First Half Year

January to June 2011

GRAMMER

Key Figures[1)]

in EUR m	Q2 2011	Q2 2010	01 – 06 2011	01 – 06 2010
Group revenues	274.5	241.5	537.5	444.5
Automotive revenue	169.3	159.5	341.0	295.9
Seating Systems revenue	111.7	87.8	210.4	159.6
Income statement				
EBITDA	20.4	18.0	39.0	27.8
EBITDA-margin (in %)	7.4	7.4	7.3	6.2
EBIT	13.7	11.4	25.8	15.0
EBIT-margin (in %)	5.0	4.7	4.8	3.4
Profit/loss (–) before income taxes	10.9	9.4	18.7	11.0
Net profit/loss (–)	4.7	7.8	9.6	7.9
Statement of financial position				
Total assets	595.4	580.7	595.4	580.7
Equity	197.7	166.3	197.7	166.3
Equity ratio (in %)	33	29	33	29
Net financial debt	96.9	115.8	96.9	115.8
Gearing (in %)	49	70	49	70
Investments	7.0	7.1	16.9	15.6
Depreciation and amortization	6.7	6.6	13.2	12.8
Employees (June 30)			8,369	7,749
Key share data			June 30, 2011	June 30, 2010
Share price (Xetra closing price, in EUR)			17.22	10.38
Number of shares			11,544,674	10,495,159
Market capitalization (in EUR m)			198.8	108.9

[1)] according to IFRS

Content

GRAMMER AG, Amberg, is specialized in the development and manufacturing of components and systems for automotive interiors, as well as driver and passenger seats for offroad vehicles (tractors, construction machines, forklifts), trucks, busses and trains.

Our Automotive division supplies headrests, armrests, center consoles and integrated child safety seats to well-known premium carmakers and system suppliers for the automotive industry. The Seating Systems division comprises the truck and offroad seat segments as well as train and bus seats.

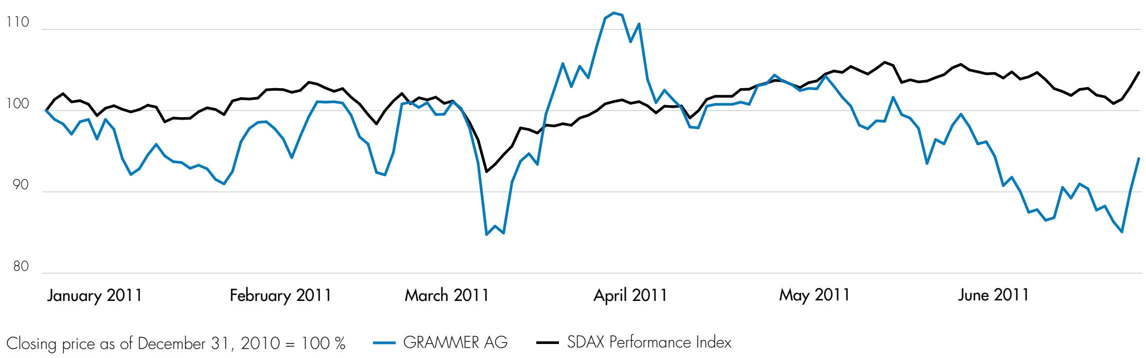
With more than 8,000 employees in 23 fully consolidated companies, GRAMMER has locations in 17 countries worldwide.

GRAMMER shares are listed in the SDAX segment of the German Stock Exchange, and are traded on Munich and Frankfurt stock exchanges, via the Xetra electronic trading platform and on the OTC markets of the Stuttgart, Berlin and Hamburg stock exchanges.

COMPANY PROFILE

GRAMMER Share

GRAMMER share and SDAX Performance Index – January to June 2011 (in %)



DAX and SDAX

Over the past several weeks, equity markets have been considerably impacted by the growing debt crisis in the Eurozone, especially the discussion about a Greek bailout. Further volatility has resulted from the continued sluggishness of the US economy and rising interest rates in a number of countries and regions.

Germany's benchmark DAX index closed at 7,376 points on June 30, 2011, 6.7% higher than the year-end close in 2010. The SDAX, where GRAMMER share is listed, has only seen sideward movement in the first half of 2011. It closed at 5,417 points on June 30, 2011, a rise of 4.7% since the start of the year.

GRAMMER share

On June 30, 2011, the GRAMMER share price closed at EUR 17.22. This represents a decrease in price of 5.9% in the period from January to June 2011. Following publication of the year-end financial figures for 2010 and announcement of a capital increase, the share price rose to over EUR 20. In May, however, the share's valuation declined slightly on low trading volumes.

Investor relations

Intensive communication with shareholders and analysts remained among the top priorities of our financial communication in the first half of the year. The Executive Board and Investor Relations department presented the Company's market position, business model and future strategy at a number of road shows located in Europe's key financial centers.

At the Annual General Meeting in Amberg on May 26, 2011, the Executive Board presented GRAMMER'S performance over the past fiscal year, providing details about our strategies and objectives. An open dialogue ensued, with the Board responding to questions and suggestions by the attending shareholders. Later on, in voting, all proposals were adopted with clear majorities.

All financial reports, press releases, presentations and other important information about the share are always available in the Investor Relations section of the GRAMMER AG website.

Shareholder structure

On July 21, 2011, GRAMMER AG received a notification that the percentage of voting rights held by Electra QMC Europe Development Capital Funds PLC, Dublin/Ireland is now 9.26%. The percentage share of voting rights held by Wynnefield Partners Small Cap Value L.P., New York/USA, totals 4.05 % (after the capital increase 3.04%). Sparinvest Fondsmæglerselskab A/S, Taastrup in Denmark holds 3.03% of voting capital in GRAMMER AG according to the notification dated June 30, 2011.

Only notifications relating to voting rights holdings of greater than 3% have been presented here.

Capital increase in April 2011

On April 14, 2011, GRAMMER AG implemented an accelerated bookbuilding procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. After conclusion of the capital increase, the share capital of the Company totals EUR 29,554,365.44 divided into 11,544,674 shares.

The new shares were placed at a price of EUR 18.20 per share. The total gross proceeds of the issue, EUR 19.1 million, will serve to improve the structure of the balance sheet and finance further organic and external growth of GRAMMER AG.

This capital increase is the first step in implementation of GRAMMER Group's new financing strategy. The proceeds from the issue will strengthen the equity side of the balance sheet and improve the balance sheet ratios. At the same time, the Company will have more leeway to invest in research and development for technologies and processes, as well as acquisitions to complete the value chain.

GRAMMER Group in the first half of 2011

Strong revenue and earnings growth

In the period from January to June 2011, both the Seating Systems and Automotive divisions saw significant revenue gains as compared to the first half year of the previous year, brought on by positive economic developments as well as new production starts in 2010. Consolidated group revenue was up 20.9 % to EUR 537.5 million (01 – 06 10: 444.5). As expected, a substantial increase was seen in Group EBIT, to EUR 25.8 million (01 – 06 10: 15.0). Second-quarter revenue performance was 13.7 % better than last year at EUR 274.5 million (Q2 2010: 241.5), along with operating profit, which likewise increased to EUR 13.7 million after EUR 11.4 million last year.

Revenue and earnings

Slowing pace of global economic growth

The global economy was characterized by dynamic activity in the first half. Growth, however, was fuelled mainly by the emerging markets, whereas recovery in western industrialized nations was slower. Since the spring of 2011, the global macroeconomic climate has been facing an extraordinary state of affairs, due for the most part to the tremendous earthquake in Japan and its consequences, political upheaval in North Africa and the Middle East as well as the Europe-Zone debt crisis.

