
	2022	0	65	0	18
Jifeng Seating (Hefei) Co., Ltd. (formerly Hefei Jiye Auto Parts Co., Ltd.)	**2023**	229	1,595	5	734
	2022	3,335	77	7	0
Hefei Jifeng Auto Parts Co., Ltd.	**2023**	0	107	0	0
	2022	0	258	0	95
Shenyang Jifeng Auto Parts Co., Ltd.	**2023**	0	585	0	9
	2022	0	592	0	0
Jifeng Seating Shanghai Co., Ltd.	**2023**	24	0	0	0
	2022	0	0	0	0
Ningbo Jixin Auto Parts Ltd. Co.	**2023**	17	0	0	0
	2022	0	0	0	0
AllyGram Systems and Technologies Private Limited	**2023**	0	4,369	0	1,095
	2022	0	3,542	0	340
GRAMMER Vehicle Parts (Tianjin) Co., Ltd.	**2023**	1,072	0	466	0
	2022	0	0	0	0
GRAMMER Vehicle Parts (Changchun) Co., Ltd.	**2023**	2,669	0	2,669	0
	2022	0	0	0	0

GRA-MAG Truck Interior Systems LLC

The Group holds an interest of 50% in the capital of GRA-MAG Truck Interior Systems LLC (2022: 50%). GRA-MAG Truck Interior Systems LLC had 48 employees as of December 31, 2023 (2022: 51). The accounts receivable from GRA-MAG Truck Interior Systems LLC included a loan of EUR 2,702 thousand (2022: EUR 5,680 thousand) as of December 31, 2023.

Ningbo Jihong Investment Co., Ltd.

Ningbo Jihong Investment Co., Ltd., Ningbo City, China is the ultimate parent company of GRAMMER AG. There are no arrangements with Ningbo Jihong Investment Co., Ltd. for the delivery of goods and services. In accordance with the last received voting-right notifications in accordance with section 40 WpHG dated December 11, 2019, Ms. Bifeng Wu in conjunction with Yiping Wang and Jimin Wang (Wang family) is the ultimate controlling party of the GRAMMER Group.

Ningbo Jifeng Auto Parts Co., Ltd. / Jiye Auto Parts GmbH / Jifeng Automotive Interior GmbH / Jifeng Automotive Interior CZ s.r.o. / Ningbo Jifeng Technology Co., Ltd. / Ningbo Jiye Trading Co., Ltd. / Tianjin Jifeng Auto Parts Co., Ltd. / Jifeng Seating (Hefei) Co., Ltd. (formerly Hefei Jiye Auto Parts Co., Ltd.) / Hefei Jifeng Auto Parts Co., Ltd. / Shenyang Jifeng Auto Parts Co., Ltd. / GRAMMER Vehicle Parts (Tianjin) Co., Ltd. / GRAMMER Vehicle Parts (Changchun) Co., Ltd.

Jifeng Automotive Interior CZ s.r.o., Česká Lípa, Czech Republic, Jiye Auto Parts GmbH, Frankfurt a.M., Germany, Jifeng Automotive Interior GmbH, Kitzingen, Ningbo Jifeng Technology Co., Ltd., Ningbo City, China, Ningbo Jiye Trading Co., Ltd., Ningbo City, China, Tianjin Jifeng Auto Parts Co., Ltd., Tianjin, China, Jifeng Seating (Hefei) Co., Ltd. (formerly Hefei Jiye Auto Parts Co., Ltd.), Hefei, China, Hefei Jifeng Auto Parts Co., Ltd., Hefei, China, Shenyang Jifeng Auto Parts Co., Ltd., Shenyang, China and GRAMMER Vehicle Parts (Tianjin) Co., Ltd., Tianjin, China and GRAMMER Vehicle Parts (Changchun) Co. Ltd., Changchun, China, which were newly established in 2023, as well as the direct parent company of GRAMMER AG (Jiye Auto Parts GmbH) are controlled by Ningbo Jifeng Auto Parts Co., Ltd. GRAMMER maintains direct relations for the delivery of goods and the provision of services with these companies. There is a cost coverage agreement between Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG, in particular for the reimbursement of expenses incurred in the provision of information to the Ningbo Jifeng Group in connection with the preparation of the annual financial statements. In 2023, GRAMMER AG invoiced Ningbo Jifeng Auto Parts Co, Ltd. for internal and external costs totaling EUR 355 thousand (2022: EUR 163 thousand). No other rechargeable costs arose in 2023. Accordingly, all internal costs and all external costs were recharged in full by GRAMMER AG. Internal costs are determined on the basis of the hours worked by the department concerned and external costs incurred.

On March 30, 2020 and October 31, 2023, hybrid loans of EUR 19,148 thousand and EUR 19,071 thousand were granted by Ningbo Jifeng Auto Parts Co., Ltd. to Chinese subsidiaries of GRAMMER AG. The hybrid loans were concluded for an indefinite term and are classified as equity. As of April 20, 2023, the compensation claims from the hybrid loan in 2020, comprising interest accrued for the period from March 30, 2022 to March 29, 2023 and equivalent to EUR 598 thousand, were paid to the hybrid loan lender. The balance of the hybrid loans as of December 31, 2023 is EUR 38,795 thousand due to interest accrued since March 30, 2023.

Ningbo Jifeng Auto Parts Co., Ltd. granted a EUR 7,757 thousand loan to a GRAMMER subsidiary, GRAMMER (China) Holding Co., Ltd., China, on September 20, 2023. The loan was fully repaid on November 17, 2023.

There is a sales cooperation agreement between Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG. There are no direct service relationships between Ningbo Jifeng and GRAMMER AG as a result of the joint purchasing activities. Ningbo Jifeng Auto Parts Co., Ltd. and GRAMMER AG have entered into a cooperation agreement to develop and produce automotive interior components and armrests for the Chinese market. This is settled using the unit price for the goods supplied as part of the cooperation.

A proxy voting agreement was entered into between Shanghai Jifeng Seating Co., Ltd. and GRAMMER (China) Holding Co., Ltd. in the reporting year. Under this agreement, Shanghai Jifeng Seating Co., Ltd. exercises shareholder rights of GRAMMER (China) Holding Co., Ltd. with respect to two subsidiaries of the joint venture GRAMMER Vehicle Parts (Harbin) Co., Ltd., in which GRAMMER (China) Holding Co., Ltd. holds a 60% interest, and GRAMMER (China) Holding Co., Ltd. is required to follow instructions issued in this regard. This proxy voting agreement does not result in any direct service relationships between Shanghai Jifeng Seating Co., Ltd. and GRAMMER (China) Holding Co., Ltd.

AllyGram Systems and Technologies Private Limited

The Group holds an interest of 30% in the capital of AllyGram Systems and Technologies Private Limited (ALLYGRAM). ALLYGRAM provides development services for GRAMMER Group, which are invoiced on the basis of hourly rates. ALLYGRAM had 116 (2022: 101) employees as of December 31, 2023.

