BETTER WORLDWIDE

Annual Report 2014

GRAMMER

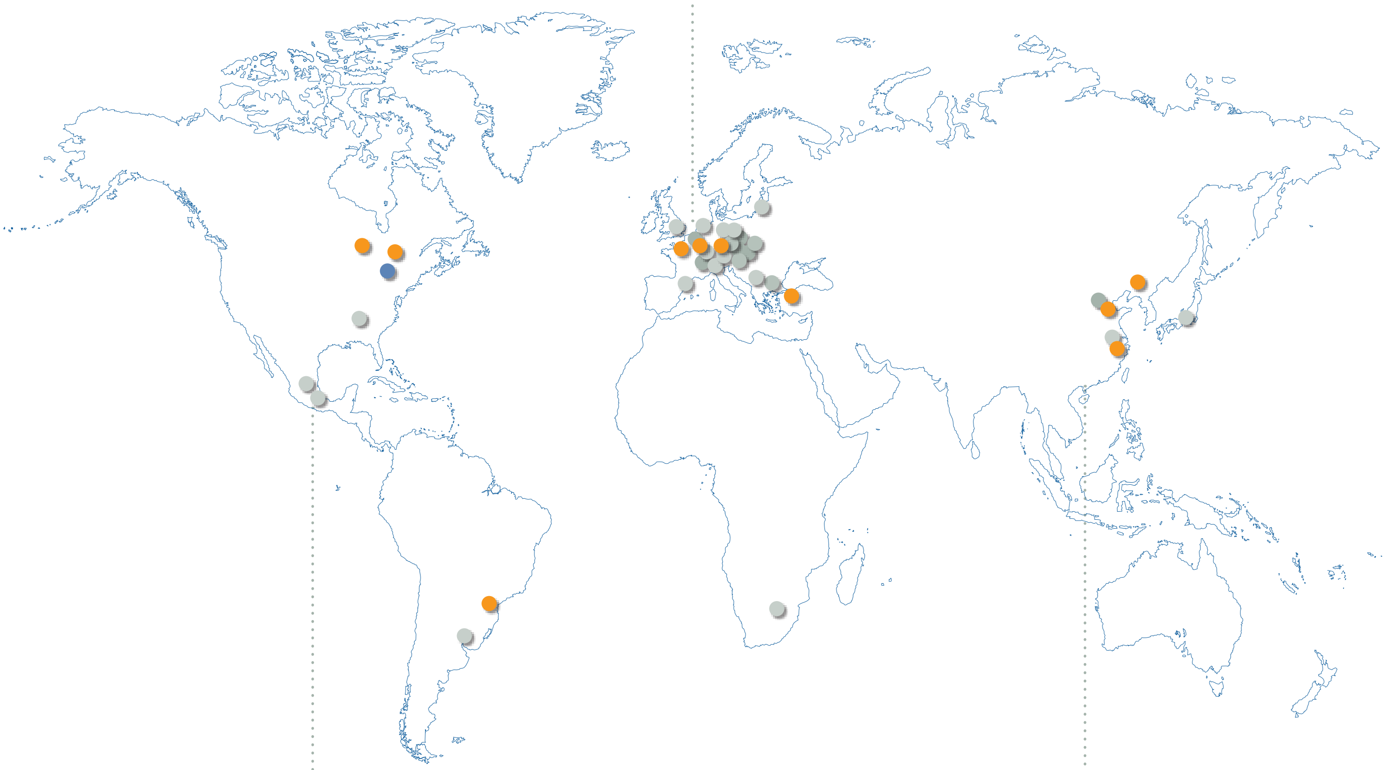
Company profile

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

With a workforce of more than 10,000 employees, GRAMMER operates in 20 countries worldwide via its 30 subsidiaries.

Europe

Belgium	Italy
Bulgaria	Poland
Czech Republic	Russia
France	Serbia
Germany	Slovenia
Great Britain	Spain



Americas

Argentina
Brazil
Mexico
USA

Far East/Others

China
Japan
South Africa
Turkey

- GRAMMER locations
- GRAMMER locations with R&D activities
- GRAMMER joint ventures

Divisions

Seating Systems

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

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

Truck & Bus
Driver seats for trucks and buses

Railway
Passenger seats for trains
Train driver seats

in EUR m	2014	2013
Revenue	478.7	472.8
EBIT	36.2	37.6
EBIT-margin (in %)	7.6	8.0
Investments (without acquisitions)	15.0	15.8
Employees (December 31)	3,679	3,729

Automotive

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

Headrests

Armrests

Center consoles

in EUR m	2014	2013
Revenue	911.6	813.3
EBIT	28.9	33.1
EBIT-margin (in %)	3.2	4.1
Investments (without acquisitions)	33.0	29.9
Employees (December 31)	6,761	6,101

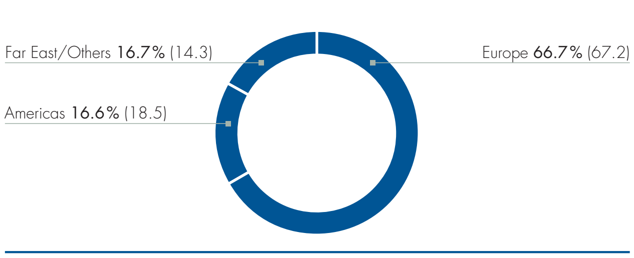
Key figures according to IFRS
GRAMMER Group

in EUR m

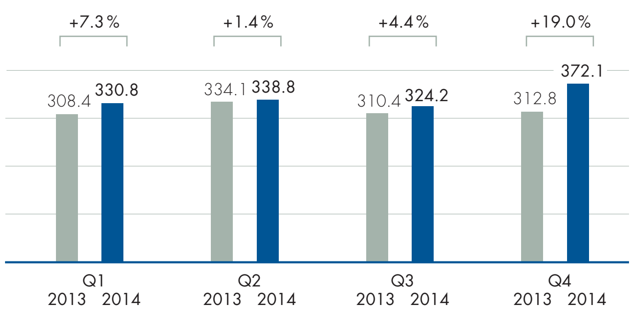
	Q4 2014	Q4 2013	2014	2013
Group revenue	372.1	312.8	1,365.9	1,265.7
Automotive revenue	269.5	206.1	911.6	813.3
Seating Systems revenue	109.7	111.7	478.7	472.8
Income statement				
EBITDA	23.9	23.8	93.7	92.3
EBITDA-margin (in %)	6.4	7.6	6.9	7.3
EBIT	13.9	14.7	57.0	58.0
EBIT-margin (in %)	3.7	4.7	4.2	4.6
Profit/loss (–) before income taxes	11.6	8.3	48.4	42.4
Net profit/loss (–)	7.8	5.7	33.6	29.6
Statement of financial position				
Total assets	836.5	766.0	836.5	766.0
Equity	231.8	224.7	231.8	224.7
Equity ratio (in %)	28	29	28	29
Net financial debt	86.7	93.2	86.7	93.2
Gearing (in %)	37	41	37	41
Investments (without M&A)	19.3	15.8	51.5	46.8
Depreciation and amortization	10.0	9.1	36.7	34.3
Employees (December 31)			10,700	10,082
Key share data				
Share price (Xetra closing price in EUR)			33.05	34.66
Market capitalization (in EUR m)			381.6	400.1
Dividend (in EUR)			0.75[1]	0.65
Earnings per share (in EUR)			3.09	2.67

[1] Proposal

Revenue by regions (previous year in brackets)



Group revenue development by quarter (in EUR m)



BETTER WORLDWIDE

We are working consistently and passionately on continually improving our performance wherever we are active. It is with this in mind that we are pursuing our goals of being an innovative and high-quality supplier for headrests, center consoles, armrests and seating systems.

Last year, we achieved a great deal in our efforts to meet the high expectations of our customers all around the world even more effectively and to position ourselves even better in the future. We optimized locations, strengthened regional skills and launched numerous projects offering substantial earnings potential in the future.

Today, Grammer is better positioned that it has ever been before: as a company, as a partner to the global automotive industry, as an employer and as a technological leader. Simply better worldwide.

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Hartmut Müller
Chief Executive Officer

Dear Sir or Madam,

In 2014, GRAMMER remained on the encouraging growth trajectory of the past few years, achieving record revenue for the fourth consecutive time. Once again, this successful performance was decisively underpinned by the Company's ongoing internationalization and further gains in market share thanks to new and innovative products. Last year's business performance was characterized by difficult conditions in some markets, heavy capital spending and a large number of measures aimed at preparing the Company for meeting future requirements. The fact that despite these challenges we came very close to repeating the previous year's record earnings before interest and taxes testifies to GRAMMER's improved stability. What is even more gratifying for our shareholders is the fact that our net profit was substantially higher than in the previous year, something which will allow us to propose a higher dividend for approval at the Annual General Meeting.

In 2014, we continued to optimize and expand our Group structure and international footprint. What is more, we strengthened the Group functions in the individual regions, transferring greater responsibility to them. With these extensive measures, we are creating the basis for the successful implementation of our global growth strategy, which will ensure enduring growth in the GRAMMER Group's enterprise value.

This strategy primarily rests on two pillars – innovation and globalization:

We are reinforcing our ability to innovate and our technological leadership with extensive research and development activities to position ourselves as a reliable source of ideas for our customers in the automotive and commercial vehicle industry. Over the last few years, we have increased spending on research and development significantly. In this way, we have been able to add new and innovative solutions to our range in the interests of even greater diversification. We are growing sharply with new product groups and expanding our existing range in all product groups with new applications. The successes of the products for passenger vehicle interiors, the new regional railway platform, electronic multi-functional armrests for commercial vehicles and the entry into the Chinese market for suspended truck seats are only a few examples.

Our broad and balanced global footprint in our core regions – Europe, NAFTA, South America and Asia – is helping us to eliminate the effects of regional fluctuation more effectively. We have spent heavily on the expansion of our international presence over the last few years to achieve this. With this global set-up we are able to expand in growth regions with our excisting customers and attract new local customers in those countries. As a result, the share of revenue generated with new customers will widen substantially over the next few years and broaden our customer base. Moreover, we are able to benefit from global megatrend and the resultant long-term growth of the passenger and commercial vehicle markets. However, only OEMs and their components suppliers that are able to develop and launch innovative products simultaneously in all regions will be able to harness the strong potential offered by the sectors which we address.

It is for this reason that it was necessary for our Company to make adjustments to existing production capacity and also to establish new production capacity to accommodate the additional volumes arising from the numerous new product launches in all regions.

In the Automotive Division in Europe, we successfully expanded the two console plants in Rastatt and Bremen. The largest project in the Automotive Division in 2014 was the consolidation of the production facilities in the Czech Republic, where we are relocating over 100 product lines to two new plants. This project is expected to be completed in 2015.

In China, which has since become GRAMMER's second most important market after Germany, production at the new plant in Changchun, which was opened at the end of 2013, was ramped up. In addition, we moved to a larger and more modern plant within Shanghai and successfully launched our new facility in Beijing. We had previously entered the truck seat segment in China in 2013 via the joint venture in Jiangsu, which we fully took over at the end of last year. We now address all product areas in China.

In the United States, we completed the construction of our new headquarters in Tupelo, Mississippi, where we started production of suspended seats for the local offroad market. At the same time, we started preparations for the production of center consoles, which are to be assembled at our new US facility from 2016. To additionally improve our presence in the NAFTA region, we have set up our own metal processing plant in Mexico. As well as this, we are making great strides in Brazil, where we have diversified our product range and will now also be producing headrests for the local passenger vehicle market. For this purpose, the total floor area of the GRAMMER plant in Atibaia near São Paulo has been extended by one third.

The results of these efforts are indeed impressive: today's GRAMMER Group is a very different company compared with ten years ago. With 37 facilities of our own in 20 countries, a global network of ten development centers and a modern and decentralized corporate structure, we have become a true global player. Today, we are very well positioned in all our core markets addressing a broad customer base with products in different segments of the automotive and commercial market. This already allows us to offset the effects of market weakness in individual regions or sectors by harnessing growth in other regions and with new customers and products in other segments and regions, something which we will be able to achieve with even greater efficiency in the future. It was possible to see good examples of this in 2014. Although demand in the core markets of importance for GRAMMER, such as the truck markets in Brazil and Europe as well as agricultural machinery, slumped drastically in some cases in the second half of the year, we were able to boost revenue substantially across the GRAMMER Group as a whole.

Underpinned by numerous new product launches and further gains in market share, our business expanded significantly in the year under review, with Group revenue rising by eight percent to EUR 1.37 billion. As expected, operating profit reflects our expense on efforts to spur growth and optimize our operations. All told, the costs of our growth and structural initiatives came to around ten million euros. Despite these heavy up-front costs and the substantial decline in a number of markets which are profitable for us, operating profit came to EUR 57 million and was thus on a par with the previous year's record level. In fact, net profit was substantially higher, rising by more than 13 percent to almost EUR 34 million. This was chiefly due to the improved financial result.

Looking forward, we will continue to face fluctuations and challenges in the individual regions and segments. This makes it all the more important for us to additionally improve our cost structures and global position. Currently, there are no signs of any fundamental improvement in the Brazilian commercial vehicle market, which slumped by almost one third in 2014. After commencing the production of interior components for passenger vehicles last year, we now have a second mainstay in this market, which we will be expanding in the future to alleviate the effects of market fluctuation more effectively.

The prospects for the agricultural market in 2015 are currently uncertain. Global sales of agricultural machinery contracted by around ten percent in 2014 chiefly as a result of lower food prices and the resultant hesitation of farmers to commit to any new capital spending. The prices of agricultural produce have dropped sharply due to surplus production and the Russian ban on imports of Western meat, vegetables and dairy products. Moreover, the lower price of oil means that it is now no longer attractive for corn, rape or soy to be grown for the production of bio fuels. Against this backdrop, there is initially little likelihood of any recovery in the market for agricultural machinery in 2015. Given these challenging market conditions, we do not anticipate any significant increase in revenue in the Seating Systems Division in 2015.

In 2015, the Automotive Division will also see numerous product launches and new projects that will provide the underpinnings for growth in this Division. On the strength of the upbeat market forecasts, we expect to achieve enduring revenue growth in the Automotive Division in 2015.

The generally strong order situation in the GRAMMER Group and additional customer projects in the Automotive Division in particular prompt us to assume a further appreciable increase in revenue to over EUR 1.4 billion and operating profit at the previous year's level in 2015 despite the still difficult conditions in some markets and the continuation of the efficiency programs.

In spite of the challenges posed by some markets, our Company continues to have strong opportunities for continued growth. With our capital spending and investments in production capacity, the foundations for a further increase in enterprise value have been laid. With our very solid financial structure, we are able to fund our organic and non-organic growth without losing sight of our shareholders' interests. As we want them to participate in the Company's success in 2014 again, we will therefore be proposing a dividend of EUR 0.75 per share, up 15 percent on the previous year.

On behalf of my two colleagues on the Executive Board, I wish to thank all customers, business partners and shareholders for their support.

I would also like to express my gratitude to and respect for our employees. They worked well beyond the call of duty to implement the structural and expansion programs. Without the outstanding commitment and high flexibility demonstrated by all our staff in the last few months, this successful performance would not have been possible.

Sincerely

Hartmut Müller
Chief Executive Officer of GRAMMER AG

EXECUTIVE BOARD

from left to right

Manfred Pretscher
Member of the Executive Board
since August 2010

Human Resources, Operations, Quality & Services, R&D, Strategic Product Planning, Projects

Hartmut Müller
Chief Executive Officer
since August 2010
Member of the Executive Board
since 2007

Internal Control, Legal, Investor Relations, Communications, Marketing, Corporate Development

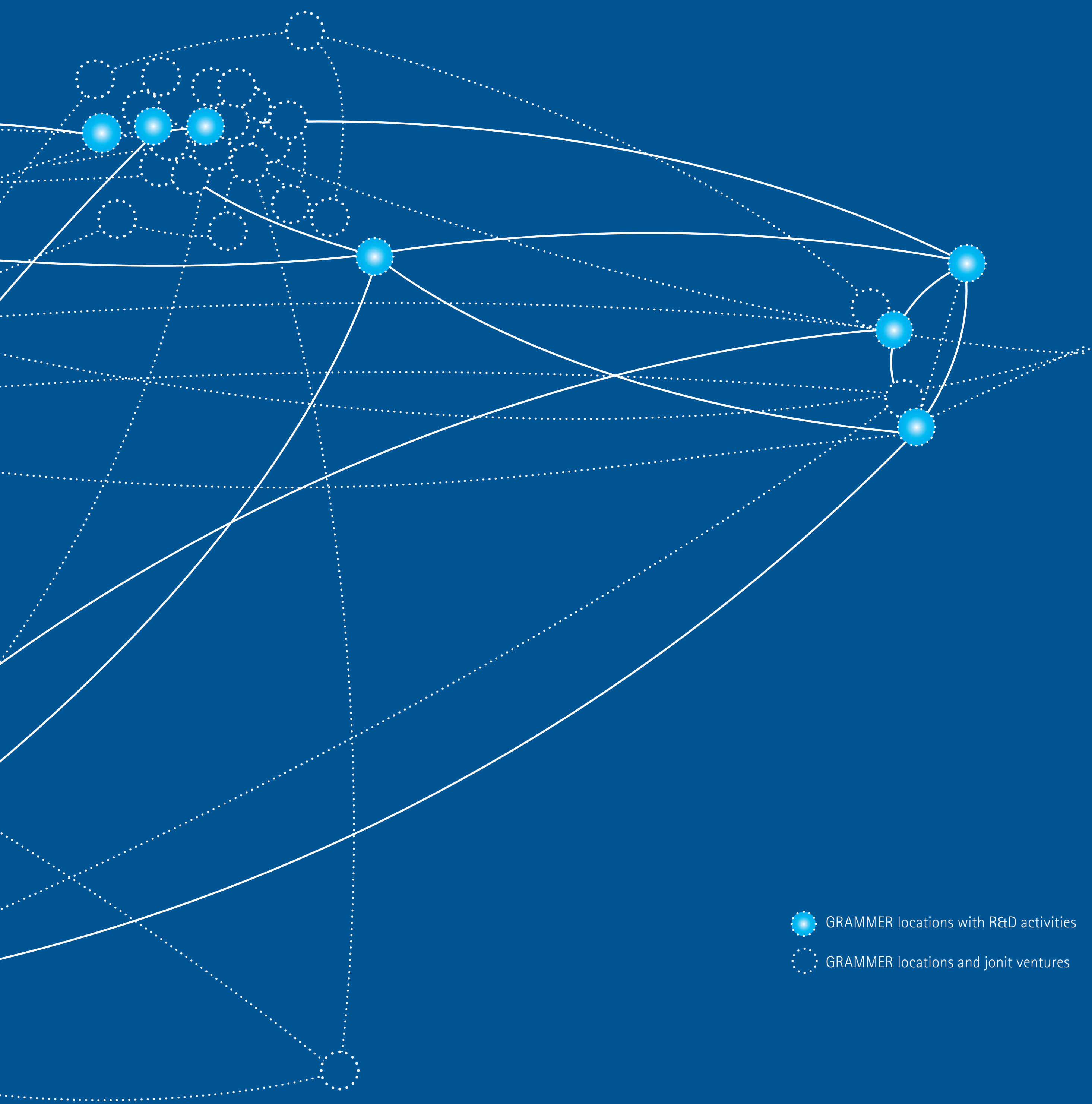
Volker Walprecht
Member of the Executive Board
since October 2012

Finance, Accounting, Controlling, Purchasing, IT, Sales

INTERNATIONAL FOOTPRINT

Close by all around the world

Automotive OEMs and components suppliers have every reason to face the future with confidence. Secular trends such as sustained demographic growth, rising prosperity and increasing mobility in the emerging markets in particular will keep demand stoked in the long term in the passenger and commercial vehicle industry. The growing might of the emerging markets is prompting more and more OEMs to relocate production capacities in these regions, forcing components suppliers to follow them there. At the same time, a local presence makes it possible for new customer groups to be tapped. That is why GRAMMER is working steadily on reinforcing and optimizing its international presence.


GRAMMER locations with R&D activities
GRAMMER locations and jonit ventures

Global positioning as a success factor

With its strong position in all core markets, GRAMMER is ideally positioned to gain market share and to benefit from sector growth.

Automotive production is already heavily globalized, with the importance of growth regions climbing all the time. Whereas a mere two million passenger and commercial vehicles were assembled in China in 2000, annual production output has since risen more than tenfold to a current figure of almost 25 million. On the other hand, annual production output in Europe has remained flat at around 20 million in the same period. And this trend is continuing: More and more passenger and commercial vehicle OEMs are building up capacity in the emerging markets. This is because having production facilities in the world's main growth regions offers undisputed advantages: The ever growing populations of the emerging markets offer new sales opportunities, vehicles can be adapted more readily to meet local conditions and lower labor costs yield competitive advantages. According to estimates, some 80 new car factories will need to be constructed – particularly in the emerging markets – by 2020 to satisfy the rapid growth in passenger vehicle sales in growth regions. Likewise, existing capacities will not be sufficient to meet demand for commercial vehicles.

TREND TOWARDS GREATER URBANIZATION

Long-term growth in the automotive industry will be underpinned by several secular trends. The most important factor is the global population, which is currently growing each year by around 80 million – equivalent to Germany's entire population. United Nations forecasts put the global population at almost 10 billion people in 2050, with China and India alone accounting for one third. Demographic growth is being accompanied by a trend towards urbanization. In China, for example, millions of inhabitants of rural regions move to the cities each year, lured by the prospects of a better life. In 2011, roughly half of the 1.3 billion Chinese were already living in towns and cities and a further 300 million are likely to join them by 2025. This rural exodus requires billions in investments in housing, public transport, roads and schools as well as the water and energy supply systems, something which cannot be achieved without a corresponding number of commercial vehicles such as construction machinery and trucks.

GROWING FOOD REQUIREMENTS

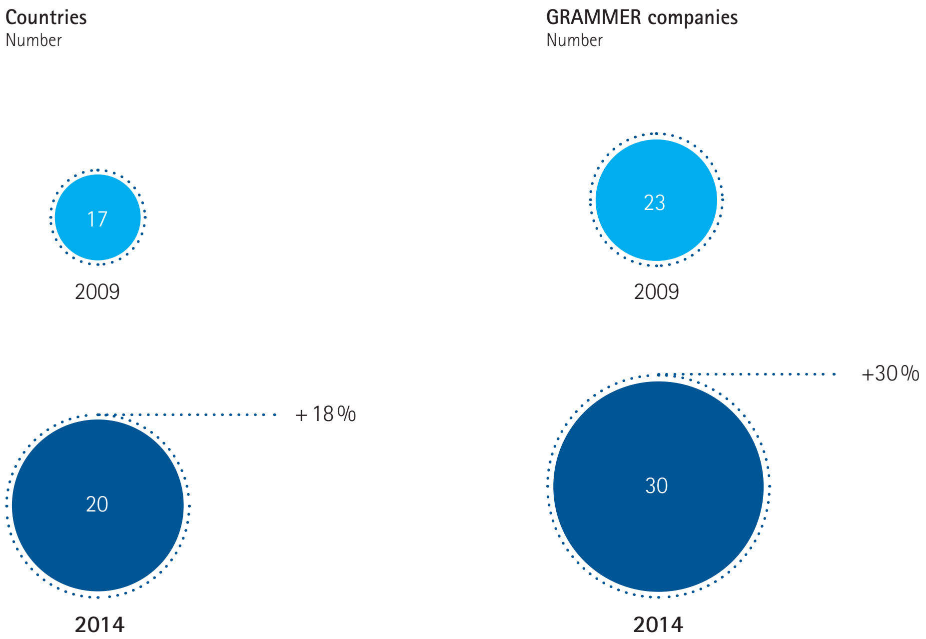
The economic development of the emerging markets is being accompanied by improvements in standards of living and prosperity. Many countries are seeing the rise of an affluent middle class which is fulfilling the desire for greater mobility. What is more, this heightened prosperity will leave traces on other areas as well, leading to changed consumption and nutrition preferences. Particularly the consumption of protein (for each kilogram of meat produced the seven-fold amount of cereals is required) and dairy products. The World Bank estimates that global food requirements will more than double through 2050, while farmlands will decline at the same time. As well as this, there is a

SECTOR IN A PROCESS OF CHANGE

Nearly all commercial vehicle OEMs are reducing the number of components suppliers they work with and, thus, the complexity of their supply chain. They are giving preference to highly innovative companies possessing a broad global base and the necessary financial resources. These companies must be able to supply large volumes in top quality on a just-in-sequence basis and at competitive prices at various sites around the world.

INTERNATIONALIZATION MAKING FURTHER PROGRESS

In 2014, GRAMMER again invested in the expansion of its global facilities. As a result, the Group now has operations in 20 countries and already generates one third of its business outside Europe.



growing long-term need for crops as a basis for producing biofuels. In the absence of any productivity gains either through the use of fertilizers or modern agricultural machinery, it will not be possible to cover the growing demand for agricultural produce.

The implications for automotive OEMs and components suppliers are clear: They must already start addressing these secular trends. With the need for a global footprint increasingly growing, a clear strategy for establishing a strong position in the relevant markets is required. What this means in practice is that automotive components suppliers are initially following their customers abroad, where they are also setting up local production facilities. In a second step, it is also necessary to establish local development resources to provide customers with the necessary support in adapting their products. This is becoming increasingly important given that more and more models are being developed for global platforms. Simultaneously, the local organizations must be reinforced with all necessary functions to operate independently and flexibly in the market. This is because, looking forward, only "true" global players will be able to assert themselves in international competition.

NEVER FAR FROM THE CUSTOMER

Over the last few years, GRAMMER has systematically pursued a course of internationalization, gaining a broad basis for maximizing its proximity to the customer. Compared with 2009, when we had only 23 companies in 17 countries, we now have 30 companies spread across 20 countries. The expansion efforts of the last few years have focused on China as well as North and South America.

In addition to establishing new production facilities and extending existing ones abroad, we have increasingly also set up other relevant corporate functions such as purchasing, sales, project management and particularly also development activities in these countries. To spur innovation, we operate a network of ten research and development centers in various regions including diverse testing facilities. This ensures close collaboration with our customers during the development and start-up phase as well as in series production.

Over the last few years – particularly in 2014 – we have completed a major step forward towards broadening our international footprint. We have realigned the entire Group structure and specifically reinforced our international presence, thus reaching the same playing level as far larger peers. And this development is far from over: Looking forward, we will continue to enhance our global presence to secure our share of worldwide market growth.

SOUTH AMERICA

AREA: 17,843,000 km²
PASSENGER VEHICLES[1]**:** 3,823,000
COMMERCIAL VEHICLES[2]**:** 195,000
GRAMMER LOCATIONS: 3

NORTH AMERICA

AREA: 24,930,000 km²
PASSENGER VEHICLES[1]**:** 17,025,000
COMMERCIAL VEHICLES[2]**:** 542,000
GRAMMER LOCATIONS: 6

[1] Light-Vehicle-Production 2014
[2] Medium-/Heavy-Vehicles-Production 2014
Source: IHS

ASIA

AREA: 44,614,500 km²
PASSENGER VEHICLES[1]**:** 44,449,000
COMMERCIAL VEHICLES[2]**:** 1,999,000
GRAMMER LOCATIONS: 7

EUROPE

AREA: 10,180,000 km²
PASSENGER VEHICLES[1]**:** 20,143,000
COMMERCIAL VEHICLES[2]**:** 553,000
GRAMMER LOCATIONS: 21

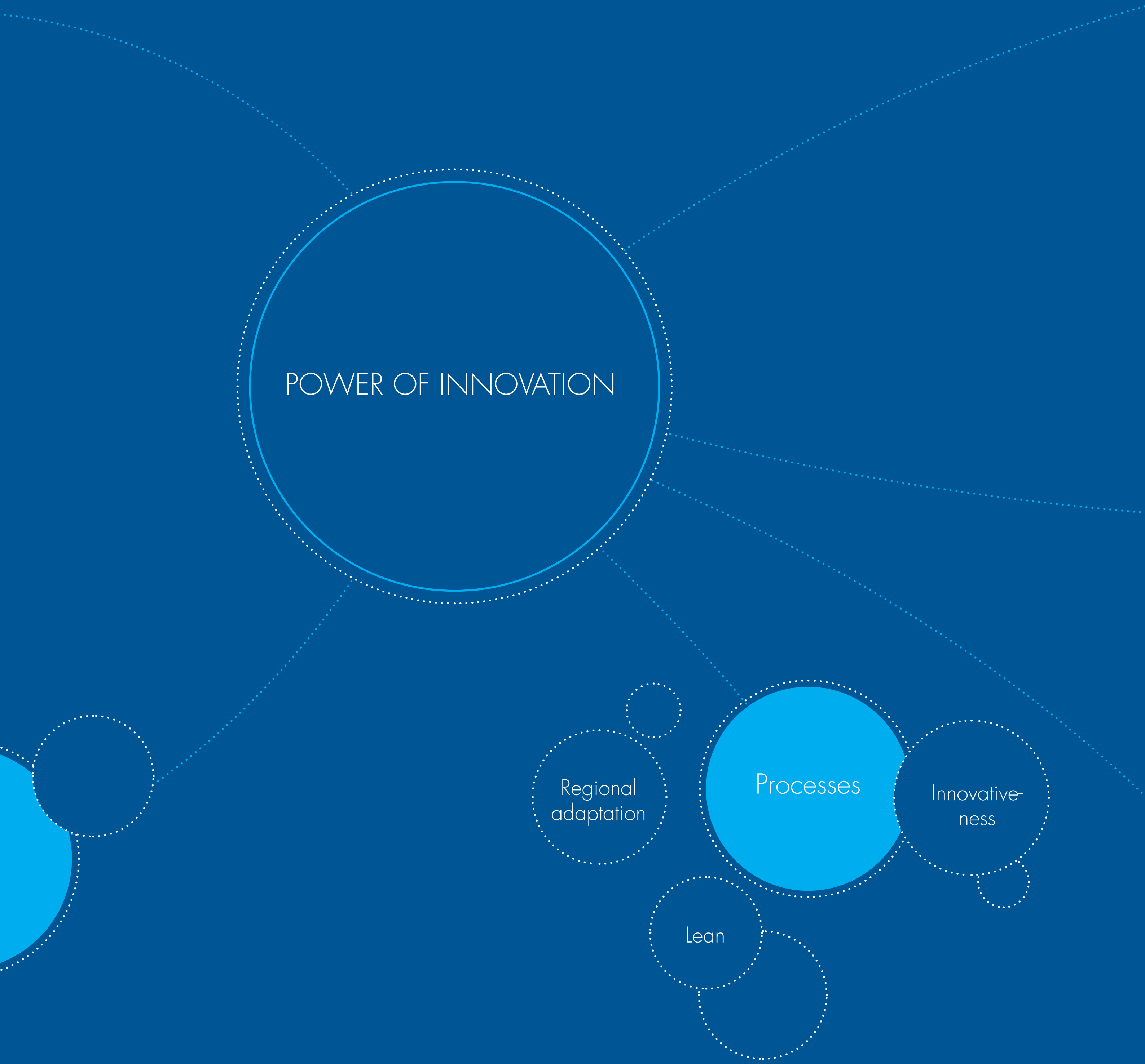
FOCUS SHIFTING

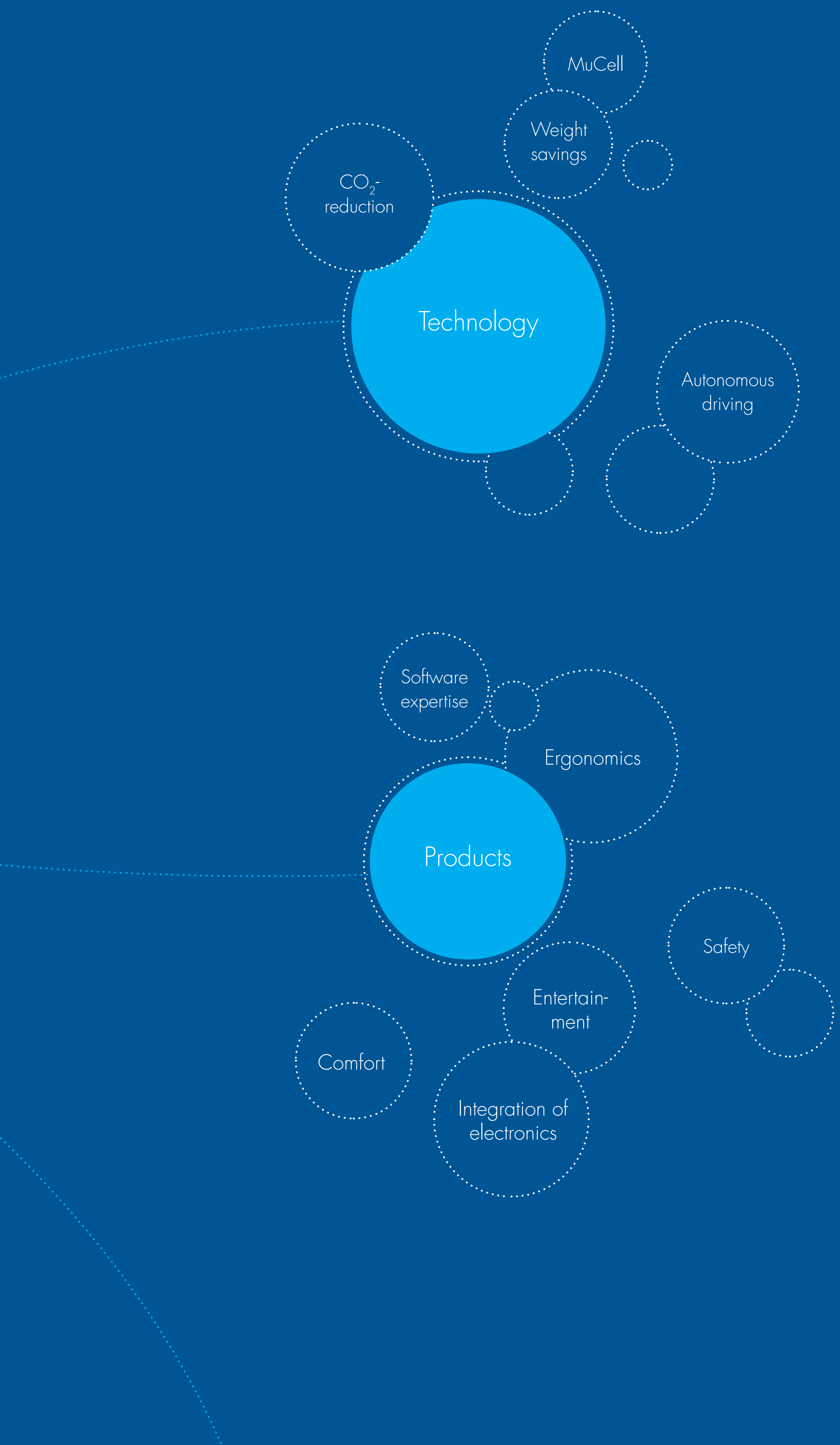
With the growing demand for vehicles in the emerging markets, more and more production capacity is being established there. In this way, OEMs are able to reduce transport costs and also benefit from lower wage levels. In addition, currency and tax aspects. This particularly poses challenges for small and mid-size components suppliers, which are required to establish their own local production facilities. GRAMMER was very quick to detect this trend and is present today in all key markets and regions – not only with production facilities but also with other relevant corporate functions such as research and development, project management and sourcing.

INNOVATION/TECHNOLOGY

Innovating for growth

Components suppliers seeking business with global OEMs must offer genuine added value and ideally contribute ideas as development partners from the outset. In addition to our broad-based global presence, it is our power of innovation which allows us to share in growth in all markets. Heavy spending on research and development – not only for products but also for technologies and production process – is increasingly paying off.




MuCell
Weight savings
CO_2-reduction
Technology
Autonomous driving
Software expertise
Ergonomics
Products
Safety
Entertain-ment
Comfort
Integration of electronics

Thinking globally for local markets

Each market has its own special requirements which must be factored in during the product development phase as far as possible.

The markets are changing swiftly against the backdrop of an increasingly complex world. In the wake of globalization, companies are coming under more and more pressure to develop specific products regularly for their various markets in order to assert themselves against national and international competitors. Automotive OEMs and their components suppliers must respond to the ever faster pace of development, the increasingly shorter innovation cycles and mounting complexity.

Companies can only hope to enjoy any success in growth regions by continuously improving their technology and products as well as their structures and processes and by specifically adjusting them to meet the various market requirements. They must understand the local markets and address their needs if they are to achieve sustained success. For this reason, it is becoming more and more important to build up research and development capacities in the various regions alongside production facilities.

GRAMMER EiA ELECTRONICS

EiA Electronics has been integrated within the GRAMMER Group since 2011. With this step we are able to utilize highly qualified electronics expertise. Looking forward, we particularly see potential for rapid success in the human/machine interface (HMI).

Ultra-modern switch technology

Reliable user interfaces

Services for developing application software

Latest trends in HMI designs and styling

TOP PERFORMANCE DRIVEN BY RESEARCH AND DEVELOPMENT

GRAMMER stands for products of an outstanding quality. Our headrests offer maximum safety and optimum comfort, while our seating systems for commercial vehicles boast top ergonomics and functionality. In our production activities, we are also consistently stepping up our research and development efforts to ensure top performance. Thus, for example, we use most modern injection mold processes to produce our center consoles, resulting in elegant designs and high-quality haptics combined with weight savings.

LOCAL PREFERENCES DECISIVE

Consequently, the ability for internationally active components suppliers to adjust to specific regional conditions is growing in importance. For one thing, the legal requirements in individual jurisdictions must be observed, while, for another, it is necessary to take account of the regional differences in physical builds. Thus, for example, a truck seat must be sturdier and wider for tall US truck drivers than for the average Asian. Then there are the typical national preferences: In China, for example, luxury limousines are frequently driven by chauffeurs and are generally available in a long wheelbase version offering greater space in the rear. This means that the rear armrests must be fitted with substantially more functions. Established in 2009, the Strategic Product Planning department is responsible for defining basic product characteristics. Working in close consultation with our Predevelopment department and the product managers, it develops the product and technology characteristics which form the basis for the product and innovation strategies for individual product segments and regions.

One of the challenges faced by components suppliers is the need to work closely with the customer during the product development phase. A further challenge entails addressing the special requirements of the regional market either with respect to technical capabilities or in terms of costs. Without sufficient financial resources and suitable employees, this balancing act is doomed to fail. What is more, automotive OEMs are increasingly working on global platforms. For this reason, they are seeking partners who are able to develop and assemble components and systems for different models on a global basis.

When it comes to the award of contracts for the supply of components for global platforms, GRAMMER's strong brand name and good reputation in the areas of innovation, design and quality are standing it in good stead. We see ourselves as trendsetters committed to furthering ergonomic benefits, safety and comfort and are focusing our research and development activities on innovative materials and surfaces as well as the integration of electronics in our products. This is all the more important as automotive OEMs are increasingly viewing interior design as a means of setting themselves apart from the competition. Comfort and electronic fittings are also playing an ever larger role in the commercial vehicle segment. Drivers who spend hours each day in their cabin appreciate the benefits of well-dampened seats which ease the strain on their backbone and adjust perfectly to the contours of their body.