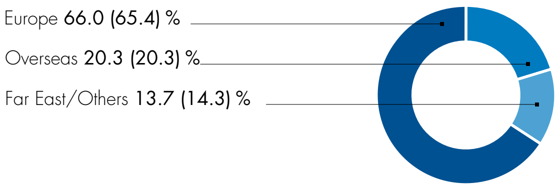
In the USA growth has been weaker than expected. The cause here included substantial increases in the price of fuel and food. Moreover, indicators of business sentiment were down in the second quarter. US consumers continue to hold back as the unemployment rate remains high. Despite some signs of recovery in the US job market, no significant improvement can be expected anytime soon.

Interest rate increases and political measures served to cool down the Chinese economy in the first half of 2011. During the second quarter, gross domestic product (GDP) was up 9.5 % year-over-year. For the six month period GDP increased by 9.6 %.

Economic activity in Europe has been seriously affected by the euro and debt crisis. Following Greece, Ireland, Portugal and Spain, financial markets are now concerned about the situation in Italy.

Germany continues to see sustained expansion. Growth here has been largely on the back of increased foreign demand and the start of a recovery domestically. Accordingly, first-quarter 2011 GDP was considerably higher (1.5 % vs. year-end quarter 2010). Projections put GDP growth in the second quarter 0.4 % higher than Q1. This was attributable in part to the positive employment market situation. The unemployment rate in June was 6.9 %.

Revenue by regions (previous year in brackets)



in EUR m

	01 – 06 2011	01 – 06 2010
Europe	354.5	290.7
Overseas	109.1	90.4
Far East/Others	73.9	63.4
Total	537.5	444.5

Group revenue substantially higher year-over-year

In the current overall economic environment, the positive revenue trend continued into the second quarter, with sales higher in both divisions and Group revenue increasing substantially for the period until June 30, to EUR 537.5 million (01 – 06 10: 444.5). Revenues were higher in all regions. Europe saw strong growth of more than 21.9 % to EUR 354.5 million (01 – 06 10: 290.7). Revenue growth was also solid in the Overseas region, climbing 20.7 % to EUR 109.1 million (01 – 06 10: 90.4). Far East/Others likewise saw satisfactory growth continue, albeit at a somewhat slower pace following strong periods of growth, with revenue totaling EUR 73.9 million (01 – 06 10: 63.4).

The clear increases in the Automotive division, especially in Europe and the US, were generated through new product launches as well as pleasing sales numbers and strong exports in the premium car segment.

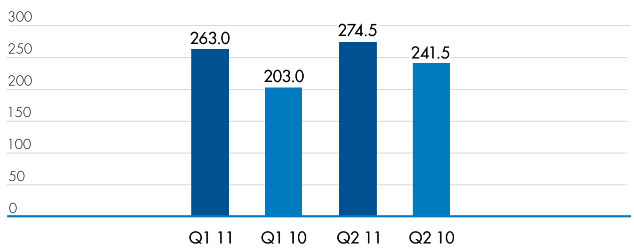
In the Seating Systems division, there has been a substantial recovery, which, alongside the booming markets of China and Brazil, has now led to stronger growth in Europe, too. After a weak first quarter 2010, there has been a significant trend toward recovery, especially the offroad segment. The increasing momentum gained from exports led to stronger than average growth in the Seating Systems division and contributed to further stabilization of strong demand.

Both divisions achieved better sales in the Overseas region, and positive development continued on the back of the improved market situation in the US. In Brazil, despite the high rate of revenue growth last year, the markets remain robust. The market continues to expand, though future market development must be very closely monitored. Revenue performance in Asia was once again higher year-over-year in both divisions during the first half of 2011.

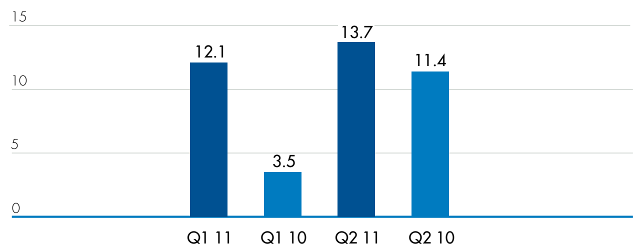
Consolidated earnings continue positive trend

Consolidated earnings before interest and taxes (EBIT) remained on the same successful course as in the first quarter of 2011, receiving a boost from the markets and the overall economic upturn. Operating profit was once again positive in the first half, at EUR 25.8 million, a substantial increase over the same period last year (01 – 06 10: 15.0). The second quarter was also up on the already strong prior-year quarter at EUR 13.7 million (Q2 10: 11.4). The measures implemented have taken hold and the high level of revenue in both divisions is bolstering earnings. Operating profit is being influenced by the expansion of truck production and intense exchange rate volatility. Both the positive and negative effects on earnings from the US dollar exchange rate and its volatility are a cause of concern given our the international nature of our operations. Moreover, commodity prices have risen, strongly in some cases, as a result of economic developments and the associated rise in demand. Price risks are increasing, especially for steel and petroleum-based products.

Group revenue development by quarter (in EUR m)



Group EBIT development by quarter (in EUR m)



Automotive division

Car industry continues to grow

The car industry continued to grow in the first half of 2011, albeit at a more moderate pace than last year. Developments varied considerably in different regions.

American automakers saw revenues grow by 13 % to 6.3 million light vehicles. Car sales were up 12 % year-over-year to 3.16 million, while light trucks moved 14 % higher, to 3.15 million units. German manufacturers were particularly successful in boosting US sales.

Demand for vehicles also continued unabated in Brazil, with the number of new vehicles sold rising 7 %.

The number of new car registrations in India rose in the first six months of 2011 by roughly 18 %. In China, nearly 10 % more cars were registered than in the previous year.

The Japanese car market experienced a severe drop-off of around 30 % in the first half year, in the wake of the natural disasters in March.

Russia saw new vehicle registrations increase by 60 % to around 1 million vehicles. This substantial improvement is attributable in large part to a national program of buyer incentives sponsored by the government.

The market in Western Europe was unable to perpetuate last year's positive performance, so that the number of new registrations fell by 2.1 %. In all, only 6.95 million new vehicles were registered.

The three major auto markets: France, UK and Italy saw no further growth in the period from January to June 2011. In France, there were only 1.2 million new vehicle registrations, a decline of 1.2 %. The UK experienced a decrease of 7.1 % (1.03 million vehicles), while Italy ended the first six months of the year with 13.3 % fewer vehicles (1.0 million) registered than last year. The most significant decline in Europe was in Greece, where registrations were down 43.9 %. Here, only 55,000 new vehicles are on the road so far this year.

The German automotive industry performed very well from January to the end of June 2011. In total, 1.6 million vehicles were registered in Germany, which is 10.5 % more than in the same period last year. Especially successful was business in the upper car segment, where sales were up 38.1 %. SUV sales increased by 38.0 %, while demand in the mini segment was down, with 10.8 % fewer registrations.

Equally positive as the number of vehicle registrations in Germany were the production figures in this period. In all, 2.99 million vehicles were produced, an increase of 5 % year-over-year. Demand was generated primarily in emerging markets and the USA.