Disclosures relating to the Executive Board/Supervisory Board

No companies in GRAMMER Group entered into any significant transactions with members of the Executive Board or the Supervisory Board of GRAMMER AG or with any companies on whose management or supervisory boards such persons are represented. This also applies to family members of such persons. The remuneration of the Management Board is presented in Note 32.

29. Additional information on financial instruments

The following table shows all financial instruments of the Group recognized in GRAMMER AG, classified according to measurement category, carrying amount and fair value:

EUR k

	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2023	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2023
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Assets							
Cash and short-term deposits	FAAC	131,005	131,005				**131,005**
Trade accounts receivable	FAAC	288,474	288,474				**288,474**
Other financial assets							
Loans and receivables	FAAC	11,214	11,214				**11,214**
Investments in associates	FVOCI	8,948		8,948			**8,948**
Financial assets held for trading	FVtPL	509			509		**509**
Derivatives with hedge relationship	n.a.	2,995		2,995			**2,995**
Equity and Liabilities							
Trade accounts payable	FLAC	405,525	405,525				**405,400**
Current and non-current financial liabilities	FLAC	453,653	453,653				**436,914**
Other financial liabilities							
Other financial liabilities	FLAC	5,478	5,478				**5,478**
Liabilities from leases	n.a.	71,540				71,540	**71,540**
Derivatives with no hedge relationship	FLtPL	193			193		**193**
Derivatives with hedge relationship	n.a.	1,179		1,179			**1,179**

EUR k

	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2023	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2023
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Of which aggregated by category in accordance with IFRS 9:							
Assets							
Financial assets at amortized cost	FAAC	430,693	430,693				**430,693**
Financial assets at fair value through other comprehensive income	FVOCI	8,948		8,948			**8,948**
Financial assets at fair value through profit and loss	FVtPL	509			509		**509**
Equity and Liabilities							
Financial liabilities at amortized cost	FLAC	864,656	864,656				**847,792**
Financial liabilities at fair value through profit and loss	FLtPL	193			193		**193**

EUR k

	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2022	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2022
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Assets							
Cash and short-term deposits	FAAC	108,587	108,587				**108,587**
Trade accounts receivable	FAAC	256,712	256,712				**256,712**
Other financial assets							
Loans and receivables	FAAC	9,123	9,123				**9,123**
Investments in associates	FVOCI	31		31			**31**
Financial assets held for trading	FVtPL	0			0		**0**
Derivatives with hedge relationship	n.a.	3,288		3,288			**3,288**
Equity and Liabilities							
Trade accounts payable	FLAC	307,888	307,888				**307,675**
Current and non-current financial liabilities	FLAC	455,967	455,967				**424,236**
Other financial liabilities							
Other financial liabilities	FLAC	2,003	2,003				**2,003**
Liabilities from leases	n.a.	79,879				79,879	**79,879**
Derivatives with no hedge relationship	FLtPL	0			0		**0**
Derivatives with hedge relationship	n.a.	0		0			**0**

EUR k	Measurement category in accordance with IFRS 9	Carrying amount on December 31, 2021	Measured in accordance with IFRS 9			Measured in accordance with IFRS 16	Fair value on December 31, 2021
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss		
Of which aggregated by category in accordance with IFRS 9:							
Assets							
Financial assets at amortized cost	FAAC	374,422	374,422				**374,422**
Financial assets at fair value through other comprehensive income	FVOCI	31		31			**31**
Financial assets at fair value through profit and loss	FVtPL	0			0		**0**
Equity and Liabilities							
Financial liabilities at amortized cost	FLAC	765,858	765,858				**733,914**
Financial liabilities at fair value through profit and loss	FLtPL	0			0		**0**

The maximum credit risk as of the reporting date corresponds to the carrying amount of each category of financial assets listed.

Because of the short term-nature of cash and short-term deposits, trade accounts receivable and other current receivables, it is assumed that the carrying amounts equate to their fair values.

The fair value of other non-current receivables with remaining terms of over one year equate to the present value of the payments associated with the assets taking account of the prevailing interest rate parameters.

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

The fair values of liabilities to banks, bonded loans and other non-current financial liabilities are determined as the present values of the payments associated with the liabilities calculated on the basis of the respective yield curves and the risk premium applicable for GRAMMER.

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, 2023:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	3,504	0	3,504	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	1,372	0	1,372	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	1,676	0	1,676	0
Current and non-current financial liabilities	436,914	0	436,914	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, 2022:

EUR k	Total	Level 1	Level 2	Level 3
Assets recognized at fair value				
Derivative financial assets				
Currency forwards	3,288	0	3,288	0
Liabilities recognized at fair value				
Derivative financial liabilities				
Currency forwards	0	0	0	0
Liabilities for which a fair value is recognized				
Interest-bearing liabilities				
Liabilities under hire purchase contracts	2,175	0	2,175	0
Current and non-current financial liabilities	424,236	0	424,236	0

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

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

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

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

There were no reclassifications between Level 1 and Level 2 in the reporting period. No assets or liabilities were assigned to Level 3.

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

EUR k	2023	2022
Financial assets at amortized cost	–6,708	2,735
Financial assets and financial liabilities at fair value through profit or loss	316	0
Financial liabilities at amortized cost	–7,550	950
Net gains/losses from financial instruments	**–13,942**	**3,685**

Net gains or losses from financial assets at amortized cost include currency translation gains or losses, changes to impairments through profit and loss, gains or losses from the derecognition of receivables and reversals of previously impaired receivables.

Net gains or losses from financial assets and liabilities measured at fair value through profit or loss include changes in the fair value of derivative financial instruments to which hedge accounting is not applied, including interest income and interest expenses.

The net gains or losses from financial liabilities at amortized cost primarily include currency translation gains and losses from financial liabilities.

The GRAMMER Group has entered into master contracts with several banks. The derivative assets and liabilities outstanding as of the reporting date do not satisfy the offsetting criteria provided for in IAS 32.42. Accordingly, they are reported separately in the balance sheet. However, the master contracts include offsetting arrangements that apply in the event of insolvency.

The following table sets out the carrying amounts of the financial instruments which are subject to these agreements:

EUR k	Gross and net amounts of financial instruments in the statement of financial position	Offsetting agreement	Net amount
December 31, 2023			
Financial assets			
Currency forwards	3,504	–1,206	2,298
Financial liabilities			
Currency forwards	–1,372	1,206	–166

EUR k	Gross and net amounts of financial instruments in the statement of financial position	Offsetting agreement	Net amount
December 31, 2022			
Financial assets			
Currency forwards	3,288	0	3,288
Financial liabilities			
Currency forwards	0	0	0

As offsetting is not used in the statement of financial position, gross and net figures are aggregated in one column.