SCIENTIFIC FINDINGS

Since 2010, we have stepped up our research and development activities by more than 50% in order to strengthen our leading position. Currently, more than 400 engineers are working on over 200 projects at ten R&D centers around the world. Testing and development frequently takes several years. Close cooperation with university medical faculties and research institutes ensures that new scientific findings are directly incorporated in product development.

Even a headrest, which at first glance appears to be a simple product, offers scope for further improvement. It has long since advanced beyond being a mere restraint for the head. Today, we are already offering systems which spring forward in a fraction of a second after an accident to prevent whiplash. In the not too distant future, headrests will automatically adjust to the driver's height and increasingly incorporate active safety systems. Similarly, center consoles have moved away from being simple storage spaces to evolve into functional components. They feature controls for multimedia and electronic controls and help to ensure that passengers are able to relax, work and communicate during trips.

We are continuously optimizing our production processes to assemble high-quality center consoles inexpensively. After pioneering the use of the mono sandwich process, we have now also implemented MuCell technology around the world. This is a type of foam

INTELLIGENT OPERATING CONCEPTS GAINING GROUND

With their numerous technological possibilities and functions, modern cars pose great challenges for drivers: there are simply too many buttons and switches. This problem can be addressed by intuitive concepts such as touchscreens and gesture-based control systems. At the same time, the human/machine interface of a modern car cockpit must perform several different tasks. It must supply the driver with important information without distracting his attention from what is happening on the road. This calls for intelligent operating concepts, on which GRAMMER is working. The aim is to offer our customers HMI system solutions in our center consoles. This is being done in close cooperation with our subsidiary GRAMMER EiA Electronics.

Reduced warpage

20% reduction in weight

Greater stability

MUCELL TECHNOLOGY FOR CENTER CONSOLES

MuCell is a physical foam process, which is increasingly being used in the automotive industry. GRAMMER is applying MuCell technology in the assembly of center consoles. Six difference molded MuCell parts are being used by GRAMMER.

Lower internal stress

which achieves even greater weight savings through the addition of CO_2 and which, for example, is being used in various GRAMMER center consoles.

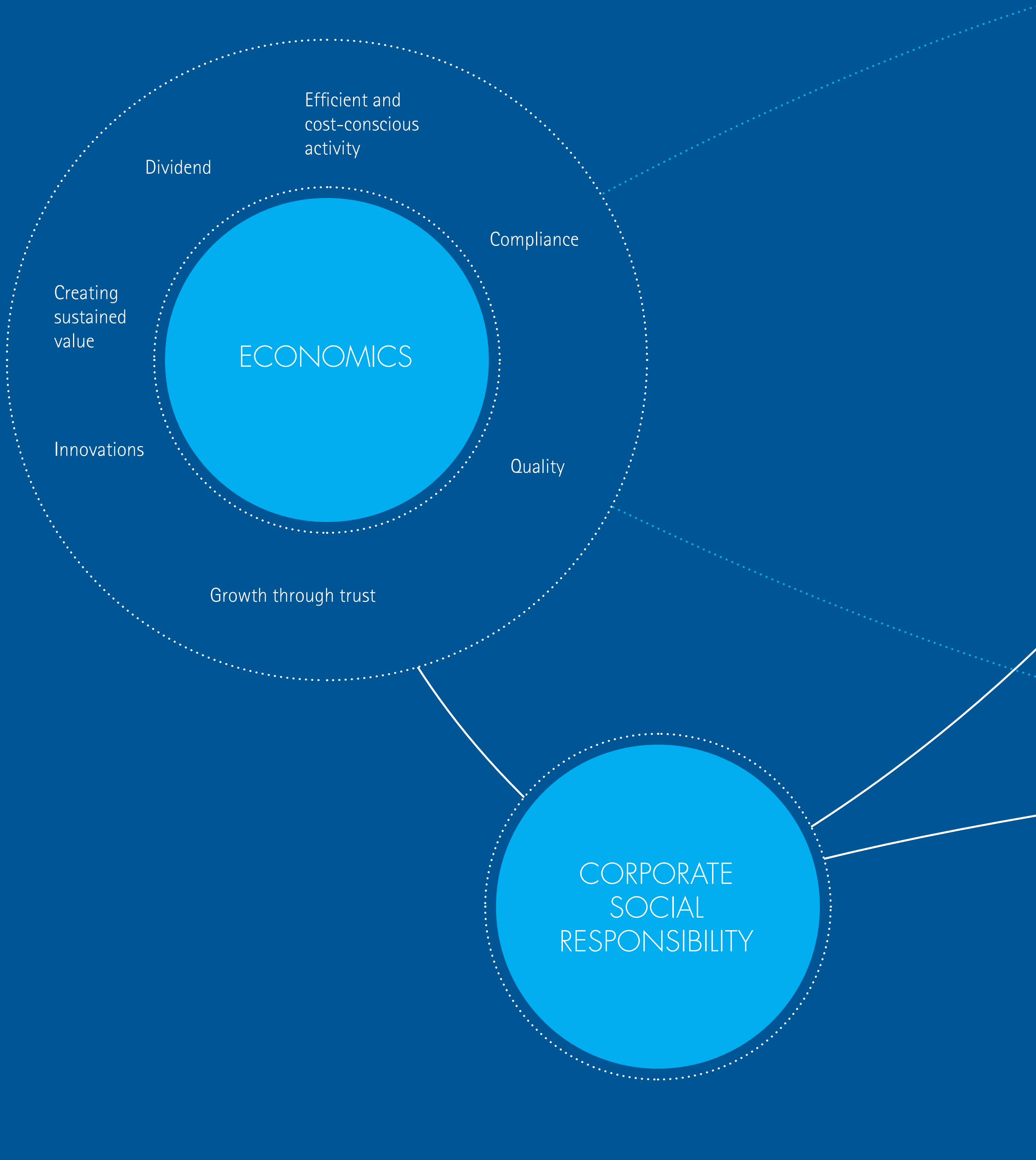
FOCUS ON CO_2-EMISSIONS

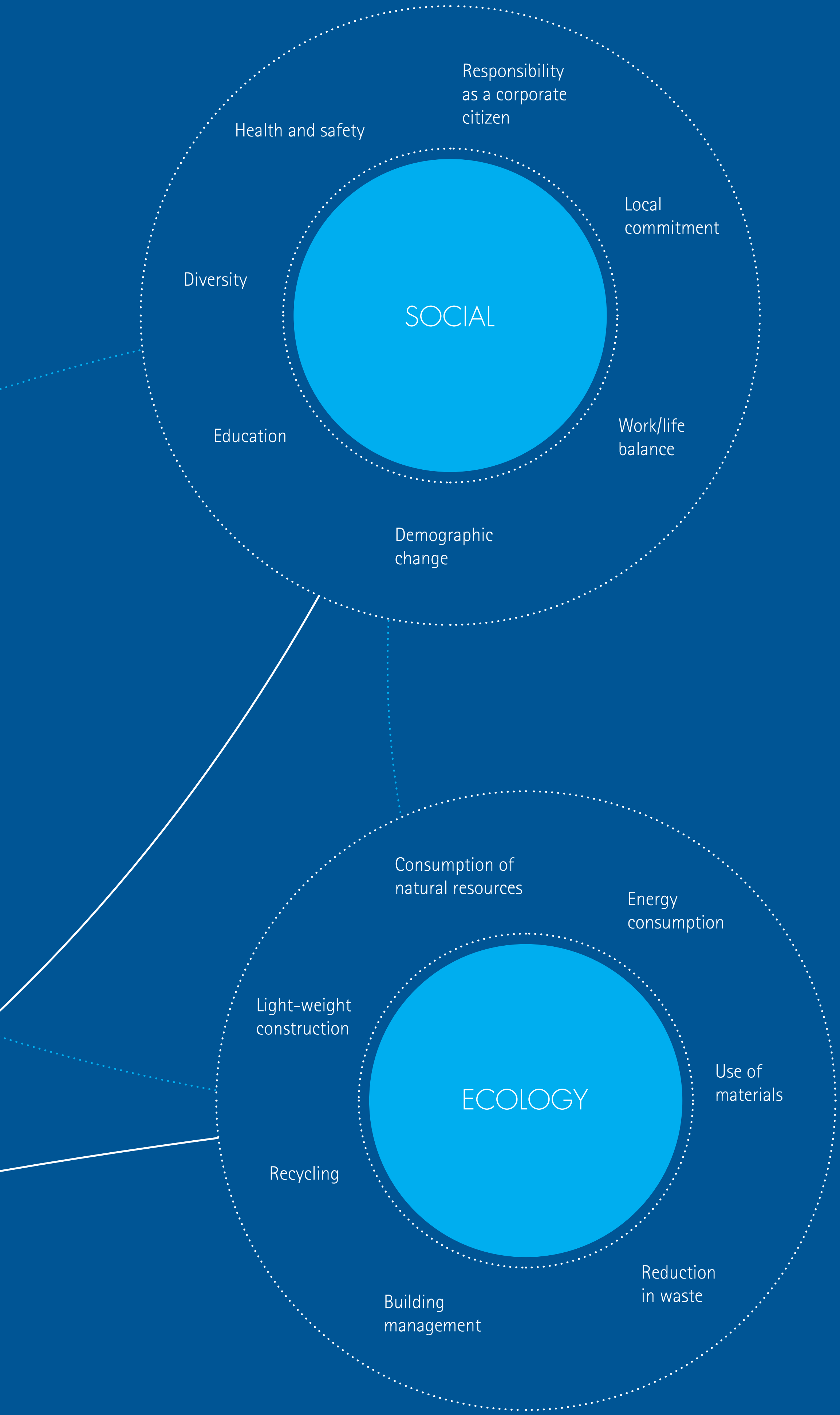
Moving forward, we will be concentrating even more intently on light-weight structures and the use of new materials. This is because automotive OEMs are required to reduce the CO_2 emissions of their vehicles. As a rule of thumb, emissions can be reduced by around 3.5 grams per kilometer for every 100 kilograms of weight eliminated. Components suppliers can make a decisive contribution in this respect. A further aspect is the search for sustainable materials such as molded foam made from soy or maize.

One very important element of our development work concerns the integration of electronic and electrical components in our products. To this end, we will be integrating the electronics expertise held by our subsidiary GRAMMER EiA Electronics in the offroad segment even more tightly in the development process for all product segments and have installed a separate electronics team within our R&D structures. This unit will be leveraging GRAMMER EiA Electronic's skills and capabilities to decisively advance the Automotive Division through the development of human/machine interface (HMI) and touch surface solutions in particular.

Securing future sustainability

What applies to other industries is equally true of the automotive sector: only those companies that are committed to sustainability have any future. This affects OEMs of passenger and commercial vehicles just as it does the components suppliers along the automotive value chain. Not only must they constantly work on maintaining the high quality of their products but they must also use natural resources responsibly and come up with new ideas for light-weight construction and recycling.




SOCIAL
Responsibility as a corporate citizen
Health and safety
Local commitment
Diversity
Education
Work/life balance
Demographic change
ECOLOGY
Consumption of natural resources
Energy consumption
Light-weight construction
Use of materials
Recycling
Reduction in waste
Building management

Responsibility for people and the environment

Future viability hinges on sustainability. This applies not only to working conditions but also to training, environmental protection and social responsibility.

For a long time, the automotive industry was in the defensive when it came to environmental matters. Yet, there has long since been a change in attitudes going far beyond emission-related concerns. OEMs all around the world are endeavoring to make their vehicles fit for the future and to respond appropriately to their customers' growing environmental awareness. Regardless of the types of vehicles they make and the specific national conditions, OEMs all face the same challenges. In addition to improving the efficiency of their production processes, they are particularly making greater use of light and modern materials which are easier to recycle.

The progress being made towards sustainability is unmistakable. The driving force behind this change is coming from innovations such as the advances being made in light-weight construction. GRAMMER is generating valuable impetus with seating systems for commercial vehicles. This starts with the design of a new seat generation, with precise simulation technologies being used to optimize its structural rigidity. What is more, we are working with renowned steel producers to develop solutions for making greater use of high tenacity steel alloys. Further weight savings can be gained from seats made from composite materials such as fiber-reinforced plastic or the use of modern bonding technologies such as laser welding. GRAMMER is also continuously demonstrating its innovative prowess with center consoles, where we have been pioneering the use of mono-sandwich processes.

GLOBAL ENVIRONMENTAL STANDARDS

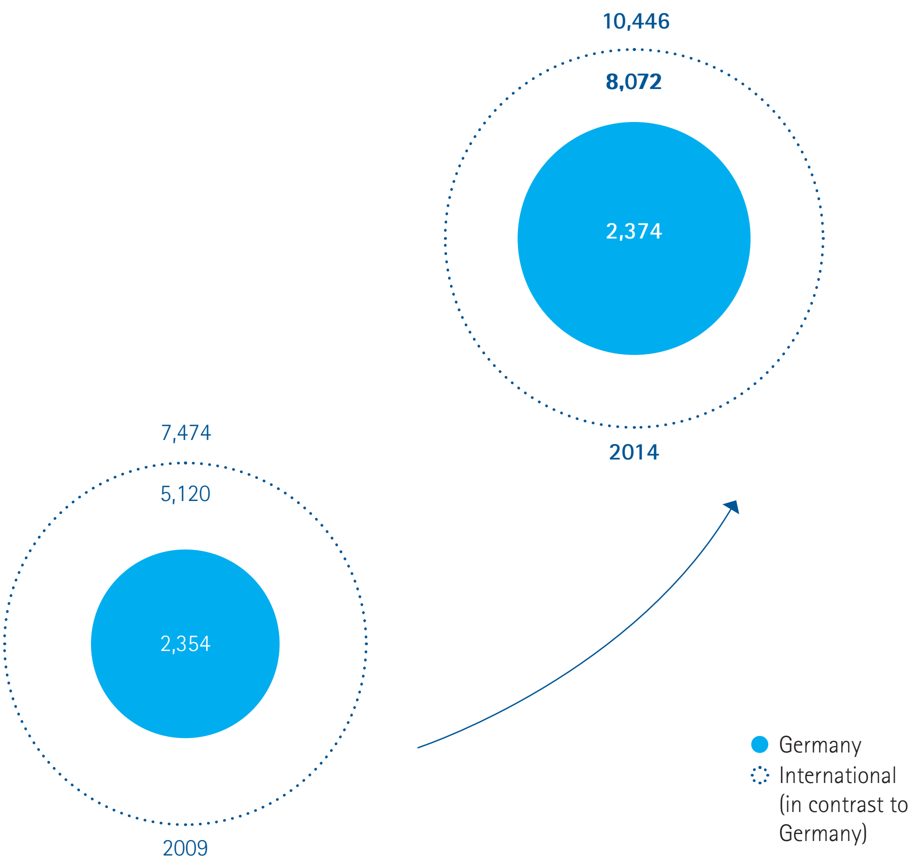
GRAMMER has defined environmental protection as an important goal in its mission statement, reflecting the crucial importance which the Company attaches to it. The responsible persons are under a duty to use the best technology available which makes sparing use of resources as far as possible and minimizes energy consumption. At the same time, we apply environmental criteria to sourcing and logistics. We have defined the requirements applicable to all our production sites around the world in a management system based on ISO 14001. Regular internal and external audits make sure that all environmental legislation and approval requirements are duly observed. The results of our commitment can be readily seen at our plant in Haselmühl, where the proportion of non-recyclable waste has dropped to less than 5 percent, down from 12.4 percent in 2000. At the same time, water consumption of the paintshop measured in terms of coated surface has been cut by more than half; in addition to this, we have made measurable progress in reducing noise emissions.

COMMITMENT BEYOND MINIMUM STANDARDS

With its international orientation, GRAMMER operates in a complex economic and social environment which is in a constant state of flux. Our activity is based on the German Corporate Governance Code and the German Stock Corporation Act. In addition, we have adopted a Code of Conduct setting out the values which are of importance for us. Each employee undertakes to observe this code. To safeguard the high ethical standards, a code team specially established for this purpose is available to answer any questions and to assist in investigation any breaches of the code.

MORE EMPLOYEES AROUND THE WORLD DUE TO GROWTH

Annual average number of Employees



RESPONSIBILITY FOR EMPLOYEES

One aspect of responsible corporate governance involves the consideration of social aspects which go beyond ecological factors. The GRAMMER Code of Conduct contains binding rules governing the ways in which business is pursued at GRAMMER and sets high ethical standards. As an attractive and reliable employer, we are committed to site safety and health protection and additionally offer an individual health service complete with free vaccinations and checkups.

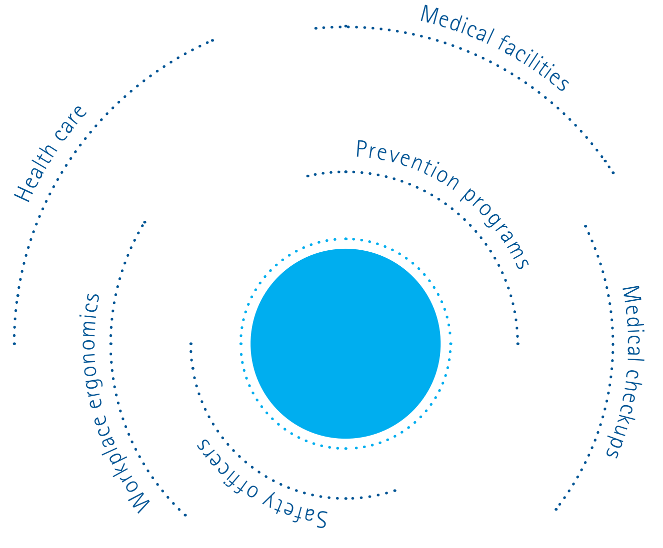
We are dependent on skilled specialists to maintain our innovative power. To this end, we are securing the future availability of qualified staff at our training center for school-leavers. On top of this, pleasant working conditions are crucial for ensuring that the right employees are always at the right place at the right time, thus forming a key element of our success. We are aware that fair compensation and systematic personnel development ultimately lead to low staff fluctuation. For this reason, we offer further education targeted at employees' individual needs and capabilities. Moreover, employees displaying the necessary potential are prepared for the acceptance of management responsibility at special seminars which accompany project work. Last year, more than 1,200 people took part in external trainings. This was supplemented by 80 internal training seminars attended by a further 790 employees.

Both sides benefit from appealing working conditions and upskilling opportunities; after all, satisfied employees are more dedicated and loyal. This is particularly of advantage in the automotive industry in which OEMs and components suppliers with their similar employee structures compete for scarce, appropriately qualified human resources. Small and midsize companies are also increasingly entering the international arena to tap new markets and lower their personnel costs. Consequently, more and more facilities are being built in Eastern Europe or in more remote regions such as the United States, India and China, where OEMs and their components suppliers often operate in close physical proximity. This means that not only production but also other functions such as sourcing or human resources are quickly impacted by staff shortfalls as well.

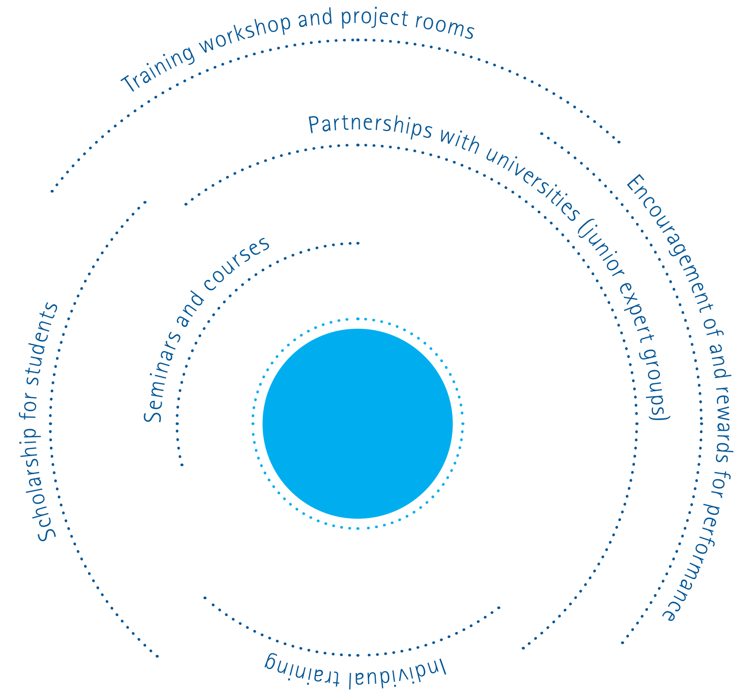
TREATING EACH OTHER FAIRLY AND RESPECTFULLY

An atmosphere of trust and integrity is a crucial basis for pleasant working conditions. We reject all forms of discrimination and engage in active diversity management. Success can only be sustained if we treat each other fairly and with respect and create the conditions for a better work/life balance. This includes

HEALTH AND SAFETY



PROFESSION EDUCATION AND TRAINING FOR YOUNG POTENTIALS



flexible working time models as well as child-care services. As a company operating at an international level, we offer all our employees the same opportunities regardless of their national or their ethnic origin, skin color or gender. Although the automotive industry is traditionally dominated by male employees, the share of women in the Group widened from 12.5 percent to 45 percent between 2006 and 2014.

Encouraging diversity within the Group not only makes sense socially but is also sound business policy. We know from experience that creative solutions ideally arise wherever people with different approaches, backgrounds and values converge. For this reason, we have adopted a transparent secondment and repatriation policy for international assignments, permitting specialists and executives in our Group to network more effectively with each other and to enhance mutual understanding.

The numerous awards which we have received prove that our varied efforts for our employees are bearing fruit. In a large-scale survey of 13,000 employees conducted in 2014, news magazine FOCUS and social network XING selected Germany's best employees. GRAMMER ranked 60th in the automotive/components supplier category out of a total of 2,000 companies in 22 industries. In Bulgaria, the Ministry of Labor and Social Affairs named our local subsidiary GRAMMER AD "best employer 2013". In addition, Bulgarian magazine "Human Resources" bestowed on us the National Gold Award for management's contribution to personnel development. We are thrilled to have received these awards and view them as incentive to provide our employees with even better working conditions.

Corporate Governance report and statement pursuant to Section 289 a of the German Commercial Code (HGB)

GRAMMER AG is committed to good corporate governance, which is defined as the observance of international standards of responsible and sustainable corporate governance. Our corporate culture has its roots in effective and mutually trusting collaboration between the Executive Board and the Supervisory Board as well as amongst the individual employees, good relations with our shareholders, transparent reporting and corporate communications, an appropriate remuneration structure and compliance with the applicable legal requirements. Our corporate governance is based on the German Corporate Governance Code and the German Stock Corporation Act. In addition, our employees at all GRAMMER locations around the world undertake to abide by the Code of Conduct which the GRAMMER Group has adopted. The GRAMMER Code of Conduct contains binding rules governing the conduct of business at GRAMMER and sets high ethical standards. To ensure that the Code is implemented and duly observed, GRAMMER has issued further explanatory and supplementary rules. In addition, GRAMMER offers its employees web-based training and has established a Code Team, whose members answer any questions which employees may have concerning the Code of Conduct and help in investigating and eliminating any breaches or instances of improper conduct.

Declaration of conformity

On December 9, 2014, the Executive Board and the Supervisory Board of GRAMMER AG issued the following declaration in accordance with Section 161 of the German Stock Corporation Act on conformity to the German Corporate Governance Code (GCGC):

> GRAMMER AG conforms and will in the future continue to conform to all of the recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 24, 2014 (the "Code") published by the Federal Ministry of Justice on September 30, 2014 in the official section of Bundesanzeiger with two exceptions:
>
> 1. Article 4.2.2 (2) Sentence 3
>   Article 4.2.2 (2) Sentence 3 of the Code includes a recommendation under which the Supervisory Board has to consider the relationship between the remuneration of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time and to determine how senior managers and the relevant staff are to be differentiated.
>
>   In determining the remuneration payable to the Executive Board, the Supervisory Board takes account of the criteria referred to in Article 4.2.2 (2) Sentence 2 of the Code, which stipulate that among other things the remuneration structures applicable elsewhere in the company must also be considered. This remuneration structure was analyzed in 2013 by an independent expert in the light of the current arrangements. This expert confirmed that the remuneration structure for the Executive Board was appropriate in the light of the remuneration structures applicable elsewhere in the company. The analysis did not include a consideration of the development over time of the relationship between the remuneration of the Executive Board and that of the Company's senior managers and staff. Moreover, the Supervisory Board had not expressly stipulated how the senior managers were to be differentiated from the relevant staff as a whole. Thus, as a precautionary measure, the Executive Board and the Supervisory Board hereby disclose

a departure from the Code despite the fact that the Supervisory Board has not revised the remuneration for the Executive Board since the date of the last declaration of conformity of December 10, 2013. Observance of these additional requirements would require undue expense.

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

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

In the period between its last declaration of conformity of December 10, 2013 and the date on which the June 24, 2014 version of the Code took effect GRAMMER AG conformed to the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 13, 2013 published by the German Federal Ministry of Justice in the official part of Bundesanzeiger with the exception of Article 4.2.2 (2) Sentence 3. The reasons for the departure from the recommendations set out in Article 4.2.2 (2) Sentence 3 can be found in Section 1 above.

This declaration, along with all declarations of conformity issued in previous years, is permanently available on the GRAMMER AG website at www.grammer.com/en/investor-relations/corporate-facts/corporate-governance.html

Members of the Executive Board

Executive Board

Name	Function	Responsibilities
M.Sc. BWL, Dipl.-Ing. (FH) **Hartmut Müller** In office since 2007	Chief Executive Officer	Corporate Development Group Internal Control & Legal Group Investor Relations, Communications & Marketing
Dipl.-Ing. (FH) **Manfred Pretscher** In office since 2010	Member of the Executive Board	Group Human Resources Group Operations Group Projects Group Quality & Group Services Group Research & Development Strategic Product Planning Group
Dipl.-Kaufmann **Volker Walprecht** In office since 2012	Member of the Executive Board	Group Accounting Group Commercial Projects Group Controlling Group Finance Group IT Group Purchasing Group Sales

Member of the Supervisory Board

Supervisory Board

Name	Function	Profession/Place of residence
Dr.-Ing. **Klaus Probst**	Chairman of the Supervisory Board	Chairman of the Executive Board of LEONI AG, Nuremberg/Heroldsberg
Horst Ott	Deputy Chairman of the Supervisory Board, employee representative	1st Chairman of IG Metall Amberg/Königstein
Martin Bodensteiner	Member of the Supervisory Board, employee representative (until January 21, 2014)	Supplier Development Commodity Coverings/Freudenberg
M.A. **Tanja Fondel**	Member of the Supervisory Board, employee representative (from February 8, 2014)	Trade union secretary, Executive Board of IG Metall, Frankfurt a. M./Frankfurt a. M.
Dipl.-Betriebswirt (FH) **Wolfram Hatz**	Member of the Supervisory Board	Self-employed businessman, executive director of Motorenfabrik Hatz GmbH & Co. KG and Hatz Holding GmbH Ruhstorf a. d. Rott/Ruhstorf a. d. Rott
Bernhard Hausmann	Member of the Supervisory Board, employee representative (from February 8, 2014)	Team leader Intercompany Processing/Amberg
Lic. oec. HSG **Ingrid Hunger**	Member of the Supervisory Board	Management chairperson of Hunger Hydraulik Gruppe, Lohr a. M./Lohr a. M.
Dipl.-Kauffrau **Tanja Jacquemin**	Member of the Supervisory Board, employee representative (until January 31, 2014)	Political secretary of IG Metall Frankfurt a. M./Frankfurt a. M.
Dipl.-Betriebswirt (FH) **Harald Jung**	Member of the Supervisory Board, employee representative	Vice President Division Controlling Center Consoles/Nabburg
Anton Kohl	Member of the Supervisory Board, employee representative (until August 31, 2014)	Industrial foreman/Hahnbach
Dipl.-Betriebswirt **Georg Liebler**	Member of the Supervisory Board	Consultant, owner of Georg Liebler Consulting Services, former member of the Executive Board of KSPG AG Düsseldorf/Möglingen

Member of the Supervisory Board

Supervisory Board

Name	Function	Profession/Place of residence
Dipl.-Kaufmann **Dr. Hans Liebler**	Member of the Supervisory Board	Self-employed investment advisor/Gräfelfing
Wolfgang Rösl	Member of the Supervisory Board/employee representative	Industrial electrician/Sulzbach-Rosenberg
Lars Schelenz	Member of the Supervisory Board/employee representative (from September 17, 2014)	Mechanical engineering technician/Kümmersbruck
Dr. Bernhard Wankerl	Member of the Supervisory Board	Attorney, law firm Dr. Wankerl und Kollegen/Schwandorf

Working methods of the Executive Board and the Supervisory Board and its committees

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

Executive Board

The Executive Board of GRAMMER AG comprises three members: Mr. Hartmut Müller, Chief Executive Officer, Mr. Volker Walprecht, Chief Financial Officer, and Mr. Manfred Pretscher, HR Director. The GRAMMER rules of procedure govern their individual responsibilities and internal cooperation on the Executive Board. In accordance with the applicable rules of procedure, certain decisions by the Executive Board require the approval of the Supervisory Board.

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

The members of GRAMMER AG's Executive Board are obliged to act in the Company's best interests. In the event of any conflicts of interests on the part of members of the Executive Board, the Supervisory Board and the rest of the Executive Board must be notified without delay. The members of the Executive Board did not disclose any conflicts of interests in 2014.

The Supervisory Board

GRAMMER AG's articles of association provide for the Supervisory Board to comprise a total of twelve members, half of whom are elected by the Company's shareholders and the other half by the employees of GRAMMER AG. All members of the Supervisory Board elected by the shareholders are independent persons having no business or personal relationships with the Company or the Executive Board. The members of the Supervisory Board undertake to act in the Company's best interests. Any conflicts of interests, e.g. arising from a management function for customers, suppliers, creditors or other business partners, must be disclosed to the Supervisory Board. The members of the Supervisory Board did not disclose any conflicts of interests in 2014.

The following changes to the composition of GRAMMER AG's Supervisory Board arose in 2014: Effective January 31, 2014, Ms. Tanja Jacquemin, an employee representative, stepped down from the Supervisory Board. She was replaced by employee representative Ms. Tanja Fondel pursuant to a ruling of the Local Court of Amberg effective February 8, 2014. Similarly, Mr. Bernhard Hausmann, who had replaced Mr. Martin Bodensteiner and had stepped down from the Supervisory Board on January 21, 2014, returned to the Supervisory Board again on February 8, 2014 as an employee representative. Mr. Anton Kohl stood down from the Supervisory Board effective August 31, 2014. Effective September 17, 2014, Mr. Lars Schelenz was appointed to the Supervisory Board by the Amberg Local Court. A list of the current members of the Supervisory Board can be found on page 28 of this report.

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

The Supervisory Board performs its duties in accordance with rules of procedure which it adopts itself and which were updated in 2013 and took effect by means of a circulatory resolution effective February 1, 2014. Detailed information on the activities of the Supervisory Board and its relations with the Executive Board can be found in the Report of the Supervisory Board (pages 32 et seq.).

The members of the Supervisory Board review the efficiency of their work once a year. At its meeting of May 27, 2014, the Supervisory Board considered the results of its efficiency review and discussed the improvements identified.

Supervisory Board Committees

The Supervisory Board of GRAMMER AG had four committees in 2014: the Strategy Committee, the Audit Committee, the Standing Committee and the Nominating Committee. The work of the committees is governed by the Supervisory Board's rules of procedure with the exception of the Audit Committee, which has its own rules of procedure. The Audit Committee meets at least once each quarter and other committees meet on an ad-hoc basis. A list of the current members of the Supervisory Board Committees can be found on page 34 of this report.

Goals pursued with appointments to the Executive Board and the Supervisory Board

Vacancies on the Management Board and the Supervisory Board of GRAMMER AG are filled in accordance with specific criteria. When making new appointments to the Executive Board, the Supervisory Board attaches importance to the professional qualifications, international experience and leadership qualities of the candidate and particularly also diversity and adequate consideration of female candidates.

The profile of requirements for potential members of the Supervisory Board includes the requisite knowledge and capabilities as well as appropriate experience in performing the duties of a supervisory board member. In addition, GRAMMER AG's Supervisory Board must have at least one independent member with accounting or auditing qualifications.

In accordance with the objectives which have been defined in respect of its composition, the Supervisory Board is required to have a sufficient number of members who possess international experience obtained from many years of professional activity abroad or from managing an internationally active company for example. The Supervisory Board is also committed to achieving a reasonable proportion of women. Thus, it had originally determined that the number of women on the Supervisory Board was to be increased to at least two by the elections in 2015 at the latest, including one woman proposed by the shareholder representatives.

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

The current status with respect to the aforementioned targets for the composition of the Supervisory Board, particularly with respect to international experience and the proportion of women, is as follows:

The goal of ensuring that a sufficient number of members of the Supervisory Board possess international experience was achieved many years ago. Consequently, a sufficient number of Supervisory Board members currently have broad-based international experience. Similarly, the objective of increasing the number of women on the Supervisory Board to at least two by the elections in 2015 at the latest was achieved in 2014. As of December 31, 2014, two women – Ms. Ingrid Hunger and Ms. Tanja Fondel – held seats on GRAMMER AG's Supervisory Board. Moreover, it is planned for Ms. Ingrid Hunger to be proposed again as a shareholder representative in the new elections for the Supervisory Board in 2015.

GRAMMER Group's Code of Conduct

In addition to the recommendations of the German Corporate Governance Code, GRAMMER AG has adopted its own Code of Conduct which includes further binding rules governing the GRAMMER Group's business activity. The GRAMMER Group's Code of Conduct defines mandatory rules for observing national statutory requirements, the principles of fair competition, health, safety and the environment as well as provisions concerning the treatment of confidential information and the avoidance of corruption and insider trading. The principle of equal opportunities is also firmly entrenched in the Code of Conduct.

Responsibility as a corporate citizen

A company's long-term success does not depend only on successful business performance. GRAMMER is expressly committed to a culture of caring and has firmly entrenched the duty of sustainable activity in its corporate guidelines. Its corporate social responsibility statement comprises economic, ecological and social components. Thus, it strives to minimize the strain on people and nature as far as possible, supports social projects and institutions at various GRAMMER locations around the world, furthers employees and young potentials and is committed to environmental protection and lower emissions as well as the sparing consumption of raw materials, water and energy. More detailed information on the GRAMMER Group's CSR activities can be found in the chapter entitled "Social responsibility" on page 20 et seq.

Compliance in the GRAMMER Group

Responsible and legal activity forms the basis of the GRAMMER Group's success and is a firm element of our corporate culture. It is for this reason that we enjoy the trust of our customers, shareholders, business partners and the general public. The GRAMMER Group's Executive Board and all its employees have undertaken to act responsibly and to observe all applicable rules and regulations. The GRAMMER Code Team was established in 2005 to implement and ensure observance of GRAMMER's compliance rules. This Code Team comprises a member of the Executive Board as well as the Vice President Group Human Resources and the Vice President Group Internal Control & Legal. The Company has set up a separate e-mail address for reporting any compliance-related matters and publishes bulletins on an ad-hoc basis. In connection with compliance activities, staff are also able to attend lectures and take part in web-based training on compliance-related matters. In addition, staff have access to a list of frequently asked questions complete with the corresponding answers on this subject.

Investor relations

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

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

Directors' dealings

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

GRAMMER AG was notified of the following transactions in 2014:

Dr. Klaus Probst:
Purchase
Date: August 6, 2014
Location: Xetra
Price: 35.3565
Currency: EUR
Number: 5,000
Total value: EUR 176,782.50

As of December 31, 2014, members of the Executive Board and the Supervisory Board directly or indirectly held less than one percent of the Company's shares. This also applies to persons closely related to management staff.

Remuneration report

All information concerning the remuneration of members of the Executive Board and the Supervisory Board as well as the details of GRAMMER AG's remuneration system can be found starting on page 55 et seq. of this report.

Accounting and statutory audit

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

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

The audit also covered risk management and conformity to the GCGC corporate governance reporting requirements under Section 161 of the Stock Corporation Act. It was agreed that the auditor would immediately notify the Supervisory Board of any grounds for disqualification or conflicts of interests as well as any key findings and occurrences during the audit. There was no reason for any such notification to be made. The annual financial statements and the consolidated financial statements were both awarded an unqualified opinion.

Risk management

A responsible approach to business risks is a fundamental element of good corporate governance. Group-wide and company-specific management accounting and control systems ensure that the Executive Board and management of GRAMMER AG are able to readily and comprehensively identify assess and manage risks. The Audit Committee regularly monitors accounting processes and reporting, the efficacy of the internal control system, the risk management system and the internal audit system. Details on risk management are available in the Management Report from page 59 et seq.

Report of the Supervisory Board

Dr. Klaus Probst
Chairman of the Supervisory Board

Dear shareholders,

In fiscal year 2014, the Supervisory Board fulfilled its duties with utmost care in accordance with the Articles of Association, the rules of procedure and the statutory requirements. It monitored the activities of the Executive Board on an ongoing basis, advising it on all matters of importance for the Company. To this end, the Executive Board and the Supervisory Board worked closely together, maintaining regular contact with each other. The Executive Board briefed the Supervisory Board regularly, immediately and comprehensively in both writing and orally on all relevant matters within the Company as well as on its main business performance indicators. The Supervisory Board and the Executive Board discussed decisions of fundamental importance such as strategic issues concerning corporate planning, business policy, business performance, the risk situation and risk management.

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

Main matters dealt with at the meetings of the Supervisory Board

At its ordinary quarterly meetings, the Supervisory Board dealt in detail with the Company's current business and financial condition. At its meetings, the Supervisory Board regularly deliberated on revenue, earnings and capacity utilization as well as the financial condition and liquidity situation of GRAMMER AG and the GRAMMER Group. In addition, the members of the Supervisory Board discussed and passed resolutions on numerous matters as well as measures requiring their consent. The Supervisory Board held a total of four ordinary meetings in 2014; in addition, the various committees were convened seven times. No member of the Supervisory Board attended fewer than half of the meetings. There were no conflicts of interests on the part of any of the members of the Supervisory Board in connection with the exercise of their duties in the period under review.

The main item on the agenda for the first meeting held on March 27, 2014 concerned the audit of the annual and consolidated financial statements as well as the combined management report. In the presence of the statutory auditor, the Supervisory Board approved the results of the audit and adopted the annual financial statements and the consolidated financial statements for the year ending December 31, 2013. The Supervisory Board acknowledged the combined management report of GRAMMER AG and the GRAMMER Group for 2013.

In addition, the Supervisory Board passed resolutions concerning GRAMMER AG's annual general meeting on May 28, 2014. It accepted the Executive Board's proposal to ask the shareholders to approve a dividend of EUR 0.65 per dividend-entitled share. An external remuneration expert also attended the meeting and was retained in the year under review to examine GRAMMER's Executive Board remuneration system. This expert came to the conclusion that the remuneration system was consistent with the statutory requirements.

At this meeting, the members of the Supervisory Board were additionally briefed on IT security matters at the GRAMMER Group.