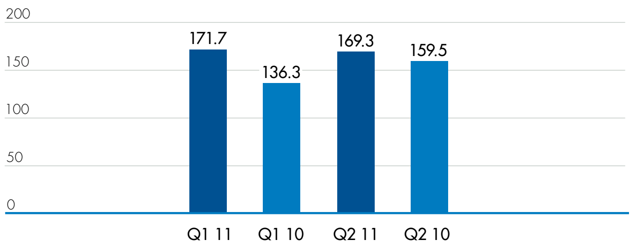
Automotive business characterized by new production starts and revenue growth

Business in our Automotive division in the first half year of 2011 was characterized by revenue growth from new production starts in 2010 as well as substantially stronger sales as compared to the same period the previous year. The further increase in demand for some of our customers' upper mid-size and premium vehicles, where sales were especially strong in places, as well as still booming export markets, meant that our revenue numbers continued to improve. On June 30, 2011, thanks to sales increases as a result of a recovering economy in Europe and the US, revenues were up 15.2 % or EUR 45.1 million year-over-year to EUR 341.0 million (01 – 06 10: 295.9). Focusing in the second quarter, revenues continued to increase despite the strong prior-year quarter, rising

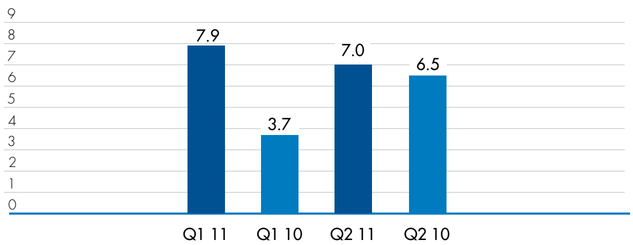
EUR 9.8 million to EUR 169.3 million. Through the new product launches and growth in the US, Automotive business has stabilized considerably in the US dollar region.

Operating profit increased to EUR 14.9 million in the first six months (01 – 06 10: 10.2), as a result of the above developments and the restructuring measures. In Q2, operating profit was up slightly to EUR 7.0 million (Q2 10: 6.5). In all, the first half finished with a significant improvement totaling EUR 4.7 million. The pleasing developments in the period demonstrate that the continued focus on growth in core products during the crisis was the right decision. Nonetheless, the short-term growth rates with volatile exchange rates and commodity prices were an ongoing source of significant challenges for the Group.

Automotive segment revenue development by quarter (in EUR m)



Automotive segment EBIT development by quarter (in EUR m)



Seating Systems division

Commercial vehicles market continues to grow
The market for commercial vehicles worldwide saw positive development in the first six months of the year.

In the US, there was further expansion compared to the same period in 2010 with growth in the double digits. Demand was especially strong for heavy trucks.

In Europe, new commercial vehicle registrations were also up, climbing approximately 14 % in the first half of 2011. Here as well, the primary driver of new registrations was the heavy trucks segment.

Overall sales were higher in Germany compared to the first half year of 2010, with commercial vehicles up to 6 t gaining 19 % in the first six months to 113,600 vehicles. Growth in vehicles over 6 t was even higher at 41 % or 44,850 new registrations. In all, 160,700 new vehicles were registered in the first half of 2011, 25 % more than in the same period last year.

Agricultural machinery
Investment levels in the agricultural sector continued to soar in the first half year of 2011. From January to June 2011, a total of 17,019 new tractors were registered in Germany. This represents an increase of 31.9 % as compared to last year.

Material handling
In the first half of 2011, the global market material handling equipment continued the recovery that began in 2010. Driving growth in this segment, in addition to Western Europe, North America and South America, were the markets of Eastern Europe and Asia. China was the market with the most significant increase in demand for material handling products.

Construction machinery
Construction machines are seeing a continued upswing with Asia still the most important growth market for the industry.

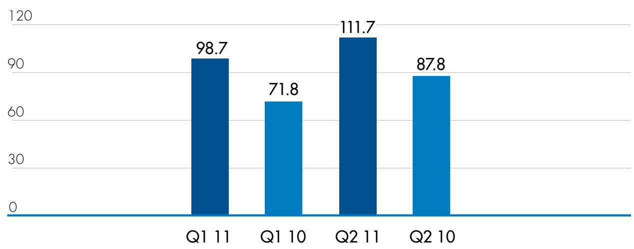
Rail industry
The worldwide railroad boom has resulted in the positive development for the rail industry over the past several months.

Business performance continues to improve
As in the final quarters of 2010 and during the first quarter 2011, performance in the Seating Systems division was very positive. The various business segments within the division generated extremely positive results and saw further high-level stabilization.

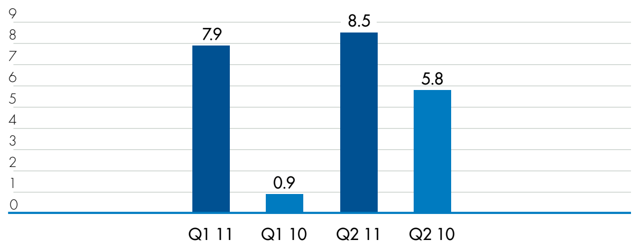
In the second quarter of 2011, the positive trend continued in impressive fashion. Continued strong demand for offroad products in Europe and stable performance in the Brazilian truck market were among the top contributors. In the Overseas and Asian offroad markets, revenues also continued to grow. The prior-year figures were exceeded significantly, which can be seen as a positive sign considering the strength of Q2 2010. In the railway segment, market performance in the first half of 2011 was subdued, though better than in the previous year.

Thus, revenue in the Seating Systems division rose by 31.8 % to EUR 210.4 million (01 – 06 10: 159.6). In the second quarter, the positive trend of the first quarter continued, with revenue increasing to EUR 111.7 million (Q2 10: 87.8). The initiated cost and capacity rationalization offensive in the offroad segment in 2010 is now serving to bolster earnings, so that operating profit in the first half year of 2011 rose significantly to EUR 16.4 million compared to EUR 6.7 million in the comparable period. The growth in earnings in the second quarter of 2011 was impressive, reaching a total of EUR 8.5 million (Q2 10: 5.8) despite the initiation of major projects. On the back of strong revenue performance, the Company was thus able to continue the pleasing developments of the past three quarters. This underlines in an impressive manner the effects of the prudently implemented restructuring measures, as well as the necessity of keeping structures adjusted to the low 2010 level.

Seating Systems segment revenue development by quarter (in EUR m)



Seating Systems segment EBIT development by quarter (in EUR m)



Financial position

Note on accounting figures: 2010 = December 31, 2010

Higher balance sheet due to growth

As of June 30, 2011, the total assets of GRAMMER Group amounted to EUR 595.4 million (2010: 559.4). This equates to a rise of EUR 36.0 million as compared to the close of 2010, attributable largely to the increase in trade accounts receivable and inventories as well as cash and short-term deposits. The uptrend in the performance of the divisions primarily affected current assets, which increased by EUR 38.3 million within GRAMMER Group to EUR 351.8 million. Trade accounts receivable increased to EUR 157.9 million (2010: 138.3) and other current financial assets to EUR 59.5 million (2010: 50.5). Inventories were higher year-over-year at EUR 93.0 million (2010: 88.9), as a result of business developments, particularly at the June 30 reporting date. Cash and short term deposits at the reporting date were up moderately year-over-year at EUR 20.2 million (2010: 17.2). Following reduction of deferred tax assets as a result of profit performance and loss utilization in some companies, non-current assets were EUR 2.3 million lower at EUR 243.6 million (2010: 245.9).

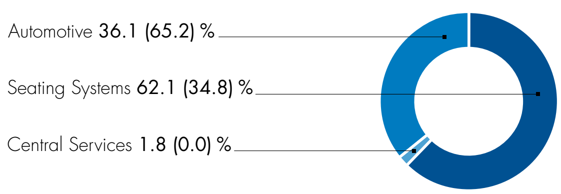
GRAMMER Group's equity was considerably higher than the 2010 year-end level at EUR 197.7 million (2010: 173.1), as a result of positive business performance and successful capital increase. On April 14, 2011, GRAMMER AG implemented a capital increase from authorized capital by way of an accelerated bookbuilding procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. After conclusion of the capital increase, the share capital of the Company totals EUR 29,554,365.44 divided into 11,544,674 shares. The new shares were placed at a price of EUR 18.20 per share. At roughly 33 % (2010: 31), the equity ratio is higher than it was on December 31, 2010.