30. Financial derivatives and risk management

The main originated financial liabilities used in the Group encompass bonded loans, private placements, bank loans, overdrafts, liabilities from leases and trade accounts payable. The Group has various financial assets such as trade accounts receivable and cash, which result directly from operating activities.

In addition, the Group has derivative financial instruments which are used for risk management, primarily to hedge interest rate and currency risks.

Financial risks

The Group is exposed to market, credit and liquidity risks as well as currency and interest rate risks. Consequently, the Executive Board has implemented a risk management system which is also monitored by the Supervisory Board. The risk management system is integrated in the Chief Financial Officer's area of responsibility while the Executive Board bears ultimate overall responsibility. The rules are designed to promote responsible treatment of risks and prudent actions among all Group employees. Management of risk is the responsibility of the Company management. Together with experts for financial risk, the management of the Company prepares a suitable framework for managing financial risks. This framework ensures that the activities of the Company that entail financial risk are carried out with the relevant guidelines and procedures, and that financial risks are identified, assessed and managed in line with these guidelines and taking into account the Group's risk tolerance.

All derivative transactions entered into for risk management purposes are managed by expert teams that have the necessary knowledge and experience and are subject to adequate supervision. The guidelines for management of the risks set out below have been audited and approved by the Company management.

Credit risk

Credit risk is defined as the risk of the Group suffering a loss (risk of default) because a counterparty fails to fulfill its obligations. The Group guidelines stipulate that transactions may only be entered into with creditworthy third parties to reduce the risks of non-performance. The creditworthiness of major customers, especially in the automotive sector, is subject to particular monitoring due to risks from deliveries of goods. If no rating information is available, the Group uses other available financial information and its own records to assess major customers. Customers, who wish to conclude credit-based transactions for the first time, are also regularly subjected to a creditworthiness check. Receivables are monitored on an ongoing basis to ensure that the Group is not exposed to any material credit risk. The Group does not see any significant concentrations of credit risks as major transactions are characterized by short-term maturity structures and the high credit ratings of the key-account customers.

Market risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments vary due to fluctuations in market prices. Market risk encompasses the following three risk types: exchange rate risk, interest rate risk and other price risks, such as share price risk. Financial instruments exposed to market risks include interest-bearing loans, deposits, financial assets at fair value through other comprehensive income as well as derivative financial instruments. The sensitivity analyses in the sections below relate to the situation as of December 31, 2023 and 2022. They were prepared on the basis of the hedging transactions outstanding on December 31, 2023, subject to the assumption of constant figures for net gearing, the ratio of fixed to variable interest rates on liabilities and derivatives and the proportion of financial instruments denominated in foreign currencies.

All depictions of the potential financial effects are approximations and are based on the assumptions of the relevant sensitivity analyses and method. The actual effects on the Group may deviate considerably as a result of actual market developments.

Commodity price risk

Procurement prices, especially for commodities such as steel, foam and plastics, are subject to significant fluctuations depending on the market situation. As these cannot always be passed on to customers, this results in price risks. To hedge these risks, the Company seeks long-term supply contracts and consolidates volumes to limit volatility. Commodity futures contracts recognized as derivatives under IFRS 9 can also be transacted in order to hedge price risks arising from purchases of raw materials. The Group carefully monitors the development of markets as a basis for decision making about the implementation of hedging.

There were no commodity forwards for hedging price risks for raw materials as of the reporting date in 2023 or 2022, and no such contracts were concluded in either of these two years.

Currency risk

As a consequence of its international focus and business activities, GRAMMER is exposed to currency risks. Currency risks primarily arise from sales transactions in the ordinary course of business in international markets outside the Eurozone and through the assets and liabilities of the GRAMMER Group. The main currencies in GRAMMER Group are the euro, the Czech koruna, the Polish złoty, the Mexican peso, the US dollar, the Turkish lira, the Brazilian real, the Japanese yen and the Chinese yuan. By transacting business in currencies other than the functional currencies of the respective Group companies, risks may arise from future payment flows. Exchange rate fluctuations may lead to unforeseeable and unfavorable earnings and cash flow volatilities.

Individual cash flows in the respective currency are aggregated in accordance with the GRAMMER Group's currency management guidelines, resulting in a net currency overhang or shortfall in periodic observations. Aggregated currency overhangs or currency requirements are hedged in advance on a rolling basis within the framework of the currency management guideline on the basis of the budgeted business plan. The hedging ratios of the respective currency exposures are increased over time.

The risk is mitigated by the fact that business transactions are mainly settled in the respective functional currency of the invoicing unit. In addition, where it is possible and cost-effective, commodities and services are purchased in the corresponding foreign currency and production takes place in local markets. A shortfall or surplus of foreign currency holdings is hedged by means of currency forwards after all the measures already mentioned have been carried out. The aim of hedging transactions is to offset the volatility that can arise from cash inflows and outflows.

The operating units are not permitted to raise or invest financial resources in foreign currencies for speculative purposes.

Cash flow hedges

During the reporting period, there were currency hedges in PLN, CZK and MXN for which the conditions for cash flow hedging were satisfied. The foreign currency-related hedging instruments held are broken down by maturity as follows:

EUR k	Maturity			
	1–6 months	**7–12 months**	**13–18 months**	**Total**
2023				
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	29,195	24,802	16,131	**70,128**
Average forward exchange rate (EUR/CZK)	24.491	24.716	24.716	–
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	10,365	10,498	6,195	**27,058**
Average forward exchange rate (EUR/PLN)	4.727	4.591	4.591	–
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	24,084	19,723	12,435	**56,242**
Average forward exchange rate (EUR/MXN)	19.430	20.018	20.428	–

EUR k	Maturity			
	1–6 months	7–12 months	13–18 months	Total
2022				
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	24,028	7,800	0	**31,828**
Average forward exchange rate (EUR/CZK)	26.636	26.924	0	**–**
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	5,089	1,780	0	**6,869**
Average forward exchange rate (EUR/PLN)	5.011	5.057	0	**–**
Currency forwards (sales expected with a high probability)				
Nominal amount (in EUR thousand)	0	0	0	**0**
Average forward exchange rate (EUR/MXN)	0	0	0	**–**

As of December 31, 2023, currency forwards with a positive market value of EUR 2,995 thousand (2022: EUR 3,288 thousand) and with a negative market value of EUR -1,179 thousand (2022: EUR 0) were designated as cash flow hedges. The settlement results are recognized under the financial result. There were no significant ineffective portions of hedging transactions to report in the year under review.