The main focus of the second meeting, which was held on May 27, 2014, was on preparations for the annual general meeting, taking place on the following day. In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board additionally reviewed the efficiency of its activities. In addition, it deliberated on the planned improvements in the internal recruitment of management staff, agreeing that it would review this target at least once a year in the future. Moreover, the Supervisory Board deliberated with the Executive Board on matters related to corporate social responsibility, deciding that greater attention was to be paid to environmental impact, employees, society and economics in the future.

The main business dealt with at the Supervisory Board's third meeting on October 7, 2014, concerned the progress made in implementing the medium-term strategy through 2019 adopted in 2013. The Supervisory Board also deliberated on the Executive Board's plans to increase the GRAMMER Group's share in the GRAMMER Seating Jiangsu Co. Ltd. joint venture and the planned acquisition by GRAMMER AG of the shares in GRAMMER Argentina S.A. These shares had previously been held by subsidiary GRAMMER do Brasil.

At its fourth and final meeting on December 9, 2014, the Supervisory Board discussed and approved the budget for 2015. In addition, it dealt with the Company's compliance with the recommendations of the German Corporate Governance Code in the most recently amended version dated June 24, 2014, approving the declaration of conformity which had been prepared in conjunction with the Executive Board. Further matters on which the Supervisory Board deliberated included the current status of plans to increase the Company's share in the GRAMMER Seating Jiangsu Co. Ltd. joint venture. In addition, the members of the Supervisory Board were briefed on the investor-relations activities which had been performed in 2014. It also discussed the procedure to be adopted for the elections to the Supervisory Board in 2015 as Mr. Georg Liebler had declared that he would be stepping down from the Supervisory Board for age-related reasons.

Circulatory resolutions of the Supervisory Board

In fiscal year 2014, the Supervisory Board also adopted five written circulatory resolutions and the Standing Committee two. At the meeting of December 10, 2013, the Supervisory Board and Management Board had discussed revisions to their respective rules of procedure; on January 29, 2014, a circulatory resolution was passed to adopt the revised rules of procedures for the Executive Board and the Supervisory Board with effect from February 1, 2014. The circulatory resolution passed on March 11, 2014 concerned the appointment of a new member to the Audit Committee, which had become necessary after Ms. Jacquemin had stepped down from the Supervisory Board and, hence, also from the Audit Committee. The Supervisory Board elected employee representative Mr. Harald Jung as the new member of the Audit Committee. In a circulatory resolution dated April 17, 2014, the Supervisory Board approved the establishment of a sales company in Italy. A further two circulatory resolutions were passed in August 2014. The first one was in response to the authorization granted by the annual general meeting in May 2014 to buy and sell own shares as a resolution of the Supervisory Board is required to approve such transactions. A resolution had already been passed for the previous authorization and was now confirmed for the new authorization. In a further circulatory resolution, the Supervisory Board approved the increase of EUR 9 million (approx. CZK 247 million) in the capital of subsidiary GRAMMER CZ s.r.o.

Supervisory Board committees

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

Strategy Committee
Georg Liebler
Horst Ott
Dr. Klaus Probst (Chairman)
Wolfgang Rösl

Standing Committee
Georg Liebler
Horst Ott
Dr. Klaus Probst (Chairman)
Wolfgang Rösl

Audit Committee
Wolfram Hatz (Chairman)
Tanja Jacquemin (until January 31, 2014)
Harald Jung (from March 11, 2014)
Wolfgang Rösl
Dr. Bernhard Wankerl

Nominating Committee
Wolfram Hatz
Dr. Klaus Probst (Chairman)
Dr. Bernhard Wankerl

The Strategy Committee advises the Executive Board on the development and implementation of the corporate strategy. It monitors the progress being made, prepares the consultations and resolutions of the Supervisory Board in connection with strategy-related matters and submits recommendations to it. The committee met twice in 2014. At its first meeting on February 17, 2014, it primarily discussed the modifications to the strategy which had been adopted at the meeting held on September 24, 2013. The members performed a detailed review of GRAMMER's regional presence and expected growth trends in the individual regions. In addition, it considered the extent to which product and technology development was consistent with the strategic requirements. The purpose of the second meeting held on August 7, 2014 was to prepare the meeting of GRAMMER AG's Supervisory Board on October 7, 2014. The Executive Board presented to the committee members the strategy for the period from 2014 through 2019. On this basis, they formulated a recommendation for a resolution to be passed by the Supervisory Board.

In addition to its duties under the German Codetermination Act, the Supervisory Board's Standing Committee performs tasks relating to Executive Board matters, prepares personnel decisions to be made by the Supervisory Board and negotiates service contracts with the members of the Executive Board. In the year under review, the Standing Committee met once on December 8, 2014 to discuss the company pension scheme. To this end, an external remuneration expert presented a report. The committee members discussed the remuneration expert's proposal for revising the pension contracts for GRAMMER AG's Executive Board. The purpose of the meeting was to update the Standing Committee on the latest developments and to agree on the steps to be taken as a basis for submitting recommendations to the Supervisory Board for the structure of the pension contracts.

The Standing Committee dealt with ancillary activities of the Executive Board in two circulatory resolutions. Under the Supervisory Board's new rules of procedure responsibility for such matters had been delegated to the Standing Committee. On February 21, 2014, the Standing Committee approved Mr. Walprecht's appointment to the advisory council for the international project management (MBA) syllabus of the Nürtingen-Geislingen University (Baden-Württemberg). On June 13, 2014, Mr. Hartmut Müller was granted approval to assume a seat on the supervisory board of Wieland-Werke AG, Ulm.

The Audit Committee prepares the Supervisory Board's resolutions on accounting matters and monitors the efficacy of the internal control system, the risk management system and the internal auditing system. It also deals with compliance matters and retains the statutory auditor. The Audit Committee convened a total of four times in 2014. The main item on the agenda for the first meeting held on March 27, 2014 concerned the annual and consolidated financial statements for 2013. Representatives from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, which had been elected as statutory auditors for 2013 at the annual general meeting, were also present. Other matters included the risk report and the proposal for the election of the statutory auditors for 2014. In addition, the personnel situation in Group accounting was discussed.

The second meeting held on April 30, 2014 considered the interim report for the first quarter ending March 31, 2014. In addition, the members prepared the efficiency review of the committee's activity and discussed the system underlying Group internal auditing. This concerned questions relating to structures, tasks, the areas to be audited, audit planning, the principles underlying auditing activities and the standards.

At its third meeting on August 1, 2014, the Audit Committee dealt with the GRAMMER Group's figures for the first half of the year ending June 30, 2014 and the risk report. In addition, the system underlying the cash flow statement was considered. Further discussion concerned the statutory auditor's activities. After the members had discussed and agreed on the main focus of the audit, the schedule, the costs and the contents of the contract with the auditing company, Mr. Hatz was asked to implement the resolution.

At the fourth and final meeting held on November 7, 2014, the committee discussed the interim financial statements as of September 30, 2014 and the risk report.

The Nominating Committee is responsible for submitting the names of suitable candidates to the Supervisory Board for its election proposals for submission to the annual general meeting as well as for defining in advance the requirements for the specific office to be filled. It did not meet in the year under review.

Annual and consolidated financial statements

At the annual general meeting held on May 28, 2014, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, was appointed as the auditor for the reporting year. At its meeting of October 6, 2014, the Audit Committee engaged the auditor for the 2014 single-entity financial statements and the consolidated financial statements. The auditor submitted the Statement of Auditor's Independence as required by the German Corporate Governance Code and disclosed the auditing and consulting fees charged during the fiscal year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited GRAMMER AG's annual financial statements prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements of GRAMMER Group prepared in accordance with IFRS as well as the combined management report for GRAMMER AG and the GRAMMER Group. The auditor issued an unqualified opinion in both cases. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft determined that the combined management report for GRAMMER AG and the GRAMMER Group provides a true and fair view of the Company and of the Group, as well as the opportunities and risks with regard to future development.

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

The reports and financial statement documents were submitted to the members of Supervisory Board by the auditor in a timely manner and examined thoroughly. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the key results of the audit during the meeting of the Audit Committee dealing with the annual and consolidated financial statements and at the Supervisory Board meeting held on March 26, 2015 to review the financial statements.

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

Composition of the Supervisory Board and the Executive Board

The following changes to composition of the Supervisory Board arose in 2014: Employee representative Mr. Martin Bodensteiner stepped down effective January 21, 2014. Mr. Bernhard Hausmann was appointed to the Supervisory Board to replace him effective February 8, 2014 in a ruling of the Amberg Local Court. In addition, employee representative Ms. Tanja Jacquemin stepped down from the Supervisory Board effective January 31, 2014. Ms. Tanja Fondel was appointed to the Supervisory Board to replace her effective February 8, 2014 in a ruling of the Amberg Local Court. In accordance with a court ruling, employee representative Mr. Anton Kohl, who stepped down from the Supervisory Board on August 31, 2014, was replaced by Mr. Lars Schelenz effective September 17, 2014.

There were no changes to the composition of GRAMMER AG's Executive Board in 2014.

Vote of thanks

The Supervisory Board would like to express its thanks to the Executive Board, the employees and the employee representatives of GRAMMER AG for their personal commitment and hard work without which the favorable business performance achieved in 2014 would not have been possible.

Amberg, March 2015

On behalf of the Supervisory Board

Dr. Klaus Probst
Chairman

GRAMMER Share

Global equity markets taking their cues from macroeconomic and political factors

The international equity markets were characterized by volatile conditions in 2014. Impetus was generated by the US Fed and the European Central Bank with their continued low interest rates. On the other hand, the muted economic outlook repeatedly exerted strain, standing in the way of a fundamentally more favorable performance.

The German blue-chip index DAX reflected these contradictory impulses with considerable volatility during the year. Equity prices increasingly gained momentum in May, propelling the DAX over the 10,000 mark for the first time. After a period of declines and recoveries, the DAX slumped to around 8,500 points in September before achieving a new all-time high of almost 10,100 points in December. The DAX closed the trading year on December 30, 2014 with a gain of 2.6% over the previous year.

The SDAX, a selection index comprising the 50 smaller listed companies in Germany, in which GRAMMER is also included, largely tracked the DAX, closing the year at 7,186.21 points, up 5.9% on the 2013 year-end close.

GRAMMER share reflecting volatile market conditions

After its spectacular full-year performance in 2013 with gains of over 116%, the GRAMMER share also entered the new trading year on an upbeat note. Against a volatile backdrop, it posted further gains in May, reaching an all-time high of EUR 44.70 on June 6, 2014. With the outlook for the global economy clouding and the financial markets becoming increasingly volatile in the second half of the year, the GRAMMER share was unable to free itself from the downward move in the equity markets. The GRAMMER share closed the trading year at EUR 33.05, down 4.6%.

Buyer interest reflected in rising trading volumes

A daily average of around 64,000 GRAMMER AG shares were traded via the electronic XETRA trading system in 2014. Over the year as a whole, more than 16.2 million shares were traded via XETRA. GRAMMER ranks 57th in terms of trading volumes and is thus close to the top of Deutsche Börse's SDAX. With a closing price of EUR 33.05, year-end market capitalization stood at around EUR 382 million.

GRAMMER basic share data

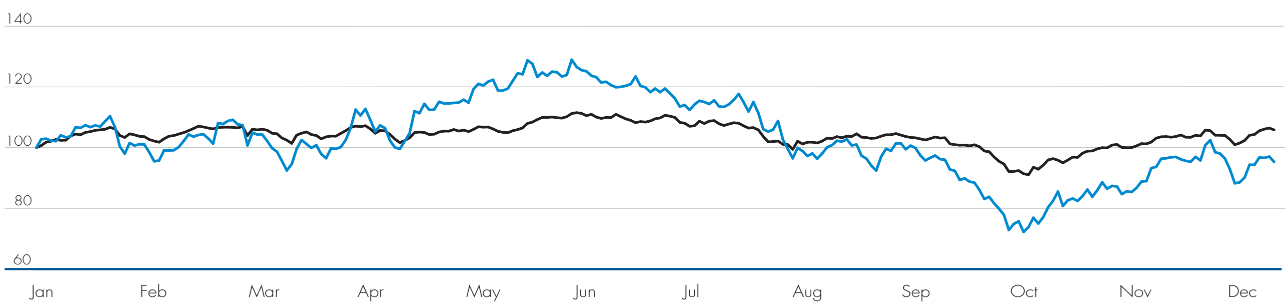
On December 31, 2014, the share capital of GRAMMER AG totaled approximately EUR 29.6 million, divided into 11,544,674 bearer shares. Of this, the Company holds 330,050 of its own shares. The GRAMMER share is listed in the SDAX and traded on the Frankfurt and Munich stock exchanges via the electronic trading system, Xetra, as well as in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges.

GRAMMER key share data

	2014	2013
Share price at year-end (in EUR, Xetra)	33.05	34.66
Annual high (in EUR)	44.70	38.05
Annual low (in EUR)	25.04	16.39
Number of shares (Dec. 31)	11,544,674	11,544,674
Market capitalization (in EUR m., Dec. 31)	381.6	400.1
Earnings per share (in EUR)	3.09	2.67
Dividend (in EUR)	0.75[1]	0.65

[1] proposal

GRAMMER AG and SDAX Performance Index 2014 price trend (in %)



December 31, 2013 = 100%

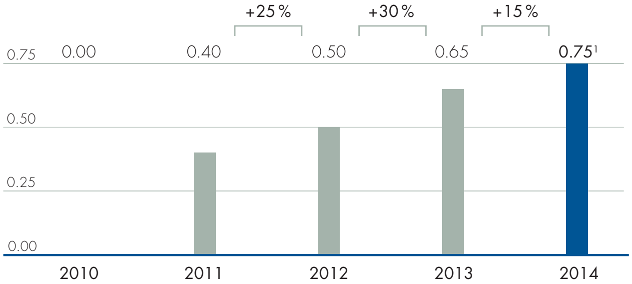
— GRAMMER AG
— SDAX Performance Index

GRAMMER share an attractive value investment

GRAMMER is committed to ensuring that its shareholders receive an appropriate share of the Company's success in 2014 once again. Accordingly, the Executive Board and the Supervisory Board will be asking the shareholders to approve a dividend of EUR 0.75 per share for 2014 at the annual general meeting on May 20, 2015.

This translates into a dividend yield of about 2.3 % based on the 2014 closing price. This proposal increases the dividend by 15 % over the dividend of EUR 0.65 paid for 2013. Consequently, the GRAMMER share is being positioned as an attractive value stock on the capital market.

Development of dividends (in EUR)



[1] proposal

Further additions to analyst coverage

Once again, the GRAMMER share was the subject of analyses by various research companies and banks and also featured in articles published by trade journals such as Platow Börse and Börse Online in 2014. Baader Bank, CloseBrothers Seydler Research and DZ Bank added the GRAMMER share to their coverage for the first time. Analysts published more than 50 research reports, thus giving interested parties an updated assessment of the outlook for the GRAMMER shares.

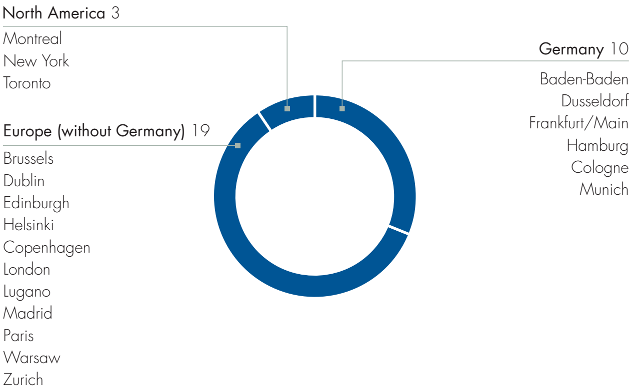
Analyst coverage of GRAMMER AG in 2014

Banks and research companies
Baader Bank
Bankhaus Lampe
CloseBrothers Seydler
DZ Bank
Landesbank Baden-Württemberg
Montega
M.M. Warburg

Ongoing dialog

GRAMMER AG's financial communications are characterized by open, prompt and comprehensive information for all target groups. Once again, the Executive Board as well as the GRAMMER investor relations team maintained regular contacts with analysts, financial and business journalists as well as institutional and private investors in 2014. To this end, we held more than 250 one-on-ones. In addition, we took part in international conferences organized by Baader Bank in Munich, Bankhaus Lampe in Baden-Baden and M.M. Warburg & Co in Hamburg as well as the investor conference Deutsches Eigenkapitalforum. In regular roadshows, we visited institutional investors in European financial centers and, for the first time, North America. We noted strong interest on the part of investors and capital market participants in New York, Toronto and Montreal.

Roadshows and investor conferences in 2014 (number)



In addition to talks in person, capital market participants have numerous other options for keeping abreast of events at GRAMMER and the performance of the GRAMMER share: press releases, ad-hoc releases and voting right notifications provide information on the latest developments at the GRAMMER Group with minimum delay. The annual report and the three quarterly reports contain detailed information and are backed up with telephone conferences for multipliers such as analysts and journalists. These telephone conferences are recorded and made available on GRAMMER's website at www.grammer.com. Last year, we responded to numerous inquiries received from private shareholders either over the telephone or in writing. We also offer additional information via our website, which provides information on all capital market activities in the Investor Relations section.

Record attendance at the annual general meeting

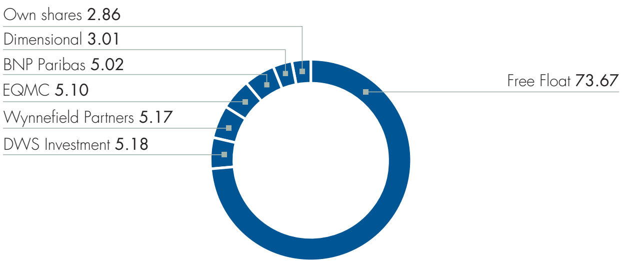
Around 200 shareholders attended GRAMMER AG's annual general meeting, which was held at the Amberg Congress Center on May 28, 2014. Roughly 50% of the share capital was represented at the meeting, marking a new record. At the annual general meeting, the shareholders approved the proposal submitted by the Executive Board and the Supervisory Board for a dividend of EUR 0.65 per share. A large majority of the shareholders voted in favor of a motion ratifying the activities performed by the Executive Board and the Supervisory Board in the previous year. All other items of the agenda were also approved with the necessary majority of the share capital represented at the meeting.

Award-winning communications

The League of American Communication Professionals (LACP) awarded the 2013 annual report a gold medal in recognition of the outstanding structuring of its content and graphic design. The 2013 annual report thus followed on from the previous year in which awards had also been received.

Shareholder structure

Shareholder structure (in %)



as of December 31, 2014

Only notifications relating to voting right holdings of greater than 3% are shown here. The current shareholder structure is disclosed in the Investor Relations section of the GRAMMER AG website.

Voting right notifications in 2014

Date of change	Reporting party	Threshold reached	Sharing of voting rights according to notifications
January 29	JP Morgan Asset Management	Under 5%	4.86% (561,429)
February 6	JP Morgan Asset Management	Over 5%	5.15% (595,046)
February 7	JP Morgan Asset Management	Under 5%	4.98% (575,300)
February 10	JP Morgan Asset Management	Under 5%	4.74% (546,859)
February 25	JP Morgan Asset Management	Over 5%	5.13% (592,135)
March 3	JP Morgan Asset Management	Under 5%	4.88% (562,936)
March 11	JP Morgan Asset Management	Under 3%	2.41% (278,794)
April 2	BNP Paribas Investment	Over 3%	3.12% (360,621)
April 25	BNP Paribas Investment UK	Over 3%	3.11% (358,635)
April 25	BNP Paribas Investment Belgium	Over 3%	3.11% (358,635)
May 9	EQMC Europe Development Capital Fund	Under 5%	4.99% (576,604)
May 14	JP Morgan Asset Management	Over 3%	3.30% (381,209)
May 16	BNP Paribas Investment	Over 5%	5.02% (579,914)
May 26	Morgan Stanley	Over 5%	5.21% (601,552)
May 29	JP Morgan Asset Management	Over 5%	5.43% (626,376)
May 30	Morgan Stanley	Under 5%	1.14% (131,274)
Juny 20	JP Morgan Asset Management	Under 5%	4.99% (575,813)
August 13	JP Morgan Asset Management	Under 3%	2.99% (346,070)
December 17	Union Investment Privatfonds	Under 3%	2.88% (331,933)
December 23	EQMC Europe Development Capital Fund	Over 5%	5.10% (588,388)

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Combined Group management report

In accordance with section 315 (3) in connection with section 298 (3) HGB, the combined management report includes the management report for the GRAMMER Group and for Grammer AG.

- 7.9 % increase in Group revenue to EUR 1.37 billion
- Substantial improvement in net profit for the year to EUR 33.6 million
- 16 % increase in earnings per share to EUR 3.09
- Further increase in dividend to EUR 0.75 proposed

Basis of the Group

Business model

GRAMMER is a global group specializing in the development and production of components and systems for automotive interiors as well as driver and passenger seats for trucks, trains and offroad commercial vehicles. It operates over 37 production and logistics plants worldwide, which manufacture and distribute high-quality products for the global vehicle industry with a high degree of value chain integration. In addition to the parent company, GRAMMER AG, the Group includes 28 fully consolidated companies as well as one joint venture consolidated at equity. The GRAMMER Group is represented in 20 countries worldwide. With its presence in the various regions, it chiefly follows its main customers. The main markets are the domestic European market, the NAFTA region, China and Brazil. The Group's business performance correlates closely with the performance of its relevant markets and main customers. In the Automotive Division these are primarily the premium passenger vehicle segment and in the Seating Systems Division commercial vehicle business in its main sell-side markets.

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

Business divisions

The GRAMMER Group comprises two divisions. The Automotive Division supplies premium automakers and automotive system vendors with products such as premium interior components, including headrests, armrests and center consoles. In the Seating Systems division, the Company operates as both a tier 1 and aftermarket supplier for complete seat units and seating systems. Here, GRAMMER supplies OEMs of commercial and off-road vehicles, including agricultural and forestry vehicles as well as construction machinery and material management vehicles. Other customer groups include railway transport OEMs, rail operators and bus manufacturers.

Management process system

GRAMMER's value-based management process system is primarily aligned to the key management indicators revenue, earnings before interest and taxes (EBIT), working capital and gearing. In addition, GEVA (GRAMMER Economic Value Added) is a further key indicator tracking the return on capital Based on economic value added (EVA), this measures the efficiency with which the Company's capital is employed. GEVA is defined as the ROCE (return on capital employed) minus WACC (weighted average cost of capital). For this purpose, ROCE is the quotient of operating profit after tax and the capital required for operations, while WACC expresses the cost of capital employed.

Research and development

One of the key determinants of GRAMMER's business success is our systematic focus on innovation in our products and production processes. Research and development is a central element of the GRAMMER Group's activities as an important factor for successfully positioning it in the market with innovative products. This allows us to tap into new market potential and ensure the Company's long-term competitiveness. In the Group-wide research and development network, our engineers and R&D specialists work consistently on enhancing the ergonomics, safety and functionality of our products. GRAMMER has installed a systematic innovation process in the development area to ensure that in addition to addressing ongoing market requirements it is also able to advance its own innovations. The success of this strategy is reflected in the continued high number of global patent applications as well as the numerous new orders received. The promising launch of new products in the market place and the large number of volume and pre-development projects additionally testify to the Company's high innovativeness.

One key aspect of development activities involves light-weight construction, which aims at playing an active role in the general trend towards weight reduction in automotive engineering as a means of cutting fuel consumption and CO_2 emissions. Numerous activities – including in conjunction with external institutions – have been initiated and preliminary designs for truck passenger seats presented. Substantial weight savings can also be achieved by means of innovative production processes, e.g. for center consoles. A further overarching focus of development work concerns the integration of electric and electronic components such as servo-motors, seat heating, sensors, controllers and HMI (human-machine interfaces) in our headrests, armrests, consoles and heating systems. In addition to mastering and enhancing our traditional products and skills, we are thus increasingly concentrating on the integration of electric and electronic subsystems in our products. GRAMMER is able to harness considerable opportunities here as our Belgian subsidiary GRAMMER EiA Electronics N.V. possesses the necessary electronics expertise which can be applied equally to our seat and automotive products.

In the Automotive Division, responsibility for developing new automotive components and systems is continuing to shift away from OEMs towards suppliers. Consequently, GRAMMER is continuing to strengthen its position as a development partner and innovation driver for customers in this area. In this context, a technological lead and innovative solutions give us an important competitive edge. In addition to the light-weight construction mentioned above, the thrust of our development activities is targeted at the production of high-quality surfaces for our products as well as new kinematic solutions for consoles. Here, we are conducting intensive research into materials as well as production processes. In addition, we are working on solutions for integrating new HMI (human-machine interface) solutions, which are to be offered to customers as an integrated system together with the consoles in the future. With respect to headrests, the main focus is on innovative solutions for electric drives and fully automatic adjustments in the premium segment as well as further enhancements to existing technologies with respect to safety, comfort, package space, weight and adjustment mechanisms.

In the Seating Systems Division, GRAMMER is also working steadily on enhancing its range and creating innovative solutions that anticipate changes in market conditions. Looking ahead, new and innovative products will enable GRAMMER to meet customer requirements to a high degree and to additionally reinforce and broaden its market position. With the combination of traditional expertise in the development of suspended seats and the electronic skills which it has amassed in the last few years, GRAMMER is able to offer integrated and bespoke solutions for providing optimum cabin comfort and covering all aspects of vehicle control. In the offroad segment, activities aimed at expanding the current range of HMI solutions are progressing according to schedule; at the same time, however, work on new, highly innovative next-generation HMI solutions is being stepped up in this area. The main activities in the commercial vehicle segment included the further development of the MSG 115 truck driver's seat with electric seat adjustment functions and an integrated driver assistance system for bus driver seats for avoiding accidents caused by the vehicle leaving its own lane. A completely new type of adjustable headrest for tractor seats has been developed in collaboration with the Department of Biomechanics at the University of Ulm and will be going into series production for several OEMs in the near future. In the railway segment, we readied a completely new type of regional transportation platform and commenced preliminary deliveries in 2014. Consequently, GRAMMER has been able to gain new customers in the regional transport segment alongside the high-speed and long-distance segment, thus highlighting the innovativeness of its development department.

Moving forward, the innovation strategy for the next few years will be focusing on addressing the differing product requirements in the regional markets alongside traditional products and technologies. Moreover, projects to specifically adapt products for each region are being intensified, something which will strengthen our global market position in the long term. To this end, we will continue to expand our R&D facilities and structures in the core regions to offer even better development services in close proximity to our customers.

Economic conditions

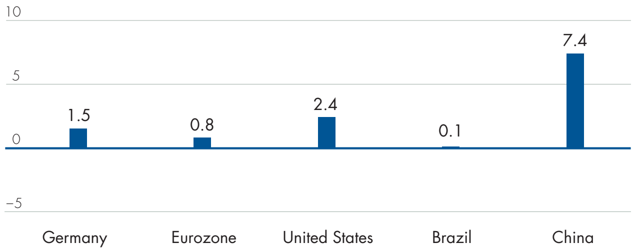
Overall economic conditions and developments

State of the global economy
After a muted start to the year, the global economy gradually gained momentum in the course of 2014, accompanied by an appreciable increase in global trade. However, as it was not possible for the effects of the preliminary weakness at the beginning of the year to be fully recouped, global growth remained flat at the previous year's figure of 3.3 % according to the International Monetary Fund (IMF). That said, the emerging markets expanded substantially more quickly with growth of 4.4 %, compared with 1.8 % in the case of the industrialized nations. Considerable regional differences were evident. Of the major industrialized nations, the United States and Canada with growth of 2.4 % and the United Kingdom with growth of 2.6 % proved to be driving economic forces, with the job markets in the United States and the United Kingdom improving significantly in the course of the year. The German economy also expanded by 1.5 % in the year under review. On the other hand, the Eurozone achieved only faltering growth of a mere 0.8 %. Consequently, the unemployment rate remained stuck at a high level, while inflation receded on a broad front. Japan was even more anemic, with total economic output rising by barely 0.1 % in 2014. After two quarters of negative growth, the country in fact slipped into recession in fall 2014.

In the emerging markets, economic growth gained some momentum towards the end of the year, although underlying conditions remained muted. As a result, growth slowed from 4.7 % in the previous year to 4.4 % in 2014. With growth of 5.8 %, India was one of the emerging markets able to outpace the previous year, while China also recorded brisk growth. However, the figure of 7.4 % was weaker than it had been at any time in the last two decades. The Peking government has taken measures in an attempt to address the risks arising from the investment and credit boom of the last few years.

The economies of Latin America were extremely weak, with growth dropping by more than half to 1.2 % compared with the previous year. In Brazil, the economy expanded by 0.1 %. Although the downswing is likely to have bottomed out, there is still no sign of any sustained recovery. Russia increasingly felt the effects of the sanctions which the West had imposed on it in response to the Ukraine crisis and which placed a damper on investment and consumer confidence. Gross domestic product rose by only 0.6 % and thus at only around half the rate recorded in the previous year.

Economic growth (gross domestic product) in 2014 in selected countries (in %)



Source: IMF

Business performance

Key figures GRAMMER Group

in EUR m

	2014	2013	Change
Revenue	1,365.9	1,265.7	7.9 %
EBIT	57.0	58.0	–1.7 %
EBIT-margin (in %)	4.2 %	4.6 %	–0.4 %-points
Investments (without acquisitions)	51.5	46.8	10.0 %
Employees (number, as of December 31)	10,700	10,082	6.1 %

Business performance still characterized by growth
In the year under review, the GRAMMER Group achieved substantial business growth. This performance was chiefly underpinned by the Automotive Division, with Group revenue growing by a substantial 7.9 % in the course of the year and thus coming within GRAMMER's target corridor. Order intake in the Automotive Division was also up

appreciably. The good performance in this Division was driven by the clear focus on customers in the premium segment. This customer group achieved rising sales volumes thanks to upbeat market conditions in Asia, North America and Europe. Within the Seating Systems Division, commercial vehicle business remained stable. Here, the market-induced decline in revenue in the Americas was offset by substantial gains in the Far East/Others, while market conditions prevented the offroad segment from quite reaching the previous year's level. At the same time, the railway segment record substantial growth. In 2014, operating profit came under pressure from the expected heavy advance outlays in connection with the implementation of the global growth strategy. However, this was more than offset by a substantial improvement in financial result, causing post-tax profit to climb to EUR 33.6 million. Earnings per share came to EUR 3.09, up from EUR 2.67 in 2013.

Changes in 2014

In December 2014, GRAMMER signed two contracts with Jiangsu Yuhua Automobile Parts Co., Ltd. (Yuhua) for the acquisition of the remaining 40 % of the shares in GRAMMER Seating (Jiangsu) Co., Ltd. (GSJ). As a result, GRAMMER Interior (Tianjin) Co., Ltd. acquired 20 % of the shares held by Yuhua in GSJ. As GRAMMER AG also assumed a further 20 % of the share previously held by Yuhua in GSJ, GRAMMER now holds 100 % of the capital of the previous joint venture in China. As a result of this transaction, GRAMMER is now able to control and expand its truck seat business in China on its own in the future.

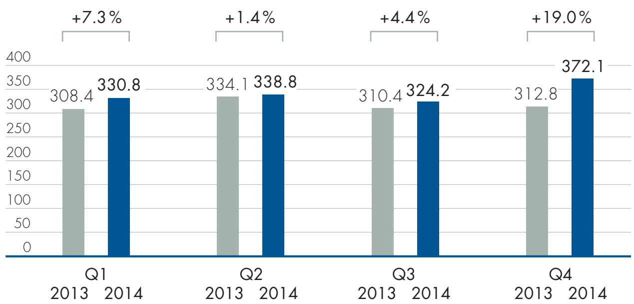
On September 15, 2014, Grammer AG established a new subsidiary based in Jesi, Italy, which will be supplying our customers in that country. This company did not generate any revenue in the year under review but will be commencing its business operations in 2015.

The shares in the Ningbo nectec Jifeng Automotive Parts Co., Ltd. joint venture, which had been acquired through the takeover of nectec Automotive s.r.o. in 2013, were sold to the joint venture partner effective April 14, 2014.

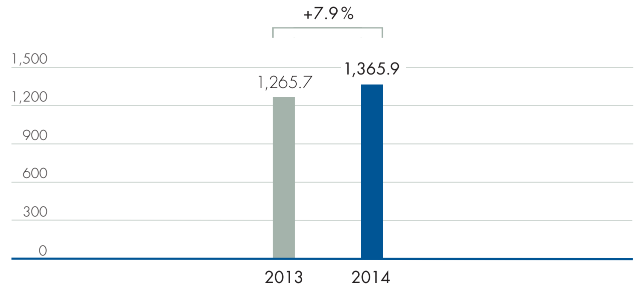
Substantial growth in revenue to EUR 1.37 billion

In 2014, the GRAMMER Group generated total revenue of EUR 1,365.9 million (2013: 1,265.7), thus reaching a new record for the fourth consecutive year in its history. After growing 4.2 % over the very strong first half of 2013 in the first six months of the year under review, the growth in Group revenue accelerated to 11.7 % in the second half. The significant increase in business was chiefly underpinned by strong growth in Europe and the Far East/Others. The rate of growth gained additional momentum in the fourth quarter, rising to 19.0 %, up from 4.4 % in the third quarter, thanks to numerous new product launches in the Automotive Division.

Group revenue development by quarter (in EUR m)



Group revenue development (in EUR m)



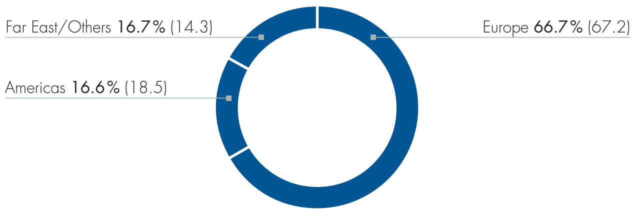
Business growth varied from region to region, reflecting local market conditions.

In Europe, revenue rose by 7.1 % or EUR 60.8 million to EUR 911.9 million in the reporting period. Growth in our core region was driven almost exclusively by the high revenue generated in the Automotive Division. This reflected various new product launches in a stable environment, helping GRAMMER to additionally reinforce its market position. By contrast, revenue in the Seating Systems Division in Europe rose only slightly due to weaker demand in parts of the offroad segment. All in all, organic growth remained at a very high level in Europe compared with the previous year in which in addition to organic factors revenue growth had been driven by the acquisition of nectec Automotive s.r.o. in 2013. The share of European business in the total consolidated revenue of the Group shrank slightly to 66.7 % (2013: 67.2).

The region Far East/Others grew the most quickly in the reporting period, with business volumes rising by 25.8 % over the previous year to EUR 227.7 million, thus easily outpacing the market as a whole. On a further encouraging note, both Divisions achieved similarly high growth rates in this region. The Automotive Division benefited from very strong order intake in all business segments. Growth in the Seating Systems Division was mainly driven by the additional revenue recorded by the Group as a result of last year's integration of GRAMMER Seating (Jiangsu) Co. Ltd., which allowed GRAMMER to participate in the Chinese commercial vehicle market to a substantial extent for the first time. As a result of this strong growth, this region's share in total Group revenue widened by 2.4 percentage points to 16.7 %, as a result of which it generated higher revenue than the Americas for the first time.

Revenue in the Americas was down slightly due to market conditions, falling by EUR 7.3 million over the previous year to EUR 226.3 million. This decline was due solely to the slump in demand for seating products in the Brazilian market. The appreciable revenue gains recorded by the Automotive Division in this region were not quite sufficient to offset this effect. All told, the share of Americas business in total Group revenue shrank by 1.9 percentage points to only 16.6 %.

Revenue by regions (previous year in brackets)



in EUR m

	2014	2013	Change
Europe	911.9	851.1	7.1 %
Americas	226.3	233.6	–3.1 %
Far East/Others	227.7	181.0	25.8 %
Total	1,365.9	1,265.7	7.9 %

Economic situation

Results of operations

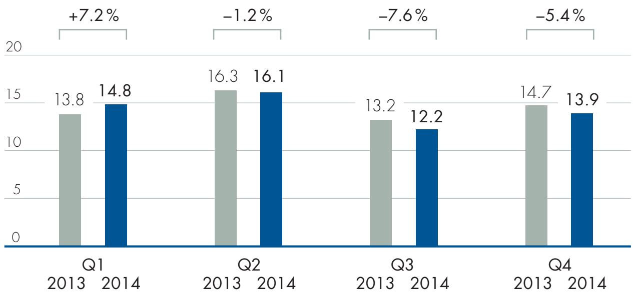
Condensed income statement for the GRAMMER Group

in EUR k

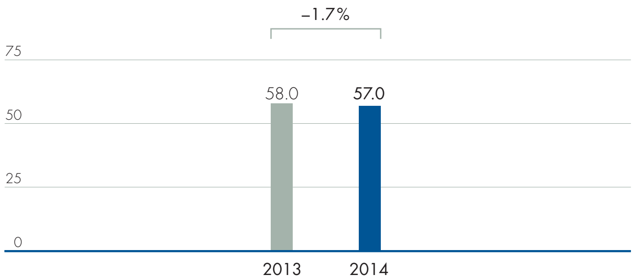
	Q4 2014	Q4 2013	Change	01–12 2014	01–12 2013	Change
Revenue	372,058	312,798	59,260	1,365,898	1,265,660	100,238
Cost of sales	–331,735	–280,816	–50,919	–1,207,615	–1,109,739	–97,876
Gross profit	**40,323**	**31,982**	**8,341**	**158,283**	**155,921**	**2,362**
Selling costs	–7,761	–5,715	–2,046	–29,840	–25,662	–4,178
Distribution costs	–23,554	–18,873	–4,681	–88,482	–86,183	–2,299
Other operating income	4,914	7,313	–2,399	17,085	13,934	3,151
Net operating profit	**13,922**	**14,707**	**–785**	**57,046**	**58,010**	**–964**
Net finance expense	–2,342	–6,431	4,089	–8,637	–15,595	6,958
Earnings before taxes	**11,580**	**8,276**	**3,304**	**48,409**	**42,415**	**5,994**
Income taxes	–3,711	–2,587	–1,124	–14,760	–12,829	–1,931
Earnings after taxes from discontinued operations	0	23	–23	0	23	–23
Earnings after tax	**7,869**	**5,712**	**2,157**	**33,649**	**29,609**	**4,040**

Substantial improvement in earnings despite advance outlays
Reflecting the GRAMMER Group's favorable business performance, post-tax earnings rose substantially to EUR 33.6 million (2013: 29.6) in 2014. At the same time, operating earnings before interest and taxes (EBIT) fell slightly short of the previous year, coming to EUR 57.0 million (2013: 58.0). This was due to the high advance outlays arising in the year under review for the implementation of the global growth strategy and the market-induced decline in revenue in the high-margin sub-markets of the Seating Systems Division. The EBIT margin came to 4.2%, down from 4.6% in 2013. Despite this, however, the substantial improvement in net finance expense as a result of the refinancing of financial liabilities in the previous year together with positive currency-translation effects in internal Group funding led to a significant improvement in post-tax earnings, causing earnings per share to rise by EUR 0.42 to EUR 3.09.