To finance ongoing business, current liabilities increased by EUR 10.7 million to EUR 207.2 million (2010: 196.5). This change is primarily reflected by an increase of EUR 14.8 million in trade accounts payable along with an increase in other current liabilities to EUR 65.1 million (2010: 54.5). Our active working capital management and the capital increase permitted a EUR 14.0 million reduction in current liabilities to banks. Non-current liabilities totaled EUR 190.6 million, which is EUR 0.8 million higher than it was December 31, 2010 (2010: 189.8).

GRAMMER continues to push ahead with investments

As compared to the same period last year, investments by GRAMMER Group remained constant year-over-year at EUR 7.0 million (Q2 10: 7.0). With the setup of production for the new generation of truck seats and spending on expansion to optimize production in the Seating Systems division during Q2, the Company invested EUR 4.0 million (Q2 10: 1.5) in property, plant and equipment. In the Automotive division, investments totaled EUR 2.9 million (Q2 10: 5.5), which was used primarily for expansion as the result of orders received in 2010, for production starts in early 2011 and for building of production capacities in Schmölln and Mexico. In the Central Services division, we continued to hold back on investment.

Investments by segments, January to June 2011 (previous year in brackets)



in EUR m

	01 – 06 2011	01 – 06 2010
Automotive	6.1	10.1
Seating Systems	10.5	5.4
Central Services	0.3	0.0
Total	16.9	15.5

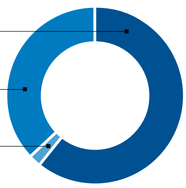
Employees

As of June 30, 2011, GRAMMER Group had a total of 8,369 employees (06/30/10: 7,749). The number of people employed in the Automotive division increased to 5,115 (06/30/10: 4,934). As of June 30, 2011, the Seating Systems division employed a total of 3,075 people (06/30/10: 2,635). The Central Services division employed 179 (06/30/10: 180) people.

In the Automotive division, the number of direct employees was increased, especially at plants outside of Germany, as the economy improved and new projects were begun. In particular, the locations in China, Mexico and Serbia hired direct employees due to new production starts and increasing revenues. At the Immenstetten location, the restructuring measures resolved in 2010 are being implemented and will be concluded over the course of the year. In the Seating Systems division, personnel development was heavily influenced by strong revenue growth, which necessitated increases in operating personnel capacity.

Through implementation of the restructuring and personnel adjustments at GRAMMER AG and the further capacity adjustments necessary in the Immenstetten and Wackersdorf locations, the cost structures and productivity levels in both divisions were substantially optimized, which has had meaningful impact on operating profit and led to some personnel expansion.

Employees by segments, June 30, 2011 (previous year in brackets)



as of June 30

	2011	2010
Automotive	5,115	4,934
Seating Systems	3,075	2,635
Central Services	179	180
Total	8,369	7,749

Outlook for full-year 2011

Global economic outlook

The first half of 2011 was dominated by the debt crises in Europe and the US, along with rising commodity prices globally.

The International Monetary Fund (IMF) is expecting the global economy to grow by 4.3% in full-year 2011. It is not expected, that the second half year will end weaker than the first quarter.

Unemployment must be expected to remain high in the United States. Moreover, excess supply in the real estate markets will continue to drag on economic performance throughout 2011.

For emerging markets, GDP is projected to grow by 6.6%. Leading the way will be China, where growth of 9.6% is expected. Growth in GDP of 8.2% is forecast for India.

Mature economies continue to lag behind the emerging markets. In the US, high unemployment will continue to plague economic performance with growth expected to come in at 2.5%.

Eurozone growth in full-year 2011 is forecast at 2.0%.

In Germany, the positive economic trend is set to continue and forecasters are calling for 3.2% growth.

Outlook automotive industry 2011

Positive outlook for the second half

The outlook for the second half of the year remains positive. Worldwide, there is an ongoing trend toward climate-friendly cars.

Performance was good in the American market during the first six months and expectations are that this trend will continue over coming half. For the year as a whole, forecasts call for 12.9 million new vehicle registrations, an increase of 12% over last year.

The Brazilian auto market will likely grow by 7% in 2011 to 3.6 million vehicles.

Growth is also expected for China, where experts are forecasting an 8% rise in new car registrations. And, the outlook is also positive for India. Here, new vehicle registrations are expected to rise by 17% year-over-year. For Japan, the natural catastrophe will likely result in a 15% decline in new vehicle registrations compared to last year.

Supported by the incentive program, a 15% rise in the number of new vehicle registrations, to roughly 2.2 million vehicles, is forecasted for Russia.

The market in Western Europe is expected to stagnate as a consequence of the euro crisis. In total, experts foresee around 13.0 million new vehicles being registered. Among the volume markets, only Germany is expected to see any positive development.

Forecasts are for 3.1 million new vehicles in Germany, a rise of 6% year-over-year. Production volumes in Germany are also expected to increase, with roughly 5.9 million units, or 7% more than last year.

Outlook commercial vehicle industry 2011

Commercial vehicle industry on upward trend
The 2011 outlook for the commercial vehicles industry is very optimistic.

In the US, it is expected that sales of commercial vehicles for the full year will increase 29% to 280,000.

The Chinese commercial vehicle market, the world's largest, is expected to grow by 2%, which must be seen as a relatively low rate of expansion. For full-year 2011, around 6.9 million new registrations are forecast.

Experts are anticipating 8% growth for Western Europe, where double-digit gains are also likely in the heavy truck segment.

In Germany, trucks over 6 t are set to lead the market in the coming half. Forecasters are expecting 92,000 new commercial vehicle registrations. This represents an increase of 25% as compared to 2010. Overall, the commercial vehicles market should grow by 14%.

Agricultural machinery industry optimistic for 2011
According to expectations, worldwide agricultural production is set to increase by 11% year-over-year. In Europe, the rate of expansion is expected to be 14%, with Germany seeing as much as 20% growth.

Forecasts for the Western European tractor market also look positive. Here, an increase in new tractor sales of more than 8% is projected.

Material handling
For the material handling market in Germany, it is expected that the positive performance in the first six months will continue throughout the year.

Construction machinery
As global construction volumes continue to rise, observers expect that the manufacturers of construction and building materials machines will improve on 2010 sales figures. Producers in China are anticipating double-digit growth for the market.

Rail industry
The outlook for the second half of 2011 is positive. Current order volumes are high, which points to a continuation of the market's good performance over the second half of the year.

Automotive division – outlook 2011
For the Automotive division, we are expecting strong revenue growth for 2011, based on current forecasts. For a number of upper and premium class vehicles, sales are seeing a stable rise since the model changeover, especially in German OEM and export business. This will also have a positive effect on our business performance. By year end, revenues will be well up on the previous year's levels thanks to various new production starts and the upward economic trend. Developments in export and emerging markets, however, are more difficult to gauge, as a result of higher order volatility and currency fluctuations. On the whole, assuming that demand remains at the current level, the new production starts in the mid-size and upper segments over the coming months will contribute to further recovery in the coming months. The risks to new production launches due to the catastrophes in Japan and the associated supply chain bottlenecks and production stoppages for OEMs could, however, negatively impact revenue growth. Thus far, there has been no noticeable impact from the aftermath of these events and difficulties. The future of these large order volumes and their constancy until the end of the year cannot yet be quantified given the current lack of concrete information from OEMs.

In addition to the revenue expectations, the 2011 operating result will also be substantially affected by commodity market and exchange rate developments. The impending restructuring measures at Immenstetten and the expansion of production capacities for new products will have an impact on results. With the expected stable revenues, operating results could climb further, as long as ongoing production is continued as planned by the customer and no additional costs arise from higher commodity prices. We are therefore expecting operating profit to be clearly positive in the coming quarters.