The effects of foreign currency-related hedging instruments on the Group's net assets, financial position and results of operations are as follows:

EUR k	December 31, 2023	December 31, 2022
Carrying amount (other current financial assets)	2,995	3,288
Carrying amount (other current financial liabilities)	–1,179	0
Nominal value	153,427	38,696
Hedge relationship [1]	1:1	1:1
Change in the fair value of outstanding hedges since January 1	–1,472	2,356
Change in the value of the hedged transaction to determine the effectiveness of the hedge relationship	1,472	–2,356

Effect on cumulative other comprehensive income:	**2023**	**2022**
Cash flow hedge amount on January 1	**2,438**	**696**
Change in the fair value of the hedge (effective part)	3,831	4,309
Reclassified from other comprehensive income to profit and loss	–5,305	–1,961
Tax expenses (–)/tax income	417	–606
Cash flow hedge amount on December 31	**1,381**	**2,438**

[1] Currency forwards have the same currency as the highly probable future sales (accordingly 1:1 hedge relationship).

The sensitivity analysis of changes in currency is based on the following assumptions:

- All monetary financial instruments not held in the functional currency are taken into account. The analysis is based on the original balance sheet items of the subsidiaries subject to a significant risk from functional currencies other than the Group's.
- Changes in foreign exchange rates relating to financial instruments that are part of a net investment in foreign operations have an impact on equity.
- Derivatives for the purpose of currency hedging that are designated as hedging instruments in the context of cash flow hedges have an effect on equity and are taken account of in the sensitivity analysis.
- Currency derivatives that are not designated as hedging instruments in the context of cash flow hedges have an effect on period income and are taken account of accordingly in the sensitivity analysis.
- A change in the exchange rate of +/- 10 (2022: +/- 10) percentage points on the reporting date is assumed in order to determine sensitivity to exchange rate risks. All other variables remain constant.

The following table shows the sensitivity of consolidated net income before taxes and equity to a reasonably possible change in the exchange rate:

EUR k

	Changes in the USD exchange rate	Effect on earnings before taxes	Effect on equity
2023	+10%	8,518	–3,440
	–10%	–8,568	3,440
2022	+10%	6,465	–3,491
	–10%	–6,465	3,490

	Changes in the TRY exchange rate	Effect on earnings before taxes	Effect on equity
2023	+10%	712	0
	–10%	–712	0
2022	+10%	436	0
	–10%	–436	0

	Changes in the CZK exchange rate	Effect on earnings before taxes	Effect on equity
2023	+10%	3,927	7,494
	–10%	–3,926	–6,132
2022	+10%	4,068	3,828
	–10%	–4,069	–3,132

	Changes in the PLN exchange rate	Effect on earnings before taxes	Effect on equity
2023	+10%	111	3,101
	–10%	–109	–2,537
2022	+10%	292	802
	–10%	–289	–656

	Changes in the CNY exchange rate	Effect on earnings before taxes	Effect on equity
2023	+10%	–8,345	0
	–10%	7,597	0
2022	+10%	2	0
	–10%	3	0

Interest rate risk

As of December 31, 2023, there were no interest-related hedging instruments. These expired in 2022. The sensitivity analysis of changes in currency is based on the following assumptions:

- Financial instruments measured at amortized cost with a fixed rate of interest are not subject to interest rate risks and thus not included in the sensitivity analysis.
- Interest rate derivatives not designated as cash flow hedges have an effect on net profit for the period and are thus included the sensitivity analysis.
- Interest rate derivatives that are designated as cash flow hedges have an effect on equity and are thus included in the sensitivity analysis.
- The interest rate risk from currency derivatives is deemed insignificant and thus not included in the sensitivity analysis.
- The determination of the sensitivity of interest rate derivatives assumes a parallel shift along the yield curve of +/-50 (2022: +/-50) basis points. The interest rate on deposits was reduced on interest-bearing current account balances to a minimal level of 0.001%.

The following table shows the sensitivity of consolidated profit before tax to a reasonably possible change in interest rates. All other parameters remain constant.

EUR k

	Increase/reduction (basis points)	Effect on earnings before taxes	Effect on equity
2023	–50	391	0
	50	–184	0
2022	–50	350	0
	50	–134	0

Risks in connection with the IBOR reform

The Company has loans in its portfolio where interest is charged at variable benchmark rates that are subject to the IBOR reform. This relates to a USD bonded loan with a carrying amount of EUR 7.0 million and a nominal volume of USD 7.5 million that matures in 2024 and bears interest at the USD LIBOR rate. The USD LIBOR switched to the USD-SOFR 3M benchmark rate in September 2023. There are also two bilateral credit facilities each with a volume of EUR 18.3 million, including the USD LIBOR, which were not drawn down in USD as of December 31, 2023. The other benchmark rates used in the GRAMMER Group were already changed in 2021 or loan agreements were amended. The IBOR reform does not pose any risks to GRAMMER.

Ineffectiveness of hedging relationships

The effectiveness of hedging relationships is determined at the inception of each hedging relationship and through regular prospective assessments to ensure that there is a commercial relationship between the hedged item and the hedging instruments.

To hedge foreign currency transactions, the Group enters into hedging relationships in which the contractual terms of the hedging instruments match those of the hedged item in the applicable month on average. The dollar offset method is used to assess the effectiveness of the hedging relationship.

Hedges of foreign currency transactions may be ineffective if the timing of the planned transaction changes from the original estimate or if there are any changes in the credit risk of GRAMMER or the counterparty to the derivative. In 2023 and 2022, there was no ineffectiveness with respect to foreign currency derivatives.

Liquidity risk

The Group manages liquidity risks by means of appropriate bank credit facilities of EUR 454.6 million (2022: EUR 465.7 million), by constantly monitoring projected and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The aim is to achieve a balance between covering the need for financial resources at all times and ensuring flexibility through the use of overdraft facilities, loans, bonds, factoring, capitalized leases and hire purchase agreements.

As of December 31, 2023, the Group had unutilized credit facilities of EUR 116.7 million (2022: EUR 136.3 million), for which all the conditions required for drawing had been met.

The following table shows the contractually agreed (undiscounted) interest and principal payments from primary financial liabilities and derivative financial instruments with negative fair values:

EUR k

2023	Carrying amount	Cashflow 2024	Cashflow 2025–2027	Cashflow 2028 and beyond
Bonded loans	85,214	9,441	40,691	47,652
Bank loans	288,885	206,892	85,502	6,992
Bank overdrafts (including current liabilities under factoring contracts)	79,554	79,554	0	0
Current and non-current financial liabilities	**453,653**	**295,887**	**126,193**	**54,644**
Current and non-current trade accounts payable	**405,525**	**404,142**	**1,255**	**384**
Liabilities from leases	71,540	18,904	33,380	29,055
Other originated financial liabilities	5,478	5,478	0	0
Current and non-current other financial liabilities	**77,018**	**24,382**	**33,380**	**29,055**
Interest rate derivatives	0	0	0	0
Currency derivatives	1,372	0	0	0
Incoming payments	0	61,865	16,179	0
Outgoing payments	0	–62,268	–16,131	0
Derivatives	**1,372**	**–403**	**48**	**0**
	937,568	**724,008**	**160,876**	**84,083**