Group EBIT by quarter (in EUR m)



EBIT development GRAMMER Group (in EUR m)



Costs
The cost of sales increased by 8.8 % to EUR 1,207.6 million (2013: 1,109.7), thus rising at almost the same rate as revenue.

In the year under review, sales expenses were also up on the previous year, climbing to EUR 29.8 million (2013: 25.7) and, hence, also at the same rate as revenue.

Administrative expenses rose to EUR 88.5 million (2013: 86.2). In percentage terms, these expense were down slightly on the previous year due to higher revenues and expanded business activities in Europe as well as in Asia.

The staff costs included in the above items climbed by EUR 30.6 million to a total of EUR 282.2 million (2013: 251.6) for business-related reasons. The staff cost ratio widened only marginally over the previous year to 20.7 % (2013: 19.9).

Other operating income
Other operating income came to EUR 17.1 million (2013: 13.9). This increase is attributable to higher income from government grants, scrap sales and rentals.

Financial result
Financial result came to EUR 8.6 million (2013: 15.6). The more favorable terms on which the financial liabilities were refinanced in 2013 resulted in an improvement in interest expense. At the same time, currency translation had a positive effect on internal Group funding.

Taxes
At EUR 14.8 million, tax expense was up on the previous year (2013: 12.8). The growth in operating earnings in Germany resulted in income tax expenses in connection with minimum taxation effects. Non-domestic income tax expense rose as a result of the growth in the earnings of subsidiaries subject to higher tax rates.

Earnings
Despite the high advance outlays incurred in the year under review for the implementation of the global growth strategy and the market-induced decline in revenue in high-margin sub-markets, operating earnings before interest and taxes (EBIT) came to EUR 57.0 million and were thus virtually unchanged over the previous year (2013: 58.0). The EBIT margin reached 4.2 % (2013: 4.6). Earnings after interest and taxes climbed substantially to EUR 33.6 million (2013: 29.6) thanks to the improved financial result.

Earnings per share are calculated on the basis of net profit for the year and stand at EUR 3.09 (2013: 2.67).

Appropriation of profit
The appropriation of profit by the GRAMMER Group is based on the net profit/loss recorded in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. Compared with the previous year, GRAMMER AG posted a substantially higher unappropriated surplus of EUR 23.6 million as of December 31, 2014 (2013: 15.4). This includes the profit of EUR 8.1 million carried forward, the allocation of EUR 15.5 million to other revenue reserves and the net profit for the year of EUR 31.0 million. The Executive Board will be proposing to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.75 be paid per share (EUR 8.4 million) and that the balance of EUR 15.2 million be carried forward. This decision takes account of the fact that the Company holds a total of 330,050 treasury shares, on which no dividend is paid. If the number of dividend-entitled shares changes before the date of the Annual General Meeting on May 20, 2015, the Executive Board and Supervisory Board of GRAMMER AG will present a duly adjusted dividend proposal to the meeting.

Financial position
Finance and liquidity management
GRAMMER signed a new syndicated loan contract for EUR 180.0 million in 2013, thus securing the Group's long-term funding. The syndicated loan contract has a term of five years plus two one-year renewal options. GRAMMER exercised the first renewal option in 2014, with all participating banks renewing their share accordingly. The new term expires on October 31, 2019.

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

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

As of December 31, 2014, the Group holds EUR 84.0 million in cash and cash equivalents (2013: 91.3) to be used primarily to fund the continued growth of its business activities and as a strategic reserve.

At EUR 145.3 million, non-current financial liabilities were down slightly on the previous year (2013: 146.8).

Current financial liabilities came to EUR 25.4 million and were thus well down on the previous year due to the changes in the debenture bonds (2013: 37.7). The decline in this item was chiefly due to the repayment of EUR 18.0 million of a debenture bond in September 2014. At the same time, the amounts drawn under overdraft facilities were lower.

Cash flow from operating activities increased as a result of the improved pre-tax earnings. The effect of the business-induced increase in accounts receivable and inventories was partially offset by the opposing move in liabilities.

Cash flow from investing activities was down on the previous year. Adjusted for the price paid for the acquisition of nectec Automotive s.r.o. in the previous year, cash flow from investing activities was up on the previous year. Capital spending on property, plant and equipment increased due to continued production expansion as well as capital spending on intangible assets.

Cash flow from financing activities was down on the previous year. In the previous year, cash flow from financing activities had improved due to the issue of a new debenture bond in May 2013. In the year under review, the repayment of a debenture bond in September 2014 as well as the higher dividend payment compared with the previous year left traces on cash flow from financing activities.

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

Capital structure

As of December 31, 2014, the Company's share capital amounted to EUR 29,554,365.44 divided into 11,544,674 shares. All shares (with the exception of treasury stock) accord the same rights; shareholders have a right to payment of the approved dividend and may exercise one vote for each share at the Annual General Meeting.

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

a) provided this is necessary to eliminate fractional amounts;

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

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

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

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

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

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

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

The capital reserve amounted to EUR 74,444 thousand (2013: 74,444) as of December 31, 2014 and includes premiums from the capital increases in 1996, 2001 and 2011.

The revenue reserve amounted to EUR 184,505 thousand (2013: 159,423) as of December 31, 2014.

Disclosure of shareholdings in accordance with section 21 WpHG

Under the Securities Trading Act (WpHG), any person whose shareholding in a listed company reaches, exceeds or falls below certain percentages of the voting rights by purchase, sale or by any other means must immediately notify the Company and the Federal Financial Supervisory Authority. The lowest notification threshold is 3 %. An overview of the current status of notified shareholdings that currently exceed the 3 % threshold or have at some stage done so is included in the notes to the annual financial statements of GRAMMER AG.

Own shares

The authorization granted by the Annual General Meeting of May 28, 2009 and the confirming resolution of May 19, 2010 concerning the acquisition of treasury stock expired on May 27, 2014. The Annual General Meeting passed a resolution on May 28, 2014 to authorize the acquisition of treasury stock amounting to no more than 10 % of the share capital on or before May 27, 2019. Neither in the prior year nor in the year under review did the Executive Board of GRAMMER AG make use of the authorization to acquire own shares. GRAMMER holds 330,050 treasury shares, all of which were acquired in 2006. These shares have a total value of EUR 884,928 and represent 2.8589 % of the share capital. The 330,050 treasury shares are non-voting and non-dividend-entitled.

Capital spending

Capital spending by the GRAMMER Group increased from EUR 46.8 million in the previous year to EUR 51.5 million. At EUR 38.1 million (2013: 38.1 million), capital spending on property, plant and equipment remained at the previous year's level.

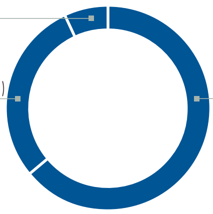
In the Automotive Division, capital spending came to a total of EUR 33.0 million (2013: 29.9) and concentrated on China, the Czech Republic, Mexico and Germany. In China, the plant in Shanghai was relocated to provide greater space for further growth. At the Peking facility, equipment was sourced for the start-up of a new series of center consoles. In Mexico, capital spending on production equipment was also required for the start-up of new projects. In addition, there were investments in the expansion of injection-mold production equipment and the localization of metal production (spring assembly). Capital spending at the Czech facilities focused on establishing and expanding facilities. There was further capital spending at the sewing facilities in Bulgaria and Serbia due to the insourcing of activities and in response to the high demand. At the German facility in Schafhof, metal production was expanded to generate capacity for new products.

Capital spending in the Seating Systems Division totaled EUR 15.0 million in 2014 (2013: 15.8). In the United States, a production facility was established in Tupelo, Mississippi, and successfully went into operation at the end of 2014. GRAMMER's new US facility assembles suspended seats for the Northern American commercial vehicle market. Following the certification of the new facility by the main customers and successful start-up of seat production, preparations are now also progressing ahead of the commencement of automotive production. 2016 will see the start of production of the first center consoles at the Tupelo site for the local automotive market. In addition, capital spending was channeled into the production of modified suspension for the offroad segment at the Tachov facility in the Czech Republic. The German facilities primarily engaged in extension and replacement spending. Thus, in the railway segment, spending focused on assembly facilities for the new regional transportation platform. In addition, investments were made in site safety and environmental protection.

A total of EUR 3.5 million (2013: 1.1) was spent on Central Services, chiefly in the form of software and IT licenses.

In 2015, Group capital spending will remain at the 2014 level and concentrate on extensions to production capacity in the Automotive Division and the continuation of measures aimed at boosting efficiency.

Investments (without acquisitions) by segments (previous year in brackets)



in EUR m

	2014	2013	Change
Automotive	33.0	29.9	10.4%
Seating Systems	15.0	15.8	–5.1%
Central Services	3.5	1.1	218.2%
Total	**51.5**	**46.8**	**10.0%**

Net assets

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

Condensed Balance Sheet GRAMMER Group

in EUR k

	2014	2013	Change
Non-current assets	319,114	298,453	20,661
Current assets	517,429	467,431	49,998
Assets held for sale	0	144	–144
Assets	**836,543**	**766,028**	**70,515**
Equity	231,761	224,671	7,090
Non-current liabilities	306,810	276,051	30,759
Current liabilities	297,972	265,306	32,666
Equity and liabilities	**836,543**	**766,028**	**70,515**

On the balance sheet date, December 31, 2014, the GRAMMER Group had total assets of EUR 836.5 million (2013: 766.0), an increase of 9.2% due to increased business volumes and ongoing production expansion.

Non-current assets up on the previous year due to expanded production

Non-current assets totaled EUR 319.1 million on December 31, 2014 (2013: 298.5). With the establishment of a new facility for the production of seating systems for the offroad segment in Tupelo, Mississippi, United States, and further expansion of the plants in the Automotive Division, property, plant and equipment rose to EUR 191.2 million (2013: 180.2). The increase in intangible assets to EUR 79.2 million (2013: 75.1) was primarily attributable to a further increase in concessions and commercial property rights. At EUR 48.4 million, deferred income tax assets exceeded the previous year (2013: 42.2).

Increase in current assets in tandem with greater business activity

Current assets increased to EUR 517.4 million in the year under review (2013: 467.4). Driven by revenue growth and the accumulation of precautionary reserves ahead of relocation activities, inventories climbed by EUR 12.7 million to EUR 128.3 million (2013: 115.6). Accounts receivable also rose from EUR 153.9 million to EUR 169.6 million as a result of the substantial revenue growth. Other current financial assets grew by EUR 24.8 million over the previous year to EUR 111.0 million due to high advance outlays for projects.

Other current assets climbed slightly to EUR 19.1 million (2013: 15.5). At the end of the year, cash and cash equivalents stood at EUR 84.0 million (2013: 91.3).

Further growth in equity

As of December 31, 2014, equity stood at EUR 231.8 million (2013: 224.7). However, the increased earnings are not fully reflected in equity due to the higher actuarial gains and losses of EUR 20.7 million on pension obligations recorded within equity and the dividend distribution of EUR 7.3 million. Despite these effects, the equity ratio came to a high 28% (2013: 29). Equity thus equals 72.6% (2013: 75.3) of non-current assets.

Changes in liabilities

Non-current liabilities amounted to EUR 306.8 million on the reporting date (2013: 276.1) attributable largely to the increase in pensions and similar obligations. The increase chiefly reflects the reduction in the discount rate during 2014. At EUR 145.3 million, non-current financial liabilities remained at the previous year's level (2013: 146.8). At the same time, EUR 1.1 million (2013: 2.3) in trade accounts payable were classified and duly reported as non-current. Deferred income tax liabilities also increased to EUR 26.1 million (2013: 25.3).

Current liabilities climbed from EUR 265.3 million to EUR 298.0 million. The favorable business performance resulted in an increase of EUR 41.8 million in trade accounts payable to EUR 192.2 million. On the other hand, current liabilities fell from EUR 37.7 million to EUR 25.4 million primarily as a result of the repayment in September 2014 totaling EUR 18.0 million of the maturing portion of the 2011 debenture bond. At EUR 55.8 million, other current financial liabilities were slightly down on the previous year (2013: 56.9). Provisions rose only slightly by EUR 11.5 million in the previous year to EUR 12.1 million.

Conditions in the Divisions

Automotive Division

Automotive industry driven by positive impulses

The two large markets China and the United States were the dominant influence on the automotive industry in 2014. According to the German Association of the Automotive Industry (VDA), a rapid sprint towards the end of the year under review in both countries caused global new passenger vehicle registrations to rise by 4 % to 76.1 million. In China alone, sales of new cars increased by a good 2 million or 13 % to 18.4 million, with growth of almost one fifth achieved in December. In the United States, the world's second largest market, new registrations of light vehicles (passenger vehicles and light trucks) came to 16.4 million, up 6 % on the previous year. After rising steadily since 2009, the US market has now returned to pre-crisis levels. Declining fuel prices spurred sales of light trucks in 2014, with the segment growing by 10 % to 8.7 million units, thus substantially outpacing passenger vehicle sales, which rose by only 1 % to 7.7 million units. Consequently, the share of light trucks in the market as a whole widened from 51.2 to 53.2 %.

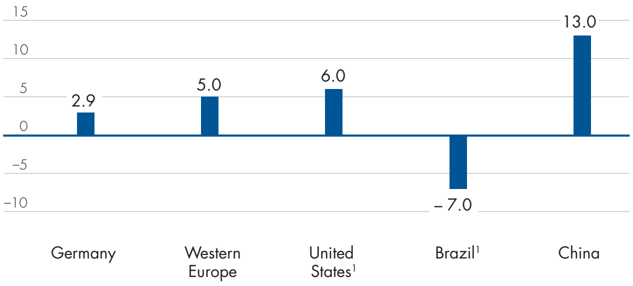
The other NAFTA countries, Canada and Mexico, recorded growth of 6 and 7 %, respectively. On the other hand, new registrations of light vehicles in Brazil fell by 7 % to 3.3 million units, while sales in Argentina tumbled by 36 % to 587,000 vehicles. With 4.7 million units, the Japanese market grew by 3 % over the previous year, while India recorded total sales of some 2.6 million vehicles, up 1 % on the previous year.

EU-wide new registrations increased again for the first time since 2007. 12.1 million new passenger vehicles were registered in Western Europe, an increase of around 5 % over the previous year. Of the largest markets, Spain achieved the greatest growth of 18.4 % in the course of the year, followed by the United Kingdom (up 9.3 %), Italy (up 4.2 %) and Germany (up 2.9 %). With growth of 0.3 %, the French market remained largely flat over the previous year. On the other hand, smaller markets such as Portugal (up 34.8 %) and Ireland (up 29.6 %) experienced veritable booms. Only registrations in Austria (down 4.9 %) and Belgium (down 0.6 %) defied the general trend by shrinking.

Global production output climbed by 4 % in the countries tracked by VDA and, hence, at a slightly lower pace than registrations. Here as well, China exceeded the average with an increase of 13 % to 18.6 million, while the United States registered an output of 11.4 million vehicles, up 5 % over the previous year. With an output of 8.3 million, Japan achieved a modest 1 % increase, while the Indian market flatlined at just under 3.2 million units.

The German OEMs were able to increase their domestic production output by 3 % to 5.6 million and their non-domestic output by as much as 8 % to 9.3 million cars. Output in France rose by 3 % to 1.5 million units. In Spain, 1.9 million vehicles left the factories, an increase of 8 %, while production in the United Kingdom grew by 1 % to 1.5 million units.

Change in automotive sales volumes 2014
in selected countries year on year (in %)



[1] including light vehicles
Source: VDA

Strong growth in the Automotive Division

Key figures Automotive division
in EUR m

	2014	2013	Change
Revenue	911.6	813.3	12.1 %
EBIT	28.9	33.1	–12.7 %
EBIT-margin	3.2 %	4.1 %	–0.9 %-points
Investments (without acquisitions)	33.0	29.9	10.4 %
Employees (number, as of December 31)	6,761	6,101	10.8 %

Once again, the Automotive Division was the Group's growth driver. During the year under review, it expanded substantially. Driven by the strength of the automotive sector in its main markets in Europe, NAFTA and China as well as various new product launches, business volumes rose by 12.1 % to EUR 911.6 million (2013: 813.3).

The premium OEMs, which GRAMMER primarily supplies, particularly benefited from the favorable market environment. This was reflected in rising sales figures, from which GRAMMER as a components supplier duly benefited. Despite the significant increase in revenue, however, the Division failed to reach the operating profit which it had generated in the previous year. At EUR 28.9 million, EBIT was down on the previous year (2013: 33.1) as expected, with the EBIT margin coming to 3.2 % (2013: 4.1). This substantially lower Division margin was caused by the costs incurred in the year under review for the implementation of the global growth strategy, which entailed a large number of new product launches as well as production expansion in all regions.

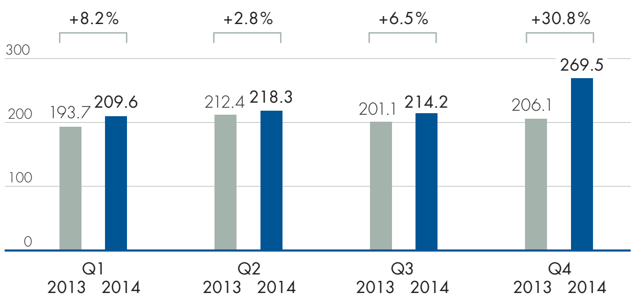
Although the Division posted growth in all three regions, there were distinct differences in the individual growth rates. Substantial gains were achieved in the Division's domestic European market, the region in which it generates the largest volume of revenue. At 10.5 %, the growth rate which it recorded in the year under review substantially outpaced the market as a whole, which expanded by 5.7 %. In this way, GRAMMER was able to additionally broaden its market position. At 26.8 %, the most dynamic growth arose in the Far East/Others, where GRAMMER also grew significantly more quickly than the market as a whole, additionally reinforcing its position in the premium market for headrests, center consoles and also armrests. However, at 4.1 %, growth in the Americas was slower than the general market. Driven by improved consumer confidence in the United States in connection with lower fuel prices, the light trucks segment, which is traditionally dominated by US and Japanese OEMs, expanded sharply. GRAMMER still has only a disproportionately low presence with these customers.

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

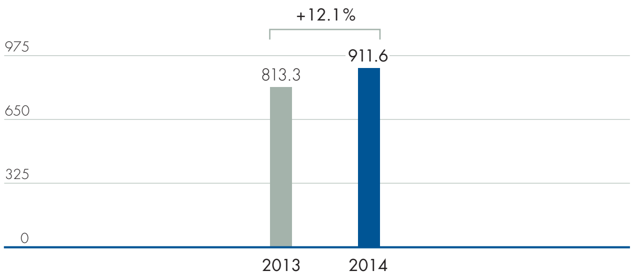
Order intake in the year under review was again up on the previous year. Most of the new orders were received in the Americas and the region Far East/Others. All three business segments achieved a notable volume of new orders.

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

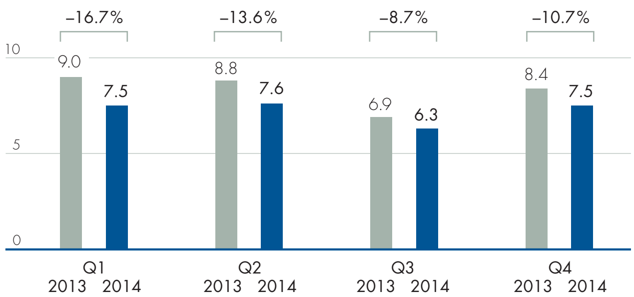
Automotive revenue development by quarter (in EUR m)



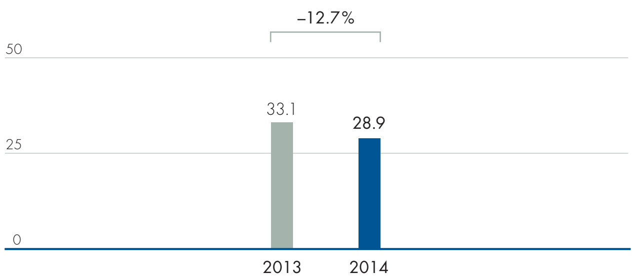
Revenue development Automotive division (in EUR m)



Automotive EBIT development by quarter (in EUR m)



EBIT development Automotive division (in EUR m)



Seating Systems Division

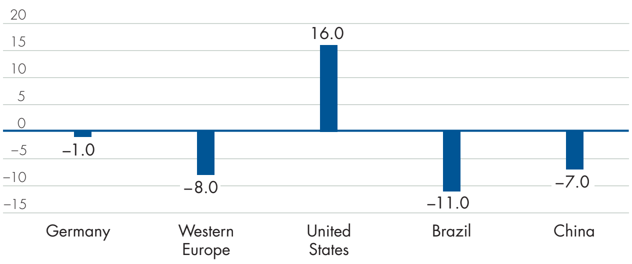
Continued decline in the commercial vehicle market

New commercial vehicle registrations declined for the second consecutive year in 2014, dropping globally by 5 % to 9.9 million units across all size classes according to VDA. Asia and Latin America in particular registered weak business. In China alone, new registrations of heavy trucks contracted by 7 % to around 992,000. One reason for this is presumably to be found in pre-buying effects occurring in the previous year. Many logistics companies bought new vehicles ahead of the planned new China IV emissions rules, which took effect in summer 2013. However, the rules were postponed at short notice due to the insufficient availability of high-quality diesel fuel. New registrations also declined by double-digit rates and Brazil (down 11 %). Business in heavy and medium-heavy commercial vehicles in these markets reflected muted macroeconomic conditions, with rising financing costs also taking their toll.

An extremely favorable picture was painted in the United States, where registrations of new heavy and medium-heavy trucks rose by 16 % over the previous year to 407,000. This strong market momentum was chiefly due to the solid economic situation, with heightened demand in industry and construction boosting freight volumes and, hence, truck capacity requirements.

According to industry association VDA, new registrations in Western Europe of heavy trucks shrank by 8 % to 228,000 units not least of all due to the faltering recovery of the Eurozone economy. However, this situation was presumably skewered by pre-buying effects ahead of the new Euro VI emissions standard, which had caused a sharp rise in new registrations in 2013 (particularly the fourth quarter). Of the major markets, France (down 14 %) and the United Kingdom (down 28 %) fell substantially short of the previous year. At 1 %, the decline in Germany was more moderate.

Change in commercial vehicle sales volumes 2014 (trucks above 6 t) in selected countries year on year (in %)



Source: VDA

Agricultural machinery weaker

Following on from record global revenue of EUR 97 billion in 2013, production in agricultural machinery segment shrank to EUR 90 billion in 2014 according to provisional VDMA figures. Nearly all regions were affected, with China (down 11 %), North America (down 9 %) and South America (down 7 %) sustaining particularly large declines. European industry association CEMA reports that the EU agricultural machinery sector is currently in the throes of a recession. The business confidence index slipped considerably in the course of the year, reaching its lowest level in around four years. New registrations of tractors from January through October were down 23 % over the previous year in France, while Austria reported a decline of 14 %. The major exception was Spain, where new tractor registrations were up 16 %. In Germany, registration figures declined by 2 %. The German agricultural machinery market is likely to have had a volume of EUR 5.4 billion in 2014, down from EUR 5.6 billion in the previous year.

Construction machinery stabilizing

The German construction and construction machinery industry is estimated to have closed 2014 with an increase of at least 5 % in revenue to around EUR 12.5 billion. There are unmistakable signs of stabilization in Europe. The CECE Business Barometer, which tracks European OEMs' sentiment, has recently been drifting sideways. VDMA assumes that the European construction industry expanded by around 2 % in 2014 accompanied by increased demand for construction machinery. Order receipts in the first nine months were up 6 % on the previous year. The greatest growth was achieved with excavation machinery (up 12 %) and road construction machinery (up 10 %), while construction machinery business slumped by 9 %.

Listless material handling business

The global market for material handling equipment grew substantially by 9 % in the first nine months of 2014. Sales of material handling equipment expanded by 11 % in Europe and by as much as 13 % in Asia. In North America sales were up 6 %.

Revenue surge in the railway industry

After record order intake in 2013, business picked up noticeably in the railway industry in 2014. According to industry association VDB, the revenue of railway equipment producers in Germany rose by 18 % to EUR 5.2 billion in the first half of 2014. At just under 37 %, foreign business rose particularly sharply, with German producers particularly benefiting from business in trains, locomotives and related components. It expanded by 50 % over the first half of 2013 to EUR 2.1 billion. Domestic business in this segment expanded by just under 12 % to EUR 1.9 billion. A good three quarters of the sector's business came from rolling stock and related components, with infrastructure equipping accounting for the balance.

Seating Systems asserting itself well in a difficult market environment

Key figures Seating Systems division

in EUR m

	2014	2013	Change
Revenue	478.7	472.8	1.2%
EBIT	36.2	37.6	–3.7%
EBIT-margin	7.6%	8.0%	–0.4%-points
Investments (without acquisitions)	15.0	15.8	–5.1%
Employees (number, as of December 31)	3,679	3,729	–1.3%

In 2014, business in the Seating Systems Division was characterized by disparate market conditions in the individual business segments and regions. Revenue was stable in the offroad segment, lower in the agricultural machinery segment but higher with material handling products. Truck business was also flat compared with the previous year, accompanied by considerable regional differences, while revenue in the railway segment was up for project-related reasons. After-market business also expanded, with revenue rising.

Slight growth was recorded in Europe, which accounts for more than 50% of revenue in this segment, during the year under review. Revenue in the offroad segment was down slightly due to the persistently muted conditions in the agricultural machinery market. The truck segment recorded a further small increase in revenue but, as expected, fell short of the previous year's growth rates as the new-generation MSG 115 seat is now being delivered in stable quantities to the main customers. Business was very gratifying in the railway segment, with revenue rising substantially as a result of high project sales in the high-speed area.

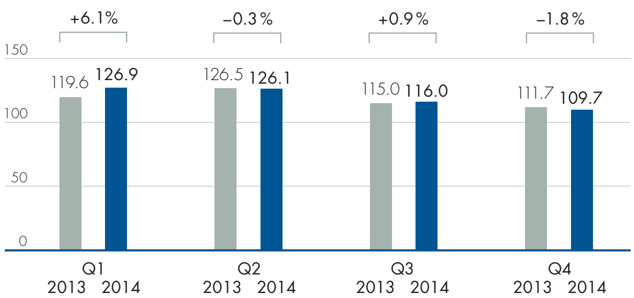
On the other hand, revenue in the Americas fell short of the previous year. Whereas business in offroad products remained stable in North America, the South American truck market weakened on a sustained basis in the year under review. Despite its strong market position in Brazil, GRAMMER was unable to shrug off the effects of this trend.

On the other hand, business in the Far East/Others was gratifying, rising substantially over the previous year, underpinned by the offroad segment with moderate growth as well as the truck segment with substantially higher revenue. The sharp rise in revenue from truck seats was due to the consolidation of GRAMMER Seating (Jiangsu) Co., Ltd. for the first full year.

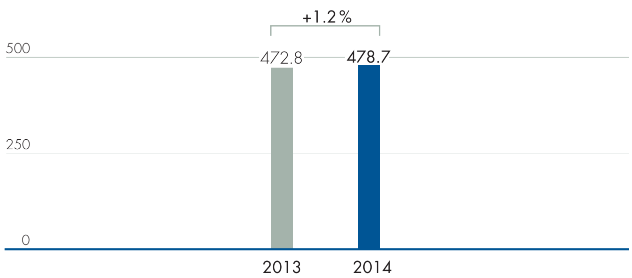
The EBIT margin came under pressure from the market-induced shift in revenue structures as well as the non-recurring costs arising in connection with the relocation of production from Hudson to Tupelo, dropping from 8.0% in the previous year to 7.6%.

In addition to market-related factors, offroad business in 2014 was particularly affected by the establishment of a new facility in Tupelo, Mississippi, United States, and the relocation of production activities from our old facility in Hudson, Wisconsin. This relocation has now been completed and marks an important step in our strategy for North America. In addition, GRAMMER presented the world's first integrated seat/multi-function armrest system in the year under review. This development had been rendered possible following the acquisition of GRAMMER EIA Electronics N.V. in 2011 and has given GRAMMER an excellent market position. In fact, a preliminary order has already been received from a renowned Asian customer. With its innovative and high-quality seats, the truck segment was also able to secure new orders from a global customer, which will result in significant revenue in several regions in the future. In the railway segment, we unveiled a newly developed platform for regional transportation in the year under review. This new seat met with a favorable response in the market and a preliminary order has been received for the urban rail transit system of one German city. Looking forward, GRAMMER will therefore be able to offer customers ultramodern seating systems from a single source addressing all segments from regional to high-speed transportation.

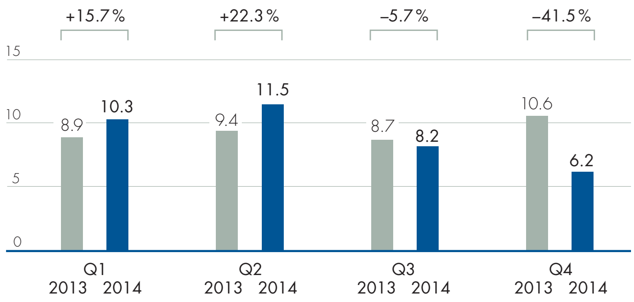
Seating Systems revenue development by quarter (in EUR m)



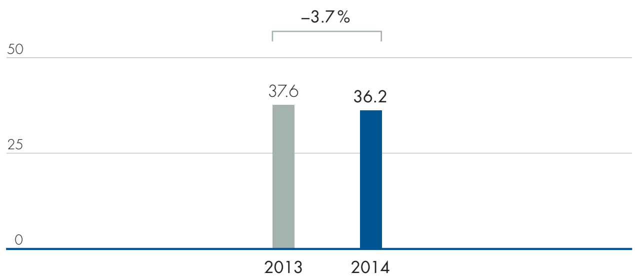
Revenue development Seating Systems division (in EUR m)



Seating Systems EBIT development by quarter (in EUR m)



EBIT development Seating Systems division (in EUR m)



Appraisal of the Company's economic situation

On the strength of the higher revenue and earnings achieved in 2014 as well as the solid funding structures, we consider the GRAMMER Group to be well positioned to achieve its future goals and to tackle the challenges facing it. We hold a good to very good market position in the individual business segments which we address and were again able to gain market share with our innovative and high-quality products in the year under review. Moving forward, GRAMMER will continue to be able to fund its organic growth with its own resources thanks to rising revenue, a substantial improvement in post-tax earnings and positive cash flow from operating activities. What is more, our balanced funding structure and an equity ratio of 28% assures us of the flexibility which we require to act on opportunities arising in the market in the future. Accordingly, the Group's current economic condition can be considered to be favorable.

Financial and non-financial performance indicators

Employees

Increase in headcount due to revenue growth

As of December 31, 2014, the GRAMMER Group had a total of 10,700 employees (December 31, 2013: 10,082). This increase is due to revenue growth and continued production expansion. The staff cost ratio rose marginally. The annual average headcount stood at 10,446 (2013: 9,315).

The number of employees in the Automotive Division rose to 6,761 (2013: 6,101). Additional employees were recruited in Serbia in particular in the course of the year in response to the strong order intake and in order to expand internal sewing capacities. Employee numbers also rose in Europe, Mexico and China due to new product launches and production expansion in these regions.

On the other hand, the headcount in the Seating Systems Division dropped to 3,679 (2013: 3,729) chiefly as a result of the contraction of the Brazilian truck market and resultant adjustments to capacity in that country. The US headcount rose as a result of the new facility in Tupelo.

At 260, the number of employees in Central Services remained virtually steady at the previous year's level (2013: 252).

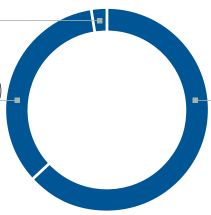
We also expect a slight increase in headcount in 2015 in view of the increased volume of business and the planned new product launches.

Training, professional development, human resources

Personnel development is key to achieving and improving success in business. Employees with new ideas, expanded knowledge and additional skills play a decisive role in maintaining established standards and building on competitive strengths. For this reason GRAMMER offers numerous initiatives for employees of all areas and levels. In 2013, the GRAMMER Group restructured the professional development programs in response to the heightened demands with respect to recruiting and training qualified staff, continuing these activities in 2014. An annually updated training catalog provides all employees with an overview of possible upskilling measures and contains standardized Group-wide training modules. Our professional development program for management staff is based on a hierarchical three-level structure: The "GRAMMER Corporate Executive Program" focuses on strategic training for top management; the "GRAMMER Advanced Management Program" is aimed primarily at middle management as well as plant and department supervisors and the "GRAMMER Basic Management Program" program is designed to develop young potentials. It was successfully launched in a pilot project in 2013/2014. The pilot projects for the Advanced and Executive Programs will be rolled out in 2015/2016. All three programs are oriented to the GRAMMER Group's mission statement, targets and strategy. In addition to management training, GRAMMER also offers training for experts as a means of providing highly qualified specialists with scope for professional development and to deploy them in the Company's best interests.

The Group also plays an important role in training school-leavers in its regions, and the number of apprentices which it takes on will again exceed the number needed to cover its own requirements in 2015. For instance, the training program at the Company's professionally staffed training center in Amberg is a key element of GRAMMER AG's human resource policy. We offer apprentices firm positions in our Company provided that this is in line with our personnel policy and we have sufficient vacancies. In 2014, we continued to employ motivated apprentices in many different parts of the Company in order to maintain a qualified pool of resources in fields that are becoming more important for the future. We also hosted numerous internships in Germany and elsewhere and offered students and postgraduates the possibility of completing their thesis or dissertation while gaining practical experience within our Company. Highly qualified young professionals are also attracted through university recruiting events in Germany and in other European countries or in cooperation with Bildungswerk der bayerischen Wirtschaft. One example of our successful activities in the university domain is the long-standing close working relationship with the OTH Amberg Weiden University of Applied Sciences (Ostbayerische Technische Hochschule für angewandte Wissenschaften Amberg-Weiden).

Employees by segments (previous year in brackets)



as of December 31

	2014	2013	Change
Automotive	6,761	6,101	10.8 %
Seating Systems	3,679	3,729	–1.3 %
Central Services	260	252	3.2 %
Total	10,700	10,082	6.1 %

Supervisory Board and Executive Board

The rules for appointment and dismissal of Executive Board members are based on the provisions of section 84 AktG as well as article 8 et sec. of the Company's articles of incorporation. There were no changes in the composition of the Executive Board in 2014.

There were several changes in the composition of the Supervisory Board during the reporting year: Effective January 31, 2014, Ms. Tanja Jacquemin, an employee representative, stepped down from the Supervisory Board. She was replaced by employee representative Ms. Tanja Fondel pursuant to a ruling of the Local Court of Amberg effective February 8, 2014. Similarly, Mr. Bernhard Hausmann, who had replaced Mr. Martin Bodensteiner and had stepped down from the Supervisory Board on January 21, 2014, returned to the Supervisory Board again on February 8, 2014 as an employee representative. Mr. Anton Kohl stood down from the Supervisory Board effective August 31, 2014 and was replaced by Mr. Lars Schelenz effective September 17, 2014 in a ruling issued by the Local Court of Amberg.

Principles of the remuneration system

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

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

Procurement management

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

Production

The GRAMMER Group produces and sells its products worldwide from 37 production and logistics facilities in 20 countries. The GRAMMER Group's strategic goal is to achieve a continuous and sustainable improvement in the cost position of our products with production sites located in proximity to our customers. With uniformly defined, globally applicable standards for production processes and technology, plant technology and logistics along the entire value chain, the GRAMMER Group ensures consistently high quality in its products and services regardless of where they arise. Production methods and systems are implemented on a uniform global basis and undergo constant optimization as part of institutionalized continuous improvement processes using "best practice" benchmarking. With the GPS (GRAMMER Production System), GRAMMER coordinates and controls production methods across the Group to ensure that the individual operating units have the production processes required to achieve the quality expected by the customer at all times. The GPS is the manifestation of our structured, process-oriented approach to implementing and manufacturing lean manufacturing throughout the Group. It allows us to meet growing demands in production as well as to monitor and optimize the related cost positions. In order to additionally strengthen the lean manufacturing approach, the Group has launched a worldwide training program integrating every location, unit and function. With the "Lean Academy" and the continuous learning process installed there, we are systematically implementing our benchmarks on a sustained basis. Our growth of the past few years and the resultant expansion of our production capabilities in China, where we now have five production sites, as well as extensions in Mexico, Brazil, the Czech Republic and Serbia impressively demonstrate the pronounced internationalization of our value chain.

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

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

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

Events subsequent to the reporting date

No reportable events occurred in 2014.

Corporate Governance

The corporate governance declaration pursuant to section 289 a of the German Commercial Code (HGB) along with the declaration of conformance with the German Corporate Governance Code (section 161 of the Stock Corporation Act (AktG)) are reproduced in this Annual Report and are permanently available on the company website under www.grammer.com.

Disclosures in accordance with section 289 (4) and section 315 (4) HGB

GRAMMER AG has subscribed capital of EUR 29,554,365.44, which is divided into 11,544,674 bearer shares.

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

The notes to GRAMMER AG's annual financial statements for 2014 set out detailed information on the voting right notifications received in accordance with section 26 WpHG.

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

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

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

The service contracts entered into with the member of the Executive Board have included a change-of-control clause since January 2013, under which each member of the Executive Board has a special right of termination which may be exercised within three months of a change of control. If the special right of termination is exercised, the terminating party may claim compensation equaling the sum total of the fixed remuneration no longer paid as a result of the termination up until the expiry of the service period and 80% of the maximum achievable short-term bonus and limited to 150% of the settlement cap agreed upon in the service contract equaling the total remuneration for a two-year period. There are no other compensation arrangements in force with any employees in the event of a change of control.

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

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

Opportunity and risk report

Risk policies and principles

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

- Opportunities and risks in the context of risk management for GRAMMER encompass any positive or negative deviations from a plan or target defined in circumstances of uncertainty.

- Risk management thus contributes to value based management within GRAMMER Group. Value-based means that the Company deliberately enters into risks only when there is potential for enhancing its value by taking advantage of favorable business opportunities. GRAMMER must avoid any activities potentially entailing risks that are liable jeopardize the further existence of the Company. Core operational risks, and in particular those originating in the market, as well as risks arising from the development of new products are borne by the Group itself. As far as possible, the Group seeks to transfer other risks, particularly financial and liability risk to third parties. Risk management within the GRAMMER Group extends to all companies and organizational units. Identification of risks and implementation of value-enhancing measures are deemed by GRAMMER management to be ongoing and Group-wide tasks. All employees of the Company are required to identify and minimize risks within their area of responsibility.

- At regular intervals, our internal audit function also performs a review of the sufficiency and effectiveness of our risk management system. All employees of the Company are under a duty to minimize risks to the extent possible within their area of responsibility and to actively contribute to risk avoidance. All employees undertake to report all opportunities and risks arising during business operations to their responsible managers.

Risk management process

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

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

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

Risks

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

Market and sector specific risks

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

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

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

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

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

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

Procurement risks

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

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

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

In order to minimize risks arising from quality problems attributable to suppliers, GRAMMER engages in intensive supplier development and conducts regular supplier audits. Using system-based supplier evaluations we continuously analyze and grade specific suppliers for their quality and performance in the supply chain. The results of these activities provide the key criteria for the selection by GRAMMER of suppliers for project work and series production.