Seating Systems division – outlook 2011
In the Seating Systems division, the significant year-over-year revenue increases stabilized in the offroad segment. The favorable order situation in the offroad segment since the start of the year improved further on seasonal factors, and will continue at this level for the foreseeable future. It is already resulting in atypical demand trends for this time of year. Truck business is showing constant positive development in Europe and the emerging markets, so that revenues will hold steady at a high level. In all, 2011 full year revenues will be substantially higher year-over-year, though the rate of the rise has abated somewhat due to seasonal factors. Thus, the final months of the year will see positive revenue development that exceeds last year's expectations, provided no major turbulence emerges on forex and commodity markets from the euro crisis.

As a result of the better revenue levels in offroad business and improving sector performance, we expect that our good market position and still tolerable exchange rate environment will help Seating Systems business remain at the same pleasing level over the remaining months. The start of truck seat production will naturally impact the cost situation. Moreover, the risk from commodity prices in particular, which can be especially problematic for this division since the market already exerts substantial price pressures given the oligopolistic structures in steel and petroleum-based products. Exchange rate volatility is also a difficult risk to calculate given our growth in the emerging markets. On the whole, however, the earnings outlook is substantially improved over last year, even though a weaker second half is to be expected as a result of seasonal factors.

Outlook for full-year 2011 – GRAMMER Group

The positive momentum from economic developments and customer demand are stabilizing, giving rise to a clearly positive outlook. Risks remain, however, as a result of exchange rates and commodity prices. In second quarter, revenues were up substantially, and indications are positive for the coming quarters as well, though orders are still characterized by short lead times and volatility, which could lead to production problems in the event of sudden increases in the severity of these issues. Customers continue to hold back with concrete forecasts and reliable, long-term order volumes. GRAMMER Group's business performance is closely tied to macroeconomic and industry-specific conditions, and is thus largely determined by external factors. Consequently, despite relatively stable performance, problems could arise with revenue and earnings, over which the Company has no influence, especially in light of the euro crisis. After the good performance and rapid turnaround in 2010, GRAMMER Group is expecting solid revenue growth to continue throughout the current year. Revenue performance for full-year 2011 will beat previous-year levels by percentages in the low-double digits. This situation will persist at a somewhat higher level than last year as the year progresses. Conclusion of the planned restructuring in Immenstetten location and launch of truck seat production will remain the central focus at the headquarters of GRAMMER Group in the coming months. Based on the current developments and the fairly positive environment, earnings in this fiscal year are to be seen with considerably more optimism and will once again be higher than the previous year despite seasonal weakness in the final quarter, provided no further risks arise from exchange rate and commodity developments and the euro crisis does not significantly impede economic development.

Summary statement by the Executive Board

With a view to the business situation in the first six months of 2011 and the economic environment in Europe, Asia and the USA, our outlook for GRAMMER Group remains very promising. As a result of the effective measures implemented and completed restructuring, cost advantages are expected just as in 2010, which will likely lead to a clearly positive full-year operating result that will continue to exceed prior-year levels. The risks from exchange rates and commodity markets, as well as the euro crisis are being closely monitored, and may have a slight slowing effect in the event of extreme developments. With the signs of a stabilizing economic environment, we also see the pieces in place for substantial profits in 2011, as well as a continuation of our growth in revenue and earnings.

Opportunities and risks

In addition to the risks and opportunities to which we refer in the Management Report of the Annual Report for the fiscal year ended December 31, 2010, the facts described in the "Outlook" section of this report are currently relevant to the situation of the Company. This section contains forward-looking statements reflecting the opinions of the management of GRAMMER AG with respect to future events. These statements are based on the currently applicable plans, estimates and expectations of the Company. Consequently, they are subject to risks and factors of uncertainty. Moreover, there is an increased risk of price increases and bankruptcy among our suppliers, which our procurement department is attempting to mitigate through expanded monitoring activities and global sourcing.

Responsibility statement

We hereby affirm to the best of our knowledge, and in accordance with the applicable accounting principles, that the Consolidated Financial Statements/Interim Consolidated Financial Statements present a true and fair view of the net assets, financial position and earnings performance of the Group, and that the Group Management Report renders a fair view of the development and performance of the business and the situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Events subsequent to the reporting date

In July 2011, GRAMMER AG acquired a 100% stake in EiA Electronics N.V. The company is based in Aartselaar, Belgium and specializes in development, integration and distribution of electronic components for commercial vehicles. With the acquisition, GRAMMER has strategically expanded its technological competence in the area of electronics while broadening the Group's product range.

Moreover, with effect from June 30, 2011, Dr. Blankenstein announced his decision to step down from his post on the Company's Supervisory Board. GRAMMER AG would like to thank Dr. Blankenstein for his extraordinary commitment to our Company as a former member of the Executive and Supervisory Boards.

Amberg, August 2011

GRAMMER AG
The Executive Board

Consolidated Statement of Income as of June 30, 2011

EUR k

	Q2 2011	Q2 2010	01 – 06 2011	01 – 06 2010
Revenue	274,535	241,471	537,487	444,509
Cost of sales	−238,820	−208,654	−462,257	−386,003
Gross profit	35,715	32,817	75,230	58,506
Selling expenses	−6,380	−6,987	−12,780	−13,671
Administrative expenses	−18,744	−16,230	−41,528	−33,173
Other operating income	3,128	1,810	4,908	3,289
Operating profit/loss (–)	13,719	11,410	25,830	14,951
Financial income	340	271	646	570
Financial expenses	−3,165	−3,650	−6,276	−7,202
Other financial result	5	1,353	−1,529	2,690
Profit/loss (–) before income tax	10,899	9,384	18,671	11,009
Income taxes	−6,164	−1,535	−9,031	−3,100
Net profit/loss (–)	4,735	7,849	9,640	7,909
Of which attributable to:				
Shareholders of the parent company	4,702	7,840	9,567	7,903
Non-controlling interests	33	9	73	6
	4,735	7,849	9,640	7,909

Earnings/loss (–) per share

	01 – 06 2011	01 – 06 2010
Basic/diluted earnings/loss (–) per share in EUR	0.90	0.78

Group Statement of Comprehensive Income as of June 30, 2011

EUR k

	Q2 2011	Q2 2010	01 – 06 2011	01 – 06 2010
Net profit/loss (–)	4,735	7,849	9,640	7,909
Gains/Losses (–) from currency translation for foreign subsidiaries				
Gains/Losses (–) arising in the current period	–284	1,771	–2,575	1,697
Less transfers recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	0	0	0
Gains/Losses (–) from currency translation for foreign subsidiaries (after tax)	–284	1,771	–2,575	1,697
Gains/Losses (–) from cash flow hedges				
Gains/Losses (–) arising in the current period	–317	0	–317	0
Less transfers recognized in the Income Statement	57	0	57	0
Tax expenses (–)/Tax income	50	0	50	0
Gains/Losses (–) from cash flow hedges (after tax)	–210	0	–210	0
Gains/Losses (–) from net investments in foreign operations				
Gains/Losses (–) arising in the current period	–182	2,206	–1,154	5,737
Less transfers recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	136	0	0
Gains/Losses (–) from net investments in foreign operations (after tax)	–182	2,342	–1,154	5,737
Other comprehensive income	–676	4,113	–3,939	7,434
Total comprehensive income (after tax)	4,059	11,962	5,701	15,343
Of which attributable to:				
Shareholders of the parent company	4,033	11,948	5,639	15,327
Non-controlling interests	26	14	62	16

Consolidated Statement of Financial Position as of June 30, 2011

ASSETS

EUR k

	June 30, 2011	December 31, 2010
Non-current assets		
Property, plant and equipment	156,791	153,379
Intangible assets	48,768	50,249
Other financial assets	4,478	4,867
Deferred tax assets	33,575	37,419
	243,612	**245,914**
Current assets		
Inventories	93,024	88,888
Trade accounts receivable	157,937	138,294
Other current financial assets	59,523	50,483
Income tax assets	2,114	1,996
Cash and short-term deposits	20,203	17,170
Other current assets	18,969	16,656
	351,770	**313,487**
Total assets	**595,382**	**559,401**