EUR k

2022	Carrying amount	Cashflow 2023	Cashflow 2024–2026	Cashflow 2027 and beyond
Bonded loans	86,522	3,723	17,370	81,022
Bank loans	296,407	227,466	63,281	13,045
Bank overdrafts (including current liabilities under factoring contracts)	73,038	73,038	0	0
Current and non-current financial liabilities	**455,967**	**304,227**	**80,651**	**94,067**
Current and non-current trade accounts payable	**307,888**	**306,197**	**1,255**	**802**
Liabilities from leases	79,879	20,028	36,984	37,671
Other originated financial liabilities	2,003	2,003	0	0
Current and non-current other financial liabilities	**81,882**	**22,031**	**36,984**	**37,671**
Interest rate derivatives	0	0	0	0
Currency derivatives	0	0	0	0
Incoming payments	0	0	0	0
Outgoing payments	0	0	0	0
Derivatives	**0**	**0**	**0**	**0**
	845,737	**632,455**	**118,890**	**132,540**

All instruments in the portfolio on the reporting date for which payments were already contractually agreed were included. Budget figures for future new liabilities are not included. Amounts in foreign currency are converted at the spot rate on the reporting date. Financial liabilities repayable on demand are always allocated to the earliest maturity band. Variable interest payments under primary financial instruments were established on the basis of the interest rates last fixed before the reporting date. In the case of interest rate derivatives, the net payments are recorded based on calculation of payment flows on the variable side using the relevant forward interest rates.

For currency derivatives, both the payments made and corresponding payments received are recorded, since net cash settlement is not generally possible for these derivatives, which must be settled through provision of the counter currency.

Capital management

Capital management serves the purpose of ensuring a high credit rating and establishing an appropriate return on equity. The Group manages its financial structure in line with this objective and, taking account of general economic conditions, adapts it to the objective.

The Group monitors its capital structure by reference to leverage and gearing. Leverage is the ratio of EBITDA (earnings before interest, taxes, depreciation and amortization) to net debt. Net debt is made up of current and non-current financial liabilities and current and non-current other financial liabilities less cash and short-term deposits. Gearing is defined as the ratio of net debt to equity.

EUR k	December 31, 2023	December 31, 2022
Non-current financial liabilities	167,025	157,807
Other non-current financial liabilities	55,221	63,211
Current financial liabilities	286,628	298,160
Other current financial liabilities	23,169	18,671
Cash and short-term deposits	–131,005	–108,587
Net debt	**401,038**	**429,262**
Equity	313,355	301,108
Equity ratio	20%	21%
Gearing	128%	143%
EBITDA	123,777	117,440
Leverage	3.2	3.7

Financial covenants have also been agreed under loan agreements, mainly relating to the two key figures leverage and gearing. The financial covenants already adjusted in 2020 for the periods up to December 31, 2022, have been amended for 2022 and 2023. The original contractual conditions will come into effect again as of the calculation date of December 31, 2023.

31. Disclosure of shareholdings in accordance with section 33 WpHG

Under section 33 (1) or (2) of the Securities Trading Act (WpHG), any person whose shareholding in a listed company reaches, exceeds or falls below certain percentages of the voting rights by purchase, sale or by any other means must notify the Company and the Federal Financial Supervisory Authority immediately, however in no less than four trading days. The lowest notification threshold is 3%. The Company was notified of the following shareholdings as of December 31, 2023 in accordance with section 33 WpHG (the percentage and number of shares shown refers to the share capital in existence as of the date of the notification; the number of shares is taken from the most recent notification served on GRAMMER AG and may therefore no longer apply):

In notifications dated October 14, 2019 and December 11, 2019, Ms. Bifeng Wu, Mr. Yiping Wang and Mr. Jimin Wang, China, informed us pursuant to section 33 (1) WpHG that their voting rights in GRAMMER AG (ISIN: DE0005895403) continued to exceed the 75% threshold and amounted to 84.23% (10,618,681 voting rights). Of this, 84.23% (10,618,681 voting rights) are attributable to Ms. Bifeng Wu, Mr. Yiping Wang and Mr. Jimin Wang pursuant to section 34 WpHG. Voting rights are allocated by the following company: Jiye Auto Parts GmbH, Frankfurt am Main, Germany, an indirect subsidiary of Ningbo Jifeng Auto Parts Co., Ltd., Ningbo, China.

(published on December 16, 2019)

All notifications served on GRAMMER AG in accordance with sections 33 and following WpHG can be inspected at the Company's website and at the platform operated by Deutsche Gesellschaft für Ad-hoc-Publizität mbH.

32. Other disclosures

Employees
Annual average number of employees:

	2023	2022
Wage-earning employees	11,173	11,033
Salaried employees	3,068	3,011
Total	**14,241**	**14,044**

Hyperinflation
IAS 29 "Hyperinflationary Economies" provides guidance on assessing whether the economy of a particular jurisdiction is hyperinflationary. However, the IASB does not name specific jurisdictions. The International Practices Task Force (IPTF) of the US Institute Centre for Audit Quality monitors the status of "hyperinflation" countries. Its criteria for identifying such countries are similar to those for identifying "hyperinflationary economies" under IAS 29. Argentina was among those countries in which cumulative inflation over the last three years was forecast to exceed 100%.

Based on this assessment, the effects of the application of IAS 29 are reviewed annually. The application of IAS 29 resulted in an increase in revenue of EUR 4.8 million, a EUR 0.08 million increase in EBIT and a EUR 0.06 million rise in net profit/loss in 2023. In 2022, there was an increase in revenue of EUR 1.8 million, a EUR 0.2 million increase in EBIT and a EUR 0.1 million rise in net profit/loss.

Auditors' fees within the meaning of section 314 (1) No. 9 HGB
Fees paid to the auditor of the consolidated financial statements, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Nuremberg, which are recognized as expenses in the reporting year, amounted to EUR 1,037.8 thousand, including an amount of EUR 44.6 thousand attributable to the previous year's audit. In the previous year, auditors' fees of EUR 1,094.6 thousand, including EUR 158.7 thousand attributable to the previous year's audit (2021) had been recognized. Fees for other confirmation and valuation services and other services in 2023 amounted to EUR 17.8 thousand (2022: EUR 10.6 thousand).

The auditor's fee for international network companies recognized as an expense in the financial year amounted to EUR 401.1 thousand, of which EUR 30.0 thousand was attributable to the previous year's audit. In the previous year, EUR 371.0 thousand was recognized as auditor's fees, of which EUR 20.0 thousand was attributable to the previous year's audit (2021). Fees for other services in 2023 amounted to EUR 8.9 thousand (2022: EUR 4.6 thousand).

Additional fees for the group auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in connection with the audit of the consolidated financial statements for the Ningbo Jifeng Group amounted to EUR 35.0 thousand in 2023 (2022: EUR 67.4 thousand) and are not included in the auditor's fee as they were directly recharged to Ningbo Jifeng Auto Parts Co, Ltd, Ningbo, China.