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

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

The GRAMMER Group cannot completely avoid fluctuations in credit markets and this may give rise to risks to our financial position, earnings and assets. The GRAMMER Group seeks to minimize interest rate risks through long-term funding and the use of derivatives. High priority is also given to ensuring adequate liquidity. In 2013, the Group's funding was placed on a firm footing with the signing of a syndicated loan agreement for a period of five years plus two one-year renewal options. As the first renewal option was exercised in 2014, we now have a further five-year period plus one one-year renewal option. Liquidity risks are monitored and documented continuously in a rolling Group-wide financial requirements plan. Additionally, investments are selectively concluded via leasing and rental agreements. Despite the possible disadvantages in terms of interest rates, key emphasis is placed on the expansion of our liquidity and the creation of appropriate liquidity reserves. To a certain degree, this adversely affects interest result, a fact that we are willing to accept in order to maintain our strategic leeway and safeguard our liquidity position. Our customer structure limits credit risks, which are monitored through active receivables management. The funded status of our pension plans is heavily influenced by interest rate uncertainties and risks in the market place as well as by changes in accounting rules that can mean both increases or decreases in the present value of the defined-benefit pension plans. Pension obligations are recognized on the basis of actuarial calculations in which the applicable interest rate plays an important role. The actual development of payouts can deviate from the computed values since assumptions regarding interest rates, wages and inflation are all uncertain. Consequently, they may pose potential risks for our financial position, earnings and assets.

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

Legal risks
To guard against legal risks, we employ a system comprising intensive contract review and contract management, as well as systematic documentation and archiving. GRAMMER has sufficient insurance to cover normal and going-concern risks. Restrictions of the Group's international activities through import/export controls, tariffs or other regulatory barriers to trade represent a risk that, because of the nature of our operations, the Group cannot escape. In addition, our business activities may be adversely impacted or

impeded by export control regulations, trade restrictions and sanctions. Strict adherence to all legal requirements can produce limitations that can lead to competitive disadvantages. The many legal rules and regulations and constant changes in tax rules, among other things, may give rise to risks that may adversely impact our financial position, earnings and assets.

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

IT and information risks
The security, protection and integrity of our data and IT infrastructure are indispensable for the smooth operation of our business. Legal requirements and regulations stipulate that technical and organizational measures be taken to protect our data centers and ensure highly available and secure data transfers. In order to meet these requirements, GRAMMER operates a redundant system with the mission critical components of the IT infrastructure installed in two data centers. The electricity supply is guaranteed, even in emergencies, by separate emergency generators. All GRAMMER sites have redundant connections to the data centers. Business continuity plans document the steps for ensuring the recovery of critical IT systems. GRAMMER has implemented appropriate security systems and taken measures to avert any intrusion. Firewalls, virus scanners and other activities are regularly reviewed to determine their efficacy and adjusted where necessary. A Group-wide IT security organization responsible for tracking the latest developments and proactively neutralizing threats is also in place to ensure IT security. The IT services department's Systems & Security Team along with the data protection officers and risk management team forms the Security Incidence Team, which is tasked with coordinating activities to improve IT security. Nonetheless, our worldwide activities, along with the general increase in threats and attacks, mean that our systems, networks, data and solutions are exposed to some level of risk. However, a negative impact on net assets, financial condition and results of operations as a result of data loss, system disruption and loss of production is not considered likely.

Ecological risks
GRAMMER works with an environmental management system on the basis of ISO 14001. The GRAMMER Group's management system incorporates all the ISO 14001 requirements. This system defines worldwide standards (e.g. environmental programs and targets), which are implemented by local environmental officers and monitored via regular audits to minimize ecological impact. We also continue to pursue certification of our production sites in accordance with ISO 14001. Nonetheless, external circumstances or internal errors may arise and result in risks for the Group.

Characteristics of the internal control system

As a capital market-oriented corporation within the meaning of section 264 d HGB, we are required under section 289 (5) no. 5 HGB to describe the main characteristics of the internal control and risk management system as they relate to the Group's accounting process. There is no statutory definition of "the internal control and risk management system as they relate to the Group's accounting processes". We define the internal control and risk management system as a comprehensive system and have adopted the definitions of the accounting-related internal control and risk management system proposed by the Institute of Public Auditors in Germany (IDW), Düsseldorf. Accordingly, an internal control system comprises the principles, processes and measures taken in the Company by its management for the organizational implementation of decisions made by management

- to ensure the effectiveness and viability of the Company's business activities (this also includes 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 includes, in its entirety, all organizational rules and measures intended to identify risks and control the risks inherent in business activities.

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

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

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

Opportunities management

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

Opportunities

Market opportunities

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

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

Growth in China – In China we are endeavoring to secure contract awards from globally active OEMs which are engaged in this expanding automotive market. In addition, we are also trying to tap new customer groups in the local market. In the Seating Systems Division, we operate local production facilities in the Chinese truck market for suspended seating systems and expect to generate additional growth on the strength of positive market effects. What is more, the Chinese market is currently still less attuned to product characteristics such as ergonomics and safety compared with European and Northern American standards and thus offers correspondingly high growth potential. China is already the world's largest truck market and is thus able to generate corresponding opportunities for GRAMMER.

Optimization in North America – GRAMMER has opportunities in both business segments in North America, where we are increasingly also operating as a system supplier for local OEMs as well as our European partners in the premium segment. By opening a new plant in the US state of Mississippi, which will also be our US headquarters, we will be optimizing our presence in this key automotive market.

Stabilization in Europe – The stabilization of the economy in Southern Europe may also offer opportunities for GRAMMER; the markets in Central and Northern Europe have already returned to a growth trajectory. If demand for passenger and commercial vehicles recovers more quickly than expected, this may leave positive traces on GRAMMER's revenue and earnings due to the large proportion of business which this region contributes.

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

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

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

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

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

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

Assessment of risks and opportunities
After a detailed review of the current risk situation, we have determined that the GRAMMER Group has implemented appropriate precautions to address the risk which have been identified. The risks that are currently known to us have no material impact on the Company's future net assets, financial position and results of operations. At this time, we see no risks liable to jeopardize the Group's going-concern status, while the opportunities may additionally help to mitigate risks. Due to current contradictory and volatile forecasts, no definitive assessment can be made as to the development of risks arising from commodity prices, since the possible scenarios entail both opportunities and risks. The GRAMMER Group's growth was again supported by the stabilization of the global economy in 2014. Assuming that the global economy continues to improve in the future, this may yield additional opportunities for the GRAMMER Group.

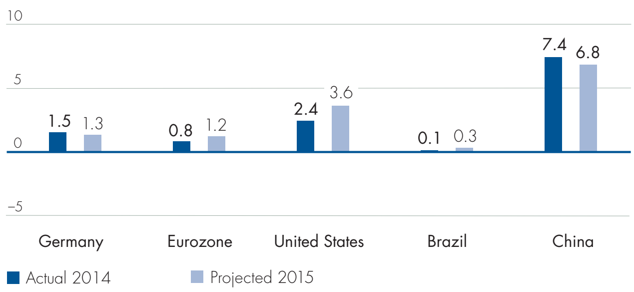
Business development forecast

Global economy on a growth trajectory
The global economy is likely to gain momentum to some degree in 2015, driven by continued very expansionary monetary policies and, hence, low interest rates in the major economies, reduced fiscal restrictions in most industrialized nations and substantially lower oil prices. On the other hand, muted capital spending in many industrialized nations and emerging markets will exert a drag. According to IMF forecasts, global output will increase by 3.5 % and, hence, 0.2 percentage points more quickly than in the previous year. It sees the United States as the driving force behind the developed world with growth expected to reach 3.6 %. In addition to consumer spending, which will benefit from improved conditions in the job market, corporate spending will also gain momentum. Growth is likely to be somewhat less dynamic in the United Kingdom (up 2.7 %) and Canada (up 2.3 %). Once again, the Eurozone will lag behind the other industrialized nations, achieving estimated growth of a paltry 1.2 %. A stronger economic recovery will particularly be prevented by the persistent structural problems afflicting part of the region. The IMF forecasts growth of 1.3 % for Germany.

Developing and emerging markets should benefit from brisker demand in the advanced economies, although structural shortcomings will also stand in the way of a return to stronger growth rates. The IMF forecasts growth of 4.3 % in economic output, primarily underpinned by Asia, especially India (up 6.3 %) and China (up 6.8 %). Growth in China is likely to continue slowing in 2015 as the government in Peking wants to reduce the economy's dependence on the real estate sector and shadow banks. With growth of only 1.3 %, Latin America is likely to exert a drag on the emerging markets. In Brazil, growth is expected to slow to 0.3 %. The IMF projects a serious recession and 3 % contraction in economic activity in Russia.

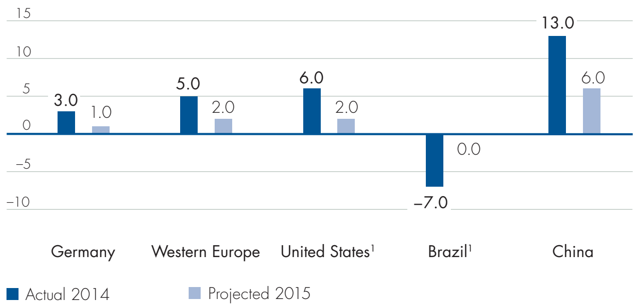
Despite the positive underlying trends, the global economy remains susceptible to shocks. According to the IMF, the greatest risks to the global economy include the heightened volatility of the financial and commodities markets, losses for many oil-exporting countries as a result of low oil prices and the risk of persistent stagnation or deflation in Japan or the Eurozone.

Economic growth (gross domestic product) in selected countries (in %)



Source: IMF

Changes in automotive sales volumes in selected countries (in %)



[1] including light vehicles
Source: VDA

Outlook for the Automotive Division

Moderate growth in the passenger vehicle market

Despite the international crisis, the global passenger vehicle market will remain on its growth trajectory in 2015 according to industry association VDA. New registrations are expected to rise by 2 % to 77.3 million cars, with production also climbing by 2 % to 76.9 million. With new registrations of 19.5 million passenger vehicles (up 6 %), China looks set to be the growth driver, although above-average growth is also possible in India (up 5 % to 2.7 million units). VDA expects growth in the United States to slow to 2 %, equivalent to a market volume of 16.7 million light vehicles. New registrations in Brazil should remain on a par with the previous year.

It also projects growth of 2 % to 12.3 million units for the EU countries, although actual figures will again vary sharply from country to country. In Germany (up 1 %), the desired momentum is unlikely to return to the market. Despite the encouraging fundamental conditions, weak private-customer business in particular is unlikely to recover swiftly. Similarly, there will probably be only moderate growth in France (up 2 %) and Italy (up 3 %). On the other hand, the smaller markets of Portugal (up 12 %), Ireland (up 10 %) and Greece (up 15 %) will expand at double digit rates. Conditions in Russia are extremely difficult, with the recession expected in that country likely to cause new registrations to slump by 20 % to just under 2 million vehicles.

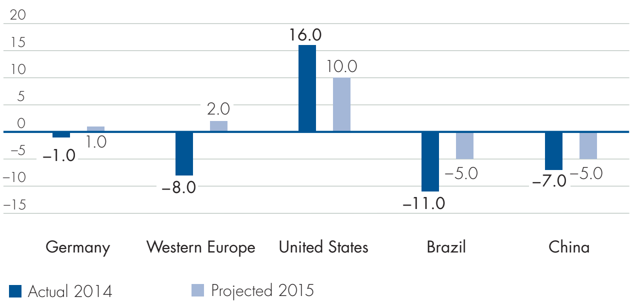
With respect to production output, Japan will likely contract by a sharp 7 % to 7.7 million units. On the other hand, India and China should generate greater impetus and each achieve growth of 6 %. Momentum in the United States looks set to weaken to some degree, as a result of which production output will climb by 3 % to 11.7 light vehicles. In Europe, Spanish and Italian OEMs will take the lead with production growth of 10 %, while domestic production in Germany will rise by only a slight 2 % to 5.7 million passenger vehicles.

Outlook for Seating Systems

Recovery in the commercial vehicle market

Following the decline of the last two years, VDA expects slight expansion in the global market in 2015, with new registrations expected to rise by 3 % to 10.1 million commercial vehicles (including busses). New registrations of heavy trucks are painting a mixed picture. Conditions are also likely to remain difficult in Brazil, where the market for medium and heavy trucks could shrink by around 10 %. VDA expects the Brazilian market to contract by 5 %. VDA is optimistic with respect to the United States, stating that the solid state of industry, brisker construction activity and the upbeat state of the general economy should spur the commercial vehicle market by a good 10 %. In China, the world's largest commercial vehicle market, sales of heavy trucks look set to drop by 5 %. VDA forecasts a 2 % increase to 233,000 heavy trucks in Western Europe, although the German market is likely to defy this trend and contract by 1 %. However, this will be more than made up for by expansion in France (up 4 %), Italy (up 1 %) and Spain (up 7 %).

Changes in commercial vehicle sales volumes (trucks over 6 t) in selected countries (in %)



Source: VDA

Continued decline in agricultural machinery
The downswing which emerged in 2014 is likely to continue in 2015. According to VDMA, a further decline of 6% in global agricultural machinery production to EUR 85 billion must be expected. Eroding prices of agricultural produce are placing a damper on sentiment in the sector. CEMA assumes that agricultural machinery revenue will contract by 5 – 10% in Europe, with VDMA projecting a 7% decline in the German agricultural machinery industry. Cyclical factors after the boom in 2011 through 2013, lower prices of agricultural produce and new state aid rules in the EU will exert pressure on demand. Looking forward into the medium term, global demand for modern machinery will remain high, thus giving the agricultural machinery market some degree of potential, particularly in the emerging markets, depending on the scope available for raising the necessary funding. Key determinants include rising demand for and the growing shortages of agricultural produce in the wake of rising population numbers, higher living standards and changing consumer preferences in the large emerging markets as well as the growth of bioenergy. VDMA assumes that this will fuel the pressure to mechanize the agricultural sector.

Construction flat
VDMA assumes that business in the global construction industry will flatline in 2015 but admits that there is still strong uncertainty. It expects appreciable improvements in Europe in housing, commercial construction and civil engineering. Business confidence on the part of European OEMs has recently been drifting sideways, with the market likely to expand by a good 2%. The association also sees good potential in North America. On the other hand, Latin America will remain muted, while the declines in China have not yet been overcome. The Indian market could grow again this year.

Material handling
The market for material handling equipment should continue growing in 2015, with continued growth expected in Europe and particularly Western Europe. The market for material handling equipment should also expand again in Asia and North America. That said, momentum looks set to be more muted than in 2014.

Railway industry facing declining revenue
The sharp drop in order intake in the first six months of 2014 will feed through to revenue with a delayed effect. New ordering in the railway industry dropped by 37% to only EUR 5.6 billion, thus returning to the moderate 2012 levels. The available global market for rolling stock, which the relevant industry association considers to be worth some EUR 45 billion, should expand by an annual 2.3% through 2017.

Outlook for the GRAMMER Group

Last year, the GRAMMER Group was able to report further substantial growth in business volumes, with earnings remaining at the previous year's level despite heavy outlays. This expansion was materially driven by the Automotive Division, which simultaneously experienced significant pressure on earnings due to the numerous new product launches and the ongoing expansion and optimization projects in the year under review. On the other hand, revenue in the Seating Systems Division rose only slightly in the reporting period chiefly as a result of the muted conditions in the agricultural machinery sector and in the Brazilian commercial vehicle market. At the same time, the Division margin was somewhat lower. The following forecast for the GRAMMER Group and its Divisions is based on the general trends expected for global economy and the projections for the Automotive Division and the Seating Systems Division as outlined above.

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

The Automotive Division will continue to execute product development activities and projects at a high level in 2015. To this end, efforts are continuing to generate new project business across all of our product groups and regions. Given the product lifecycles of our order books and the upbeat market forecasts, we expect to achieve enduring revenue growth in 2015. However, this Division is highly exposed to changes in the sales volumes of premium OEMs and would be unable to shield itself from the effects of a slower market.

The Seating Systems Division continues to face strong competitive pressure in our established markets. After consistently positive growth over the last few years, sales in the Seating Systems Division are expected to drift sideways in the wake of the current market developments. In particular the offroad markets will face a reduction in demand due to the muted enviroment for agricultural machinery. We currently do not see any signs of a sustained recovery in the Brazilian truck market. Against this backdrop, we do not anticipate any significant expansion of business volumes in

2015 and assume that revenue will remain steady over the 2014 level.

In view of the GRAMMER Group's generally good order situation and additional customer projects in the Automotive Division, revenue is expected to continue climbing this year assuming stable political and economic conditions. In addition, the package of efficiency measures introduced by the Executive Board will continue to be implemented undiminished in 2015 in order to enhance margins in both Divisions on a sustained basis. However, this year will see numerous new product launches and the continuation of expansion and optimization projects, meaning that further cost pressures will arise in the first half of the year.

Summary statement concerning the forecast of the Executive Board

This year, we expect macroeconomic conditions to remain challenging, with the markets which we address painting a mixed picture. Specifically, we forecast slight growth in the global passenger vehicle market, a sustained downswing in the agricultural machinery market and uncertainty in the Brazilian truck markets. In the light of the current macroeconomic situation, we are guardedly optimistic about the outlook for the GRAMMER Group in 2015 as a whole.

We project an appreciable increase in revenue over the previous year to more than EUR 1.4 billion. Operating profit will be influenced by further cost pressure as a result of the ongoing expansion and optimization projects as well as weak market conditions in individual segments in the Seating Systems Division. On the other hand, we expect the Automotive Division to make a positive contribution to earnings thanks to the increased business volumes. Against this backdrop, we expect the GRAMMER Group to be able to report substantial EBIT which will be on a par with the previous year in 2015. Given the expected revenue growth, the possibility of slight contraction in the operating margin cannot be entirely ruled out.

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

Forward-looking statements

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

The management report of GRAMMER AG and the Group management report have been combined in accordance with section 315 (3) HGB in connection with section 298 (3) HGB and published in the 2014 GRAMMER annual report.

GRAMMER AG's annual financial statements and management report combined with the Group management report are submitted to the operator of the electronic Bundesanzeiger and published there.

GRAMMER AG (notes based on HGB (German Commercial Code))

Unlike the consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS), GRAMMER AG's annual financial statements are prepared according to the rules of the German Commercial Code (HGB).

Business model and divisions

GRAMMER AG is the parent company of the globally active GRAMMER Group. The Executive Board and the Group's central corporate functions are based in GRAMMER AG as the holding company. In addition, it is responsible for a large part of research and development activities and central coordination of sales and marketing. As a specialized developer and producer of components and systems for automotive interiors as well as driver and passenger seats for trucks, trains, and offroad commercial vehicles, GRAMMER is active in 20 countries around the world.

GRAMMER AG directly and indirectly holds shares in 31 subsidiaries and two associates around the world. Accordingly, the parent company's business performance correlates very closely to that of its subsidiaries and associates.

The underlying economic conditions in which GRAMMER AG operates largely match those of the GRAMMER Group and are described in detail in the corresponding section of the combined Group management report.

GRAMMER AG's results of operations

In the year under year under review, GRAMMER AG achieved net profit of EUR 31.0 million (2013: 11.2). The post-tax return on total revenues came to 5.2 % (2013: 2.0). Earnings are particularly affected by the profit transferred by the German subsidiaries.

GRAMMER AG's results of operations

GRAMMER AG Income Statement[1] for the fiscal year from January 1 to December 31

EUR k

	2014	2013	Change
Revenue	568,047	532,235	35,812
Increase in finished goods and work in progress	14,809	17,861	–3,052
Other own work capitalized	117	132	–15
Other operating income	9,540	4,840	4,700
Total revenue	**592,513**	**555,068**	**37,445**
Material costs	437,018	413,461	23,557
Personnel expenses	79,491	74,892	4,599
Depreciation and amortization	8,845	10,916	–2,071
Other operating expenses	56,452	53,606	2,846
Net finance income	24,242	10,746	13,496
Result from ordinary activities	**34,949**	**12,939**	**22,010**
Extraordinary result	19	0	19
Income taxes	3,891	1,624	2,267
Other taxes	85	91	–6
Net profit/net loss	**30,992**	**11,224**	**19,768**
Releases from other revenue reserves	8,152	9,829	–1,677
Allocation to other revenue reserves	–15,496	–5,612	–9,884
Net retained profit/net retained loss	**23,648**	**15,441**	**8,207**

[1] Financial statements in accordance with HGB

Revenue
In 2014, GRAMMER AG's total revenue rose from EUR 532.2 million to EUR 568.0 million, equivalent to sizeable growth of 6.7 % over the previous year. At EUR 297.3 million (2013: 291.4), German revenue rose slightly and, with a share of 52.3 % (2013: 54.8), continues to account for more than half of the total. The increase in revenue was primarily due to further growth in foreign business, which rose from EUR 240.8 million to EUR 270.7 million. Of this, revenue in the European Union climbed from EUR 169.8 million to EUR 186.3 million, while exports outside the European Union rose from EUR 71.0 million to EUR 84.4 million.

This performance highlights the continued strong potential which these markets offer for GRAMMER AG's future growth.

Expenses
In the period under review, the cost of materials came to EUR 437.0 million (2013: 413.5). The ratio of cost of materials to total revenues widened from 74.5 % in the previous year to 73.8 %. As GRAMMER AG sells solely merchandise, the cost-of-materials ratio is correspondingly high but offers an attractive margin by industry standards as the Company merely performs the functions of a Group holding company and acts as a Group trading company.

Personnel expenses rose to EUR 79.5 million (2013: 74.9) in 2014, a minor decline of 0.1 percentage points relative to total revenues. The main reasons for the increase in personnel expenses in absolute terms are moderate recruiting to accommodate present and future growth and the 2.2 % increase in the industry-wide pay scale from May 1, 2014.

At EUR 8.8 million, depreciation and amortization expense was down on the previous year's figure of EUR 10.9 million.

Other operating expenses came to EUR 56.5 million (2013: 53.6). This increase of EUR 2.9 million was chiefly due to research and development expense and, hence, increased activities in connection with future projects. The ratio of other operating expenses to total revenues contracted by 0.2 percentage points from 9.7 % to 9.5 %.

Finance result
Interest expense dropped from EUR 13.1 million in the previous year to EUR 12.7 million primarily as a result of the refinancing of financial liabilities in 2013 on favorable terms. This effect offset the increased interest expense arising from allocations to pension provisions, which must be reported within net finance income/finance expense under the Accounting Law Modernization Act. Pension provisions were measured on the basis of a discount rate of 4.54 % p. a. over an assumed remaining period of 15 years. The discount rate published by Deutsche Bundesbank for an assumed remaining period of 15 years in accordance with section 253 (2) HGB stands at 4.53 % and therefore differs only immaterially from this projection.

Other interest and similar income including income on loans granted declined from EUR 4.3 million to EUR 3.4 million in the period under review. This item is materially influenced by income on loans to related parties as GRAMMER AG also coordinates and handles funding within the Group. The decline in interest income is due to lower interest rates.

The share of profit of associates comprises distributions from subsidiaries and, at EUR 10.7 million, was up on the previous year (2013: 6.5). In 2014, dividends were received from the subsidiaries in Brazil, Poland, Slovenia and Spain.

Net income under profit transfer agreements with subsidiaries came to EUR 22.9 million in 2014 (2013: 14.1), thus improving substantially. Given exchange-rate fluctuation in connection with the intercompany loans, impairments of financial assets declined from EUR 1.0 million in the previous year to EUR 0.1 million due to unrealized currency-translation losses.

All told, net finance income rose from EUR 10.7 million in 2013 to EUR 24.2 million, underpinned by the earnings transferred by the domestic subsidiaries.

Taxes
Income tax expense rose from EUR 1.6 million in the previous year to EUR 3.9 million. Despite the still existing unused tax losses, tax expense arose in 2014 again due to the minimum taxation rules in connection with the good earnings situation.

Financial position

Finance and liquidity management
Liabilities to banks stood at EUR 156.5 million at the end of the year, with cash and cash equivalents coming to EUR 29.8 million. Net debt, which is a core performance indicator, equaled EUR 126.7 million at the end of 2014 (2013: 119.0). As GRAMMER AG acts as a financing partner for the subsidiaries and has granted loans of around EUR 62.7 million to them, its effective debt net of these loans is substantially less than indicated by its financial liabilities. All told, GRAMMER AG has sufficient funds to finance its long-term growth strategy.

Net assets

GRAMMER AG Balance sheet[1] as at December 31

ASSETS

EUR k

	2014	2013	Change
A. Fixed assets			
I. Intangible assets	11,515	5,891	5,624
II. Property, plant and equipment	25,964	31,590	–5,626
III. Financial assets	182,697	181,843	854
	220,176	**219,324**	**852**
B. Current assets			
I. Inventories	79,103	59,276	19,827
II. Receivables and other assets	171,781	141,346	30,435
III. Cash on hand and bank balances	29,833	54,743	–24,910
	280,717	**255,365**	**25,352**
C. Prepaid expenses	291	200	91
Total assets	**501,184**	**474,889**	**26,295**

EQUITY AND LIABILITIES

EUR k

	2014	2013	Change
A. Equity			
I. Subscribed capital	29,555	29,555	0
Own shares	–845	–845	0
II. Capital reserve	74,651	74,651	0
III. Revenue reserves	29,069	13,573	15,496
IV. Net profit	23,648	15,441	8,207
	156,078	**132,375**	**23,703**
B. Provisions			
1. Pension provisions	60,142	55,796	4,346
2. Provisions for taxation	3,234	1,001	2,233
3. Other provisions	27,064	20,382	6,682
	90,440	**77,179**	**13,261**
C. Liabilities			
1. Liabilities to banks	156,500	173,723	–17,223
2. Prepayments received	3,216	2,310	906
3. Trade accounts payable	22,455	19,440	3,015
4. Liabilities to related parties	65,088	59,975	5,113
5. Liabilities to companies in which a participating interest is held	44	39	5
6. Other liabilities	7,363	9,848	–2,485
	254,666	**265,335**	**–10,669**
Total equity and liabilities	**501,184**	**474,889**	**26,295**

[1] Financial statements in accordance with HGB

Net assets

Total assets rose by 5.5 % over the previous year, standing at EUR 501.2 million as of December 31, 2014 (2013: 474.9).

Non-current assets

As of the reporting date, non-current assets were valued at EUR 220.2 million (2013: 219.3), equivalent to an increase of 0.4 % over the previous year. Intangible assets increased to EUR 11.5 million (2013: 5.9) as a result of the acquisition of licenses and rights. Property, plant and equipment declined to EUR 26.0 million (2013: 31.6) primarily as a result of scheduled depreciation. At EUR 182.7 million, financial assets were on a par with the previous year (2013: 181.8).

Current assets

Current assets increased by 9.9 % over the previous year to EUR 280.7 million (2013: 255.4). At EUR 79.1 million, inventories were substantially up on the previous year (2013: 59.3) due to the increase in work in progress under development projects. The increase of EUR 30.5 million in accounts receivable and other assets to EUR 171.8 million (2013: 141.3) is primarily due to the higher accounts receivable from related parties under the cash pooling arrangements among other things. At EUR 2.7 million (2013: 2.2), other assets were roughly the same as in the previous year. Cash and cash equivalents dropped by EUR 24.9 million over the previous year to EUR 29.8 million.

Equity

As of December 31, 2014, GRAMMER AG's equity stood at EUR 156.1 million (2013: 132.4) due to the continued growth in profit. The equity ratio widened to 31.1 % (2013: 27.9).

Provisions

Provisions were valued at EUR 90.4 million as of the reporting date (2013: 77.2). At EUR 60.1 million (2013: 55.8), pension provisions accounted for the bulk of these. The increase in this item is due to the necessary additions in accordance with the actuarial report, in which the discounting factor plays a material role. As GRAMMER AG does not make use of the accrual option provided for in article 67 (1) EGHGB, meaning that the total expense arising from the measurement changes under the Accounting Modernization Act was reported in full within profit and loss in 2010, there will be no further impact on earnings in future years. In a decision dated May 15, 2012 (3 AZR 11/10), the German Federal Labor Court ruled that in the case of pension plans which were established before RVAltGrAnpG took effect on January 1, 2008 the original contractual age limit of 65 years regularly equals the standard age of retirement of 67 years in the statutory pension scheme. Accordingly, the figures recognized on the face of the balance sheet were duly adjusted in 2013.

Tax provisions rose by EUR 2.2 million to EUR 3.2 million as a result of the effect of the minimum taxation rules despite the unused tax losses.

Other provisions climbed from EUR 20.4 million in the previous year to EUR 27.1 million primarily due to the increased provisions set aside for outstanding invoices.

Liabilities

All told, GRAMMER AG's liabilities dropped to EUR 254.7 million in the year under review (2013: 265.3). Liabilities to banks declined by EUR 17.2 million to EUR 156.5 million (2013: 173.7). At EUR 65.1 million (2013: 60.0), current liabilities primarily comprise liabilities to related parties, which chiefly arise from deliveries of goods. Trade accounts payable came to EUR 22.5 million (2013: 19.4) and prepayments received to EUR 3.2 million (2013: 2.3). Both items were slightly higher than in the previous year. Other liabilities came to EUR 7.4 million (2013: 9.8) and were thus down on the previous year.

Dividend proposal

An amount of EUR 15.5 million from the net profit for the year has been retained in accordance with section 58 (2) AktG. The Executive Board will be proposing to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.75 per share be paid and that the balance of EUR 15.2 million be carried forward. This decision takes account of the fact that the Company holds a total of 330,050 treasury shares, on which no dividend is paid. If the number of dividend-entitled shares changes before the date of the Annual General Meeting on May 20, 2015, the Executive Board and Supervisory Board of GRAMMER AG will present a duly adjusted dividend proposal to the meeting.

Employees

The number of employees rose compared to the previous year. As of December 31, 2014, GRAMMER AG had 877 employees (2013: 856). The annual average stood at 873 (2013: 832).

Events subsequent to the reporting date

No reportable events have occurred after the reporting date 2014.

Risks and opportunities

GRAMMER AG's business performance is for the most part subject to the same risks and opportunities as the GRAMMER Group as a whole as described in the risks and opportunities report. As a matter of principle, GRAMMER AG is exposed to the risks of its subsidiaries and associates to an extent commensurate with the proportion of its share in them. Further information in this respect can be found in the combined Group management report.

As the parent company within the GRAMMER Group, GRAMMER AG is integrated in the Group-wide risk management system. Further information is contained in the risks and opportunities report.

The description of GRAMMER AG's internal control system required under section 289 (5) HGB is also to be found in the combined Group management report.

Outlook

With its close ties with the other Group companies and its weighting within the Group, the outlook for GRAMMER AG is identical to the forecast for the Group has a whole. We expect that the business forecasts provided for the Group will largely also match those for GRAMMER AG.

Accordingly, on the basis of its current forecast, GRAMMER AG projects a slight increase in revenue this year, which will be driven by the moderate economic recovery in the eurozone. If the anticipated decline in agricultural machinery proves to be greater than expected and the positive signals coming from the commercial vehicles market have a weaker effect than expected, this could exert considerable pressure on GRAMMER AG's revenue and earnings. As GRAMMER AG is the parent company within the domestic fiscal union and the Group parent, its earnings are heavily influenced by the financial result, particularly the net profit or loss of the controlled companies and the dividends distributed by the other subsidiaries. GRAMMER AG expects operating profit before dividend distributions, interest and taxes to remain at the previous year's level in 2015.

Amberg, March 5, 2015

GRAMMER AG
The Executive Board

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Consolidated Statement of Income

January 1 – December 31 of the respective financial year

EUR k

	Note	2014	2013
Continuing operations			
Revenue	8	1,365,898	1,265,660
Cost of sales	9.3	–1,207,615	–1,109,739
Gross profit		158,283	155,921
Selling expenses	9.3	–29,840	–25,662
Administrative expenses	9.3	–88,482	–86,183
Other operating income	9.1	17,085	13,934
Operating profit/loss (–)		57,046	58,010
Financial income	9.2	1,626	1,662
Financial expenses	9.2	–11,705	–13,191
Other financial result	9.2	1,442	–4,066
Profit/loss (–) before income taxes		48,409	42,415
Income taxes	10	–14,760	–12,829
Net profit from continuing operations		33,649	29,586
Discontinued operations			
Net profit/loss (–) from discontinued operations	11	0	23
Net profit/loss (–)		33,649	29,609
Of which attributable to:			
Shareholders of the parent company		34,680	29,996
Non-controlling interests		–1,031	–387
		33,649	29,609
Earnings per share			
Basic/diluted earnings/loss (–) per share in EUR	12	3.09	2.67

Consolidated Statement of Comprehensive Income
January 1 – December 31 of the respective financial year

EUR k	2014	2013
Net profit/loss (–)	33,649	29,609
Amounts not to be recycled in income in future periods		
Actuarial Gains/Losses (–) from defined benefit plans		
Gains/Losses (–) in the current period	–29,136	–2,859
Tax expenses (–)/Tax income	8,473	845
Actuarial Gains/Losses (–) from defined benefit plans (after tax)	–20,663	–2,014
Total amount not to be recycled in income in future periods	–20,663	–2,014
Amounts recycled in income in future periods		
Gains/Losses (–) from currency translation of foreign subsidiaries		
Gains/Losses (–) arising in the current period	5,226	–9,856
Less transfers recognized in the Income Statement	0	0
Tax expenses (–)/Tax income	0	0
Gains/Losses (–) from currency translation of foreign subsidiaries (after tax)	5,226	–9,856
Gains/Losses (–) from cash flow hedges		
Gains/Losses (–) arising in the current period	–2,193	–11
Less transfers recognized in the Income Statement	709	1,413
Tax expenses (–)/Tax income	454	–387
Gains/Losses (–) from cash flow hedges (after tax)	–1,030	1,015
Gains/Losses (–) from net investments in foreign operations		
Gains/Losses (–) arising in the current period	263	–1,205
Less transfers recognized in the Income Statement	0	0
Tax expenses (–)/Tax income	0	0
Gains/Losses (–) from net investments in foreign operations (after tax)	263	–1,205
Total amount to be recycled in income in future periods	4,459	–10,046
Other comprehensive income	–16,204	–12,060
Total comprehensive income (after tax)	17,445	17,549
Of which attributable to:		
Shareholders of the parent company	18,472	18,039
Non-controlling interests	–1,027	–490

Consolidated Statement of Financial Position
as of December 31 of the respective financial year

ASSETS

EUR k

	Note	Dec. 31, 2014	Dec. 31, 2013
Non-current assets			
Property, plant and equipment	14	191,155	180,194
Intangible assets	14	79,199	75,116
Other financial assets	17	358	865
Income tax assets		22	44
Deferred tax assets	10	48,380	42,234
		319,114	298,453
Current assets			
Inventories	15	128,330	115,649
Trade accounts receivable	16	169,588	153,928
Other current financial assets	17	110,970	86,203
Short-term income tax assets		5,435	4,867
Cash and short-term deposits	19	83,999	91,315
Other current assets	18	19,107	15,469
		517,429	467,431
Assets classified as held for sale	11	0	144
Total assets		836,543	766,028

Consolidated Statement of Financial Position

as of December 31 of the respective financial year

EQUITY AND LIABILITIES

EUR k

	Note	Dec. 31, 2014	Dec. 31, 2013
Equity			
Subscribed capital	20	29,554	29,554
Capital reserve	20	74,444	74,444
Own shares	20	–7,441	–7,441
Retained earnings	20	184,505	159,423
Accumulated other comprehensive income	20	–50,029	–33,821
Equity attributable to shareholders of the parent company		231,033	222,159
Non-controlling interests	20	728	2,512
Total equity		231,761	224,671
Non-current liabilities			
Non-current financial liabilities	22	145,255	146,788
Trade accounts payable	24	1,072	2,320
Other financial liabilities	25	4,802	4,648
Other liabilities	26	0	93
Retirement benefit obligations	21	129,604	96,330
Income tax liabilities		8	575
Deferred tax liabilities	10	26,069	25,297
		306,810	276,051
Current liabilities			
Current financial liabilities	22	25,385	37,682
Current trade accounts payable	24	192,153	150,381
Other current financial liabilities	25	5,416	3,784
Other current liabilities	26	55,819	56,889
Current income tax liabilities		7,130	5,024
Provisions	23	12,069	11,546
		297,972	265,306
Total liabilities		604,782	541,357
Total equity and liabilities		836,543	766,028

Consolidated Statement of Changes in Equity
for the fiscal year ended December 31, 2014

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares
As of January 1, 2014	29,554	74,444	159,423	–7,441
Net profit/loss (–)	0	0	34,680	0
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	34,680	0
Dividends	0	0	–7,290	0
Own shares	0	0	0	0
Acquisition of non-controlling interests	0	0	–2,308	0
As of December 31, 2014	29,554	74,444	184,505	–7,441

Consolidated Statement of Changes in Equity
for the fiscal year ended December 31, 2013

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares
As of January 1, 2013 (adjusted)[1]	29,554	74,444	135,035	–7,441
Net profit/loss (–)	0	0	29,996	0
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	29,996	0
Dividends	0	0	–5,608	0
Own shares	0	0	0	0
Non-controlling interests arising from the establishment of majority interest	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0
As of December 31, 2013	29,554	74,444	159,423	–7,441

[1] Prior-year figures were adjusted to reflect application of IFRS 11 and the amended version of IAS 19 (revised 2011) already in annual report 2013.