EQUITY AND LIABILITIES

EUR k

	June 30, 2011	December 31, 2010
Equity		
Subscribed capital	29,554	26,868
Capital reserve	74,444	58,237
Own shares	−7,441	−7,441
Retained earnings	99,055	89,488
Accumulated other comprehensive income	1,558	5,486
Equity attributable to shareholders of the parent company	**197,170**	**172,638**
Non-controlling interests	490	463
Total equity	**197,660**	**173,101**
Non-current liabilities		
Non-current financial liabilities	98,048	97,852
Trade accounts payable	3,602	4,890
Other financial liabilities	5,549	6,169
Other liabilities	2,425	2,360
Retirement benefit obligations	63,019	61,078
Deferred tax liabilities	17,917	17,430
	190,560	**189,779**
Current liabilities		
Current financial liabilities	19,078	33,149
Current trade accounts payable	106,896	92,115
Other current financial liabilities	3,225	3,459
Other current liabilities	65,074	54,502
Current income tax liabilities	3,760	5,004
Provisions	9,129	8,292
	207,162	**196,521**
Total liabilities	**397,722**	**386,300**
Total equity and liabilities	**595,382**	**559,401**

Consolidated Statement of Cash Flow as of June 30, 2011

EUR k

	01 – 06 2011	01 – 06 2010
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	18,671	11,009
Non-cash items		
Depreciation of property, plant and equipment	11,625	11,239
Amortization of intangible assets	1,606	1,615
Changes in provisions and pension provisions	2,021	268
Other non-cash changes	–3,793	1,673
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivable and other receivables	–30,996	–46,985
Decrease/Increase (–) in inventories	–4,136	–12,971
Decrease/Increase (–) in other assets	3,726	–504
Decrease (–)/Increase in accounts payable and other liabilities	19,501	43,218
Gains/Losses from disposal of assets	–361	–437
Income taxes paid	0	0
Cash flow from operating activities	**17,864**	**8,125**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–16,697	–14,382
Purchase of intangible assets	–207	–1,169
Purchase of investments	0	–575
Disposals		
Disposal of property, plant and equipment	836	3,624
Disposal of intangible assets	9	0
Disposal of investments	378	32
Interest received	646	570
Government grants received	1,089	0
Cash flow from investing activities	**–13,946**	**–11,900**
3. Cash flow from financing activities		
Dividend payments	0	0
Purchase of own shares	0	0
Issue of shares	18,893	0
Repayment of bond	0	0
Changes in non-current liabilities to banks	196	28,056
Changes in current liabilities to banks	–13,292	14,354
Changes in lease liabilities	–791	–728
Interest paid	–5,112	–5,077
Cash flow from financing activities	**–106**	**36,605**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	3,812	32,830
Effects of exchanges rate differences	0	0
Cash and cash equivalents as of January 1	16,391	–20,806
Cash and cash equivalents as of June 30	**20,203**	**12,024**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	20,203	30,244
Securities	0	0
Bank overdrafts	0	–18,220
Cash and cash equivalents as of June 30	**20,203**	**12,024**

Consolidated Statement of Changes in Equity as of June 30, 2011

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash flow hedges	Currency translation	Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2011	26,868	58,237	89,488	−7,441	0	10,257	−4,771	172,638	463	173,101
Net profit/loss (–) for the period	0	0	9,567	0	0	0	0	9,567	73	9,640
Other profit/loss for the period	0	0	0	0	−210	−2,564	−1,154	−3,928	−11	−3,939
Total net profit/loss (–)	0	0	9,567	0	−210	−2,564	−1,154	5,639	62	5,701
Capital increase by issuing new shares	2,686	16,414	0	0	0	0	0	19,100	0	19,100
Transaction costs	0	−207	0	0	0	0	0	−207	0	−207
Dividends	0	0	0	0	0	0	0	0	−35	−35
Own shares	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0
As of June 30, 2011	29,554	74,444	99,055	−7,441	−210	7,693	−5,925	197,170	490	197,660

Consolidated Statement of Changes in Equity as of June 30, 2010

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash flow hedges	Currency translation	Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2010	26,868	58,237	73,186	−7,441	0	8,317	−8,641	150,526	465	150,991
Net profit/loss (–) for the period	0	0	7,903	0	0	0	0	7,903	6	7,909
Other profit/loss for the period	0	0	0	0	0	1,687	5,737	7,424	10	7,434
Total net profit/loss (–)	0	0	7,903	0	0	1,687	5,737	15,327	16	15,343
Capital increase by issuing new shares	0	0	0	0	0	0	0	0	0	0
Transaction costs	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Own shares	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	−17	−17
As of June 30, 2010	26,868	58,237	81,089	−7,441	0	10,004	−2,904	165,853	464	166,317

Selected Notes to the Grammer AG Consolidated Statement of Income for the Period from January 1 to June 30, 2011 and the Consolidated Statement of Financial Position as of June 30, 2011

Accounting

Grammer AG prepared its Consolidated Financial Statements for fiscal year 2010 and the present Interim Financial Statements for the period ended June 30, 2011 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The name "IFRS" also refers to the still applicable International Accounting Standards (IAS), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and those of the former Standing Interpretations Committee (SIC). Accordingly, this Interim Report for the period ended June 30, 2011, has been prepared in accordance with IAS 34 and should be read in context with the Consolidated Financial Statements published by the Company for fiscal year 2010. The possibility cannot be excluded that the IASB will make further pronouncements before the final preparation of the Consolidated Financial Statements for the fiscal year ending December 31, 2011, and that the standards applied in preparing these Interim Financial Statements will therefore deviate from the standards applied in preparing the Consolidated Financial Statements for the year ending December 31, 2011. Furthermore, there are currently individual pronouncements by the IASB that have yet to be endorsed by the European Commission and, as such, it should be noted that the figures presented in this report are preliminary and subject to change. The new or revised standards and interpretations of the IASB and IFRIC that came into effect on January 1, 2011 did not have a significant impact on the net assets, financial position and earnings performance of the Company, or were not relevant to the preparation of the Consolidated Financial Statements and will generally result in additional information in the Notes or changes in the form of presentation. The preparation of the Consolidated Financial Statements in accordance with the pronouncements of the IASB requires that assumptions be made for certain items, which affect the carrying amounts in the Consolidated Balance Sheet and the Consolidated Income Statement, as well as the data on contingent assets and liabilities.

The present Interim Consolidated Financial Statements have not been audited and contain all customary and ongoing adjustments necessary to provide a true and fair representation of the Company's business development in the periods under review. The results for the initial six months of 2011 are not necessarily indicative of future business development.

The Consolidated Financial Statements were prepared in euro (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR thousand).

Accounting and valuation principles

In preparing the Interim Financial Statements for the period ended June 30, 2011, and the comparative prior-year figures, the same accounting policies and principles of consolidation were applied as for the Consolidated Financial Statements for the year ended December 31, 2010. These principles and methods are described in detail in the Notes to the 2010 Consolidated Financial Statements, which were published in their entirety in the 2010 Annual Report. For 2011, the IASB has published further standards and requirements that currently do not appear to have any material impact on the Consolidated Financial Statements.

Estimates and assumptions

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 in the reporting period. Actual amounts may deviate from these estimates.

Scope of consolidation

In addition to GRAMMER AG, the scope of consolidation now includes five domestic and 17 foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IAS 27. A joint venture within the meaning of IAS 31 is also proportionately consolidated. GRAMMER AG holds 50% of the voting rights in this joint venture. All intragroup transactions, balances and liabilities are eliminated in the course of consolidation. The uniform reporting date for all of the consolidated companies is June 30, 2011.