Executive Board and Supervisory Board remuneration

The remuneration paid to the Executive Board and Supervisory Board is set out in the following table:

EUR k

	2023	2022
Total remuneration paid to the Executive Board amounted to	1,593	1,745
The Supervisory Board received total remuneration of	694	704

Total remuneration paid to the Executive Board was affected by components from the previous year in the total amount of EUR -11 thousand (2022: EUR -134 thousand).

Of the total remuneration of the Executive Board, EUR 1,618 thousand (2022: EUR 1,549 thousand) is attributable to short-term benefits and EUR -25 thousand (2022: EUR 196 thousand) to other long-term benefits. The negative remuneration figure is because reversals of LTI provisions in the previous year were this much higher than the corresponding new additions to LTI provisions in 2023.

Regarding the remuneration system of GRAMMER AG and details of individual remuneration paid to members of the Executive Boards please refer to the remuneration report in accordance with section 162 AktG. The report is available on the Company's website www.grammer.com in the "COMPANY" section under "MANAGEMENT & SUPERVISORY BOARD".

In view of the change to Executive Board service agreements in 2021, GRAMMER AG no longer had any retirement benefit obligations to the incumbent members of its Executive Board. Instead, members of the Executive Board receive defined-contribution allowances for their own pension schemes, which are included in the total remuneration listed above. Executive Board members receive no loans from the Company.

Payments of EUR 262 thousand (2022: EUR 2,452 thousand) were made to former members of the Executive Board and their surviving dependents under retirement benefit commitments.

Retirement benefit obligations towards former members of management and the Executive Board and their surviving dependents totaled EUR 7,485 thousand (2022: EUR 7,391 thousand) as of the reporting date and corresponding provisions have been recognized under IAS 19 (revised).

Regarding the details of individual remuneration paid to members of the Supervisory Board, please refer to the remuneration report in accordance with section 162 AktG. The report is available on the Company's website www.grammer.com in the "COMPANY" section under "MANAGEMENT & SUPERVISORY BOARD".

33. Corporate Governance Declaration

The Corporate Governance Declaration pursuant to section 315d in connection with section 289f and the following HGB and the declaration of conformity with the German Corporate Governance Code (section 161 AktG) have been released and are permanently available on the Company's website at www.grammer.com in the "INVESTOR RELATIONS" section under "CORPORATE GOVERNANCE".

Ursensollen, March 13, 2024

Jens Öhlenschläger Jurate Keblyte

GRAMMER Aktiengesellschaft Executive Board

Independent auditor’s report

To GRAMMER Aktiengesellschaft

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of GRAMMER Aktiengesellschaft, Ursensollen, and its subsidiaries (the Group), which comprise the consolidated statement of income and consolidated statement of comprehensive income for the fiscal year from 1 January 2023 to 31 December 2023, the consolidated statement of financial position as at 31 December 2023, the consolidated statements of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2023 to 31 December 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GRAMMER Aktiengesellschaft for the fiscal year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the group statement on corporate governance pursuant to Sec. 315d in conjunction with Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code], which is published on the website stated in the group management report and is part of the group management report. In addition, we have not audited the content of the disclosures extraneous to management reports contained in the section "People at GRAMMER", in the sub-sections "Key areas of development", "More efficient product development and production through digitization", "New seat generations for increased comfort in the Commercial Vehicles product area", and "Expansion of the Automotive product portfolio" of the section "Research and development", and in the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a or Secs. 315b to 315d HGB or GAS 20.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2023 and of its financial performance for the fiscal year from 1 January 2023 to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance referred to above and the section "People at GRAMMER", the sub-sections "Key areas of development", "More efficient product development and production through digitization", "New seat generations for increased comfort in the Commercial Vehicles product area", and "Expansion of the Automotive product portfolio" of the section "Research and development", and the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2023 to

31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter

Pursuant to IAS 36, goodwill is subject to an annual impairment test in which the carrying amount of the cash-generating unit, to which the goodwill is allocated, is compared with its recoverable amount. The basis for determining the recoverable amount is the present value of future cash flows of the cash-generating unit. Valuations are based on the budgets for every cash-generating unit, which in turn are based on the budgets approved by management and the Supervisory Board of GRAMMER AG and thus subject to judgment. They are discounted on the basis of the weighted average cost of capital (WACC) for the respective cash-generating unit. The inputs used to calculate the discount rate are partly based on estimated market expectations and are, therefore, also subject to judgment.

In light of the planning uncertainty resulting from the future-oriented nature of the measurement and also in view of the current macroeconomic environment and the judgment exercised as part of the required impairment test, the impairment testing of goodwill was a key audit matter.

Auditor's response

To assess the recoverable amounts of the cash-generating units determined by the executive directors, we examined the processes associated with the inspection and approval of planning as a key basis for the impairment tests and carried out substantive audit procedures.

In particular, we discussed the demarcation of cash-generating units as of 31 December 2023 with the executive directors of GRAMMER AG and assessed this in respect of its consistency with the internal reporting structure.

We also involved our valuation specialists in the audit in order to methodically and arithmetically assess the valuation model and the calculation inputs used. We examined whether the valuation models were applied consistently.

We also examined whether the budget planning reflects general, regional and industry-specific market expectations. In our assessment, we considered the corresponding market expectations as well as the explanations given by management on the main value drivers underlying the budgets. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis.

The inputs used in the determination of the recoverable amounts such as the estimated growth rates were assessed based on an analysis of general market indicators. We assessed the derivation of the weighted average cost of capital (WACC) by evaluating the beta factors used for the benchmark companies involved and comparing the interest rates for equity and liabilities with available market data. In order to identify a potential impairment risk, we additionally conducted sensitivity analyses on the results of the impairment test to determine which changes in specific valuation inputs would lead to a different assessment about the need to recognize an impairment loss the level of the cash-generating unit. Our audit procedures did not lead to any reservations regarding the measurement of goodwill.

Reference to related disclosures

With regard to the accounting policies applied in respect of goodwill and the related disclosures on judgment exercised by the Executive Board of GRAMMER AG and sources of estimation uncertainties, please refer to the disclosure in section 2.1 "Significant accounting policies and critical accounting estimates", sub-section "Estimates and judgment (IAS 8)" and "Goodwill (IAS 38, IAS 36)" and the disclosures on goodwill in section 11.3 "Goodwill" in the notes to the consolidated financial statements.

2. Revenue recognition over time from development contracts with customers

Reasons why the matter was determined to be a key audit matter

The GRAMMER Group companies generally fulfill their performance obligations from customer-specific development contracts over time and recognize the resulting amount of revenue arising pursuant to IFRS 15 "Revenue from Contracts with Customers", in accordance with the stage of completion of the respective performance obligation. The progress with regard to the satisfaction of the performance obligation in full is determined on an input basis and based on the costs incurred.