Note 20

Accumulated other comprehensive income						
Cash flow hedges	Currency translation	Net investments in foreign operations	Actuarial gains/ losses from defined benefit plans	Total	Non-controlling interests	Group equity
–816	–6,058	–6,608	–20,339	222,159	2,512	224,671
0	0	0	0	34,680	–1,031	33,649
–1,030	5,222	263	–20,663	–16,208	4	–16,204
–1,030	5,222	263	–20,663	18,472	–1,027	17,445
0	0	0	0	–7,290	0	–7,290
0	0	0	0	0	0	0
0	0	0	0	–2,308	–757	–3,065
–1,846	–836	–6,345	–41,002	231,033	728	231,761

Accumulated other comprehensive income						
Cash flow hedges	Currency translation	Net investments in foreign operations	Actuarial gains/ losses from defined benefit plans	Total	Non-controlling interests	Group equity
–1,831	3,695	–5,403	–18,325	209,728	522	210,250
0	0	0	0	29,996	–387	29,609
1,015	–9,753	–1,205	–2,014	–11,957	–103	–12,060
1,015	–9,753	–1,205	–2,014	18,039	–490	17,549
0	0	0	0	–5,608	–4	–5,612
0	0	0	0	0	0	0
0	0	0	0	0	2,500	2,500
0	0	0	0	0	–16	–16
–816	–6,058	–6,608	–20,339	222,159	2,512	224,671

Consolidated Statement of Cash Flow
January 1 – December 31 of the respective financial year

Note 27

EUR k

	2014	2013
1. Cash flow from operating activities		
Profit/Loss (–) before income taxes	48,409	42,415
Non-cash items		
Depreciation of property, plant and equipment	28,295	26,752
Amortization of intangible assets	8,420	7,514
Gains/losses from disposal of assets	165	187
Other non-cash changes	9,558	–9,812
Decrease/Increase (–) in provisions and pension provisions	670	9,230
Decrease/Increase (–) in trade accounts receivable and other receivables	–45,411	–31,048
Decrease/Increase (–) in inventories	–12,030	–7,043
Decrease (–)/Increase in accounts payable and other liabilities	36,421	30,833
Income taxes paid	–9,477	–9,509
Cash flow from operating activities	**65,020**	**59,483**
2. Cash flow from investing activities		
Purchases		
Purchases of property, plant and equipment	–33,787	–34,159
Purchases of intangible assets	–13,357	–8,635
Purchases of financial investments	0	–397
Acquisition of subsidiaries (less acquired cash)	0	–21,896
Disposals		
Disposals of property, plant and equipment	379	316
Disposals of intangible assets	774	8
Disposals of financial assets	633	651
Interest received	1,626	1,662
Government grants received	2,164	3,814
Cash flow from investing activities	**–41,568**	**–58,636**
3. Cash flow from financing activities		
Dividend payments	–7,290	–5,608
Payments received from raising financial liabilities	18,384	73,548
Payments made for the settlement of financial liabilities	–21,414	–51,650
Decrease (–)/Increase in lease liabilities	–1,765	–1,222
Acquisition of non-controlling interests	–1,250	0
Interest paid	–7,746	–9,499
Cash flow from financing activities	**–21,081**	**5,569**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	2,371	6,416
Effects of exchanges rate differences of cash and cash equivalents	1,114	1,284
Cash and cash equivalents as of January 1	78,919	71,219
Cash and cash equivalents as of December 31	**82,404**	**78,919**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	83,999	91,315
Bank overdrafts	–1,595	–12,396
Cash and cash equivalents as of December 31	**82,404**	**78,919**

Notes to the Consolidated Financial Statements for the fiscal year ended December 31, 2014

1 Information about the GRAMMER Group and Basis of Reporting

Information about the GRAMMER Group

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

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

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

With regard to its core products, GRAMMER Group is a leader in the development and production of components and systems for automotive interiors as well as driver and passenger seats for commercial vehicles (trucks and offroad) busses and trains. As of December 31, 2014, the Company employed 10,700 persons (excluding trainees and including 260 employees in Central Services) at 37 production and logistics sites in Europe, the NAFTA and Mercosur regions, Asia as well as at GRAMMER Group Central Services in Amberg. The GRAMMER Group is managed centrally by a three-member Executive Board and has its registered office in Germany with the Group headquarters in Amberg (Bavaria).

GRAMMER Group has divided its activities into the Automotive and Seating Systems segments. The main activities of the Group are described in Note 7.

General information

The consolidated financial statements and the combined Group management report of GRAMMER AG (the "Company") for the fiscal year ended December 31, 2014 were prepared in accordance with section 315 a (1) HGB and approved by the Executive Board for submission to the Supervisory Board on March 19, 2015.

2 Accounting Policies

2.1 Basis of preparation

These consolidated financial statements for GRAMMER AG were prepared in accordance with section 315 a (1) HGB ("consolidated financial statements in accordance with international accounting standards") in conjunction with the International Financial Reporting Standards (IFRS) and related interpretations (SIC/IFRIC interpretations) as applicable in the European Union (EU) in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council. The term "IFRS" also includes the International Accounting Standards (IAS) which are still valid.

The consolidated financial statements are prepared using the historical cost principal, except where application of other methods of measurement are mandatory. The consolidated financial statements were prepared in Euro (EUR). Unless otherwise indicated, all values are rounded to the nearest thousand (EUR k). Individual amounts and percentages may not exactly equal the aggregated amounts due to rounding differences. The consolidated statement of financial position (balance sheet) is broken down by maturities. Net income is presented in two separate statements: an income statement and a statement of comprehensive income. The income statement was prepared using the cost of sales method.

Principles of consolidation

The consolidated financial statements include the financial statements of GRAMMER AG and the financial statements of the consolidated subsidiaries as of December 31 of each fiscal year. The financial statements of the subsidiaries are prepared in accordance with uniform Group accounting policies, which are also applied to the financial statements of the parent company. The reporting date of the financial statements of the companies included in the consolidated financial statements corresponds to the reporting date of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Business combinations and goodwill
Business combinations are accounted for using the purchase method in accordance with IFRS 3. Costs for the acquisition of a company are measured as the aggregate of the acquisition-date fair value of the consideration transferred and the amount of any minority interest. In the context of any business combination, the Group values minority interests in the acquired company either at fair value or as the relevant share of the identifiable net assets of the acquired company. Costs incurred in relation to the business combination are recognized as expense.

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

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

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

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

Non-controlling interests refer to the share of results of operations and net assets not attributable to the Group. Any profit or loss from this share is accordingly recognized in the income statement separate from the share of results of operations attributable to the shareholders of the parent company. Recognition in the balance sheet is directly in equity, separate from the equity attributable to the shareholders of the parent company.

Investments in joint ventures

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

The Group's shares in the joint venture are recognized in accordance with equity method of accounting.

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

The income statement includes the Group's share in the net profit or loss of the joint venture for the reporting period. Any changes in the other comprehensive income of these investees are recorded within consolidated other comprehensive income. In addition, any changes are recorded directly in the equity of the joint ventures in an amount equaling the share held by the Group and, as far as necessary, included in the statement of changes in equity. Unrealized gains and losses from transactions between the Group and the joint ventures are eliminated in accordance with the shares held in the joint venture.

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

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

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

Companies consolidated

In addition to GRAMMER AG, four domestic and 24 foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IAS 10 are consolidated.

The companies consolidated using the equity method of accounting comprise the GRA-MAG joint venture, in which GRAMMER AG holds 50 % of the voting rights. The Ningbo nectec Jifeng joint venture acquired through the takeover of nectec Automotive s.r.o. was sold to the joint venture partner effective April 14, 2014.

GRAMMER Wackersdorf GmbH, Wackersdorf, Germany, was merged with GRAMMER AG and GRAMMER Wörth GmbH, Kümmersbruck, Germany, with GRAMMER System GmbH with retroactive effect from January 1, 2014.

On December 29, 2014, GRAMMER signed two contracts with Jiangsu Yuhua Automobile Parts Co., Ltd. (Yuhua) for the acquisition of the remaining 40 % of the shares in GRAMMER Seating (Jiangsu) Co., Ltd. (GSJ). As a result, GRAMMER Interior (Tianjin) Co., Ltd. acquired 20 % of the shares held by Yuhua in GSJ. As GRAMMER AG also assumed a further 20 % of the share previously held by Yuhua in GSJ, it now holds 100 % of the capital of the previous majority interest in China.

On September 15, 2014, a new subsidiary GRAMMER Italia srl., based in Jesi, Italy, was established. This company did not generate any revenue in the year under review but will be commencing its business operations in 2015.

The uniform reporting date for all of the consolidated companies is December 31, 2014.

	National	Abroad	Total
Fully consolidated companies (incl. GRAMMER AG)	5	24	29
Companies consolidated at equity	0	1	1
Group	5	25	30

2.2 Estimates and judgements

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

Estimation uncertainties

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

Impairment of goodwill

The Group tests goodwill for impairment at least once annually. This requires an estimate to be made of the value in use of the cash-generating units to which the goodwill has been attributed. In order to estimate the value in use, the Group must estimate the expected future cash flows from the cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Forecasts on payment flows entail historical data and are based on management's best estimate of future events. Payment flows beyond the forecast period are extrapolated on the basis of individual growth rates. The main assumptions underlying the fair value less costs to sell and value in use entail estimated growth rates, weighted average cost-of-capital rates and tax rates. These estimates and the methods used to arrive at them may exert considerable influence on the applicable figures and ultimately also the extent of a possible impairment of goodwill. The cash flows are extrapolated from budgets for the subsequent three years, which relates to the estimates of the management as to the realizable value. The realizable value depends largely on the discount rate applied for discounted cash flow method, as well as the expected future cash flows and rate of growth used as the basis for extrapolation. For further details, please refer to Note 14.2.

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

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

Provisions
The measurement of provisions for warranties, litigation or restructuring is largely based on estimates and assumptions. For warranty estimates, a significant number of assumptions are made relating technical disruptions, costs and possible claims, which rely on assessments of operational management. These may change over the course of time as more specific information becomes available. The Group is confronted with various litigations and regulatory processes in different countries. These can result in civil sanctions or monetary fines for the Group. The Group recognizes provisions for such litigation costs if it is probable that an obligation will arise from them that is likely to result in future payments. To this extent, the creation of provisions is based largely on management discretion.

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

Deferred income tax assets are recognized for all unused income tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused income tax losses can be actually utilized. Significant management judgments are required to determine the amount of deferred income tax assets on the basis of the expected timing and amount of the future taxable profit as well as the future tax planning strategies. Further details are included in Note 10.

Pensions and other post-employment benefits
Obligations under post-employment benefit plans and the associated net expense in the period are defined in accordance with actuarial values. These measurements are made on the basis of certain assumptions such as discount factors, salary trends, mortality and inflation rate/pension trends. The discount factors applied are determined on the basis of market yields at the reporting date on high-quality corporate bonds with the appropriate maturity and currency denomination. The expense from defined post-employment benefit plans is determined on the basis of actuarial calculations. Given the complexity of the measurements and their long-term nature, defined benefit obligations react extremely sensitively to any changes in the underlying assumptions. These assumptions are reviewed on each reporting date. Further details on the pension obligations can be found in Note 21.

Calculation of fair value of financial instruments
If the fair value of recognized financial assets and financial liabilities cannot be measured by reference to prices in active markets, it is calculated using valuation methods such as the discounted cash flow method. The input parameters for the model are based on observable market data as far as possible. If such data is not available, the fair value is based to a large degree on management's judgement. Such judgements relate to input parameters such as the liquidity risk, the credit risk and volatility. Any changes in the assumptions made for these factors may impact the fair values of financial instruments. Further details can be found in Note 31.

2.3 Summary of significant accounting policies

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

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

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

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

		Average rate		Closing rate	
		2014	2013	2014	2013
Argentina	ARS	0.094	0.138	0.099	0.112
Brazil	BRL	0.321	0.349	0.310	0.307
China	CNY	0.123	0.122	0.133	0.120
United Kingdom	GBP	1.242	1.180	1.284	1.199
Japan	JPY	0.007	0.008	0.007	0.007
Mexico	MXN	0.057	0.058	0.056	0.055
Poland	PLN	0.239	0.238	0.234	0.241
Czech Republic	CZK	0.036	0.039	0.036	0.036
Turkey	TRY	0.345	0.394	0.353	0.338
USA	USD	0.756	0.752	0.824	0.725

Non-current assets held for sale and discontinued operations
Non-current assets qualifying as held for sale are recognized at the lower of the carrying amount and fair value less disposal costs. An asset is classified as held for sale if the relevant carrying amount is realizable primarily through disposal rather than use of the asset. This is only assumed to be the case if disposal of the asset is deemed highly probable and the asset is immediately available for sale in its present condition. This must be preceded by a management decision to sell the asset and the sale should be completed, or expected to be so, within a year from the date of the classification.

In the income statement for the period, and the preceding period, the total income and expenditure for discontinued operations is presented separately from the income and expenditure for continuing operations, and separately recognized as after-tax profit/loss from the discontinued operations.

Assets classified as held for sale are not depreciated.

Property, plant and equipment
Property, plant and equipment are carried at cost less straight-line depreciation and accumulated impairment losses (IAS 16). If the cost of certain components is significant in proportion to the overall cost of the item of property, plant and equipment and if these components are subject to regular replacement, the Group recognizes these separately and depreciates them individually. The useful lives assumed correspond to the period over which the asset or relevant component is expected to be available for use. Residual values have been included in the calculation of the depreciation amounts to the extent material.

Cost is recognized on the basis of directly attributable costs plus any allocable material and production overheads, including depreciation, and borrowing costs for long-term construction projects or similar manufacturing processes, as long as they qualify for recognition. Repair costs and interest on borrowed funds are recognized as current expenses.

Property, plant and equipment are depreciated pro rata temporis over the expected useful life using the straight-line method.

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 when the carrying amount exceeds the value in use or the fair value less costs to sell of the assets. Should the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to the amount of the asset's original cost less any accumulated depreciation.

An item of property, plant and equipment is derecognized upon disposal or when an economic benefit can no longer be expected from the continued use or sale of the asset. Any resulting gains or losses are identified on the basis of the difference between the net sales proceeds and the carrying amount of the asset and are recognized as income in profit or loss in the period in which it is derecognized.

The residual carrying amounts of the assets, their useful lives and the depreciation methods applied are reviewed at the end of each fiscal year and, if needed, adjusted.

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

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

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

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

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

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

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

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

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

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

Patents and licenses

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

Research and development costs

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

- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale,
- the intention to complete the intangible asset and use or sell it,
- how the intangible asset will generate probable future economic benefits,
- the availability of resources for purposes of completing the asset and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

Impairment of non-financial assets

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

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

As of each reporting date, the Group determines if there is any indication that an impairment loss recognized in previous periods might no longer be existent or may have decreased. If there is any such indication, the recoverable amount is estimated. An impairment loss recognized in prior periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount; this does not apply to goodwill. The increased carrying amount, however, may not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment been recognized for the asset in previous years. Any such reversal of an impairment loss must be recognized immediately in the profit or loss for the period. Following the reversal of an impairment loss, the depreciation or amortization charge for the asset must be adjusted in future periods to allocate the asset's revised carrying amount, less any residual carrying amount, on a systematic basis over its remaining useful life.

Calculation of fair value
The Group measures financial instruments at their fair value on each reporting date. The fair values of the financial instruments at amortized cost are set out in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured on the assumption that the transaction under which the asset is sold or the liability transferred is executed either:

- in the main market for the asset or liability or

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

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

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

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

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

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

- Level 1 – (Non-adjusted) prices quoted in active markets for identical assets or liabilities

- Level 2 – Measurement process for which the input parameters for the lowest level which is generally material for measuring fair value are directly or indirectly observable

- Level 3 – Measurement process for which the input parameters for the lowest level which is generally material for measuring fair value are not observable

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

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

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

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

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

Initial recognition of financial assets

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

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

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

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss include financial assets classified as held for trading and those designated measured at fair value through profit or loss upon initial recognition. Financial assets are classified as held for trading if they have been purchased for the purpose of selling in the near future.

Derivatives, including embedded derivatives recognized separately, are also classified as held for trading with the exception of those derivatives that are designated as a hedging instrument in accordance with IAS 39 and are effective as such. If agreements contain embedded derivatives, the derivatives are accounted for separately from the underlying agreement when the economic attributes and risks of the embedded derivative are not closely connected to the economic attributes and risks of the underlying agreement. The Group establishes whether embedded derivatives are to be accounted for separately from the underlying agreement when it becomes a counterparty for the first time. A reassessment takes place only if there are major changes to the agreement terms, which result in a significant change to the payment flows.

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

Loans and receivables

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

Held to maturity financial investments

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

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

Available-for-sale assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When calculating impairment of debt instruments classified as available for sale, the same criteria are applied as for financial asset carried at amortized cost. If there are indications of impairment, the cumulative loss – calculated as the difference between historical cost and fair value less any earlier impairment loss on the instrument recognized in the income statement – is eliminated from other profit/loss and recognized via the income statement.

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

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

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

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

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

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

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

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

Loans

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

Other liabilities

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

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

- As a fair value hedge, if it is a hedge against a change in fair value of a recognized asset or liability or an unrecognized firm commitment (excluding currency risks),

- As a cash flow hedge, if it is a hedge against cash flow fluctuations attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or the currency risk of an unrecognized firm commitment,

- As a hedge of a net investment in a foreign operation.

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

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

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

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

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

Inventories
Inventories are valued at cost under strict application of the lower-of-cost-and-market principle. Costs of purchase are measured in the Group using a moving average price and an adequate portion of the costs associated with the procurement of goods. In addition to directly attributable costs, the costs of conversion include reasonable portions of manufacturing and materials overheads as well as depreciation. Administrative expenses are included insofar as they relate to production. General administrative expenses and interest expenses are not recognized. Due to the elimination of intercompany profits, the cost of inventories from intercompany deliveries was accounted for by discounts on the internal transfer prices using the retail method. If, in response to decreased prices on the market, the net realizable value on the reporting date is lower than the inventory cost, the inventories are measured at their net realizable value.

Construction contracts
Construction contracts are recognized in accordance with their percentage of completion method (PoC-method) as of the reporting date in accordance with IAS 11. The percentage of completion is determined by the ratio of the accumulated contract costs as of the reporting date to the estimated total contract costs (cost-to-cost approach). The projects are included on the balance sheet under "other financial assets" insofar as the accumulated services rendered exceed the advance payments received. If net income from a construction contract cannot be reliably determined, revenues from the contract are only to be recognized in the amount of the contract costs incurred, which are probably collectible. Contract costs are recognized as an expense in the period in which they are incurred. Any expected project losses are recognized as provisions.

Cash and cash equivalents
Cash and short-term deposits, as reported in the balance sheet, include cash in hand, bank balances and short-term deposits with original terms to maturity of less than three months. These are recognized at amortized cost.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash and short-term deposits, as defined above, plus presently drawn overdraft facilities.

Own shares
If the Group acquires own shares, these are carried at cost and deducted from equity. The purchase, sale, issue or cancellation of own shares is recognized directly in equity. Any differences between the carrying amount and the consideration paid are recognized in equity.

Other provisions
In accordance with IAS 37, provisions are recognized insofar as the Group, as a result of a past event, has a present obligation vis-à-vis third parties that will likely cause an outflow of resources and a reliable estimate can be made with respect to the amount of the obligation.

Where the Group expects at least a partial reimbursement of a provision carried as a liability (e.g. in the case of an insurance policy), the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The expense relating to the provision is presented in the income statement net of the amount recognized for the reimbursement. Where the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. When discounting, the increase in the amount of a provision reflecting the time value of money is recognized as interest expense. Provisions for warranty costs are recognized at the time of sale of the relevant products or performance of the relevant services. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation.

The original estimate of costs in relation to warranties is reviewed annually.

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

Provisions for pensions and other employment benefits
The actuarial measurement of pension provisions is based on the projected unit credit method in respect of defined benefit plans in accordance with IAS 19 (revised 2011). This valuation method is based not only on pension payments and vested benefits known as of the reporting date but also reflects future salary and pension increases.

Actuarial gains or losses result from changes in the number of beneficiaries and differences between actual trends (e.g. salary or pension increases) compared to the assumptions on which the calculations were based and are reported within other comprehensive income only and no longer recycled to profit and loss.

Current service cost, past service cost, gains and losses from plan curtailments and extraordinary plan settlements are recognized within cost of sales, administrative costs or selling costs depending on their function.

Past service cost is recorded as expense upon the plan change taking effect.

As the GRAMMER Group does not have any plan assets in connection with defined benefit plans, the net interest component equals the finance expense reported within net finance income/finance expense.

Other post-employment benefits for employees are measured in accordance with IAS 19 (revised 2011).

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

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

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

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

Interest income and expense
Interest income and expense are recognized in the period in which they arise and are recognized in the income statement as part of the financial result. For all financial instruments measured at amortized cost and interest-bearing available-for-sale financial assets, interest income and expenses are calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Dividends
Income from dividends is recognized as of the effective date.

Government grants
Government grants are recognized when there is reasonable assurance that the grants will be received and the Company complies with the conditions attached to them. Grants related to expenses are recognized as income on a systematic basis over the periods necessary to match with the related costs. Government grants related to assets are presented in the balance sheet by setting up the grant as deferred income that is depreciated on a straight-line basis over the expected useful life of the asset. To the extent that loans or other subsidies from governments or their executive agencies are provided at an interest rate below the prevailing market rate, the resulting benefit is recognized as a further government grant.

Taxes
Current tax assets and current tax liabilities
Current tax assets and liabilities for current and prior periods are measured at the expected amount of tax reimbursements or tax payments. The amount is based on the tax rates and tax laws that are applicable or have been enacted as of the reporting date. The Group recognizes provisions for the possible effects of any external tax audits conducted in the countries in which it operates on the basis of reasonable estimates. The amount of such provisions is based on various factors such as historical experience and differences in the interpretation of tax legislation by the tax authorities.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. The following exceptions apply:

- Deferred income tax liabilities 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 net income for the period as reported in the financial statements nor on the taxable income are not recognized.

- Deferred income tax assets arising from taxable temporary differences in connection with investments in subsidiaries and associates and interests in joint ventures are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and there is sufficient taxable income against which the temporary differences can be utilized.

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

Deferred income taxes and liabilities are measured at the income tax rates expected to apply to the period in which the asset is realized or the liability settled, based on the income tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Income taxes referring to items that are recognized directly in equity, depending on the types of transactions, are recognized either in other income or directly in equity without effect on profit or loss.

Deferred income 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.

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

- Value-added tax from the purchase of goods or services that cannot be claimed back from the tax authorities is recognized as part of the costs of conversion of the asset or as part of expenses and

- Receivables and liabilities are recognized including value-added tax.

The value-added tax reimbursed by the tax authority or paid to the tax authority is recognized as a receivable or liability on the balance sheet.

2.4 Application of IFRS standards

The accounting policies applied generally correspond to those applied in the previous year, except for the new and revised standards and interpretations listed below that came into effect on January 1, 2014:

Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
The amendments to IFRS 32 and IFRS 7 were published in December 2011 and must be applied for the first time in the accounting period beginning on or after January 1, 2014. The amendments are intended to address inconsistencies in current practice through additional guidelines for applying the offsetting criteria. However, the existing rules for offsetting financial instruments have been retained. The amendments also introduce additional disclosure requirements. However, they will not have any material influence on the Group on the recognition and valuation of assets and liabilities in the consolidated financial statements.

Amendment to IAS 36 Disclosures on recoverable amount of non-financial assets.
The amendment to IFRS 36 was published in May 2013 and must be applied for the first time in accounting periods beginning on or after January 1, 2014. The amendment seeks to eliminate the unwanted consequences of disclosure requirements arising from the introduction of IFRS 13. Moreover, it requires disclosures on the recoverable amount for assets or cash-generating units for which an impairment has been recognized or reversed in the reporting period. The revisions are to be applied retrospectively. They do not have any impact on the Group.

Amendment to IAS 39 Novation of derivatives and continuation of hedge accounting
The amendment to IAS 39 and IFRS 9 was published in June 2013 and must be applied for the first time in accounting periods commencing on or after January 1, 2014. Under the amendment, hedge accounting may be continued under certain conditions in cases in which derivatives designated as hedges are transferred to a central clearing body (novation) on account of statutory or regulatory requirements. The revisions are to be applied retrospectively. They did not have any impact on the Group in the year under review.

A number of standards which are not mandatory until December 31, 2014 were early adopted in fiscal year 2013. In addition, it was necessary to apply further minor amendments to existing standards and interpretations in 2014. However, this did not have any material impact on the consolidated financial statements.

2.5 Published standards which are not yet subject to mandatory application

Endorsed by the EU but not yet applied
The IASB published the standards and interpretations listed below which have already been integrated into EU law as part of the comitology procedures but application of which was not yet mandatory in fiscal year 2014. The Group is not early adopting the following standards.

Improvements to IFRS (2010–2012)
The IFRS 2010–2012 improvement cycle is a collection of amendments to various IFRS standards published in December 2013, the application of which is mandatory for accounting periods beginning on or after July 1, 2014 in the majority of cases. The Group has not yet adopted the following changes:

- IFRS 2: Clarification of the definition of vesting conditions and separate definition of a performance condition and service condition;
- IFRS 3: Clarification of the accounting for contingent consideration in a business combination. The classification of payment of contingent consideration as a liability or as equity is determined solely on the basis of IAS 32.11. Contingent consideration must be measured at fair value and any changes taken to profit and loss;
- IFRS 8: Specifications of disclosures on the combination of business segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
- IFRS 13: Explanation of changes to IFRS 9 with respect to current receivables and payables following the publication of IFRS 13;
- IAS 16: Amendments to the revaluation method – proportionate restatement of accumulated depreciation and amortization;
- IAS 24: Clarification that companies providing crucial planning, management and supervisory services (external key management personnel) for a company are classified as related to the company receiving such services in accordance with IAS 24 and the inclusion of exceptions with respect to the disclosure of the remuneration paid by the external company to its employees for these management services;
- IAS 38: Amendments to the revaluation method – proportionate restatement of accumulated depreciation and amortization.

These amendments and clarifications are not expected to have any material impact on the Group.

Improvements to IFRS (2011–2013)
The IFRS 2011–2013 improvement cycle is a collection of amendments to various IFRS standards published in December 2013, the application of which is mandatory for accounting periods beginning on or after July 1, 2014. The Group has not yet adopted the following changes:

- IFRS 1: Clarification which version of the standards and interpretations must or can be used by a first-time preparer;
- IFRS 3: Clarification of the exclusion of joint arrangements from the scope of IFRS 3;
- IFRS 13: Clarification of the scope under which IFRS 13.48 et seq. applies to portfolio-based valuation;
- IAS 40: Clarification of the application of IFRS 3 and IAS 40 in the classification of real estate as financial investments or as owner-used assets.

This currently does not have any material effects on the Group.

EU endorsement pending
The IASB has published the following standards and interpretations, the application of which was not yet mandatory in fiscal year 2014. These standards and interpretations have not yet been endorsed by the EU and are not applied by the Group.

IFRS 9 Financial Instruments
On July 24, 2014, the IASB published the final version of IFRS 9 Financial Instruments, which contains the results of all the phases of the IFRS 9 project and replaces IAS 39 Financial Instruments: Recognition and Measurement as well as all earlier versions of IFRS 9 Financial Instruments. IFRS 9 must be applied for the first time in the accounting period beginning on or after January 1, 2018. However, early application of the final standard is possible at any time. The standard is to be applied retrospectively. In addition, preparers are able to early apply only the guidance on the recognition of changes in value attributable to their own credit risk without simultaneously applying the rest of the guidance in IFRS 9. The standard contains amendments relating to classification and measurement, impairments and hedge accounting. As an analysis is still ongoing, it is not yet possible to determine the likely impact of the amendments on the Group's net assets, financial condition and results of operations.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was published in May 2014 and is applicable for the first time in the accounting period commencing on or after January 1, 2017. Early adoption is permitted. The standard is to be applied retrospectively. The standard introduces a new model for the recognition of revenues comprising five analytical steps which must be applied to all revenue from contracts with customers. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles contained in IFRS 15 provide a structured approach to measuring and recognizing revenues. The standard applies to all types of sectors and companies and therefore replaces all existing guidance on revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). As an analysis is still ongoing, it is not yet possible to determine the likely impact of the amendments on the Group's net assets, financial condition and results of operations.

Amendment of IFRS 10 and IAS 28 – sales or transfers of assets between an investor and its associate/joint venture
The amendment to IFRS 10 and IAS 28 were published in September 2014 and must be applied for the first time in the accounting period commencing on or after January 1, 2016. They seek to eliminate the inconsistencies between the guidance in IFRS 10 and IAS 28 in connection with the loss of control of a subsidiary which is transferred to an associate or joint venture. The amendment clarifies that an investor must recognize the full profit or loss from the sale or transfer of assets to an associated company or joint venture if the assets constitute a business as defined in IFRS 3 Business Combinations. If after the loss of control the company retains a share in a former subsidiary which does not constitute a business as defined in IFRS 3, the profit or loss from the remeasurement of the remaining share at its fair value is recognized only to the extent of the unrelated investors' interests. The amendment is to be applied prospectively. Early adoption is permitted. The impacts are currently not expected to have any impact on the Group.

Improvements to IFRS (2012–2014)
The IFRS 2012–2014 improvement is a collection of amendments to various IFRS standards published in September 2014, the application of which is mandatory for accounting periods beginning on or after January 1, 2016. The Group has not yet adopted the following changes:

- IFRS 5: Additional guidance on the reclassification of an asset from "held for sale" to "held for disposal" (or vice versa).

- IFRS 7: Additional guidance on whether servicing contracts constitute continuing involvement and must therefore be included in the disclosures on transfers. Also clarifies whether the amendment to IFRS 7 with respect to the offsetting of financial assets and liabilities also applies to condensed interim financial statements in accordance with IAS 34.

- IAS 19: Clarifies that the depth of market of high-quality corporate bonds must be assessed on the basis of the currency of the obligation and not merely on the basis of the country in which the obligation is located. If there is no liquid market for high-quality corporate bonds in this currency, sovereign bonds must be used.

- IAS 34: Additional guidance on the meaning of the word "elsewhere in the interim report".

The amendments are not expected to have any impact on the Group.

In addition, the IASB has published further standards and amendments to existing standards which are to be applied in the future but which do not have any impact on the Group's consolidated financial statements.

3 Companies consolidated

Information on subsidiaries

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

Name of subsidiary	Registered office	Main activity	Equity interest in % 2014	Equity interest in % 2013
1. Fully consolidated subsidiaries				
1. GRAMMER do Brasil Ltda.	Atibaia, Brazil	Automotive/Seating Systems	100.00	100.00
2. GRAMMER Seating Systems Ltd.	Bloxwich, UK	Sales company	100.00	100.00
3. GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S.	Bursa, Turkey	Seating Systems	99.40	99.40
4. GRAMMER Inc.	Hudson (WI), USA	Seating Systems	100.00	100.00
5. GRAMMER CZ s.r.o.	Tachov, Czech Republic	Automotive/Seating Systems	100.00	100.00
6. GRAMMER Japan Ltd.	Tokyo, Japan	Sales company	100.00	100.00
7. GRAMMER AD	Trudovetz, Bulgaria	Seating Systems	90.23	90.23
8. GRAMMER System GmbH	Amberg, Germany	Automotive	100.00	100.00
9. GRAMMER Automotive Metall GmbH	Amberg, Germany	Automotive	100.00	100.00
10. GRAMMER Automotive Slovenija d.o.o.	Slovenj Gradec, Slovenia	Automotive	100.00	100.00
11. GRAMMER Automotive Española S.A.	Olèrdola, Spain	Automotive	100.00	100.00
12. GRAMMER Industries Inc.	Greenville (SC), USA	Automotive	100.00	100.00
13. GRAMMER Automotive Puebla S.A. de C.V.	Puebla, Mexico	Automotive	100.00	100.00
14. GRAMMER Automotive Polska sp. z.o.o.	Bielsko-Biala, Poland	Automotive	100.00	100.00
15. GRAMMER Seating (Xiamen) Ltd.	Xiamen, China	Automotive	100.00	100.00
16. GRAMMER Interior (Tianjin) Co. Ltd.	Tianjin, China	Seating Systems	100.00	100.00
17. GRAMMER Interior (Changchun) Co. Ltd.	Changchun, China	Automotive	100.00	100.00
18. GRAMMER Interior (Shanghai) Co. Ltd.	Shanghai, China	Automotive	100.00	100.00
19. GRAMMER System d.o.o.	Aleksinac, Serbia	Automotive	100.00	100.00
20. GRAMMER Railway Interior GmbH	Amberg, Germany	Seating Systems	100.00	100.00
21. GRAMMER Technical Components GmbH	Kümmersbruck, Germany	Seating Systems	100.00	100.00
22. GRAMMER EiA Electronics N.V.	Aartselaar, Belgium	Seating Systems	100.00	100.00
23. GRAMMER Interior (Beijing) Co., Ltd.	Beijing, China	Automotive	100.00	100.00
24. GRAMMER Automotive CZ s.r.o.	Česká Lípa, Czech Republic	Automotive	100.00	100.00
25. GRAMMER Seating (Jiangsu) Co., Ltd.[1]	Jiangyin, China	Seating Systems	100.00	60.00
26. GRAMMER Automotive South Africa (Pty) Ltd.	Bedfordview, South Africa	Automotive	100.00	100.00
27. GRAMMER Argentina S.A.	Buenos Aires, Argentina	Seating Systems	99.96	99.96
28. GRAMMER Italia srl.[2]	Jesi, Italy	Seating Systems	100.00	–
2. Proportionately consolidated companies				
1. GRA-MAG Truck Interior Systems LLC	London (OH), USA	Seating Systems	50.00	50.00
2. Ningbo nectec Jifeng Automotive Parts Company Limited[3]	Ningbo, China	Automotive	–	50.00

[1] The remaining 40% share in the joint venture partner Jiangsu Yuhua Automobile Parts Co. Ltd. was acquired effective December 29, 2014.
[2] GRAMMER Italia srl. was incorporated on October 10, 2014.
[3] Ningbo nectec Jifeng Automotive Parts Company Limited was sold to the joint venture partner on April 14, 2014.

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

In 2013, GRAMMER AG acquired 100% of the capital of nectec Automotive s.r.o., which is domiciled in Česká Lípa, Czech Republic. Following the acquisition, the company was renamed GRAMMER Automotive CZ s.r.o.

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

4 Business combinations and acquisition of non-controlling interests

In the previous year, the Company had reported on the acquisition of nectec Automotive s.r.o. This transaction is now explained again on the basis of the necessary disclosures for the previous year. This does not give rise to any changes over the previous year.

On February 21, 2013, GRAMMER AG acquired nectec Automotive s.r.o. The purchase price was EUR 18.1 million. In addition, shareholder loans of EUR 4.0 million were settled under the terms of the acquisition. There were no other contingent considerations or compensation claims. The acquired comapny was integrated in the Automotive Division.

nectec Automotive s.r.o. develops and produces head rests at its facility in Česká Lípa in the Czech Republic and primarily targets the premium car market. The company was founded in 2008 by Fehrer Group, and grew rapidly to become one of the leading suppliers of headrests in Europe. In total, it employed roughly 240 people and generated revenue of EUR 41.4 million in fiscal year 2013. Following the acquisition, it was renamed GRAMMER Automotive CZ s.r.o. Under the terms of the transaction, GRAMMER also acquired a 50% stake in a joint venture with Chinese automotive supplier Ningbo Jifeng Auto Parts Co., Ltd., China. This share was sold to the joint venture partner on April 14, 2014. nectec Automotive s.r.o.'s product range and production location make it an ideal fit with the existing structure of the Company. The takeover further expands the Group's strongest revenue-generating segment and reinforces its leading position in Europe's headrest market. At the same time, the integration of nectec Automotive s.r.o. strengthens the Group's competence in the area of active head rest technologies, resulting in an even larger spectrum of innovative products. Its production location also brings additional production space that the Group requires for the expansion of its business activities.

The cost of the net assets acquired in nectec Automotive s.r.o. came to EUR 18.1 million. In connection with the acquisition, costs of EUR 329 thousand were recorded in the income statement within administrative expenses in 2013.

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

EUR k	Fair value on the date of acquisition
Assets	
Property, plant and equipment	8,194
Intangible assets	15,231
Financial assets	131
Inventories	1,706
Trade accounts receivable	4,499
Other current financial assets	1,149
Cash and short-term deposits	214
Accruals/deferrals	427
	31,551
Liabilities	
Provisions	–588
Non-current financial liabilities	–2,390
Current financial liabilities	–4,101
Current trade accounts payable	–5,963
Other current liabilities	–443
Accruals/deferrals	–426
Deferred tax liabilities (of which from remeasurement: EUR –1,925 thousand)	–2,262
	–16,173
Total fair value of identifiable net assets	**15,379**
Goodwill from company acquisition	2,701
Consideration paid	**18,080**
Cash outflow from company acquisition	
Cash acquired from new subsidiary	214
Cash outflow	–18,080
Total cash outflow from company acquisition	**–17,866**

All assets and liabilities acquired were recognized at their fair value on the date of acquisition. Additional intangible assets (customer relations and similar rights) which had previously not been included in the acquired companies' balance sheets were duly recognized. Allowance was made for related deferred tax liabilities. Customer relations were measured using the multi-period excess earnings method. There are no material differences between the gross value and carrying amount of the receivables. There are no non-controlling interests. On the basis of the fair value of the net assets acquired, goodwill which cannot be amortized for tax purposes stands at EUR 2,701 thousand. In accordance with IFRS 3, goodwill is not systematically amortized. The goodwill is determined by the opportunities for growth arising from the acquisition. With the acquisition of nectec Automotive s.r.o., the Group is able to broaden and solidify its services for customers and enrich them with additional components.

In the reporting period starting with the date of acquisition, nectec Automotive s.r.o. generated revenue of EUR 41,412 thousand and sustained a post-tax loss of EUR –97 thousand.

Acquisition of further shares in GRAMMER Seating (Jiangsu) Co., Ltd.

On December 29, 2014, GRAMMER signed two contracts with Jiangsu Yuhua Automobile Parts Co., Ltd. (Yuhua) for the acquisition of the remaining 40% of the shares in GRAMMER Seating (Jiangsu) Co., Ltd. (GSJ). GRAMMER Interior (Tianjin) Co., Ltd. acquired 20% of the shares held by Yuhua in GSJ and GRAMMER AG a further 20% of the shares previously held by Yuhua. Accordingly, the GRAMMER Group holds 100% of the shares in the Chinese company in which it previously held a majority interest.

EUR k

Consideration due to the holders of non-controlling interests	3,065
Carrying amount of further shares in GRAMMER Seating (Jiangsu)	–757
Differences recorded within equity in retained earnings	2,308

5 Shares in a joint venture

GRAMMER AG holds an interest of 50% in GRA-MAG Truck Interior Systems LLC (GRA-MAG LLC). GRA-MAG LLC is a jointly controlled entity in the United States, which is active in the segment Seating Systems.

Under the terms of the acquisition of nectec Automotive s.r.o. in February 2013, GRAMMER AG also acquired the 50% stake in a joint venture with Chinese automotive supplier Ningbo Jifeng Auto Parts Co., Ltd., China. This share was sold to the joint venture partner on April 14, 2014.

The Group's shares in GRA-MAG LLC are recognized in accordance with equity method of accounting.

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

EUR k

	2014	2013
Current assets	7,944	7,516
Non-current assets	1,030	1,284
	8,974	**8,800**
Current liabilities	–10,733	–10,018
Non-current liabilities	–27,572	–23,735
	–38,305	**–33,753**
Equity	**–29,331**	**–24,952**
Share held by Group	50%	50%
Goodwill from first-time consolidation	2,043	2,043
Carrying amount of the investment	0	0

The share in GRA-MAG LLC has a value of EUR 0 in accordance with the equity method of accounting as the losses exceed the 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 above-mentioned assets and liabilities include the following amounts:

EUR k

	2014	2013
Cash and cash equivalents	1,131	1,388
Current financial liabilities (net of trade accounts payable and other liabilities and provisions)	–7,533	–7,816
Non-current financial liabilities (net of trade accounts payable and other liabilities and provisions)	–27,572	–23,735

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

EUR k	2014	2013
Revenue	29,993	21,556
Cost of sales, including scheduled depreciation and amortization of EUR 393 thousand (2013: 554)	–26,553	–20,868
Administrative expenses	–2,855	–2,995
Interest expense	–1,489	–1,387
Earnings before tax	–904	–3,694
Income taxes	0	0
Earnings from continuing operations	–904	–3,694
Group share in earnings	–452	–1,847

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

EUR k	2014	2013
Non-recognized losses of GRA-MAG LLC as of January 1	–15,140	–13,293
Non-recognized losses of GRA-MAG LLC in the reporting period	–452	–1,847
	–15.592	–15.140

As of December 31, 2014 and 2013, the joint venture did not have any contingent liabilities or capital commitments.