Currency translation

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. Any resulting gains or losses are recognized in income. 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, insofar as they have been recognized directly in equity to hedge net investments that are included in net income for the period only after their disposal.

Any deferred taxes resulting from these translation differences are also recognized directly in equity. 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 euros from the respective local currency at the middle rate on the balance sheet date.

Income statement items are translated into euros 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	
		01 – 06 2011	01 – 06 2010	June 30, 2011	June 30, 2010
Brazil	BRL	0.438	0.420	0.442	0.453
China	CNY	0.109	0.110	0.107	0.120
United Kingdom	GBP	1.143	1.154	1.108	1.223
Japan	JPY	0.009	0.008	0.009	0.009
Mexico	MXN	0.060	0.059	0.059	0.064
Poland	PLN	0.252	0.249	0.251	0.241
Czech Republic	CZK	0.041	0.039	0.041	0.039
Turkey	TRY	0.450	0.492	0.426	0.515
USA	USD	0.709	0.753	0.692	0.815

Revenue

GRAMMER Group generates revenue primarily from the sale and delivery of its products to customers. Revenue comprises the following:

EUR k

	Q2 2011	Q2 2010	01 – 06 2011	01 – 06 2010
Gross revenue	275,403	242,518	539,381	446,075
Sales deductions	–868	–1,047	–1,894	–1,566
Net revenue	**274,535**	**241,471**	**537,487**	**444,509**

Revenue of EUR 537,487 thousand up to June 30, 2011 includes contract revenue of EUR 15,938 thousand (01 – 06 2010: 7,283) determined using the PoC method. These revenues relate to development activities as well as operating funds that must be expensed and financed by GRAMMER Group until a product reaches serial production and generates initial revenues. These are primarily attributable to the Automotive division.

Other income

Other operating income totaling EUR 4,908 thousand as of June 30, 2011 (01 – 06 2010: 3,289) includes income from the reversal of provisions and valuation allowances and proceeds from the sale of scrap metal and materials handling costs, as well as proceeds from the sale of property, plant and equipment.

Financial result

EUR k

	Q2 2011	Q2 2010	01 – 06 2011	01 – 06 2010
Financial income	340	271	646	570
Financial expenses	−3,165	−3,650	−6,276	−7,202
Other financial result	5	1,353	−1,529	2,690
Financial result	**−2,820**	**−2,026**	**−7,159**	**−3,942**

Financial income relates mainly to temporary surplus cash invested in the context of active cash management. Changes in the fair value of interest rate swaps that do not satisfy the requirements for hedge accounting must be recognized as income according to IAS 39, which leads to unrealized gains and losses within the financial result.

Financial expenses include interest expenses for loans and overdrafts. The financial result also contains the interest component of pension contributions and the interest component of lease payments in accordance with IAS 17.

Other financial result primarily relates to gains or losses from measurement of borrowing and loans in foreign currency terms.

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 expenditure required to set up reserves for warranty purposes is covered by this item as well. The cost of sales also includes non-capitalized research and development costs 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 recognized accordingly. As of June 30, 2011, the costs of inventories, which are recognized as an expense in cost of sales amount to EUR 442,552 thousand (01 – 06 10: 368,100).

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 centralized departments. Other administrative expenses also include income from exchange rate movements in the amount of EUR 6,693 thousand (01 – 06 10: 4,832) and mainly relates 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 balance sheet date. Foreign exchange losses amounting to EUR 8,090 thousand (01 – 06 10: 1,670) are also recognized under other administrative expenses.

Earnings per share
Basic earnings per share are calculated by dividing consolidated net income/net loss by the weighted average number of shares outstanding during the fiscal year.

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.

	01 – 06 2011	01 – 06 2010
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	10,617,386	10,165,109
Consolidated net profit/loss (–) (in EUR thousand)	9,567	7,903
Basic/diluted earnings/loss (–) per share in EUR	0.90	0.78

On April 14, 2011, GRAMMER AG implemented a capital increase from authorized capital by way of an accelerated bookbuilding procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. After conclusion of the capital increase, the share capital of the Company totals EUR 29,554,365.44 divided into 11,544,674 shares.

The new shares were placed at a price of EUR 18.20 per share for gross proceeds totaling EUR 19.1 million. In the period between April 14, 2011 and preparation of the consolidated annual financial statements, no further transactions have been concluded with ordinary shares or potential ordinary shares of the Company. No changes or further acquisitions of own shares occurred as of June 30, 2011.

Intangible assets
Intangible assets include capitalized Goodwill as well as capitalized development costs. In the period under review, EUR 207 thousand were invested in licenses, software and other intangible assets. Amortization costs totaled EUR 1,606 thousand (01 – 06 10: 1,615).

Property, plant and equipment
In the period until June 30, 2011, EUR 16,697 thousand were invested in property, plant and equipment. Depreciation in the same period totaled EUR 11,625 thousand (01 – 06 10: 11,239).

Inventories
The rise in inventories to EUR 93.0 million (2010: 88.9) is primarily attributable to the recovery of business activities. All inventories are carried at cost. There were no significant write-downs to the lower fair value.

Trade accounts receivable
The total receivables of EUR 157.9 million (2010: 138.3) can be attributed to the structure of revenue development over the past several months. The fair values of trade accounts receivable are equal to their carrying amount. In the context of the syndicated loan agreement, collateral has been ceded via blanket assignment in the amount of EUR 10,073 thousand as of June 30, 2011.

Other current financial assets
Other current financial assets primarily consist of receivables from construction contracts amounting to EUR 56.9 million (2010: 48.3), as well as other receivables in the amount of EUR 2.6 million (2010: 2.1).

Other current assets
Other current assets of EUR 19.0 million (2010: 16.7) include other assets totaling EUR 15.0 million (2010: 12.8) as well as EUR 4.0 million (2010: 3.9) from accruals and deferrals. Other assets primarily comprise pass-through tax claims such as value added tax, receivables from employees and receivables due from creditors with debit balances.

Subscribed capital
As of December 31, 2010, the subscribed capital of GRAMMER Group amounted to EUR 26,868 thousand divided into 10,495,159 no-par value shares. On April 14, 2011, GRAMMER AG implemented an accelerated bookbuilding procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. After conclusion of the capital increase, the share capital of the Company totals EUR 29,554,365.44 divided into 11,544,674 shares. All shares accord the same rights; shareholders have a right to payment of the defined dividend (with the exception of own shares) and may exercise one vote for each share at the Annual General Meeting.

Capital reserve
The capital reserve amounted to EUR 74,444 thousand (2010: 58,237) as of June 30, 2011. The capital reserve includes share premiums from the capital increases in 1996 as well as the premium from the capital increases in 2001 and 2011.

Revenue reserves
The statutory reserve of GRAMMER AG totaled EUR 1,183 thousand (2010: 1,183) on June 30, 2011, and is not available for the payment of dividends.

Revenue reserves reflect income earned in the past by the companies included in consolidation provided such income was not paid out as dividends. Revenue reserves increased from EUR 89,488 thousand the previous year to EUR 99,055 thousand as a result of the profit for the first half-year.

Accumulated other comprehensive income
Accumulated other comprehensive income mainly comprise adjustments arising from the translation of the financial statements of foreign subsidiaries, the effect of cash flow hedges as well as adjustments from net investments in accordance with IAS 21 and the related deferred taxes.

Dividends
The Company distributes dividends in accordance with section 58 (2) AktG based on net profit in the financial statements of GRAMMER AG, which are prepared according to the German Commercial Code. As of December 31, 2010, GRAMMER AG posted a net loss of EUR –26.0 million. This takes into account the loss of EUR 19.8 million carried forward, the allocation of EUR 2.0 million to other revenue reserves, as well as the withdrawal of EUR 2.0 million from the reserve for own shares transferred to other revenue reserves. Due to the legally mandated assumption of loss utilization, the net loss as of December 31, 2010 will be carried forward. No dividend was paid in the reporting year. In the context of dividend decisions, it must be noted that the Company holds 330,050 non-dividend paying own shares.