Revenue recognition over time is therefore highly dependent on the executive directors' estimation of total contract revenue and total contract costs and, through the determination of the stage of completion, has a significant impact on the items of the consolidated financial statements. We therefore considered the recognition of revenue from development contracts over time to be a key audit matter entailing the risk of material misstatement in the consolidated financial statements, including the inherent risk of management bypass or override of the internal control system.

Auditor's response

We performed tests of design and operating effectiveness for the significant controls implemented by the executive directors in contract acceptance and performance and in the accounting for customer contracts, especially in connection with the identification of performance obligations, the determination of the transaction price and its allocation to the identified performance obligations as well as the estimation of contract costs. In this context, we tested both transaction-level controls and entity-level controls, such as regular review meetings.

For development contracts that were significant due to their technical or commercial complexity or their financial significance given the recognized assets from customer contracts, we also performed the substantive tests presented below.

By questioning those responsible for group-wide project controlling, we gained an overview of the content of the contracts and the contracted development services, and the status of the respective fulfillment of the contract, the reasons for deviations between planned costs and actual costs and the current assessment of the costs still expected to be incurred up until the time of completion. We examined the information obtained to determine whether it was consistent with the available evidence, such as customer correspondence or contracts. In doing so, we assessed the executive directors' planning in respect of its consistency with the current development of the market and externally available sales forecasts for the underlying models of automobiles. We also examined the transaction price of the performance obligations by comparing this with the underlying contracts. If, based on the executive directors' planning, it was no longer to be expected that the unavoidable costs to fulfill the contractual obligation would be fully covered, we verified that a provision had been recognized for the onerous contract.

We analyzed the reported revenue from development contracts to determine, among other things, whether the planned and realized margin from the contracts is in line with our expectations, which we derived for the individual project or the performance of comparable projects. Our audit procedures did not lead to any reservations regarding the recognition of revenue from development contracts over time.

Reference to related disclosures

Regarding the information provided by the Company on the recognition of revenue over time, reference is made to section 2.1 "Summary of significant accounting policies and use of estimates and judgements", sub-section "Estimates and judgements (IAS 8)" and "Revenue from contracts with customers (IFRS 15)" and section 6 "Revenue from contracts with customers" as well as section 14 "Balances of contract assets and contract liabilities" of the notes to the consolidated financial statements.

3. Revenue recognition in relation to the delivery of serial products

Reasons why the matter was determined to be a key audit matter

The revenue reported in the consolidated financial statements is one of the main financial performance indicators used by the executive directors of GRAMMER AG. As a general rule, revenue is recognized upon satisfaction of the respective performance obligation, namely the date on which the customer obtains control over the underlying asset.

The recognition of revenue is subject to the risk that revenue is recognized at the wrong time or that fictitious revenue is recognized. Revenue results from a range of individual transactions in the form of separate deliveries. In addition, ongoing price negotiations and adjustments with customers lead to frequent changes to transaction prices and consequently to an amended measurement of recognized revenue. The recognition of revenue is exposed to the risk of material misstatement including the inherent risk of management bypass or override of the internal control system. On account of the frequently changing transaction prices, revenue recognition is deemed to be complex, meaning that there is an increased risk of material misstatement. As recognized revenue has a material impact on GRAMMER AG's consolidated financial statements, we considered revenue recognition to be a key audit matter.

Auditor's response

During our audit, we obtained an understanding of the contractual arrangements with the customers, especially the arrangements governing the time of obtaining control, as well as the arrangements regarding the billing procedure, and assesses them based on our understanding of the business and process. Against this backdrop, we examined the internal procedures and controls implemented for revenue recognition and for recording the amount of revenue. We performed tests of design and operating effectiveness in this context,

examining the revenue recognized for the fiscal year from 1 January 2023 to 31 December 2023 with respect to how it was recorded in the accounts. We analyzed any deviations from our exceptions in the posting logic based on additional substantive audit procedures by obtaining audit evidence, for example on proof of delivery and incoming payments. In addition, our audit procedures also included obtaining external customer confirmations on a sample basis. We checked that the revenue had been entered in the right amount in particular by comparing a sample of the transaction prices with their applicable contractual bases. We also determined whether the corresponding trade receivables had been settled by the customer by paying the invoice amount in the customary business cycle. At the same time, we checked a sample of incoming payments against the corresponding bank statements.

In order to identify unexpected fluctuations in the gross margin reported, we performed a margin analysis at a monthly level. Our audit procedures did not lead to any reservations regarding the recognition of revenue from serial production.

Reference to related disclosures

The Company's disclosures on revenue recognized at a point in time are presented in section 2.1 "Summary of significant accounting policies and use of estimates and judgements", sub-section "Revenue from contracts with customers (IFRS 15)", and in section 6 "Revenue from contracts with customers" of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the corporate governance report and declaration pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB. In all other respects, the executive directors are responsible for the other information. The other information consists of the group statement on corporate governance referred to above and the disclosures extraneous to management reports referred to above contained in the section "People at GRAMMER", in the sub-sections "Key areas of development", "More efficient product development and production through digitization", "New seat generations for increased comfort in the Commercial Vehicles product area", and "Expansion of the Automotive product portfolio" of the section "Research and development", and in the sub-sections "Basic principles of risk management and the ICS", "Opportunity and risk management process" and "Compliance management system" of the opportunity and risk report of the group management report. Furthermore, the other information includes the combined separate non-financial report pursuant to Sec. 289b (3) HGB and Sec. 315b (3) HGB, a version of which we obtained prior to issuing this auditor's report. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- the section "Letter from the Executive Board"
- the section "Dashboard"
- the section "GRAMMER Share"
- the section "Corporate Governance (Group corporate governance report and declaration, Report of the Supervisory Board, Remuneration Report)"
- the responsibility statement
- the section "GRAMMER Group Multi-year Overview pursuant to IFRS"
- the section "GRAMMER AG Financial Statements"
- the section "Financial Calendar 2024"

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file "GRAMMER_AG_KA+KLB_ESEF-2023-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2023 to 31 December 2023 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 10 May 2023. We were engaged by the Supervisory Board on 22 August 2023. We have been the group auditor of GRAMMER AG without interruption for more than 29 years. GRAMMER AG has been a capital market-oriented company as defined by Sec. 264d HGB since fiscal year 1996.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

- Audit of GRAMMER AG's remuneration report in accordance with Sec. 162 (3) AktG for the fiscal year from 1 January 2023 to 31 December 2023-

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Udo Schuberth.