The GRAMMER Group is not involved in any joint activities.

6 Restructuring expenses

No restructuring expenses arose in the year under review (2013: EUR 1.6 million).

7 Segment reporting

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

The Automotive Division, which is the largest segment within the GRAMMER Group, contributed 65.6% (2013: 63.2) of total Group revenue in fiscal year 2014. GRAMMER is active in this segment as a supplier to the automotive industry, developing and producing headrests, armrests and center console systems. The Group sells these products primarily to automakers in the upper and premium segments and to their tier 1 suppliers.

The Seating Systems Division generated 34.4% of Group revenue in 2014 (2013: 36.8). In this segment, GRAMMER is active as a supplier to the commercial vehicles industry, developing and manufacturing driver and passenger seats for offroad vehicles (agricultural machinery, construction machinery and forklifts) and markets these to commercial vehicle manufacturers or as an aftermarket supplier. The segment also develops and produces driver and passenger seats for sale to makers of busses and railway vehicles, as well as railway operators. The Seating Systems segment encompasses the business segments Trucks, Busses and Offroad (agricultural machinery, construction machinery and forklifts) as well as Railway.

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

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

Reporting segments

The following tables include information on income and earnings as well as selected information on assets and liabilities of the Group's business segments for the fiscal years ending December 31, 2014 and 2013.

Fiscal year as of December 31, 2014

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

Fiscal year as of December 31, 2013

EUR k	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	452,862	812,798	0	1,265,660
Inter-segment revenue	19,931	502	−20,433	0
Total revenue	472,793	813,300	−20,433	1,265,660
Segment earnings (Operating profit/loss (–))	37,588	33,091	−12,669	58,010
Financial income				1,662
Financial expenses				−13,191
Other financial result				−4,066
Profit/loss (–) before income taxes				42,415
Income taxes				−12,829
Net profit from continuing operations				29,586
Discontinued operations				
Net profit after tax from discontinued operations				23
Net profit/loss (–)				29,609
Other segment information				
Investments:				
Property, plant and equipment	14,307	23,325	508	38,140
Intangible assets	1,497	6,535	601	8,633
Depreciation of property, plant and equipment	−10,945	−15,269	−538	−26,752
Amortization of intangible assets	−2,040	−5,080	−394	−7,514
Non-cash items				
Changes in pension provisions	1,587	442	294	2,323

Reconciliation

EUR k	2014	2013
Segment earnings (Operating profit)	65,083	70,679
Central Services	−6,345	−10,542
Eliminations	−1,692	−2,127
Group earnings (Operating profit)	57,046	58,010
Financial result	−8,637	−15,595
Profit/loss (–) before income taxes	48,409	42,415

Information about geographic areas
The following tables include information on externally generated revenues and non-current assets of the Group's geographical segments for the fiscal years ending December 31, 2014 and 2013. The geographical breakdown is based on the region of registration of the companies.

2014
EUR k

Registration of the companies	Europe	Americas	Far East/Others	Group
Revenue	911,863	226,290	227,745	**1,365,898**
Non-current assets (= Property, plant and equipment and intangible assets)	208,975	23,984	37,395	**270,354**

2013
EUR k

Registration of the companies	Europe	Americas	Far East/Others	Group
Revenue	851,078	233,624	180,958	**1,265,660**
Non-current assets (= Property, plant and equipment and intangible assets)	205,379	18,769	31,162	**255,310**

8 Revenue structure of the Group

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

Revenue of EUR 1,365,898 thousand (2013: 1,265,660) includes contract revenue of EUR 75,327 thousand (2013: 55,086) determined using the percentage-of-completion method. The expenses incurred corresponded to revenues. These revenues relate to development activities as well as working capital that must be engaged and financed by GRAMMER Group until a product reaches serial production and generates initial revenues. These primarily relate to the Automotive segment. In the Seating Systems Division, PoC revenues were generated due to the new projects for truck seat production.

9 Other income and expenses

9.1 Other income
Other operating income primarily includes income from the sale of scrap metal, materials handling costs as well as rental income of EUR 5,912 thousand (2013: 5,298), income from government grants of EUR 3,897 thousand (2013: 2,580) and income of around EUR 762 thousand (2013: 28) from miscellaneous recharged expenses. It also includes income from the sale of property, plant and equipment of EUR 204 thousand (2013: 162). The government grants were received for the acquisition of certain items of property, plant and equipment as well as in the form of income subsidies. The conditions for these grants were satisfied in full and there is currently no risk that they will not be observed in the future.

9.2 Financial result
The following table breaks down financial result:

EUR k

	2014	2013
Financial income		
Interest income from bank balances	1,107	965
Available-for-sale financial assets	2	76
Other loans	517	621
Total financial income	**1,626**	**1,662**
Financial expenses		
Loans and overdraft	–6,678	–8,515
Other interest costs	–163	–171
Interest cost of pension provisions	–3,573	–3,355
Net loss from financial assets and liabilities measured at fair value through profit or loss	–1,069	–944
Interest element of lease payments	–222	–206
Total financial expenses	**–11,705**	**–13,191**
Other financial result	**1,442**	**–4,066**
Financial result	**–8,637**	**–15,595**

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

Financial income includes interest income of EUR 1,626 thousand (2013: 1,662) calculated using the effective interest rate method.

Financial expenses include the corresponding interest expense on loans and overdraft facilities of EUR 6,678 thousand (2013: 8,515). Of this, an amount of EUR 5,963 thousand (2013: 7,399) was calculated using the effective interest method. The previous year's figure included non-recurring fees and commission in connection with a new syndicated loan contract.

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

9.3 Amortization, depreciation and impairment; foreign exchange differences and cost of inventories included in the consolidated income statement

Cost of sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. The set up of reserves for warranty purposes is covered by this item as well. This item also includes the cost of additions to warranty provisions. The cost of sales also includes non-capitalized research and development costs of EUR 53,234 thousand (2013: 47,411) as well as amortization of development costs. Expenses relating to the development and expansion of plant locations in preparation for forthcoming series production ("industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Development in the Seating Systems Division is generally performed on a "design to market" basis, with the corresponding costs included here accordingly. The costs of inventories, which are recognized as an expense in cost of sales, amount to EUR 1,149,809 thousand (2013: 1,055,028).

Selling expenses

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

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and central departments. Other administrative expenses also include income from changes in exchange rates of EUR 15,823 thousand (2013: 15,403) 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 10,986 thousand (2013: 16,014) are also recognized under other administrative expenses. Cost components from the internal restructuring of the Group are also included.

Amortization and depreciation

Amortization of intangible assets totaled EUR 8,421 thousand (2013: 7,514) and is recognized in the income statement under the cost of sales, selling expenses and administrative expenses. This includes EUR 1,878 thousand (2013: 2,074) for capitalized development costs included in the cost of sales.

Depreciation of property, plant and equipment amounted to EUR 28,295 thousand (2013: 26,752). As in 2013, no impairment losses were recognized in fiscal year 2014.

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

9.4 Personnel expenses

Personnel expenses are analyzed in the following table:

EUR k	2014	2013
Wages and salaries	230,335	208,690
Social security contributions of which for pension EUR 4,140 thousand (2013: 812)	51,900	42,913
	282,235	251,603

10 Income taxes

The key components of income taxes for fiscal years 2014 and 2013 break down as follows:

EUR k	2014	2013
Consolidated Statement of Income		
Current tax		
Current tax expenses Germany	–3,890	–1,625
Current tax expenses abroad	–6,552	–8,572
Total current tax expenses	**–10,442**	**–10,197**
Deferred tax		
Deferred tax income (–)/expenses Germany	–6,625	–4,367
Deferred tax income (–)/expenses abroad	2,307	1,735
Deferred tax expenses	**–4,318**	**–2,632**
Tax expenses reported in the Consolidated Statement of Income	**–14,760**	**–12,829**

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the Group for fiscal years 2014 and 2013 is as follows:

EUR k	2014	2013
Earnings before income taxes (relating to continuing operations)	**48,409**	**42,415**
Income taxes at the effective rate in Germany at 29.1 % (2013: 29.1)	–14,087	–12,342
Effects from minimum taxation and withholding taxes	–582	–288
Current income taxes relating to previous years	–960	128
Effect of the non-recognition of deferred income taxes for the current year	–234	1
Changes in the utilization of deferred income tax assets	–107	0
Tax exempt government grants/Tax benefits	525	87
Non-deductible expenses	–1,394	–984
Other tax effects	77	82
Effects from different tax rates	2,002	487
Income taxes at the effective tax rate of 30.5% (2013: 30.2)	**–14,760**	**–12,829**

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

EUR k

	2014 Consolidated Statement of Financial Position	2013 Consolidated Statement of Financial Position	Change
Deferred tax liabilities			
Property, plant and equipment	–7,199	–7,374	175
Intangible assets	–5,589	–6,001	412
Goodwill	–4,839	–4,839	0
Finance lease	–675	–268	–407
Receivables	–6,266	–4,938	–1,328
Others	–1,501	–1,877	376
	–26,069	**–25,297**	**–772**
Deferred tax assets			
Retirement benefit obligations	22,368	13,106	9,262
Other provisions	1,389	1,316	73
Tax losses carried forward	15,194	19,476	–4,282
Financial assets	137	277	–140
Others	9,292	8,059	1,233
	48,380	**42,234**	**6,146**

The following table reconciles deferred income taxes:

EUR k

	2014	2013
As of January 1	**16,937**	**17,099**
Deferred income tax liabilities through profit and loss	–4,318	–2,631
Deferred income tax assets in the other comprehensive income	8,927	458
Deferred income taxes acquired through first-time consolidation	0	1,927
Derecognition of deferred income taxes in accordance with IFRS 11	0	–790
Currency-translation effects	765	874
As of December 31	**22,311**	**16,937**

The statutory rate of corporate income tax in Germany was 15% for the 2013 and 2014 assessment periods, plus a solidarity surtax of 5.5%. Together with municipal trade tax, which is not deductible as a business expense segment in Germany, this results in a tax rate of approximately 29.1% for 2014 (2013: 29.1).

For calculation of deferred tax assets and liabilities, the tax rates applicable at the point of utilization of the asset or fulfillment of the liability are used. Deferred income tax assets and liabilities were assessed on the basis of the overall tax rate of 29.1% (2013: 29.1). The local income tax rates for foreign entities varied between 10% and 40%.

Deferred tax assets are only recognized if the management deems their recoverability to be probable. Relevant value adjustments are based on all known positive and negative factors relating to future taxable income. The estimates made can change over time. Assessment of the value of deferred income tax assets is based on the probability of measurement differences being reversed and the recoverability of unused tax losses that led to their creation. Based on past experience and anticipated income levels, it is assumed that the corresponding benefits can be realized.

Deferred income tax assets of EUR 0.4 million were recognized on tax losses assumed which can not be used in the future (2013: EUR 0.0 million). With respect to the existing unused tax losses, the Group assumes that it will have sufficient taxable income for recovery. The unused tax losses may be carried forward for periods of 10 to 20 years or indefinitely and in some cases carried back.

Deferred income taxes were not recorded on outside basis differences (i.e. differences between net assets, incl. goodwill at subsidiaries and the relevant tax value of shares in subsidiaries), as reversal of differences, e.g. through distributions, are taxable and because no significant tax effects are expected in the foreseeable future. As of December 31, 2014, outside basis differences totaled EUR 74,966 thousand.

The distribution by the Group of dividends to the shareholders did not have any consequences under income tax law in 2013 or in 2014.

11 Non-current assets held for sale

There were no non-current assets held for sale in fiscal year 2014. In fiscal year 2013, the 50% stake in a joint venture with Chinese automotive supplier Ningbo Jifeng Automotive Parts Co., Ltd., China, obtained as a result of the acquisition of nectec Automotive s.r.o. was recognized in accordance with IFRS 5 as it was intended to be resold. A loss of EUR 16 thousand was sustained on the sale and is reported within earnings after tax in the statement of comprehensive income.

12 Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit by the nominal number of shares outstanding during the fiscal year, less the Company's own shares that have been bought back. The Company's share capital amounts to EUR 29,554,365.44 divided into 11,544,674 shares. All shares with the exception of treasury stock accord the same rights; shareholders have a right to 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 for no-par value shares of the company, such as convertible bonds and options). Since GRAMMER Group has not issued any such financial instruments or entered into any such contracts, its basic and diluted earnings per share are identical.

	2014	2013
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	11,214,624	11,214,624
Consolidated net profit/loss (in EUR thousand)	34,680	29,996
Basic/diluted earnings per share in EUR	3.09	2.67

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

13 Dividends paid and proposed

Appropriation of profit by GRAMMER Group is based on net profit/loss in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code. On December 31, 2014, GRAMMER AG posted net profit of EUR 23.6 million (2013: 15.4). This takes into account the profit of EUR 8.1 million carried forward, the allocation of EUR 15.5 million to retained earnings and annual profit of EUR 31.0 million. The Executive Board and the Supervisory Board will be proposing to the Annual General Meeting that a dividend of EUR 0.75 per share be paid and that the balance of EUR 15.2 million be carried forward. This decision takes into account that the Company holds a total of 330,050 own shares, which are not dividend bearing. If the number of dividend-entitled shares changes before the date of the Annual General Meeting on May 20, 2015, the Executive Board and Supervisory Board of GRAMMER AG will present a duly adjusted dividend proposal to the meeting.

A dividend of EUR 7.3 million was paid in the reporting year (2013: 5.6). For further details, please refer to Note 20.

Dividends resolved and distributed during the fiscal year:

Dividends on no-par value shares

EUR k

	2014	2013
Dividend for 2013: 0,65 EUR (2012: 0,50 EUR)	7,290	5,608

Dividends proposed for approval by the Annual General Meeting (not recognized as a liability as of December 31):

Dividends on no-par value shares

EUR k

	2014	2013
Dividend for 2014: 0,75 EUR (2013: 0,65 EUR)	8,411	7,290

14 Property, plant and equipment and intangible assets

EUR k

As of December 31, 2014	Cost						
	As of January 1, 2014	Additions	Disposals	Effects of exchange rate differences	Effects from company acquisition	Reclassification	As of December 31, 2014
Property, plant and equipment							
Land and buildings	96,557	4,630	–53	–155	0	2,526	103,505
Technical machines and equipment	161,680	12,588	–6,400	1,931	0	5,785	175,584
Factory and office equipment	176,770	12,134	–3,534	1,601	0	2,050	189,021
Advance payments and plant under construction	9,797	6,544	0	248	0	–9,731	6,858
Finance Leasing	8,177	2,242	–101	–25	0	–630	9,663
Subtotal	452,981	38,138	–10,088	3,600	0	0	484,631
Intangible assets							
Concessions and industrial rights	53,354	10,239	–1,284	–20	0	0	62,289
Goodwill	47,152	0	0	0	0	0	47,152
Capitalized development costs	21,927	3,106	0	180	0	0	25,213
Advance payments	0	11	0	0	0	0	11
Subtotal	122,433	13,356	–1,284	160	0	0	134,665
Total	575,414	51,494	–11,372	3,760	0	0	619,296

EUR k

As of December 31, 2013	Cost						
	As of January 1, 2013	Additions	Disposals	Effects of exchange rate differences	Effects from company acquisition	Reclassification	As of December 31, 2013
Property, plant and equipment							
Land and buildings	92,822	886	–186	–2,905	4,270	1,670	96,557
Technical machines and equipment	149,791	14,097	–2,430	–5,158	2,399	2,981	161,680
Factory and office equipment	172,814	10,087	–4,138	–4,304	165	2,146	176,770
Advance payments and plant under construction	6,387	9,089	–50	–192	1,360	–6,797	9,797
Finance Leasing	7,541	3,981	–3,275	–70	0	0	8,177
Subtotal	429,355	38,140	–10,079	–12,629	8,194	0	452,981
Intangible assets							
Concessions and industrial rights	32,420	6,990	–115	–1,231	15,231	59	53,354
Goodwill	44,447	4	0	0	2,701	0	47,152
Capitalized development costs	20,371	1,582	0	–26	0	0	21,927
Advance payments	2	57	0	0	0	–59	0
Subtotal	97,240	8,633	–115	–1,257	17,932	0	122,433
Total	526,595	46,773	–10,194	–13,886	26,126	0	575,414

Depreciation							Carrying amount	
As of January 1, 2014	Additions	Disposals	Reversals	Effects of exchange rate differences	Reclassification	As of December 31, 2014	As of January 1, 2014	As of December 31, 2014
45,975	2,891	−18	0	45	−18	48,875	50,582	54,630
93,878	12,094	−6,286	0	913	572	101,171	67,802	74,413
131,151	12,213	−3,158	0	1,005	55	141,266	45,619	47,755
0	0	0	0	0	0	0	9,797	6,858
1,783	1,097	−101	0	−6	−609	2,164	6,394	7,499
272,787	28,295	−9,563	0	1,957	0	293,476	180,194	191,155
26,688	6,543	−511	0	60	0	32,780	26,666	29,509
10,636	0	0	0	0	0	10,636	36,516	36,516
9,993	1,878	0	0	179	0	12,050	11,934	13,163
0	0	0	0	0	0	0	0	11
47,317	8,421	−511	0	239	0	55,466	75,116	79,199
320,104	36,716	−10,074	0	2,196	0	348,942	255,310	270,354

Depreciation							Carrying amount	
As of January 1, 2013	Additions	Disposals	Reversals	Effects of exchange rate differences	Reclassification	As of December 31, 2013	As of January 1, 2013	As of December 31, 2013
44,338	2,808	−182	0	−989	0	45,975	48,484	50,582
88,900	10,894	−2,328	0	−3,574	−14	93,878	60,891	67,802
125,701	12,160	−3,797	0	−2,927	14	131,151	47,113	45,619
0	0	0	0	0	0	0	6,387	9,797
4,212	890	−3,269	0	−50	0	1,783	3,329	6,394
263,151	26,752	−9,576	0	−7,540	0	272,787	166,204	180,194
21,686	5,440	−107	0	−331	0	26,688	10,734	26,666
10,636	0	0	0	0	0	10,636	33,811	36,516
7,947	2,074	0	0	−28	0	9,993	12,424	11,934
0	0	0	0	0	0	0	2	0
40,269	7,514	−107	0	−359	0	47,317	56,971	75,116
303,420	34,266	−9,683	0	−7,899	0	320,104	223,175	255,310

14.1 Property, plant and equipment

Depreciation is based generally on the following useful economic lives:

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

Land is not depreciated.

In the current fiscal year, a sum of EUR 0 thousand (2013: 1,234) was recognized as a grant related to assets and deducted from the acquisition costs of these assets.

14.2 Intangible assets

Intangible assets comprise concessions, industrial property rights, patents and customer orders. Patents and customer orders include items which were identified in connection with the acquisition of nectec Automotive s.r.o in February 2013. These patents are being amortized over ten years and the customer orders over six years. All other intangible assets are amortized, as in the past, using the straight-line method over an expected useful life of three to six years.

Capitalized development costs relate to internally generated patents and are amortized on a straight-line basis over an expected useful life of of an average of ten years. In fiscal year 2014, total research and development costs stood at EUR 56,340 thousand (2013: 48,993), of which EUR 3,106 thousand (2013: 1,582) satisfied the criteria for capitalization under IAS 38.

14.3 Leases

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

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

EUR k

As of December 31, 2014	Cost					
	As of January 1, 2014	Additions	Disposals	Effects of exchange rate differences	Reclassification	As of December 31, 2014
Land and buildings	0	2,030	0	0	0	2,030
Manufacturing plant and equipment	7,870	212	0	–22	–630	7,430
Other plant and equipment	101	0	0	–1	0	100
Motor vehicles	206	0	–101	–2	0	103
Total	8,177	2,242	–101	–25	–630	9,663

EUR k

As of December 31, 2013	Cost					
	As of January 1, 2013	Additions	Disposals	Effects of exchange rate differences	Reclassification	As of December 31, 2013
Land and buildings	0	0	0	0	0	0
Manufacturing plant and equipment	6,978	3,981	–3,040	–49	0	7,870
Other plant and equipment	125	0	–27	3	0	101
Motor vehicles	438	0	–208	–24	0	206
Total	7,541	3,981	–3,275	–70	0	8,177

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

EUR k

	up to 1 year	1 to 5 years	more than 5 years
2014			
Lease payments	2,061	3,356	2,347
Less interest cost on a discounted basis	–213	–371	–530
Present value (Statement of financial position)	1,848	2,985	1,817
2013			
Lease payments	1,463	4,609	333
Less interest cost on a discounted basis	–161	–284	–10
Present value (Statement of financial position)	1,302	4,325	323

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

Depreciation						Carrying amount	
As of January 1, 2013	Additions	Disposals	Effects of exchange rate differences	Reclassification	As of December 31, 2013	January 1, 2013	December 31, 2013
0	0	0	0	0	0	0	0
3,676	858	–3,040	–13	0	1,481	3,302	6,389
106	10	–27	7	0	96	19	5
430	22	–202	–44	0	206	8	0
4,212	890	–3,269	–50	0	1,783	3,329	6,394

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

EUR k

	up to 1 year	1 to 5 years	more than 5 years
2014			
Lease payments	16,756	36,401	21,364
2013			
Lease payments	14,780	33,477	24,238

As of the reporting date, purchase price obligations for property, plant and equipment stood at EUR 2,232 thousand (2013: 0).

14.4 Goodwill

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

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

GRAMMER AG tests goodwill for impairment at least once annually in accordance with the process outlined in section 2.3. The fundamental assumptions on which the determination of the recoverable amount attributable to the CGUs as of December 31, 2014 include the sustainable (net) growth rate of the relevant positive cash flows and the discount factor. These are presented in the following table:

Basis of calculation

The recoverable amount from the cash-generating units is determined on the basis of the present value of estimated future cash flows less costs to sell.

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

The total cost of capital is determined using the capital asset pricing model assuming a risk-free interest rate of 2.00% after tax (2013: 2.75) and a risk premium for general market risks of 6.0% after tax (2013: 6.0). For determination of operative and leverage risks, individual beta factors are derived from a group of comparable companies (peer group) and used for measurement of the positive cash flows of the specific CGU. Cost of capital is estimated taking into account the future financing conditions of GRAMMER AG and adjusted in line with market expectations. The cost of capital determined in this way reflects the time value of money and the specific risks of the CGU for which the estimated future cash flows were not adjusted.

EUR k

	Cashgenerating unit	2014 Goodwill	2013 Goodwill	2014 Growth rate[1]	2013 Growth rate[1]	2014 Discount factor	2013 Discount factor
CGU I	Seating Systems	4,423	4,423	1%	1%	7.4%	7.1%
CGU II	Automotive	32,093	32,093	1%	1%	7.4%	7.1%
	Total	**36,516**	**36,516**				

[1] perpetual annuity

Cash flows after this three-year period are extrapolated on the basis of a growth rate of 1 % (2013: 1).

The impairment tests performed confirm that the value of all goodwill is fully recoverable. There were no changes in the terminal-value growth rate to 0 or in the detailed planning period to 0 or any evidence of impairments such as an increase by 400 basis points in the interest rate on debt capital.

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

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

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

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

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

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

As of December 31, 2014, GRAMMER AG's market capitalization was higher than the carrying amount of its consolidated equity, meaning that there was no evidence of any impairment of goodwill or any other assets.

EUR k	2014	2013
Market cap	381,551	400,138
Equity	231,761	224,671
Fixed assets	270,354	255,310
Gearing	37 %	41 %
Closing price on December 31	**33.05**	**34.66**

15 Inventories

Inventories break down as follows:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Raw material and supplies	83,018	68,208
Work in progress	11,091	11,409
Finished goods and services	21,606	27,591
Advance payments	12,615	8,441
Total inventories	**128,330**	**115,649**

All inventories are carried at cost. There were no significant write-downs to the lower fair value. Impairments of EUR 3.0 million (2013: 3.0) were recognized on inventories.

16 Trade accounts receivable

EUR k	Dec. 31, 2014	Dec. 31, 2013
Trade accounts receivable	**169,588**	**153,928**

Generally, trade accounts receivable are non-interest-bearing and have a term of 30–120 days.

As of December 31, 2014, trade accounts receivable of were reduced EUR 19,036 thousand (2013: 15,687) as a result of genuine factoring.

As of December 31, 2014, impairments of EUR 2,682 thousand (2013: 2,882) were recognized on trade accounts receivable. Details are given in the table below:

EUR k

	Allowances for doubtful accounts	Portfolio-based allowances	Total
As of January 1, 2014	1,311	1,571	2,882
Additions	790	159	949
Utilization	–114	–111	–225
Write-backs	–407	–580	–987
Effects from exchange rate differences	63	0	63
As of December 31, 2014	1,643	1,039	2,682
As of January 1, 2013	952	1,852	2,804
Additions	895	76	971
Utilization	–19	–26	–44
Write-backs	–386	–332	–718
Effects from exchange rate differences	–131	0	–131
As of December 31, 2013	1,311	1,571	2,882

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

EUR k

	Total	Neither past due nor impaired	Non-impaired and past due in the following periods				
			up to 30 days	31–60 days	61–90 days	91–180 days	more than 181 days
2014							
Trade accounts receivable	169,588	149,171	13,052	3,628	950	1,133	1,654
Receivables from construction contracts	100,904	100,904	0	0	0	0	0
Other financial receivables	9,925	9,925	0	0	0	0	0
2013							
Trade accounts receivable	153,928	130,081	14,268	4,423	1,203	2,541	1,412
Receivables from construction contracts	74,523	74,523	0	0	0	0	0
Other financial receivables	11,521	11,521	0	0	0	0	0

The carrying amount of the receivables portfolio represents the maximum credit risk. The settlement periods of up to 30 days primarily concern a billing-related delay in the payment of due accounts receivable until a short time after the reporting date. In certain cases, the past-due accounts relate to project business beyond the reporting date and related procedures for acceptance testing and payment of tools. On the reporting date, there were no indications with regard to the receivables that had neither been written down nor were in default that the debtors would not be able to fulfill their obligations.

17 Other financial assets

Other financial assets break down as follows:

EUR k

	Dec. 31, 2014	Dec. 31, 2013
Non-current		
Outstanding loans	20	147
Participation interests	129	442
Others	209	276
	358	865
Current		
Receivables from construction contracts	100,904	74,523
Other receivables	9,696	11,098
Derivative financial assets	370	582
	110,970	86,203

Loans comprise loans to affiliated companies. Other non-current financial assets include loans to third parties and employees of EUR 209 thousand (2013: 276).

Receivables from construction contracts contain the asset-side balance relating to customers for contract work determined using the percentage-of-completion method.

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

18 Other current assets

Other current assets break down as follows:

EUR k

	Dec. 31, 2014	Dec. 31, 2013
Other assets	14,201	13,039
Prepaid expenses	4,906	2,430
	19,107	15,469

Other assets mainly include receivables arising from pass-through taxes such as value-added tax of EUR 9,619 thousand (2013: 7,868), temporary deposit agreements of EUR 907 thousand (2013: 1,257), receivables due from creditors with debit balances of EUR 600 thousand (2013: 1,177), receivables due from employees of EUR 313 thousand (2013: 300) and claims under investment grants totaling EUR 1,316 thousand (2013: 161).

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

19 Cash and short-term deposits

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

EUR k

	Dec. 31, 2014	Dec. 31, 2013
Cash and short-term deposits	83,999	91,315

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

The bank balances have variable interest rates and can be withdrawn on demand. Short-term deposits are made for various terms of between one day and three months depending on the Group's current liquidity requirements. The deposits accrue interest at the current interest rates for demand deposits.

For the purposes of the consolidated cash flow statement, holdings of cash and cash equivalents as of December 31, are as follows:

TEUR

	Dec. 31, 2014	Dec. 31, 2013
Cash and short-term deposits	83,999	91,315
Bank overdrafts	–1,595	–12,396
	82,404	78,919

20 Subscribed capital and reserves

Subscribed capital

As of December 31, 2014, the subscribed capital of the GRAMMER Group amounted to EUR 29,554 thousand divided into 11,544,674 no-par value shares. All shares accord the same rights. The shareholders have a right to payment of the approved dividend (with the exception of the Company's own shares) and may exercise one vote for each share at the Annual General Meeting.

Capital reserve

The capital reserve totaled EUR 74,444 thousand (2013: 74,444) as of December 31, 2014. It includes premiums from the capital increases in 1996, 2001 and 2011, less transaction costs.

Retained earnings

GRAMMER AG's retained earnings totaled EUR 1,183 thousand on both December 31, 2014 and 2013 and are not available for the payment of dividends.

Retained earnings additionally include income earned in the past by the consolidated companies not paid out as dividends. This item rose from EUR 159,423 thousand to EUR 184,505 thousand. However, the growth in the Company's earnings is not fully reflected in retained earnings due to the dividend payment of EUR 7,290 thousand.

Accumulated other comprehensive income

Accumulated other comprehensive income mainly comprises adjustments arising from the currency translation of the financial statements of foreign subsidiaries and the effects of the subsequent measurement of financial instruments in equity, as well as the related deferred taxes.

In addition, it includes changes in connection with actuarial gains and losses in accordance with IAS 19 and cumulative foreign-currency translation effects in connection with the loans classified as net investments in a foreign operation in accordance with IAS 21.

Own shares

As of December 31, 2014, GRAMMER AG holds a total of 330,050 of its own shares, all of which were acquired in fiscal year 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 of the share capital and represent 2.8589 % of share capital.

Acquisition of own shares

On August 16, 2006, the Executive Board of GRAMMER AG decided to make use of the authorization of the Annual General Meeting of June 28, 2006 to acquire own shares in accordance with section 71 (1) number 8 AktG. The Company may acquire up to 10 % of its share capital, i. e. up to 1,049,515 of its own shares. The share repurchase is for the purposes set out in the resolution adopted by the Annual General Meeting, which provides for both the acquisition of companies or participating interests, sale through the stock exchange or through an offer directed to all shareholders as well as the recall of shares. This authorization was valid from August 16, 2006 until December 1, 2007. The repurchase of the shares under this Executive Board resolution complies with the Safe-Harbour rules of sections 14 (2), 20a (3) of the German Securities Trading Act (WpHG) in conjunction with Commission Regulation (EC) no. 2273/2003 dated December 22, 2003. The 330,050 shares were purchased on the stock exchange at the price specified in the resolution of the Annual General Meeting and the transaction was published on the Company's website. The Executive Board has not yet proposed how the shares will be utilized.

As of December 31, 2014, 11,544,674 ordinary shares (2013: 11,544,674) were outstanding.

Non-controlling interests

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

Authorizations

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

a) provided this is necessary to eliminate fractional amounts;

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

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

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

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

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

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

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

21 Pensions and other post-employment benefits

The GRAMMER Group has defined benefit plans, mostly in Germany.

Provisions for retirement benefit obligations are calculated on the basis of benefit plans for the provision of old-age, invalidity and surviving dependents benefits. Benefits paid by the Group vary in accordance with the legal, tax and economic factors in the relevant countries and generally depend on the length of employment and the remuneration paid to the employee.

At the foreign subsidiaries, other benefits comprise post-employment benefits.

The present value of the defined benefit obligations and the related current and past service cost have been calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Under this method, the necessary expense for the accrued benefits is allocated to the period which is attributable to the unit of accrued benefits arising in the year in question in the light of vesting conditions.

When pension obligations are measured, assumptions regarding the relevant factors affecting the amount of the benefit are made. These assumptions are based on actuarial calculations performed by an actuary for the GRAMMER Group.

The calculation of the defined benefit obligation (DBO) for pension commitments is based primarily on the following actuarial assumptions:

Actuarial assumptions DBO

in %

	2014	2013
Interest rate	2.20	3.70
Salary trend	2.30	2.30
Income trend for individual commitments	2.30	2.30
Inflation rate/pension trend	1.90	1.90

Actuarial assumptions other benefits

in %

	2014	2013
Interest rate	2.20–6.75	3.70–7.50
Salary trend	2.30–5.01	2.30–5.31
Inflation rate	1.90–8.17	1.90–7.48

The AON Hewitt actuarial interest rate was applied in fiscal year 2014. This actuarial interest rate is derived from the vested obligations in the light of the specific structure of the payment flows. The calculation is based on the GRAMMER companies' pension obligations which underlie the pension provisions as of December 31, 2014.

The calculation of the actuarial 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, 2014.

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

In fiscal year 2014, annuities were paid on pensions in the amount of EUR 2,208 thousand (2013: 1,994). Other post-employment benefits paid totaled EUR 247 thousand (2013: 99).

The following amounts were recognized in the income statement:

EUR k 2014	Pension plan	Other benefits
Service cost	2,187	708
Current service cost	2,186	682
Past service cost	1	26
Net interest expense	3,428	145
Total 2014	5,615	853

EUR k 2013	Pension plan	Other benefits
Service cost	–1,638	448
Current service cost	1,867	448
Past service cost	–3,505	0
Net interest expense	3,239	116
Total 2013	1,601	564

Service cost includes current and past service cost. Past service cost corresponds to the gains or losses from plan adjustments or curtailments which are recognized immediately upon arising.

As there are no plan assets for funding future pension obligations, net interest expense is identical to interest expense.

Service cost is generally contained in personnel costs in the different functional areas; interest expense for pension commitments is recognized in the financial result.

The following items were recorded within other comprehensive income:

EUR k 2014	Pension plan	Other benefits
Cumulative amount recognized in other comprehensive income profit (–)/ loss (+) as of January 1,2014	28,691	0
Amount recorded in the current year	29,136	0
Cumulative amount recognized in other comprehensive income as of December 31, 2014	57,827	0

EUR k 2013	Pension plan	Other benefits
Cumulative amount recognized in other comprehensive income profit (–)/ loss (+) as of January 1, 2013	25,832	0
Amount recorded in the current year	2,859	0
Cumulative amount recognized in other comprehensive income as of December 31, 2013	28,691	0

In a decision dated May 15, 2012 (3 AZR 11/10), the German Federal Labor Court ruled that in the case of pension plans which were established before RVAltGrAnpG took effect on January 1, 2008 the originally contractual age limit of 65 years regularly equals the standard age of retirement in the statutory pension scheme. After a conclusive legal appraisal, GRAMMER adopted the effects of this ruling in 2013 in Germany and recognizes pension obligations on the basis of the standard statutory age of retirement. In the previous year, the positive effect of this change to pension obligations, which was reported within past service cost, was more than offset by other measurement effects (e.g. salary trends).

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

EUR k	Pension plan	Other benefits
As of January 1, 2014	93,308	3,022
+ Service cost	2,187	708
+ Interest expense	3,428	145
Changes in estimates: gains (–)/losses	29,136	0
Changes in demographic assumptions	–6	0
Changes in financial assumptions	30,085	0
Experience adjustments	–943	0
– Actual payments	–2,208	–247
– Disposal of obligations	0	–26
Changes in exchange rates	0	151
As of December 31, 2014	125,851	3,753
As of January 1, 2013	90,850	3,157
+ Service cost	–1,638	448
+ Interest expense	3,239	116
Changes in estimates: gains (–)/losses	2,859	0
Changes in financial assumptions	–1,654	0
Experience adjustments	4,513	0
– Actual payments	–1,994	–99
– Disposal of obligations	0	–11
Changes in exchange rates	–8	–589
As of December 31, 2013	93,308	3,022

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	2014	2014	2013	2013
	1 % reduction	1 % increase	1 % reduction	1 % increase
Impact on DBO	28,122	–21,298	18,691	–14,429
Impact on current service cost	682	–505	458	–345
Impact on net interest expense	–900	556	–413	239

Future salary increase

EUR k	0.5% reduction	0.5% increase	0.5% reduction	0.5% increase
Impact on DBO	–3,783	4,289	–2,673	3,031

Inflation rate

EUR k	0.5% reduction	0.5% increase	0.5% reduction	0.5% increase
Impact on DBO	–7,861	8,686	–5,249	5,763

Mortality rate

EUR k	10% reduction	10% increase	10% reduction	10% increase
Impact on DBO	4,155	–3,718	2,616	–2,368

As most of the defined benefit obligations relate to the German companies, the sensitivity analysis is confined to these companies.

In the above sensitivity analyses, the present value of the defined benefit obligation was calculated using the projected unit credit method as of the reporting date, i.e. the same method as that used to calculate the defined benefit liability recorded in consolidated statement of financial position.

It can be assumed that the above sensitivity analysis is not representative of the actual change which would occur in the defined benefit obligation as it is unlikely for deviations from the assumptions applied to arise in isolation in view of the fact that some of the assumptions are linked to each other.

The following table sets out the expected future cash outflows for the existing pension plans:

EUR k	Expected cash outflow
Short term (<1 year)	2,242
Medium term (1 to 5 years)	8,464
Long term (>5 years)	114,502

22 Financial liabilities

Interest-bearing liabilities

EUR k	Current	Non-current	Total
2014			
Overdrafts	1,595	0	1,595
Loans			
EUR loan	13,269	2,566	15,835
CNY loan	9,024	1,592	10,616
BRL loan	0	0	0
Bonded loan	1,497	141,097	142,594
Total Financial Liabilities	25,385	145,255	170,640

EUR k	Current	Non-current	Total
2013			
Overdrafts	12,395	0	12,395
Loans			
EUR loan	3,291	5,836	9,127
CNY loan	2,395	0	2,395
BRL loan	39	0	39
Bonded loan	19,562	140,952	160,514
Total Financial Liabilities	37,682	146,788	184,470

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

The cash credit facilities may be drawn on as an overdraft or as loans with fixed interest periods of up to six months. Interest is charged on the basis of a money market rate plus a fixed credit margin. The syndicated loan contract has a term of five years plus two one-year renewal options. GRAMMER exercised the first renewal option in 2014, meaning that the loan now expires on October 31, 2019 unless GRAMMER AG exercises the second one-year renewal option.

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

Overdrafts

Overdrafts are primarily amounts drawn under corresponding credit facilities.

Loans

This item includes a KfW loan of EUR 5.0 million, which is being repaid in half yearly installments of EUR 1,250 thousand at a floating EURIBOR-based rate. In addition, this item includes short-term amounts of EUR 10.0 million drawn under the syndicated loan.

The Chinese subsidiaries have also taken out short and long-term loans. The short-term loans are mostly due for repayment in March and October 2015. The long-term loans expire in June 2017. The loans are structured to predominantly allowing revolving utilization.

Bonded Loan

In addition to deferred interest and the discount, this item includes bonded loan of EUR 141.5 million (2013: 159.5).

Of the 2011 bonded loan of a total of EUR 60.0 million, an amount of EUR 18.0 million was repaid on schedule in September 2014. The remaining installments are due for repayment in 2016 and 2018. This debenture bond is subject to both fixed and floating interest rates and has differing maturities of five and seven years.

The renewed parts of the 2006 bonded loan of EUR 26.0 million are due for settlement in 2016–2018.

In addition, GRAMMER AG issued a new bonded loan in May 2013 with a total nominal value of EUR 73.5 million. The new bonded loan comprises four tranches expiring in 2017 and 2019 with both fixed and floating interest rates.