Own shares
As of June 30, 2011, and as of December 31, 2010 GRAMMER AG holds a total of 330,050 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 and represent 2.8589 % of share capital (post capital increase) or 3.1448 % of share capital (pre capital increase).

Authorizations
Pursuant to section 5 (3) of the Articles of Association, the Executive Board is authorized, subject to approval by the Supervisory Board, in accordance with section 202 AktG to increase share capital by a maximum of EUR 14.78 million through one or more issuances of bearer shares through May 25, 2016. The Executive Board is further authorized, in each case subject to the approval of the Supervisory Board, to decide on exclusion of shareholders' statutory subscription rights, provided this is necessary to eliminate fractional amounts; 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; if a capital increase is 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 make no use of the authorization under the new section 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.

In addition, the Annual General Meeting on May 28, 2009 also resolved to authorize acquisition of the Company's own shares amounting to no more than 10% of the share capital up to May 27, 2014, and to authorize the issuance of profit-participation rights with or without option or conversion obligations and/or bonds with warrants and/or convertible bonds and to exclude subscription rights, in addition to simultaneously creating contingent capital and amending the Articles of Association. This resolution was proposed to the Annual General Meeting on May 19, 2010 for a renewed or confirming resolution and the authorization was passed by the Annual General Meeting.

Non-current liabilities
Long-term financial liabilities comprise a debenture bond with a fixed interest rate of 4.8% and a total nominal value of EUR 70.0 million, which does not mature before the end of August 2013, as well as a KfW development loan embedded in the syndicated loan totaling EUR 28.0 million, which does not fall due until the end of March 2013 and has a fixed interest rate of 7.7%.

The syndicated loan is secured by mortgages and collateral pledged or assigned from fixed and current assets.

The increase in pension and other obligations to EUR 63.0 million (2010: 61.1) is due to existing commitments. The pension expense for the interim period is calculated on a year-to-date basis using a preliminary estimate based on the previous year's expert opinion adjusted to reflect significant events.

Current liabilities
As a result of the new financing structure since the capital increase, current financial liabilities totaling EUR 19.1 million are down considerably from the previous year's level (2010: 33.1) and include existing credit lines from the syndicated loan agreement in the form of bank overdrafts, the majority of which bear interest at money market-based rates.

Other current liabilities of EUR 65.1 million are substantially higher than the prior-year level (2010: 54.5) as a result of business developments. This item consists primarily of social security obligations owed to social security authorities and liabilities to employees from outstanding leave, overtime, flextime etc. It also includes liabilities relating to value added tax.

Income tax liabilities principally comprise income taxes for fiscal 2010 and the first half year of 2011.

Provisions contain amounts allocated for risks from the sale of parts and products, including development. These primarily comprise warranty claims calculated on the basis of previous claims and estimated future claims. This item also includes provisions for rebates, bonuses etc. that must be granted based on legal or constructive obligations and are payable after the reporting date but caused by sales prior to the reporting date.

Other provisions contain obligations related to personnel and social benefits such as partial retirement schemes and anniversary bonuses, as well as a number of identifiable specific risks and contingent liabilities, such as provisions for litigation costs, which are recognized at their probable amounts.

Cash flow statement
The cash flow statement presents the Group's cash flow situation broken down into cash inflows and outflows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification of the respective items. Cash flow from operating activities is derived indirectly from net profit before taxes, which is adjusted to include non-cash expenses (primarily depreciation and amortization) 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 intangible assets and investment property. 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.

Segment reporting

Segment information

For the purpose of management control, the Group is organized into operating segments by relevant products and services. The breakdown of segments is based on the corresponding internal organizational and reporting structure. The Group comprises two reportable segments:

The **Automotive** division is the segment involved in development and production of headrests, armrests, center consoles and integrated child safety seats, seat coverings and side upholstery elements. The segment is a supplier to automotive OEMs, particularly in the upper and premium segments, as well as their tier 1 suppliers.

In the **Seating Systems** division, the Company is a supplier to the commercial vehicle industry. Activities here involve the development and production of driver and passenger seats for trucks and driver seats for offroad vehicles (agricultural machines, construction machines and forklifts), and marketing of these to commercial vehicle manufacturers in aftermarket sales. The segment also develops and produces driver and passenger seats for sale to makers of busses and railway vehicles, as well as railway operators.

Corporate items and elimination of intragroup transactions are recognized under the heading "Central Services/Reconciliation".

The relevant information on the Group's operating segments can also be found in the Consolidated Financial Statements for the year ended December 31, 2010. The segment information is as follows:

Operating segments

EUR k

Fiscal year as of June 30, 2011	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	197,420	340,067	0	537,487
Inter-segment revenue	12,974	886	−13,860[1]	0
Total revenue	**210,394**	**340,953**	**−13,860**	**537,487**
Segment earnings (Operating profit)	**16,421**	**14,947**	**−5,538**	**25,830**

EUR k

Fiscal year as of June 30, 2010	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	149,376	295,133	0	444,509
Inter-segment revenue	10,268	754	−11,022[1]	0
Total revenue	**159,644**	**295,887**	**−11,022**	**444,509**
Segment earnings (Operating profit)	**6,751**	**10,201**	**−2,001**	**14,951**

[1] Sales to and income from other segments are strictly at arm's length.

Reconciliation

Reconciliation of the segment result (operating profit) with pre-tax profit is calculated as follows:

EUR k	01 – 06 2011	01 – 06 2010
Segment earnings (Operating profit)	31,368	16,952
Central Services	743	–694
Eliminations	–6,281	–1,307
Group earnings (Operating profit)	25,830	14,951
Financial result	–7,159	–3,942
Profit/loss (–) before income taxes	18,671	11,009

The item Central Services reflects areas centrally administrated by the Group headquarters. Transactions between the segments are eliminated in the reconciliation.

Related party disclosures

The following table details transactions with related parties as of June 30, 2011 an June 30, 2010:

EUR k Related parties		Sales to related parties	Purchases to related parties	Receivables from related parties	Liabilities to related parties
Jointly-controlled entities in which the parent is a venturer:					
GRA-MAG Truck Interior Systems LLC	2011	879	0	10,094	0
	2010	32	0	9,737	0

Contingent liabilities

Guarantees in the amount of EUR 32 thousand are in place primarily for leased offices and as contract guarantees to ensure against breaches of contract as of June 30, 2011.

Events after the balance sheet date

In July 2011, GRAMMER AG acquired a 100% stake in EiA Electronics N.V. The company is based in Aartselaar, Belgium and specializes in development, integration and distribution of electronic components for commercial vehicles. With the acquisition, GRAMMER has strategically expanded its technological competence in the area of electronics while broadening the Group's product range. Purchase price allocation is based on the fair values of the various assets and the purchase price share in excess of the total fair value is recognized as goodwill.

Other information

With effect from June 30, 2011, Dr. Bernd Blankenstein has left the Supervisory Board of GRAMMER AG.

Financial calendar and trade fair dates 2011[1)]

Important dates for shareholders and analysts

Interim Report, second quarter and half-year 2011	08/10/2011
German Investment Conference, Munich	09/27 – 09/29/2011
Interim Report, third quarter 2011	11/09/2011
German Equity Forum, Frankfurt	11/21 – 11/23/2011

Trade fair dates

Expo 1520, Moscow	09/07 – 09/10/2011
Eurospine Meeting, Milan	10/19 – 10/21/2011
GIE Expo 2011, Louisville, USA	10/27 – 10/29/2011
Agritechnica 2011, Hannover	11/13 – 11/19/2011
Mets 2011, Amsterdam	11/15 – 11/17/2011

[1] All dates are provisional only and subject to change without notice

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