Nuremberg, March 13, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Responsibility Statement

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

Ursensollen, March 13, 2024

GRAMMER Aktiengesellschaft

The Executive Board

GRAMMER Group multi-year overview in accordance with IFRS

EUR m	2023	2022	2021	2020	2019
Group revenue	**2,304.9**	**2,158.8**	**1,903.0**	**1,710.7**	**2,038.5**
Revenue EMEA [2]	1,210.9	1,131.4	1,061.5	965.8	
Revenue AMERICAS	622.0	672.5	517.7	476.6	
Revenue APAC	532.3	426.7	406.3	339.2	
Statement of income					
Gross profit	242.8	140.5	175.3	125.3	231.4
EBIT	42.0	−45.0	18.9	−46.1	74.5
EBIT margin (%)	1.8	−2.1	1.0	−2.7	3.7
Financial result	−32.8	−17.8	−12.2	−24.6	−20.4
Earnings before taxes	9.2	−62.8	6.7	−70.7	63.6
Income taxes	−5.8	−15.8	−6.1	6.0	−20.1
Net profit/loss	3.4	−78.6	0.6	−64.7	43.5
Consolidated Statement of Financial Position					
Total assets	1,534.4	1,444.6	1,483.4	1,376.4	1,474.4
Non-current assets	813.6	768.1	833.5	799.6	825.6
Current assets	720.8	676.5	649.9	576.8	648.8
Equity	313.4	301.1	345.6	302.2	342.2
Equity ratio (%)	20.4	20.8	23.3	22.0	23.2
Net financial liabilities	401.1	429.3	420.2	358.0	370.0

EUR m	2023	2022	2021	2020	2019
Statement of Cash Flows					
Capital expenditure (without business combinations and financial assets)	97.1	91.0	114.7	83.8	132.8
Depreciation and amortization	81.8	162.4	84.2	87.8	85.3
Cash flow from operating activities	132.4	106.7	71.3	31.1	124.0
Employees					
Annual average	14,241	14,044	14,006	14,192	14,910
Domestic employees	2,932	2,936	2,848	3,026	3,227
Non-domestic employees	11,309	11,108	11,158	11,166	11,683
Personnel costs	533.7	518.5	465.9	444.1	486.3
Share data					
Prices (Xetra closing price in EUR)	10.90	10.55	17.95	19.90	31.95
Market capitalization (EUR m)	166.1	160.8	273.5	303.2	402.8
Dividend (EUR)	0.00 [1]	0.00	0.00	0.00	0.00
Earnings per share (EUR)	0.12	−5.26	0.08	-5.10	3.56

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

[2] Due to the change of segment reporting in 2021, the comparative information for the reporting segments is only given for 2020.

Financial Statements of GRAMMER AG

GRAMMER AG's results of operations

GRAMMER Aktiengesellschaft Statement of Income [1] for the year from January 1 to December 31

EUR k	2023	2022
Revenue	559,857	676,766
Increase (2022: decrease) in inventories of finished goods and work in progress	3,957	–1,545
Other operating income	9,091	66,176
Total revenues	**572,905**	**741,397**
Cost of materials	434,391	515,585
Personnel costs	85,434	92,237
Depreciation and amortization	7,684	8,128
Other operating expenses	84,149	80,064
	–38,753	**45,383**
Net investment income – of which from affiliated companies EUR 107,872 thousand (2022: EUR 33,779 thousand)	108,428	33,779
Income from profit transfer agreements	50,840	11,802
Income from other securities and loans of financial assets – of which from affiliated companies EUR 9,534 thousand (2022: EUR 10,929 thousand)	9,534	10,929
Other interest and similar income – of which from affiliated companies EUR 2,152 thousand (2022: EUR 1,952 thousand)	3,105	1,957
Impairment of financial assets	111,137	119,333
Expenditure from the absorption of loss	8,273	12,367
Interest and similar expenses – of which to affiliated companies EUR 215 thousand (2022: EUR 21 thousand) – of which from compounding EUR 1,109 thousand (2022: EUR 2,923 thousand)	27,007	24,169
Income taxes	1,526	4,062
Net profit/loss	**–14,789**	**–56,081**
Other taxes	108	235
Net loss for the year	**–14,897**	**–56,316**
Loss carried forward from the previous year	–131,188	–74,872
Net retained loss	**–146,085**	**–131,188**

[1] Financial statements according to HGB.

Net assets of GRAMMER AG

GRAMMER Aktiengesellschaft Statement of Financial Position[1] as of December 31 of the respective financial year

Assets

EUR k

	December 31, 2023	December 31, 2022
A. Non-current assets		
I. Intangible assets	8,085	10,209
II. Property, plant and equipment	79,416	82,806
III. Financial assets	456,950	514,003
	544,451	**607,018**
B. Current assets		
I. Inventories	47,066	45,136
II. Receivables and other assets	197,911	192,267
III. Cash at bank and in hand	6,794	7,130
	251,771	**244,533**
C. Prepaid expenses	2,835	2,641
Total assets	**799,057**	**854,192**

Equity and liabilities

EUR k

	December 31, 2023	December 31, 2022
A. Equity		
I. Subscribed capital	39,009	39,009
Own shares	–845	–845
Issued capital	38,164	38,164
II. Capital reserve	165,211	165,211
III. Retained earnings	132,158	132,158
IV. Net retained loss	–146,085	–131,188
	189,448	**204,345**
B. Provisions		
1. Provisions for retirement benefits	91,811	92,639
2. Tax provisions	902	2,340
3. Other provisions	18,661	18,194
	111,374	**113,173**
C. Liabilities		
1. Liabilities to banks	436,096	461,617
2. Prepayments received	264	2,645
3. Trade accounts payable	20,506	14,957
4. Liabilities to affiliated companies	34,725	49,674
5. Liabilities to companies in which an equity interest is held	1,037	288
6. Other liabilities	5,607	7,387
	498,235	**536,568**
D. Deferred income	0	106
Total Equity and Liabilities	**799,057**	**854,192**

[1] Financial statements according to HGB.

Financial Calendar 2024[1]

Important dates for shareholders and analysts

28 March	Publication of Annual Report 2023
4 June	Annual General Meeting 2024
28 March	Analyst and financial press conference
14 August	Publication of Interim Report 2nd Quarter 2024
29 April	Publication of Interim Management Statement 1st Quarter 2024
29 October	Publication of Interim Management Statement 3rd Quarter 2024

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

Contact

GRAMMER AG
Grammer-Allee 2
92289 Ursensollen

P.O. Box 14 54
92204 Amberg, Germany

Phone +49 (0) 9621 66 0
Fax +49 (0) 9621 66 31000
www.grammer.com

Investor Relations
Tanja Bücherl
Phone +49 (0) 9621 66 2113
Fax +49 (0) 9621 66 32113
E-mail investor-relations@grammer.com

Corporate Social Responsibility
Astrid Schultze
E-mail: sustainability@grammer.com

Masthead

Published by
GRAMMER AG
Grammer Allee 2
92289 Ursensollen, Germany

Release date
March 30, 2023

Concept, layout
IR.on AG, Cologne
https://ir-on.com/

Image Credits
Adobe Stock
Johanna Lohr

GRAMMER AG
Grammer-Allee 2
92289 Ursensollen, Germany
Phone 0 96 21 66 0
www.grammer.com