Deferred interest is allocated to the current part. The reduction compared with the previous year (2013: 19.6) is due to the repayment of EUR 18.0 million of part of the 2006 bonded loan.

23 Provisions

EUR k

	As of January 1, 2014	Additions	Utilization	Releases	Effects from exchange rate differences	As of December 31, 2014	Current provision 2014	Non-current provisions 2014
Market related provisions	7,435	2,357	–1,409	–1,253	63	7,193	7,193	0
Obligations relating to personnel	2,029	2,006	–618	0	96	3,513	3,513	0
Other provisions	2,082	576	–246	–1,137	88	1,363	1,363	0
Total	11,546	4,939	–2,273	–2,390	247	12,069	12,069	0

	As of January 1, 2013	Additions	Utilization	Releases	Effects from exchange rate differences	As of December 31, 2013	Current provision 2013	Non-current provisions 2013
Market related provisions	8,374	3,021	–2,956	–274	–730	7,435	7,435	0
Obligations relating to personnel	827	1,720	–518	0	0	2,029	2,029	0
Other provisions	433	1,672	–18	0	–5	2,082	2,082	0
Total	9,634	6,413	–3,492	–274	–735	11,546	11,546	0

Market-related provisions relate to risks from the sale of parts and products as well as development. For the most part, this comprises warranty claims calculated on the basis of previous claims and estimated future claims. These encompass Group liability for the proper functioning of the products sold and obligations to compensate buyers for damages and costs caused by use of the products.

Personnel provisions contain obligations related to personnel and social benefits such as anniversary bonuses. The allocated plan assets and obligations from early phased retirement entitlements were netted in the amount of EUR 63 thousand in accordance with IAS 19.

Other provisions refer to a number of identifiable specific risks and contingent liabilities, for instance provisions for litigation costs, which are recognized at their probable amounts.

24 Trade accounts payable

EUR k	Dec. 31, 2014	Dec. 31, 2013
Non-current trade accounts payable	1,072	2,320
Current trade accounts payable	192,153	150,381
Trade accounts payable	193,225	152,701

Trade accounts payable and other liabilities refer to outstanding payment obligations for goods and services. Outstanding invoices and liabilities for deliveries received are recognized in accordance with their characteristics under trade accounts payable. Generally, trade accounts payable are non-interest-bearing and are due for settlement normally in less than 90 days. Non-current trade accounts payable in particular include liabilities under closed-end leasing agreements with maturities of up to five years. Customary retention of title by suppliers applies in relation to trade payables.

25 Other financial liabilities

Other financial liabilities break down as follows:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Current		
Liabilities from derivatives	2,992	1,739
Liabilities from leases	1,848	1,302
Liabilities to affiliated companies	576	743
Other current financial liabilities	5,416	3,784
Non-current		
Liabilities from leases	4,802	4,648
Other financial liabilities	4,802	4,648

26 Other liabilities

Other liabilities break down as follows:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Current		
Social security obligations	3,377	2,607
Liabilities from other taxes and charges	7,242	6,550
Prepayments received	3,921	2,302
Other liabilities	35,743	38,261
Deferred income	5,536	7,169
Other current liabilities	55,819	56,889
Non-current		
Liabilities from other taxes and charges	0	93
Other liabilities	0	93
Total other liabilities	55,819	56,982

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.

Liabilities relating to other taxes and charges principally comprise outstanding wage taxes and similar charges for fiscal year 2014.

27 Statement of Cash Flow

The statement of cash flow breaks down the Group's cash flow 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 by non-cash expenses (primarily depreciation, amortization and impairment) and income. Cash flow from operating activities is calculated under consideration of the change in working capital. Investing activities comprise payments for property, plant and equipment and investments in property, plant and equipment and financial assets, but not additions to capitalized development costs. Financing activities include cash outflows for dividend payments and repayments of loans, as well as changes in other financial liabilities. At GRAMMER Group, cash and cash equivalents consists of cash and short-term money market funds, less current account liabilities to banks.

28 Litigation

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

29 Contingent liabilities

EUR k

	2014	2013
Guarantees	632	1.256

Guarantees have been issued primarily for performance bonds and rented business premises.

30 Related party disclosures

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

Conditions for related party transactions

This section describes sales to and purchases by related parties . Outstanding amounts at the end of the fiscal year are unsecured, non-interest bearing and are settled by cash payment. No guarantees exist for receivables or liabilities due from related parties. The Group did not recognize any impairment losses on accounts receivable from related parties as of December 31, 2014 (2013: 0). An impairment test is performed annually by reviewing the financial position of the related party and the market in which the related party operates.

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

EUR k

Related parties		Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities from related parties
Jointly-controlled entities in which the parent is a venturer:					
GRA-MAG Truck Interior Systems LLC	2014	7,907	0	9,677	0
	2013	4,854	0	8,841	0

GRA-MAG Truck Interior Systems LLC

GRAMMER AG holds an interest of 50 % in GRA-MAG Truck Interior Systems LLC (GRA-MAG) (2013: 50 %). GRA-MAG had 46 employees as of December 31, 2014 (2013: 45).

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.

31 Additional information on financial instruments

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

EUR k

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

EUR k

	Valuation category acc. to IAS 39	Carrying amount Dec. 31, 2013	Amount stated in balance sheet acc. to IAS 39				Amount stated in balance sheet acc. to IAS 17	Fair Value Dec. 31, 2013
			Amortized costs	Historical costs	Fair Value recognized in equity	Fair Value recognized in profit or loss		
Assets								
Cash and short-term deposits	LaR	91,315	91,315					91,315
Trade accounts receivable	LaR	153,928	153,928					153,928
Other financial assets								
Loans and receivables	LaR	11,521	11,521					11,521
Receivables from construction contracts	LaR	74,523	74,523					74,523
Financial assets available-for-sale	AfS	442		442				442
Financial assets held-for-trading	FAHfT	1				1		1
Derivatives with hedge relationship	n. a.	581			581			581
Liabilities								
Trade accounts payable	FLAC	152,701	152,701					152,724
Current and non-current liabilities to banks	FLAC	184,470	184,470					185,897
Other financial liabilities								
Other financial liabilities	FLAC	743	743					743
Liabilities from finance leases	n.a.	5,950					5,950	6,039
Derivatives without hedge relationship	FLHfT	0						0
Derivatives with hedge relationship	n.a.	1,739			1,739			1,739
Of which aggregated by valuation category in acc. with IAS 39:								
Loans and receivables	LaR	331,287	331,287					331,287
Financial assets available-for-sale	AfS	442		442				442
Financial assets held-for-trading	FAHfT	1				1		1
Financial liabilities measured at amortized costs	FLAC	337,914	337,914					339,364
Financial liabilities held-for-trading	FLHfT	0						0

Because of the short term-nature of cash and short-term deposits, trade accounts receivable and other current receivables, it is assumed that the carrying amounts equate to their fair values.

The fair value of other non-current receivables with remaining terms of over one year equate to the present value of the payments associated with the assets taking account of the prevailing interest rate parameters.

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

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

The fair values of liabilities to banks, bonded loan 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, 2014.

EUR k

	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Derivative financial assets				
Currency forwards	370	0	370	0
Interest-rate swaps	0	0	0	0
Liabilities measured at fair value				
Derivative financial liabilities				
Currency forwards	410	0	410	0
Interest-rate swaps	2,582	0	2,582	0
Liabilities for which a fair value is disclosed				
Interest-bearing loans				
Obligations under finance leases and rental contracts	8,548	0	8,548	0
Current and non-current financial liabilities	174,842	0	174,842	0

The following table sets out the quantitative data on the measurement of the fair value of the assets and liabilities coming with the fair value measurement hierarchy as of December 31, 2013:

EUR k

	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Derivative financial assets				
Currency forwards	38	0	38	0
Interest-rate swaps	544	0	544	0
Liabilities measured at fair value				
Derivative financial liabilities				
Currency forwards	53	0	53	0
Interest-rate swaps	1,686	0	1,686	0
Liabilities for which a fair value is disclosed				
Interest-bearing loans				
Obligations under finance leases and rental contracts	11,280	0	11,280	0
Current and non-current financial liabilities	185,897	0	185,897	0

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

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

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

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

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

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

EUR k

	Net income 2014	Net income 2013
Loans and receivables	7,157	1,867
Financial assets and liabilities held-for-trading	11	35
Financial liabilities measured at amortized costs	–1,910	–6,542
	5,258	**–4,640**

Net income from loans and receivables include currency gains or losses, changes to value adjustments recognized as income, gains or losses from derecognition of receivables and reversals of previously impaired receivables.

Net income from financial instruments held for trading includes changes in the market value of unhedged derivatives including interest income and expenses.

The net income from financial liabilities recognized at fair value through profit or loss include primarily currency gains and losses.

The GRAMMER Group has transacted hedges with several banks. The derivative assets and liabilities outstanding as of the reporting date do not satisfy the offsetting criteria provided for in IAS 32.42. Accordingly, they are reported separately in the balance sheet. However, the master contracts include offsetting arrangements that apply in the event of insolvency.

The following table sets out the carrying amounts of the financial instruments which are subject to these agreements.

EUR k	Gross and net amounts of financial instruments in the balance sheet	Offsetting agreement	Net amount
Dec. 31, 2014			
Financial assets			
Currency forwards	370	–142	228
Interest rate swaps	0	0	0
Financial liabilities			
Currency forwards	–410	142	–268
Interest rate swaps	–2,582	0	–2,582

EUR k	Gross and net amounts of financial instruments in the balance sheet	Offsetting agreement	Net amount
Dec. 31, 2013			
Financial assets			
Currency forwards	38	–1	37
Interest rate swaps	544	–534	10
Financial liabilities			
Currency forwards	–53	1	–52
Interest rate swaps	–1,686	534	–1,152

32 Financial derivatives and risk management

The primary financial liabilities used in the Group encompass debenture bonds, bank loans, overdrafts and finance leases as well as trade accounts payable. The main purpose of these financial liabilities is to finance operating activities. The Group has various financial assets such as trade accounts receivable and cash, which result directly from operating activities.

The Group also has derivative financial instruments, used by the Group for risk management, primarily to hedge interest rate and currency risks resulting from Group's operating activity and its sources of finance. These derivatives are used for the hedging of existing transactions, and serve to reduce currency, interest rate and commodity price risks.

Financial risks

The Group is subject to market, credit and liquidity risks, as well as the currency and interest rate risks described above. Consequently, the Executive Board has implemented a risk management system which is monitored by the Supervisory Board. The risk management system is integrated in the Chief Financial Officer's area of responsibility while the Executive Board bears ultimate overall responsibility. The rules are designed to promote responsible treatment of risks and prudent actions among all Group employees. Management of risk is the responsibility of the Company management. Together with experts for financial risk, the management of the Company prepares a suitable framework for managing financial risks. This framework ensures that the activities of the Company that entail financial risk are carried out with the relevant guidelines and procedures, and that financial risks are identified, assessed and managed in line with these guidelines, taking into account the Company's receptivity to risk.

All derivative transactions entered into for purposes of risk management are managed by expert teams that have the necessary knowledge and experience, and are subject to adequate supervision. The guidelines for management of the risks set out below have been audited and approved by the Company management.

Credit risk

Credit risk is defined as the risk of the Group suffering a loss (risk of default) because a counterparty fails to fulfill its obligations. The Group guidelines stipulate that transactions may only be entered into with creditworthy third parties to reduce the risks of non-performance. As a result of the financial crisis, management of the credit risk has grown in importance. The creditworthiness of major customers, especially in the Automotive sector, is subject to particular monitoring due to risks from trade receivables. If no rating information is available, the Group uses other available financial information and its own records to assess major customers. Customers, who wish to conclude credit-based transactions for the first time, are also regularly subjected to a creditworthiness check. Receivables are monitored on an ongoing basis to ensure that the Group is not exposed to any material credit risk. There are no significant concentrations of credit risks in the Group as major transactions are characterized by short-term maturity structures and the high credit ratings of the key-account customers.

Market risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments vary due to fluctuations in market prices. Market risk encompasses the following three types of risk: exchange rate risk, interest rate risk and other price risks, such as share price risk. Instruments subject to market risk include interest-bearing loans, deposits, available-for-sale financial assets and derivatives. The sensitivity analyses in the sections below relate to the situation as of December 31, 2014 and 2013. They were prepared on the basis of the hedging transactions existing on December 31, 2014, 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. The analyses do not account for any effects of changes in market variables on the carrying amounts of pension obligations and other post-employment benefits, provisions and non-financial assets and liabilities of foreign operations.

Fluctuations in the market price can result in significant cash flow and earnings risks for the Company. Changes in the exchange rates and interest rates applicable to foreign currencies impact ongoing operations as well as financing and investment activities. 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 income of the Group may deviate considerably as a result of actual market developments.

Commodity price risk

Procurement prices, especially for commodities such as steel and plastics are subject to significant fluctuations depending on the market situation. These cannot always be passed on to customers, which results in price risks. To hedge these risks, the Company seeks long-term supply contracts and consolidates volumes to limit volatility. Commodity futures contracts, to be recognized as derivatives under IAS 39, can also be entered into to hedge price risks related to purchases of commodities. The Group carefully monitors the development of markets as a basis for decision making about the implementation of hedging.

There were no commodity forwards for hedging price risks for raw materials as of the reporting date in 2014 or 2013, and no such contracts were concluded in either of these two years.

Currency risk

As a consequence of its international focus and business activities, the Group is exposed to currency risks. Fluctuations in exchange rates may lead to unforeseeable and unfavorable volatility in net income and cash flow. By transacting business in currencies other than the functional currencies of the respective Group companies, risks may arise from future payment flows. The risk is reduced by the requirement to invoice business transactions generally in the respective functional currency. In addition, where it is possible and cost-effective, commodities and services are purchased in the corresponding foreign currency and production takes place in local markets. The operating units are not permitted to raise or invest financial resources in foreign currencies for speculative purposes.

Cash flow hedges

During the reporting period, currency hedges were in place in PLN, CZK, USD and TRY, which satisfy the requirements for cash flow hedging. Moreover, currency forwards in USD were concluded but do not qualify for cash flow hedging.

As of December 31, 2014, currency forwards with a negative market value of EUR –51 thousand (2013: –16) were designated as cash flow hedging instruments. These forward transactions will be maturing in 2015. Consequently, EUR 9 thousand was included directly in equity in connection with currency hedging. Of this amount, a gain of EUR 360 thousand (2013: –944) was taken to net profit for the period. The settlement results are recognized under the financial result. There were no significant ineffective portions of hedging transactions to report in the income statement in the year under review.

The sensitivity analysis of changes in currency is based on the following assumptions:

- All monetary financial instruments not held in the functional currency are taken into account. The analysis is based on the original balance sheet items of the subsidiaries subject to a significant risk from functional currencies other than the Group's.
- Changes in foreign exchange rates relating to financial instruments that are part of a net investment in foreign operations have an impact on equity.
- Derivatives for the purpose of currency hedging that are designated as hedging instruments in the context of cash flow hedges have an effect on equity and are taken 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.
- For the determination of sensitivity to exchange rate risks, a change in the exchange rate of +/–10 percentage points on the reporting date (2013: 10) is assumed. All other variables remain constant.

The following table shows the sensitivity of consolidated net income before taxes and equity to a reasonably possible change in the exchange rate:

EUR k

	Changes in the price of the USD	Impact on profit before tax	Impact on equity
2014	+10%	4,845	–1,045
	–10%	–4,851	1,084
2013	+10%	4,030	–1,123
	–10%	–4,030	1,123

	Changes in the price of the TRY	Impact on profit before tax	Impact on equity
2014	+10%	–963	976
	–10%	963	–520
2013	+10%	–748	0
	–10%	749	0

	Changes in the price of the CZK	Impact on profit before tax	Impact on equity
2014	+10%	2,001	899
	–10%	–2,001	–737
2013	+10%	2,189	–1,525
	–10%	–2,189	1,864

	Changes in the price of the PLN	Impact on profit before tax	Impact on equity
2014	+10%	–757	–239
	–10%	757	316
2013	+10%	–460	–436
	–10%	460	534

	Changes in the price of the MXN	Impact on profit before tax	Impact on equity
2014	+10%	2,902	1,291
	–10%	–2,902	–1,291
2013	+10%	1,967	1,291
	–10%	–1,967	–1,291

	Changes in the price of the CNY	Impact on profit before tax	Impact on equity
2014	+10%	2,200	0
	–10%	–2,200	0
2013	+10%	1,996	0
	–10%	–1,995	0

Interest rate risk

The Company pursues a strategy of hedging interest rate fluctuation arising from floating-rate non-current financial liabilities. The market rates prevailing on the date on which the loan is taken out apply in the case of current loans, meaning that the interest rate risk is limited to fluctuations in the market on the date on which the loan is drawn. Interest on overdrafts is agreed on a rollover basis.

To optimize interest expenses and minimize risk, Group Treasury manages this risk centrally for all companies in the Group. To the extent permitted, GRAMMER AG Group Treasury makes financing available to all divisions and affiliated companies in the form of loans.

As of December 31, 2014, interest rate swaps with a total nominal volume of EUR 84.0 million (2013: 98.5) were in place in connection with the issue of the debenture bond to hedge interest rate changes affecting the floating-rate tranches and have the same residual maturity range of between one and five years as the underlying transactions. Consequently, EUR 1,022 thousand was included directly in equity in connection with interest rate swaps. Of this amount, losses of EUR –1,069 thousand (2013: –469) were recycled from equity to profit and loss in in the year under review. The negative market value of EUR 2,582 thousand (2013: 1,686) is reported under other current financial liabilities. The positive market value of EUR 0 thousand (2013: 544) is reported under other current financial assets. The Company recognizes changes in the market value in accumulated other comprehensive income.

The interest rate sensitivity analysis is based on the following assumptions:

- Financial instruments measured at amortized cost with a fixed rate of interest are not subject to interest rate risks and thus not included in the sensitivity analysis.

- Floating-rate primary financial instruments, the payments from which are not designated as hedged transactions for cash flow hedges against interest rate risks, have an effect on period income and are taken into account in the sensitivity analysis.

- Variable rate primary financial instruments, the payments from which are designated as hedged items for effective cash flow hedges against interest rate risks, have synthetic fixed rates and thus are not subject to interest rate risks. Accordingly, they are not taken into account for sensitivity analysis.

- Interest rate derivatives not designated as hedging instruments in the context of a cash flow hedge have an effect on period income and are thus taken account of in the sensitivity analysis.

- Interest rate derivatives that are designated as hedging instruments in the context of cash flow hedges have an effect on equity and are taken account of accordingly in the sensitivity analysis.

- The interest rate risk from currency derivatives is deemed insignificant, and thus not included in the sensitivity analysis.

- For determination of the sensitivity of interest rate derivatives, a parallel shift of the yield curve by +/–50 basis points (2013: 50) is assumed. The interest rate on deposits was reduced on interest-bearing current account balances to a minimal level of 0.001 %. As a result of the current low interest rate, a minimal basic rate of interest of 0.0000001 % was assumed for derivative financial instruments and otherwise a minimal basic rate of 0.001 % was applied.

The following table shows the sensitivity of consolidated profit before tax to a reasonably possible change in interest rates. All other parameters remain constant.

EUR k	Increase/ reduction in basis points	Impact on profit before tax	Impact on equity
2014	–50	–77	–614
	50	367	1,164
2013	–50	22	–844
	50	314	826

Liquidity risk

The Group manages liquidity risks by means of reasonable bank credit facilities of EUR 209.7 million (2013: 192.3) and through constant monitoring of forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The aim is to achieve a balance between covering the need for financial resources at all times and ensuring flexibility through the use of overdraft facilities, loans, bonds, factoring, finance leases and hire purchase agreement.

As of December 31, 2014, the Group had unutilized credit facilities of EUR 180.5 million (2013: 172.7), for which all the conditions required for utilization had been met. The following table shows the contractually agreed (undiscounted) interest and principal payments from primary financial liabilities and derivative financial instruments with negative fair values:

Liquidity risk

EUR k

2014	Carrying amount	Cash flow 2015	2016–2018	2019 and thereafter
Current and non-current financial liabilities				
Debenture bonds	142,594	3,988	99,961	51,169
Bank loans	26,451	22,844	4,319	0
Overdrafts	1,595	1,595	0	0
Current and non-current trade accounts payable	**193,225**	**192,201**	**1,107**	**0**
Current and non-current other financial liabilities				
Liabilities form finance leases	6,650	2,061	3,031	2,672
Other original financial liabilities	576	576	0	0
Derivatives				
Interest rate derivates	2,582	984	1,828	54
Currency derivates	410			
Incoming payments		9,627		
Payments in advance		–10,028		
		223,848	**110,246**	**53,895**

EUR k

2013	Carrying amount	Cash flow 2014	2015–2017	2018 and thereafter
Current and non-current financial liabilities				
Debenture bonds	160,514	22,404	93,417	62,085
Bank loans	11,561	6,022	5,956	0
Overdrafts	12,395	12,395	0	0
Current and non-current trade accounts payable	**152,701**	**150,525**	**2,419**	**0**
Current and non-current other financial liabilities				
Liabilities form finance leases	5,950	1,463	4,388	554
Other original financial liabilities	743	743	0	0
Derivatives				
Interest rate derivates	1,686	861	1,099	32
Currency derivates	53			
Incoming payments		–16,819		
Payments in advance		16,865		
		194,459	**107,279**	**62,671**

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 countercurrency.

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.

To monitor its financial structure, the Group uses net gearing, which is also a key financial parameter used by third parties to determine the ratio of net financial liabilities to equity. Net financial liabilities include current and non-current liabilities to banks as well as liabilities from finance leasing, less cash and equivalents, securities and short-term deposits. Equity comprises the equity attributable to the parent company's shareholders. The following covenants have been defined in the applicable loan contracts: maximum permitted financial leverage (net financial debt to EBITDA) and maximum gearing ratio (net financial debt to equity). The Group complied with these covenants agreed on with its creditors at all times during the year under review.

EUR k

	Dec. 31, 2014	Dec. 31, 2013
Non-current bank liabilities	145,255	146,788
Current bank liabilities	25,385	37,682
Liabilities from finance lease	6,649	5,950
Cash and securities	–83,999	–91,315
Net financial liabilities	93,290	99,105
Equity before minority interests	231,033	222,159
	137,743	123,054
	40.4%	44.6%

33 Events after the reporting date

Disclosure of shareholdings in the Company subject to section 21 WpHG

"Source Investment Management Limited, Dublin 2, Ireland, notified us on March 12, 2015 in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the thresholds of 3% and 5% on March 10, 2015 and stood at 6.26% (722,761 voting rights) on that day. Of this, 6.26% (722,761 voting rights) are attributable to Source Investment Management Limited under section 22 (1) sentence 1 number 6 WpHG. The voting rights are held by the following shareholder, whose share of the voting rights in Grammer AG is 3% or more: Source Markets PLC." (published on March 13, 2015)

"Source Investment Management Limited, Dublin 2, Ireland, notified us on March 12, 2015 in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had dropped below the thresholds of 5% and 3% on March 11, 2015 and stood at 0.85% (98,366 voting rights) on that day. Of this, 0.85% (98,366 voting rights) are attributable to Source Investment Management Limited under section 22 (1) sentence 1 number 6 WpHG." (published on March 13, 2015)

"Source Holdings Limited, Georgetown, Grand Cayman, Cayman Islands, notified us on March 16, 2015 in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the thresholds of 3% and 5% on March 10, 2015 and stood at 6.26% (722,761 voting rights) on that day. Of this, 6.26% (722,761 voting rights) are attributable to Source Holdings Limited under section 22 (1) sentence 1 number 6 in connection with sentence 2 WpHG. The voting rights are held by the following shareholder, whose share of the voting rights in Grammer AG is 3% or more: Source Markets PLC." (published on March 17, 2015)

"Source Holdings Limited, Georgetown, Grand Cayman, Cayman Islands, notified us on March 16, 2015 in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had dropped below the thresholds of 5% and 3% on March 11, 2015 and stood at 0.85% (98,366 voting rights) on that day. Of this, 0.85% (98,366 voting rights) are attributable to Source Holdings Limited under section 22 (1) sentence 1 number 6 in connection with sentence 2 WpHG." (published on March 17, 2015)

"Source Markets PLC, Dublin 2, Ireland, notified us on March 16, 2015 in accordance with section 21 (1) WpHG that its share of the voting rights in Grammer AG (ISIN: DE0005895403) had exceeded the thresholds of 3% and 5% on March 10, 2015 and stood at 6.26% (722,761 voting rights) on that day." (published on March 17, 2015)

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34 Other information

Employees

Annual average number of employees:

	2014	2013
Wage-earning employees	8,399	7,384
Salaried employees	2,047	1,931
Total	10,446	9,315

Breakdown of employees by Division as of December 31:

	2014	2013
Seating Systems	3,679	3,729
Automotive	6,761	6,101
Central Services	260	252
Total	10,700	10,082

Auditors' fees within the meaning of section 314 (1) No. 9 HGB

Fees for the auditor of the consolidated financial statements recognized as expenses in the reporting year amounted to EUR 490.5 thousand, of which EUR 121.3 was for the previous year's audit (2013: 66.2) Fees for tax-consulting services and for other attestation and assessment services stand at EUR 341.3 thousand (2013: 131.8) and for other services EUR 9.6 thousand (2013: 31.5).

Executive Board and Supervisory Board remuneration

EUR k

	2014	2013
Total remuneration paid to the Executive Board amounted to	2,239	2,314
The Supervisory Board received total remuneration of	482	490

Of the total remuneration of the Executive Board, EUR 371 thousand (2013: 543) is attributable to performance-related components and EUR 419 thousand (2013: 328) to components with a long-term incentive effect. The performance-related remuneration components and components with a long-term incentive effect are affected by the corresponding components from the prior year in the amount of EUR 23 thousand (2013: 70) and EUR 21 thousand (2013: –64) respectively.

Individual remuneration paid to the members of the Executive Board was as follows in fiscal year 2014:

EUR k

	Non-performance-related components	Performance-related components	Long-term incentive components	Total
Hartmut Müller	619	159	173	951
Manfred Pretscher	416	106	123	645
Volker Walprecht	414	106	123	643
	1,449	371	419	2,239

Provisions of EUR 2,016 thousand (2013: 950) were recognized for pension obligations to current members of the GRAMMER AG Executive Board.

Executive Board members receive no loans or advances from the Company.

A further EUR 291 thousand (2013: 278) was paid to former members of the management and the Executive Board and their surviving dependents.

Pension obligations towards former members of the management and the Executive Board and their surviving dependents are valued at EUR 6,082 thousand (2013: 5,059) as of the reporting date and corresponding provisions have been recognized under IAS 19 (revised).

Moreover, current service cost of EUR 605 thousand (2013: 206) for allocations to pension provisions arose for active members of the Executive Board. Of this, EUR 118 thousand (2013: 79) were for Mr. Hartmut Müller, EUR 79 thousand (2013: 58) for Mr. Manfred Pretscher and EUR 408 thousand (2013: 70) for Mr. Volker Walprecht.

Individualized remuneration for the Supervisory Board breaks down as follows:

EUR k

	Non-performance related components	Meeting fees	Total
Dr.-Ing. Klaus Probst	60.0	10.0	**70.0**
Martin Bodensteiner[1]	1.8	0.0	**1.8**
Tanja Fondel, M.A.[2]	26.9	4.0	**30.9**
Dipl.-Betriebswirt (FH) Wolfram Hatz	30.0	12.0	**42.0**
Bernhard Hausmann[3]	26.9	4.0	**30.9**
Lic. oec. HSG Ingrid Hunger	30.0	4.0	**34.0**
Dipl.-Kauffrau Tanja Jacquemin[4]	2.5	0.0	**2.5**
Dipl.-Betriebswirt (FH) Harald Jung	30.0	8.0	**38.0**
Anton Kohl[5]	20.0	2.0	**22.0**
Dipl.-Betriebswirt Georg Liebler	30.0	7.0	**37.0**
Dr. Hans Liebler, Dipl.-Kaufmann	30.0	4.0	**34.0**
Horst Ott	45.0	7.0	**52.0**
Wolfgang Rösl	30.0	8.0	**38.0**
Lars Schelenz[6]	8.7	2.0	**10.7**
Dr. Bernhard Wankerl	30.0	8.0	**38.0**
	401.8	80.0	481.8

[1] Member until Jan. 21, 2014
[2] Member from Feb. 8, 2014
[3] Member from Feb. 8, 2014
[4] Member until Jan. 31, 2014
[5] Member until Aug. 31, 2014
[6] Member from Sep. 17, 2014

No compensation was paid to former members of the Supervisory Board, and no such payments constitute a component of Supervisory Board remuneration. In fiscal year 2014, the Supervisory Board was not paid any performance-based remuneration.

35 Corporate governance

The Corporate Governance Statement pursuant to section 289 a of the German Commercial Code (HGB) along with the Declaration of Conformity with the German Corporate Governance Code (section 161 of the Stock Corporation Act (AktG)) are reproduced in the 2014 Annual Report and are permanently available on the company website under www.grammer.com/en/about-grammer/corporate-governance.

Boards

Members of the Executive Board and the Supervisory Board

Executive Board	
M.Sc. BWL, Dipl.-Ing. (FH) **Hartmut Müller**, Darmstadt	Chief Executive Officer
Dipl.-Ing. (FH) **Manfred Pretscher**, Meine	
Dipl.-Kaufmann **Volker Walprecht**, Essen	

Members of the Executive Board and the Supervisory Board

Supervisory Board	
Dr.-Ing. **Klaus Probst**, Heroldsberg	Chairman of the Supervisory Board
Horst Ott, Königstein	Deputy Chairman of the Supervisory Board, employee representative
Martin Bodensteiner, Freudenberg	Employee representative Member of the Supervisory Board until January 21, 2014
M.A. **Tanja Fondel**, Frankfurt a.M.	Employee representative Member of the Supervisory Board from February 8, 2014
Dipl.-Betriebswirt (FH) **Wolfram Hatz**, Ruhstorf a. d. Rott	
Bernhard Hausmann, Amberg	Employee representative Member of the Supervisory Board from February 8, 2014
Lic. oec. HSG **Ingrid Hunger**, Lohr a. M.	
Dipl.-Kauffrau **Tanja Jacquemin**, Frankfurt a. M.	Employee representative Member of the Supervisory Board until January 31, 2014
Dipl.-Betriebswirt (FH) **Harald Jung**, Nabburg	Employee representative
Anton Kohl, Hahnbach	Employee representative Member of the Supervisory Board until August 31, 2014
Dipl.-Betriebswirt **Georg Liebler**, Möglingen	
Dipl.-Kaufmann **Dr. Hans Liebler**, Gräfelfing	
Wolfgang Rösl, Sulzbach-Rosenberg	Employee representative

Members of the Executive Board and the Supervisory Board

Lars Schelenz, Kümmersbruck	Employee representative Member of the Supervisory Board from September 17, 2014
Dr. Bernhard Wankerl, Schwandorf	

Executive Board member professions and other offices within the meaning of section 285 (1) no. 10 HGB:

Executive Board:	
Hartmut Müller Chief Executive Officer	– Chairman of the Supervisory Board of GRAMMER AD, Trudovetz, Bulgaria – Member of the Supervisory Board of GRAMMER Interior (Changchun) Co., Ltd., Changchun, China – Member of the Advisory Board of IFA ROTORION – Holding GmbH, Haldensleben – Member of the Supervisory Board of Wieland-Werke AG, Ulm (from July 16, 2014)
Manfred Pretscher Member of the Executive Board HR Director	– Member of the Supervisory Board of GRAMMER AD, Trudovetz, Bulgaria – Member of the Supervisory Board of GRAMMER Interior (Tianjin) Co. Ltd., Tianjin, China – Member of the Supervisory Board of GRAMMER Seating (Jiangsu) Co., Ltd., Jiangyin, China – Member of the Supervisory Board of CVC Commercial Vehicle Cluster GmbH, Kaiserslautern – Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH), United States
Volker Walprecht Chief Financial Officer	– Member of the Supervisory Board of GRAMMER Interior (Shanghai) Co., Ltd., Shanghai, China – Member of the Supervisory Board of GRAMMER Interior (Beijing) Co., Ltd., Beijing, China – Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH), United States

Professions and other offices held by the members of the Supervisory Board

Supervisory Board	
Dr.-Ing. Klaus Probst Chief Executive Officer of LEONI AG	– Member of the Advisory Board of Lux-Haus GmbH & Co., Georgensmünd – Member of the Supervisory Board of Zapp AG, Ratingen – Member of the Advisory Board of Deutsche Bank AG, Munich (region south)
Horst Ott 1st Representative of IG Metall Amberg	– No further offices
Martin Bodensteiner Supplier Development Commodity Coverings (Member of the Supervisory Board until January 21, 2014)	– No further offices
Tanja Fondel Trade union secretary, IG Metall Vorstand, Frankfurt a. M. (Member of the Supervisory Board from February 8, 2014)	– Member of the Supervisory Board of Harman Becker Automotive Systems GmbH, Karlsbad
Wolfram Hatz Self-employed businessman, executive director of Motorenfabrik Hatz GmbH & Co. KG and Hatz Holding GmbH	– Member of the Advisory Board of Commerzbank AG, Frankfurt a. M.
Bernhard Hausmann Team leader Intercompany Processing (Member of the Supervisory Board from February 8, 2014)	– No further offices
Ingrid Hunger Management chairperson of HUNGER Hydraulik Gruppe	– No further offices
Tanja Jacquemin Political Secretary of IG Metall Frankfurt a. M. (Member of the Supervisory Board until January 31, 2014)	– Member of the Supervisory Board of Porsche Holding Stuttgart GmbH, Stuttgart – Member of the Supervisory Board of Vinci Energies Deutschland GmbH, Frankfurt a. M.
Harald Jung Vice President Division Controlling Center Consoles	– No further offices
Anton Kohl Foreman (Member of the Supervisory Board until August 31, 2014)	– No further offices
Georg Liebler Consultant, owner of Georg Liebler Consulting Services, Former member of the Executive Board of KSPG AG	– No further offices
Dr. Hans Liebler Independent Investment Advisor	– Member of the Supervisory Board of Augusta Technologie AG, Munich – Member of the Supervisory Board of SKW Stahl AG, Munich (from January 1, 2014) – Member of the Supervisory Board of Washtec AG, Augsburg – Member of the Supervisory Board of J.P. Rosselet Cosmetics (Deutschland) AG, Bremen (until August 30, 2014) – Member of the Supervisory Board of Autowerkstattgroup N.V., Maastricht, Netherlands – Member of the Board of Directors of identive Inc., Santa Ana (CA), United States (until May 22, 2014)
Wolfgang Rösl, Industrial electrician	– Member of the Advisory Board of AOK, Amberg
Lars Schelenz Mechanical engineering technician (Member of the Supervisory Board from September 17, 2014)	– No further offices
Dr. Bernhard Wankerl, Attorney, law firm Dr. Wankerl and colleagues	– No further offices

Auditor's report

We issued the following opinion with respect to the Consolidated Financial Statements and the Group Management Report, which has been combined with the Parent Company's Management report:

"We have audited the consolidated financial statements prepared by GRAMMER Aktiengesellschaft, Amberg, comprising the consolidated statement of income, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and the notes to the consolidated financial statements as well as the Group management report, which is combined with the management report of GRAMMER Aktiengesellschaft, for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as they are to be applied in the EU, the supplementary provisions of German commercial law in accordance with Section 315 (1) HGB are the responsibility of the Company's statutory representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidation, the definition of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU, the supplementary provisions of German commercial law in accordance with section 315a (1) of the German Commercial Code and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Nuremberg, March 19, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Sieger	Oßmann
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

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

Amberg, March 19, 2015

GRAMMER AG
The Executive Board

GRAMMER Group Five-year Overview according to IFRS

in EUR m

	2014	2013	2012[1]	2011	2010
Group revenue	1,365.9	1,265.7	1,133.0	1,093.5	929.7
Automotive revenue	911.6	813.3	711.1	680.3	610.2
Seating Systems revenue	478.7	472.8	439.1	438.0	341.9
Income statement					
Gross profit	158.3	155.9	141.7	142.5	119.6
EBIT	57.0	58.0	49.0	49.4	32.9
EBIT margin (in %)	4.2	4.6	4.3	4.5	3.5
Financial result	–8.6	–15.6	–10.6	–15.1	–12.3
Profit/loss (–) before tax	48.4	42.4	38.3	34.3	20.6
Income taxes	–14.8	–12.8	–11.6	–12.2	–4.2
Net profit/loss (–)	33.6	29.6	26.8	22.1	16.3
Balance sheet					
Total assets	836.5	766.0	668.8	625.2	559.4
Non-current assets	319.1	298.5	266.8	260.6	245.9
Current assets	517.4	467.4	401.9	364.6	313.5
Equity	231.8	224.7	210.3	211.2	173.1
Equity ratio (in %)	28	29	31	34	31
Net financial debt	86.7	93.2	76.5	92.1	113.8
Cash flow statement					
Capital expenditure (without M&A)	51.5	46.8	39.0	37.6	38.1
Depreciation and amortization	36.7	34.3	29.1	27.5	26.3
Cash flow from operating activities	65.0	59.5	62.2	58.0	38.0
Employees					
Annual average	10,446	9,315	8,808	8,429	7,745
thereof in Germany	2,374	2,235	2,212	2,177	2,147
thereof outside Germany	8,072	7,080	6,596	6,252	5,598
Personnel expenses	282.2	251.6	232.3	229.6	208.4
Key share data					
Share price at year-end (XETRA, in EUR)	33.05	34.66	16.02	13.02	18.30
Market capitalization at year-end (in EUR m)	381.6	400.1	184.9	150.3	192.1
Dividend (in EUR)	0.75[2]	0.65	0.50	0.40	0.00
Earnings per share (in EUR)	3.09	2.67	2.38	2.02	1.60

[1] adjusted prior-year figures

[2] proposal

Financial calendar 2015 and trade fair dates[1]

Important dates for shareholders and analysts

Annual Report 2014	Mar. 30, 2015
Annual analyst and press conference for 2014	Mar. 30, 2015
Interim Report, first quarter of 2015	May 6, 2015
Annual General Meeting 2015 Location: ACC (Amberger Congress Centrum), 92224 Amberg	May 20, 2015
Interim Report, second quarter and first half of 2015	Aug. 5, 2015
Interim Report, third quarter of 2015	Nov. 4, 2015

Important Trade Fair Dates

BOOT 2015, Dusseldorf, Germany	Jan. 17, 2015 – Jan. 25, 2015
SIMA 2015, Paris, France	Feb. 22, 2015 – Feb. 26, 2015
Promat 2015, Chicago, United States	Mar. 23, 2015 – Mar. 26, 2015
Shanghai International Automobile Industry Exhibition, Shanghai, China	April 22, 2015 – April 29, 2015
GIE EXPO 2015, Louisville, Kentucky, USA	Oct. 21, 2015 – Oct. 23, 2015
Agritechnica 2015, Hanover, Germany	Nov. 10, 2015 – Nov. 14, 2015
METS 2015, Amsterdam, Netherlands	Nov. 17, 2015 – Nov. 19, 2015

[1] All dates are tentative and subject to change.

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